

Guide to Developing a Regional Economic Development Strategy

Prepared for Boards of Directors
of Nova Scotia's Regional Enterprise Networks

September 2014



OVERVIEW

This guide provides an overview for developing a regional strategy through an economic development lens drawing on a Policy Governance structure. It provides recommendations, considerations, and sample tools to help a REN develop its strategy and establish criteria for success.

Contents

INTRODUCTION

Developing your regional strategy	2
Thinking about economic development	4

ENGAGING

Who should be involved?	6
Engaging your stakeholders	8

PREPARATION

What resources are available?	10
-------------------------------------	----

INFORMATION GATHERING

Understanding your operating environment	12
--	----

ANALYSIS

From data to wisdom	15
---------------------------	----

VISION

Creating a vision for the future	17
--	----

FORMAT

Presenting your strategic thinking	19
--	----

ACTION

Rolling out your strategy	20
From strategy to implementation	22

INTRODUCTION

Developing your regional strategy

As outlined in the *REN Start-Up Guide 2014–2015*, Regional Enterprise Networks (RENs) are mandated to oversee the development and implementation of a regional economic development strategy.

The strategy should consider assets, the business community, sector strengths, and regional challenges and opportunities. Also, the strategy should align with provincial priorities in order to maximize the REN's leverage of programs, policies, and services.

This *Guide to Developing a Regional Economic Development Strategy* has been prepared to assist RENs in understanding the process of developing a strategy for their organization.

Creating a strategy is a process in which people make decisions about desired future results, how these results will be accomplished, and how success is to be measured, evaluated, and communicated to its stakeholders.

RENs will develop a strategy that outlines the results their organization will achieve over a three-year period. This strategy will be firmly rooted in the context of their broader operating environment, taking into account factors such as the economy, key assets, and the partnership and stakeholder landscape. The operating environment will be described later in this document.

This broader context will help RENs choose their areas of priorities, but RENs must also make sure their goals are both clear and realistic, and reflect how each organization believes that it is uniquely able to make a difference.

The strategy should address four basic questions:

[1] Where are we now?

A REN must first determine where it currently stands and what opportunities exist for affecting economic change. This step may require the board to conduct environmental scanning, to collect statistical and demographic information and projections, and to request expert analysis, stakeholder input, and the synthesis of studies and strategies. To answer *Where are we now?*, the board must not only look at its external operating environment, but also look internally, at its mandate, core activity areas, and available resources. Consensus building will be needed in order to form a common understanding of the region's economic condition and its most promising opportunities.

[2] Where do we want to be?

In developing a strategy, you need to create a vision that provides everyone with an agreed-upon image of a desirable future. Trend analysis, trend projection, environmental scanning, statistical data, relevant studies and strategies, scenario planning, economic modeling, expert analysis, and stakeholder input are all things to consider as you move through a process of determining a vision for where you want your organization to be in the future.

[3] How do we get there?

The strategy is the main instrument to guide and direct your operations. The overarching goals of the strategy are called “ends” in Policy Governance; these are sign posts that help you get where you want to go. Ends describe the results or benefits you expect your organization to produce, for whom, and in what order of importance. The strategy provides a high-level overview to answer the question, How do we get there? It is not an annual operational plan, which provides a detailed description of all the REN's planned activities, and allocates resources to each activity area. This is the work of management, and is monitored by the board.

[4] How do we measure, evaluate, and communicate our results?

The strategy should build in measures to ensure accountability and support communication on its progress to stakeholders. Monitoring progress helps keep your strategy on track and allows the board to make mid-course adjustments as necessary. When developing your strategy, the REN should consider its audience with respect to the strategy's length, style, and level of complexity.

INTRODUCTION

Thinking about economic development

Economic Development

Economic development can best be described as the sustained, focused actions of policy makers and communities to support and improve living standards, and increase the economic health of a specific region.

Economic growth is just one aspect of economic development. Economic developers may also focus on other aspects, such as infrastructure, transportation, sector development, environmentalism, urban planning, education, literacy, health, safety, and social inclusion, all of which are needed for a healthy economy, or “eco-system.”

Because of its varied nature, economic development – by its very definition – depends on many partnerships, such as with different levels of government, the private sector, not-for-profit organizations, and the community at large.

