

Executive Summary
of
A 28E Management Report
on
**Managing Effective Interlocal
Economic Development Networks**

A 28E Management Report prepared in cooperation with the IowAccess Council and the Information Technology Enterprise, Iowa Department of Administrative Services.

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Introduction

This project examines the management of formal intergovernmental economic development (ED) networks in Iowa. **The purpose is to identify management skills and processes that contribute to the effectiveness of networks related to 28E¹ agreements created for economic development purposes.** How effective are these networks? To what extent are the cities involved able to look beyond their city limits to focus on countywide economic development? What skills and processes encourage a countywide perspective, if one exists?

This study focuses on network level effectiveness and organizational level effectiveness (p.5). County level effectiveness (whether the county does better with a coordinated rather than fragmented approach to ED) is discussed but not evaluated (p. 5). Network level effectiveness is defined as how well entities work together and the degree to which individual communities are committed to a countywide effort for ED. Organizational effectiveness is defined as how well the network benefits each entity involved. A model of how group processes and relationship issues impact network effectiveness is proposed (p. 9).

The report also includes an overview of the definition of networks (p. 3), the need for ED networks in Iowa (p.4), barriers and challenges to network effectiveness (p. 5), network management skills and processes (p. 6), and the management of effective ED networks (p. 8).

Methodology

A comparative case study approach was used to evaluate the effectiveness of ED networks using 28E agreements. Written surveys were sent to entities that created or amended ED 28E agreements in Iowa between 1993 and 2004. Of the 35 28E agreements that had at least one entity respond to the survey, three were chosen for field interviews. These agreements were chosen because they had similar purposes (countywide economic development) and similar partners (county government and multiple city governments as well as partners from both the public and private sectors). The three counties selected had populations of 11,000-19,000. Field interviews were conducted with as many partners in each agreement as possible. A total of 24 interviews were conducted.

Results

This study shows that there are public managers and policymakers in communities and counties in Iowa who see the value of cooperating and sharing services for countywide and regional economic development. The findings reveal that there is no single formula for creating a countywide economic development network. Counties create structures and make choices that arise from local conditions. One network was an alliance; two had county economic development commissions (EDC). Of those two, one EDC had representation from all communities involved

¹ Iowa Code 2003 §28E permits any public agency in the state to enter into an agreement with one or more public or private agencies for joint or cooperative action. Communities use 28E agreements to formalize collaboration.

and one did not. The network with participants from all communities was the most effective. Participant selection, operating structure, decision making, communication, and relationship issues--namely trust, stability, and power--have an impact on interlocal ED network effectiveness at the network and organizational levels.

Network Level Effectiveness

Counties with a county ED commission (EDC) and paid directors have a structural edge in network level effectiveness (p. 17). A county EDC institutionalizes a countywide approach. This means the commitment is not dependent on specific individuals and their interests; the structure helps to ensure that the network remains intact and countywide ED efforts continue. County EDC directors are paid to work on county projects; most other network actors maintain other jobs, which may or may not pay them for the time it takes to participate in the network.

Participant selection impacts network level effectiveness (p. 18). Finding those who have common values and vision and building a core group from there seems to be one key to participant selection. These findings do not show that pre-existing relationships are necessary for effective networks; group processes were more important in establishing effective working relationships and institutionalizing them. Also, providing each participating community an equal voice and providing a direct line of communication helps to build trust among entities.

The most effective network used a pre-formation consensus decision-making process to create a structure that addressed power and trust issues (p. 19). The process addressed the fears and concerns of less powerful communities up front. This resulted in a one person, one vote policy, an equal number of votes for each community, and increased trust in the network.

All three counties identified communication of information as an important aspect of the network (p. 19). Communication is the lifeblood, if not the heart, of the system. One of the major benefits of the ED networks is the exchange of information. Monthly face-to-face meetings were mentioned as being important to build relationships and keep the network alive.

Organizational Level Effectiveness

Organizational level effectiveness is another aspect of network success. Even if entities are committed to working together, a network will not endure if each entity incurs more costs than it receives in benefits for participating. Organizational effectiveness was evaluated based on the costs and benefits interviewees identified for their entity's participation (p. 21). It is important to note that there are two fundamentally different approaches to services in the three counties: *being paid* to provide services and *paying* to receive services. In the most effective network, the structure, participant selection, and decision making process gave each community an equal voice in guiding the activities of the network, which in turn, allowed them to make sure there were enough activities to meet their needs and that their benefits of participating outweighed their costs.

