

For university-based centers for local economic development, it may just take a business school to raise a village.

BUILDING

From multicultural team-building to multilingual communication, the buzzword in business education these days is undoubtedly “global.” Still, in the rush to “think globally,” many business schools have pledged to “act locally” through university centers that offer services, training, and information to area businesses and organizations. Their mission is to train small business owners, encourage entrepreneurship, create jobs, and, above all, spark measurable economic growth in their surrounding regions.

B-school-based centers for economic development (CEDs) have existed in the U.S. since the 1950s, but they have traditionally focused more on generating economic research than on providing service and training. In the last two decades, however, some business schools have revisited the idea of opening centers dedicated to community building. CEDs operate on the principle that while a business school’s primary role is to provide business education and research, it has the resources and opportunity to offer even more to its community, says Kjell Knudsen, dean of the Labovitz School of Business and Economics at the University of Minnesota in Duluth (UMD). “We should participate actively in the creation and retention of business enterprises in our own regions,” Knudsen stresses.

by Tricia Bisoux

illustration by Dave Jonason

To that end, Knudsen spearheaded the launch of the university’s Center for Economic Development in 1986.

As a joint venture among the business school, the Natural Resources Research Institute, and the College of Science and Engineering, the CED provides the type of *pro bono*, hands-on business training and strategic planning that many communities need, especially in tough economic times.

Through the spirit of learning and volunteerism, university-based CEDs strive to fuel the economic growth of a community. Their grassroots efforts aim not only to strengthen local economic growth and strengthen ties to the surrounding region, but also to ensure a business school’s contributions to its community are far more than academic.

Cross-Campus Collaboration

While centers for economic development serve as catalysts to boost local business growth, they also offer a substantial educational advantage to their parent campuses. Students and faculty alike benefit from an expanded learning network that reaches across campus and throughout the community. In addition, CEDs provide students with rich, project-based learning experiences that integrate cross-disciplinary education, team-





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work, and quantifiable, positive real-world outcomes.

That has been the experience at the Center for Economic Development at the University of New Orleans (UNO) in Louisiana. Established in 1978, the UNO’s CED is maintained by the university’s College of Business Administration, but also relies on strategic alliances with UNO’s College of Public and Urban Affairs and its International Program for Nonprofit Leadership. The center maintains active partnerships with Louisiana’s government and the U.S. Department of Commerce’s Economic Development Agency. This network of connections and interactions creates a valuable learning laboratory for students and faculty, says Ivan Miestchovich, the center’s director. “Economic development,” he adds, “permeates throughout the entire university network and culture.”

Miestchovich has a full-time staff of four, but has between 20 and 40 students and faculty working on commercial revitalization projects at any given time. “We function much like a movie production studio,” he explains. “We bring together creative teams from across disciplines to work on projects and then disperse once those projects are over.”

The UNO’s center conducts training programs and workshops on strategic planning for community leaders. It also tackles economic development projects throughout the region. In one project, the center helped a rural community write a strategic plan, fill out grant applications, and secure funding for an industrial park. Once \$2.1 million in funds were available, the center walked the community through the site improvement process, from establishing streets and water systems to leasing commercial space. The result has been the creation of more than 300 jobs and between \$5 million and \$10 million in capital investment, says Miestchovich.

“Such projects represent a significant economic impact for small, rural communities that are somewhat cut off from the world,” says Miestchovich. “In many ways, such communities don’t have much in the way of hope. We work with them so that they can reposition themselves and keep moving forward. They don’t have to wait for someone else to come in and do it.”

Hubs of Activity

Most higher education institutions have incorporated service-oriented aspects in their curricula, ranging from student proj-

ects to faculty consulting. A formal CED, however, can focus, organize, and coordinate those outreach efforts. It can offer a more centralized, ongoing resource to areas of the community that need that kind of continuous assistance the most.

Michael Verchot has served as director of the Business and Economic Development Program (BEDP) at the University of Washington Business School in Seattle since the program’s launch in 1995. He agrees that the good intentions of any business school community may be more effectively and consistently channeled if given a dedicated outlet like a CED. “Before the BEDP was in place, the University of Washington recognized that it was a hub for economic development in the state,” he notes. “Even so, we realized there were segments of the state—economically distressed communities—that we

weren’t reaching. We decided that we would fulfill our mission as a business school by being an economic engine for the region.”

