



Sustainable Rural Development Using the Community Business Matching Process

By LINDA J. COX, TOM HARRIS, MIMAKO KOBAYASHI, GEORGE “BUDDY” BORDEN, BARBARA ANDREOZZI, AND DON E. ALBRECHT

Contemporary theories and models of sustainable rural development assume that community preferences of development goals are well known and agreed upon by all community members. Rural development initiatives are also assumed to work equally well across different communities. This is not the case in the real world. Even within otherwise homogenous farming communities, the preferences of individual rural citizens such as farmers regarding new development opportunities like biofuels can vary substantially, creating challenges for local entrepreneurship and small business development efforts to be consistent with general community well-being and cohesion.

Linda J. Cox is a community economic development specialist at the University of Hawaii.


Tom Harris is a professor and state specialist with the Center for Resource Economics at the University of Nevada, Reno.

Mimako Kobayashi is a research associate professor with the Center for Resource Economics at the University of Nevada, Reno.

George “Buddy” W. Borden is an area Extension specialist with the University of Nevada Cooperative Extension.

Barbara Andreozzi is an Extension agent with Montana State University Extension.

Don E. Albrecht is the director of the Western Rural Development Center at Utah State University.



Better decision support systems are needed to allow community members to collectively choose preferred development paths and to work coherently and strategically to achieve increasingly complex development goals.

As rural development faces both challenges and opportunities presented by changes affecting business environments including accelerating globalization, better decision support systems are needed to allow community members to collectively choose preferred development paths and to work coherently and strategically to achieve increasingly complex development goals.

The Community Business Matching (CBM) process builds on a long history of applied community development research and outreach focused on business recruitment, retention, and expansion. Much of this literature, however, failed to address what type of development the community members desire.

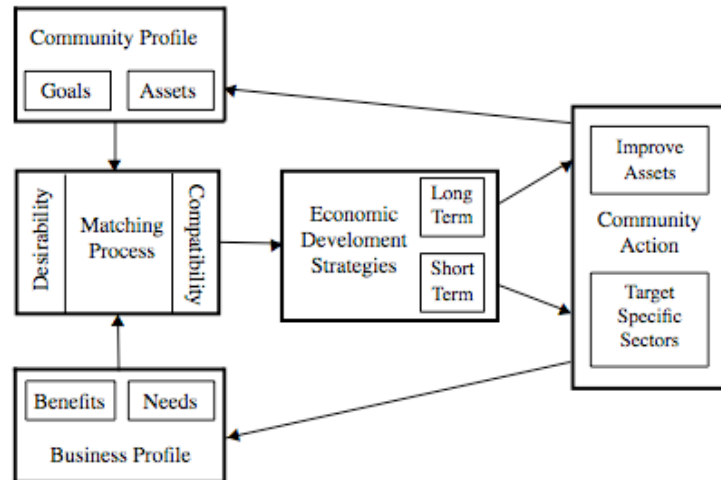


Figure 1. CBM Process Overview.

The CBM process (see Figure 1) addresses the gap in the literature and application by using both information on business needs and community preferences. The CBM process elicits community preferences using a replicable and quantitative approach that incorporates the Analytical Hierarchy Process (AHP) to measure the relative importance among the pre-selected development goals (see Table 1). This exercise leads to computation of desirability index. At the same time, a separate survey identifies needs of the businesses for a list of assets such as physical and economic infrastructure (see Table 2), which is systematically compared with their availability in a specific community. This leads to the computation of compatibility index. Together, the information assists community development practitioners in designing targeted development strategies.

The CBM process relies on close interactions and collaborations of these three groups: (1) the facilitators, who are usually Extension faculty or community development professionals, that organize community members to collect community-level information and serve as a liaison to communicate CBM results, (2) community leaders and members, who provide community-level information to the CBM team and use the CBM results to design community development strategies, and (3) researchers, who collect business data, process community and business data, and generate CBM results.

The CBM process identifies which industry sectors are the most promising for the community's targeted business recruitment effort by finding sectors that receive high scores for both desirability and compatibility indices. The CBM process also identifies deficiencies in community assets that could be addressed in order to facilitate the targeting and recruitment of firms in the long run. For example, if a desired industry is not compatible because a key asset is missing in the community, then the community can obtain the asset. Or, a compatible industry can be examined to determine why it is not desirable. The community may decide that some firms in the industry are in fact desirable and work with these types of firms and recruit them.

In pilot CBM applications, community leaders have repeatedly expressed that average citizens are capable of understanding the economic structure of their communities and thus capable of participating in the designing of desirable community development. The CBM process combines the rigor of economic modeling with local participation and an emphasis on the interconnectedness of economic, environmental, and social concerns. The CBM takes a quantitative approach to community development where community members can systematically define and prioritize their goals and assets.

"A critical difference between the CBM and other efforts is that the CBM process identifies desirable and compatible industry sectors rather than specific businesses."