Recommendations

Recommendations are included for local government and state policymakers (pp. 24-27). Networks will have to adapt the recommendations to the specific context in which they exist.

Local Government

1. *Start with participants who have a common vision and expertise.* For ED interlocal networks, it is important to have representatives with both the ED expertise (e.g. LDC members) and the ability to make decisions about the funding (e.g. city council members). Besides expertise, it is important to gather members who share a common vision, are able to think beyond their community, and can see how the communities are interrelated. While the initial strategy is to find network members who have common values, this has to be balanced with the need to include key stakeholders. Also, a network must be mindful of the dangers of groupthink when a group becomes too cohesive.
2. *Create a network administrative organization (NAO).* NAOs seem to contribute to network effectiveness, whereas an alliance provides minimal structure and relies on behavioral networking. An NAO, such as a county EDC, provides a hub to signify the commitment to countywide efforts and to coordinate activities. It also provides stability and interorganizational trust so the network is not vulnerable to personnel turnover. Having a paid county EDC director helps to keep projects moving forward and stay up-to-date with ED programs and conferences.
3. *Use a consensus building process to establish the details of network operation.* There is no one formula for defining the roles and responsibilities of the NAO and network actors can be involved in deciding these. Being able to express upfront any concerns about power and trust and addressing these in the establishment of a structure (e.g., equal representation and voting rights) helps to prevent problems in the long-term operation of the network. Details such as funding, the roles of participants, decision-making process, accountability, and the frequency and location of meetings have to be determined by the network.
4. *Practice good communication in multiple ways.* Face-to-face communication on a monthly basis helps to keep the network alive. Email and phone communication is important to keep partners “in the loop” between meetings. It is important for the partners to be able to communicate their needs effectively. Trust is needed to develop good communication and good communication helps to build relationships and increase trust.
5. *Develop a system for accountability and performance measures.* Network actors did not show any urgency to do this, but it is an important aspect of justifying the use of public money for ED efforts. Although this study is a step in that direction, how to evaluate the effectiveness of economic development networks needs further work. One step that may help with this is to differentiate between the levels of accountability: county, network,

and organizational. This will help to make sure people are using the same definition of effectiveness.

State Policymakers

1. *Lead efforts to help regions individually and collectively determine performance outcomes for ED activity.* Outcomes should encourage efficient and effective activity while discouraging duplication of efforts and minimizing a mere shifting of economic activity from one region to another. Since individual networks have not done so, the state must encourage efforts to define performance indicators in two areas:
 - a. The functioning of regional networks (network level of effectiveness). Indicators may include measures showing shared commitment to network goals, completion of joint projects, and participation in the network.
 - b. Performance indicators for the state economy,² such as increase in per capita personal income, growth in average wages, increase in commercial/industrial property tax base, etc. Measures such as these provide objective information about the economic well-being of a region and the state and give ED activities a context. These indicators should be tracked and publicized but should be reported with the caveat that ED officials cannot prove ED activities caused these results.
2. *Provide technical assistance to define and encourage best practices.* State ED officials are in the best position to see the big picture and results across the state—what is working and what is not. They can play an important role in promoting communication of best practices between regions. Local governments can use the recommendations above as a starting point. The state could provide technical assistance for doing so. The state should resist mandating a blueprint for ED networks to allow for local flexibility.
3. *Coordinate and facilitate regional and inter-regional efforts.* State officials should a) inform regions of ED activities in other regions and when a duplication of efforts appears, bring affected regions together to develop a common effort; b) bring regions together to find ways to work jointly for the good of the state, if it appears that one region is taking action to the detriment of other region(s), and c) provide financial and professional resources for increased technical expertise for needs such as an analysis of the regional economy, infrastructure analysis, cost-benefit analysis of providing tax incentives to an industry, and a study of consolidation of services.

Because this was a small study focusing on rural counties, further research must be conducted to see if these findings can be generalized and apply to others. The model (p. 9) may serve as a checklist of processes and relationship qualities for network partners to assess when they are concerned about network effectiveness.

² Setting performance measures for the state raises some controversial issues, such as how to balance regional outcomes with the overall state (how to help regions see how they fit in the bigger statewide picture). More specifically, are desired outcomes the same for rural and urban areas? If not, how are the differences addressed?