



# Strategies to Support Economic Diversification



# Stronger CEDS, Stronger Regions

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A sunset over a body of water with a city skyline in the distance. The sky is filled with dramatic, dark clouds illuminated from below by the setting sun, creating a gradient of colors from deep purple and blue to bright orange and yellow. The water in the foreground is dark with gentle ripples, reflecting the light from the sky. In the background, a city skyline is visible, with buildings and trees silhouetted against the bright horizon.

**Resilience:** The ability of a region or community to anticipate, withstand, and bounce back from shocks and disruptions, including:

- Natural disasters or hazards
- Climate change impacts
- The closure of a large employer
- The decline of an important industry
- Changes in the workforce

# A DIVERSIFIED ECONOMY



# Meet the Trainer

**Erik Pages**

President  
Entreworks Consulting  
Arlington, VA





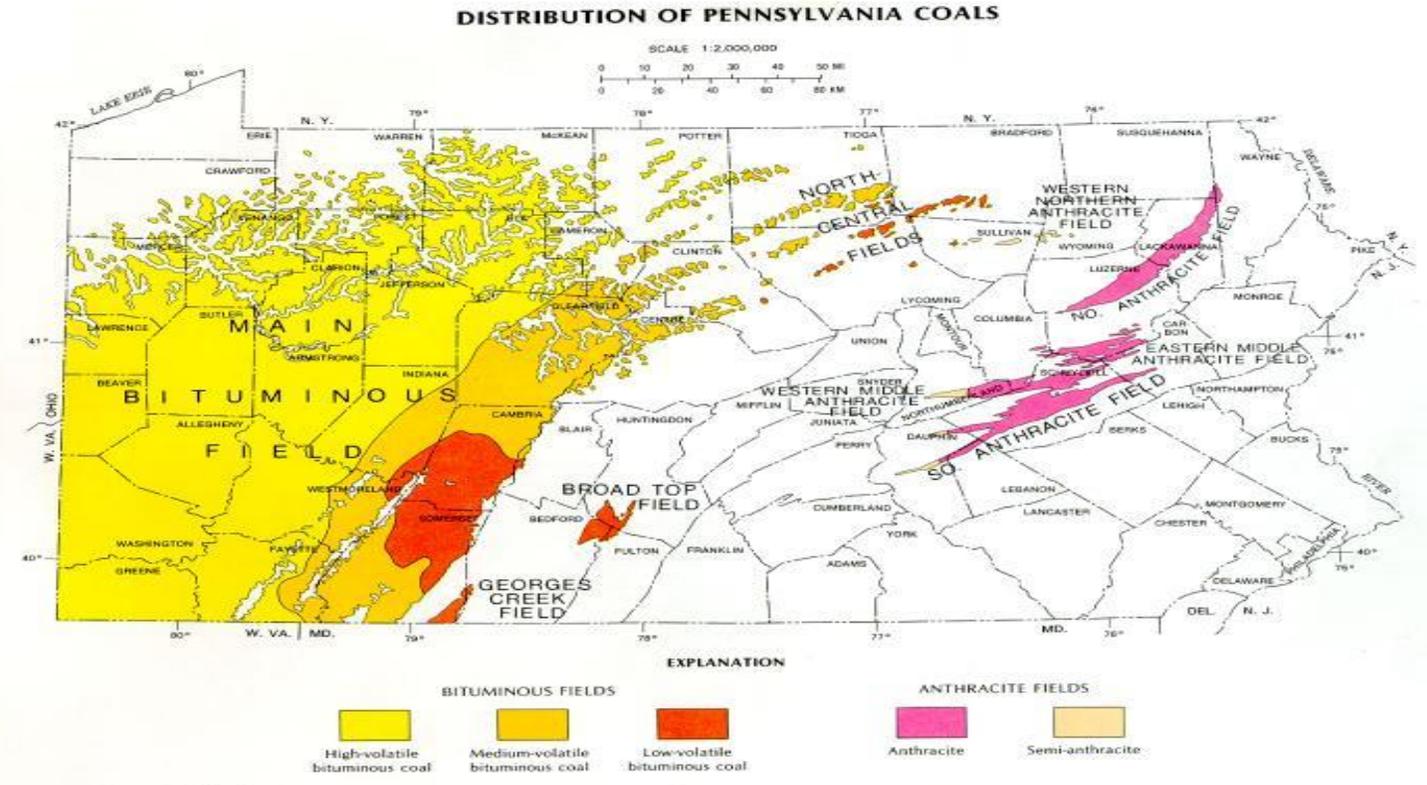
# Strengthening Economies across America: New Thinking about Resilience and Economic Diversity

