
New Governance for a New Rural Economy: Reinventing Public and Private Institutions— A Conference Summary

By Mark Drabenstott, Nancy Novack, and Stephan Weiler

A growing chorus of rural leaders agrees that new opportunities are on the horizon for rural America. Economic consolidation and outmigration need not be rural America's future. The question most rural regions now face is this: *How to claim the new opportunities?* At root, this question is all about governance—how regions make economic decisions quickly and effectively. Simply put, regional governance is about how public and private leaders work together to build new economic engines that can compete in globalizing markets.

More than 150 rural policy experts and leaders gathered in Kansas City in May to discuss new approaches to regional governance at the fifth annual rural policy conference hosted by the Federal Reserve Bank of Kansas City's Center for the Study of Rural America.

Participants agreed that new models of governance are long overdue in rural America. While rural communities value cooperation, all too often city limits and county lines paralyze new economic development strategies. Participants were encouraged, however, by a number of inno-

Mark Drabenstott is vice president and director of the Center for the Study of Rural America. Nancy Novack is an associate economist and Stephan Weiler is an economist and assistant vice president at the Center. This article is on the bank's website at www.kansascityfed.org.

NEW GOVERNANCE FOR A NEW RURAL ECONOMY

Reinventing Public and Private Institutions

NEW GOVERNANCE 101

New Governance in Action: The True North Model

Joseph M. Sertich, Jr.—*President, Northeast Higher Education District, Chisholm, Minnesota*

Assessing the State of Rural Governance in the United States

Charles W. Fluharty—*Director, Rural Policy Research Institute, Columbia, Missouri*

INNOVATING PUBLIC AND PRIVATE INSTITUTIONS

Moderator: Gary Gorshing—*Executive Director, South Western Oklahoma Development Authority, Burns Flat, Oklahoma*

Building the Austin Technology Cluster: The Role of Government

Pike Powers—*Partner, Fulbright & Jaworski L.L.P., Austin, Texas*

Discovering a New Indiana Economy: The Role of Higher Education

Martin Jischke—*President, Purdue University*

Sparkling New Development Strategies: The Role of Nonprofits

Karl Stauber—*President and Chief Executive Officer, Northwest Area Foundation, St. Paul, Minnesota*

NEW POLICIES FOR NEW GOVERNANCE

New Opportunities for Public Policy: Learning from the MidSouth Partnership

Clinton Bristow, Jr.—*President, Alcorn State University*

J. Charles Lee—*President, Mississippi State University*

Seizing the New Policy Opportunities

Linda Salmonson—*Public Affairs Coordinator, East River Electric Power Cooperative, Madison, South Dakota*

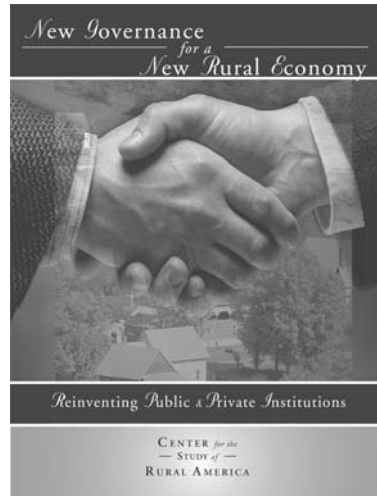
John D. Welty—*President, California State University, Fresno*

Larry B. Whitaker—*McLean County Judge/Executive, Calhoun, Kentucky*

NEW GOVERNANCE FOR A NEW RURAL ECONOMY

Reinventing Public and Private Institutions

New governance will redefine how rural regions make economic decisions and how key institutions work together in building a new economy. Government, higher education, and the private sector, including the business and nonprofit communities, are especially important in defining governance in most rural regions. What is the state of governance in rural regions? How can regions cross jurisdictional lines and surpass the limits of old governance? And what steps can public and private leaders take to innovate governance in their region?



To shed light on these issues, the Center for the Study of Rural America hosted a conference, *New Governance for a New Rural Economy: Reinventing Public and Private Institutions*, May 17-18 in Kansas City, Missouri.

