



# Industry Targeting: Theoretical Underpinning and Practical Application

---

David W. Hughes  
Professor and Extension Economist, WVU  
Extension Service

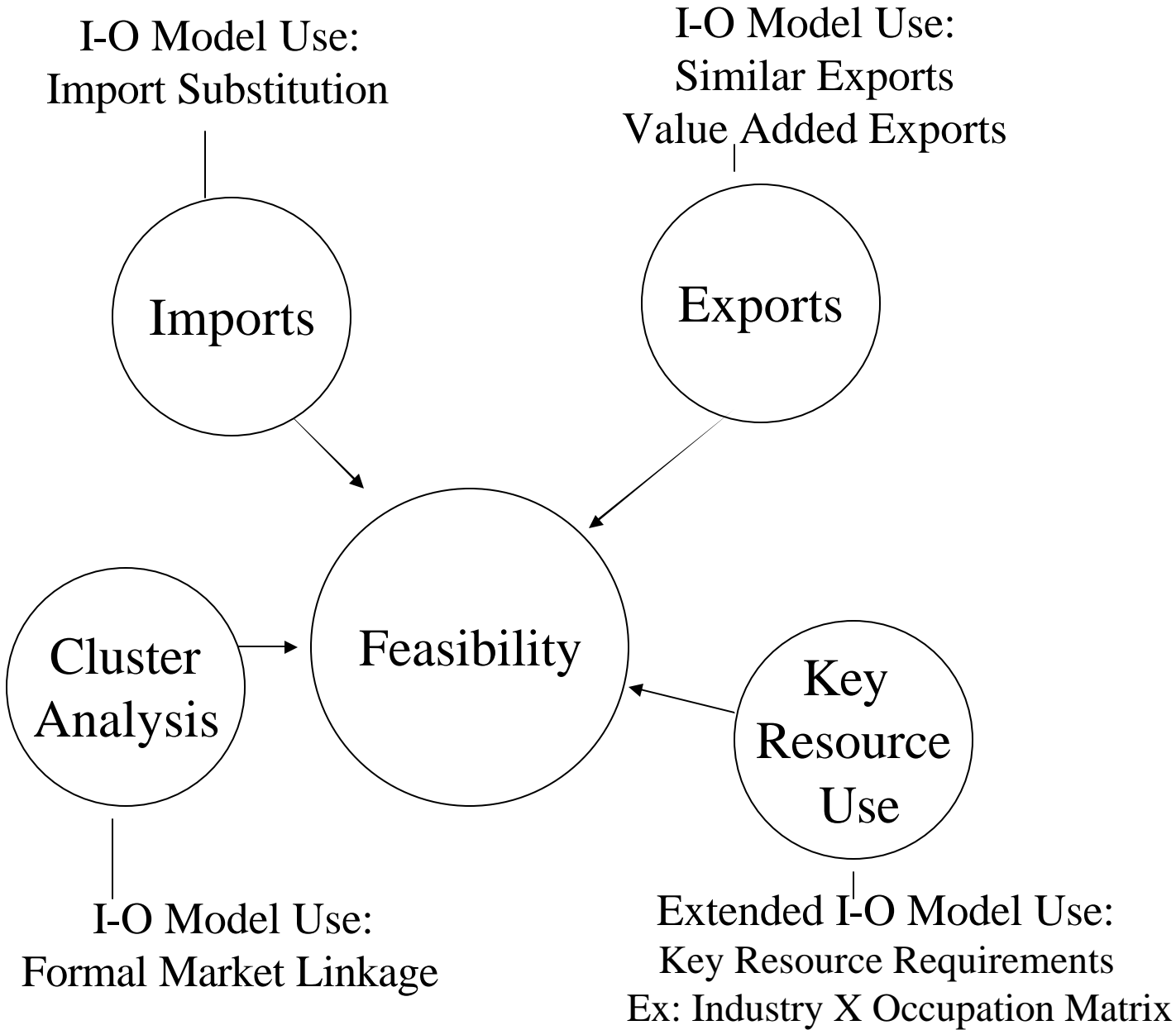


# Clay County WV Case Study: A Community Development Challenge

---

- A. Social Capital is a Challenge
- B. Per Capita Income, \$15,202 (146-148)
- C. 27.5% of Population Poor
- D. Award Winning Schools
- E. Moderate Population Growth 90s-03
- F. High Level of Commuting: Charleston WV Metro Area