Erik R. Pages

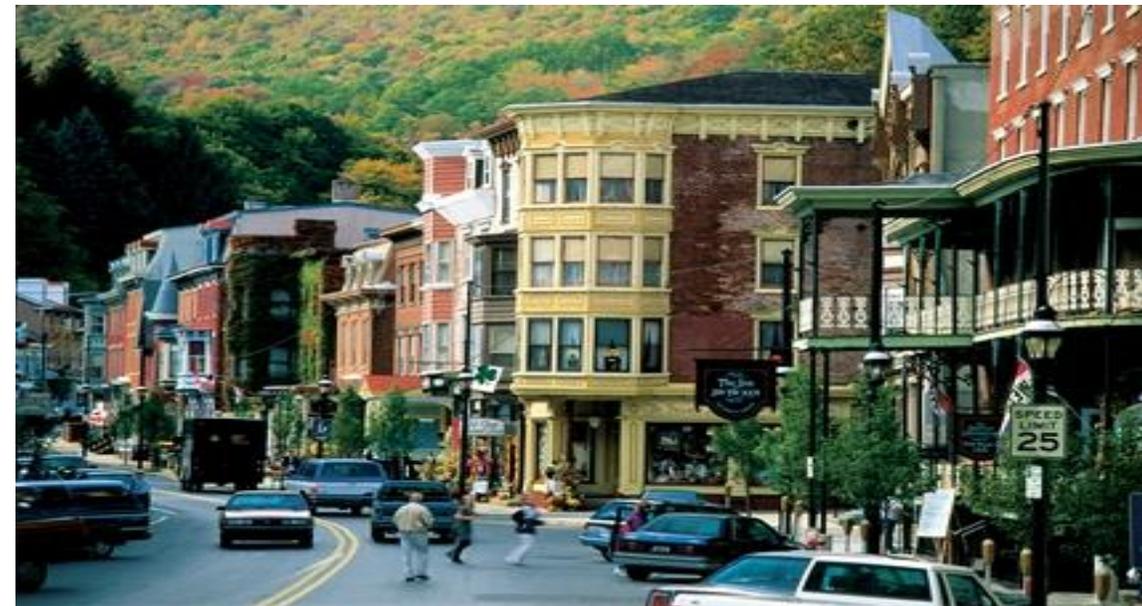
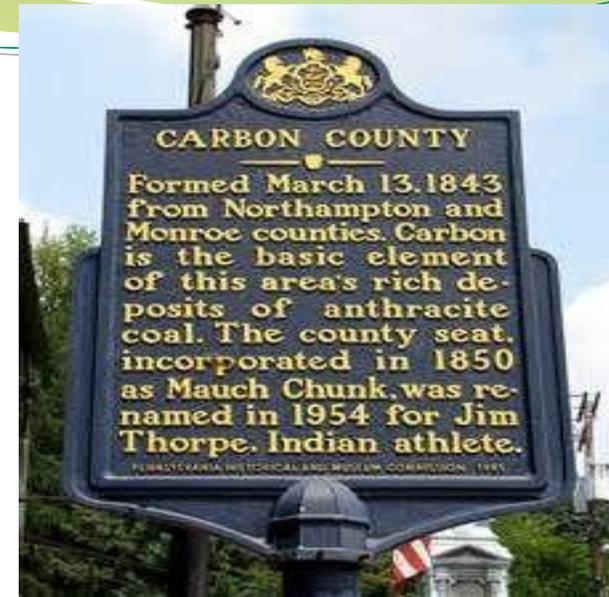
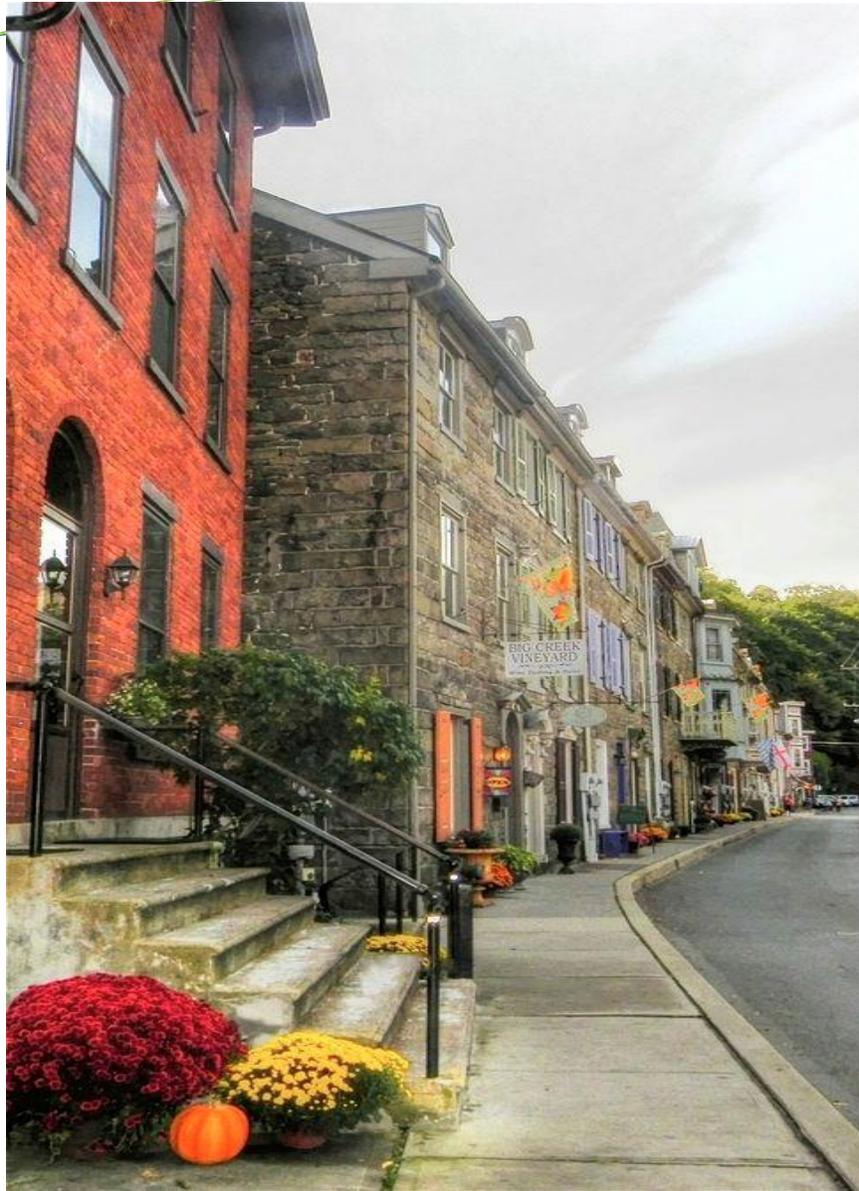
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# Today's Talk