A distinguished group of rural experts from the United States and beyond were on hand to share their ideas. Our audience included national leaders from government, business, finance, and academe.

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Public Affairs Department
Federal Reserve Bank of Kansas City
925 Grand Boulevard
Kansas City, Missouri 64198

vative partnerships now being forged in rural regions. These partnerships are often sparked by higher education and philanthropic institutions, but governments and businesses are also participating.

I. NEW GOVERNANCE 101

The first session of the conference provided a working framework for regional governance, a concept that remains elusive in many parts of the nation. Joseph Sertich began with a sketch of the Arrowhead model of governance. The Arrowhead region of northeast Minnesota is not unlike many other rural regions. For example, for generations the region has depended on natural resources as its economic base—in this case, timber and taconite, used in making steel. Tourism has also contributed to the area's economy. After decades of decline in timber and taconite, Sertich indicated the region was at a tipping point when the twenty-first century began. Put another way, the region was badly in need of a fresh economic vision.

The region's higher education institutions saw an opportunity to serve as a catalyst for that change. The first step was reorganizing the region's community college structure. In 1999, five community colleges came together under one umbrella to pool resources and reduce costs. The five-college district was renamed the Northeast Higher Education District (NHED), sharing one president. The District's mission is "to provide quality higher education to the communities throughout northeast Minnesota by developing a regional structure that will... align programs and services to better prepare residents for learning, employment, citizenship, and life."

A unique extension of that mission is the District's active engagement in creating a more robust regional economy. In particular, the college's five campuses would work to promote effective relationships with each community, providing services to business and industry as well as creating ties with state and regional economic development initiatives. Sertich outlined five foundations for a healthy economy: government, health and social services, education and training, community infrastructure, and the economy itself. The most important

product of governance is balancing these priorities and providing citizens access to each, regardless of the size or location of the community in which they live.

The NHED quickly realized that new governance for the Arrowhead region would have to go well beyond the community college. Thus, it sought new partnerships with the region's businesses and governments. The result was a new commitment to the future of the region. That shared commitment is now captured in True North, the region's new brand that describes the cooperation among higher education, the private sector, and government—literally the three points of a figurative arrowhead. The interaction among these three key sectors comprises a critical component of the region's new governance.

Once created, True North embarked on a series of wider meetings with private sector and government leaders throughout the region to spread the new vision. Sertich stressed that True North did not set out to overtake existing development projects or groups serving the region, but rather to foster cooperation among them.

True North's first major economic initiative is the TechNorth Prep Center Network. It is a system of work sites to match students seeking training and experience with businesses seeking young talent. The tenants of the TechNorth Prep Centers include start-up businesses, back-office contract service providers to compete with outsourcing, and larger, established organizations. This broad spectrum of tenants illustrates the fresh linkages the centers are making within the community.

The True North experience reveals several perspectives for other regions to consider. Government, higher education, and the private sector each have much to offer, but their differing structures and goals can create challenges. The True North experience found that business has many ideas but simply lacks time to execute them. Government, although interested, has very broad goals. And colleges, while willing and responsive, are sometimes slow to change. The new governance structure has created new recognition for the community college campuses, who are, in turn, serving as a trusted link between government and the private sector. True North also found that people were responsive to the idea of a broader, collective movement. "Being a catalyst or coordinator is different from proclaiming yourself as the leader," Sertich

said. Initiatives need to take a long-term outlook, with the understanding that partnerships take time to develop. Catalyst organizations should invest their own resources early to illustrate their commitment.

In the case of True North, higher education was the leader in sparking changes in how the region's institutions interacted. Nevertheless, government or the private sector could play that role as well. Regardless of the initial catalyst, the other institutions still need to take on leadership roles to make new governance work. In that spirit, True North is still in its infancy, striving to expand the roles of its government and private sector partners.

