



An America Odyssey: The Corporate Migration to Rural America by David A. Heenan

In 1987 I had the fortuitous opportunity to meet Randall Fields, chairman of Mrs. Fields Cookies Inc, probably the world's preeminent maker of chocolate chip cookies. Randy explained how, a few years earlier, he and his vivacious wife had moved their company from the congested San Francisco Bay area to the high mountain country of Park City, Utah. The reason: a superior lifestyle. To the Fields, their new home meant cleaner air, better schools, more time for family, fewer hassles – all with considerable cost savings.

A big-city boy at heart (Boston, New York, Tokyo, and Sydney had been my favorite haunts), I was skeptical at first about running a major business from the American Alps. After all, the high frontier – in its most pejorative form, the “boondocks” (from Bundok, the word for “mountain” in Tagalog, the main language of the Philippines) – was synonymous with remoteness. It was “out of it,” literally and figuratively. Besides, my image of small-town America was clouded by the mythical Peyton Place of fiction and television. How could a company have access to its customers, bankers, lawyers, and accountants from a primitive outback location? How could it lure talented professions from the cultural amenities of major metropolitan centers?

I have since discovered that these ideas are absurdly outdated. Executives are discovering that dynamic businesses can be run from relatively remote hamlets. In fact, many of American's most famous corporate names built their reputations in “the sticks,” to wit: Wal-Mart Stores Inc. in Bentonville, Arkansas, the nation's largest retailer now expanding internationally; J.M. Smucker Company in Orrville, Ohio which commands an impressive 38 percent market share of the jams and jelly business; and Caterpillar Inc. in Peoria, Illinois which dominates the world market for earth-moving equipment.

Increasingly small towns are serving as fertile environments for U.S. industry. Thanks to demographic shifts away from urban centers, space age technology, and a revolution in corporate culture due to the pressures of global competition and downsizing, U.S. corporations are demonstrating a clear and growing preference to domicile in smaller relatively remote hamlets – part of a prevailing national trend to redistribute power, organizationally as well as geographically. This says much about how and where power will best be exerted in the coming years. Increasingly, command has shifted away from the center (traditional monolithic company headquarters and large cities) to the periphery (so-called mini-headquarters and small- to medium-sized communities). Companies that partake in this important trend will be better equipped to face the competitive realities of the next century.

Outward Bound. We first witnessed a trend away from urban areas starting in the 1960s, when companies escaped the economic burdens of high cost cities and fled to the suburbs. From 1960 to 1990, an astonishing two-thirds of U.S. Fortune 500 companies headquartered in New York City left town. Yet over time, companies and their employees experienced many of the frustrations they thought they left behind. As living costs soared and public services suffered, the suburbs turned from friendly to frosty toward incoming businesses, and disenchantment has emerged on both sides of the bargain. Corporate America's next frontier? Out of town, all the way! Look for more and more farsighted businesses to leapfrog the megalopolis – and in one dramatic move settle in grass-roots America.

More and more Americans are doing just this. During the past 20 years, the U.S. has experienced a historic shift in population trends, with more people moving to semirural areas than to urban ones. By one estimate, between one-third and one-half of the American middle class will live outside metropolitan and suburban areas by 2010. This demographic revolution is being instigated by ambitious, career-oriented professionals driven by the desire to influence the quality of their public schools, the character of their open spaces, the caliber of local services, and more. Therefore, many Americans are *downshifting* -- heading for the hills, the plains, the “exurbs” in search of communities where they can have a first-class job, the ambience of a simpler lifestyle, and make an impact on their quality of life.

Winds of Change. Sweeping societal changes are occurring in other areas, too, that are revitalizing the hinterlands from the corporate wasteland they had become a few decades ago. First, a democratic revolution is sweeping the world which reflects a global loathing of centralized control. “Out” are closed, centralized, monolithic bureaucracies; “in” are open, decentralized, sleek organizations. The American version of this trend is reflected in a dispersal of influence away from Washington toward the states and cities, and a consequent shift in the axis of political power towards local government. Not only have we seen some congressional leaders abandon Capitol Hill for gubernatorial or mayoral careers (California, Florida, and Nashville, Tennessee are examples), but the caliber of leadership in state capitals and city halls often outshines that in Washington. Three of America's last four presidents have been state governors. People around the world are sensing that political, social, and economic issues are too difficult to resolve at center stage. Rather than crafting grand solutions at the traditional hub, government leaders are addressing these issues at the lowest possible level. They are diffusing power -- institutionally, organizationally, geographically. This shift strengthens the case for smaller cities and towns -- more so when state-of-the-art technology is considered.

Technology is the lubricant of the postindustrial machine, and its transfer to a widening band of nations has wrought some astonishing transformations. Increasingly, no nation, city or town with access to modern technology need be written off as an economic backwater. In the United States, technology is helping distribute economic power throughout the American landscape. Major advances in telecommunications are creating a footloose economy that permits firms to locate where they want to be, not where the traditional centers of finance and commerce dictate they have to be. In short, the economic deck is being reshuffled, and many small entrepreneurial firms can flourish scattered across the countryside.

Finally is the revolution in corporate culture. For the better part of this century, corporate America worshiped at the altar of hierarchy, where verticality, scale and power were all-important. Headquarters was the manor, the seat of ultimate wisdom and authority; operating companies, the lowly serfs. By the 1960s, the rise of global competition began to erode this mindset, and a “minimalist” revolution took hold that ushered in the conditions for the current wave of strategic partnerships and mergers and acquisitions. Yet firms have discovered that “leaner and meaner” is not enough: companies must encourage a radiation of power away from their “miniheadquarters” to their operating companies. This means recasting the headquarters-subsidiary relationship in terms of a partnership. In the new organizational galaxy, management by trust replaces management by control.

This rush to downsize and compress the organizational pyramid unleashed another powerful set of incentives for frontier living. What corporate America viewed as a vital process in the restoration of its global competitiveness was interpreted by others as the ruthless elimination of thousands of dedicated and hardworking careerists. This stirred up deep-seated feelings of hostility and contempt for U.S. business, which it must counter with a new social contract that regains the trust and confidence of the work force. The challenge of this decade has been to forge a new kind of corporate culture – one that combines the efficiencies and flexibility of minimalism with important collective values: teamwork, participation, egalitarianism, and caring. Historically, small-town employers have been pacesetters in forging this kind of work culture. Firms like Wal-mart and Caterpillar have spawned a communitarian ethos in which cooperation and caring are in everyone’s best interests.

To sum up, the winds of change in the direction of demassing and decentralizing are stimulating the new corporate frontier. These winds signal a major transformation in both the nature and the location of corporate power. The portrait is of America in transition, in the middle of an odyssey – an odyssey that began four decades ago with corporate flight from the center to the suburbs and that continues today to the countryside. The winds of change are galvanizing the business community to reappraise its traditional habits and habitats – and to search for better alternatives.

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Summit held in late February in Honolulu. Dr. Heenan’s just published book (written with Professor Warren Bennis) is entitled Co-Leaders: The Power of Great Partnerships (John Wiley & Sons, 1999).