

Business Retention & Expansion: Growing from Within

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INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

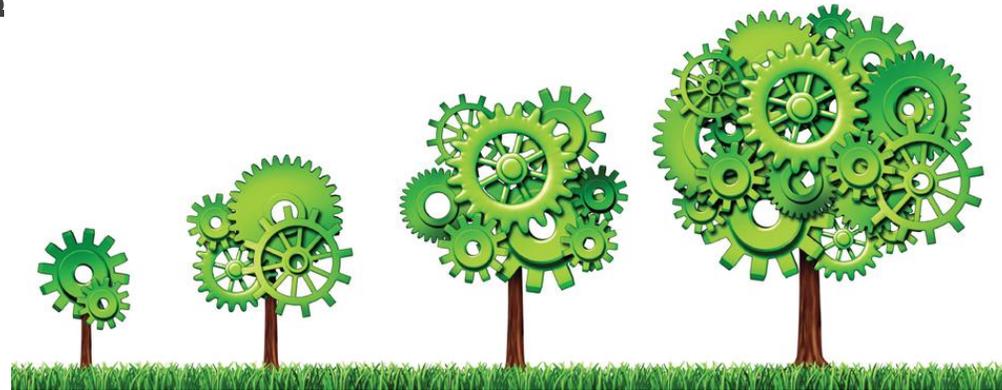
What is Business Retention & Expansion (BRE)?

- Core program of economic development plans
- Designed to
 - retain or keep existing businesses in a community
 - provide assistance for businesses to expand
- Implemented primarily at local level



Key facts about BRE

- ▶ 80%+ of growth comes from expansion of existing firms
- ▶ BRE is essential intelligence gathering
- ▶ BRE can help speed up local investment
- ▶ It can also slow down, or even stop exits



And...

“A bird in the hand is worth two in the bush.”



Top 10 Reasons for BRE

- Fosters mutual awareness among business and government.
- Identifies business concerns and opportunities to address.
- Informs refinement to policies to improve business climate.
- Leads to increase in incomes, employment, and opportunities.
- Facilitates cost-effective business development: cost per new job of BRE typically ranges from a couple hundred to \$3,000 per new job vs. \$300 K to \$1 million for a new inward investment.



▶ Source: Greater Halifax Partnership

Top 10 Reasons for BRE

- Enables the prevention of job loss as 90 percent of closures arise from mergers and acquisitions, consolidations, restructuring, and planned relocations - all of which can be addressed through BRE.
- Prevents overlap and duplication (in terms of how the economic development partners serve existing business).
- Leads to job creation as much as 80% of new jobs come from existing companies.
- Shows businesses they are important.
- Adopts best practices as other places are doing BRE, and it works!



▶ Source: Greater Halifax Partnership

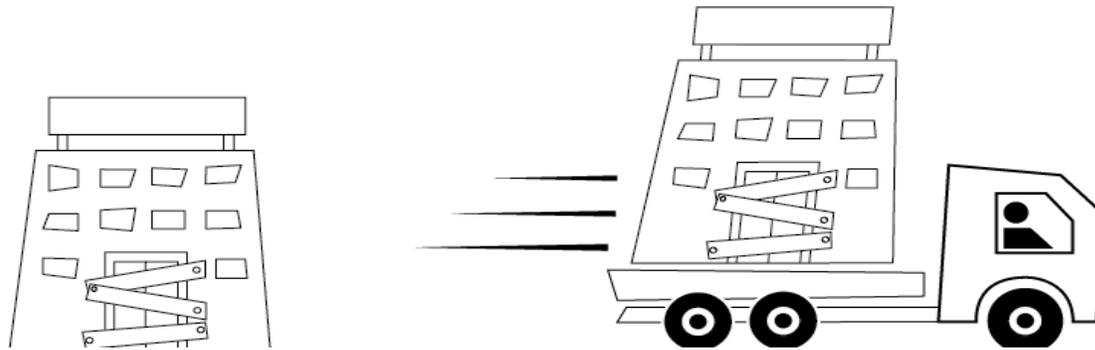
And...

