

**Best Practices  
For Economic Development  
In Western North Carolina**

**Snow Bowden**

**Executive Summary:**

In this paper, the reader will find a case study on the best practices for economic development in Western North Carolina. In this study, there were five tier one counties selected that included Clay, Graham, Jackson, Macon and Swain. The overall goal of this research was to understand better the current methods used for economic development in the five selected counties in the state and to identify economic development practices used in similar regions across the United States that could potentially be implemented in Western North Carolina.

Improving the economic conditions is important to county governments especially in rural counties because they have to provide core services such as water and wastewater treatment to citizens. The best practices for economic development in rural counties includes: having a business retention and expansion program, collaborations between multiple jurisdictions, collaborations with educational institutions, removing barriers to entrepreneurship, improvements in tourism, industry clusters and quality of life improvements.

The study includes primary qualitative data that was collected from a sample that was selected using extreme case sampling and snowball sampling. The study had a low response rate and found that the primary hindrance to economic development in these counties included a lack of infrastructure, access to capital, political support and the inability to retain a young workforce. Respondents indicated their organizations had business recruitment programs, business retention and expansion programs, and focused on entrepreneurship. Also, respondents stated that collaboration was important in economic development practices.

## **I. Introduction**

Currently, the American economy is still recovering from the worst economic crises since The Great Depression. During the recession, the economy was always a topic of conversation in all walks of life and as the economy continues to improve public servants, politicians, and economic development officials are seeking new and innovative ideas to improve their local and state economies. In this paper, the reader will find a case study that will identify some of the best practices for economic development in the following five counties Clay, Graham, Macon, Jackson, and Swain. The counties included in this study have been identified by the North Carolina Department of Commerce, which will be referred to as NCDC henceforth, as being severely economically distressed and are categorized as being a Tier One county.

The information found in this study is relevant due to the upcoming North Carolina Connect Bond that will be on the ballots this year during the primary election. If passed the bond will lead to the investment of 175 million dollars in the Western North Carolina region (WCU, 2015). The real game changer is the amount of money that will go to educational institutions. Western Carolina University is located in Jackson County and would receive 100 million dollars (WCU, 2015). The community colleges in the region would get 11.6 million dollars (WCU, 2015).

The findings from this study will be significant to the field of public administration because there has been limited research completed on economic development in rural regions (Morgan, 2009). The vast majority of previous research on economic development has been focused on urban areas (Morgan, 2009). In the economic development industry, the State of North Carolina is viewed as an innovator with projects such as the Research Triangle Park (RTP), the Centennial Campus at North Carolina State University and the North Carolina

Research Campus (NCRC) that is located in Kannapolis, North Carolina (Morgan, 2010). Even with these successful projects the state has not been able to spur economic growth in rural regions in North Carolina.

This research topic is an important issue to study because of the vast amount of resources that have been invested by the Federal and State Government in the attempt to spur economic growth in rural regions. The Federal Government started the Appalachian Regional Commission (ARC) in the 1960s, and the majority of previous research has shown that the ARC did not deliver the results the government expected (Hall, 2014).

The NCDC developed the tier rating system to identify the counties in North Carolina that were the most economically distressed. This system was developed in the attempt to improve the economies in counties that are economically distressed. Every year counties receive a tier rating designation. The 40 most economically distressed counties are tier one, then the next 40 economically distressed counties are tier two and finally the top 20 counties are tier three. Currently, all five counties in the study are tier one counties but Jackson, Macon and Swain have been tier two counties before (NCDC, 2016). In this paper, the reader will find a case study on best practices for economic development in Western North Carolina. The data found in this study will be able to tell if that was due to the structure of the tier system or another reason.

In my opinion, the tier rating system that was created by the NCDC is flawed, and I hope to identify some of the flaws with the findings from this research. The tier system was developed to identify the most economically distressed counties in the state to help them improve their economic conditions. Some of the counties are automatically identified as being a tier one county due to the automatic qualifiers for a tier one county. The counties are re-evaluated each year and three counties in this study have been tier two counties before (Macon, Jackson, and Swain). I

hope to identify if these counties were downgraded due to their practices or due to the structure of the tier rating system.

Economic development is an important topic to explore because of the recent recession and the changes in the present day workforce. Both the State of North Carolina and the United States government have made economic development in these rural regions a top priority and the programs have still been relatively unsuccessful. The information found in this paper will benefit towns, counties, economic developers, residents, and state officials.

## **II. Literature Review**

The majority of previous research on the role of local government in the economic development process is primarily focused on larger jurisdictions (Morgan, 2009). There is limited research that has been completed on the role of governments in the economic development process in less populated jurisdictions (Morgan, 2009). In the 20th-century economic development efforts centered on incentives, financial packages, labor policies, infrastructure, state requirements and costs comparisons (Shaffer, 2015). However, in the 21st century, the economic development industry has seen a paradigm shift knowledge creation being a top priority for economic development (Shaffer, 2015).

The present day American workforce has shifted towards a knowledge-based workforce (MSPB, 2009). The change to a knowledge-based workforce is having an impact on the economic development industry, and this means that communities need to connect their education systems together with their economic development efforts to be successful (Shaffer, 2015). The manufacturing and agriculture industry are still important to the American economy but if these are the only industries that a region relies on it cannot be successful (Shaffer, 2015).

While North Carolina has been an innovator in the economic development industry, it is also behind in some areas of the industry (Morgan, 2009). The most common form of incentives found in economic development is tax abatements (Morgan, 2009). Tax abatements are illegal in North Carolina (Morgan, 2009). Typically, counties and municipalities can provide cash grants instead of tax abatements if that is what it takes to get a company to locate in North Carolina (Morgan, 2009). North Carolina did not allow tax increment financing until 2004 this type of incentive has been used significantly in 48 other states before it was legal in North Carolina (Morgan, 2009).

The economic development industry is now in the New Public Management (NPM) (Morgan, 2010). NPM is an innovative form of management that treats citizens as a customer (Morgan, 2010). NPM places a value on being flexible, competition, responsiveness, and accountability for the government's operation (Morgan, 2010). This shift in management has made providing services to citizens even more important and this means that government agencies have higher operating costs (Morgan, 2010). The only way to cover these higher costs is to collect more revenue from taxes and this is why economic development should be a top priority of any government agency (Morgan, 2010).

### ***The Roles of Counties in the Economic Development Industry***

Economic development is important to counties because of the tax revenue that is gained from an improving economy (NACO, 2014). Counties are more concerned with economic development because they are typically responsible for providing the core services such as water, wastewater, and waste collection that residents rely on to live a comfortable life (NACO, 2014). In America, 93% of counties participate in economic development initiatives, 57% of counties

have a county managed economic development department, and 81% of counties contribute funding to economic development partnerships (NACO, 2014).

Previous research has shown that county governments are designed to handle the tasks associated with economic development because they act as regional coordinators for a region and county governments focus on long-term goals more efficiently (Morgan, 2009; NACO, 2014). Counties are more active in strategic planning and program evaluations that can have a positive impact on their economic development efforts (Morgan, 2009; NACO, 2014). In North Carolina, the majority of counties cite investments in the quality of life for their residents as a best practice for economic development (Morgan, 2010). The most cited quality of life investments includes investments in public parks, public safety, downtown development, and historic preservation (Morgan, 2010).