# Figure 1: Technical Model Use and Industry Targeting, Feasibility

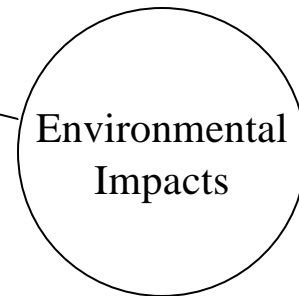
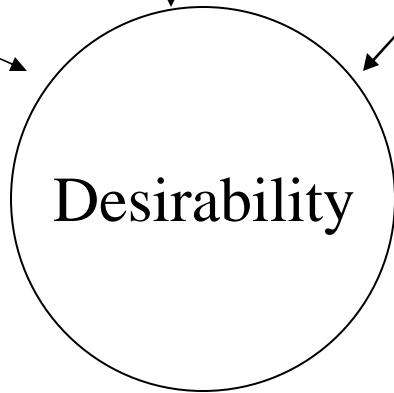
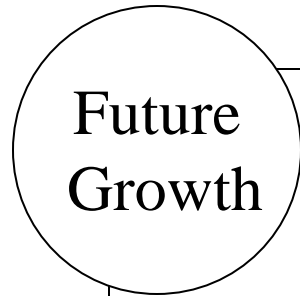
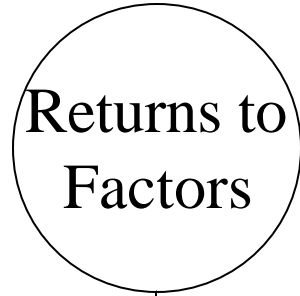
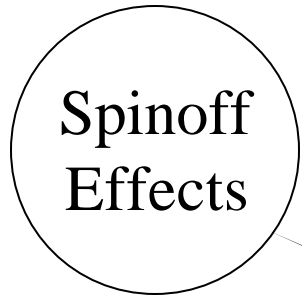