The specifics of economic development will vary greatly from one region to the next, but they are all aimed at fostering the conditions needed for environmentally sustainable and socially inclusive economic growth.

Your board’s focus will largely be defined by your region’s economic context and your stakeholders’ priorities. The RENs’ scope of activity is further defined in the *REN Start-Up Guide*.

Strategy Development in Policy Governance Context

RENs will need to begin their strategy by tackling the question, “What does economic development mean to us?” An economic development strategy describes a vision of the future that an organization is seeking to create. It will describe the current economic context, summarize the strategic thinking that led to the vision, and culminate in a description of what benefits will be received, by whom, and in what order of priority.

Organizations using Policy Governance function best when questions of what needs to be achieved (the organization’s ends) are separated from questions of how it will be done (the organization’s means). Under this model, the board’s role is to focus on strategic thinking to guide the process of stakeholder consultations, gathering information and data, providing environmental scanning, creating a vision, and developing ends, or goals. The result is a clear definition of whatever ends the economic development organization plans to achieve.

The CEO’s role then is to implement strategy: the work of aligning organizational resources and activities with the ends that were defined by the board. This results in an operational plan that the CEO uses to manage the organization.

Under Policy Governance, an economic development strategy is therefore not an action plan. Instead, it is part of the framework within which the CEO manages economic development activities. After the board creates its economic development strategy, the CEO is able to plan for the organization’s operations. He or she writes operational plans and outlines the steps or actions to be undertaken to achieve the board’s vision, as it is articulated in the strategy.

Policy Governance relies on a clear understanding that strategic thinking rests with the board and strategy implementation rests with the CEO. While it highlights the roles of both board and CEO, this guide is designed specifically for the board of directors. It will help your board think strategically about regional economic development and provides an approach that can be used to develop a regional economic development strategy that makes sense for your region.

Who should be involved?

One of the first steps when beginning the process of developing an economic development strategy is to identify the stakeholders who should help create the strategy or will be affected by it. Several stakeholders have roles and responsibilities in the development and implementation of a strategy.

Stakeholders

Stakeholders obviously have an interest in the work being done. Typically, in an economic development setting, stakeholders include businesses, property developers, government project/program partners, etc. For example, provincial and federal government partners can contribute expertise and resources to help implement the strategy, especially in areas where the economic development strategy aligns with provincial and federal priorities.

Owners

Owners are stakeholders who fund the organization. In the case of RENs, the owners are represented on the Liaison and Oversight Committee (provincial and municipal representatives). The board of directors takes responsibility for the relationship with owners. The board is accountable to the owners for determining what benefits the organization will produce and for whom.

Clients

Clients are stakeholders that deserve special attention. In the case of RENs, these are the businesses that benefit directly from the organization's activities. Relationships with clients are primarily the responsibility of the CEO and staff; however, the board must also make a concerted effort to understand, in a general sense, the clients' needs.

Who else should be involved?

Many stakeholders can have an interest in the strategy and/or be affected by it. It is important to engage stakeholders in developing and implementing the strategy. The board's first task in strategy development is to identify the stakeholders.

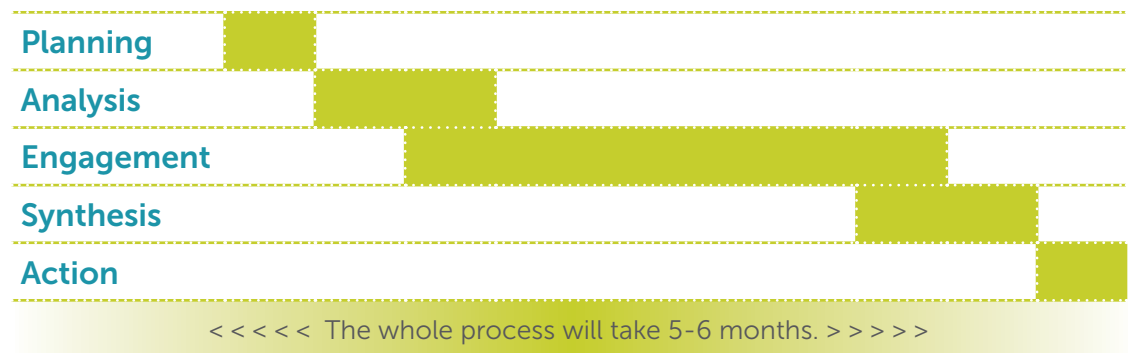
Be sure to consider diversity – age, gender, culture, ethnicity, and opinions. Identifying various groups at the beginning is critical to being able to consider their input and feedback. Stakeholders may include