Chuck Fluharty provided a broad assessment of the state of governance in the United States. He sees governance as "the means by which people come together to identify key problems and opportunities, craft intelligent strategies, marshal necessary resources, and evaluate outcomes." An essential starting point, he stressed, is to understand the importance of *interdependence* among governmental and nongovernmental organizations. Government's role seems likely to evolve into one of coordinator through multiple policy-related networks comprising public, private, nonprofit, and associated actors. Each player in the governance network brings unique roles, power bases, skills, resources, and values. While many look to government to take a lead in shaping regional governance, limited public sector resources going forward point inevitably to critical involvement by private sector institutions.

Governance is especially important for rural areas due to their disadvantage in community capacity—their ability to craft and implement new economic development strategies. Rural communities are small, sparse, and have access to fewer resources than metro areas. What is more, creating new governance structures can be difficult because rural communities often are not accustomed to working with their neighbors to solve common problems. Rural elected officials often spread their time across many responsibilities with minimal professional support.

"Good" governance, however, can actually help rural areas utilize their scarce resources more efficiently. Fluharty described good governance as engaging people in a democratic process, giving them the opportunity to be included in how decisions are made. He characterized good governance as: policies that give invisible people a voice, crossing traditional boundaries such as county lines or political districts,

building and sustaining collaboration, achieving economic and social outcomes that are meaningful for people, and learning from past experiences and applying those lessons to future initiatives. Most rural regions have a good foundation for new governance right in their backyard—a strong base of grassroots institutions and organizations, such as local schools and churches.

Looking ahead, Fluharty outlined three critical questions for rural governance. Who will be the champions for change? Who are the intermediaries that will facilitate innovation in key institutions? And what constituencies will support the innovative leaders and institutions? Intermediaries, such as civic organizations and foundations, are particularly important because they serve the role of connecting and supporting initially disparate people and organizations. The role of intermediaries is likely to change over time and more than one may be involved in any particular effort.

II. INNOVATING PUBLIC AND PRIVATE INSTITUTIONS

The second session of the conference took a close look at three different models of new governance. Each represented an example of a different institution taking the lead in forging new regional partnerships. The first case examined government's role in the development of the Austin Technology Cluster in Texas. The second described Purdue University's lead in reinventing Indiana's economy. The final case discussed the role of nonprofits in sparking new regional development strategies.

Building the Austin Technology Cluster: The Role of Government

The tale of Austin, Texas, and its rise as a technology center is not a rural story, but it still offers some powerful analogies helpful to any region. Austin's now well-known focus on technology actually began more than four decades ago. Two sectors dominated the Austin economy up until then—government and the University of Texas (UT). Both were natural given the city's status as the state capitol. A Chamber of Commerce program focusing on the electronics industry launched the long journey that led Austin to become a technology

center. Today, Austin has become one of the major technology centers in the United States. Major tech companies such as IBM, Motorola, Advanced Micro Devices, 3M, and Dell Computer have a significant presence in Austin.

Government initiatives played a critical role in Austin's tech success. Local and state government played critical roles in recruiting companies and assuring an attractive quality-of-life to draw, develop, and retain highly skilled workers. Indeed, workforce training and education has been a consistent theme of state and local governments. The result is that Austin now has one of the most educated workforces in the country.

Pike Powers noted that many policy decisions contributed to Austin's technology successes. Educational, intellectual, and physical infrastructure capacities were continually upgraded. For example, the University of Texas invested in tech facilities and created new endowed chairs. The city improved its water and electricity networks, and built a municipal airport. Incentives, while controversial, were also pivotal in attracting the high-tech sector to Austin. The university offered incentives by accelerating their investments in research and facilities. City and county government offered tax abatements and utility rate agreements, arguing that such policies went beyond a "quick fix" to attract complementary new employers within a coordinating strategic goal. Austin fostered a climate for innovation and entrepreneurship, aided by the university allowing faculty to capture a financial stake in their inventions once they are commercialized. Finally, business, government, and the university agreed on target areas within science and technology, focusing recruitment efforts on those areas.

