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EC87-880 Improving the Climate for Business Expansion and Retention - Guides for Communities

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IMPROVING THE CLIMATE
For Business Expansion and Retention

Guidelines for Communities

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The Cooperative Extension Service provides information and educational programs to all people without regard to race, color, national origin, sex or handicap.
Improving The Climate For Business Expansion and Retention

Guidelines for Communities

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Chapter I
An Expansion and Retention Program

Focus on Familiar Firms

Agriculture's importance to Nebraska is widely recognized. It provided two-thirds of the state's 93 counties with at least 20 percent of their total labor and proprietary income from 1975 to 1980. The influence of agriculture is clearest in rural communities where spillover effects are reflected in the adjustments of "main street" businesses and other sectors of activity.

Consequently, fluctuations in the agricultural economy have increased interest in a more diversified economic base. Community leaders have organized efforts to encourage economic development. They have established industrial parks, secured special financial and technical assistance and developed educational programs to improve the local climate for economic development. Then they have gone out and marketed their communities.

Although income, investments and other economic measures are important to rural residents, job opportunities are their top priority. Economic development programs have focused on three types of employers. Receiving the most attention were employers who expand or relocate from other communities. Other programs address the needs of entrepreneurs and new business starts. Perhaps because they are so familiar, established firms have not received the special attention directed toward other prospective employers.

Yet, research has confirmed that established firms have a major impact on both the decline and growth of job opportunities. Nationally, for each 100 existing jobs, 11 jobs were gained by expanding established businesses while new starts added nine jobs in the 1980-82 period. Equally important are the contractions and closures which reduced the net gain to one job per hundred! The tendency of established firms to expand locally or nearby is also important to the selection of economic development strategies.

The Purpose

This program is designed for established employers with a demonstrated interest in the community and its labor force. The ultimate goal — to stabilize or increase job opportunities — is accomplished by improving the community's business climate. These improvements should increase the chance that firms will expand employment and minimize the chance that they'll reduce employment or close altogether.

This program is based on interviewing targeted employers about:
1. their contribution to the community's economy;
2. strengths in the business climate; and
3. weaknesses that need to be overcome.

The program assumes that these strengths and weaknesses are important to business performance and that local leaders can improve them.

National and regional studies of industrial location have recognized the importance of market access, labor, raw materials, transportation, productivity, education,

1George W. Morse, John D. Roher and Sam J. Crawford, "Retention and Expansion Business Visits", Ohio Cooperative Extension Service, The Ohio State University, Bulletin 728, 1985. (This source describes the basic design and many of the concepts presented in this program.)


3John F. Yanagida, Bruce B. Johnson, David S. Hargrove, Richard L. Meile and Duane A. Olsen, "Structural Changes in Rural Communities Stemming From the Farm Crisis," Department of Agricultural Economics, University of Nebraska, Staff Paper #3, 1986.


Demonstrate Pro-Business Attitude
Improve Communications Channels
Recognition of Target Firms Economic Input
Assess Business Climate Strengths & Weaknesses
Early Warning of Business Plans

OBJECTIVES

BUSINESS CLIMATE REPORTS
Community Strengths
Challenges For the Future

ALTERNATIVE METHODS
Build Public Awareness & Support With Business & Industry Recognition Activities
Fine Tune Existing Program by visiting With Local Officials
Organize Task Forces to Develop New Programs & Resources

EXPECTED RESULTS
Maximize Firm Retention
Encourage Firm Expansion
Minimize Community Adjustments

Figure 1. Program Flow Chart
taxes and attitudes toward business. While many of these factors seem largely beyond local control, community leaders have two reasonable alternatives. First, they can focus on the needs of a small group of firms rather than industrywide concerns. Second, they may gain additional control over these factors by working with neighboring communities and/or "outside" agencies offering specialized assistance.

**Basic Concepts**

Many employers may be targeted for interviews. An analysis of the community’s economic structure will be helpful in selecting firms with the most impact on employment opportunities. NebGuide G87-844 "Dimensions of Economic Development", found in Appendix A, describes basic industries which export goods or services to "outside" customers. Most communities are expected to target these firms because of the multiplier effect they have on employment and income; however, unique market conditions may justify other choices.

Business visitation teams should be composed of both business and community leaders. They can offer knowledge of business management and insights about resources available to improve the business climate. While the prime objective of these visitation teams is to gather information, the interviews also provide an opportunity to demonstrate interest and support. Interview questions suggested in Appendix B address the firm’s impact on the local economy, business plans, and opinions about strengths and weaknesses in the local business climate.