- education and training providers
- chambers of commerce
- tourism organizations
- industry associations
- business support organizations
- community service organizations
- government departments (municipal, provincial, federal)

Some stakeholders might have different types of relationships with the REN. For example, the Department of Economic and Rural Development and Tourism (ERDT) is a REN funder but is also a program delivery partner (since ERDT staff might also work with RENs to serve clients or fund special projects).

Making Time for Engagement

Successful strategic thinking means devoting sufficient time to stakeholder engagement. This is the longest phase in the process and continues well beyond the completion of a document outlining a strategic plan.



Engaging your stakeholders

Importance of Engagement

Stakeholders bring unique perspectives and knowledge to the table. Successful strategy implementation depends on the support of stakeholders, and so their engagement in the planning stage is critical. Also, stakeholders can provide access to resources and help with the work outlined in the strategy.

Approaches

There are several approaches to stakeholder engagement. Some stakeholders might require deeper levels of engagement than others, depending on how the strategy affects them. This is where your identification of stakeholders (see page 6) is most crucial.

Once a level of engagement is chosen there are several methods for interacting with stakeholders, including surveys, open houses, roundtables, workshops, and discussion groups. Often, a trained facilitator can help identify the best approach for gathering information from partners and ensure that everyone has a chance to participate in the process.

Resources for Stakeholder Engagement

Consultants can be an effective resource for conducting stakeholder engagement, since they ordinarily retain a neutral third-party position. In most cases, it is important to seek out consultants with specific training, experience, and/or credentials in stakeholder engagement.

Various groups provide information and offer professional services in stakeholder engagement. These include

- the International Association of Facilitators, which maintains a registry of Certified Professional Facilitators, and offers tools and resources for undertaking group facilitation
- the International Association of Public Participation (IAP2), which offers training and advice in undertaking public participation projects
- the Art of Hosting, which is an international network of facilitators dedicated to practices that harness the collective wisdom and self-organizing capacity of groups

PREPARATION

What resources are available?

A number of resources are available to assist with the development of an economic development strategy.

Financial Support

There may be special project funds available from provincial or federal sources to undertake the development of the strategy, or parts of it (such as a regional labour market profile). These funds can be used to hire consultants to provide research and facilitation services. This will help ensure that the strategy development process proceeds smoothly and that meetings are effective and concise.

Staff

Staff members provide a wealth of knowledge about the local economy, partner economic development initiatives, and best practices in economic development. REN staff provide administration work and information for the board's planning activities. However, such provision is clearly defined as a function of the staff's support role. The strategy development process is ultimately led by the board.

Information and Data

Current and relevant information and data are crucial to the development of a strategy. Nova Scotia Business Inc's (NSBI) Asset Inventory and Community Profile templates are available to guide your data collection and information sharing. (For templates, please contact the Director of Investment Readiness, NSBI, at (902) 424-6043, or rmacdougall@nsbi.ca.)

Some of the data for regional economic analysis can be accessed through sources such as Nova Scotia's Community Counts information system, Statistics Canada, and Employment and Social Development Canada.

Background Documents

Some of the RENs' municipalities or local associations may already have published economic development strategies or plans. All municipalities will have municipal planning strategies in place (i.e., Integrated Community Sustainability Plans).

It is vitally important that the board familiarize itself with provincial and federal economic development strategies. Be certain to review relevant provincial strategies, studies, and reports from independent panels, like the Nova Scotia Commission on Building Our New Economy. The Department of Economic and Rural Development and Tourism, Nova Scotia Business Inc, and other government organizations publish a variety of strategies, studies, and research. Research studies by the federal government, particularly Atlantic Canada Opportunities Agency, may also provide relevant insight.

Consultants

Professional consultants can contribute to developing your REN's economic strategy, performing activities such as facilitation, data collection, research, and analysis.