Table 1. CBM Community Development Goals (G) and Indicators (I).

| <i>Goal</i> | <i>Indicator</i> |
|--------------------------|--|
| G1 Economic Quality | I1 Every new job generates additional jobs in the community |
| | I2 New businesses return profits to the community |
| | I3 New businesses hire locally |
| | I4 New businesses buy locally |
| | I5 New businesses increase the average local wage |
| G2 Environmental Quality | I1 New businesses do not pollute the water |
| | I2 New businesses do not release toxic chemicals in the air |
| | I3 New businesses stay in compliance with hazardous waste management |
| | I4 New businesses do not emit greenhouse gas |
| | I5 New businesses do not develop undeveloped land |
| G3 Social Quality | I1 New businesses increase the local tax base |
| | I2 New jobs are full-time |
| | I3 New jobs offer benefits (health and/or retirement) |
| | I4 New jobs provide training programs |
| | I5 New businesses support community activities |

Table 2. Community Assets Considered in the CBM Process.

| <i>Space</i> | <i>Physical infrastructure</i> | <i>Business development environment</i> | <i>Quality of life</i> |
|------------------|--------------------------------|---|--------------------------------|
| Undeveloped land | Interstate highway | Cluster of suppliers | Crime rate |
| Building space | Package freight | Cluster of customers | Affordable housing |
| Expansion site | Railhead | Managerial labor | Clean air and water |
| | Rail freight | Skilled labor | Natural ecosystem |
| | Passenger air | Unskilled labor | Outdoor opportunities |
| | Port/harbor | Labor cost | Social and cultural activities |
| | International port | Workers compensation tax | Retail shopping |
| | Natural gas pipeline | Business tax rate | Schooling (K-12) |
| | 3-phase electric | Government incentive | University/college |
| | Fiber optic | Union labor | Health care |
| | High-volume water supply | Occupational training | Public safety services |
| | Wastewater disposal | Financial institutions | |
| | Solid waste disposal | Business associations | |
| | Cell phone signal | | |
| | Public transportation | | |
| | High-speed internet | | |

“The results of the Anaconda pilot and other pilots in Nevada and Arizona indicate that the CBM process holds great promise for assisting communities with sustainable development.”

Example of CBM Implementation: A Pilot Study in Montana

Anaconda, Montana, faced many economic and social challenges when a copper smelter closed in 1980. In 2002, community leaders became interested in the CBM process because they felt that, while programs to address the development of entrepreneurship and business retention and expansion were already in place, business recruitment as a means of economic development should also be investigated. Subsequently, interested local residents agreed to participate in the first CBM project in the Western region.

Figure 2 summarizes the Anaconda AHP results, which indicate the relative importance of different development goals. The goal and indicator used in this pilot are different from those in the current CBM process listed in Table 1 because the CBM process has changed as a result of feedback from this and other pilot efforts. The weights for the community goals shifted over time and over the cross section of community members involved in the process. For example, the community members rating the goals more heavily weighted the provision of employment opportunities in 2003 than they were in 2006.

Based on the desirability and compatibility scores, the CBM process suggested that opportunities existed in the construction sector even though, in the past, the construction firms were not viewed as members of a desirable and compatible industry sector. The CBM process

taught the community leaders that they should focus on the needs of an industry sector in order to be more successful as a community. The CBM committee members were interested in recruiting new companies from this sector, but they also met with local construction firms and assessed the possibilities for their growth. The group recognized that a critical mass of construction projects did not exist in the county and did exist in nearby counties. Subsequently the local firms formed a construction business association that developed into a builders association.

After pooling the resources including space, human capital, and funds of local businesses and of the Anaconda Local Development Corporation (ALDC), cooperative agreements were set up at the ALDC that included initiation of sub-contractor templates, formulation of a “plan exchange,” and a blueprint copy service. The plan exchange gave greater access to local contractors to bid on projects outside the area. The association also put together a marketing campaign aimed at general contractors to position themselves as major sub-contractors. Web sites, a DVD demo, and brochures aimed at new residents interested in building custom homes were developed. Traditionally, builders located in larger communities where architects reside won these contracts. Since the CBM effort was initiated, Anaconda’s construction businesses have grown and are working in other communities. Some have been competitive with larger, local contractors and have