**If you can keep those you have happy, they
will be your best community ambassadors...
and tell your story for you!**



Why Businesses Relocate

- Unfavorable changes in costs
- Expansion & needs for additional facilities
- New products that require different infrastructure
- Trouble with workforce
- Better opportunity in another market



And...

**Business retention and expansion matters...because it prevents the loss of businesses to other locations due to better business climates OR
“lack of love.”**



TEAM BUILDING

RELATIONSHIP BUILDING

**BRE Program
Components**

RESPONDING TO NEEDS

MANAGEMENT & FOLLOW-UP



BREAKOUT GROUP DISCUSSION:

1. As leaders of your community, how do you engage your businesses?
2. What issues have you encountered and how have you solved them?



Properly implemented BRE programs

**INCREASE
COMPETITIVENESS &
MAXIMIZE GROWTH
POTENTIAL**



**REMOVE OR
MITIGATE LOCAL
OBSTACLES**

**DEVELOP
CONTINGENCY
PLANS**

- COMPANY CLOSINGS & ECONOMIC CHANGES



**MAINTAIN
CONFIDENTIALITY &
FOLLOW CODE OF
ETHICS**



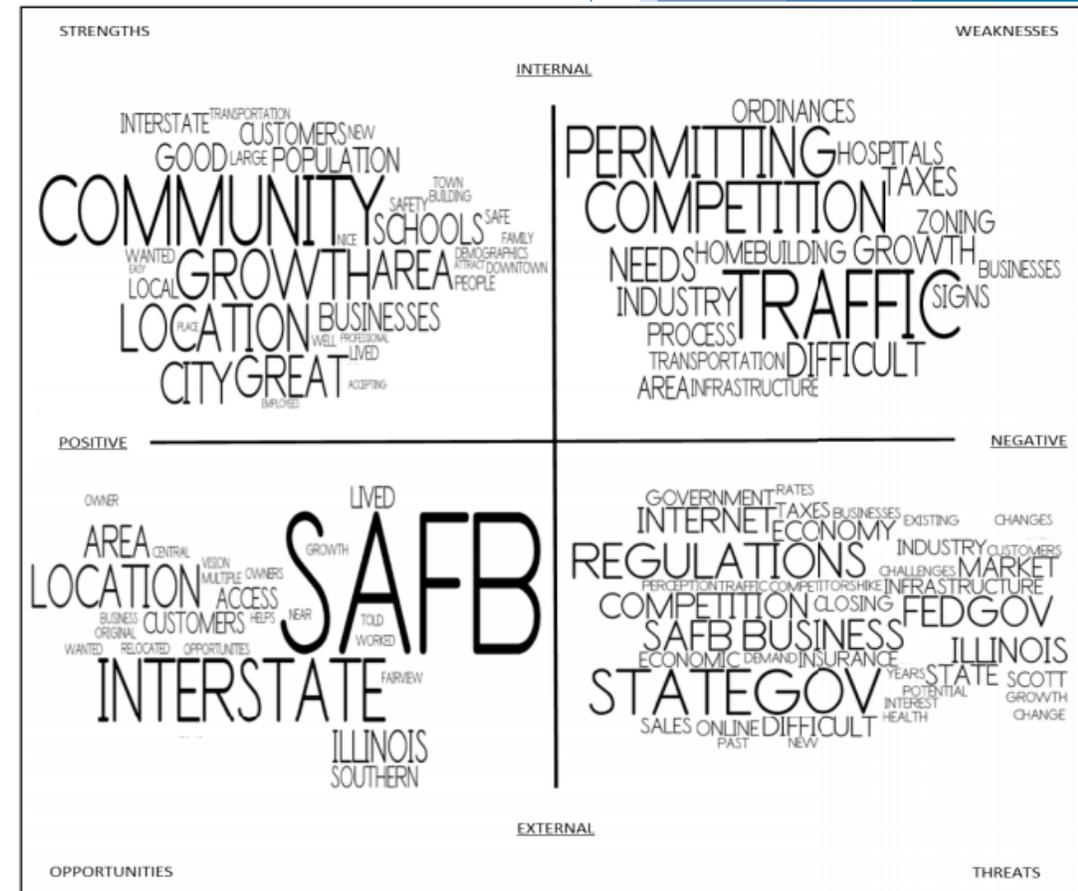
BRE program partners

- Economic development organizations
- Workforce organizations
- Local & county government
- Chamber of commerce
- Local business associations
- Utility companies
- Educational institutions
- Individual business leaders