INFORMATION GATHERING

Understanding your operating environment

Building on existing regional advantages is the easiest and most cost-effective means of achieving economic development. Understanding the region's existing strengths and constraints is a crucial part of the planning process.

Where do you stand?

Before boards can build consensus concerning the region's best economic opportunities, they must first understand where they stand in relation to regional, provincial, national, and global contexts. Before a strategy can be developed, RENs must first understand the general economic context in which their REN operates, including sectors and industries, human capital, key assets, and relevant global influences. Environmental scanning, briefly described on page 14, can help boards paint a picture of their overall operating environment. The information that such a picture provides is necessary before it is possible to move to the next step, interpreting your data, or turning it into wisdom.

Economic Context

Understanding the economic context in which the REN will operate is necessary for developing a regional economic development strategy. Boards will need to know what types of businesses are operating in their area, which ones are exporting, what training opportunities are available, what infrastructure exists, and many other factors that contribute to the regional economy and its supporting conditions. The next section identifies a number of factors that should be considered.

Business and Industry Sectors

Identifying businesses operating in an area and the region's strongest economic sectors is integral to a regional analysis. Carefully analyzing conditions to determine which sectors are growing and which are shrinking can help an economic development organization support those sectors under constraint and maximize the growth of those enjoying success. The best source of information on the region's businesses and industry sectors is the business owners themselves.

Determining if the region is home to a concentration of businesses belonging to a particular industry, often called a cluster, is helpful.

Other sources of information on a region's businesses include Service Nova Scotia's Registry of Joint Stock Companies and Industry Canada's Company Capabilities Directory. Your local chambers of commerce and industry associations are also good resources when trying to identify the businesses in your region.

Global Influences

When identifying advantages or even constraints on the regional economy, it can be helpful to examine external influences, such as the environmental movement, shifting consumer trends, or business developments (such as offshoring or nearshoring), since they can help or hinder economic development efforts. It is also wise to determine which economic sectors are affected by external influences, such as those that are reliant on foreign markets, the US economy, commodity prices, or other global influences.

Human Capital

The region's workforce is the engine that keeps the economy running. It provides employers with the skills they need to build, design, and support all of the goods and services they sell. A comprehensive labour force analysis will determine what skills the labour force has, the number of workers, and other demographic information, such as age, participation rates, and population trends.

When undertaking a labour force analysis it is also crucial to determine what training capacity exists within the region. This includes both training that is currently available and the capacity to develop or adapt programming to employers' needs. Another factor to consider is the type and number of graduates coming out of local post-secondary institutions. They present an opportunity for retaining people who have the educational background required by either current or desired employers.

It is also a good idea to consider population trends during a labour force analysis, including whether local populations are increasing or declining, or aging and retiring.

Key Assets

The region being served by the economic development strategy likely has some key assets already in place, such as hospitals, education providers, natural resources, transportation infrastructure, industrial parks, and telecommunications and Internet connectivity.

Often overlooked assets that need to be considered include affordable, serviced, and readily-available land and buildings, education and training opportunities not available elsewhere, a dedicated, skilled workforce, ample infrastructure (sewers, water, transportation, etc.), and a proven lower cost of doing business. Identifying these key assets will help to focus the economic development strategy on the region's existing strengths. The Asset Template Inventory (NSBI) can guide your data collection on key assets.

Environmental Scan

An environmental scan entails the study and interpretation of the trends, factors, and issues that affect the region's economy and your organization. Many factors can be considered in carrying out this exercise: political, economic, social, technological, legal, and environmental (accounting for the acronym, PESTLE analysis). These factors are both internal and external. Typical scanning involves reviewing existing research, studies, strategies, and other sources of pertinent data and information. In addition, RENs should consider relevant publications from municipal, provincial, or federal governments with an eye to supporting alignment and collaboration.

ANALYSIS

From data to wisdom

Economic analysis will take you only so far. Collaboration, discussion, and debate will help translate your current situation into opportunities for change. Environmental scanning helps answer the question, “Where are we now?” It presents a snapshot of your organization’s operating environment, and will help you imagine the future. Now that you’ve taken stock of where you are, the next step before you can create a vision of where you want to be is to turn data into wisdom. This is done by acting on your careful analysis and interpretation of the data.