# Figure 2: Technical Model Use and Industry Targeting, Desirability

I-O or SAM Model Use:  
Returns to Labor, Capital,  
Jobs Generated

Extended I-O Model Use:  
Link PS Impacts to Industries

I-O Model Use:  
Estimate Spinoffs



I-O Model Use:  
Current Profitability

Extended I-O Model Use:  
Link Impacts to Industries

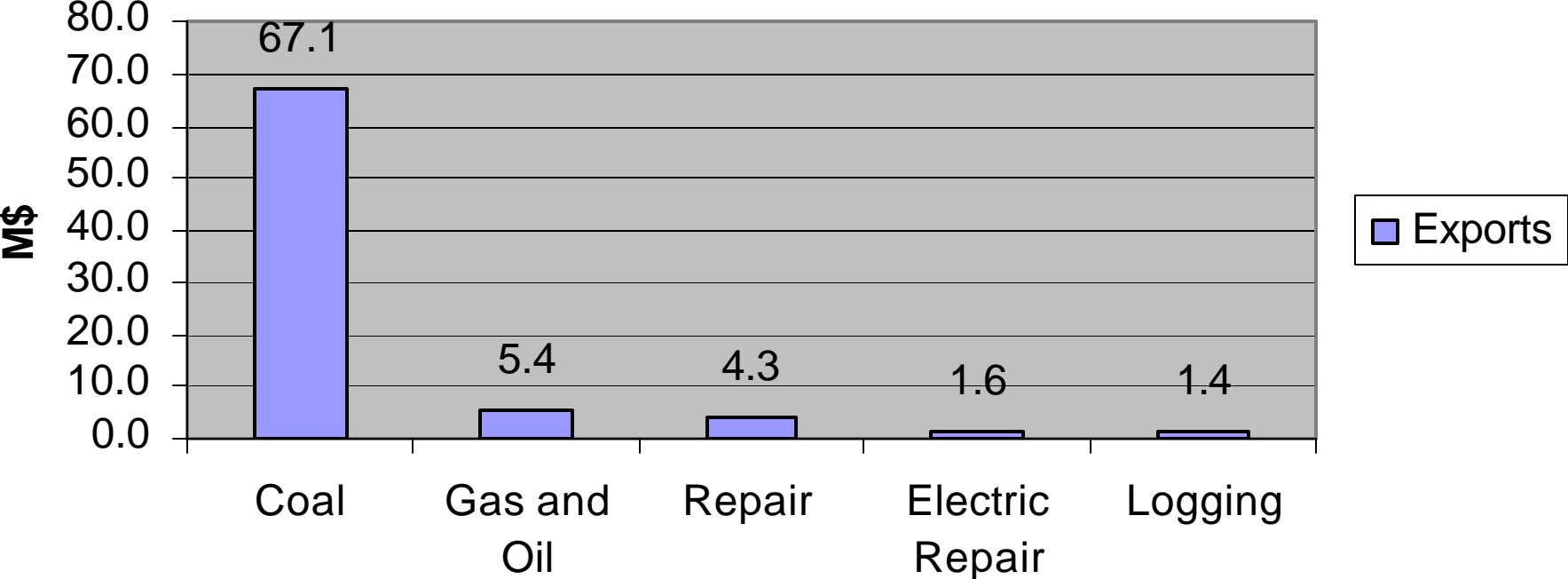


# Target Industry Analysis Process in Clay County, WV

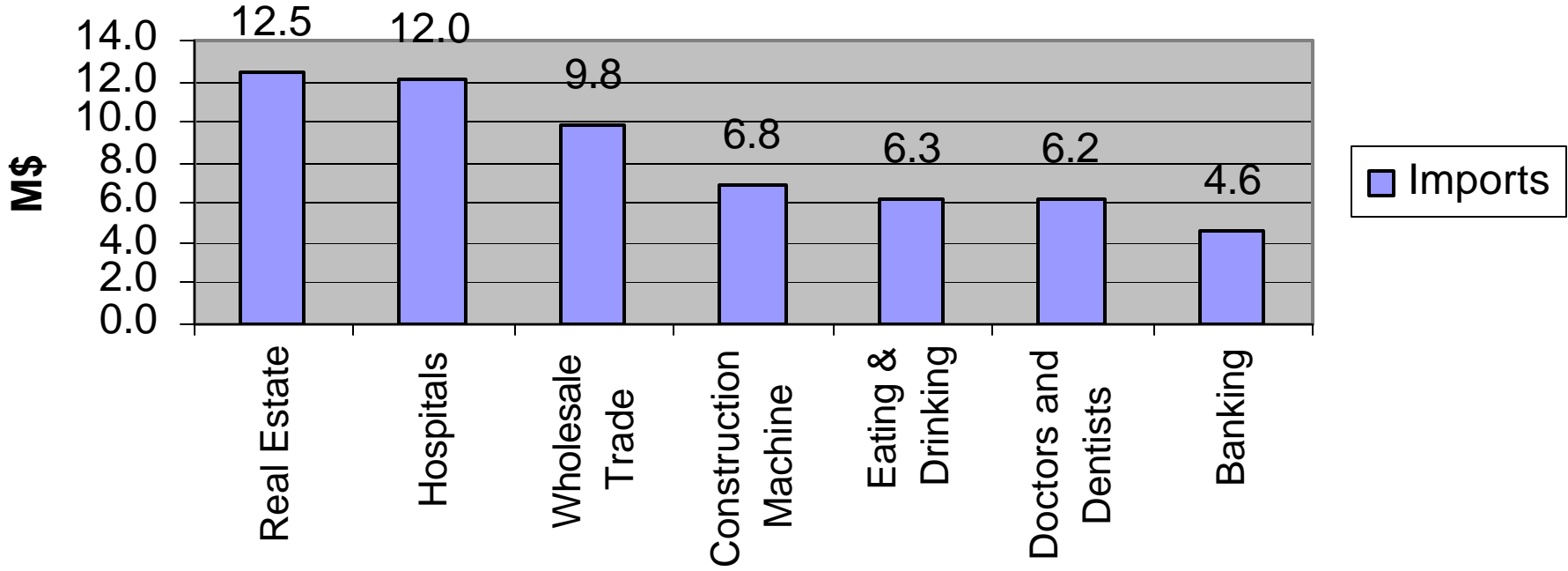
---

- A. Analyzed Local Economy with Input-Output Model
- B. Did Lots of Data Checking
- C. Used Local Leaders to Help Check Model Accuracy
- D. Based Recommendations on Estimates of Local Supply and Demand and Knowledge of the Local Economy