#### *Economic Development in Rural Counties*

In rural regions, the task of economic development is typically handled by the county government (NACO, 2014). The county government handles the tasks of economic development because of the large area that typically has unincorporated territory and the municipalities lack the necessary resources to make economic development a priority (NACO, 2014). Rural counties struggle with economic development for numerous reasons that include high rates of unemployment and underemployment, insufficient availability of affordable housing, the inability to attract and retain a young workforce, the high costs of living, an inadequate education system and a dislocated workforce (NACO, 2014). According to a survey completed by the National Association of Counties (NACO) in 2013, the inability to attract and retain a young workforce is the most cited reason for rural counties not having success in their economic development efforts (NACO, 2014).

The rural center in the State of Oregon identifies best practices for rural regions in four separate categories that include civic capacity, baseline capacity, economic development capacity and community development capacity (Oregon Study, 2003). These findings are similar to a study completed by the University of North Carolina School of Government (UNCSOG, 2008). Their findings deliver the primary theme that communities that are proactive and develop a plan are more successful compared to reactive communities (UNCSOG, 2008). Communities need to look for innovative opportunities in order to gain a competitive advantage against other communities (UNCSOG, 2008). Communities need to celebrate once they reach a short-term goal but not stray away from their long-term goal (UNCSOG, 2008). Communities that are successful embrace change and embrace risks (UNCSOG, 2008).

Research and Development activity tends to be geographically concentrated and has an influence on the demand for human capital (Shaffer, 2015). If there is a cluster in a rural region it can still create the demand for a young workforce especially if there is a collaboration with an educational institution (Shaffer, 2015). If a region is not invested in industries that develop innovative ideas it will not be successful (Shaffer, 2015). This is why the economic development efforts of government agencies should not be focused on manufacturing and agriculture (Shaffer, 2015).

### ***The Appalachian Regional Commission***

The five counties that are focused on in this paper are located in the Appalachian Mountain Region and, therefore, they are eligible for grants and funding from the Appalachian Regional Commission (ARC). The ARC was formed during the 1960s when President Johnson declared a 'war on poverty' (Hall 2014). The Appalachian region was one of the primary regions that were focused on because of the high poverty rates that were found in the area (Hall, 2014).

The most cited reason for the economic struggles of the area was how isolated the communities were from the urban areas (Hall, 2014).

The poverty that is found in the Appalachian region is unique because there is not a clear reason to why the poverty exists (Hall, 2014). Typically, regions that have the levels of poverty that are found in the Appalachian region can be attributed towards unstable governments, limited infrastructure, lawless societies and issues with public health (Hall, 2014). The ARC attempted to fix issues with infrastructure, but the other matters should not have had an impact on the region because there is a stable government in America (Hall, 2014). Previous research has shown that the primary reasons for the high levels of poverty in the region include low educational attainment, poor health care, inadequate infrastructure, self-selection and a resource curse (Hall, 2014). The extraction industry had an adverse impact on the region because the money earned from the area's resources did not stay in the area because the community was not able to protect their resources from outsiders (Eller, 1982).

The ARC failed in the 'war on poverty' because of poor planning and bad politics (Hall, 2014). The majority of the counties that received funding from the ARC were not economically distressed and were only included in the program for political reasons (Hall, 2014). The ARC failed in its goals because of poor planning (Hall, 2014). There was never a long-term vision for the region, and the majority of the money invested did not have a positive impact on the area's economy (Hall, 2014). Only 35 out of the 420 counties in the ARC region have experienced positive economic growth (Hall, 2014). The vast majority of businesses that were started with grant money from the ARC failed once the owner stopped receiving grant money for the company (Hall, 2014). The ARC has invested over \$32 billion dollars in 2013 money, and there has been limited positive economic growth in the region (Hall, 2014).

The main reason these regions are unsuccessful is due to government intervention and out-migration (Hall, 2014). The issues with out-migration can be solved by placing an emphasis on improving education (Hall, 2014). The issues with government intervention can be solved by allowing more economic freedom in the region and allowing residents to become more self-reliant and to enhance their well-being (Hall, 2014).

### ***Best Practices for Economic Development in Rural Regions***

There are numerous themes that the previous research has identified as some of the best practices for economic development and they include having a business retention and expansion program, collaboration, education, entrepreneurship, tourism, industry clusters, and quality of life improvements (IEDC, 2014; Morgan, 2009; Morgan, 2010; Shaffer, 2015; NACO, 2014; UNCSOG, 2008; Kline, Swanson & Milburn, 2011; Hall, 2014). Communities that wish to improve their local economy need to include as many as the previous themes as possible to improve their economy.

### ***Business Retention and Expansion Program***

Business retention and expansion programs play a critical role in encouraging local businesses to remain in the community and to continue to grow (IEDC, 2014). There are two primary goals of a business retention and expansion program (IEDC, 2014). The first objective is to provide assistance to any issues that could force a company to fail and later close (IEDC, 2014). The second primary goal is to prevent companies from relocating to a new community (IEDC, 2014). It is important that an individual in the economic development industry focuses on existing business in an area, and that is best done with a plan and being proactive instead of reactive (IEDC, 2014). Individuals' needs to reach out to existing companies and see if they need help before someone in the company has to reach out to the economic developer (IEDC, 2014).

The retention and expansion of local firms can keep or increase local jobs, increase the local tax base, increase local property tax values, enhance community image, and maintain or diversify the local economy (IEDC, 2014).

It is important to have a business retention and expansion program because it is easier to keep a current customer than to gain a new client (IEDC, 2014). A business retention and expansion program accounts for 65%-80% of all job creation and new investment in a region (IEDC, 2014). These programs account for 54% of job creation and investment in the Southern States (IEDC, 2014). Business retention and expansion programs can support a recruitment program (IEDC, 2014). Research has shown that smaller and medium size companies benefit the best from a business retention program (IEDC, 2014). In North Carolina counties focus more on business recruitment than business retention (Morgan, 2009).

There are four primary steps in the creation of a business retention and expansion program that include team building, outreach/relationship building, red flags, and management/follow up (IEDC, 2014). A good business retention program includes a program for disaster preparedness for the companies in the region (IEDC, 2014). Business retention programs should constantly seek information from their clients if their needs are being fulfilled (IEDC, 2014).

#### *Carroll County, Virginia*

Carroll County used to rely on manufacturing and textiles and as these industries continued to decline the county had to look for other ideas (NACO, 2014). County officials decided to focus on business retention when a large employer stated they might leave the county (NACO, 2014). The county supported the business by providing a grant for 35% of the project

(NACO, 2014). Through public-private partnerships, the county has created and retained around 1,200 jobs (NACO, 2014).

### *Lewis County, Washington*

Lewis County is a rural county in the State of Washington that primarily relies on extraction industries (NACO, 2014). Recently, the county has seen a slump in the local economy due to an increase in state and federal regulations which has led to the creation of the Lewis Economic Development Council (NACO, 2014). There is also the Pacific Mountain Workforce Development Council (PMWDC) which is a partnership between five neighboring counties including Lewis County. The PMWDC looks at unique ways to improve the regional economy through practices such as business clusters, and buying local (NACO, 2014).

Lewis County has also started a revolving loan fund called The Lending Network (NACO, 2014). This loan network helps the county with their business recruitment, retention and expansion goals (NACO, 2014). This loan network has been successful through having a thorough screening process (NACO, 2014). The program provided \$20,000 to a metal fabrication shop that it needed to open its doors and it has been in business for 15 years (NACO, 2014).

