

## **The Importance of Local Economic Development Strategies within the New Economic Context**

### **I. Introduction: The new economic context**

Poland, like other countries in this region, is moving rapidly into the dynamic environment of a market economy~ a market economy that is always in a state of flux. While Poland is experiencing the shocks and adjustments caused by restructuring and privatization, it is also facing the winds of globalization, including international competition and increasingly fierce trade. This double burden presents Polish communities and businesses with tremendous challenges and considerable difficulty.

For Poland to accomplish the necessary restructuring and to adjust to the market economy and global competitiveness, considerable effort and cooperation are required at the local and community levels. Furthermore, a concerted effort must be directed at *local economic development* (LED).

### **II. An organizational option to facilitate restructuring and economic development**

Voluntary LED planning appears to be the most viable option to help the Polish people achieve successful economic development during restructuring and globalization. This option has two approaches:

#### **A. Top down**

- ⇒ government to government grants - PHARE
- ⇒ government organizations
- ⇒ professional planners

The top-down approach, which has considerable support in the European Union countries, works well when considerable resources are available and well-developed LED planning mechanisms and capabilities are in place at the provincial and local levels.

#### **B. Bottom up**

- ⇒ NGO or private organizations
- ⇒ voluntary community leadership and participation public-private partnership
- ⇒ community assessment
- ⇒ strategic planning
- ⇒ community implementation

The bottom-up approach, which is widely used in the United States, emphasizes local initiative and joint public-private efforts to deal with the issues of LED. It provides a useful basis for achieving LED when resources are limited and less organization and direction is available from higher levels of government.

For Poland, it appears that the bottom-up approach to LED is the more suitable one because comparatively few public resources are available and there is a desire to decentralize decision making and reduce government involvement in the economy. However, variations of both

approaches should be considered, as well as any other options that appear to be suitable.

### **III. Strategies for accomplishing LED**

There are a variety of strategies that can be used to accomplish LED. Today, many communities are using several or all of the following basic strategies, all of which are based on some form of organization and planning at the local or provincial levels, to accomplish LED.

**1. Entrepreneurial strategies.** These strategies, variously called "high tech," "market shaping," or, simply, "activist" are built around a demand-side LED model. They emphasize governments as active partners with private enterprise in economic development.

Entrepreneurial policies are directed at qualitative growth defined by the promotion of high value-added production. Governments and economic development organizations assume central entrepreneurial functions in terms of launching new enterprises, creating new technology and products, and developing new markets for those products.

Proponents of this approach take market demand as an exogenous factor (occurring externally) and attempt to spur new enterprise and production to meet that demand.

**2. Industrial recruitment strategies.** These traditional strategies are cast in terms of a supply-side growth model and focus on lowering business production factor costs; thereby encouraging the relocation and expansion of existing enterprises. The aim of industrial recruitment strategies is quantitative growth, especially the creation of new jobs by creating favorable business climates.

Industrial recruitment strategies use nondiscretionary tax and financial incentives to encourage private investment, assuming that public subsidies on the capital and the operating costs of private industry will generate sufficient growth to offset these expenditures.

**3. Deregulation strategies.** The objectives of deregulation strategies are similar to those of industrial recruitment -- to create locational incentives for existing enterprises by lowering production factor costs; thereby creating jobs.

The deregulation strategies adopt a laissez-faire stance toward government, assuming that the best economic development approach is to minimize governmental involvement; growth is facilitated by minimizing or reducing governmental regulation of business activities.

**4. Global competitiveness strategies.** Over the last two decades, the growth rate of the global economy has slowed dramatically while international trade has expanded at an unprecedented pace. Consequently, businesses in all countries are facing intense competition for a share of the slowly growing world markets. The forces impacting on businesses include trade liberalization, technological change, corporate restructuring, and competitive government policies. Firms in all countries must undergo a dramatic rethinking of the way they do business if they are to survive and remain competitive in today's global economy,. Communities, in turn, must factor these economic forces into their LED strategies.

The vision and goals of the global competitiveness strategies for LED emphasize making the community and its economy globally competitive. In the assessment and strategic planning processes, the community and its economic actors consciously work to become

"world class" competitors. They incorporate into their strategic plans efforts to accomplish:

- ⇒ Industrial modernization
- ⇒ High performance workplaces; and
- ⇒ High performance training systems.

**Industrial modernization.** As part of the process to achieve LED in a globalized world, businesses must undertake modernization efforts. Modernization means firms must attempt interdependent development of their design and production technologies, worker skills and work organization, customer/supplier relationships, market focus, and management practices.

The countries of central and eastern Europe must not only restructure from a command economy, but they must overcome their lack of competitiveness in the emerging world economy. This means that communities attempting to retain existing employers must realize that a prerequisite for the survival of firms includes significant upgrading of physical plant, workers' and managers' skills, and company strategy. Firms must master new technologies, techniques, and methods of work organization.

