

# **BLACKHAWK HILLS**

## **Community Economic Development**

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**Blackhawk Hills**  
Community Economic Development

- Revisit the notion of economic clusters
- A simple analysis of the Blackhawk Hills region
- Clusters and Social Capital
- Importance of new business start-ups
- Sampling of specific strategies

**Porter (2000, p254) “A cluster is a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities.”**

**Rosenfeld (1997, p4) “A cluster is very simply used to represent concentration of firms that are able to produce synergy because of their geographic proximity and interdependence, even though their scale of employment may not be pronounced or prominent.”**

**Feser (1998, p20) “Economic clusters are not just related and supporting industries and institutions, but rather related and supporting institutions that are more competitive by virtue of their relationships.”**

**Roelandt and Den Hertog (1999, p9) “Clusters can be characterized as networks of producers of strongly independent firms (including specialized suppliers), linked to each other in a value-adding production chain.”**

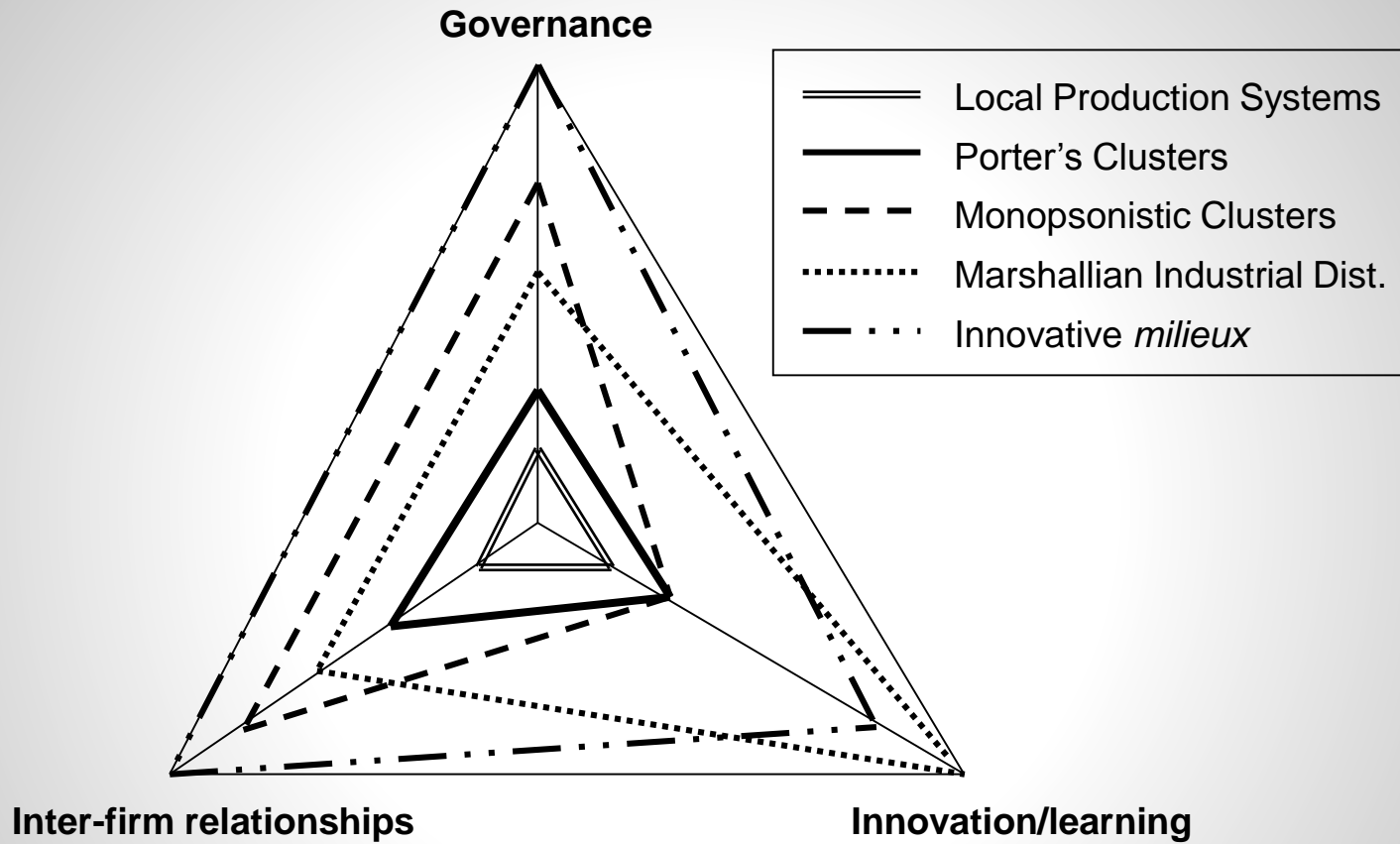
**Enright (1996, p191) “A regional cluster is an industrial cluster in which member firms are in close proximity to each other.”**

**Lundvall and Borrás (1997, p39) “The region is increasingly the level at which innovation is produced through regional networks of innovators, local clusters and the cross-fertilizing effects of research institutions.”**

**Maskell and Kebir (2006, p30) “Clusters may be defined as non-random geographical agglomeration of firms with similar or closely related complementary capabilities.”**



# Revisiting Economic Clusters



Differences in Forms of Agglomeration (De Propris and Driffield 2006)

# Location Quotients

$$\text{LQ} = \frac{\text{\% of local employment in sector } i}{\text{\% national employment in sector } i}$$