Now celebrating its tenth anniversary, the BEDP has begun to follow up with some of the companies it has counseled through the years. One company that cleaned parking lots, for example, came to the school to learn how to boost its profits. The BEDP did a financial analysis and counseled company owners to change their bidding process, increase the speed with which they finished each job, and diversify their service offerings to include basic landscaping. As a result, the company met its goals for profits and growth. The BEDP

helped a Mexican restaurant grow its catering division from 10 percent to 30 percent of total sales; guided a security guard company’s growth from 30 to 100 employees; and helped develop a marketing plan for a health services company, now the 13th fastest growing inner city business in the country.

Students from disciplines across the University of Washington’s Seattle campus—from business to engineering to medicine—work together to counsel BEDP clients like these. Each student team benefits from a cross-disciplinary learning experience and enjoys the satisfaction of providing an ongoing, tangible benefit to local businesses. Verchot knows their sense of satisfaction firsthand: Before he became director of the BEDP, he was an MBA student working on the team that brought the program itself to fruition. He notes that students often feel so gratified in their work with the BEDP, they return as alumni to check the progress of projects they helped set in motion before they graduated.



Keys to Success

It can take significant investment for a business school to develop a center dedicated to promoting and servicing the economic needs of a community, region, or state. The Business and Economic Development Program (BEDP) at the University of Washington in Seattle, for example, operates on an annual budget of \$250,000 and is in the process of raising a \$1 million endowment. Once the dollars are in place, however, a business school must then look at several other factors to ensure that its efforts in creating such a center will succeed:

Involve the private sector. A business school can't go it alone when it comes to community building, says Kjell Knudsen, dean of the Labovitz School at the University of Minnesota Duluth and former director of its Center for Economic Development (CED). The school must convince diverse constituencies to buy into the plan, including students, faculty, and major regional economic players such as small business, large business, and local and state government economic agencies. The CED, for instance, has formed a 17-member consortium called the Arrowhead Growth Alliance, which includes CEOs from all the major regional economic organizations, to better direct its growth.

Establish an advisory board. Both the BEDP and the CED

have formed advisory boards to guide their efforts. The boards are made up of representatives of large companies in the region, as well as students, faculty, and business owners the programs have helped in the past.

Meet with like-minded institutions. The University Economic Development Association (formerly NAMTAC, now UEDA) can serve as a valuable source of information for schools interested in establishing community-based programs of their own. Over the last three years, the organization has experienced considerable growth, in part because of the increased pressures communities are experiencing as they weather the effects of outsourcing and unemployment. UEDA now boasts an international membership of 120 institutions who often share best practices. The organization's Web site is at www.namtac.org.

Think in the long term. Most projects CEDs tackle have timelines that go beyond a semester. In fact, many last for years. "A school must have a long-term commitment to such a project," says Michael Verchot, director of the BEDP. "When we first started the BEDP, for example, we weren't looking at what we could accomplish in one or two years, but what we would accomplish in ten, 20, or 30 years."

Moreover, initiatives like the BEDP help a business school to assure its own future, Verchot emphasizes. By investing in community service, a business school is actively involved in new business creation and builds its base of prospective students, recruiters, private donors, and corporate partners.

Not Just Academic

When a business school wants to establish a CED, it may have to overcome some external skepticism. Knudsen recalls that at its launch in 1986, the UMD's CED had to convince the business community that the center could deliver on all three of its objectives: to train, counsel, and inform local business. "Leaders in the private sector didn't believe the university had much to contribute to economic and business development. They thought academia wasn't very practical," says Knudsen. "Our main challenge was to prove ourselves to the business community in our region."

Since 1986, the CED at the University of Minnesota has expanded to eight locations in cities throughout the region, providing one-on-one business counseling, business workshops, and information to small business owners. Minnesota's State Department issues an annual report on the number of jobs that the center has assisted in creating or retaining. In the past three years, CED efforts have resulted in 10,684 new or retained jobs in the state. In addition, in 2003, the CED saw approximately 890 clients, 230 of whom represented startups. Its staff also worked with banks to help create 57 loans valued at \$9 million.

Elaine Hansen, director of the CED, says that as the center's reputation has grown, so has the number of people utilizing its services—in 2004, it served almost 1,000 clients. "I want the CED to be recognized within the seven-county area as the place where people can interact with the university and where students and faculty can interact with the community," Hansen says.