LED programs aimed at retaining existing firms must address these new global realities and problems. They must consider or deal with such issues as: (1) low-cost financing for new machinery and equipment; (2) resources and capabilities for training to create high performance workplaces, and (3) additional resources and organizational structures to reduce the variable costs of facility operations. Communities need to develop the institutional capacity to form better partnerships with companies and to realign public services for greater flexibility.

**High performance workplaces.** If Polish firms are to compete in the global economy, they must abandon the old ways of operating and pursue strategies that emphasize global leadership in quality and productivity.

One key to the increased competitiveness of other nations is their successful reorganization of the workplace, in many cases the shop floor, to empower workers and increase their productivity and the quality of the products they produce. Teamwork, labor-management cooperation, and worker participation are being promoted and facilitated by LED programs using this strategy.

**High performance training systems.** LED programs must include the design and operation of a community training system to provide a steady supply of highly trained workers efficiently transitioned from school to work and to retrain and transition dislocated workers made redundant by restructuring.

Whichever of the above strategies are chosen, they typically arise from the goals and objectives of the strategic plan and are influenced by the impact external national and international market forces and policy decisions are having on the local or regional economy.

#### **IV. Using LED to transform your community**

The following information is essential for successful LED.

**Change is a fact of life in a market economy.** As you well know, restructuring is causing profound changes in Poland. Unsettling changes will also continue under a market economy. This means that the mechanisms created and the strategies adopted for LED must be capable of functioning during difficult and changing times.

**The old central planning system is gone.** A better system must be developed to take its place.

**Successful LED begins at home.** The primary impetus and leadership for sound local economic development comes from the people in the targeted area and from no place else, especially the national level.

**Money for LED must come from many different sources.** There will not be a great deal of money available for LED from the national government. LED organizations, plans, and activities should be based on the assumption that a variety of sources, including businesses, the local community and external agencies and donors, will need to be tapped to find the money for LED.

**Sound planning is important to successful LED.** There is an old saying, "Fail to plan, then plan to fail." The people in local communities and businesses must make good plans to develop healthy growing local economies. The bottom-up form of community assessment and strategic planning helps people to understand the changes occurring both within and without and how they impact LED.

It is important to create a vision for your community. An important part of LED assessment and planning is creating a vision of what you want to achieve. Imagine the future. Most people in the community do not have a vision of what they want to achieve. Even fewer people have a vision of what they want for their community. LED leadership must help articulate a vision for the community and then work to achieve small successes along the way.

**Learn the LED language.** It is important to learn the language, principles, strategies, and techniques of LED. For example what is meant by each of the following terms?:

***community assessment***

- community surveys
- community forms and workshops task forces
- personal accounts/interviews

***strategic planning***

- vision statements
- strategic plan

***community economic development strategies and techniques***

- retention and expansion program
- visitation teams
- industrial recruitment
- entrepreneurial strategies
- deregulation strategies
- global competitiveness strategies

**Design or adopt suitable LED strategies for *your* community.** Be assertive in seeking out new LED ideas and concepts. Read between the lines. Talk to those who have been through what your community is experiencing. Innovate and adapt the LED concepts to your needs and situation.

**Invite widespread participation in your LED planning.** Involve local community groups in your LED, especially in the LED data gathering, assessment, and decision making to the greatest extent possible. Failure to involve the wider community in the assessment and planning processes can cause a lack of interest in and commitment to the whole LED project.

**Encourage regional cooperation in new and retained industrial locations.** Work together on a regional basis to improve locational incentives. The "take advantage of your neighbor" policy contained in some industrial recruitment strategies is detrimental everywhere.

**Encourage the formation of institutions to enhance competitiveness.** Becoming a world class community and globally competitive require LED plans that include industrial modernization and the promotion of high performance workplaces and high performance training systems. Some basic program or activities that foster these objectives include:

- ⇒ productivity improvement/cost saving/total quality programs for employers facilitated by creating productivity and quality programs or centers
- ⇒ labor-management cooperation in both public and private sector enterprises facilitated by establishing partnership councils and labor-management committees

**LED requires a great deal of personal experience and effort.** LED is not something you learn by reading a book or hearing a lecture, although each of these sources may be beneficial. In addition to learning from the experience of others, successful LED requires a step by step process of learning by doing. As one activity or project succeeds as a result of your efforts, more people will become committed to the process.

**LED is long-term process, not a quick fix.** Create an institution and financial framework that facilitates LED for the long term. Work intelligently and be patient.

**LED will not solve every problem.** But it will help solve many problems more effectively than some other alternatives. Have realistic expectations.

**Know how to compete.** Something good will happen if you learn to compete. Whatever resources and opportunities are available for LED, take advantage of them. They can be used to achieve lasting change and improvements in your communities.