Techniques such as SWOT analysis, PESTLE analysis, force field analysis, and scenario planning can help structure and refine your ideas. (For more approaches, see the REALBoard Tool Kit, Volume 4). These techniques will help you identify the main areas in which you wish to make a difference. This is a critical step to take before choosing your organization’s ends, the guiding goals in your strategy.

Discussion, dialogue, and debate will help you develop a deeper understanding of your opportunities and challenges. Many boards will find it useful to engage some of their stakeholders at this stage; their feedback can provide helpful insight and can help build support for your ideas down the road.

SWOT

SWOT analysis (strengths, weaknesses, opportunities, and threats) is a simple but helpful framework for analyzing strengths and weaknesses, as well as the opportunities and threats that face your REN. Used in an economic development context, SWOT is a tool that assists you in understanding what are the most important factors that help or hinder your performance.

Force Field Analysis

Force field analysis is another way to sift through all of the data, information, and anecdotal evidence about your region's economy. It involves identifying the top forces that will help your REN make positive change, as well as the top forces that could hinder that change.

This force field analysis exercise can make for a very productive board discussion, and can also be a powerful way to engage stakeholders. To begin the discussion, you might ask

- What forces will help us achieve positive economic change in this region?
- Which supporting forces are making the greatest beneficial difference to the future of the region?
- What forces are resisting or inhibiting economic progress?
- What issue, if resolved, could make the greatest beneficial difference to the future of the region?

It is natural to focus on fixing the forces holding us back, but many top development practitioners around the world instead recommend taking advantage of positive forces.

VISION

Creating a vision for the future

Choosing Your Priorities

A strong stakeholder engagement process will help to establish a collective vision for the future of your region. Now your board faces the difficult task of setting its priorities by considering the priorities of all those stakeholders.

First, there is the matter of balancing geographic perspectives. Economic development priorities may be different from one community in your region to the next. Will you choose to have region-wide priorities and/or geographically focused ones? You may also find that local priorities do not always neatly line up with provincial and federal priorities. Since greater financial resources are often available from higher levels of government, some regional economic development organizations find that their priorities become shaped by the funding opportunities. If you focus only on aligning your priorities with potential funders, then you run the risk of disconnecting from your true regional needs.

A resource allocation approach is advocated by Policy Governance. Such an approach means that the board sets priorities, and the CEO then secures and allocates resources accordingly. The Policy Governance model suggests that boards use the question, “At what cost?” You respond with the approximate level of resources that should be placed on each priority. You might ask, “How important are some priorities in relation to others?” or “What would the results be worth to our community?”

Next, you may find that different stakeholders use different language and have different perspectives on economic development. For many municipalities, economic development becomes “real” when properties are developed and taxation increases. It becomes “real” for entrepreneurs when they are able to improve their businesses. Residents generally consider job creation to be the “real” benefit of economic development. Every one of your stakeholders will have a particular perspective. Because the board is in amongst these stakeholders, it is best positioned to consider all of these perspectives and to assemble a bigger picture. Using the Policy Governance language, you might ask, “What benefits are we

looking to create in this region?” and “for whom?”

You can filter the many possible priorities by considering their urgency and importance. You could ask questions like,

- What needs our immediate attention going forward? (urgency)
- If our success were completely guaranteed, what bold steps might we choose? (importance)

Remember that the board is ultimately accountable to the owners represented by the Liaison and Oversight Committee – they are the stakeholder group that ultimately approves your strategy and finances your efforts.

Keep in mind that urgent priorities tend to overwhelm less time-sensitive, but perhaps more important, priorities. Your REN is more likely to make lasting change if its strategy is built around long-term priorities rather than a focus on fleeting short-term wins. Doing so is, in part, what makes up the difficult and important work of governing. It requires a discussion that you will revisit at least every year.

