

P M

ICMA
PUBLIC
MANAGEMENT
MAGAZINE

AUGUST 2009



Local Business Retention Goals: Survive & Thrive

ALSO IN THIS ISSUE:

Preparing Councils for Their Work

Driving Down Fleet Costs

Ethics: How Ethical Are You?

ICMA

by Del Birch



Eyes Wide Open

A Practical Guide to Business Retention

Listen to the talk in restaurants, after church, at civic and social events. Watch the evening news broadcast. Look at the front page of your community's newspaper (if the local newspaper is still in business). An unsettled economy is having a drastic impact on the way people live. It's changing the way that elected officials make decisions.

In the business sector, economic conditions are forcing companies to rethink every aspect of their operations. Many firms are facing issues that directly impact their ability to survive difficult market conditions. Business owners are struggling and don't know where to turn for help.

Clearly, it's not business as usual during this massive global economic crisis. More than ever before, a sound, systematic business retention program should be the foundation of every community's economic development strategy.

What exactly is a business retention program? It may surprise you to learn that it is not (and should never be) a data-gathering exercise. Unfortunately, I've found that throughout North America far too many business retention programs are focused on interrogating business owners with a survey, capturing data in a tedious question-and-answer format, and producing glossy four-color reports.

From my perspective as a retention practitioner working with local governments, I know that a business retention program is a proactive effort to build a relationship with the business owner and connect the owner to the economic, community, and workforce development system. The face-to-face visit is a conversation or discussion about the company—not a survey-focused,

question-and-answer interrogation. It is an opportunity to understand the owner's objectives for the company and identify key issues facing it. It's a forum for offering assistance where appropriate.

Most important, it's a value-added proposition for the business owner. It brings the multifaceted, often confusing economic development system and its resources directly to business owners, who are typically too busy to find these resources on their own.

In short, a systematic, proactive business retention initiative is a customer satisfaction program. The customers consist of your community's primary businesses that bring dollars into your community for the goods and services that they provide. For some communities, these businesses can be the largest employers or small, fast-growth companies.

For other communities, they may be firms in key sectors like manufacturing, information technology, aerospace, or business services. It is important to systematically talk with the owners of these firms. They are critical to your local economy because they employ residents, make ongoing investments, and ultimately make the stay-or-go decision.

What can local government managers do to promote business retention? Where can they turn to learn more about programs and resources that can help a community's wealth and job-creating companies outlast a difficult economy? How can they be part of the solution?

THE IMPORTANCE OF BUSINESS RETENTION

For years, it was assumed that the primary strategy for growing a local economy was to attract or recruit new businesses to the community. This view seems to make sense, especially when you read about a community that has attracted a project generating huge capital investment and hundreds of new jobs. Think West Point, Georgia, and its massive new Kia Motors auto assembly plant. Think Council Bluffs, Iowa, and its new Google campus.

Yet it has been proven that the primary way to grow jobs and investments is by working with businesses already located in a community. These are the same businesses that are usually ignored as communities work to attract new businesses. Up to 80 percent of job growth in any community—whether a fast- or slow-growth community—is generated by existing businesses, not through business attraction.¹

This is consistent with a commonly accepted business axiom: *Your best opportunities for new business are with your existing customers.* It's something every business owner also understands, from the neighborhood pizza parlor to the major manufacturer at the edge of town.

ASK LOTS OF QUESTIONS . . . IN THE RIGHT WAY

A sound business retention strategy should be the foundation of every community's economic development strategy. It's true not only in difficult times like now but also when the economy is healthy.

Done correctly, systematic outreach with your existing business owners can complement your business attraction and entrepreneurial activities. Owners of local businesses can provide important clues regarding the types of new businesses that should be targeted for recruitment or nurtured as start-ups.

As a manager, how can you assess your community's business retention efforts? There is a series of questions that you can ask to help make the assessment. It's important, however, to ask these questions in a collaborative spirit. If your community has a lead economic development organization, the officials there will appreciate your interest and collaborative attitude.

If your community lacks a lead economic development organization, the questions you ask—and the resulting answers—can be instrumental in identifying gaps in service and possible solutions to make your community more competitive in economic development terms.

Here are some questions you can ask:

Who's in charge of economic development in your community?

- Is there an acknowledged lead agency?
- If yes, do you know the executive director?
- If no, how are economic development resources being provided?