### ***Collaboration***

The most cited tool for economic development is forming partnerships with the various stakeholders in a community. The majority of collaborations in rural communities involves educational institutions with either a company or the county government (Shaffer, 2015; NACO, 2014; UNCSOG, 2008; Morgan, 2009; Kline, Swanson & Milburn, 2011; Hall, 2011). Counties in North Carolina collaborate with their community college at a rate of 89.6% in their economic development efforts, and 45.3% of cities include a community college in their economic development efforts (Morgan, 2009). In North Carolina, the most cited collaboration for county

governments includes private utilities, local workforce development boards, non-profit economic development corporations and citizen advisory boards (Morgan, 2009). Nationwide counties collaborate with other businesses for assistance with workforce training, marketing, business recruitment/retention and small business support (NACO, 2014).

#### *Renville County, Minnesota*

Renville County is another rural county that has a strong agricultural industry (NACO, 2014). In order to promote job creation in the county the economic development agency formed a partnership with the Renville County Housing Redevelopment Authority (NACO, 2014). The partnership is able to raise funds through grants from the US Department of Housing and Urban Development (HUD), other bonds, and money raised through taxes to promote economic growth in the county. The HRA/EDA had to reach out for assistance with loan reviews from the Minnesota Small Business Development Center due to the high request for loans (NACO, 2014). The program has retained 52 jobs and created 22 jobs (NACO, 2014). The loans have been targeted towards small business (NACO, 2014).

#### *Multi-Jurisdictional Business Parks*

The limited resources that are found in county government can make it difficult to make economic development a priority (Morphis & Pearson, 2011). Multi-jurisdictional business parks are a great example of collaboration between communities. Multi-jurisdictional business parks are formed when at least two separate jurisdictions form a partnership (Morphis & Pearson, 2011). These business parks are legal in North Carolina due to the passage of two laws. The Local Development Act allows local governments to acquire land for development (Morphis & Pearson, 2011). The Interlocal Cooperation Act allows two or more units of local government to enter into an agreement with each other (Morphis & Pearson, 2011). It is recommended that the

owners of the business park create a separate unified entity as the sole business owner, and this is typically done as a non-profit organization (Morphis & Pearson, 2011).

There are numerous reasons to why a community might not be able to develop a business park such as costs and land development issues (Morphis & Pearson, 2011). A multi-jurisdiction park lowers the barrier to entry for a jurisdiction because it splits the costs of development between the jurisdictions that are involved (Morphis & Pearson, 2011). Another benefit of forming these partnerships is that the communities can develop a superior business park due to having more resources (Morphis & Pearson, 2011). If communities develop their business park, it is typically an average site due to limited resources (Morphis & Pearson, 2011).

Multi-jurisdictional parks are beneficial to communities with limited resources or residents that are against development (Morphis & Pearson, 2011). A jurisdiction can be an owner of the park even if it is not located in town or county limits (Morphis & Pearson, 2011). If you are in a community that is against development, you can partner with a community that is more development friendly and still see the benefits from a business park due to this opportunity (Morphis & Pearson, 2011). These parks should be used in Western North Carolina due to the limited access of resources and the topography found in the region (Morphis & Pearson, 2011).

This is a practice that should be explored at the county level in North Carolina due to the tier system that has been developed by the NCDC. If a county forms a partnership with another county that has a lower tier rating than their county they can use the county with the lowest tier rating (Morphis & Pearson, 2011). This opportunity could be used by the counties included in this study because they are surrounded by three tier two counties Cherokee, Haywood and Transylvania (NCDC, 2016). Collaborations between tier one and two counties are a great way

for both counties to leverage grant funding with resources (Morphis & Pearson, 2011; Karsh & Fox, 2014).

#### *Examples of Multi-Jurisdictional Business Parks in North Carolina*

There is a business park that is a partnership between Clay County, North Carolina and Towns County, Georgia (Morphis & Pearson, 2011). This example crosses state lines, but this business park is a great illustration of why these parks are excellent land use tool. Both counties wanted a business park, but they could not provide the necessary services due to the topography of the region (Morphis & Pearson, 2011). One county provides water, and the other County provides wastewater treatment (Morphis & Pearson, 2011).

Another example is in Burke County, North Carolina. The business park is a partnership between the county government and all of the municipalities that are found in the county (Morphis & Pearson, 2011). These types of business parks are an excellent economic development practice for counties/municipalities with limited resources that want to improve their current economic conditions (Morphis & Pearson, 2011).

#### *Educational Collaboration*

The most frequently cited practice for economic development in rural regions is the formation of a partnership between higher educational institutions (NACO, 2014; Shaffer, 2015; Morgan, 2009; UNC SOG, 2008; Kline, Swanson & Milburn, 2011; Hall, 2014). In the State of North Carolina workforce, development and community colleges have worked together since 1958 (Shaffer, 2015). The state has paid for training for industries that will help grow the economy such as manufacturing, distribution, headquarters, customer support services and warehousing (Shaffer, 2015). The state paid training is not available to the retail industry (Shaffer, 2015). There are five essential elements that will be needed for educational institutions

to be a part of any economic revitalization plan, and they are leadership, resources, flexibility, culture and a new paradigm (Shaffer, 2015).

There are two broad themes into why education is essential for economic development, and they are knowledge creation and knowledge transfer (Shaffer, 2015). The present day economy is a knowledge economy and a knowledge workforce (Shaffer, 2015; MSPB, 2009). Educational institutions are completing the necessary research in order to provide innovative ideas and then they are training students to use these new innovative ideas (Shaffer, 2015). Community leaders need to focus on attracting companies that are centered around knowledge creation if they want to improve their economic conditions (Shaffer, 2015).

#### *Sidney, Nebraska*

The outdoor company Cabela's has their national headquarters located in the small town of Sidney, Nebraska. The population of this community is 6,500 people (Shaffer, 2015). Cabela's formed a partnership with Western Nebraska Community College to create a program called Cabelas Corporate Academy. There are five primary steps in the academy, and as students reach a new level, it typically results in a promotion at work (Shaffer, 2015). Once the program is completed the student receives an Associate's Degree (Shaffer, 2015). This program is open to all Cabela's employees over the country and can be done online (Shaffer, 2015). This academy was developed to retain Cabela's in the community that is one of the communities' largest employers (Shaffer, 2015)

#### *Gallatin County, Montana*

Gallatin County is the home of the University of Montana, but the county still struggled to retain a young workforce due to limited opportunities after graduation for residents. The county formed a partnership The City of Bozeman (county seed) to create an economic plan and

increase job creation for the county. The program focuses on in-demand industries and has grown in popularity since it was implemented in 2010 (NACO, 2014). This example shows the importance of community colleges to economic development. This county has the largest public university in the state but the community struggled with retaining a young workforce (NACO, 2014). This public-private partnership has had a positive impact on the county's ability to retain a young workforce (NACO, 2014).

#### *Cullowhee, North Carolina*

Western Carolina University has been recognized by the Carnegie Foundation for their community engagement (WCU, 2015). There are numerous projects that the university is currently involved in with the community such as a partnership that was formed in 2010 with the Town of Dillsboro, North Carolina (WCU, 2015). The town's administration formed this partnership with the University to improve the town's economy due to the town losing The Great Smokey Mountain Railroad, which was the primary tourism draw to the town. The town has worked with the different colleges in the university such as the College of Business and College of Arts and Sciences due to identifying potential ways to improve the town's economy (WCU, 2015). The partnership with the school and the community is enhanced with the services that are provided by the North Carolina Small Business and Technology Development Center (WCU, 2015).