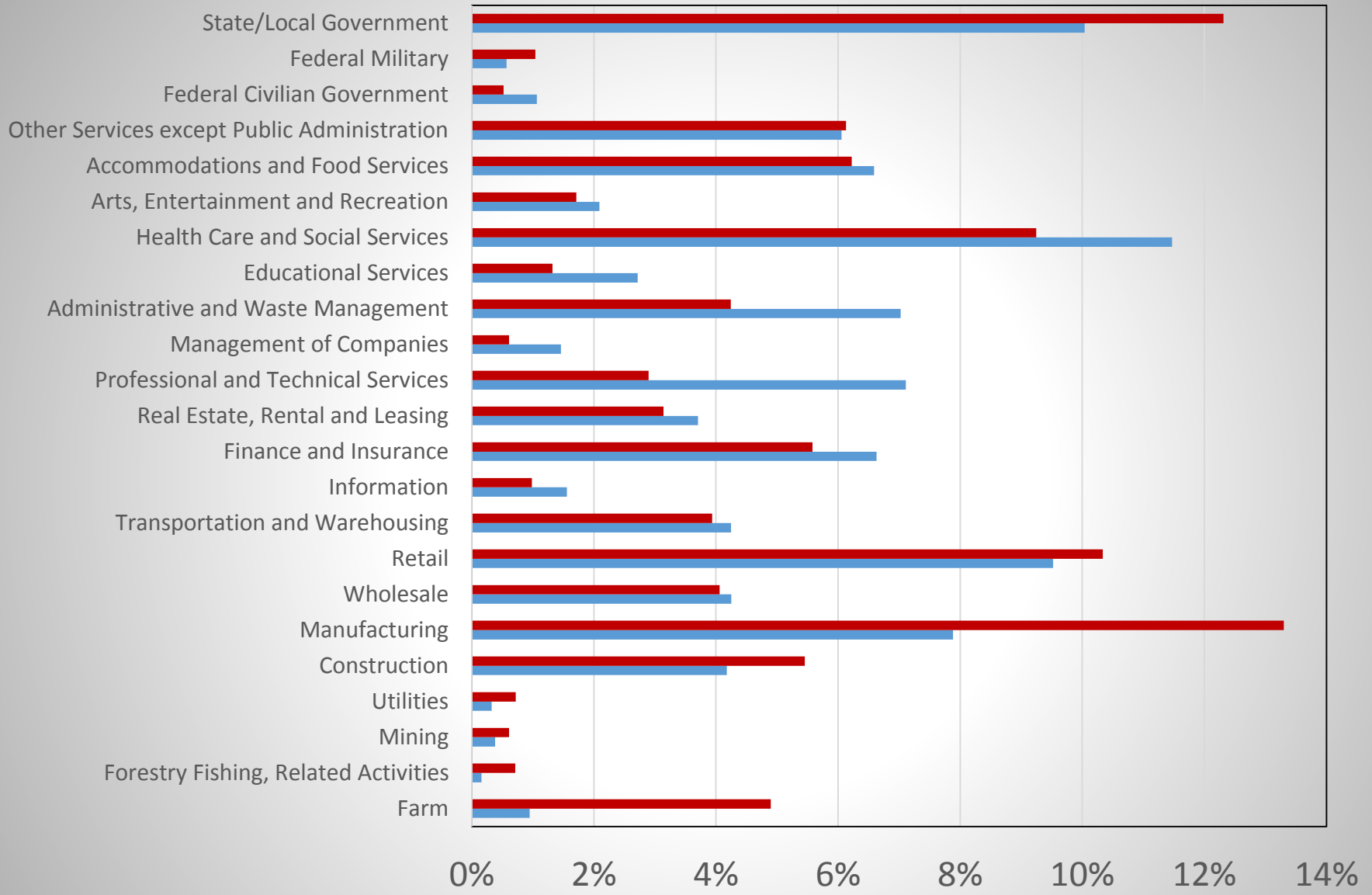
## Critical Values

LQ < 1 Underspecialized, potential for expansion?

LQ = 1 As expected

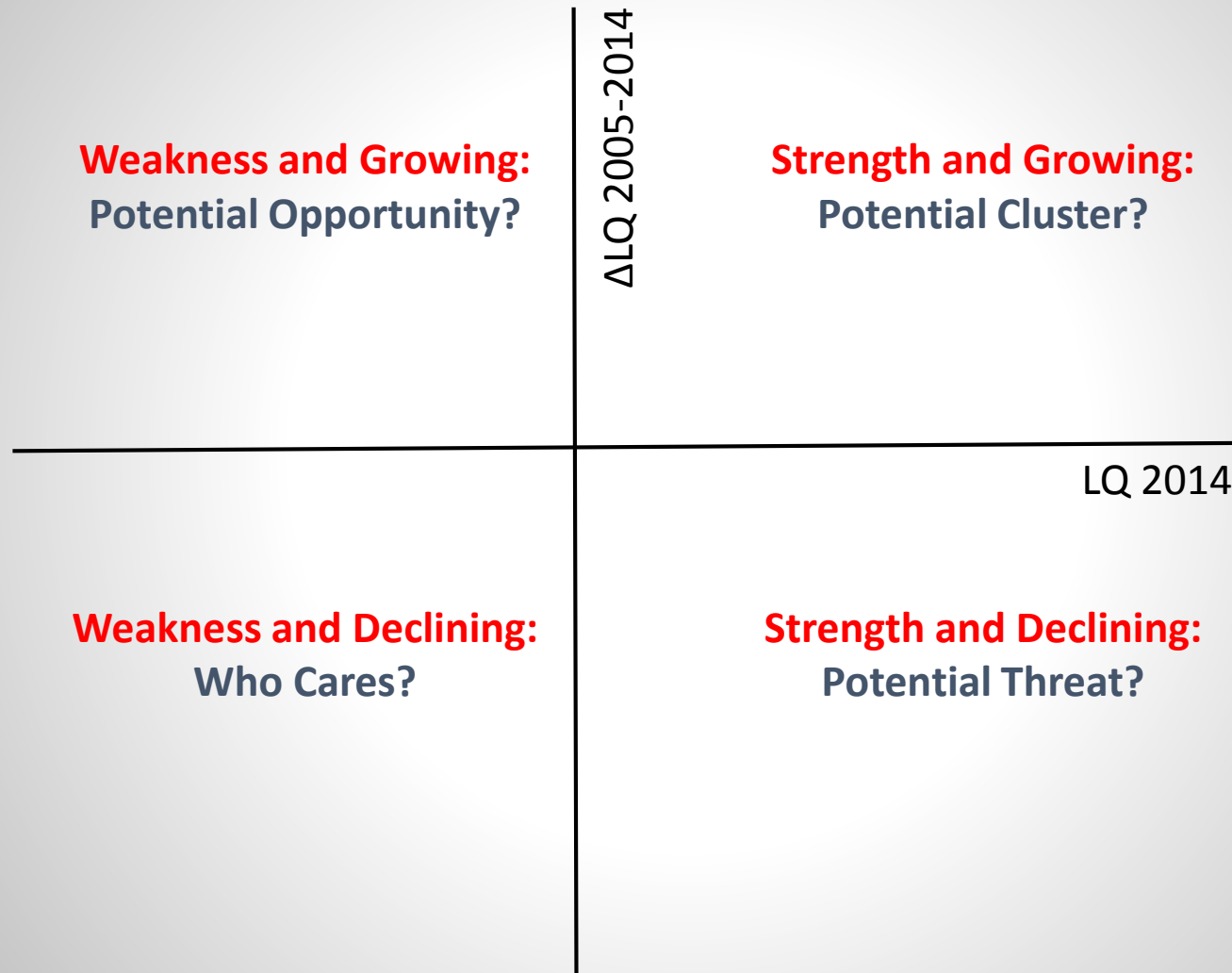
LQ > 1 Overspecialized, driver of local economy