- **My Tale of Pennsylvania's Anthracite Region**
- **Diversification 101**
- **Economic Transitions: What Have We Learned?**
- **The Coal Transition: What Have We Learned?**
- **Final Thoughts and Reactions**



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# Resilience and Economic Diversification



# What is Economic Diversification?

- Refers to regions with “a varied mix of industries and the absence of dominance of any one industry in terms of employment or income.”
- Economic Diversity can vary by:
  - **WHAT?** A region’s goods and services
  - **HOW?** A region’s talent base
  - **WHY?** A region’s suppliers and customers

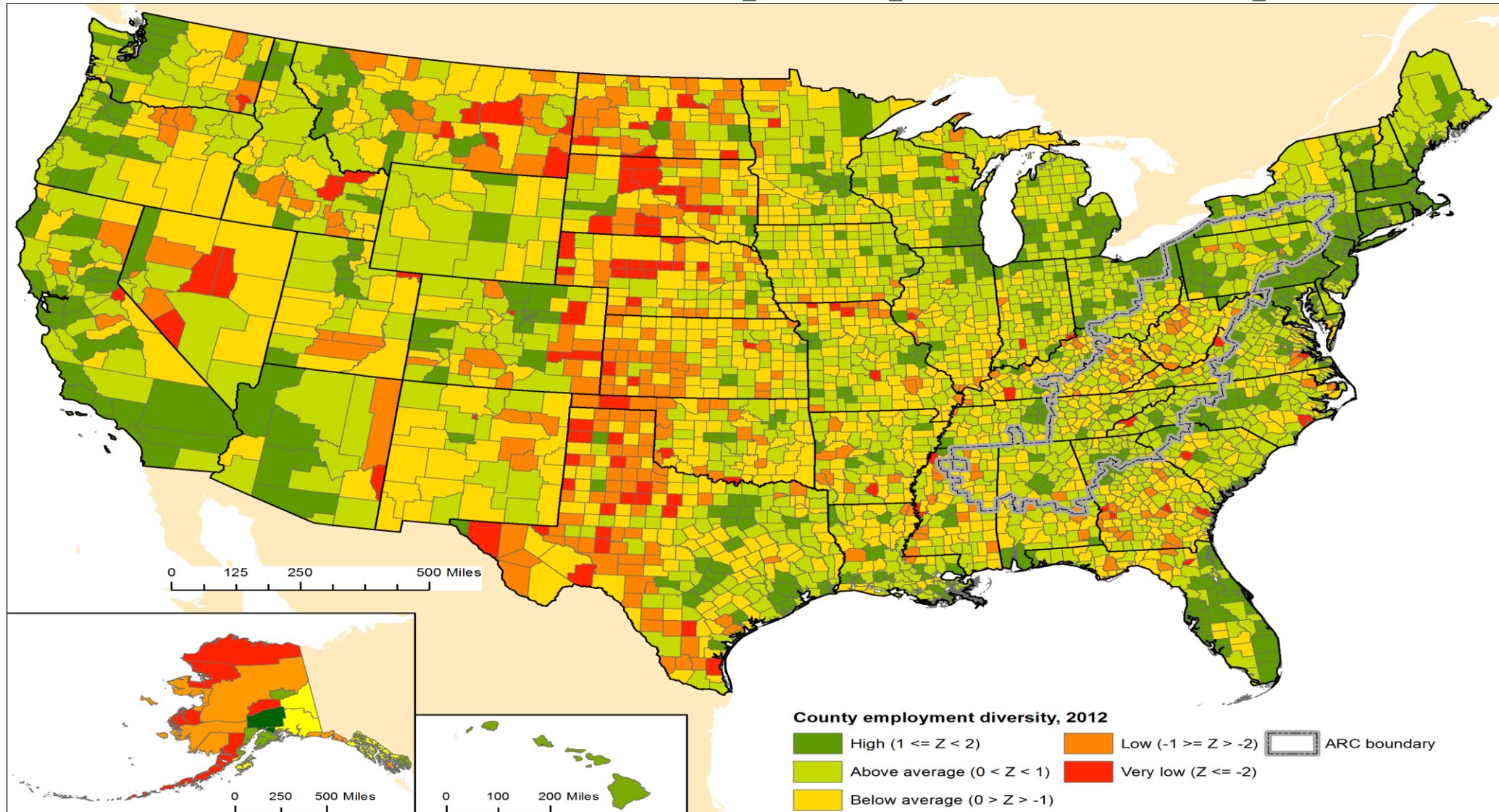
# Does It Matter?