#### ***Educational Spillovers***

One of the primary reasons why education should be invested in especially in rural regions is the spillover effect into the community. In the ten primary counties that are served by Western Carolina University it is estimated that the University adds \$511.3 million dollars into the regional economy (WCU, 2015). This estimate is based off of the economic impact of

operation, research construction, student, visitor and alumni spending (WCU, 2015). The economic impact of the University is the equivalent of creating 10,474 jobs (WCU, 2015).

### ***Quality of Life Improvements***

In the State of North Carolina quality of life improvements are one of the most cited practices for economic development (Morgan, 2009; UNCSOG, 2008). Less populated counties make cite investments in public parks, public safety, tourism development, historic preservation and downtown revitalization as ways to improve resident's quality of life (Morgan, 2009). Rural counties should explore for other options to improve their resident's quality of life.

### ***Columbia County, Oregon***

Columbia County is a rural county that has looked for ways to preserve the environment and address issues with resident's health care (NACO, 2014). As mentioned before one of the reasons that scholars believe that the Appalachian region is still struggling economically is due to poor health care options (Hall, 2014). The county wanted to address the health needs and the need for sustainable development (Hall, 2014). This led to the creation of The Forest Health-Human Health Initiative (FHHHI) (Hall, 2014). Landowners that own at least 50 acres of land are eligible to participate in the program (NACO, 2014). Landowners receive 90% of the payment and the other 10% goes to the general population (NACO, 2014). This is a large partnership with various stakeholders that just started in 2014 but should improve the economy for local residents by persevering the land and keeping landowners from selling their land just because they need money for basic life needs (NACO, 2014).

### ***Tourism***

Tourism has always been a strong industry in Western North Carolina. This is due to the remoteness and beauty of the region. County administrations need to embrace this fact and bring

down the barriers to entry to make it more entrepreneur friendly (Kline, Swanson & Milburn, 2011). Tourism has had to increase in recent years in rural regions due to the decline in manufacturing and extraction industries that were once dominating these regions (Kline, Swanson & Milburn, 2011).

For a community to be successful in the tourism sector, they need to have a complete tourism package (Kline, Swanson & Milburn, 2011). There are seven categories of a tourism mix that include natural resources, cultural assets, specific attractions, accommodations, cuisine, transportation, and safety/security (Kline, Swanson & Milburn, 2011). The majority of these destinations already have festivals and other activities that draw tourist to the region. To increase tourism communities, need to build up their infrastructure especially in rural regions that are isolated from urban areas (Kline, Swanson & Milburn, 2011).

The best practices to increase tourism in an area is to build community support (Kline, Swanson & Milburn, 2011). Administrators need to raise awareness of the benefits, educate the public on the opportunities within the tourism industry, sharpen entrepreneur and service skills, honor and celebrate residents that get involved in the industry and establish mentor program (Kline, Swanson & Milburn, 2011).

#### *Upshur County, West Virginia*

Upshur County is a small rural county with a population around 25,000 residents, and tourism is one of their primary industries (NACO, 2014). Since the county relies so much on tourism for their economy, the Upshur County Development Authority (UCDA) and the Counties Convention and Visitors Bureau (CVB) formed a partnership to promote tourism. The decision to form a partnership between the economic development board (UCDA) and the CVB the county showed how important tourism is and made it a part of the economic development

plan for the county (NACO, 2014). The county has seen an increase in tourism rates due to this partnership (NACO, 2014). This example is another good reason collaboration is essential for economic development practices.

### ***Entrepreneurship***

The research on entrepreneurship in rural regions is limited due to the economic vitality of the rural regions (Kline, Swanson & Milburn, 2011). Residents are motivated to become entrepreneurs for reasons such as a lifestyle change, creating employment opportunities for family/friends, increasing community status, and contributing to the future of the community (Kline, Swanson & Milburn, 2011). In order to increase entrepreneurship rates in a region government entities need to remove barriers to entry (Kline, Swanson & Milburn, 2011; Hall, 2014). Tourism and Entrepreneurship are intertwined especially in rural counties (Kline, Swanson & Milburn, 2011).

### ***Clusters***

Creating industry clusters is a great economic development practice (Kline, Swanson & Milburn, 2011). Industry clusters allow money spent by companies to stay in the region because they buy their supplies from companies in the region (Kline, Swanson & Milburn, 2011). Tourism is an important cluster because if companies can promote community engagement multiple business in the service industry can benefit from tourism in the area.

#### ***The Pumpkin Agricultural Cluster (Carroll County, Virginia)***

County officials wanted to promote tourism and find new ways to grow the counties economy (NACO, 2014). Activist worked with government agencies and suppliers to identify a cluster that would work for this region and they decided on pumpkins (NACO, 2014). Due to the strong partnership with government agencies and farmers people felt strong about growing

pumpkins to sale to national chains (NACO, 2014). It is estimated that farmers have added \$15 million dollars to the counties economy (NACO, 2014). This example shows the benefits of forming partnerships and clusters. There are multiple stakeholders in this cluster that include farmers, government officials, suppliers, and other business (NACO, 2014). This example shows that multiple industries can benefit from industry clusters (NACO, 2014).

### **III. Methodology**

In this paper, the reader will find a case study that will attempt to identify some of the best practices for economic development in rural regions. I have selected five counties in Western North Carolina that include Clay, Graham, Macon, Jackson and Swain County. The five counties were selected based on being identified as tier one counties by the NCDC. In addition to all being tier one counties the target region shares similar demographics and they are in the same geographic area. There is no hypothesis question for the study. The primary goal of this research is to explore and describe a phenomenon.

#### *Description of Selected Counties and Research Approach*

The most cited practice for economic development in rural regions was placing an emphasis on using higher institutions of learning in the process. I identified the universities and community colleges that are in the focused five-county area for the study. Southwestern Community College serves Jackson, Macon and Swain County. Jackson County is the Home of Western Carolina University. Graham and Swain Counties are served by Tri-County Community College.

Due to the significant focus on using educational institutions, I focused on what these counties are doing with these institutions. As previously mentioned Western Carolina has been recognized for their community engagement (WCU, 2015). Macon County has reached out to

Southwestern Community College to create Macon Early College which is a partnership with the high school and community college. I identified the various key stakeholders in the schools to see what they are doing within the community for economic development.

The second most cited economic development practice was collaborations between different entities. In Clay County, there is a multi-jurisdictional business park that is shared between Clay County, North Carolina and Towns County, Georgia. The previous research has identified these types of parks as being a best practice for economic development because they lower the costs for each jurisdiction and they are an excellent land use policy.

There are numerous examples of collaborations bringing economic success to rural regions. There have been successful public-private partnerships. However, the majority of successful collaborations that I found have been public-public collaborations. The collaborations include merging two different departments together such as economic development, and tourism has been successful. I identified the partnerships that exist in the region.

Another theme worth exploring is the impact of tourism on the counties and what their economic development efforts are within the tourism industry. The mountains have always been a tourism destination and due to the changes in the American economy the industry has had to grow due to the decline in the manufacturing, agriculture, and extraction industries. Tourism can impact numerous organizations. I found the partnerships that existed between the major tourism draws in the counties. The micro-brewery industry is a strong tourism draw, and there is a brewery cluster in Sylva, North Carolina (Jackson). I looked to see if a county or town has created a 'brew-trial' or anything to attempt to promote tourism centered around the breweries. The major tourism draw is recreation activities/cultural activities.