# Share of Employment 2014



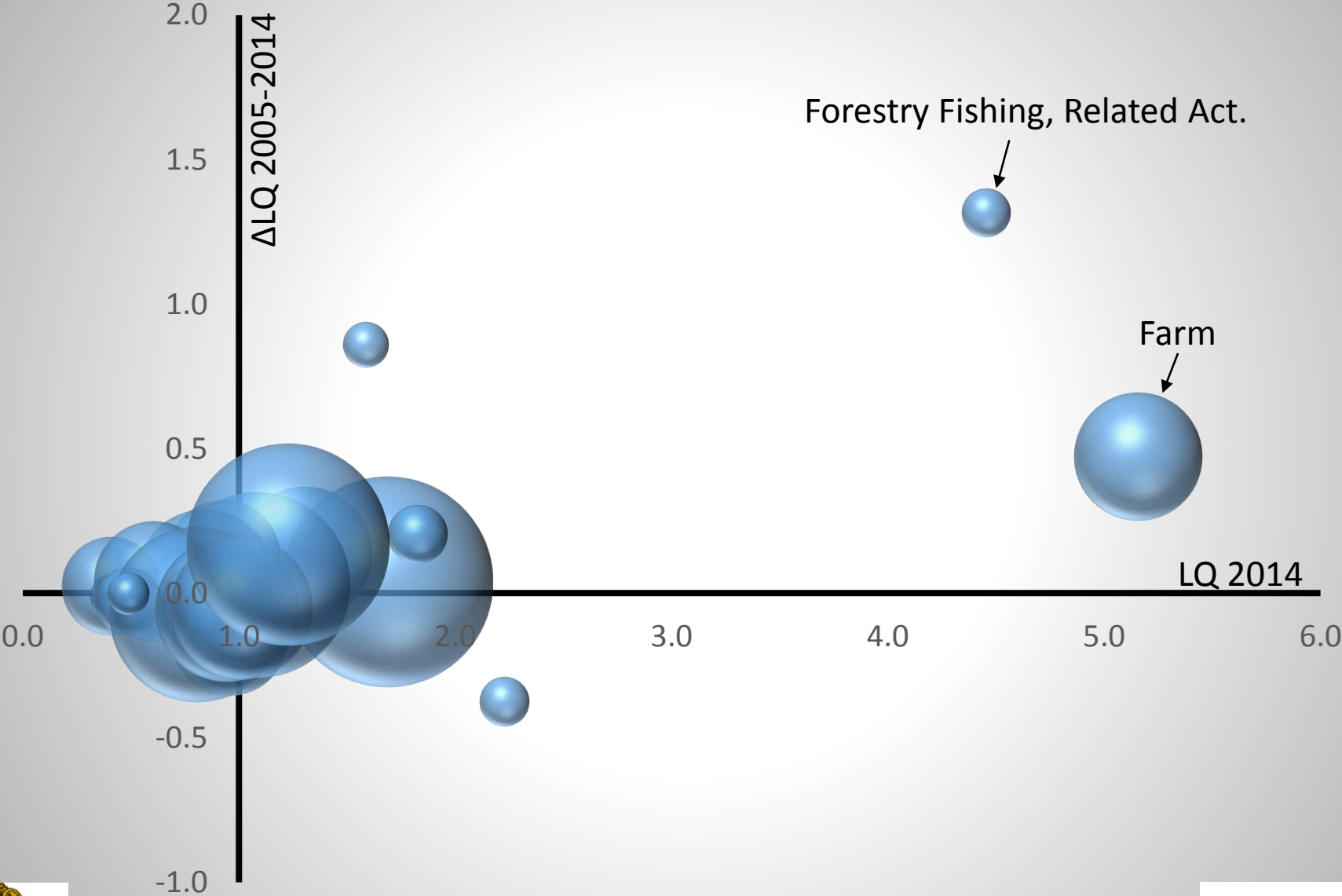
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# Simple Cluster Analysis ala Porter

