

TARGETED ECONOMIC DEVELOPMENT CASE STUDY: ENID, OKLAHOMA

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Introduction to Enid, OK

Enid, OK, located in Garfield County, is a trade center for the north central region of Oklahoma. As such, Enid has generally served families in the agriculturally dependent counties in the north central and northwest parts of the state. The huge grain elevators on the east side of the city are both landmarks and reminders of the community's agricultural roots. Although considered a metropolitan county until the 2000 Census, Garfield County has struggled alongside other rural, Great Plains counties of the state to define its economic identity in terms other than agriculture or petroleum.

Carried along by the statewide oil boom, Garfield County's population peaked in 1980 at nearly 63,000. Interestingly enough, many of the counties that border Garfield County saw their populations peak in 1910, so the county really was booming. When the bottom fell out of the oil market in the mid-80s, Garfield County's population stumbled. The county population fell by nearly 10% from 1980 through 1990. Population growth from 1990 through 2000 was a meager 1.9%--compared to a statewide growth rate of 9.7%. The result of the slow population growth was that Garfield County lost its metropolitan status when the Office of Management and Budget released new definitions in June 2003. Since 2000, Garfield County's population has further declined by about 1.2%. Current population for the county is about 57,000.

Enid is the county seat and largest community in Garfield County. In fact, about 80% of the county's residents reside in the City of Enid. This has been consistently true since at least 1980. Of the 13 other communities in the county, only one, Waukomis, has a population over 1,000 (1,228); thus, Enid truly is the heart of the county and of the regional center of trade. Enid

is also home to Vance Air Force Base. The base was established in 1941 and is the city's largest employer with more than 2,600 military and civilian personnel.

In August of 2000, a group of leaders in Enid banded together to form the Enid Economic Development Council (EEDC). Concerned about the disheartening population trends and an overdependence on the economic impact provided by Vance AFB, the EEDC requested assistance from the Oklahoma Cooperative Extension Service (OCES) in collecting data and assessing the current economic and demographic status of the Enid trade area. Early products provided to the EEDC included a summary of economic conditions in Enid and Garfield County, an analysis of retail trade trends in Enid and Garfield County, and a report documenting the responses of county residents to a survey designed to gain residents' opinions about various aspects of the community.

Professionals from the OCES met with the EEDC on a regular basis from August through December 2000 to produce the reports mentioned above. Through this work, members of the EEDC began to develop a better understanding of their local economy and of the opinions of local residents regarding issues related to economic development. The group now felt more comfortable moving forward with a more targeted approach—an approach designed to identify industries that represented potential recruitment targets for the city, or a targeted economic development program.

Targeted Economic Development in Enid

Target Industry Analysis

Leaders in Enid were ready to begin the process of planning for economic development, but they did not yet know the track they were going to take. The members of the EEDC had already been studying local strengths and weaknesses, but they had now decided to assess their

community using a tool called target industry analysis. This analysis uses an input-output model to produce a list of industries that are potential recruitment targets. The developer can use the list to identify business contacts. Additionally, the developer can use the list to prepare promotional materials and advertisements with particular industries in mind. If an industry tends to have certain location requirements, the brochure or the advertisement can emphasize how the community meets these needs. Thus, target industry analysis enables economic development professionals and volunteers to focus their business recruiting resources.

Target industry analysis can also help leaders to understand the limitations of the community as an industrial location. Communities can then address these weaknesses. This is an important by-product of the process. A key point to note is that communities should approach development from a sustainable approach, exploring potential firm linkages and opportunities for business clusters (Bradshaw & Winn, 2000). Target industry analysis is just the beginning of targeted economic development, not the answer to all problems (Homm et al, 1999). Getting a list of recruitment targets is not the goal or the objective. The goal is a diverse economy and the objective is to increase the number of local jobs. The list is a tool for getting there.

Community Dynamics

A targeted economic development strategy seeks to strengthen the “industry cluster” identified in a target industry analysis, where an industry cluster is loosely defined as a geographic concentration of interdependent firms. The industry cluster may be strengthened by export enhancement or import substitution. Export enhancement means expanding the volume of goods and services a region sells to the rest of the world, while import substitution is the replacement of items purchased outside the region with local production. Both market strategies

can expand the economies associated with agglomeration and geographic concentration and both should be examined in any targeted economic development program.

The export base of a regional economy consists of goods and service sectors in which a large portion of its products are sold outside the region. The expansion of an export base industry leads to expansion of local non-basic industries through a multiplier or ripple effect, which can be measured using economic modeling software. Target industry analysis should identify the industries in the region that are heavy exporters.

Industries that produce a commodity in one region often use goods and services (inputs) imported from outside the region. When import substitution occurs, economic leaks are plugged, and the ripple effects from a given export base are strengthened. To examine import substitution opportunities, industries that are large importers should also be identified in the target industry analysis.

The target industry analysis in Garfield County, Oklahoma, utilized an input-output (IO) model. These models quantify the linkages between the sectors of an economy; thus, not only can large exporting industries be identified, but the sales and purchases that link them to other industries can also be pinpointed. Furthermore, computer software advancements have made IO modeling relatively easy. The popular software, IMPLAN, was used for this study. Data specific to Garfield County were purchased from IMPLAN.