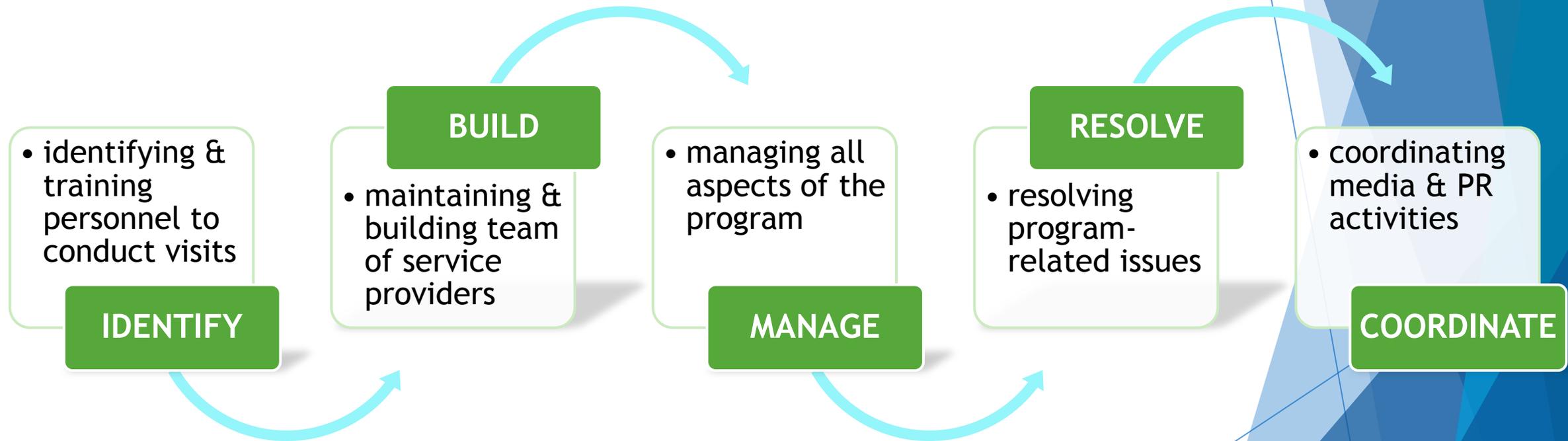


BRE Program Example: O'Fallon-Shiloh, Illinois Chamber

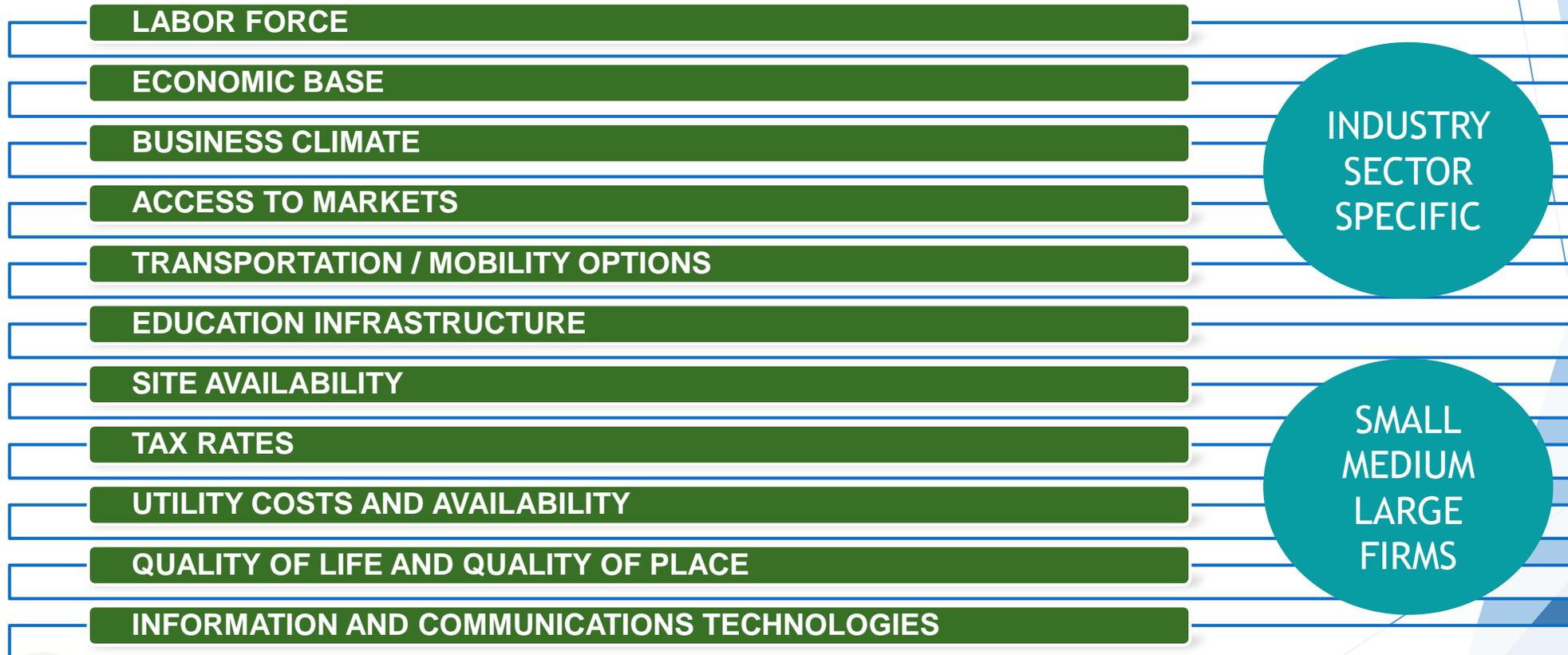
- ▶ Village of Shiloh - pop. 11,000
- ▶ City of O'Fallon - pop. 28,201
- ▶ The O'Fallon-Shiloh Chamber has a formal BRE program that puts out a survey with 25 questions
- ▶ The purpose is to learn about local businesses, identify challenges and opportunities to help them stay in the community and grow
- ▶ 2014 results and key issues were organized into a SWOT analysis:
http://www.ofallonchamber.com/assests/pdfs/BRE_2014_report.pdf



Steps in a BRE program



Strengths and Weaknesses



Possible questions to ask

- Does the company need or desire assistance?
- Is the company upset with the community?
- Does the company provide a disproportionate share of employment in the region?
- Is the company part of the regional export base?
- Does the company provide quality, stable employment for residents of the region?
- Is the company projected to grow or contract?
- What is the recent trend in this company's industry?



If nothing else...

- How satisfied are you here in _____?
- What major issues are you dealing with today?
- What can we do to make your life easier?
(how can we best serve you?)



Red flags/responding to needs

- Analyze data and information from businesses
 - Immediately respond to red-flag issues
 - Develop long-term programs, policies & strategies that address concerns
- Develop customized solutions



Common red flags

- Declining sales/declining employment
- Larger, non-local corporate ownership
- Recent ownership change
- Lease of property/expiring leases
- Other facilities producing the same product or service
- Negative attitudes about the community



Common red flags

- High regulatory burdens
- Union contract expirations
- Expanding employment/expanding sales
- Facility and site expansion plans
- Obsolete or land-locked facility
- Location in problem-neighborhood
- Older product lines, production technology



Common red flags

- Contentious labor-management relations
- Lack of export/international focus
- Family-owned firms with aging owner or no succession plans
- Gradual corporate downsizing over time
- Relocation of top managers and corporate officers to another location
- Loss of longstanding supplier contracts



NW Missouri regional BRE Example: early warning & support system

- ▶ In 2006, 19 businesses closed leaving 236 unemployed
- ▶ As a result, the Northwest Workforce Development Board which serves 18 counties created “Business Retention Early Warning Network” (NW-BREW)
- ▶ County and city officials, public service organizations and the private sector created a team to focus on problem solving for and support for businesses in trouble.