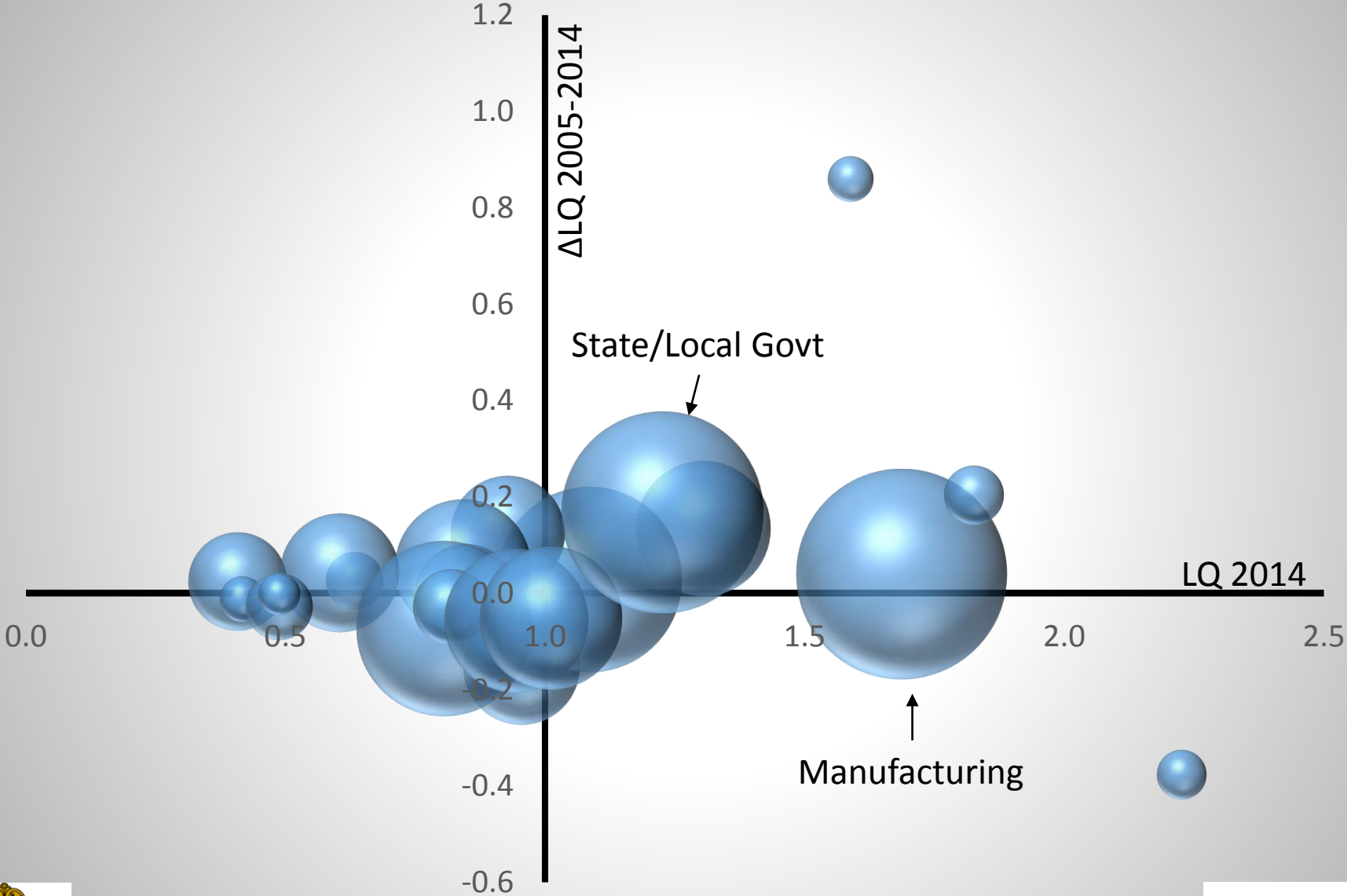




# Blackhawk Hills Cluster Analysis

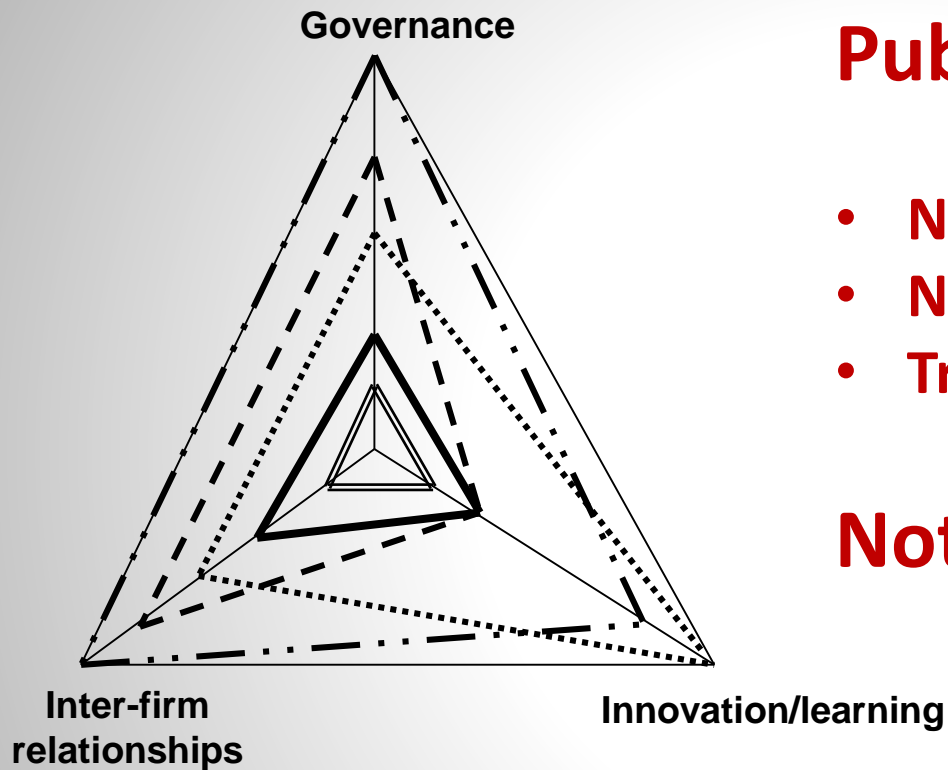


# Blackhawk Hills Cluster Analysis



Blackhawk Hills Cluster Analysis 2014

	LQ 2014	Change LQ 05-14	Share Emp 2014
<b>Strength and Growing</b>			
Farm	5.157	0.472	4.9
Forestry Fishing, Related Activities	4.455	1.316	0.7
Federal Military	1.826	0.204	1.0
Manufacturing	1.687	0.039	13.3
Mining	1.588	0.860	0.6
Construction	1.305	0.134	5.5
State/Local Government	1.226	0.168	12.3
Retail	1.085	0.028	10.3
<b>Stength and Declining</b>			
Utilities	2.226	-0.376	0.7
Other Services except Public Administration	1.012	-0.052	6.1
<b>Weakness and Growing</b>			
Transportation and Warehousing	0.928	0.124	3.9
Finance and Insurance	0.842	0.053	5.6
Information	0.632	0.026	1.0
Administrative and Waste Management	0.604	0.042	4.2
Professional and Technical Services	0.407	0.024	2.9
<b>Weakness and Declining</b>			
Wholesale	0.954	-0.153	4.1
Accommodations and Food Services	0.945	-0.057	6.2
Real Estate, Rental and Leasing	0.847	-0.005	3.1
Arts, Entertainment and Recreation	0.819	-0.028	1.7
Health Care and Social Services	0.806	-0.074	9.2
Federal Civilian Government	0.488	-0.002	0.5
Educational Services	0.487	-0.028	1.3
Management of Companies	0.417	-0.012	0.6



## Public-Private Partnerships

- **Networking**
- **Norms of behavior**
- **Trust**

## Notions of Social Capital

**Social capital refers to features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit.**

**Networks of civic engagement foster norms of general reciprocity and encourage the emergence of social trust.**

**Putnam (2000: p.19) states “... social capital refers to connections among individuals - social networks and the norms of reciprocity and trustworthiness that arise from them ... [a] society of many virtuous but isolated individuals is not necessarily rich in social capital.”**

**Fukuyama (1995: p.10) more concisely states that social capital is “the ability of people to work together for the common purposes in groups and associations.”**

**Lin (1999: p.30) suggests that “[t]he premise behind the notion of social capital is rather simple and straightforward: investments in social relations with expected returns.”**