What are some of the other agencies providing economic development resources?

- Which agencies are providing workforce training?
- Financing for land, building, and equipment?
- Technical assistance?
- Community development?

What is the level of cooperation and collaboration among economic, community, and workforce development organizations?

- Is the history of collaboration good or contentious?
- What are some of the communal success stories?
- How does the business community perceive the level of collaboration?

Is there a formal business retention program?

- If yes, how is it being conducted?
- Who is conducting visits?
- Which firms (or business sectors) are being visited?
- Which firms (or business sectors) are not being visited? Why?
- How many visits are being conducted per week? Per month? Per year?
- Are visits a value-added encounter for the owner or a question-and-answer interrogation?

Is the program structured to provide assistance to companies?

- If yes, what is the structure?
- Is there a formal team of economic,

“Buy Local” Program Promotes Sustainability and Economic Stability



In a partnership with the city of Santa Monica, California, the Bayside District Corporation—the management company for downtown Santa Monica—spearheaded “Buy Local Santa Monica” to promote sustainability and support the local economy.

Early in 2009 in an eight-week campaign that took a look at the people behind Santa Monica businesses, Bayside District raised awareness of the economic and environmental benefits of buying local. City Manager Lamont Ewell agrees that it nurtures relationships in the community.

“Having the community come together in support of one another is essential to our getting through these difficult economic times,” he said. “Shopping locally not only helps to achieve this objective, it also helps to reduce carbon emissions. In the end, we become an economically stronger and healthier community.”

Bayside’s partners include the City’s Office of Sustainability and the Environment, the Economic Development department, CityTV, and *Santa Monica Daily Press*. Shannon Parry, Sustainability City Coordinator, said, “This is an exciting new campaign. Buying locally supports our Santa Monica businesses, keeps resources in our community, and reduces our environmental footprint.”

In addition to airing television segments on Santa Monica CityTV that feature local businesses, the campaign highlights other stores and services through advertisements and press releases. In all, 32 downtown businesses are featured.

A Web page, www.buylocalsantamonica.com, launched in March 2009. It highlights the importance of buying local and includes important facts about Buy Local Santa Monica, information on local businesses, and links to community partners.

Jennifer Taylor, senior development analyst at the city’s economic development department, says that the city wants to awaken appreciation for the diverse range of available businesses. “There is a huge range of products and services that we have right here in our community. When you’re supporting local businesses, you’re supporting the local community—employees, neighbors—and you’re keeping money in the community,” Taylor said. “Those are cyclical benefits that it brings back to the community by buying local.”

Among the reasons to buy local: for every \$100 spent at a local business, an average of \$45 stays in the community in the form of sales taxes, local wages and procurement of other local goods and services. Studies show that locally owned businesses create more jobs in the community and often provide better wages than national chains; local businesses respond to their customers’ needs and have freedom to choose the products they sell; and entrepreneurs are the lifeblood of local and state economies.

To learn more, visit <http://www.buylocalsantamonica.com>.

—Debbie Lee
Bayside District Corporation
Santa Monica, California
dlee@baysidedistrict.org

workforce, and community development organizations in place to respond to requests for assistance?

- How are results being tracked and monitored?
- Are companies really satisfied with the assistance?

How is the business retention program being viewed?

- Internally, by the service providers?
- Externally, by the business community?

What can be done to improve the effort?

- How can I, as a local government manager, help?

A SPIRIT OF COOPERATION AND TEAMWORK

These are tough questions to ask. They can raise suspicions and doubt. If asked the correct way, however, your questions can be important in evaluating current business retention efforts. Where no business retention program exists, your questions can jump-start the process, leading to a structured business retention program and a more collaborative team of agencies focused squarely on the community’s employers.

Listen to the talk around your community. The physical and psychological toll of the global economic meltdown is pervasive. It should be clear that there literally is no time to waste. Every existing company, every existing job, is important to your community.

Make sure that business retention is your community’s number one economic priority. **PM**

¹David L. Birch, *Job Creation in America: How Our Smallest Companies Put the Most People to Work* (New York: Free Press, 1987).

Del Birch is a principal with ExecutivePulse, Inc., Erie, Pennsylvania (dbirch@e-pulse.net; www.executivepulse.com), a consulting firm specializing in business retention. He is an instructor on business retention for the professional certification program sponsored by the International Economic Development Council.