- Economic Diversity should improve a region's:
  - Economic Performance
  - Stability
  - Resilience
- Case for Diversity-Stability Link is Strongest

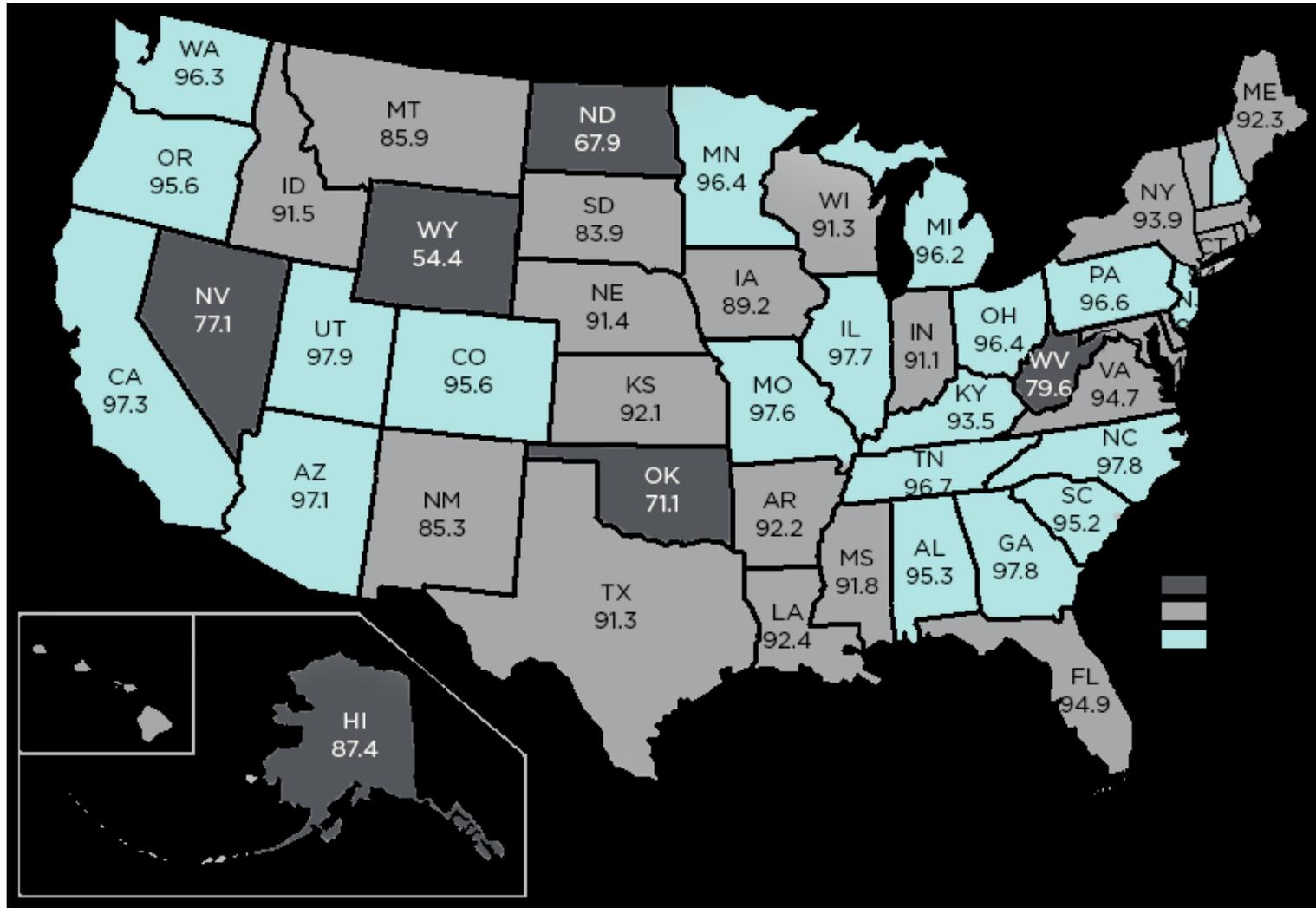
# Diversity in Theory: How to Measure?