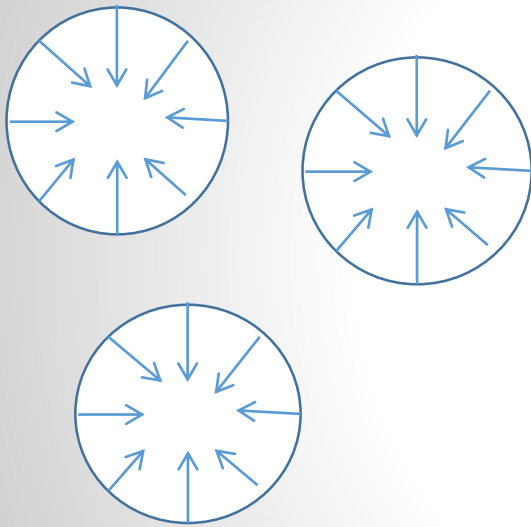


**Would a business make the same investment with the idea of enhanced profits?**

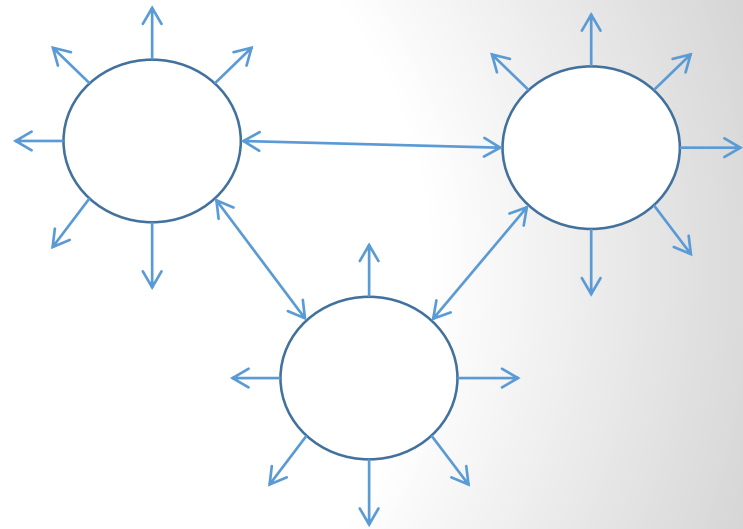
The Floras talk about *entrepreneurial social infrastructure*, rather than social capital, and how that might relate to community economic development. Three dimensions:

1. Symbolic diversity or the community level orientation towards inclusiveness rather than exclusiveness.
2. Resource mobilization is when the community learns to rely on its own resources first rather than looking elsewhere.
3. The final quality of entrepreneurial infrastructure is quality of networks.

## Bonding social capital

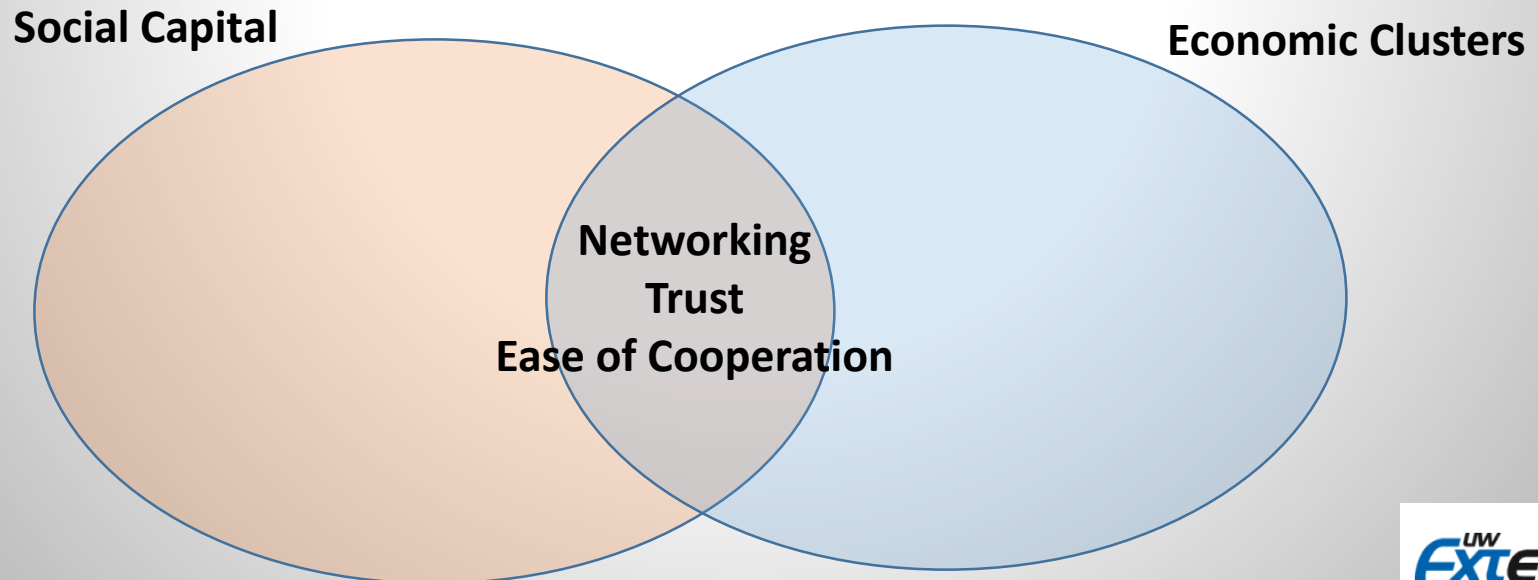


## Bridging social capital



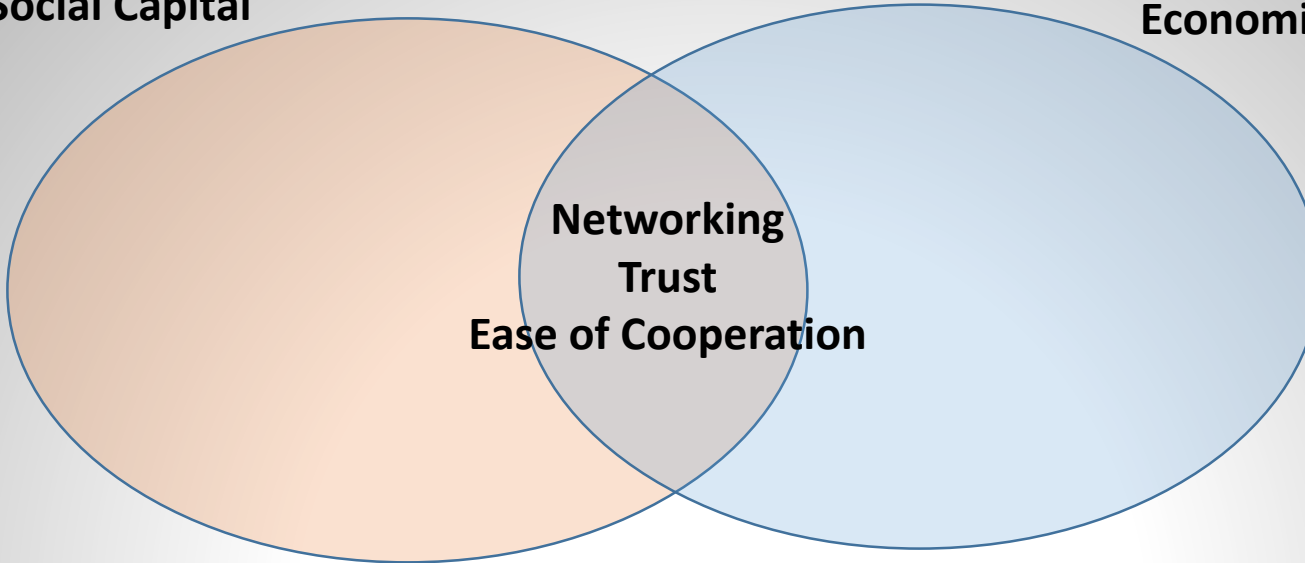


Now, return to the notion of **Porter and clusters**....specifically, consider Feser (1998, p20)  
“Economic clusters are not just related and supporting industries and institutions, but rather related and supporting institutions that are more competitive by virtue of their relationships.”



