

BUSINESS RETENTION

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Let's Talk

For those struggling to create jobs in their communities, it may pay to drop the company surveys and take up the art of real conversation with business leaders.



RETENTION, EXPANSION ... AND BEYOND: Successful negotiations between Ford Motor Co. and the United Auto Workers on a tentative national labor contract led to the October announcement that Ford would add 12,000 hourly jobs in its U.S. manufacturing facilities by 2015, including in-sourcing from Mexico, China and Japan. The total is 5,750 hourly jobs more than the company's previously announced 7,000 U.S. positions to be added by year-end 2012. The company also has pledged to invest \$6.2 billion in U.S. plants. Louisville will see \$600 million of that total invested in the Kentucky Truck Plant, as well as the addition of a third shift at the separate Louisville Assembly Plant. The news comes just a few months after Ford pledged a separate investment in the latter plant, along with the promise of maintaining 5,000 jobs and facilitating the creation of 1,800 more in Kentucky.

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By now, most economic developers have at least a cursory knowledge of a growing field within their profession called business retention and expansion, often referred to as "BR&E." The concept or strategy behind BR&E is relatively simple: Concentrate your efforts on existing industry, as that will be where most newly created jobs and investment will occur.

"It is easier. It's cheaper. It's more effective," says Jerry Walker, principal of Impact Data Source in Austin, Texas, which specializes in performing economic impact studies. "It's based on a basic business maxim: If I am in business selling products, it's always cheaper for me to retain an existing customer than it is to find a new customer. The same concept applies with economic development."

Following that logic, economic development organizations have been forming BR&E programs with staffs dedicated to that purpose alone.

The fact that jobs are much harder to come by in the company recruitment process is only fueling the trend. But with a weakened economy, even a robust and effective BR&E program may not result in net job growth, says Laith Wardi, president of ExecutivePulse, Inc., an Erie, Pa.-based consulting firm specializing in BR&E.

"The reality is that there isn't going to be any net job growth in this country for the foreseeable future," Wardi says. "Companies today are consolidating and assimilating new ways of doing things through new technologies and new processes, and the end result is that many people are simply no longer needed."

The best hope for many communities, he says, is directing a BR&E program that concentrates on smaller, more entrepreneurial companies where growth may be more likely.

"So the earth has moved under our feet essentially," says Wardi. "Most economic developers are still in the mode where their paycheck is going to be dependent upon whether they are creating jobs and with a need to fill up their industrial park. Those kinds of things are no longer as relevant as they were in the past."



Sara J. Dunnigan, senior vice president, Existing Business Services and Talent Development, Greater Richmond Partnership

Taking Care of Business Ohio Style

But BR&E can foster job growth, as evidenced by **Techmetals, Inc.** in Dayton, Ohio.

Phillip Brockman, the company's director of business development, says the City of Dayton was instrumental in helping Techmetals get a combination of loans and grants for R&D efforts. That led to certain industry accreditation, which meant more work for the aerospace and defense industries.

"They helped us get the funding by putting all the meetings together for us with the State of Ohio," Brockman says. The city also helped the company fast-track the construction of a 12,000-sq.-ft. (1,115-sq.-m.) building, completed in January, through an expedited "one-stop-shop" permitting process.

"Everything went really smooth and we saved jobs. What would take our competitors two and a half years to do, we did in four months, largely due to the help from the City of Dayton," Brockman says.

He says Techmetals considered leaving Ohio in 2006, but through the efforts of the city and the state, has decided to stay put. Another expansion is now planned that will likely create 25 jobs over the next three years largely because of a better business climate fostered by the city.

"There is really no reason to leave now," says Brockman of a company that employs about 20 people. "The city of Dayton has been great to work with, but you can't put it all on them. You have to work with each other."

The BR&E program in Dayton is part of an umbrella program called BusinessFirst! covering 31 jurisdictions in the Dayton area. Erik Collins is the regional program administrator. The regional effort has resulted in more than 3,000 business visitations to date.

In nearby Vandalia, automotive supplier Inteva Products was essentially recruited to stay in the community after the company was spun off from Delphi in 2008. Among the options was moving to Troy, Mich., where Inteva is based, says Pat Stewart, vice president and executive director of interior systems. But local economic developers fashioned an incentive plan to retain jobs in the community that made a strong business case for the company.

Inteva decided to stay, moving into a refurbished 73,000-sq.-ft. (6,782-sq.-m.) building in March. The Vandalia Technical Center today serves as an engineering, design and research and development facility, employing 150 engineers and technicians. And because of the efforts of the state, Montgomery County, the Dayton Development Coalition and the City of Vandalia, Stewart says Inteva is more involved with the community.

"As a result of the efforts made by the local economic developers, we are now much more engaged than ever," Stewart says.

Perpetual Endeavor

Today, BR&E is more often being practiced continually rather than sporadically, says Eric Canada, a partner of Blane, Canada Ltd., a BR&E consulting firm in Wheaton, Ill.

"In the past five years, BR&E has become more ongoing than it had been," says Canada. "In the early days of BR&E you would do a survey blast for two months out of the year and then you are done, and then maybe revisit it two years later. Most organizations are now doing it on a continuing basis."