The Two-Step Analysis in Garfield County

The target industry analysis undertaken in Garfield County in early 2001 involved a two-part process. First, major export and import lists were developed; and, second, desirability factors were utilized to help the community refine the lists. Both of these steps will be discussed in detail.

The first step of the analysis was to develop export and import lists for Garfield County using IMPLAN software. The export list contained the top 50 exporting industries, and the import list contained the top 50 importing industries. The IMPLAN economic simulation program allows the user to construct regional input-output models for any county, region, or state in the United States. Thus, in step one; EEDC members were able to see the 50 sectors that represented the top imports and the 50 sectors that represented the most exports for the region.

Step two of the industry analysis was to determine the desirability factors. It is assumed that some industries are going to be more attractive than others based on certain criteria. Some factors that might affect the desirability of a particular industry include the following:

1. Total employment or the total number of workers employed directly by the initial industry, plus those employed indirectly because of the multiplier or ripple effect.
2. Total employee compensation or total payroll for all persons employed directly by the initial industry, plus those employed indirectly because of the multiplier or ripple effect.
3. Direct compensation per employee or the average wage paid to each direct employee in the industry.
4. Employment growth rate or the percentage change in the number of people employed in the industry in the United States from 1996-1997 (most recent years at the time of the study).

Again, the IMPLAN software allows the user to list the principal importing and exporting sectors in the region, with rankings of industry values for each of the preferred criteria described above. For example, Air Transportation and Food Preparations N.E.C. (not elsewhere classified) were the top exporting industries from the region. Based on IMPLAN data, these sectors ranked

in the top 10 for total employment and total employee compensation and were both on the Oklahoma Department of Commerce's list of state target industries.

After considering each industry's rank in each of the four criteria, which are assumed to be equally important to the community, a cumulative rank can be assigned to each industry. After considering the desirability criteria, the highest cumulative ranking industry for Garfield County was Air Transportation. Telecommunications and Food Processing also ranked high.

Refining the Target Industry List

After completing steps one and two of the target industry analysis, the EEDC had two lists: one of the top 50 regional exports, and one of the top 50 regional imports. Both lists had been sorted based on the desirability criteria. Now it was time for EEDC members to begin to consider the industries on the lists. Some of the industries easily dropped off the lists because they were not feasible for the region. For example, tobacco is not a feasible crop for Oklahoma due to climatic and regulatory factors. Some communities may prefer to drop high-polluting industries off the prospect list. Other factors to consider include changes in property values and changes in population. The community should evaluate and refine the lists based on research and logic to determine the feasibility of each sector.

When refining target industry lists, community leaders should consider state or regional target industry lists. Many states, including Oklahoma, have developed such lists, and state agencies, such as the Oklahoma Department of Commerce, are actively recruiting firms in these industries. Why not "piggyback" on these efforts?

Some industries may seem very desirable to a community in every way, but the community must be realistic about what it has to offer that industry. Should a community lacking hospital and ambulance service attempt to attract retirement homes? Should a

community with a high elderly population attempt to recruit assembly plants? Should a community with a poorly educated workforce attempt to attract high-tech engineering firms? Before embarking on costly recruiting efforts, the community must realistically assess its strengths and weaknesses. Such assessments play a critical role in the process of targeted economic development or any other strategy for community economic development.

Summary of Garfield County Findings

As previously mentioned, Air Transportation emerged as a strong candidate for targeted economic development in Enid. An Aviation Focus Group, which included several members of the EEDC, was created to address this development strategy. The regional airport, Enid Woodring Regional Airport, was a centerpiece for the process. Follow-up communications with members of the EEDC indicate that the target industry analysis was valuable because it validated their perceptions that Aviation was an important industry for Enid. While the events of September 11, 2001 have certainly hampered the aviation industry in general, the City of Enid is still convinced of the importance of this industry for their community and has increased municipal funding for infrastructure improvements at the airport.

The target industry analysis also indicated that Food Processing was important for Enid and Garfield County. While Enid has been home to Advance Food Company, a meat-product manufacturer, since 1973, the EEDC was somewhat reluctant to admit that Food Processing represented a cluster that they wanted to develop. Frankly, they were more interested in something a little more high-tech. Over time, however, the EEDC has come to recognize that the target industry study was on target, so to speak, as Advance Foods has continued to grow. Other related firms, such as Mid-America Wholesale have also shown substantial growth over the last

5 years. This food distributor recently constructed a \$1.2 million freezer facility in Enid as part of its current expansion activities.

Conclusion

This article has briefly summarized the targeted economic development efforts of the Enid Economic Development Council. Through a process of strategic planning for economic development, the members of the EEDC decided to use a tool called target industry analysis. Through target industry analysis, communities are provided a list of industries that have a moderate-to-strong likelihood of containing companies that might be interested in locating in the region. The list is not the final step in the development process; the community must refine the list based on many qualitative factors and the community's strengths and weaknesses as a business location. Recent conversations with EEDC members reveal that the *process* itself was very important. One participant says that they have come to the realization that business retention and expansion is incredibly important, but admits that if they had not gone through the process then they would not all be on the “same page” regarding the current development of a business development center.

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