- Industrial Diversity
- Functional Diversity
  - Focused on related groups of industries
    - E.g. Government Center, High-Tech Region
- Occupational Diversity
- Knowledge Diversity
  - Shared knowledge/capability used by different industries
  
- <http://economicdiversityinappalachia.creconline.org/>

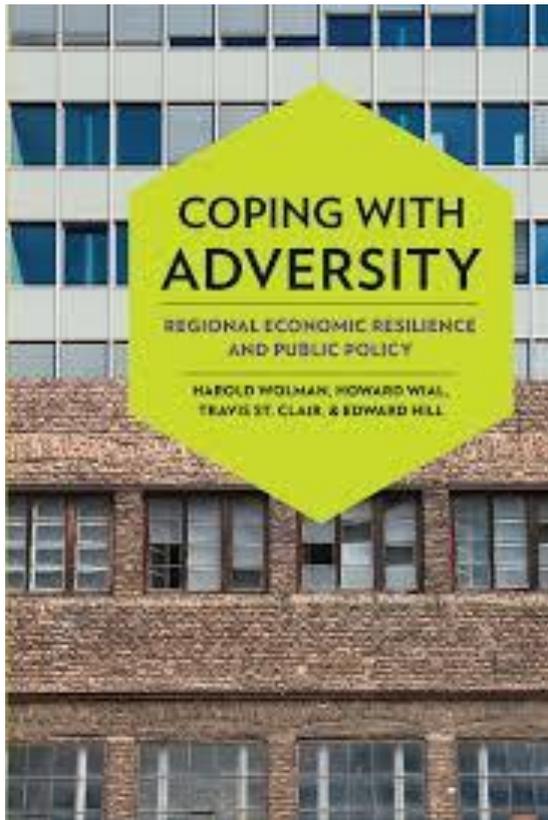
# Industrial diversity by County, 2012



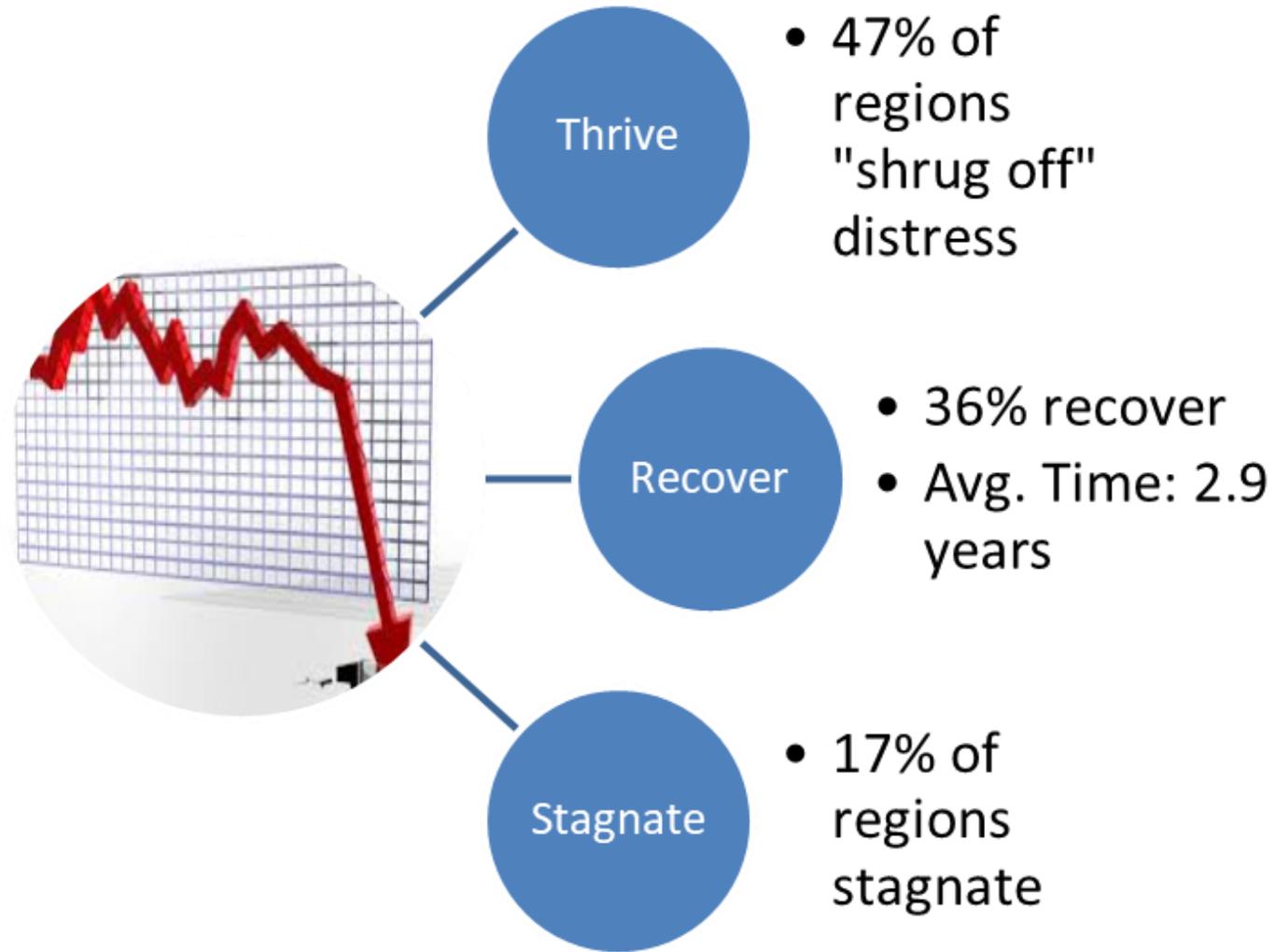
# Industrial Diversity by State, 2016



# New Thinking on Resilience



- Assessed all US Metros between 1978 and 2004
  - 1500 Economic Shocks
- Nature of shocks can matter greatly—e.g. regional vs. national downturn
- Community recovery patterns can vary greatly