# Selected Exports, Clay County Model

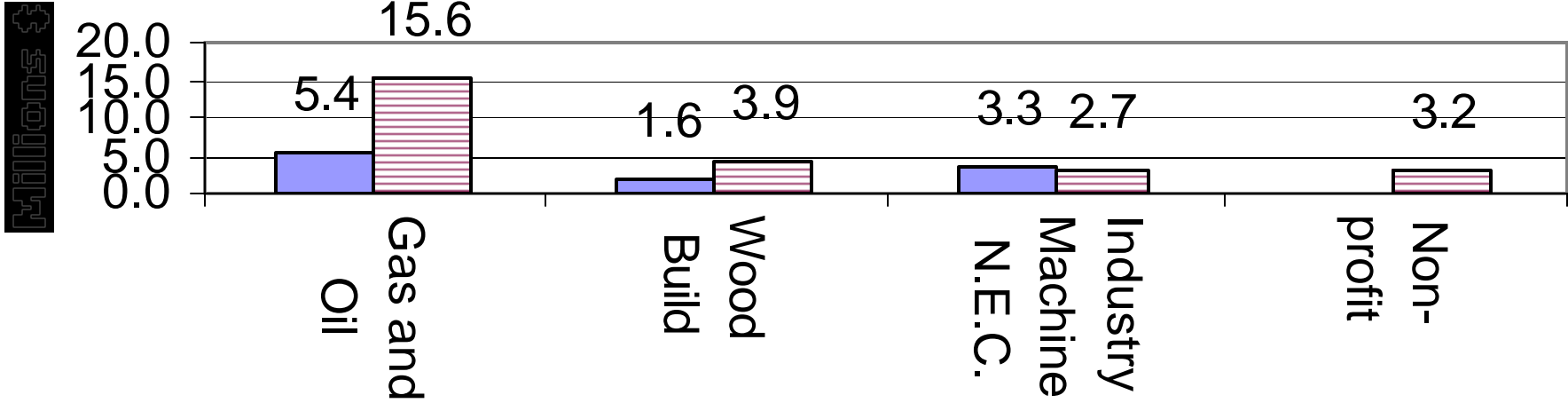


## Selected Imports, Clay County Model

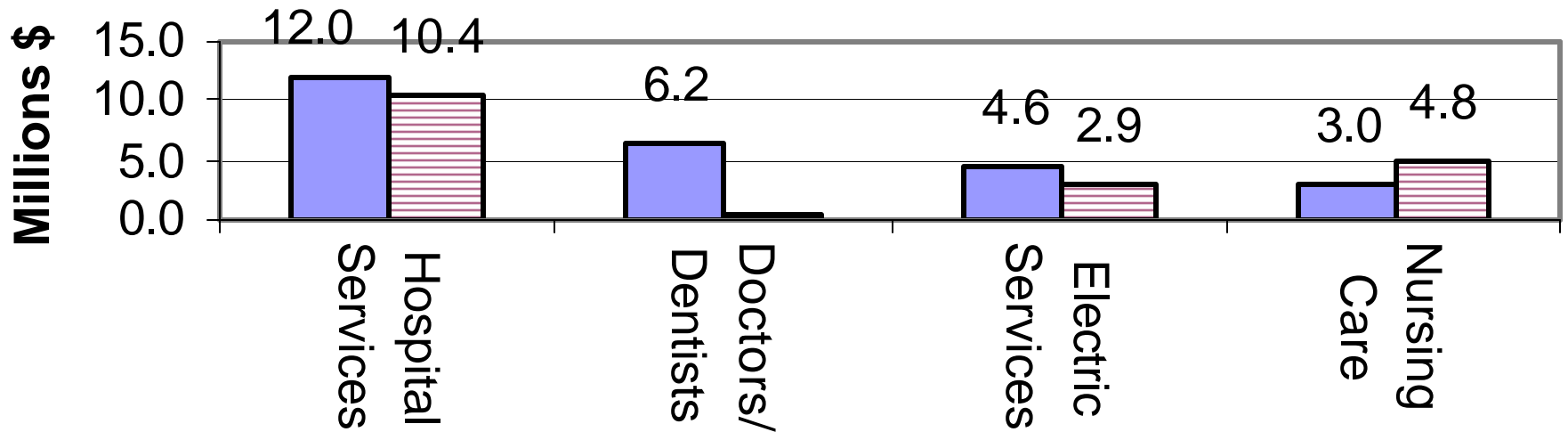


# Selected Exports: New and Original Model

■ New ■ Original



## Selected Commodity Imports in New Versus Original Clay County Model.



■ New ■ Original



# Target Industry Analysis Recommendations

---

- A. Electric Power, Construction Machinery, Certain Services
- B. Focus on Further Development of Wood Products Industry, Especially Niche Markets:
  1. Wood Pellet Operation
  2. Veneer Operation in Neighboring County
  3. Certified Forest-Products
  4. Other Niche Opportunities



