

APPENDIX A

BUSINESS RETENTION AND EXPANSION

Economic Development is a team sport. And like most sports, participants cannot be successful without the proper tools.

The tools used by an economic developer vary based on the goals the organization or community set out to achieve. However, most economic development efforts center around the creation or retention of jobs—not just jobs, better paying and secure jobs. To achieve this goal, a community must retain the jobs already available in the community, work with their existing industry base to expand, and recruit new jobs to the area that pay above average weekly wages.

Studies have shown that 80% of new jobs are created by the existing industry base in a community. Any community economic development organization not paying attention to their existing industry base is missing a huge opportunity. Many people believe a company already located in a community will automatically expand in the community, but this is not true.

Too many times, community leaders are surprised by a company leaving town. In many cases, this is a missed opportunity for the community to create new jobs. Other studies have shown that it is much less expensive to keep a customer (an existing industry) than it is to find a new customer. This is especially true for economic developers.

Existing industries will grow the number of jobs and payroll gradually; however, when a major expansion is considered by the corporate office, various plant sites are usually considered. Plant managers are busy trying to run the day-to-day operations and are often not equipped to supply timely and accurate information to the decision makers at the corporate office to keep their community on the radar screen. A good Business Retention and Expansion Program will give the economic developer the opportunity to know a project is on the horizon, or at least the opportunity to supply the plant manager with information and a contact for additional information.

Communities seldom see “behind the curtain” where plant managers are battling for capital dollars for their plants. The more information a plant manager has about a community and the efforts being made by the community on behalf of the plant, the more ammunition the plant manager will have to bring home the capital dollars and create the new jobs. Plant managers often times do not have the current information about state incentives. Understanding the available incentives that the new jobs or investments qualify for could be a critical factor in where the expansion or relocation occurs. Plant managers often do not understand the relationship between local economic development organizations, state and federal lawmakers and infrastructure grants. Plant managers sometimes do not notify the local economic developer of a project still in the planning stages, which is exactly when the economic developer needs to know, especially if infrastructure grants are going to be necessary to make the project work in the community. A strong, sustained Business Retention and Expansion program can give the economic developer the time to gather the assistance needed for new infrastructure to secure the project for their community.

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Plant managers, local economic developers, and state and federal lawmakers must work together to develop the right infrastructure to allow the existing industry in a community to expand. Highways are always at or near the top of a company's needs list. It has been estimated that an additional \$.12 per ton per mile is needed by a company to locate in a community not on an interstate highway. This seems like an insurmountable obstacle, but solid goal-setting and steady, accurate communication between the company, the community and the state leadership can often overcome this obstacle. A company may find it less costly to locate a new project at an existing site if they know a plan is in place to assist the company in reaching its long range goals by gaining access to the interstate highway system. Incremental steps are necessary and the proper setting of the company's expectation is critical. If the company expects the first section of a highway to be widened in two years, the local leadership must do everything possible to make the widening happen and inform the company of any unavoidable delays. If the company knows it will be four years, they can adjust plans accordingly. The key is the communication of accurate information.

A solid Business Retention and Expansion program is a critical component of any economic development program. A well led BR&E team can address many important issues before a community is devastated by a surprise plant closure. While the expansion of an existing industry is really not easier than the recruitment of a new company to a community, it is the "low hanging fruit" of economic development, because it is often much less expensive, while just as satisfying and rewarding to a community.