# Community Responses: What Works for Revitalization?

- **Short-Term:** Limited options beyond marketing and promotion
  - Big Infrastructure Projects can help
- **Medium-Term:** Help firms start, innovate and diversify
  - Worker training and technical assistance to business
- **Long-Term:** Build and attract talent
  - Develop world-class infrastructure

# Other Lessons

## Short-Term: Can Shocks be Avoided?

- Can't avoid shocks—no region is able to avoid economic shocks
- ED Programs have little short-term impact on avoiding crisis or in quick recovery

## Long Term: How to Help?

- More resilient regions are:
  - More talent rich
  - Have diverse export sectors
  - Home to perceived “business-friendly” climate, including right to work laws
- ED programs have large long-term effects
  - Build talent
  - Develop amenities
  - Improve competitiveness

# Diversity in Practice: How do economic developers think about diversity?

- Diversity is often explicitly stated as a goal, but there are few, if any, explicit diversity strategies
  - Seen as a priority or value, not main focus of strategy
  - Often focused on growing a wide array of industries, more so than a wide array of wealth generators
- *Diversity-driven thinking* manifests itself through efforts to:
  - Mitigate risk
  - Capture opportunity

# Diversity-inspired strategies may involve:

- Creating new specializations or clusters
  - Investing in sites, buildings and infrastructure
  - Focusing on activities seen as outside 'traditional' ED activities
  - Workforce development and broadening local skill base
  - Improving connectivity (Road, Rail, Broadband, etc.)
  - Accessing growth centers (e.g., large, nearby metro areas)
  - Leveraging anchor institutions (e.g., universities)
  - **Or simply...Whatever Works**
- In the end, it is less about what those strategies are and more about how effectively those strategies are implemented.*

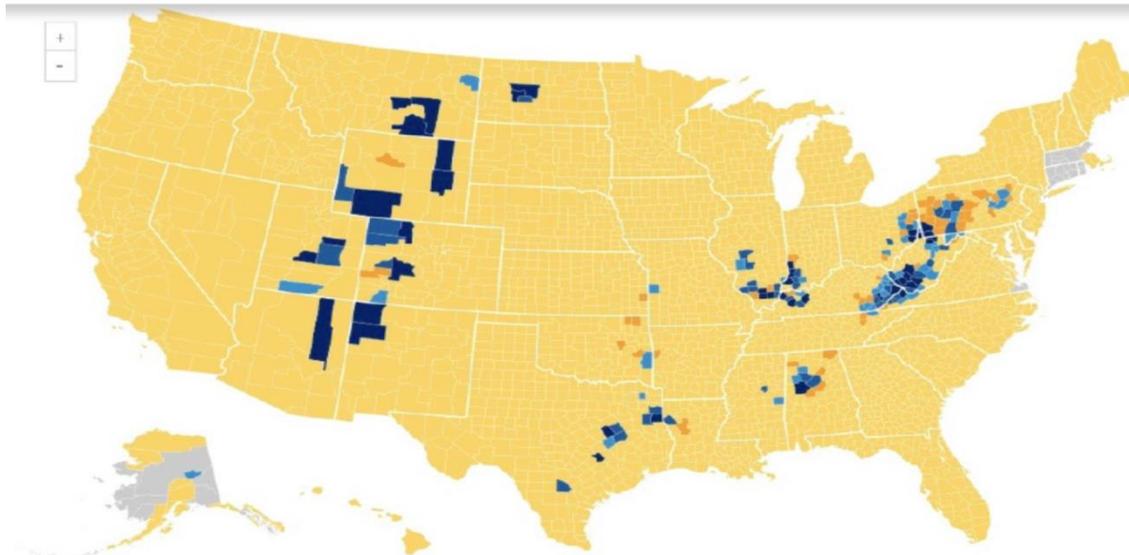


# **What's Happening in Coal- Impacted Communities?**

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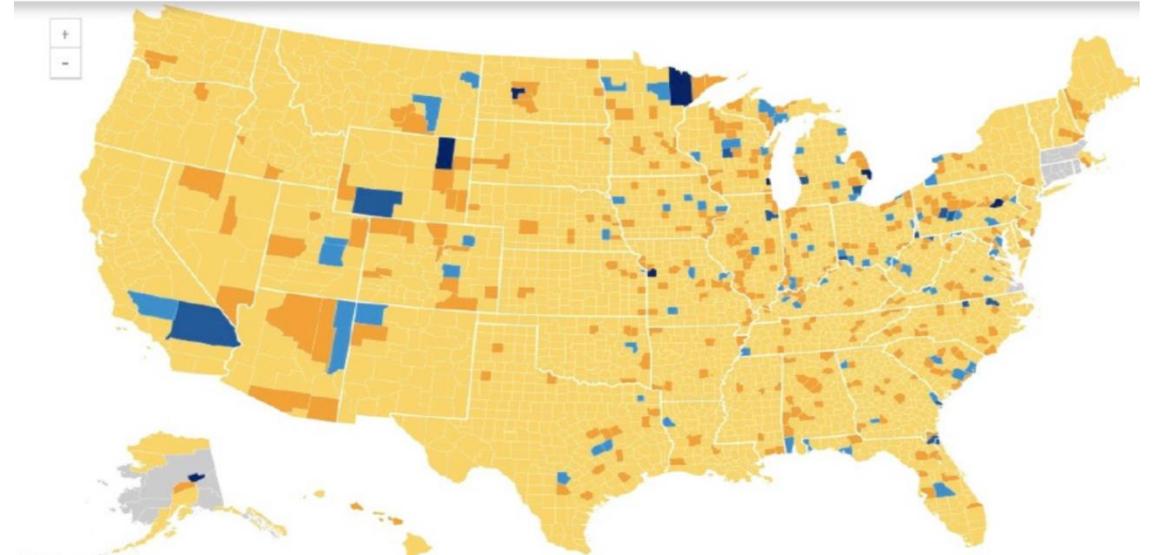
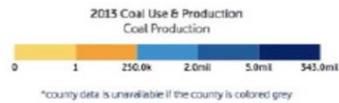