Other research shows the importance of business clusters, and innovation. Business groups are important because they keep money in the county and build strong relationships between the companies in each county. Innovation is a key item to focus on in any economic development practice. The current environment that is found in the present day workforce is always evolving and using new techniques to improve operations. One reason rural regions are lagging behind in economic development efforts is due to lower levels of educational attainment. This problem is why any economic development efforts in an area need to include educational institutions.

#### *Sample Selection*

The individuals that were selected to be included in this study were key stakeholders in each county. Due to the scope of the research questions the sample size was limited and extreme case sampling was used to identify the people to include in this study. There were five individuals identified to include in this study with a response rate of three people. Snowball sampling was used to identify one individual that was not able to contribute to the survey due to time constraints.

#### *Data*

The majority of the data collected in this research was secondary quantitative data from government agencies. The data was collected by the North Carolina Department of Commerce, the North Carolina Rural Center, the North Carolina Small Business and Technology Development Center, National Association of Counties and data from The United States Census.

The primary data included in this study was qualitative and collected through a ten question survey. The survey included open-ended questions, Likert scale questions and multiple choice questions. Qualitative data was necessary to this study because qualitative data has the

potential to provide a deeper description of the problem and the potential solutions that have been implemented to solve the problem.

### *Data Analysis*

The data that was collected was inductive in nature in order to explore the current state of the economic development industry in each of the five counties. The survey included open-ended and multiple choice questions in order to find the different themes that are present in the economic development industry. The survey also included Likert scale questions in order to make coding easier and to have a consistent response for the data.

The literature review section identified existing themes that have been used in similar regions in the economic development industry. Therefore, the first goal of the data analysis was to see if the previously identified themes were present in the five county region. The survey explored themes including product development, collaborations, business recruitment programs, business retention and expansion programs, tourism development, and removing barriers to entrepreneurship.

The survey also explored what the respondents believed were some of the barriers to economic development in their county. Some of the barriers to economic development that were found in the literature review included citizen opposition, political oppositions, lack of capital, inability to retain a young workforce, lack of infrastructure or resources and not focusing on industries that rely on a knowledge-based workforce. While the role of manufacturing and agriculture is still important to the American economy the research has shown that counties should not rely on these industries exclusively.

The primary data did not include any quantitative data because there was enough quantitative data present in the secondary data and the secondary data is from credible sources

that has been verified. The primary data will be able to identify the practices that are currently being used in the economic development efforts in these counties and the practices that are not being used.

#### *Threats to External Validity*

Due to the focus of the research question the sample size was limited and only included experts on the economic development industry in these counties. The response rate was lower than expected with a response rate of 50%. The key stakeholders that were included in the sample work for the counties economic development organizations therefore they could potentially provide socially desirable answers. The counties selected in this study have struggled with their economic development efforts in the past but the officials might want to portray the community in a better economic condition than exists. The results from this study will not be generalizable due to the limited scope of data collected and small sample size.

#### **IV. Findings**

The survey was sent out to all of the economic development directors in the county. I collected three responses in this study. Overall, the findings showed that these counties were being proactive in the community in their economic development efforts. The literature review identified numerous themes that were found in the collected data.

#### *Strengths (Figures One, Two, Three and Five)*

All three respondents indicated that tourism development and the hospitality industry were a top priority in their economic development efforts. Previous research has shown that tourism is an important industry in rural regions, and tourism has always been an important industry in Western North Carolina due to the recreational and cultural activities tourist can

enjoy. Tourism is an important industry because it brings in extra sales tax revenue that can assist the county with providing the core services to their residents.

The tourism sector was frequently cited in the completed surveys and according to data from the NCDC, it is an important industry in the region. In 2013, local tax dollars from tourism was vital in Jackson, Macon, and Swain Counties. In Jackson County, it accounted for over seven million dollars (NCDC, 2015). In Macon County, it accounted for over 11 million dollars (NCDC, 2015). Lastly, in Swain County it accounted for just under four million dollars (NCDC, 2015). In Clay and Graham County, it accounted for over one million dollars in tax revenues (NCDC, 2015).

Officials with the State of North Carolina should pay attention to these counties and assist them in their economic development efforts in the tourism industry. The state collects tax revenue from this industry as well at rates ranging from a half million dollars up to 11.5 million dollars (NCDC, 2015). The tourism sector also accounts for millions of dollars of expenditures that trickles into different industries that support the American economy.

All of the respondents to the survey indicated that their organizations focus on removing barriers to entrepreneurship and small business development. Entrepreneurship is a vital industry in the economic development efforts in rural counties and according to NCDC data it is an important part of these counties economies. In Jackson and Macon County there are over 1,000 people that are self-employed (NCDC, 2015). Two respondents to the survey reported that their organizations offer a business recruitment program and a business retention and expansion program. The primary focus of economic development in rural regions should be business retention and expansion.

According to the previous research, it is easier to retain a company that is already located in your county than trying to recruit a new business (IEDC, 2014). Another benefit of having a business retention and expansion plan is that previous research shows that these programs help small and medium size business the most (IEDC, 2014). It is better to focus on these small and medium size business because they are more likely to stay in your county compared to larger companies that are more liable to leave due to incentives being offered from different municipalities or counties.

Collaborations were a primary theme in economic development practices in rural regions and the findings from the survey indicated that all three organizations have a formal partnership with educational institutions, and all of the respondents believed that these connections were important to their organizations economic development efforts. Two respondents indicated that their organizations had partnerships with other regional governments.

The organizations included in this survey indicated that they offer incentives to business to entice them to either relocate to the area or retain a business that is currently located in the region. In 2014, Oak Valley Hardwoods located in the county and created 114 jobs (NCDC, 2015).

#### *Weaknesses (Figure Four)*

The overreaching theme in this area is access to capital and infrastructure improvements, the inability to attract and maintain a young workforce, and the lack of a skilled workforce. To entice businesses to locate in your county there needs to be a site that is ready for development. In these rural counties, there is limited access to broadband, water, and sewer. It is necessary to have access to capital and political support to build up a counties infrastructure.

One respondent went into detail that there is a lack of political support for their organization's economic development efforts. Political officials believe that tourism is and has the potential to be the primary driver of economic development in the county. Political officials should get on board with the economic development organization and allow them to focus on tourism in their economic development efforts.

The literature review indicated that product development should be a top priority for any community in their economic development efforts but this theme could not be found in the data. Only one organization participated in any efforts to promote product development. One respondent disagreed with this view and only one respondent strongly agreed with this statement.

The primary weakness found in the data was the emphasis that economic development organizations have put on the manufacturing industry. The manufacturing industry creates jobs for regions but they are not as stable as jobs in the research and development industry and other knowledge-based industries that promote innovative ideas. These counties have struggled with job creation according to NCDC data Graham County has been the only county to announce any large job creation numbers in 2014.

### *Opportunities*

There are solutions to issues with raising capital and political opposition. In response to the regulations that have been placed on banks with business loans Wilkes County Economic Development Commission developed a revolving loan fund that gives small loans out to business owners that could not get loans from banks. The tighten regulations on banks have added to barriers to entrepreneurship and this is one way to an economic development organization can remove a barrier to entrepreneurship.

One respondent indicated that their organization focuses on research and development. According to the previous research, this is a good industry to target due to the changing workforce (MSPB, 2009). Recent trends show that regions that primarily focus on agriculture and manufacturing will not be as successful as areas that focus on industries that spur innovation.

