

What Makes a Successful Rural Community Development Corporation?

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Community development corporations (CDCs) have been used in the advancement of rural areas since the early 1960s. In general, their goals focus on two broad programs. The first, referred to as economic development, revolves around initiatives aimed at improving local economies. Efforts targeting business recruitment and retention are among the most common. The second program area, typically labeled community development, encompasses a much broader domain. These efforts center on improving community infrastructure or cohesion. New parks or recreational facilities, beautification campaigns, and capital improvement projects are examples of such goals mentioned by rural CDCs. Although the priorities of rural CDCs vary widely, most are locally owned and operated and attempt to maintain self-sufficiency.

The logic behind the idea of CDCs is truly innovative and progressive. In brief, the belief is that economic development should be rooted in the locally generated opportunity structure. This means that local citizens assume the responsibility of generating new businesses and jobs for their community. In addition, the assumption is that decisions about economic development made by a local collective promotes the common good and discourages ventures which have only outside interests (Shusterman, 1979; Stein, 1973; Faux, 1972.)

Success among CDCs in promoting economic development is mixed. Studies point out that CDCs operating in large cities struggle to remain viable for any length of time (Cummings and Glaser, 1986). Researchers attribute most of the failure among these CDCs to two basic problems, contradictory roles and size. Typically CDCs operate both as businesses and as separate political entities (Tabb, 1970). Unfortunately, these two roles are often in conflict, especially in those CDCs that operate for profit. In these firms, the business interests of the CDC force it to secure profits and investments in the most economically advantageous manner. In contrast, the political arm of the CDC must consider

the interests of the community. Thus, a CDC may fail to exploit profitable business ventures because of issues such as poor wages, waste management or income equity.

A second major reason for failures among CDCs is their size. Small businesses fail at staggering rates. Nationally, 90 percent of all small businesses fail within five years (U.S. Small Business Administration, 1987). The same economic pressures which undermine small businesses also dissolve CDCs since they too are small businesses.

Although the history of CDCs has not been impressive, many rural areas still view and use them as a practical means for economic and community development. Unfortunately, little is known about rural CDCs. Few case studies exist in the literature that document or describe successful qualities of rural CDCs. Community leaders, therefore, have few guides to assist them in making critical decisions regarding the operations of their CDC. This study addresses that concern through its examination of success among a generalizable sample of rural CDCs in North and South Dakota.

This study was designed to examine the correlates of success among rural CDCs. To accomplish this task, we defined success in two ways. First, we viewed success as a measure of the CDCs ability to meet its established goals. We constructed an index that allowed us to rank CDCs by their degree of goal accomplishment. In other words, a very successful CDC was one that effectively met all its obligations. Second, we felt that success should also reflect how well a CDC improves the local economy, so we developed a measure that rank ordered CDCs on their achievement in business and job recruitment and retention. However, we did this only for those CDCs that reported such efforts as goals of their organization. About 14 percent of the CDCs we studied did not cite business/job expansion or retention as a goal of their corporation.

In identifying the correlates of success, we focussed our attention on four major categories of indicators. The first was organizational characteristics, including leadership and decision making. How are the most successful CDCs organized? Are certain governance structures more conducive to success than others? Who makes the decisions among successful CDCs? How are the successful leaders selected?

The second category of interest was membership characteristics. We were curious to discover if successful CDCs were similar in the composition of their membership, especially members' age, occupation, or background. Similarly, we wanted to know if size of operation was an important criteria for success.

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The third category was financial arrangements. What type of budgets do successful CDCs follow and how is the money spent? The final category focussed on the goals and activities of CDCs. Are the efforts of successful CDCs similar or different from those that do not succeed? Do successful CDCs solely concentrate on economic development activities or do they include community development goals as well?

STUDY METHODS

A survey of CDCs was conducted in North Dakota and South Dakota in the fall of 1989. Mail questionnaires were used to collect information on CDC membership, governance, goals, accomplishments, cooperative arrangements, and budget. CDCs were contacted through names gathered from economic department commissions and from a post-card survey of all city mayors in the two-state area.

Questionnaires were sent to 241 potential CDCs with follow-up reminders sent to those who had not responded after two weeks. Another copy of the questionnaire was mailed to those who had not returned their survey after an additional two weeks. Our results are based on 106 completed surveys. A telephone follow-up suggested that many of the nonrespondents' CDCs were defunct at the time of the survey.

