Ag Decision Maker

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Business Development vs. Economic Development

Business development and economic development are related methods of creating economic activity. However, they are different concepts. Each has unique goals and strategies. Understanding the differences will help sharpen the focus of your activities. Below is a comparison of the two concepts and their basic tenets.

Business Development

Driven by Profits - The mission of business development is to generate profits.

Focuses on Markets – The focus is identifying business opportunities in the marketplace. The goal is to generate profits by creating businesses to exploit market and business opportunities. The creation of economic activity is of secondary importance.

Creates businesses – Profits are generated by creating businesses. These businesses are located in the geographic location where the business can generate the most profits. During this process, the unique characteristics of various sites are examined.

Originates in Private Sector – Because the beneficiaries of the business are individual owners, business development usually originates in the private sector of the economy.

Answers to Investors – The investors are the owners of the business and receive the profits generated by the business. So, investors/owners drive the business development process.

Economic Development

Driven by Job Creation – The mission of economic development is to create jobs, generate property tax revenues and facilitate economic activity.

Focuses on Geography – The focus is a specific geographic area and the creation of economic activity in the geographic area. The goal is to generate economic activity by attracting businesses to locate in the geographic area. Business profitability is of secondary importance.

Attracts businesses – Economic activity is generated by attracting businesses to the geographic area. This is done by promoting its unique characteristics. The businesses sought are the ones that will create the most economic benefits for the geographic area.

Originates in Public Sector – Because the beneficiaries are the people living in the geographic area, economic development often originates from public organizations in the area.

Answers to Community – The community of people located in the geographic area receive the economic activity generated by economic development. So, people in the community drive the economic development process.

Business development and economic development need not be competitive activities. By working together, business development and economic development activities can provide synergies for the successful achievement of both.

Remember, economic development cannot be sustained without successful business development. Business failure provides value to no one -- neither the owners of the business nor the residents of the community in which the business is located. However, with proper planning, economic development activities can lead to the development of businesses in the community that are successful.

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