The second mega-trend for BR&E is related to the first.

"Today it is more staff-driven than volunteer-driven, as it used to be in the past. So having staff allows more organizations to do the work on a regular continuing basis," Canada says.

Some refrain from using volunteers out of fear that an in-depth conversation opportunity with the business leader may be foregone in favor of rote Q&A. Many EDOs, however, continue to use volunteers and use them successfully.

"We have about 80 volunteers, people from the business community who volunteer their time to help us get more feet and eyes on the street," says Sara Dunnigan, senior vice president of existing business services and talent development for the Greater Richmond Partnership. "We do a lot of screening and training. This is not a role that anybody off the street can volunteer for. We see them as an extension of our economic development function."

The Partnership released a report in September that said its regional BR&E program, called Business First Greater Richmond and now in its fifth year, had responded to more than 80 specific requests for business assistance and supported the creation of \$68 million in new capital investment and 1,045 new jobs. The report was based on 560 face-to-face interviews of Richmond area company owners and CEOs representing more than 20,000 jobs.

Matt Yancey, director of business and economic development for the Sacramento Metro Chamber, says his group has modified an old stratagem of block walking for fundraising or political campaigning. The program is called "Business Walks," and employs the services of a couple dozen volunteers broken up into teams of two or three.

What started as a once-a-year event is now done 10 or 12 times a year in a six-county area that encompasses a population of 2.3 million with about 81,000 businesses.

No appointments are made, for reasons of flexibility, but follow-up meetings are often the norm.

"We get the word out, but what we don't want to do is walk into a business, find out that this business really has a lot to say, and then have to cut them off after 15 minutes, because we have to get to our next appointment," Yancey says. "We try to provide flexibility so that if a business has a lot to say, we are able to give them that opportunity. We are focused on building relationships."

Survey Says: No More Surveys

If there are differing philosophies on the use of staff versus volunteers in collecting intelligence from local industry, there is little disagreement that the day of the clipboard survey of companies is over.

"The survey provides no value," Laith Wardi says. "They do not have time for these surveys. I'm not saying that it's not good to get face time one on one with businesses, but that face time needs to be a value encounter and can't be a survey process."

Vikki Dearing, director of business solutions with the Oklahoma Department of Commerce, agrees.

"The first thing that we think about is establishing the relationships with the companies," says Dearing. "That is the most important thing. It's just not about the survey anymore."

"Economic developers have to get rid of that clipboard mentality," says Dunnigan in Richmond.

Wardi says economic developers are fooling themselves by engaging in surveys and thinking they are doing a great service.

"The average business owner that has survived the economic fallout of the past five years doesn't see any value in a survey. So what ends up happening is a placebo effect for economic developers. They go out with a clipboard and 100 questions, fill out their databases and feel good about themselves," Wardi says. "But what they fail to recognize is that the business owner gave them only cursory information. He did not provide real strategic information, because as soon as he realized that this was a survey process that is feeding a database and not providing real value, he will say just about anything to get the economic developer out of his office."

Deliver a Service, Receive a Compliment

Whether it is a large community or small, the goal for the BR&E practitioner is to show opportunities or solve problems for businesses in their community.

In Stokes County, N.C., Economic Development Director Alan D. Wood discovered a novel way of doing of just that. His county department built 85 websites for local businesses at no cost to them. Wood said he happened upon the idea while rebuilding the website for his own department.

"When I got to the business directory part, I started loading the information and coming up with company after company that didn't have a Web address," Wood said. "Talking to the businesses, I learned that number one, they were afraid of it, and number two, all the programs that were out there required them to take time away from their business to go attend classes to learn to build websites or pay somebody obscene amounts of money to have one built."

Wood coordinated with his local work-force development board to get an incumbent workers grant. Then he hired a local company to design five Web templates, and hired an intern to collect information from the

businesses and build them websites. Total cost for the initiative has been an incredibly low \$20,000, Wood says. The program is continuing.

Far to the north and in a much bigger place, George Spezza is the director of business services for Economic Development and Culture with City of Toronto, supervising 13 economic developers whose sole duty is BR&E. The city budgets \$1.5 million for this purpose.

"Our officers are out there, each has responsibility for a territory in the city, very much like a sales force or a beat cop. And they are responsible for going out and meeting and connecting with local business people," Spezza says. "So it's all about building the relationships, and it's helping them resolve issues.

"There is no better sales pitch than businesses talking to businesses about your locale," he says. "I think if we can demonstrate that we help our businesses grow here, and they have a good experience at City Hall, they see a local government that is engaged and willing to help by cutting through the red tape. Then we hope they send that message along to other businesses within their industry sector," Spezza says.

Sara Dunnigan in Richmond agrees that industry recruitment is tied very much to BR&E.

"If you are treating existing industry right, prospective industries will learn of that," says Dunnigan. She has used LinkedIn, Twitter and Google alerts as ways to mine information and disseminate information about, and communicate with, existing industry.

"We will use social media to celebrate the successful businesses in our market," she says. "If a company expands or gets an award, it's a way to help celebrate their success with them. And they appreciate this. The response is frequently, 'Hey, thanks for paying attention to what we are doing. Could we get together? Because we would like to talk to you more about this.' "