There needs to be buy in from the whole community in order to improve the economic conditions of the county. County officials need to embrace their existing resources and use those to leverage new industries to locate to the county. County officials need to invest into the community and improve the quality of life for residents if they want to recruit new industries to the area.

The literature review identified numerous innovative ideas that have been successful in the economic development efforts in rural regions. However, none of the respondents to the survey were aware of any innovative ideas or practices that have been used in the economic development industry in similar rural regions. The practices found in this paper could potentially be used in this five-county region.

The largest opportunity in this region is incorporating Western Carolina University into the community. Western Carolina has already been recognized for their efforts in Jackson County and previous research has shown that by using higher institutions of learning regions can retain a young workforce and build up a research and design industries. This can be done through the already implemented workforce development plans that have already been implemented in the counties.

These five counties still need to focus on the tourism and hospitality industries. There are numerous recreational and cultural activities in these five counties that can attract tourist from all over the country. In Jackson County, there is the potential to build upon their craft-beer industry

presence. Brewery owners should work together with other business owners and create a program to entice tourism in the town. The majority of people that partake in these activities have a higher amount of discretionary income that could potentially trickle into other sectors within the counties economy.

There was not a consensus among respondents for previously identified practices for economic development. One of the best practices that were previously identified in North Carolina was the use of multi-jurisdictional business parks. Two respondents indicated that their organization used this as a tool for economic development. North Carolina state law makes this practice legal and as previously mentioned the lowest tier county rating can be used (Morphis & Pearson, 2009). This five-county region is surrounded by tier two counties that they could both benefit from the partnership and the extra incentives that are provided to tier one counties.

This five-county region could benefit from expanding infrastructure, especially broadband connectivity. The lack of broadband connectivity needs to be addressed immediately and the NCDC has plans in place to expand broadband in this five-county region. As soon as this happens it will remove a large barrier to economic development that these organizations face. The improvements in broadband and infrastructure will also improve the quality of life for residents which as previously mentioned is a way to entice economic development in a region.

The counties that responded were focusing their efforts on tourism development, entrepreneurship, product development, collaborations with educational institutions and collaborations with other jurisdictions. The key stakeholders in the economic development industries in these counties are attempting to leverage on the counties assets which is what rural regions should do according to the previous research.

*Threats*

One of the previously mentioned weaknesses was the emphasis that is placed on the manufacturing sector in the economic development efforts of these organizations. The manufacturing industry does not have a large presence in these counties. Macon County has 30 manufacturing firms and this is the largest number out of the five selected counties (NCDC, 2015).

One of the largest threats to economic development in this region is the inability to attract and retain a young workforce. This can be solved by making investments in the community that improve the quality of life for residents. Another threat along the same lines is there is a small percentage of residents that do not want to work and they do not want the government to interfere with their lives.

Currently, the American economy is still recovering from the recent recession and private sector industries are willing to relocate to other regions that offer a better incentive package. Incentives are important in the economic development industry but they should only be used with a claw back agreement to ensure that the initial incentives provided to the company will eventually be returned to the community with job creation and revenues.

Only one respondent indicated that their organization focuses on the research and development industry. The research and development sector spurs innovation and creates jobs that attract and retain a young workforce. The research and development sector is less prone to relocate compared to the manufacturing industry due to the necessary knowledge and expertise that employees need to possess.

The lack of political support that was found in one respondent's survey needs to be addressed. The tourism industry will always be important to these counties and it is an asset that

other rural counties in the state wished that they had. Counties should use the regions assets whenever possible and if they do not they will never reach their counties potential to improve the economy.

One threat that cannot be avoided in this five-county region is the topography and the area being isolated from urban areas. This is one reason why the economic development efforts of these counties should be on small to medium sized businesses instead of large manufacturing firms.

The lack of product development and sites that are available for businesses is a threat to economic development. Two of the respondents indicated this was a barrier to economic development in their county. In November 2015, there were three available buildings in Clay County, two available buildings in Graham, Macon and Swain County. There was only one available building in Jackson County (NCDC, 2015). Product development should be a top priority of any organization in their economic development efforts.

An overall threat to economic development in North Carolina is that other states offer more incentives to spur economic development compared to North Carolina. This five-county focused on in this study is located near the following states South Carolina, Georgia and Tennessee. Businesses that could potentially locate in this area might decide to locate in a different state that can provide a better incentive package.

## **V. Conclusion**

### *Recommendations*

I would recommend that all of the economic development organizations in this five-county region either continue or develop a business retention and expansion program. A business retention and expansion program allows officials with the economic development agencies to be

a part of the community and fulfill any needs the existing business owners might need. In my opinion, having a business retention and expansion program is a way that economic development organizations can be on the street-level and interact with the community (Lipsky, 1980). By reaching out to business owners, officials can find the needs that are not being met and then they can present potential policy changes to elected representatives in the attempt to improve the economic conditions in the county (Lipsky, 1980).

### *Limitations*

Due to the limited timeframe of this study, the results are not generalizable. Unfortunately, the response rate to my surveys was limited, and the initial sample size was already small. I only collected qualitative data in my surveys, and I was not able to obtain any innovative ideas from respondents that I thought would be able to discuss in the findings. I did not include elected officials in this study because I believed they would have provided socially acceptable answers since they do not want to paint their community in a bad picture.

### *Future Research*

This research topic should be expanded and include key stakeholders from other organizations in the community. If I had more time to complete this project, I would have included current business owners and previous business owners that relocated to another region. I believe that by interviewing business owners that relocated would provide qualitative data that would be beneficial to the key stakeholders in the economic development organizations so they could attempt to fix the problems and prevent future business relocations.

I would have also included stakeholders from the regions that were highlighted in the literature review. I was surprised that the survey respondents were not aware of any innovative ideas in the economic development industry that have been implemented in other regions. This

issue could have been due to the survey tool, and the respondents did not want to take the time to answer the question.

This study could be expanded to find more details about the general themes that were in the data. I would have liked to learn more about the incentives that are offered by the economic development organizations and how effective the incentives have been for each organization. Quality of life investments were the most cited tool for economic development at the county level and this study could benefit by looking at the quality of life for residents in each county.

Lastly, I would have included key stakeholders from higher institutions of learning. One of the most cited practices for economic development was collaborations with community colleges and universities. This practice has been implemented in the region, and it would be beneficial to the study to find out what officials with the education system think are beneficial to improving the region's economy.

### *Summary*

The data that is collected from this study could potentially help the five counties improve their counties economy. One thing that citizens did not think about during the recession due to the impact the recession had on their lifestyle was the adverse impact on government agencies. Local and county government administrations rely on tax revenue to provide services that citizens rely on to live in our society. During the recent recession, there were decreases in property and sales tax revenues which led to administrations having to make cuts elsewhere to provide these necessary services.

