



# Understanding Western Canada's Rural Diversification Priorities

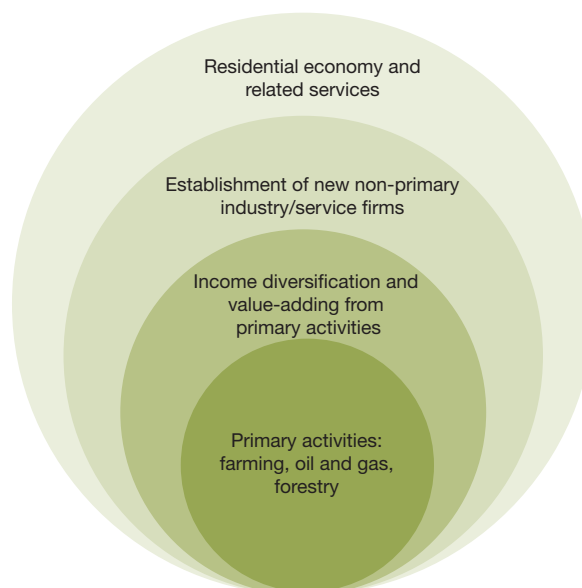
## What is Rural Diversification?

Rural diversification can be described as a series of transformational waves. These waves occur as the rural economy moves from primary activities, like farming and oil and gas extraction, to value-added activities in these traditional sectors, to establishing new industries, and finally to a residential economy. This happens according to each region's strengths and opportunities: its location, and its natural, cultural, and energy assets.

### The four waves of rural diversification are:

- 1) Primary activities. In the West these are farming, oil and gas extraction, mining, and forestry
- 2) Income diversification and value-added products from primary activities. These include value-added agricultural activities, oil and gas processing, and lumber and wood product manufacturing
- 3) The growth of non-primary industries and services, such as tourism, information technology, alternative energy production, R&D companies, and metal manufacturing
- 4) The growth of services around the residential economy

Depending on its location, a Community Futures organization may work in any one of these "waves". The diagram below shows the rural diversification "waves".



Rural diversification is assisted by:

- Innovation
- Human capital
- Cluster development

### Innovation

Innovation takes place within individual businesses. It refers to both product and service innovation (new products, improvements in existing products and/or services) and process innovation (efficiency or productivity enhancements, such as adopting new technology, computerization, robotics, using new materials, lean manufacturing, etc.).

Community Futures organizations can contribute to innovation by using their loan funds to assist businesses in the innovation process.

Rural innovation is strongly linked to the creation of networks and to increasing the capacity of firms to understand and make use of new knowledge and technology.

### Human Capital

Human capital is comprised of the knowledge, skills, talents and abilities that enable people to earn a living. Human capital expands through education and training. Strong human capital is linked directly to economic growth, better health, and strong community involvement.

Community Futures organizations can contribute to the development of human capital in rural areas in many ways:

- Providing training and building entrepreneurial skills
- Promoting education, professional development, and leadership skills in rural communities in order to encourage creative ideas for community economic development
- Using the CF loan fund to support knowledge-based businesses

### Cluster Development

Clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, research organizations, support initiatives, and associated institutions in a particular field that are present in a nation or region. Clusters are based on unique strengths and unique products and services. In the past, the term “rural” was synonymous with agricultural clusters. Now, emerging rural clusters include tourism, information and communication technology, manufacturing, and renewable energy production.

Effective clusters need:

- Good input conditions (such as skills and knowledge, raw resources, products, soil, climate, and natural resources)
- Supporting industries (like venture capitalists, market research companies, and R&D companies)
- Demand (sophisticated customers who can distinguish different qualities and brands and demand high standards)
- Rivalry and the desire to work together. Effective clusters involve a combination of pressure (competition) and support

**Community Futures organizations can play a role in cluster development by:**

- Using the CF loan fund to target companies working in a cluster. This could include not only the companies producing the product but also the supporting companies, such as marketing firms, R&D companies and cluster suppliers
- Developing business incubators targeted at a sector, assisting with building demand for a cluster product, providing support services, helping to build management expertise in a cluster, supporting innovation in a cluster, or possibly even supporting rivalry

### Summary

Rural diversification is enhanced through innovation, human capital, and cluster development. The role of Community Futures in diversification is to facilitate informed, strategic

investment decisions within coherent regional development strategies. Our goal is regional competitiveness. Community Futures is focused on the unique strengths and comparative advantages of places and on investing in those strengths, regardless of sector. Our tools are the human capital held by CF staff and board members, and by people and businesses in our communities, our loan funds, and other programs like our Rural Diversification Initiative.