# Additional Focus: Occupational-Functional Approach

---

- Thompson (1987), EDQ
- 5 Broad Classes:
  - 1. Entrepreneur: innovation, risk-taking
  - 2. Central Administration (HQ City)
  - 3. R&D (Science and Technology Center)
  - 4. Precision Operations (skilled labor)
  - 5. Routine Operations (low-skilled labor)
- Clay County: 5, 1, 4 feasible?



# Application of Occupation- Function Approach

---

- Literature (Smith, Cluster Study in Central PA)
- Tie industries to occupations via Occupation X Industry Matrix
- Examine occupation makeup of industries likely to decline vs. industries likely to grow
- Look at training needs to facilitate worker switching



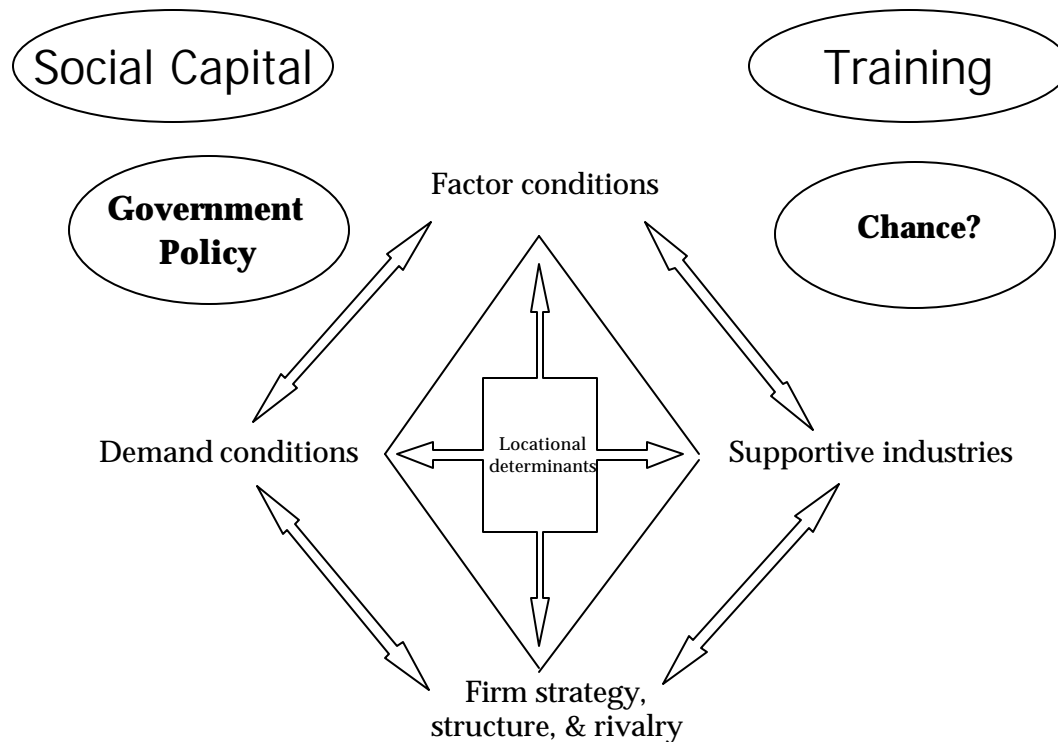
# Theoretical Approaches to Practical Applications

---

1. Porter Diamond
2. Shaffer Star
3. Pulver Five Strategies

# Industry Targeting: The Porter Diamond

(Slightly Modified from Shaffer et al.)