Importance of the Right Response



Technical assistance

- Creates tremendous goodwill
- Increases competitiveness in wider marketplace
- Assists with expansions that add new jobs
- Hinders relocation to other areas
- Helps biz survive economic difficulties



Technical assistance examples

ECONOMIC
GARDENING
INITIATIVES,
ANALYTICS
PROGRAMS

CONTINUITY
PLANNING,
PRE/POST-
DISASTER
PLANNING

PARTNERSHIPS,
ANGEL
NETWORKS

SITE
SELECTION
ASSISTANCE

CITY, COUNTY
& STATE
INCENTIVES



Utility-related assistance

- Information on available land & facilities
- Free or subsidized energy audits
- Access to engineers

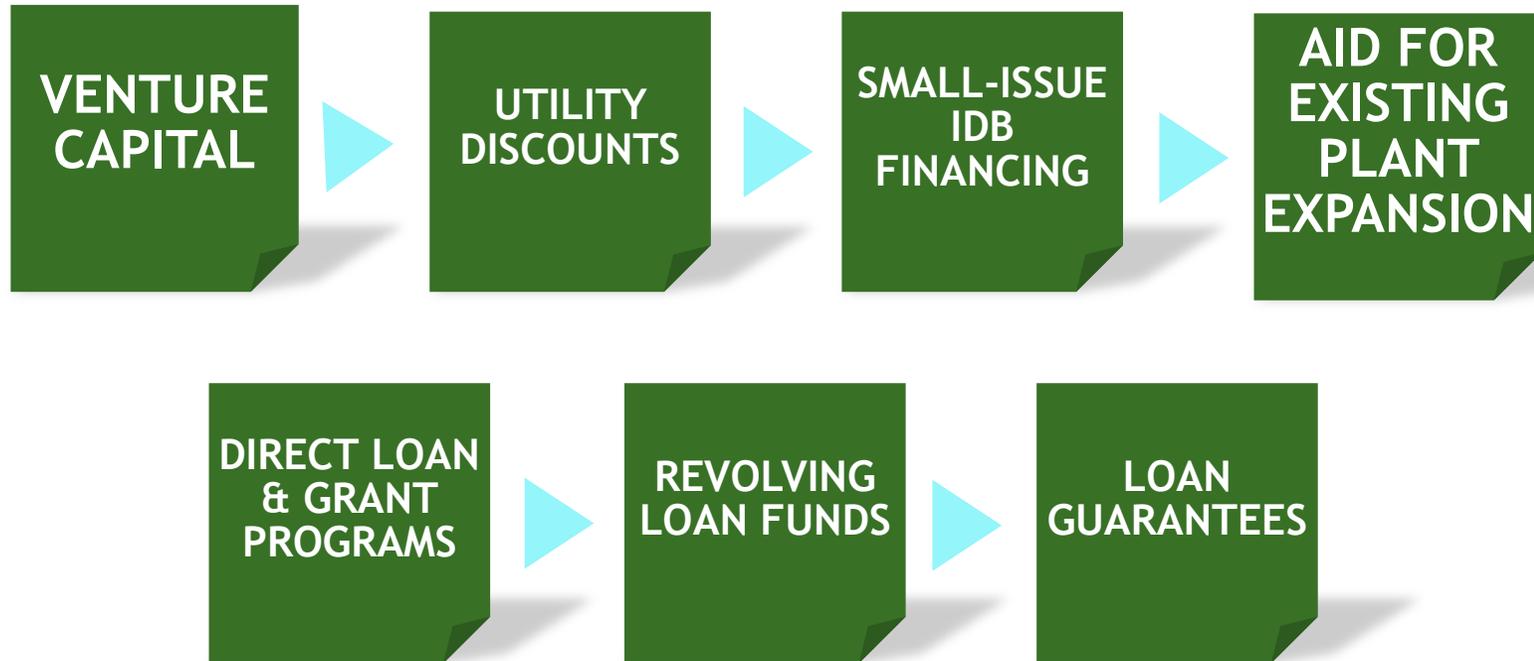


Incentives

- Important tool in BRE programs
- Rationale
 - It's easier to keep jobs than create new ones
 - Companies that have invested are more likely to stay
- Can be linked to significant new investment dollars for equipment & machinery or creation of jobs



Financial incentives



When the issue is Military Base Downsizing

Defense Conversion Assistance Programs

- Broad range of activities to implement defense conversion strategy
- Funded through the authority of three EDA programs
 - Title I Public Works
 - Title IX Economic Adjustment Assistance
 - Title II Technical Assistance
- Grants range from several hundred thousand dollars to several million dollars
 - require a 25% match from recipient community



Federal Assistance: Defense diversification resources

- Office of Economic Adjustment planning assistance
 - Economic impact of defense reduction must be significant
 - Must be a direct and significant economic effect
 - ▶ 2,500 jobs for a Metropolitan Statistical Area (MSA)
 - ▶ 1,000 jobs for a non-MSA area
 - ▶ 1% of the area labor force



When the issue is major industry losses

- ▶ Support is often available from these federal agencies:



From simple, individual efforts -- to structured, regional programs, BRE makes a difference.

Some examples...



Recognizing Local Business Achievements: Montgomery, Alabama

- “Success Starts Here”: The Montgomery Area has a business retention and expansion initiative featuring its target industries.
- Local elected leaders, businesses and media formally tour expanding industries and acknowledge local firms that are growing.
- The effort won an IEDC economic development award in 2011.



BRE Problem Solving: Taylor, Texas