In my opinion, this paper adds valuable information to the field of public administration. I was able to identify what practice are currently being used in the economic development efforts in the five-county region. I was able to find innovative ideas and practices that have been

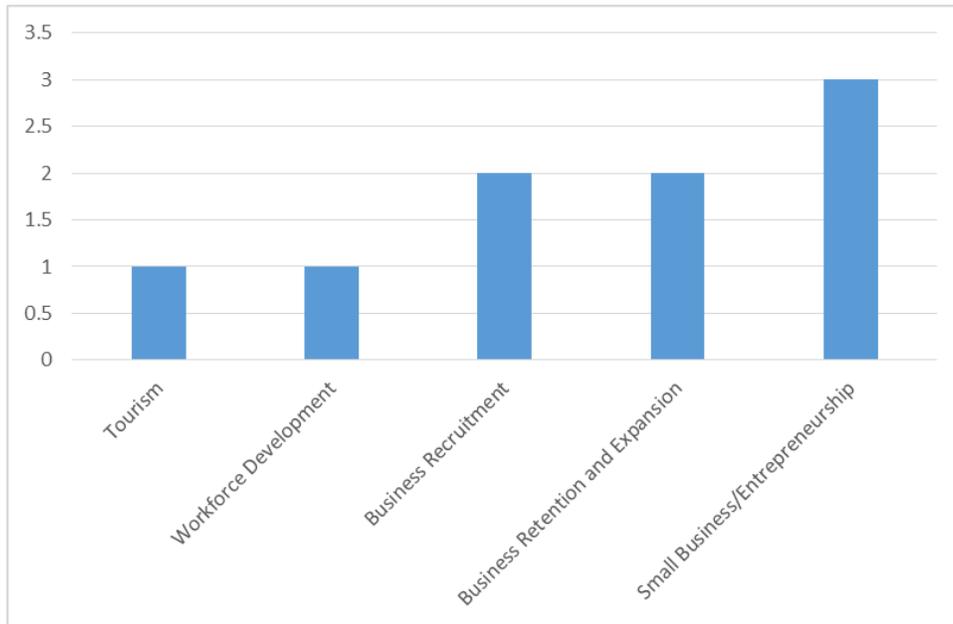
implemented in other similar areas that could be used in the five-county region. I was able to highlight some of the weaknesses in the economic development organizations, and hopefully, those weaknesses can be addressed.

If this five-county region wants to improve their economies, they need to continue to focus on the tourism industry and product development. Manufacturing is an important industry, but it should not be the primary industry that organization attempt to recruit. There needs to be an increase in political support in the economic development efforts of these organizations. Overall, these counties are trying to use their assets in their economic development efforts, and that is the best practice identified in the literature review, and it should be continued.

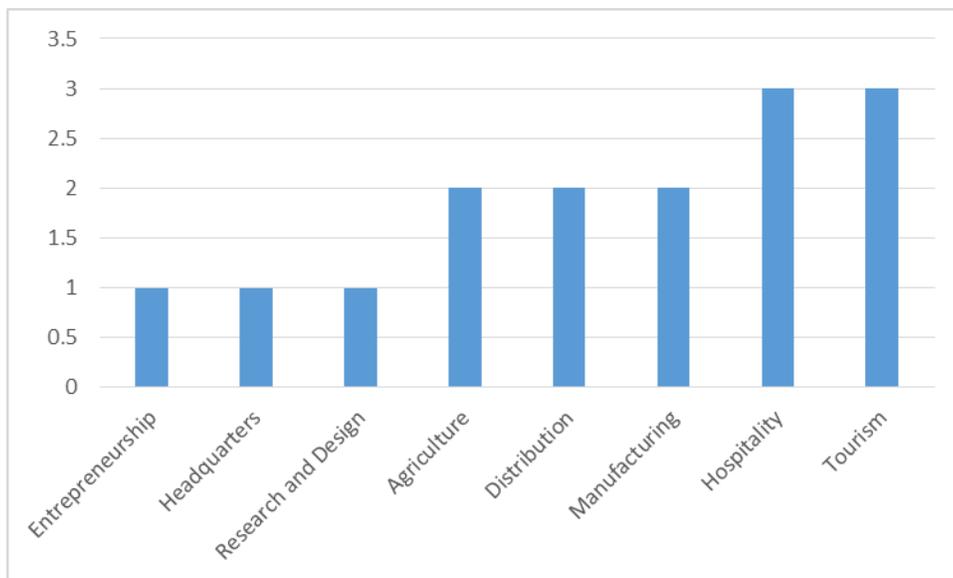
## VI. Appendices

### *Graphs and Figures*

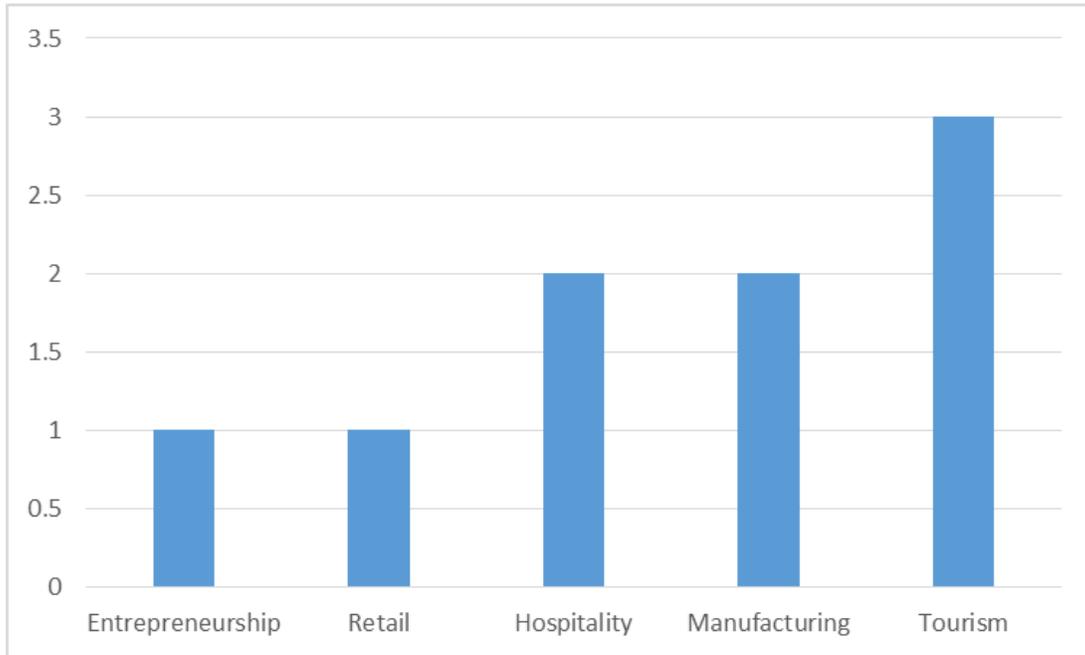
**Figure One (Programs Offered in Clay, Graham and Jackson Counties)**