# What Regions are Affected?



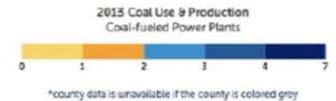
Source: NACo Analysis of U.S. Energy Information Administration Data, 2015

**Coal Producing Counties**



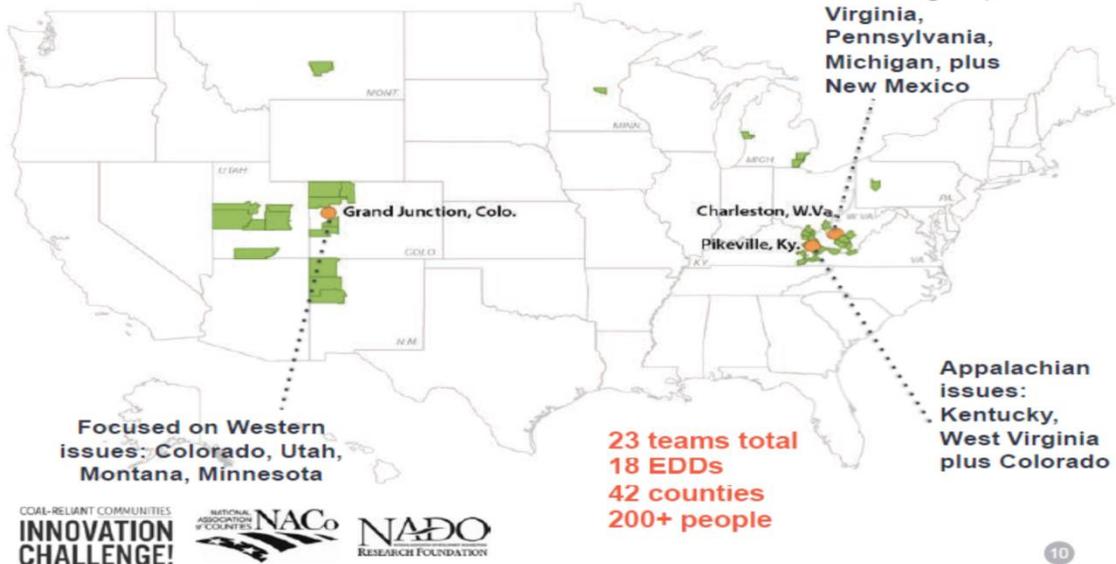
Source: NACo Analysis of U.S. Energy Information Administration Data, 2015

**Coal Power Plant Counties**



# What We've Learned: It's All About Talent

## Participants



# And it's about Home-Grown Innovators: Small & Local is Good!

## 1) Local is Good

- More Jobs
- Less Poverty

## 2) Smaller is Better

- Small Firms > Large Firms

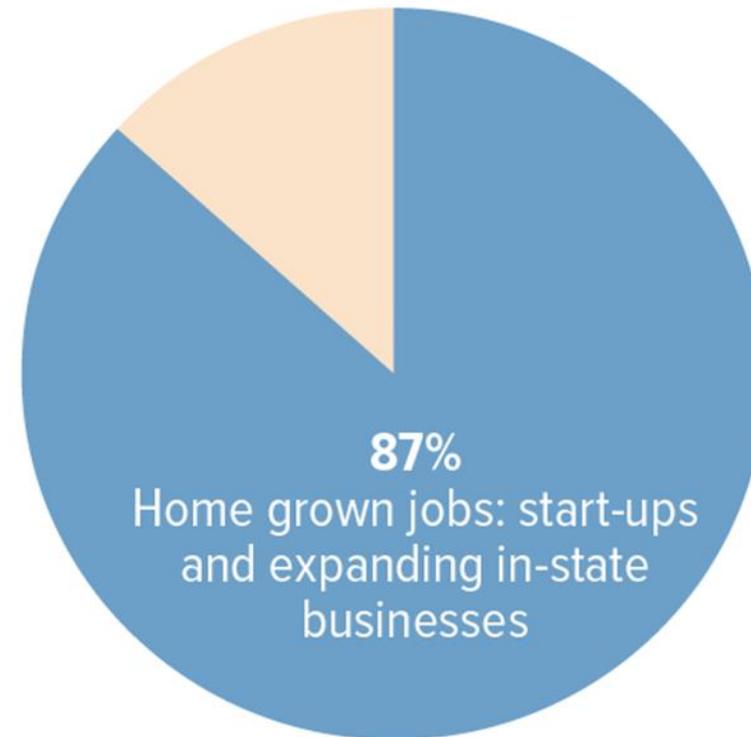


Source: Atlanta Fed (Rupasingha, 2013)