- ▶ Formed in 2008, the program is a team effort by Taylor EDC, the City of Taylor and Taylor Chamber of Commerce.
- ▶ The EDC spearheaded the initiative including planning, budgets, and goal-setting, plus tracking results for all activities with primary employers.
- ▶ BRE team members made extensive efforts to engage primary employers through 255 meetings and special events tailored to needs of local employers.
- ▶ Since 2008, the City and EDC have jointly assisted a dozen companies on expansion projects creating 170 new jobs and \$20M in new investments.



Solving business problems: Scottsburg, Indiana



- ▶ **Mayor William Graham - 6 terms**
- ▶ By communicating with local businesses, the Mayor learned that the town faced losing a losing 2 employers with over 60 employees because of the lack of high speed internet
- ▶ The town of 6,000 pop. couldn't afford it
- ▶ He researched federal grants and identified a strategy to bring a high-speed web to the community.
- ▶ He later started a science and technology center in the town to drive innovation, and undertook downtown beautification efforts.
- ▶ Founded Scott County Economic Development Commission



Helping a Company Expand: Yreka, CA

- ▶ The Siskiyou County Economic Development Council (SCEDC) worked hard in 2012 to assist with the expansion of the Belcampo Meat Company into a new, state-of-the-art meat processing facility in Yreka that could add as many as 30 jobs to the local community.
- ▶ Through the cooperation of myriad municipalities, state and local organizations, and the SCEDC, a path was found to place the Belcampo Facility in Siskiyou County.
- ▶ The SCEDC utilized Brownfields, Enterprise Zone and Technical Assistance grants, along with organizational expertise, to successfully attract the company to this location.



Helping a Company Expand: Cullman, AL

- ▶ In November 2013, REHAU, a German Tier 1 supplier for Mercedes, announced construction of new Technical Center (R&D) on its Cullman campus - its first outside of Germany.
- ▶ The Cullman Economic Development Agency had a genuine interest in the Technical Center project and was available 24 hours a day to assist the company.
- ▶ The 12-000 center represents an investment of over \$3 million and will add approximately 160 additional employees and 45 engineers to the 700+ employees already on the REHAU campus. This is the first R&D facility in rural Alabama.



