Business Retention & Expansion: Growing from Within

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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.”
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 Shiloah - 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:
Steps in a BRE program

**IDENTIFY**
- identifying & training personnel to conduct visits

**BUILD**
- maintaining & building team of service providers

**MANAGE**
- managing all aspects of the program

**RESOLVE**
- resolving program-related issues

**COORDINATE**
- coordinating media & PR activities
Strengths and Weaknesses

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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
  o Immediately respond to red-flag issues
  o 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
  o It’s easier to keep jobs than create new ones
  o 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

VENTURE CAPITAL

UTILITY DISCOUNTS

SMALL-ISSUE IDB FINANCING

AID FOR EXISTING PLANT EXPANSION

DIRECT LOAN & GRANT PROGRAMS

REVOLVING LOAN FUNDS

LOAN GUARANTEES
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 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

Impact on Businesses → Informed response = Jobs created or retained

Leveraged Resources → Community Pride

Questions?
Serving local businesses

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

Colin Powell