**Social Capital**

**Economic Clusters**



**What is the role of the economic development practitioner?**

**Who should be “at the table”?**

**Local governments?**

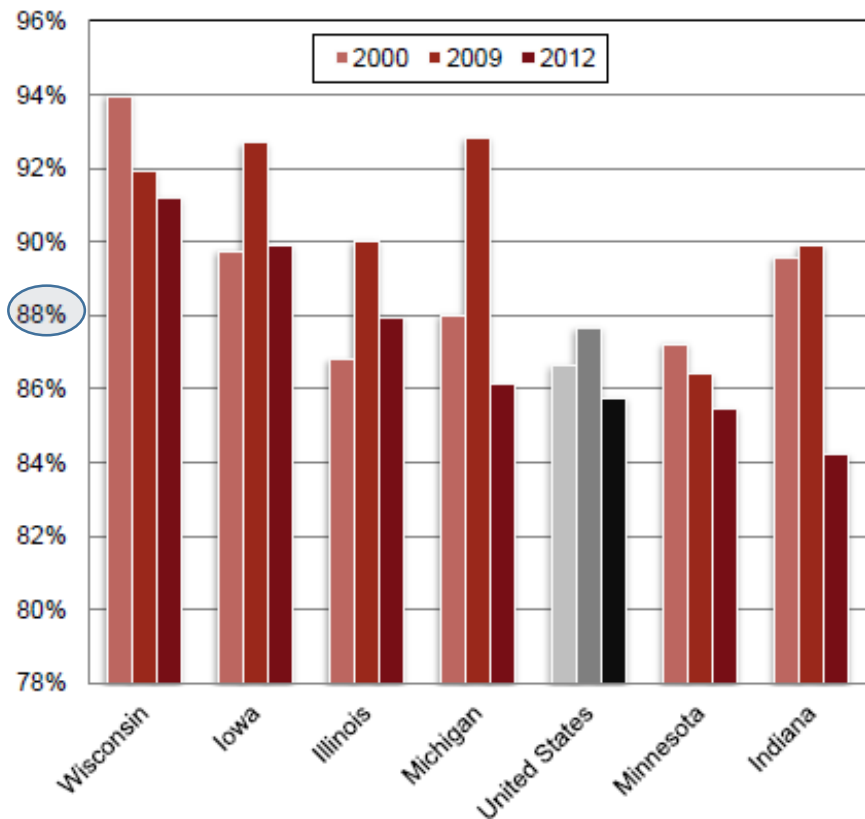
**Large existing firms?**

**Smaller firms?**

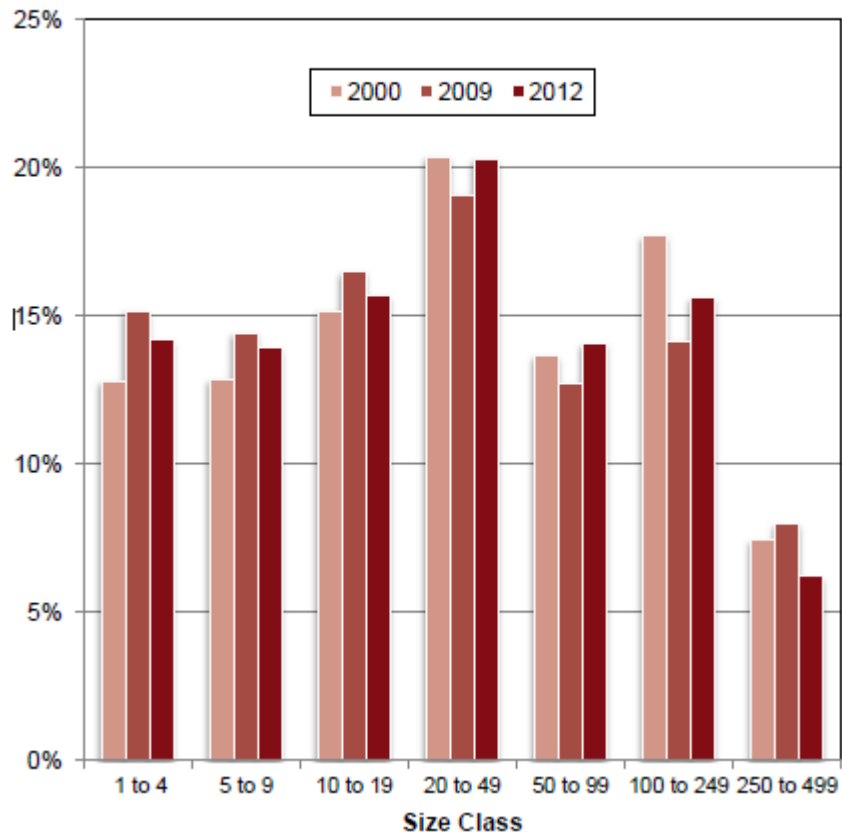
**Potential new start-up firms?**

## Sources of New Job Creation: Firm Size

**Figure 9: Share of Job Creation From Businesses with Less than 500 Employees**



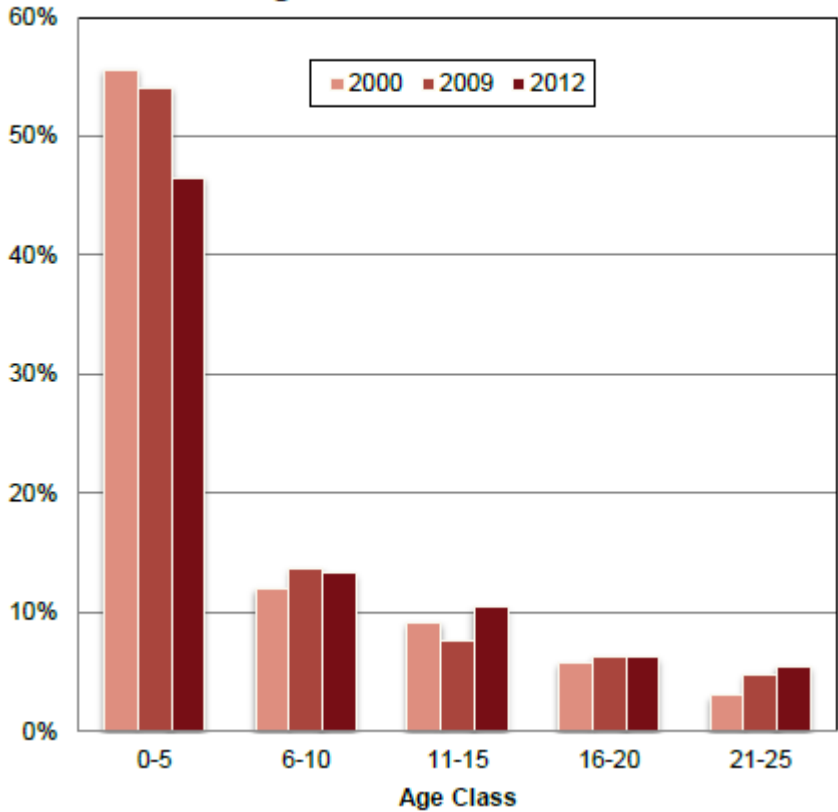
**Figure 11: Share of Job Creation by Size Class Wisconsin**