Success was measured in two ways. First, success was looked at as a perceived sense of accomplishment. If the members of the CDC feel that they have achieved the goals they set up for themselves, then the CDC is successful. To measure this goal achievement, respondents were asked to indicate which of the 11 items shown in Figure 1 they identified as a goal of their CDC. These items were designed to separate economic goals, such as local business expansion and retention as well as the recruiting and developing of new businesses, from goals aimed at community development that focus on community loyalty, beautification, and improving facilities. Respondents were then asked to rank their success in achieving that goal on a 10 point scale, with 1 representing low achievement and 10 representing high achievement.

Figure 1. Questionnaire items used for constructing goal achievement measure.

Economic Development Goals

1. Local business retention
2. Local business expansion
3. Recruit businesses from outside community
4. Develop new businesses locally
5. Develop new jobs

Community Development Goals

6. Generate community loyalty
7. Community beautification
8. Develop and improve recreational opportunities
9. Develop and improve health facilities
10. Improve community facilities
11. Other

Figure 2. Questionnaire items used for constructing activities index.

Economic Development Activities

1. Provide lease space
2. Provide land for development
3. Serve as a vehicle for securing loans from a federal agency
4. Financial assistance for business retention
5. Financial assistance for business expansion
6. Financial assistance for new business
7. Grant writing

Community Development Activities

8. Promote community activities
9. Community facility improvement
10. Provide housing or financing for housing

Research Activities

11. Preparation and distribution of promotional material
12. Research and statistics gathering
13. Survey needs of area
14. Survey potential labor supply of area
15. Personal contacts
16. Grant writing

Other Activities

17. Operational/administrative expenses
18. CDC member recruitment
19. Local fund raising
20. Other

Our second measure of success centered on business and job creation. Respondents were asked to report both the number of businesses and jobs that were gained or lost in their community during the five years prior to the survey. From this information we were able to calculate the net gains for both job and business creation.

Analysis

The analysis was conducted in two parts. First, we categorized CDCs by their level of success. This was done in two steps. An accomplishment rating for each goal was calculated for all CDCs. These individual ratings were then combined and averaged into a single overall goal achievement rating. Similarly, economic development success scores were calculated for each CDC based on the net change in the number of businesses and jobs in their service area during the five years prior to the survey. In the next stage of the analysis, all three measures of success were correlated with the potential indicators of success.

RESULTS

The goals of CDCs in our sample were largely confined to traditional economic development tasks. Table 1 shows that the first five goals cited most often by rural CDCs pertain to the creation, retention, or expansion of businesses or jobs. Among these five, business retention appears to be especially important. Over 46 percent of those listing business retention as a goal rank it in first or second place.

Community development efforts were reported less often as a goal of the corporation. Nonetheless, the importance of community development is clearly recognized by CDCs. Community loyalty is second behind business retention in the percent of people who list it as their CDC's first or second most important goal (35 percent).

Table 1. Goals of community development corporations in North and South Dakota, 1989.

Goal	CDCs that listed them as a goal		Of CDCs that listed goal, those ranking it as #1 or #2	
	No.	%	No.	%
Local business retention	90	86	42	46
Local business expansion	84	80	24	28
Develop new jobs locally	83	79	19	22
Develop new businesses locally	80	76	23	28
Recruit businesses from outside community	80	76	28	35
Generate community loyalty	64	61	10	15
Develop/improve recreational facilities	60	57	9	15
Improve community facilities	54	51	6	11
Community beautification	53	51	9	17
Develop/improve health care	52	50	6	11
Other	12	11	7	58

Table 2 shows how well CDCs accomplished their goals based on self-reports. On average, CDCs were most successful in their efforts at local business retention. Half of the CDCs which reported business retention as a goal of their corporation scored their success as very strong (8 or above on a 10 point scale). In contrast, CDCs reported very limited success in developing new businesses locally. Half of the CDCs which attempted to achieve this task reported very weak success (4 or less on a 10 point scale).

Success at accomplishing community development tasks was equally mixed. Community beautification was the second most successfully accomplished goal overall among our sample, while developing or improving health care was reported as the second least successful goal accomplished.

Table 3 displays the overall success of CDCs in our sample. These results show most rural CDCs are quite successful in accomplishing their intended goals according to re-

Table 3. Distribution of success measures.

Self-Rated Goal Achievement			
Overall goal achievement	Score	N	Percent
	1.0- 3.0	7	7.7
	3.1- 5.0	20	22.0
	5.1- 7.0	44	48.3
	7.1-10.0	20	22.0
Total		91	100.0
Economic Development			
Net change in business	Change	N	Percent
	Loss	33	48.5
	Gain 1-9	31	45.6
	10+	4	5.9
Total		68	100.0
Net change in jobs			
	Loss	17	26.6
	Gain 1-39	31	48.4
	40+	16	25.0
Total		64	100.0

spondents. This is reflected in the high ratings on goal achievement. Only about one in four CDCs received an average score on self-rated goal achievement below 5 on a 10 point scale. In fact, 22 percent of our respondents rated their CDC above a 7 on overall goal achievement.