Powers stressed that Austin cannot rest on its laurels and must overcome many challenges to retain its competitive edge. Although Austin is doing well, it must be proactive in adjusting to the global changes occurring in the science and technology industries. Leaders also recognize that property tax burdens placed on capital-intensive technology businesses need to be addressed to retain and attract these businesses. Educating the local workforce to meet the needs of the knowledge-based industries remains critical. And Austin is facing the congestion

problems that attend rapid metropolitan growth. All of these challenges will continue to require leadership by local and state government if Austin is to maintain its status as a leading high-tech region.

Discovering a New Indiana Economy: The Role of Higher Education

Purdue University believes research universities should play a leading role in helping rural regions reinvent their economies. Martin Jischke sees new forms of partnerships as the way to do that. "I believe land-grant universities in the 21st century should partner with government, communities, and private enterprise to help both urban and rural areas manage the economic and social challenges of our times."

The changes in the new economy are being driven by science and technology. Jischke argued that the most effective development of knowledge-based economies is happening in states and regions that partner with research universities. He cited the state of Massachusetts and MIT, Stanford and Silicon Valley, and the North Carolina universities and Research Triangle as examples of successful initiatives that involved research universities. Purdue University aims to do the same for Indiana.

In response to the recent economic downturn, partnerships were formed between Indiana businesses, government, and research universities to identify sectors in the state with the greatest promise for future economic growth. Advanced manufacturing, information technology, life sciences, and transportation, distribution, and logistics were identified as the most promising sectors. Purdue is taking a lead by supporting these areas with new investments in science and technology.

To help Indiana tap the knowledge economy, Purdue's efforts are becoming interdisciplinary and multi-institutional. The university recognizes that barriers often exist between academic disciplines and is working to eliminate such barriers. By breaking down these walls, researchers from different disciplines can create fresh innovations for the constantly evolving knowledge economy. Purdue's Discovery Park initiative started as a partnership with the state. Now, it has also engaged as partners the federal government, philanthropic organizations, alumni, and businesses. Discovery Park is a cluster of research centers that "connect faculty and students from many disciplines." The research at

the centers is resulting in the development of market-ready technologies, which has attracted high-tech businesses to the state. Recognizing that excellence must be focused, Discovery Park houses centers on nanotechnology, bioscience, and entrepreneurship. Centers on e-enterprise, biomedical engineering, and cancer research are on the horizon.

Discovery Park is aimed at fostering growth throughout *all* of Indiana, and rural areas have much to gain. Technology incubators could translate into new high-tech businesses locating in rural Indiana. Indiana farmers have already profited from research that developed disease-resistant soybeans. The state's timber industry has benefited by the development of better species of trees. Beyond Discovery Park, existing rural businesses have access to Purdue's Technical Assistance Program which provides assistance with the everyday issues associated with managing a business and developing new products. And the university's Center for Rural Development goes beyond the "what" and addresses the "how-to" of rural development.

The Extension Service programs housed at land-grant universities have long been the connection between the university and the communities they serve. Jischke argued that the existing Extension model must change because there is a "growing disconnect" between 21st century economic needs and the historic focus of Extension. Jischke called for more engagement by Extension by working toward more "two-way" interaction with communities. He also argued that Extension programs should engage all of the university's disciplines, not just the traditional ones, such as agriculture. Finally, Extension needs to be more entrepreneurial in exploring new ways to fund its activities.

Sparkling New Development Strategies: The Role of Nonprofits

Karl Stauber examined how nonprofit institutions can spur innovations in regional governance. Philanthropic organizations have been a leader in development initiatives, but he stressed they cannot do it alone. Successful rural development requires collaboration with government, businesses, and all private sector institutions.

Like many other speakers at the conference, Stauber painted a picture of rural America that highlights the need for significant change. Depopulation and poverty are all too familiar to rural areas.

He stated that “if the downward spiral is to be stopped, it must happen in this decade.”

