Thinkspot

Regionalism: A Chasm and Two Bridges

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Across Florida, interest in regionalism is growing, particularly driven by the need to revitalize the weak economy. With the Sunshine State's economic difficulty reflected by higher unemployment numbers than currently experienced in areas with greater economic diversity, government officials, economic development professionals and business community leaders are working harder to overcome the natural resistance to regionalism in pursuit of a solution to Florida's economic troubles.

The best solutions are the simplest. The good news is that an economics or business background is not required to grasp and even champion the merits of regionalism. Every reader of this white paper is already so familiar with its fundamental concepts that anything more than a single sentence only makes understanding its principles correspondingly more difficult.

Don't take our word for it. Let's start with straight-forward explanations of regionalism that you already know to be true but may not recognize as one in the same:

"There's strength in numbers."

"The sum of the parts is greater than the whole."

"I get by with a little help from my friends."

Whether you borrow from ancient military theory, Gestalt psychology or the Beatles, chances are good that the common truth contained in at least one of the three sentences above is known to you from experience. If so, you can stop reading this white paper knowing you understand the fundamental principle of regionalism. Understanding why a concept well into its third decade as a contemporary economic development movement is still fighting to prove itself requires a deeper dive. The balance of this overview will communicate regionalism's features and highlight two elements of success as a guide to initiating or extending the success of regional economic development projects in Florida.

Regionalism Emerges

Regionalism's genesis can be traced to the increasing role played by coordinated investments as catalysts for economic development. Researchers documenting the timeline of economic development identify three distinct, but overlapping, eras.[1] The first is the era of industrial recruiting, which emphasized financial incentives in physical infrastructure necessary to connect manufacturing inputs to factories and products to markets. This era is most closely associated with the Great Depression and post World War II to the 1980s.

The second, an era of cost competition, is characterized by the focus on providing economies of scale, as well as creating a business and regulatory climate that encourages private investment by reducing costs. Here government increasingly inserted itself to provide aggressive incentives or subsidies. The third and current era of regional competitiveness began in the 1990s and emphasizes identifying a region's competitive advantages and then prioritizing public and private investments necessary to exploit those advantages.[2] Characteristics from all three of these eras can be found in the economic development strategies found in Florida.

Defining Regionalism

Here's where things start getting complicated. There's no singularly accepted definition of regionalism. For our purposes of general understanding, Harvard professor Michael Porter's definition of economic regions is particularly useful. Economic regionalism exists where geographically contiguous regions coordinate economic development activities tied to a comprehensive economic development strategy.[3] Economic regionalism focuses on the collaboration of organizations, governments, and businesses across multiple jurisdictions. These stakeholders work to manage the economic opportunities and constraints created by the geographic and social characteristics of a region.[4]

Like most things so difficult to pin down by definition, it's easier to give examples. In addition to the often cited success stories of Silicon Valley and Research Triangle Park, consider the two offerings below as more modest exemplars of economic regionalism in action.[5] Each is

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[1] Drabenstott, M. 2005. *A Review of the Federal Role in Economic Development*. Kansas City: Federal Reserve Bank of Kansas City.

[2] Economic Development Administration Report. 2009. *Crossing the Next Regional Frontier: Information and Analytics Linking Regional Competitiveness to Investment in a Knowledge-Based Economy*. http://www.eda.gov/PDF/Crossing_Regional_Frontier%20Report_Oct%202009.pdf

[3] Ibid.

[4] Erickcek, G., J. Preuss, B. Watts, K. O'Brien, et al. 2008. "Comprehensive Study of Regionalism: Tools for Comparison and Evaluation." Report prepared for the Economic Development Administration. http://research.upjohn.org/reports/20

[5] Council on Competitiveness. 2010. Collaborate: Leading Regional Innovation Clusters.

deliberately selected from outside of Florida to avoid criticism of favoritism or errors of omission.

In Denver, the Scientific and Cultural Facilities District (SCFD) leveraged funds for urban renewal by distributing funds from a voter-approved, region-wide 0.01 percent sales and use tax to build cultural facilities across a seven-county area. While most of the assets created were in downtown Denver, voters recognized that attracting the coveted "creative class" and new economy industries to the region depended on perceptions of Denver as a urban destination.

The Dan River Region in Virginia created the Institute for Advanced Learning and Research (IALR) as a technology-based economic development project. It serves the region as a source of distributed research and education in partnership with Virginia Tech; and accelerates products developed through their research, provides a test bed for existing technology companies and delivers STEM education opportunities for regional students and teachers.

The Chasm

Even with intuitive nature of such an approach and very visible case studies like these, regionalism still struggles to realize its full potential in elevating Florida's ability to compete in a global marketplace where the concept enjoys greater support. Economic development practitioners in the private and public sector know the road blocks too well: silos in funding, programs and jurisdictions. It is the latter, jurisdictional silos, that is arguably the root cause creating funding and programmatic silos as a result. As such, an examination of jurisdictional isolation is warranted.