Like most centers for economic development, the BEDP at the University of Washington relies heavily on private funding. Gaining the private sector's trust and support was therefore crucial for its success. When it first launched, the BEDP's budget was set at \$100,000, even though it had only \$50,000 in reserve, and that came primarily from the business school and the local Catholic Community Services, explains Verchot. As the program began producing results, however, other donors gradually came on board to fill budget gaps.

The BEDP taps the skills of undergraduate student consulting teams, alumni, and area business owners to work with about 16 companies a year. The program also partners with the King County Bar Association, which provides *pro bono* legal assistance when needed. Twice a month, the BEDP offers free seminars—in both English and Spanish—to about 20 small-business owners. Twice a year, it offers CEO-level seminars for the state's fastest-growing minority businesses, which attract about 90 business owners.

While many factors play a role in any company's success or failure, says Verchot, a resource like the BEDP gives vital

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assistance to especially vulnerable companies, such as those in the inner city. The results, he says, are undeniably positive. Since 1995, the program has worked with 100 different companies, which have reported \$12 million in new sales and the addition or retention of 500 jobs due to his program’s efforts.

“Businesses in distressed communities tend to be isolated from those in the broader business community,” says Verchot. “We’ve been able to build a bridge between those two groups. We want to break down the walls that often exist between the larger business community and the inner city.”

From ‘Think Tank’ to ‘Do Tank’

Business research has weathered substantial criticism recently—it’s been described as too theoretical, too academic, and too distant from the immediate, real-world concerns of business. In response, a number of b-school think tanks are determined to dispel this criticism by generating research linked directly to the improvement of real-world business practices.

One real-world initiative is the Center for Competitive Economics (CCE), established at the University of North Carolina at Chapel Hill in 1998 as part of the UNC’s Frank Hawkins Kenan Institute of Private Enterprise and its Kenan-Flagler Business School. The CCE, says director Michael Luger, strives to unite two activities often believed to be mutually exclusive: academic research and real-world implementation.

“We want to be a ‘do tank’ as well as a ‘think tank,’” says Luger. “We focus on solving problems by using creative, cutting-edge thinking and implementation. At the same time, we are part of a research university, so we try to do innovative research that is also publishable.”

So far, the CCE has worked with the region’s failing rural communities to find ways to make them prosper. For instance, CCE student research teams found that North Carolina’s rural counties often viewed each other as competitors, rather than allies. The center used its research to convince five North Carolina counties to band together in a “mini hub,” investing jointly to create an enhanced industrial park attractive to new businesses; the counties would then share revenues. In addition, the center showed county officials that while biotechnology was a strong industry for North Carolina, biotech companies most often located their offices in the larger metropolitan areas of Raleigh and

Networks of Development

While face-to-face training and counseling is at the heart of the offerings at University of Minnesota’s CED, one of the center’s most crucial roles is to serve as an informational resource for the community. To that end, it publishes a monthly newsletter, the *Arrowhead Business Advisor*, which circulates to 64,000 subscribers. The *Advisor* includes articles on all the issues that concern a small business owner, from implementing technology to developing better customer relationships to writing a business plan. The CED then makes every article it publishes available through its Web site at www.umdced.com.

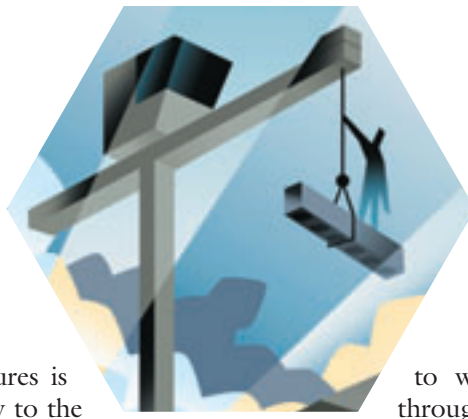
Business schools and business regularly provide information to large corporations, but often don’t provide similarly targeted information to local small businesses, says Knudsen.

Durham. CCE research showed that rural counties should target the related, but less visible, bioprocessing industry.

The center garnered statewide recognition for its plan, which was seen by regional economic development organizations as a way to resuscitate the economy and stem the “brain drain” afflicting the region. “This plan has received attention because we broke through a barrier and got the counties to work together,” says Luger. “We convinced state government to pass legislation underscoring the importance of revenue sharing. This broke new ground and helped these counties move ahead.”