He described rural decline as multidimensional—structural and incidental, absolute and relative, persistent and responsive. For all these reasons, multidimensional approaches are needed for rural development. By contrast, many of the rural development efforts now in place have a single focus, such as programs targeting housing or education. While they may produce narrow benefits, they can not address the long term challenges facing all corners of the economy. Furthermore, government and private institutions often target areas with the fewest needs and greatest opportunities rather than those facing the most difficult challenges.

Stauber outlined three factors that will determine the future competitiveness and prosperity of communities. First, communities must have a unique competitive advantage to be prosperous. Second, prosperous communities must acknowledge the need to seek new competitive advantages, rather than protecting the old. Finally, prosperous communities must strive to balance economic growth with building social and human capital. All three are crucial to long-term prosperity.

Stauber suggested that four models of economic development currently prevail in rural America. *The commodity production model* concentrates on a single segment of the economy. This type of development has stabilized after declining significantly. *The branch plant model*, concentrates on attracting industrial facilities, often to trade and service centers. This model is in decline as a result of globalization, which has raised the cost of industrial recruitment while increasing the risk of a company leaving town. *The entertainment and amenity model* tries to exploit scenic wonders. This model is expanding in use, but is concentrated by the geographical and natural characteristics of a region. *The entrepreneurship model* exploits a region’s unique competitive advantages. This model is the most underutilized but in Stauber’s opinion holds the greatest potential for rural regions.

The current mix of development models creates challenges going forward, such as how to go from “old” approaches to the “new” without alienating constituencies and losing resources. It will also be difficult to convince institutions to focus on increasing competitive advantage rather than seizing short-term job gains.

Nonprofit organizations are leading many of the efforts now aimed at changing economic development visions and strategies.

In many cases, nonprofits are uniquely positioned to take on this role because they are viewed as trustworthy, while also having tax law advantages that ease the process of raising capital funds. Nonprofits are also usually independent of local politics and thus can tap into a fresh pool of leaders.

The development successes that have been led by nonprofits reveal some common dimensions. The vision must be developed *by* and *for* the entire community, not just a single sector. Efforts should be multi-dimensional and should seek to exploit a region’s new competitive advantage. The effort must be focused on a region, not a single community. Thus, regional partnerships are critical. Finally, development goals should seek to build both wealth and community, not just one or the other.

Nonprofits have faced many difficulties in their rural development efforts. First, federal funding is inflexible and tends to be sectoral in nature. Second, institutional support for entrepreneurship and other means of creating competitive advantage, which he argues are the keys to future prosperity, is lacking. Third, rural communities have difficulty creating a vision for the future because they linger on what worked in the past. Fourth, regions have few forums to learn from one another. Finally, institutions devoted to research in rural public policy issues are still too few, need adequate resources to operate on a national basis, and must be able to address issues in a multisectoral manner. All partners must tackle these challenges if they are to recede in years to come.

III. NEW POLICIES FOR NEW GOVERNANCE

The final session of the conference focused on public policies that can promote new governance in rural regions. The session began by exploring the MidSouth Partnership, an example of federal policy

spurring new partnerships between state universities and community colleges in Mississippi to address the needs of rural communities. The final overview panel offered their insights on how rural America can seize new policy opportunities.

New Opportunities for Public Policy: Learning from the MidSouth Partnership

Clinton Bristow and J. Charles Lee described how the MidSouth Partnership forged a new partnership between Alcorn State University, Mississippi State University, and the state's community colleges. The significant challenges facing rural Mississippi started the conversations between these institutions, various foundations, and a Mississippi philanthropic organization. Boosting human capital and reducing poverty were the central goals of the discussions. All participants quickly converged on the "need for new and renewed leadership in our colleges and universities."

The resulting public policy was the MidSouth Partnership for Rural Community Colleges. Federal government was a key catalyst in providing new funds for training rural leaders through the allied educational institutions. The Partnership trains new faculty and administrators to meet the needs of rural community colleges. The training is provided by Alcorn State and Mississippi State, while leaders of the community colleges are actively involved in shaping the curriculum. The focal graduate degree programs help the state universities meet the needs of rural community colleges. Additional federal funds allowed the Partnership to go a step further and implement a research agenda on rural policy issues.