# That's Where the Jobs Are!

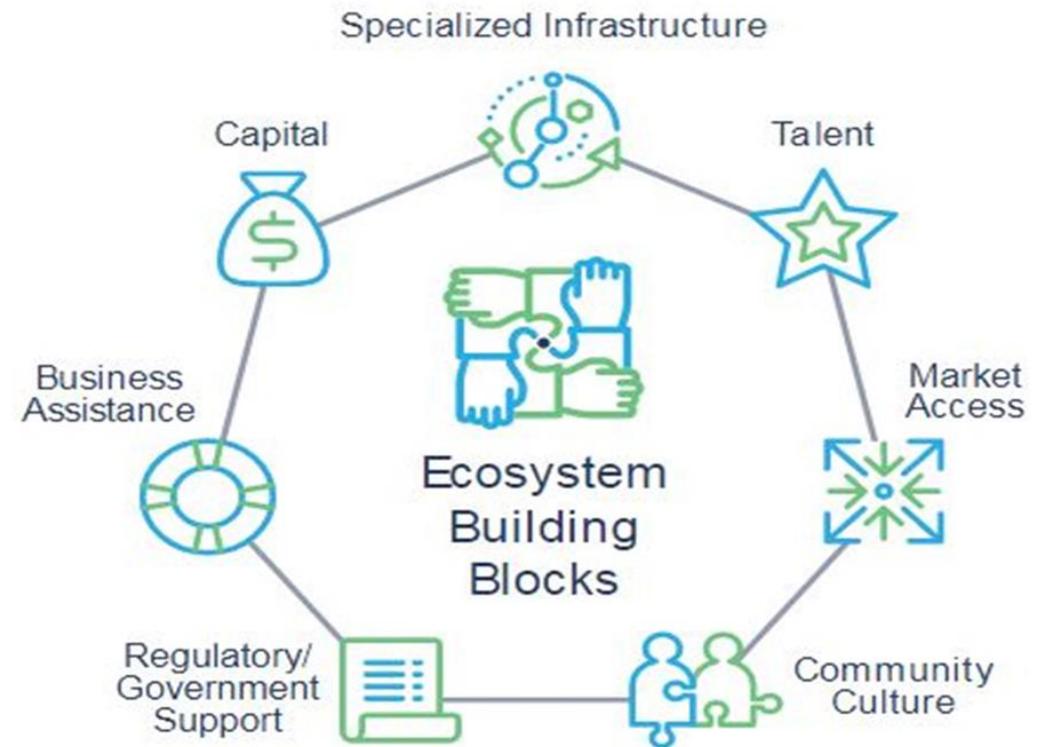
## Vast Majority of New Jobs Come From Businesses Already in a State

Shares of gross private sector job gains for the median state, 1995-2013



# How Do We Get Entrepreneurial and Inclusive?

- The Ingredients
  - Self-Belief
  - Access to Ideas
  - Relevant Skills
  - A Playing Field for Innovators





# **Broader Lessons from Coal and Beyond**

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# Places that successfully diversify their economy tend to:

- **Do their *research***
  - Honestly assess their strengths and weaknesses
  - Understand external opportunities and threats
  - Learn from other places
- **Make planning an *ongoing process***
  - Planning allows for intentionality
  - Among other things, an ongoing planning process:
    - Builds regional consensus
    - Integrates new leaders
    - Provides accountability

# Places that successfully diversify their economy tend to:

- **Leverage state, federal, private resources**
  - Not Just \$\$
  - Continuously seek resources to close gaps
- **Maintain and Build Local Capacity**
  - Among staff and community leaders
- **Incorporate a broad array of perspectives**
  - Think regionally
  - Look and work beyond their own silos (Traditional ED v. Other ED approaches)

# Some Final Thoughts: Lessons For Revitalization

- **Do It Yourself!**

- While Federal and state governments may provide resources, the **future of the region belongs to its residents.**

- **Regionalism works.**

- Economic activity does not respect political boundaries – neither should economic adjustment activity.

- **Thinks Assets, Not Gaps**

- Assess full range of local assets and build strategies to catalyze them.

- **No Secrets!**

- **Communications and transparency are vital** to create community trust and attract investment.

- **Execute in the Short-term/Plan for the Long-term.**

- Effective short-term plans to “stop the bleeding” build local trust and buy-in for longer term efforts. Early wins help!

- **Hit for Singles, Not Home Runs.**

- Immediately serving affected workers is necessary. But, the goal must be to **diversify local/regional economies.**

# Questions?

Erik R. Pages

EntreWorks Consulting

[epages@entreworks.net](mailto:epages@entreworks.net)

703-237-2506

[www.entreworks.net](http://www.entreworks.net)

BLOG: [www.entreworks.net/blog](http://www.entreworks.net/blog)

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