



A NEW APPROACH TO RURAL ECONOMIC DEVELOPMENT: BUILDING CAPACITY TO DRIVE EQUITABLE GROWTH

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CHALLENGES AND OPPORTUNITIES IN RURAL AMERICA

In too many places across the United States, the zip code where you were born dictates your ability to thrive. Nowhere is this more evident than in America's rural communities. **Eighty-five percent** of persistent-poverty counties in the United States – those that have experienced high levels of poverty for three or more decades – are rural. For years, rural communities have been the backbone of the United States' economy, providing the raw materials to build the country and the sustenance to feed ourselves. Unfortunately today, many are falling behind. The uneven nature of economic recovery in our nation has resulted in vastly different outcomes for individuals and families based on where they live. This is in part due to rapid changes in the industrial and employment structure of the economy, the rise of new technologies, and the consolidation of the financial sector, each of which have created unique challenges for rural communities.

These challenges necessitate new and novel strategies, especially in rural and tribal areas. State and local governments have often used incentives as the primary approach to economic development. More than **\$45 billion is spent annually** by states on business incentives, providing tax cuts to businesses that move or expand in the state based on projected jobs or investment numbers. As these incentives have come under greater scrutiny, research is finding **little connection** between incentives and economic growth. Incentives often invest in companies instead of people, which widens the disparity between communities and creates further competition that drains valuable local resources. For rural regions of the country to thrive, we must reexamine our approaches to and investments in communities and shift the focus to building capacity, better utilizing existing assets, coordinating limited resources, and working collaboratively and inclusively with communities. Collaboration, rather than competition, is vital.

For the past fifty years, many rural and small-town communities have relied on a single (often extractive) industry or employer to drive economic development, leaving many places vulnerable in the event of an economic downturn or the departure of a primary employer. Common characteristics of rural communities and small towns, including their physical remoteness, lack of economies of scale, gaps in physical infrastructure, and lower levels of higher educational attainment, further expand the gaps resulting from economic transitions.

The COVID-19 pandemic has exacerbated these challenges. As more people were forced to work from home, communities without access to stable, affordable broadband were unable to shift their businesses, education, or healthcare to virtual platforms, further increasing economic disparities. According to **Bureau of Labor Statistics data**, by February 2020 there were still 1,767 counties that had yet to recover employment lost since 2007, 1,226 of which were rural. The impact of COVID-19 has caused these rural communities to lose an additional 1 million jobs and they are now more than 22 percent below their 2007 employment levels. The effects from the Great Recession prove that impacted communities are in critical need of intervention to promote resiliency and speed up recovery from the COVID recession.

Overcoming these barriers is possible, but requires a long-term commitment to strategic, locally-led, asset-based planning, policymaking, and investing. This brief will address opportunities to embrace a new approach to rural economic development – one rooted in promoting strong leadership, leveraging local and regional assets, lifting up small businesses, and supporting innovation and connectivity to drive prosperity.

LOCAL AND REGIONAL LEADERSHIP

The first, and possibly most essential, component of building strong and inclusive rural economies, is strategic, confident,

and collaborative local leadership and local institutions that can develop the innovative approaches required to renew economic prosperity. This is especially important considering that the divergence in the prosperity of place cuts across racial, cultural, and demographic lines. The unique nature of rural communities and small towns requires strengthening leadership and organizational infrastructure rather than just funding projects: it demands integrated planning, policies, infrastructure, and investments in a new, locally-led, sustainable direction. By building leadership capacity in a community, conditions are created that allow for economic growth powered and strengthened by the unique needs and assets of each community. Local and regional leaders know what makes their community special and therefore what represents its best chance for success. Despite this, too few opportunities exist for leadership training and community leaders are often unaware of best practices that can help support, advance, and accelerate their plans.

This lack of leadership development in rural communities was the motivation for a group of community leaders to form a new vision for rural prosperity called **RuralRISE**. RuralRISE is a grassroots, locally-driven cohort of leaders focused on creating supportive environments for rural entrepreneurship (often called “entrepreneurial ecosystems”) that bring together hundreds of local and regional leaders in a national network to deliver and share best practices. Meeting every month via Zoom and annually at in-person gatherings, RuralRISE provides opportunities for leaders focused on supporting entrepreneurship in their communities to share ideas, successes, and challenges that can help other communities learn how to drive new industry and business creation.