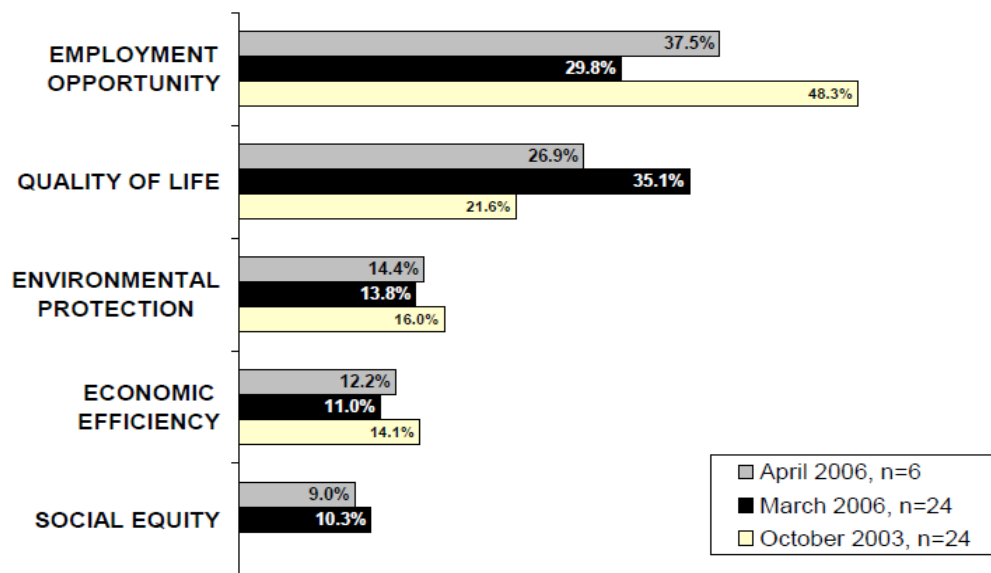


Figure 2. Anaconda AHP Weighs Results for Community Development Goals.

won multi-million dollar contracts.

The benefits associated with the CBM process can be contrasted with those of a retention and expansion program that had previously been developed in the community. A critical difference between the CBM and other efforts was that the CBM process identified desirable and compatible industry sectors rather than specific businesses. After identifying the construction sector as a target, the community spent considerable time examining forward and backward linkages: industries that supply inputs to and purchase the outputs of the construction industry. Thus, the group of activities associated with construction and the benefits associated with grouping all construction activities together were considered. Through implementing the CBM process, the community also gained community development knowledge and skills. In particular, the community better understands the economies of scale associated with industry clusters.

Another outcome of the CBM effort in Anaconda is the ALDC's recruitment of firms that supply the inputs needed by the construction industry and firms that needed construction services. As a result, three such firms have relocated to the area, including two manufactured housing plants and one supplier of insulation products to major West Coast distributors. While all of these businesses are small, all with less than 14 employees, the community hopes they will grow to firms of 25 to 50 employees.

Anaconda's CBM committee feels they now have much insight into what processes are necessary for local businesses to pool resources and grow together. The community preferences for development goals identified in the CBM process helped the community to understand what is important and what to focus on, which in turn led to the understanding of how to partner with the larger Butte-Silverbow County to successfully attract new business. The success of the Anaconda pilot led to a six-county regional CBM project.

The results of the Anaconda pilot and other pilots in Nevada and Arizona indicate that the CBM process holds great promise for assisting communities with sustainable development. The CBM process is applicable to virtually any community. Although it is usually applied to a county, applications to a city, a group of cities or counties, and entire re-

gions can be accommodated. The USDA and other federal agencies increasingly look to the concept of regional development as shown with programs such as USDA Rural Development's Stronger Economies Together that utilize regions as essential drivers of economic growth. The CBM process offers a flexible tool that can help with regional development decisions. Any community or region that has the desire, the will, and sufficient resources to commit to the goal of sustainable community development can participate in the process.

Conclusion

The 2007-09 national recession was much different from other national recessions since World War II. Quantitatively, the 2007-09 national recession closely resembled the Great Depression particularly in its large impacts to the labor market. The national impacts trickled down to state and regional economies that had not seen such high unemployment rates since the Great Depression.

Many rural communities that want to address the employment loss of this recession need a focus and effective economic development process and strategy. The Community Business Matching model provides communities with a tool and process that can address the aftermath of recent economic events. Community involvement in goal setting and local resource assessment as well as understanding the demands of businesses in location and relocation provides an avenue for a community to educate itself for a more sustainable long-term economic development program.

For the CBM process to generate better results, a larger dataset of business profiles is needed. Currently, efforts are underway to obtain the funds needed to greatly expand the business database by surveying more businesses. Once the funds are secured and the business database expanded, training workshops for community facilitators will be held. Grants and contributions by interested communities and other entities are welcome. For more information, please contact Linda Cox at 808-956-7602, lcox@hawaii.edu, or Tom Harris at 775-784-1681, harris@unr.edu. ●

RECOMMENDED READING

- Wuyang, H., et al. 2008. "Understanding Firms' Location Decisions Using Self-reported Factor Importance Ratings." *The Review of Regional Studies* 38:67-88.
- Cox, L., et al. 2009 "The Community Business Matching Model." A Targeting Economic Development, eds. Goetz, et al. New York, NY: Routledge, pp.255-278.
- Borden, G., et al. Targeting Employment and Entrepreneurial Opportunities. Selected paper at the 2008 Annual Western Agricultural Economics Association Meetings, Big Sky, Montana, June 25-27, 2008.