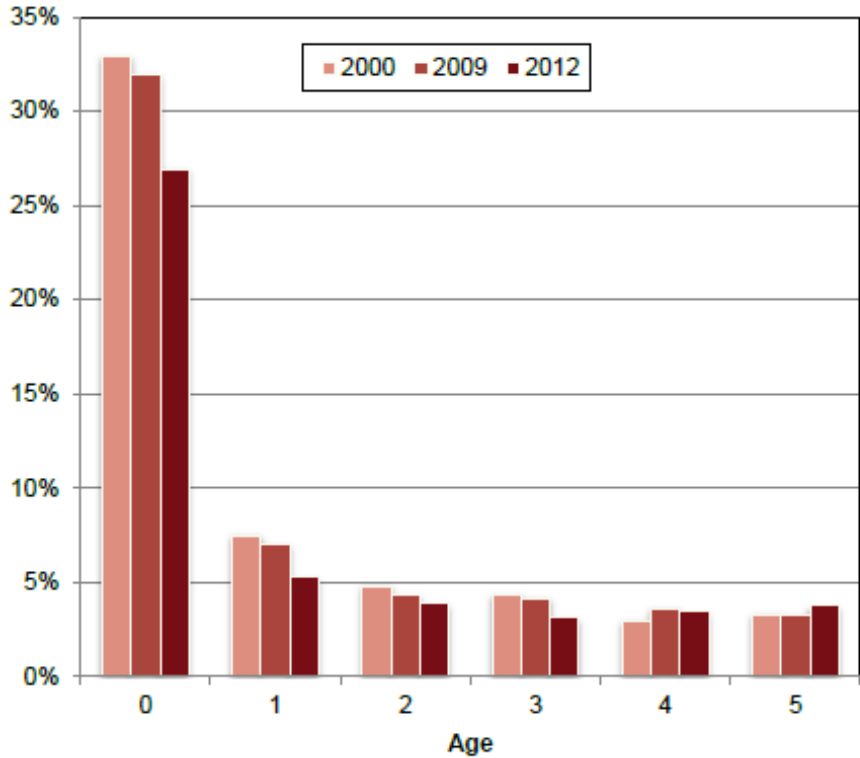
In Wisconsin, the majority of job growth comes from the small businesses, namely those with fewer than 50 employees.

# Sources of New Job Creation: Firm Age

**Figure 12: Share of Job Creation by Age Class, Wisconsin**

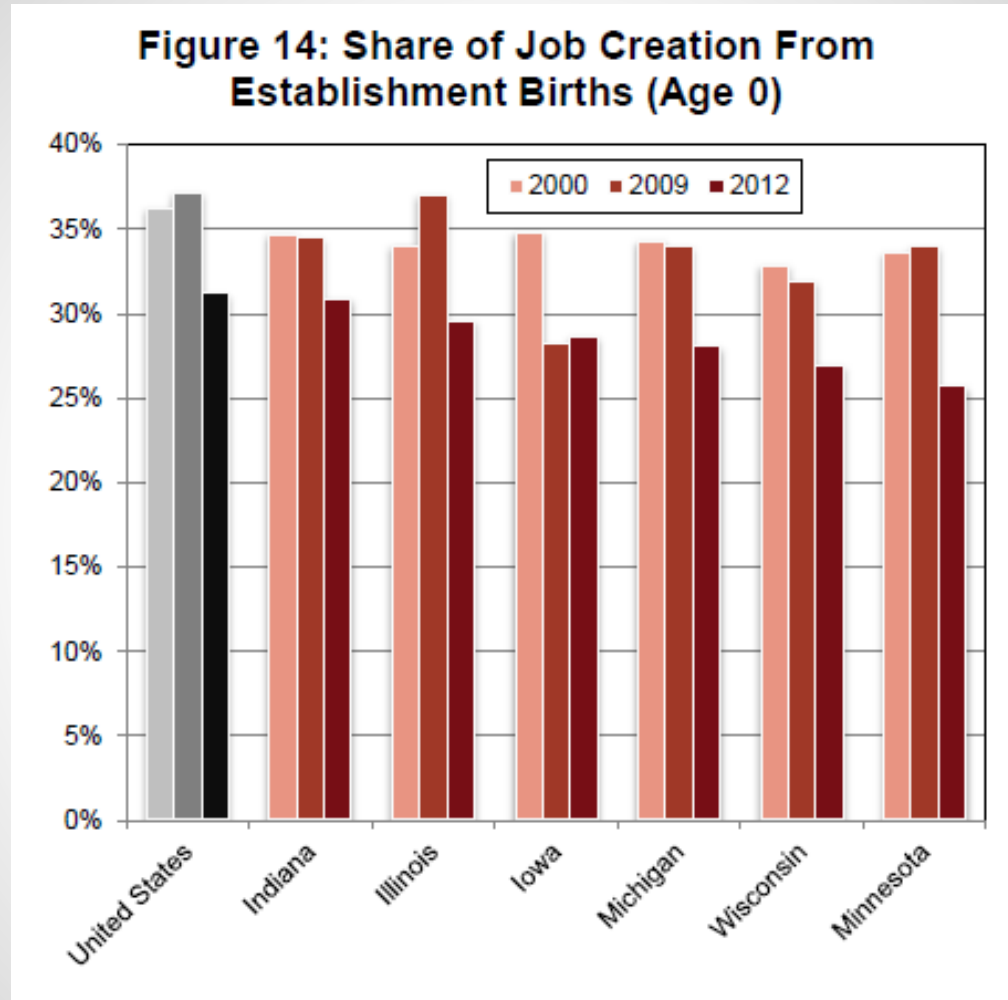


**Figure 13: Share of Job Creation by Young (Age 0-5) Establishments Wisconsin**



For Wisconsin about half of new jobs created are from young (five years or less) and one in four are from start-ups.