Leadership capacity is foundational to creating a locally-led economic development approach that builds capacity and expertise for communities. Leadership capacity can be built locally, regionally, or through national networks like RuralRISE, with the goal of connecting leaders to data, guidance, and other tools. There are many publicly available resources for rural community and economic development, but they won’t be fully or widely embraced without informed local and regional leaders in place to support and promote them.

Each community is different, as is every group of local leaders, making it is important to tailor the approach based on the leaders in each region. Focus on building not just the leadership capacity of one individual, but instead a cohort of local leaders, building individual, organizational, and community leadership. In one community that may mean engaging staff at the Economic Development District, the grocery store manager, the librarian, and the small business owner, while in another community the mayor, the head of a farmers’ market, and a community college administrator may take the lead. Identify which individuals and organizations are not just critical, but also have the opportunity and ability to be dynamic based on the needs of the community

and the leaders that are willing to step forward. Most importantly, we must realize that no two rural communities are the same. Knowing this, we must develop an intentional and tailored approach to rural economic development, bringing resources to bear that can be applied to unique situations. Today, more than ever, we are at a crossroads. We have an opportunity to decide whether we will bridge the gaps that exist between rural and urban communities or let them continue to diverge.

ASSET-BASED APPROACHES

Once the leadership capacity of a community and region has been established, it is then time to start thinking about the strengths of the region and supporting a strategy that will embed and expand upon the wealth generated by local economic growth. This is based in part on the asset-building approach to community development championed by John McKnight and Jody Kretzmer, as well as Cornelia and Jan Flora’s **“Community Capitals” framework**. A “wealth creation” approach, including the **WealthWorks framework**, has communities build wealth from the resources and natural assets that they already possess. Rather than solely focusing on job creation as the primary measure of success, wealth creation focuses on generating and retaining community wealth, reinvesting that wealth for future growth and productivity, and improving the quality of life for community members. These alternate measurement tools include measuring quality of life, especially for those on the economic margins. The data obtained can show how much individuals are earning and saving, the productivity of the region, or the number of individuals who have undergone leadership training and had their before and after retention scores improve. The tools can also measure the number of stakeholders involved and whether there are consistent increases in participants in these activities, along with outreach more broadly, including social media engagement numbers. Leveraging the assets of each community, whether they be institutions, infrastructure, or culture, leads to an effective, tailored economic development strategy that not only builds wealth, but keeps that wealth local. This approach invests in local and regional people, institutions, resources, and systems and considers them essential foundations of the community.

All communities have existing assets that may be overlooked but could serve as potential catalysts for entrepreneurship and economic development. Assets like community colleges, libraries, schools, community foundations, non-profits, and community centers can serve as both catalysts and anchors to support new economic development initiatives. All too often these organizations are not invited to the table to participate in economic development activities. Considering all the assets of each community, including institutions, infrastructure, and culture, leads to an economic development approach that not only builds wealth, but keeps that wealth local.



SUPPORTING AND GROWING SMALL BUSINESSES

As communities develop asset-based approaches, many will find that the heart of any rural strategy is a focus on small business growth. In an era of fragmentation, isolation, and divisiveness, it is easy to discount rural communities and the people who live in them, including the innovation that already exists in rural areas. Innovation is in the DNA of every rural community...it has to be. When a community has less resources, less people, or is geographically isolated, it has to do more with less and find creative ways to address the challenges and opportunities it faces. In fact, rural communities often lead the way in **creating new businesses to meet local needs.**

From agricultural advances to main street stores, rural communities have always demonstrated an entrepreneurial spirit. Successful rural entrepreneurs have the ability to grow and transform towns and local communities in ways that urban entrepreneurs simply cannot: the impact of the creation of 10 new jobs in a community of 500 has a far larger impact than the creation of 10 new jobs in a community of 500,000. Also, in small communities, the local small business owner may be connected to the entire community, rather than just the neighborhood they are located within a big city. Once again, it is important to build on the small business opportunities that exist locally and to understand that a tailored approach to small business growth is imperative.