Some pitfalls

- ▶ Starting a program and not maintaining it
- ▶ Marginalizing the program as a fraction of a fraction of what your economic development program is focused on
- ▶ Focusing on quantity (number of interactions) instead of quality (depth and value of interactions) with businesses
- ▶ Not having local government support
- ▶ Becoming territorial
- ▶ Not following through what you say you will do
- ▶ Not tracking and publicizing success stories!



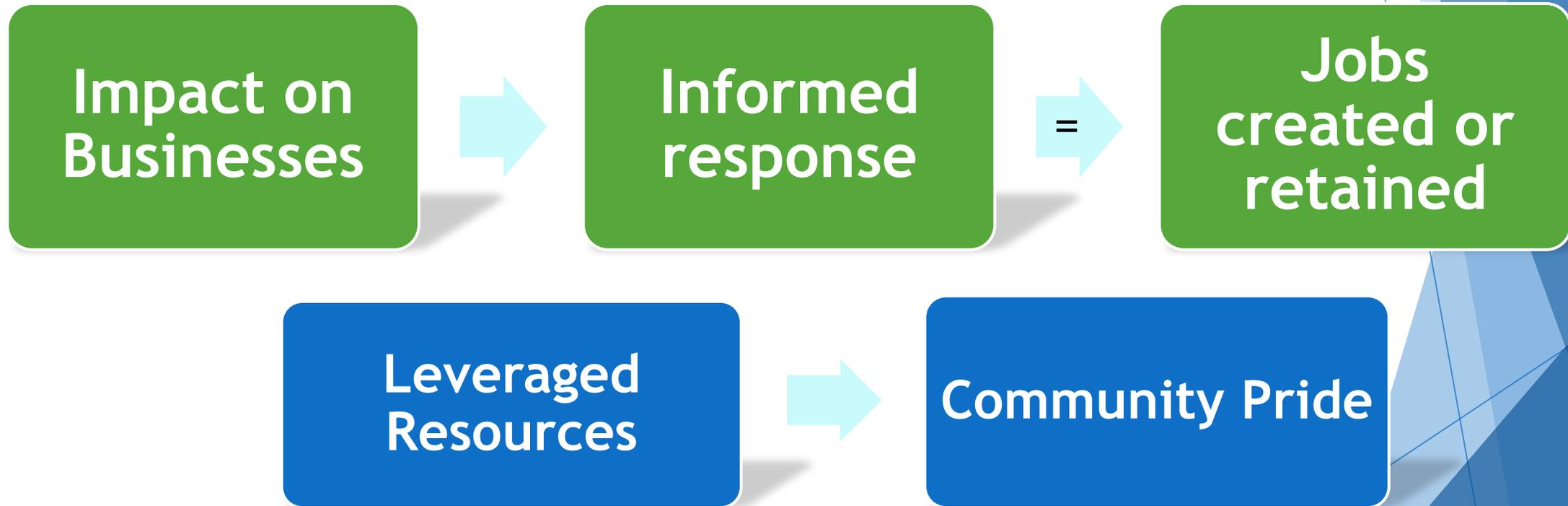
When done well...

- ▶ Develops a community culture for appreciating and supporting local businesses
- ▶ Creates loyalty among businesses who feel “loved” by community
- ▶ Leads to spinoff activity by businesses
- ▶ Facilitates partnerships and collaborations among businesses
- ▶ Helps foster a culture for entrepreneurship
- ▶ Being “business friendly” becomes a vital and truthful element in the community brand
- ▶ Prompts business owners to “sell” community to others prospective business investors through word of mouth
 - ▶ Social media enables this to be viral and quick



In summary:

What BRE can do for your community



► *Questions?*



Serving local businesses

**“Never neglect details.
When everyone’s mind
is dulled or distracted,
the leader must be doubly vigilant.”**

Colin Powell