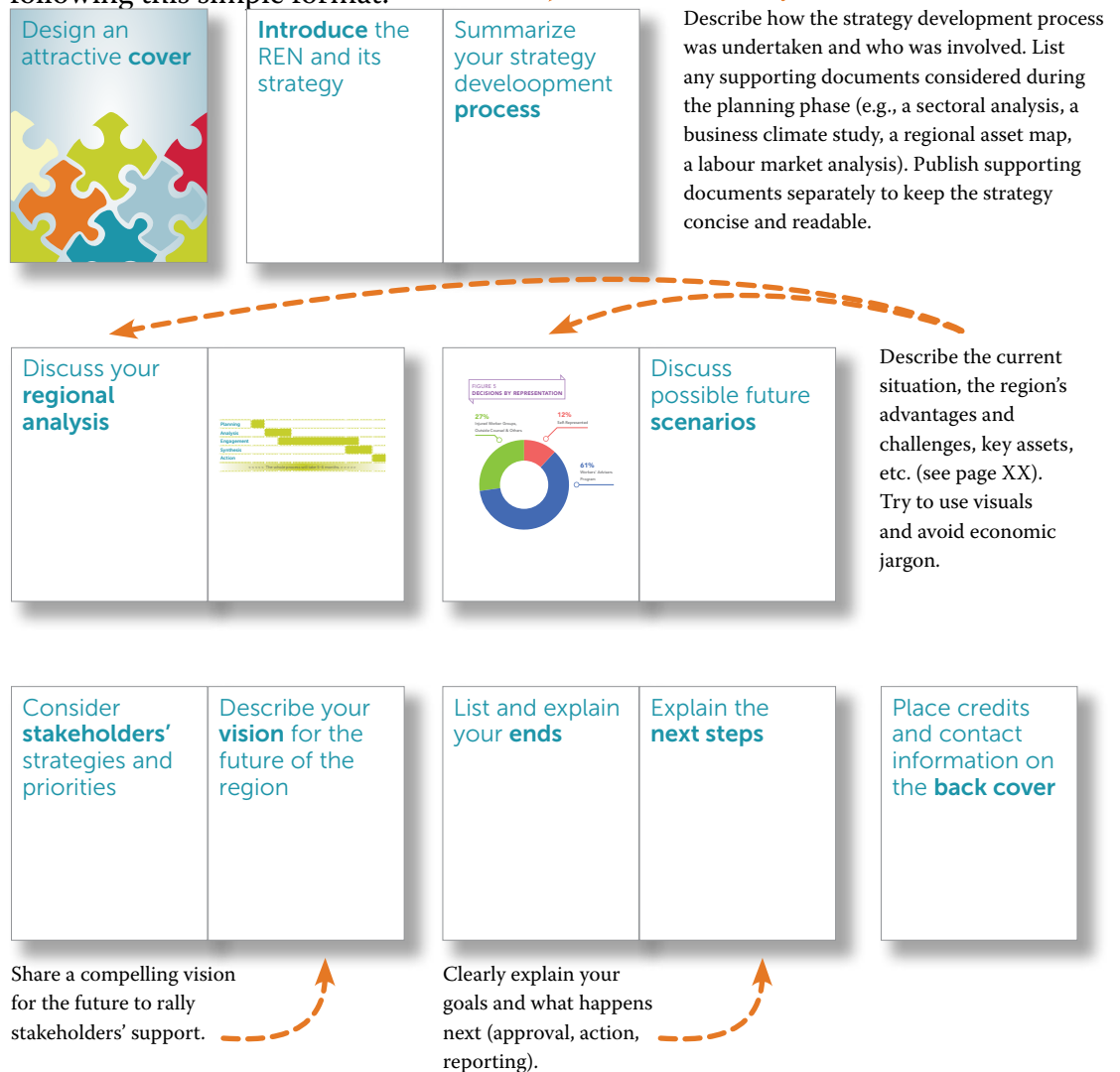
Articulating a Vision

The board’s strategic thinking process culminates in a vision for the future of the region. This is your opportunity to paint a picture of the region three years from now. What changes will occur? What progress on your ends will be achieved? Your Policy Governance training will help you learn to describe results and effects, rather than activities. Your board will articulate a compelling and achievable vision, and then hold its CEO accountable for implementation.

FORMAT

Presenting your strategic thinking

A strategy document will serve as the record of your strategic thinking process. It is an executive summary of the process you followed and the decisions you made. It also becomes an important tool for communicating with your stakeholders. The document should therefore be clear and concise. Consider following this simple format.