Although the vast majority of respondents felt their CDC was successful in accomplishing its tasks, only about half of the CDCs reported net business expansion between 1984 and 1989 (see Table 3). Only four of the CDCs in our study contributed to a net gain of over 10 businesses in their service area during that period.

A similar mixed picture of economic development was revealed from our indicator of job creation (see Table 3). More than one in four respondents reported net job losses over

Table 2. Goal accomplishment scores of community development corporations in North and South Dakota, 1989.

Organization	Degree of Goal Accomplishment						Total	Mean Score*	
	Weak (1-4)		Medium (5-7)		Strong (8-10)				
	No.	%	No.	%	No.	%	No.	%	
Local bus. retention	18	21.4	24	28.6	42	50.0	84	100.0	6.87
Community beautification	12	24.5	15	30.6	22	44.9	49	100.0	6.47
Improve community facilities	13	26.0	18	36.0	19	38.0	50	100.0	5.94
Generate community loyalty	19	31.1	24	39.3	18	29.5	61	99.9	5.88
Local bus. expansion	26	33.8	26	33.8	25	32.5	77	99.9	5.73
Develop/improve recreational facilities	17	30.4	27	48.2	12	21.4	56	100.0	5.70
Develop new jobs locally	27	36.0	26	34.7	22	29.3	75	100.0	5.64
Recruit businesses from outside community	29	39.7	22	30.1	22	30.1	73	99.9	5.64
Develop/improve health care	18	35.3	19	37.3	14	27.4	51	100.0	5.55
Develop new businesses locally	37	50.0	17	23.0	20	27.0	74	100.0	4.97

* Based on scale of 1 to 10 with 1 as low and 10 as high.

the five-year period. In contrast, however, 25 percent of the CDCs were credited with expanding their job market by more than 40 positions.

The apparent contradiction between success as measured by goal achievement versus economic development may reflect the harsh economic circumstances which existed in the Dakotas during the five-year period encompassed by the survey. Both states were embattled in an economic crisis that resulted from depressed agricultural prices and a sluggish energy development market. Farm losses were unequalled since the depression days of the 1930s. This created a ripple effect through the main streets of the Great Plains which also resulted in small business losses unequalled since the mid 1930s. Respondents noted that business and job creations were much greater during the early part of the 1980s as opposed to the mid 1980s. Thus, one must keep in mind the economic context of the period under study when evaluating these results.

Table 4 shows the correlation coefficients of success measures with indicators of CDC characteristics.

Table 4. Correlations for success and CDC characteristics.

Variable	Self-Rated Goal Achievement Variables	Economic Development Variables	
	Overall Goals	Change in Net Business	Change in Net Jobs
Membership			
# of members	.056	.235*	.203
% under 45	.119	.261*	.230*
Support			
Overall	.330*	.159	.101
Community	.239*	.124	-.050
Business	.366*	.068	-.067
Local government	.216*	.087	.137
State government	.309*	.090	.304*
CDC membership	.329**	.244*	-.041
Activities			
# of activities	.115	.226*	.275*
% of activities	.162	-.113	.009
% CD activities	.210*	-.017	-.075
# goals	-.210**	.228*	.244*
% of ED goals	.250*	-.125	-.029
% of CD goals	-.081	.215*	.073
Leadership/decision making			
# of leaders	-.139	-.102	-.290*
Full-time staff	.024	.234*	.064
Paid staff	.031	.062	.160
Tenure of presiding officer	.210*	-.191	-.236*
Type of planning	.122	.206*	.178
Organizational structure			
Type of organization	.015	.117	.040
Committee structure	.108	.176	-.151
Finance			
Total budget	.063	-.071	.349*
% of budget for ED	.051	.101	-.062

*Significant at $P < .10$

Note: ED means Economic Development and CD means Community Development

SELF-RATED GOAL ACHIEVEMENT

Self-rated goal achievement was significantly related to all six indicators of support. In each instance, the data indicate that support was positively related to a CDC's ability to successfully meet its goals. In short, the more support a CDC received from its members, the community, business, and government the more successful it was in accomplishing its tasks.