Like the CCE, the Seidman Research Institute at Arizona State University’s W.P. Carey School of Business in Tempe has long focused its research on the regional economy. The endeavor is an extension of a much older program, ASU’s Bureau of Business Services, which opened in 1951. In 1985, the Institute was decentralized and grew to include eight internal specialized centers, among them the Center for the Advancement of Small Business, the Center for Business Research, and the Bank One Economic Outlook Center. Supported by a small professional staff and graduate student volunteers, the institute releases regular economic forecasts for the state and is frequently asked to provide economic impact studies of state initiatives. In addition, its small business center provides ongoing informational support to the small business community.

“At Arizona State University we have ownership in the local business community and in the local population, which includes more than 3 million people,” says Dennis Hoffman, the institute’s director. “We want to maintain a strong local presence and demonstrate that we are serving the local business community in everything we do.”



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For its part, the BEDP would like to expand its network of locations and be a resource to a larger number of businesses in the state of Washington, says Verchot. The program already has been working with its academic neighbors, including Bellevue Community College and the University of Washington in Bothel, to set up new locations. Recently, the program also set up three more rural technology centers for small business, one at Heritage University in Toppenish, a city in the southern part of the state. It plans to continue

The institute has been able to thrive by balancing its role as public servant with its ability to generate revenue through its research. For example, area firms and state and local governments pay for the institute’s economic impact studies and contract research, which help it to be fiscally self-sustaining. The next goal for the institute, says Hoffman, is to expand its work beyond the Phoenix and Tempe areas into the Western U.S. and even Mexico.

In the 1950s and 1960s, many universities had bureaus of economic analysis. Today, however, those bureaus have all but disappeared as business schools find it cost-prohibitive to provide what they view as a public service, says Hoffman. The consequence for some schools, he says, is that they have lost currency with local community and regional development organizations.

Luger of UNC’s CCE agrees that business schools should not become so concerned with their value to the business community that they lose sight of their perceived value in the general community. “Business schools usually don’t have a problem being accepted in the private sector,” says Luger. “But they do run into trouble earning wider recognition in the larger community of nonprofits, government, and the general public.” In addition, the public may perceive business schools—especially elite schools—as being more interested in national and international issues than they are in issues in their own states.

By generating a steady stream of community-focused research with immediate application, business schools can tackle both problems head-on, Luger emphasizes. In the process, schools build their reputations, their networks, and their influence beyond their own campuses.

to work with higher education institutions throughout Washington to create a strong network of economic development, says Verchot.

“The fixed costs of opening centers like the BEDP are pretty high,” explains Verchot. “The only way we’re going to grow our program dramatically is to work with other higher education institutions. Those kinds of partnerships will be the model that we use to stimulate the development of more centers like ours.”

Going Beyond Business

While most business schools are well-regarded within the local private sector, economic development centers take that regard one step further. Because CEDs approach community building so comprehensively, they must reach beyond the private sector to organizations in government, urban planning, and the arts. In addition, they provide active forums where small business, big business, government, and academia meet on common ground to learn, collaborate, and strive to create a more robust local economy.

Once a center for local and regional development begins to produce measurable results, its role in the community as a valued resource is assured. And that recognition is often not limited to the local purview. Verchot, for example, was recently chosen by the U.S. Department of Commerce as its 2004 Minority Business Advocate of the Year. That kind of recognition indicates that even the U.S. government views the BEDP’s efforts as being of national importance, says Verchot.

An ancillary goal for successful centers is to share what they’ve learned with other schools interested in similar objectives. While the value of business research is unmistakable, Verchot, Knudsen, and Miestchovich would like to see this model for economic development become more commonplace among business schools and are eager to share their experiences. For its part, the BEDP has developed its own curriculum related to its efforts, and its staff is in the process of writing a textbook. It is also working with universities in South Africa to help them set up or improve similar programs overseas.

Business schools have important traditional academic roles to play in their communities, say these CED directors. But they also have an incredible resource to share—a collective of students and faculty who can act as advocates for and advisors to area businesses. When their efforts are channeled via a dedicated center, students and faculty make an important difference to oft-overlooked businesses, make a long-term impact on the regional economy, and receive an invaluable opportunity to learn. 