WHAT MAKES RURAL COMMUNITIES UNIQUE

Today, agriculture is the driving force behind many national policy conversations about rural places, but agriculture represents only **6 percent of the rural economy, and 4 percent of the rural workforce.** Historically, many rural economies have also been extraction-based, where valuable resources were removed from the community and wealth flowed elsewhere. Today, various other industries often underpin rural economies, including manufacturing and recreation. Rural communities will need to prioritize generating wealth that stays in their communities as rural America increases in population and more people decide to move to rural areas with attractive scenic qualities or are located near larger cities. Promisingly, areas of growing diversity are both driving economic growth and account for **83 percent** of counties that are growing in rural America. This reveals the potential for more diverse and creative approaches, such as recreation and quality of life-based rural economic strategies, that can also drive more equitable growth.

Rural places often have similar attributes, but it is important to recognize that every rural community is unique and has unique assets to build from. Rural areas can offer a pace of life and greater sense of community that many people find desirable. Rural areas and small towns in the U.S. also have **higher**

rates of self-employment than their urban and suburban counterparts. The more rural the county, the higher the rate of entrepreneurship because innovation and entrepreneurship are embedded into everything they do. New business generation, small business growth, and innovation are all necessary to create the employment opportunities needed to ensure a bright future for rural areas. By building from the ground up, communities maximize opportunity while building regional resilience. They are no longer at the mercy of a single employer or one main industry, and a diverse variety of other businesses help keep the community resilient, dynamic, and responsive.

Every rural community needs to take a holistic approach to building and embedding wealth locally. Access to health care and education, infrastructure investments, reliable transportation networks and broadband, safe drinking water, investments in community leadership skills, and funding for childcare are all important pieces to this puzzle. The days of providing good health care but no transportation to get there, or safe drinking water but no economic development plan to support it, are over. All of these factors lead to a higher quality of life. This may not be considered “traditional economic development” but communities cannot flourish or prosper if people do not want to live there. All these issues are interconnected.

COLLABORATION AND CONNECTIVITY

Thriving communities are finding benefits from considering assets holistically and looking for growth regionally, especially as technology fosters more interconnectivity between communities than ever before. Interconnectivity has the potential to lift communities together in a more equitable fashion, promoting collaboration instead of competition. Most rural areas need to be willing to understand that connectivity is not just about internet access, but also the interconnectedness that exists among and between communities.

Interconnectivity is about connecting communities through technology and improving accessibility to services and resources. This includes physical infrastructure because rural communities with better roads, internet access, healthcare, and other key infrastructure and services attract people, talent, and opportunities. COVID-19 has divided communities and shown that those with strong internet capabilities were able to move their citizens to online platforms to reduce disruptions in economic activity, education, health care, and other services while those without broadband fell further behind and were hit harder by the devastating economic impacts of the pandemic. As technology evolves, rural communities will have a chance to use its benefits to their advantage. Communities that succeed will create both physical and less-tangible cultural connections and view other communities as vital to their shared economic viability.



A NEW ECONOMIC DEVELOPMENT JOURNEY

As communities build local leadership, focus on asset-based approaches, develop opportunities for small business growth, and consider the infrastructure and connectivity needs that contribute to communities' quality of life, a tailored, holistic approach to economic growth begins to develop. It is a lot to consider and might sound overwhelming to communities who are just starting on this journey, but communities can and should start small, and then build incrementally. They should understand that they are not alone and that they can build partnerships that will expand community wealth building and embed opportunities throughout their region. It is hard work, but when done right, shows incredible results.

There is no silver bullet, but by engaging a broad set of partners, supporting those partners through capacity and leadership development, and building a strategy that fits the culture and assets of a specific community, leaders and entrepreneurs can create new opportunities to build local, long-term wealth and opportunity regardless of geographic location. By developing and supporting the institutions, infrastructure, and culture needed to drive prosperity, they also create a more vibrant and robust ecosystem of rural entrepreneurs and innovators. Just as rural areas drove economic growth when this country began, they once again have an opportunity to lead and redefine successful economic development for communities of all sizes long into the future.



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