ACTION

Rolling out your strategy

Your first round of strategic thinking is only a beginning. The thinking doesn't stop when the action begins. The process simply gains momentum, like a snowball rolling down a hill.

Approving the Strategy

An economic development strategy requires the support of your stakeholders in order to be successful, and therefore it is crucial to provide them with the opportunity to review the strategy and provide feedback as part of the overall process.

The strategy must first be approved in principle by the REN board of directors. It is best to document this approval in a formal manner, typically as a resolution at a board meeting.

It may be prudent to present the strategy to the region's municipal councils. The strategy will have the largest impact on the municipalities, and they hold decision-making authority in areas like land zoning and development approval, which directly influence the work being undertaken. Any presentation to elected councils should include information on what the strategy is seeking to achieve and what specifically is expected of the municipalities in carrying out the strategy.

In the REN model, final approval of the strategy rests with the Liaison and Oversight Committee. The board of directors recommends the strategy to this committee. Once the strategy has been approved, the board adopts it into policy and begins holding the CEO accountable for achieving the corresponding results.

Sharing the Strategy

Once approved, the strategy should be communicated to those who are affected by it or who can support it, including all of the stakeholders who provided input or feedback as part of the development of the document.

Ongoing, regular communication on the status of the economic development strategy is vital to the continued support of the communities that the strategy serves. Communicating successes is important, but so too are regular progress updates on the work being done. It is prudent, furthermore, to communicate about why specific strategies might not be working (perhaps due to limited resources or external influences), so that stakeholders can see that the Regional Enterprise Network is being open and transparent.

Ongoing Strategic Thinking

Once the strategy is complete, it is important to continue strategic thinking throughout the year. The strategy should be reviewed annually, and an annual report should be published on the results that have been achieved. Nova Scotia's RENs are required to have a three-year strategy with an annual operational plan and continuous monitoring in place.

Additionally, sudden or unforeseen changes in the local economy, such as the closure of a major employer or a natural disaster, may necessitate mid-course adjustments to the strategy. This is another reason that strategic thinking should be continual.

ACTION

From strategy to implementation

While the board continues its governance work, the CEO now steps in to manage implementation of the strategic plan.

Operational Plans

It is helpful to think of an economic development strategy as an aerial view of the work to be done and an annual operational plan as a street map. The operational plan is an implementation and management tool created by the CEO for the use of REN staff. It is much more detailed and breaks down the priorities contained in the strategy into several specific activities.

Operational plans often contain yearly or quarterly timelines and list specifically who is responsible for which step, what resources are needed, and when the work will be done. Annual operational plans specify the work that, if accomplished, will achieve the longer term vision of the economic development strategy.

Under Policy Governance principles, it is solely the responsibility of the CEO to develop operational plans and manage their successful implementation.

Monitoring Implementation

Under Policy Governance, it is the CEO's responsibility to produce evidence that the REN is delivering on its strategy. The board monitors results as part of the CEO's annual performance review. The CEO must determine what kinds of evidence (such as performance indicators) best demonstrate the progress made on strategy implementation. The evidence must be compelling in the opinion of the board. The monitoring consultant can ensure that the CEO is effectively implementing the strategy, that priorities are being addressed appropriately, and that the strategy is adjusted in the event of an unexpected change.

When monitoring economic development results, it is helpful to remember that businesses create jobs, while economic development helps create a favourable

operating environment.

Measuring results with respect to economic development is not easy. For example, the economic performance of a region may be more closely linked to global economic trends than to the performance of the REN. Also, the success of a REN depends on the contributions of many partners and stakeholders. The results are likely shared by many organizations.

It is critical for your organization to develop a framework for measuring performance and adopting methods of monitoring the effects directly linked to its activities. These effects, in turn, will help you make progress toward achieving your organization's long-term ends.

Under Policy Governance, it is the board's responsibility to ensure that stakeholders (particularly owners) are satisfied with the results achieved by the REN. The board, accountable to the owners, should determine how it will establish ongoing communications with them regarding progress (see the REALBoard Tool Kit, Volume 3).

Economic development is a long-term endeavour. Therefore, ongoing communication with your stakeholders on your measurable results will help maintain and strengthen their support of the organization and its strategy.






NOVA SCOTIA