# Industry Targeting: An on the Ground Assessment

---

- For rural areas: (especially in places such as WV) the Diamond implies two things:
- Odds not in your favor (Chance is a negative)
- Lack of social and physical infrastructure to carry out any recommendations

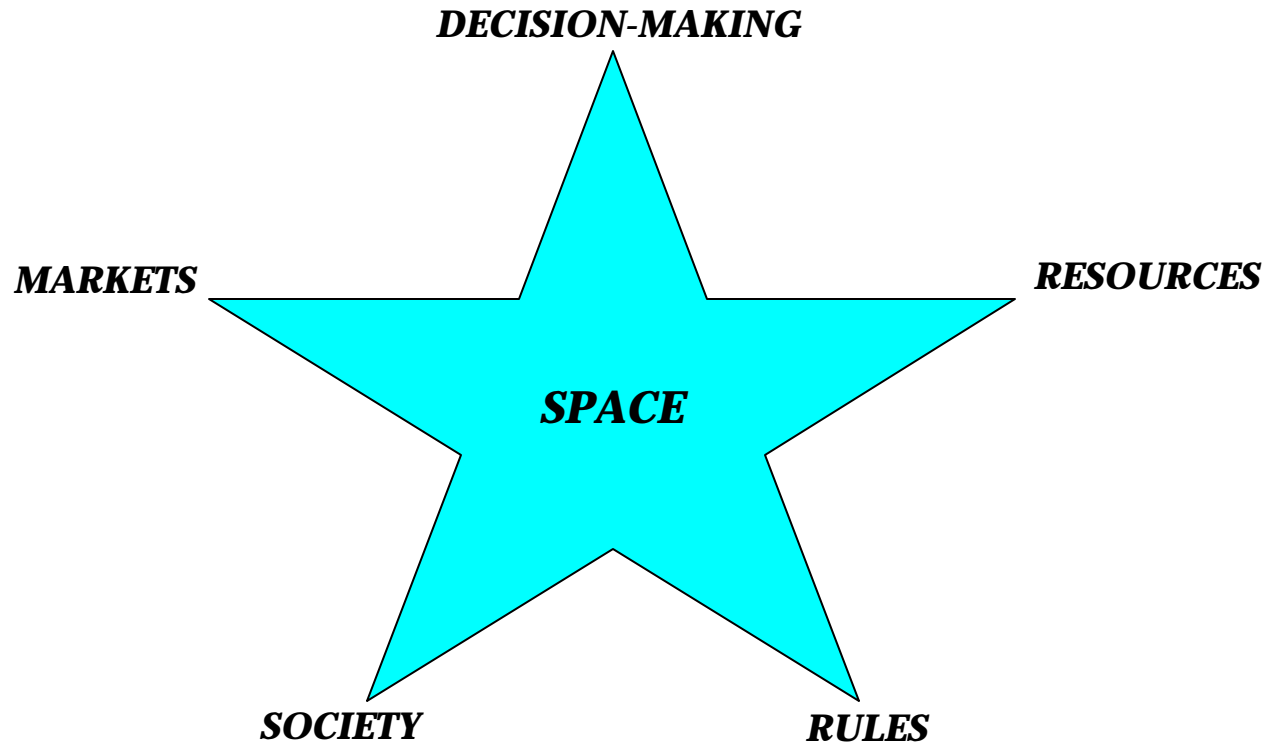


# Industry Targeting: How to make the Porter Diamond “work”

---

- Develop Bridging Social Capital (linkages between key local organizations)
- A heavy dose of training for local entrepreneurs and local leadership
- Result: the proper environment for implementing appropriate industry targeting recommendations

# The 5-Point Shaffer Star (Source: Shaffer et al.)



---

Figure 17.1. The *Shaffer Star* of community economic development



# The 5-Point Shaffer Star

---

- Space: The center of the star
- Economic Space: the distribution of economic activity across geography.
- A friction (cost) that must be overcome in conducting economic activity.



# Points of the Star: Resources and Markets

---

- **Resources:**

Extent and characteristics of local labor, capital, natural resources.

A critical element is how local groups use resources to generate community wealth.

- **Markets and Industry Targeting:**

Resources are used in external and internal markets.

Internal markets: may be appropriate for import substitution (market area analysis)

External markets are an opportunity for export enhance and value added processing.



# Points of the Star: Culture and Rules

---

- **Rules:**

Norms under which society operates

- **Culture:**

Is the local culture entrepreneurial: are changes imposed by the outside world an opportunity?



# Point of the Star: Decision Making

---

- Process oriented; how are decisions arrived?
- Analytical oriented; economic theory-analysis used to attack problem
- Addressing basic problems rather than symptoms.
- Take action steps to carry out planning.