The Partnership has been guided by the recent "Rural Responses to the New Economy" report, a collaborative effort spanning both academic and philanthropic organizations. The report suggested that rural regions must: 1) reach across old boundaries, 2) retool communities as well as workers, 3) overcome old mind-sets, and 4) build and sustain leadership capacity. In particular, Lee noted that the MidSouth Partnership crossed the bounds separating individual state colleges as well as

state and community colleges. True to its founding spirit, the Partnership is also reaching across state lines in a collaborative effort with Alabama community colleges.

The MidSouth Partnership experience provides valuable insights on partnering and rural development. The Partnership was characterized as “a shared journey to lift up rural people and communities,” although Lee pointed out that the journey was not free of turbulence. Keeping a focus on the real needs of the region’s rural communities was sometimes hampered by institutional barriers. Worrying about who receives credit can hinder partnerships. Rural regions must remember to “hold hands” throughout their journey. All parties agreed that community colleges are an “underutilized asset” in rural economic development, which can provide both leadership and momentum to underserved regions.

Bristow outlined many areas where public policy can play a pivotal role in reshaping rural areas, particularly in terms of education and workforce training. Flexibility in the policies of a university’s governing board allows it to adjust to the changing needs of the region. Flexibility is equally important in creating workforce programs that go beyond training for a specific job or company, and help stimulate entrepreneurship. In this sense, workforce policies need to be forward-looking, rather than focusing on immediate or past needs. And educators at all levels should be encouraged to collaborate to develop students at all levels. Both Alcorn State and Mississippi State have programs actively engaging K-12 schools.

The Partnership remains realistic about public policy’s potential in promoting rural development. Policies with a focus on place are likely to be most effective, but place-based policies force public policymakers and community leaders to be especially flexible in their planning. As the conference’s earlier examples had already shown, regional partnerships are critical to new regional economies and thus should be a new goal for public policy. Working across jurisdictional lines as well as the cultures of different institutions is difficult but not impossible—and can allow overlooked synergies to develop to the benefit of the entire region.

Seizing the New Policy Opportunities

Conference participants agreed that new models of governance are needed to seize economic opportunities in rural areas. The old model of developing individual programs targeted at single sectors of the economy does not meet the challenges created by a global economy. The models of governance showcased in this conference were all based on collaboration and partnerships across government, businesses, higher education, and nonprofits.

Partnerships, while simple in concept, are painstakingly difficult to develop and sustain. Linda Salmonson noted in particular that such collaborations require partners to “leave turf at the door.” Yet engaging multiple partners enable regional development efforts to move forward with adequate resources and stakeholder approval, as highlighted by many of the conference’s case studies.

Champions for change are also central to new governance. In each example presented, one institution stepped up to call for change. Larry Whitaker describes champions as those who take risks and accept the consequences, “even if it means losing a vote.” Higher education, the business community, government, and nonprofits all have the ability to be a champion in their region.

The need for public policies to support such innovations in governance was echoed throughout the conference. John Welty identified seven components that are needed for rural regions to capture opportunity:

- A sense of “place”
- Engagement by higher education
- An entrepreneurial culture
- Collaboration and cooperation among regional leaders
- Financial investment from multiple institutions
- Strong leadership, organizational, and economic infrastructure
- Educational and training programs that serve the region’s goals

These seven components cover many of the public policy areas that participants agreed need to be addressed to help foster the prosperity of rural regions.

Participants concluded that rural America has good reason to be bullish about its economic prospects, but rural regions must find new ways to think and act together as a region. The consensus view was that new models of regional governance will be the hallmark of rural regions that prosper. Whitaker and Salmonson both pointed out that the basic premise of policies and governance is people. Meeting the needs of a region's people should be central to development efforts. And as this conference illustrated, one institution or organization cannot meet those needs alone. To build new economic engines in rural regions, higher education, government, business, and nonprofits must be at the table when strategies for the future are being created.