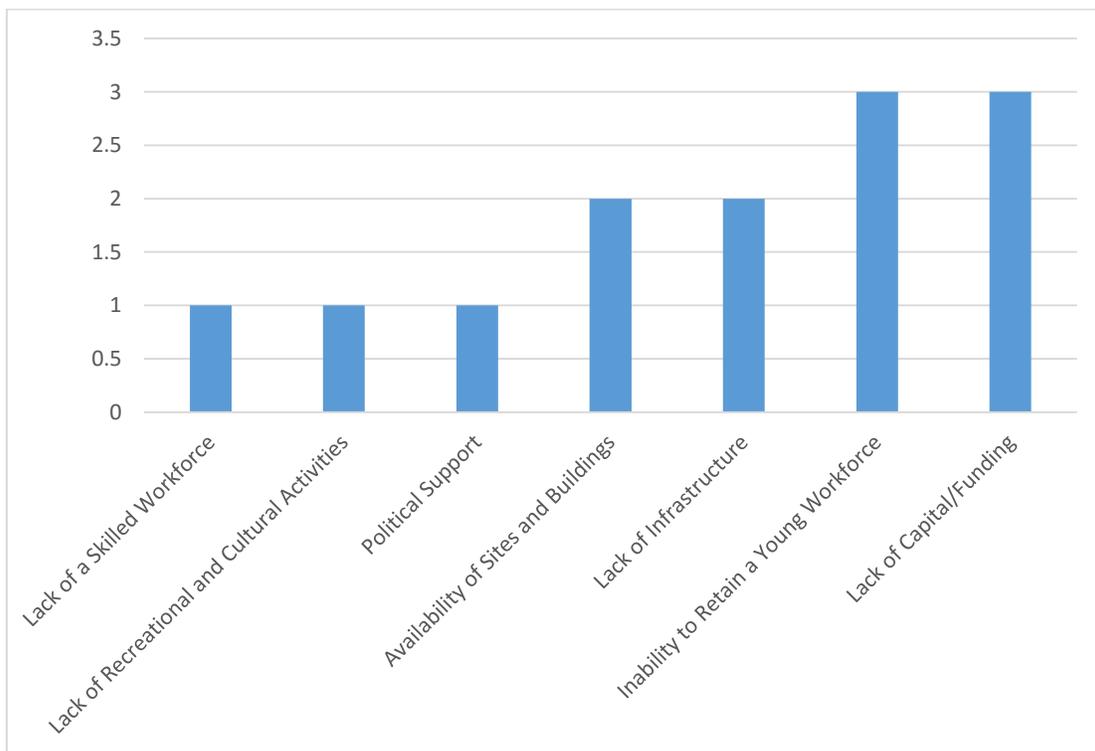
**Figure Two (Targeted Industries in Clay, Graham and Jackson Counties)**



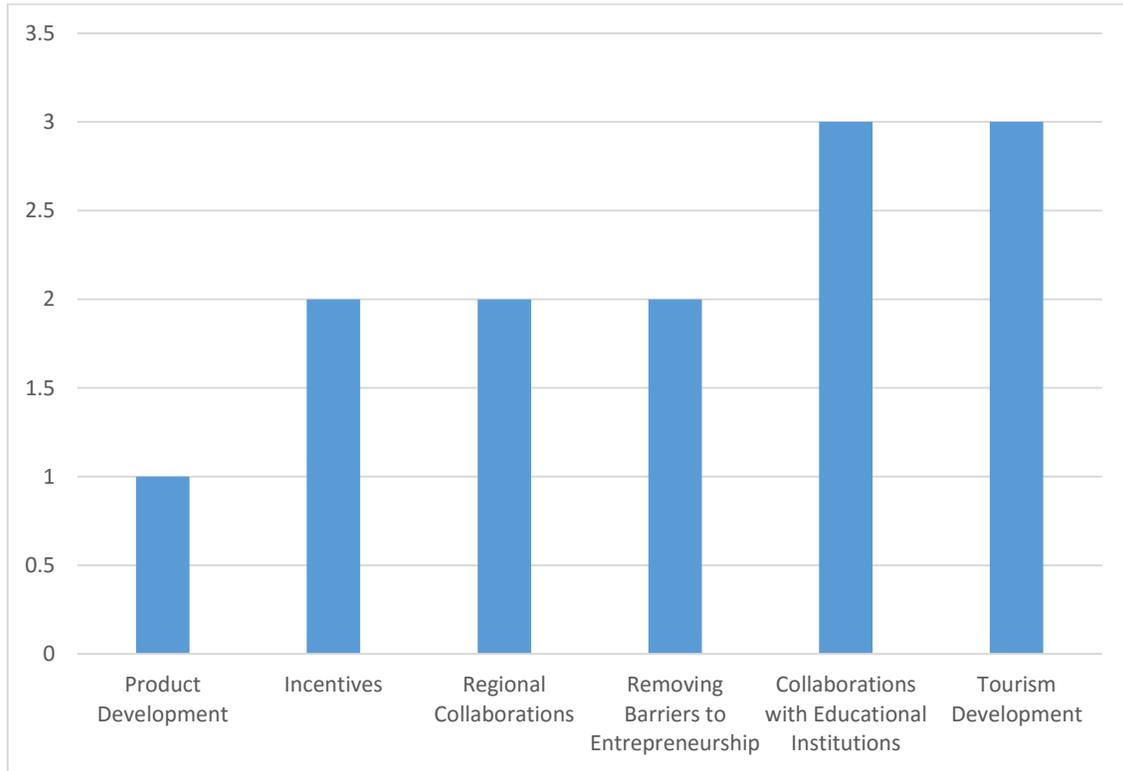
**Figure Three (Top Three Targeted Industries in Clay, Graham and Jackson Counties)**



**Figure Four (Barriers to Economic Development in Clay, Graham and Jackson Counties)**



**Figure Five (Economic Development Practices in Clay, Graham and Jackson Counties)**



*Survey Questions*

- 1) Please select all of the tasks your organization is involved with.
  - a. Business Recruitment
  - b. Business Retention
  - c. Small Business/Entrepreneurship
  - d. Other (please describe)
  - e. Not Applicable
  
- 2) Product development is a top priority in the economic development efforts of my county.
  - a. Strongly Disagree
  - b. Disagree
  - c. Neutral
  - d. Agree
  - e. Strongly Agree
  - f. Not Applicable
  
- 3) Please select all of the industry sectors that your organization targets in their economic development efforts.
  - a. Manufacturing
  - b. Tourism
  - c. Hospitality
  - d. Retail
  - e. Headquarters
  - f. Warehouse/Distribution
  - g. Agriculture

- h. Research and Design
  - i. Not Applicable
  - j. Other (please describe)
- 4) What are the top three industry sectors that your organization attempts to attract in their economic development efforts?
- a. Manufacturing
  - b. Tourism
  - c. Hospitality
  - d. Retail
  - e. Research and Design
  - f. Headquarters
  - g. Agriculture
  - h. Warehouse/Distribution
  - i. Not Applicable
  - j. Other (please describe)
- 5) Please select the barriers that your organization faces in their economic development efforts.
- a. Availability of sites and buildings
  - b. Lack of infrastructure
  - c. Lack of capital/funding
  - d. Lack of leadership
  - e. Inability to retain a young workforce
  - f. Lack of a skilled workforce

- g. Lack of recreational and cultural activities
  - h. Lack of political support
  - i. Citizen opposition
  - j. Lack of regional collaboration
  - k. None of these
  - l. Other (please describe)
- 6) Does your organization participate in any of the following practices in their economic development efforts? Please mark all that apply.
- a. Collaboration with educational institutions
  - b. Product development
  - c. Regional collaboration (ie. Multi-Jurisdictional Business Parks)
  - d. Tourism development
  - e. Removing barriers to entrepreneurship
  - f. Providing incentives
  - g. Other (please describe)
- 7) Are you aware of any similar counties that have implemented an innovative practice in their economic development efforts? If yes, please describe.
- 8) In your opinion, what does your organization need to improve the counties economy. Please describe.
- 9) Partnerships with Community Colleges or other higher institutions of learning are beneficial to a county in their economic development efforts.
- a. Strongly Disagree
  - b. Disagree

- c. Neutral
- d. Agree
- e. Strongly Agree
- f. Not Applicable

10) Industry clusters are beneficial in the economic development efforts in my county.

- a. Strongly Disagree
- b. Disagree
- c. Neutral
- d. Agree
- e. Strongly Agree

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