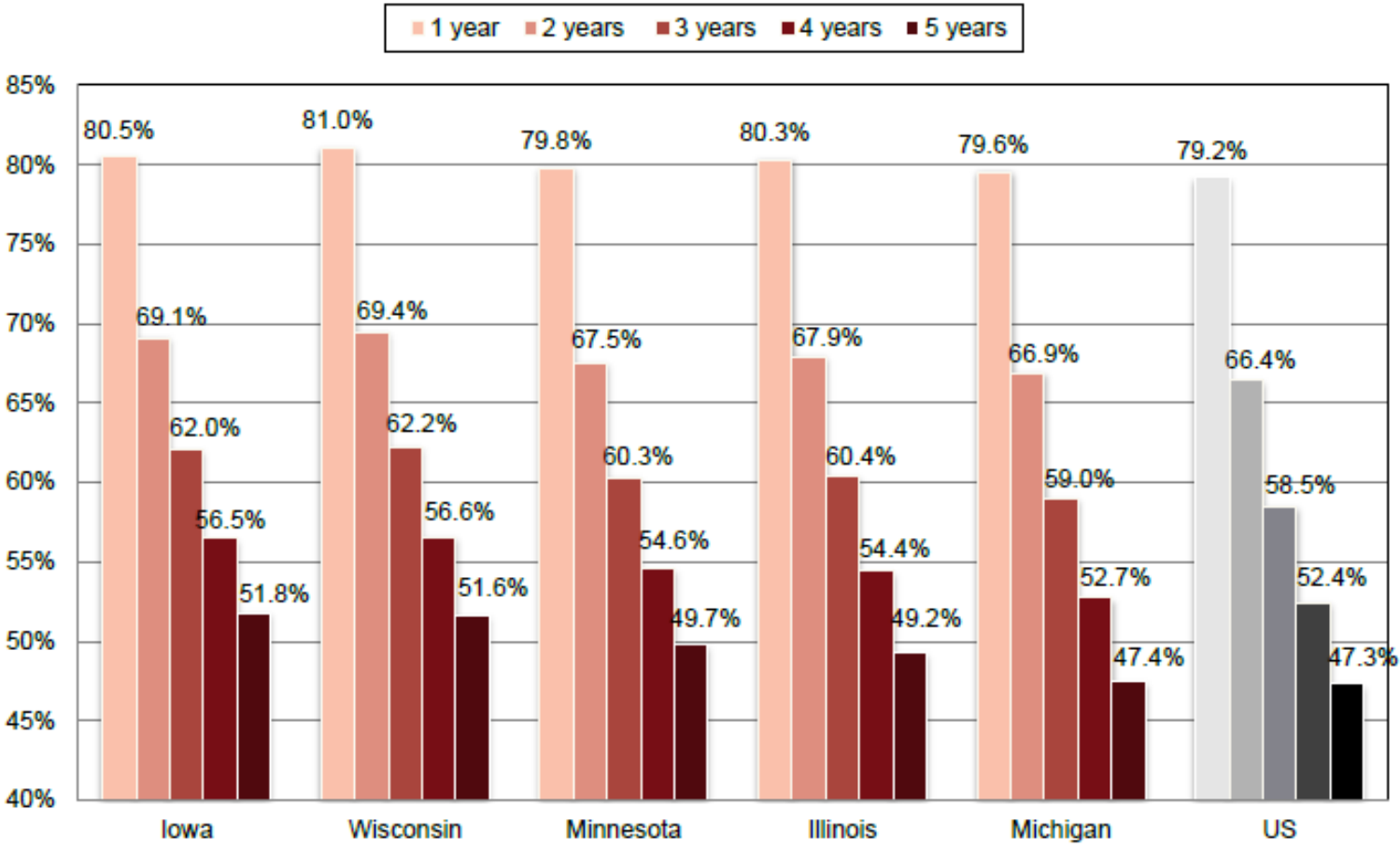
## Sources of New Job Creation: Firm Age



Depending on the specific year examined, about one in three new jobs are created by business start-ups.

# Sources of New Job Creation: Firm Age

## Figure 16: New Business Survival Rate 1998-2007



About 50% of new firm start-ups survive to year 5.

## Summary of Analysis

- 1. Economic clusters are a powerful way to think about regional economic growth and development.**
- 2. Social capital is a fundamental element of dynamic economic clusters.**
- 3. Small business development, particularly new start-ups, are integral to dynamic economic clusters.**

# A Sampling of Strategies

## Community Attitudes

A positive **community attitude** toward experimentation, innovation, and risk-taking in business is vital to successful entrepreneurial communities.

- Local government is responsive to the needs of those starting a new business.
- The whole of the community (local government, business associations, development organizations, etc.) is responsible for fostering an entrepreneurial environment: responsibility does not fall to a small group of people or organizations.
- The community deliberately fosters the growth of leadership amongst new or existing small businesses.



# A Sampling of Strategies

## Community Attitudes

A positive **community attitude** toward experimentation, innovation, and risk-taking in business is vital to successful entrepreneurial communities.

- The community at large is willing to experiment with new ideas and learn from their mistakes.
- Members of the business community trust each other and have strong relationships.
- The community thinks “regionally” and actively partners with neighboring communities to foster entrepreneurship and business start-ups.
- People and businesses in the community support locally owned businesses by choosing to spend money with them whenever possible.
- Community support systems are geared for all phases of the business life cycle (birth, growth, maturity, spin-off, succession)

# A Sampling of Strategies

## Community Attitudes

A positive **community attitude** toward experimentation, innovation, and risk-taking in business is vital to successful entrepreneurial communities.

- The community has a core group of business professionals willing to provide mentoring and advice to new business owners and managers.
- The chamber of commerce or business association is viewed as a resource to people thinking of starting a new business and not as a “social club” for existing businesses.
- There is a "women in business" network within the community.
- There is a mechanism in place to help existing businesses transition to new owners-operators.

# A Sampling of Strategies

## Education

Many new business owners are passionate about their business and are very adept at producing the good or service that they offer. Unfortunately, many of these new business owners lack the business background to manage the business from marketing to financial analysis to managing their human resources.

- The chamber of commerce or business association offers educational seminars/workshops for those interested in starting a new business.
- Commercial lenders provide support, such as courses or materials, in preparing for a business loan request.
- Local institutions of higher education (UW, Technical Schools, private colleges) offer short-term intensive training opportunities in basic business management skills and techniques. Examples might be a three-hour Saturday morning workshop on how to use Quicken Books to manage cash flow, billings and receipts or earmark information necessary for tax preparation, or a similar short workshop on how to use social media for marketing.

# A Sampling of Strategies

## Education

Many new business owners are passionate about their business and are very adept at producing the good or service that they offer. Unfortunately, many of these new business owners lack the business background to manage the business from marketing to financial analysis to managing their human resources.

- The community has a network of business support services such as accountants, financial, marketing and management advisors that are in a position to help new businesses.
- Representatives of local school systems are active members of the community small business formation and entrepreneurship team or organization.

# Concluding Comments

**The challenge here is documenting impact or outcomes.**

**Political pressure for immediate high impact outcomes.**

**Planting the seeds of success or playing the lottery?**