Only two of our indicators of activities were significantly correlated with goal achievement. A positive association exists between goal achievement and the proportion of a CDC's activities which are community development related. In other words, respondents reported greater goal accomplishment in those CDCs in which a larger proportion of activities were dedicated to community development efforts. In contrast, the number of goals a CDC undertook was inversely related to goal achievement. This means CDCs which concentrated their efforts on few goals were much more likely to perceive that they had successfully accomplished those tasks than those which undertook many goals.

The only other characteristic that was significantly associated with goal achievement was tenure of presiding officer. This measure was positively correlated. The longer the presiding officer held office the more likely the CDC was to perceive that it had achieved its goals. It is noteworthy that none of the membership, organizational, or financial characteristics were significantly related to goal achievement. This means that no trend could be identified which showed a consistent relationship between a CDC's membership, organization, or budget and its ability to successfully reach its goals.

These findings are fairly consistent with what respondents reported as important factors contributing to the success of their CDC. As shown in Table 5, the largest proportion of CDCs (32 percent) cited community support as the single most important factor contributing to their success in accomplishing goals. This was closely followed by financing (28.2 percent) and leadership (21.4 percent). On the other hand, ineffective leadership was seen by the largest proportion of respondents (39 percent) as the greatest hindrance to goal accomplishment among CDCs. This was followed by community size (24 percent) and location factors (20 percent).

ECONOMIC DEVELOPMENT

Support was not more common among CDCs successful in economic development than among their less successful counterparts. Only one support measure was significantly correlated with either business or job creation. Support from a CDC's membership was positively related to its ability to increase the area's businesses, while greater support by state government enhanced job creation.

This is in stark contrast to our findings on self-rated goal accomplishment. These conflicting findings may reflect the composition of goals a CDC establishes. A diverse set of goals as measured by our global goal achievement index may require support from a wide audience while specific goals such as business creation or job expansion needs concentrated support.

Not surprisingly, more work on the CDC's part seemed to result in greater economic development. This is reflected in the significant and positive coefficients for number of activities and number of goals. However, greater emphasis on economic development goals did not result in greater eco-

conomic development. Instead, we found that CDCs most successful in business creation and expansion were those with a relatively large proportion of community development goals. This conclusion is based on the significant and positive correlation of percent of community development goals with change in net business.

The data also indicate that CDCs with more full-time staff and a greater emphasis on long versus short-term planning had better success in starting new businesses. Similarly, those CDCs with fewer leaders, new leaders, and a larger total budget were most successful at increasing their area's job market.

Table 5. Factors perceived as most significant in meeting and hindering the goals of community development corporations in North and South Dakota, 1989.

Factor	CDCs ranking item as #1	
	No.	%
Significant for Success		
CDC leadership	22	21.4
Community support	33	32.0
Financing	29	28.2
Membership participation	4	3.9
Community size	3	2.9
Location factors	10	9.7
Other	2	1.9
Total	103	100.0
Hinderance to Success		
CDC leadership	39	39.0
Community support	3	3.0
Financing	7	7.0
Membership participation	3	3.0
Community size	24	24.0
Location factors	20	20.0
Other	4	4.0
Total	100	100.0

DISCUSSION

The results of our study have important implications for practitioners in the field of economic or community development. First, our findings suggest that success of a CDC may be viewed in several ways. Factors which enhance perceived goals accomplishment differ from those which improve a community's business or job climate.

Type of support is a good illustration. CDCs which were highly successful in accomplishing their overall goals also had high levels of support from the community, business, its membership, and government. In contrast, only membership support was significantly related to the CDC's success in expanding businesses. Similarly, only support from state government was significantly correlated with success in job expansion.

This means that negative or disjointed attitudes among local residents, businesses, or government officials regarding the priorities of the community may insure the eventual failure of a planned CDC. On the other hand, lack of support from these entities did not consistently affect a CDC's ability to improve the community's business climate.

Second, our data indicate community development activities translate into economic development. Results from this study should be used to diffuse arguments that resources channeled toward community development efforts reduce the ability of a community to improve its economy. In fact, our results show that CDCs with greater emphasis on community development activities or goals were more successful at increasing the number of businesses or jobs in their area than were those which down played community development.

Third, traditional measures of economic development may be inappropriate indicators of CDC success. The limited ability of many CDCs in our study to increase their area's businesses or jobs may be largely a function of the depressed times. The use of net change in business or employment patterns as the only measure of success may distort the true value of a rural CDC to its community. The perceived high profile of goal achievement among CDCs in our study indicates that their existence is beneficial to the community regardless of the short-term gain in businesses or jobs. The restrictive nature of traditional indicators of success among CDCs may limit our ability to effectively explore the benefits of CDCs in terms of both economic and community development.

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