With rare exceptions, businesses depend on a workforce, supplier chain and customers who do not live in a single jurisdiction. Workers commute across multiple jurisdictional lines to get to work. Suppliers are scattered across city and county lines. Most companies use airports, advertise in papers and electronic media, and send its employees to colleges and training programs within a reasonable driving distance with no care given to the political boundaries crossed a dozen times each day.

The problem arises in the absence of an adequate decision making mechanism fitted to the region formed by this economic activity. Rather than an elected and formal governance structure made up of commissioners and mayors with county agencies and city departments, regions can address issues only by consensus and collaboration.

A region is far more than geographic proximity illustrated by lines on a map and a marketing logo. Coordination and collaboration are the telling signs of the real presence of a regional approach. While these behaviors are easy to observe after regionalism has taken hold, the challenge is how to bridge the chasms that prevent the partnering necessary to realize regionalism's benefits. In other words, how do you create a regional approach where one does not yet function successfully?

The Technical Bridge

Recognizing that regions emerge with economic activity, rather than along clear geo-political delineations, one useful tool in helping identify where regional approaches could be implemented is the application of an equally amorphous concept, known as "clusters." Two dominant types of clusters are employed in current economic development practice, industry clusters and occupational clusters. Harvard professor and father of the modern industrial cluster concept, Michael Porter, has connected his research on the "geographic concentrations of interconnected companies and institutions in a particular field"[6] (or clusters) to regional economic development. Occupational clusters are regional groupings created by similar knowledge and skill requirements and link industries with workforce requirements, available human capital, as well as education and training needs.

Time and reader interest prevent the examination of the statistical analyses that leads to the identification of clusters. Readers unfamiliar with this type of cluster analysis are encouraged to spend time with illustrative reports, not to mention the application of related tools, made available by the U.S. Department of Commerce's Economic Development Administration.[7]

In a sense, the presence of these clusters represents the formation of an economic region, which is helpful in recognizing existing assets and competitive advantages that already exist. It also identifies the multiple jurisdictions crossed by the existing clusters, the corresponding businesses and their employees (citizens). Unfortunately, the realization that one or more clusters may already be present in a particular region--or the political will to create cluster--returns us to the chasm.

The Leadership Bridge

As addressed earlier, the assets supporting economic growth know no governmentally drawn boundaries. Access to sustainable sources of energy and water, transportation and logistics, learning facilities function on a regional basis. Yet there is no pre-existing structure to provide the necessary coordination and funding for action to expand economic regions sharing these resources. Research and practical observation has identified the single greatest contributor to enabling the collaboration required for the power of regionalism to be realized: effective regional leadership.

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[6] Porter, M.E. 1990. The Competitive Advantage of Nations. Free Press.
[7] For example, see http://www.statesamerica.org/innovation/report_role_of_regional_clusters_2007.html

Where regionalism thrives, there is a presence of leaders who first recognized that the old strategies of localism underperform or fail. Still other regional efforts begin with the recognition that going it alone in perpetuation of the cost-competition era is out of reach given limited budgets. Collaboration also creates synergies by leveraging complementary assets. Rather than addressing the needs of individual firms, cluster-based strategies furthered by regionalism direct resources to the needs of industries, which introduces greater return on investment corresponding to the larger scale and scope of the economic development effort.

Case studies published by the Council on Competitiveness[8] suggest that there are three common characteristics of leaders engaged in successful regional efforts. The first is the presence of an organization or organizations that serve as systems integrators needed to build convergence. These "conveners" have the ability to bring the stakeholders together, often challenged with making a case for the need for regionalism. It takes getting the right people in the room. Evidence, in the form of cluster identification, is often useful early in the process to establish that the effort ahead need not mean starting from scratch. For example, rural communities are not dominated by agriculture as may be presumed by those uninformed by a industry and occupational cluster analysis.

A second common characteristic of regional leaders is that they are prone to action--doers rather than observers. Action is often the result of the more direct interest, if not dependency, business and community leaders have in the economic success of the region. Business best practices, such as performance measurement against stated objectives, are more evident in regional projects when the governance structure involves action-oriented, regional leadership.

Finally, regional leaders exhibit the qualities that maintain the ongoing conversation that makes the difference between strategies oriented for the short-term and the necessary long-term perspective. Best-in-class leaders in successful regional projects are responsive to market-demands shifts of their industries and connect them to the overall goal of prosperity among its regions' citizens.

Can We All Be In This Together?

Growing interest in regionalism across the Sunshine State is encouraging, but its challenges are substantial. In addition to the issues created by the mismatch between the fluid boundaries of industry clusters and the existing rigidity of jurisdictional governance, cultural and historic rivalries also get in the way. Ultimately, the keys to opening the door to finally diversifying Florida's economy just may rest on the ability of its business and community leaders to bridge the chasm between competition and collaboration.

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[8] Council on Competitiveness. 2010. Collaborate: Leading Regional Innovation Clusters.