Each community has a unique business climate. Therefore, some program variations may be necessary. Nevertheless, these program objectives apply to all communities:

1. The demonstration of a pro-business attitude.
2. The assurance of an effective communication system between employers and community leaders.
3. The clarification of the contribution these firms make to the local economy.
4. The identification of business climate strengths and weaknesses.
5. Early detection of business expansion, contraction and closure plans which have communitywide impact.

Two types of business climate reports will be used to summarize information gathered from interviews. A "Community Strengths Report" is proposed to build confidence, public interest and support. It would include an assessment of target firms' contributions to the local economy and a brief description of the local business climate with emphasis on its strengths. The second report, "Challenges for the Future", should review the weaknesses identified by target employers. Distribution of this report should be more selective to bring these concerns to the attention of responsible community leaders.

Program benefits can be captured in a variety of ways. Business visits demonstrate a pro-business attitude. The Community Strengths Report will help develop public interest in and encourage discussion of factors important to the community's business climate. When existing programs or resources are adequate, discussions with key officials may alleviate some concerns described in "Challenges for the Future". However, when new programs are required, special task forces are proposed to search for resources and outside experts, explore alternatives and design a suitable action program.

Although factors beyond community influence will have both positive and negative effects on target firms, this program can become a positive influence on business performance and local job opportunities.

**Distinguishing Characteristics**

Several important characteristics distinguish this program. Foremost is its emphasis on established employers. These target firms are selected by local leaders according to their contributions to the local economy.

The participation of people sensitive to both business and community needs and resources is essential to the program’s success. Their demonstration of interest is essential in building and maintaining a business climate that encourages expansion and retention.

The casual, informal communications which exist between established employers and community leaders may be adequate within a little pressure for change. However, when that stability is threatened, systematic inquiries and formal communication methods are essential in developing new policies and innovative procedures.

Finally, simply identifying the strengths and weaknesses will not lead to progress. Concerned leaders must organize people with concern, expertise and access to the resources needed to study the situation. These leaders must then design action programs that build on the community’s advantages and overcome its weaknesses.

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Chapter II
Organizing for Action

Broad participation and support is essential to win the majority approval often required for community decisions on economic development. This program was designed to encourage broad participation while recognizing that the volunteers involved have many competing obligations.

A Project Leader

A "champion" to offer encouragement and coordinate group efforts was described as an essential element in Peters' and Waterman's description of America's best run companies. However, community leaders don't have the same authority as the managers of large firms. Therefore, an enthusiastic program "champion" is even more important when volunteers must be asked for added effort or innovative ideas to overcome barriers.

A "coordinator's" role is equally important. A phone, office, and mailing address are needed to confirm or change appointments, to collect information and to distribute results. An office also will serve as a point of contact for questions from interested people within and outside the community.

The Coordinating Council

A Coordinating Council is needed to recruit Visitation Team and Task Force members, to make policy decisions and to design suitable procedures. The Council needs to be small enough to allow for good discussion and efficient decisions yet large enough to represent a wide range of community interests. Members with experience in business and community decision-making will provide insights to gathering information, analyzing results and searching for solutions.

The Coordinating Council is expected to:
1. Select target firms according to their impact on the local economy.
2. Adapt questionnaires used in business visitations to fit market conditions and the characteristics of target firms.
3. Recruit and train business Visitation Teams, then assign them a reasonable number of firms to interview.
4. Prepare reports describing employers' contributions to the local economy and weaknesses and strengths of the community's business climate.
5. Distribute these reports to build the interest and support of selected community leaders and administrators as well as the general public.
6. Form task forces to address priority issues not effectively addressed by current programs or readily available resources.

The target firms operate in competitive markets, buying and selling goods and services in competition with each other and perhaps with Coordinating Council members. Yet, for this program, trust and confidence between established employers and community leaders is essential to identify problems and search for solutions. Discretion must be a prime consideration in recruiting visitation team members, analyzing information, preparing and distributing results, and organizing task forces.

Target Firms

The program is built on business leaders' knowledge of factors expected to influence profits and ultimately employment levels. The desire for expansion and retention, or to avoid contraction and closure, is the key to selecting target firms. The following important factors also should be considered:

- The type of firms targeted may vary, but every community should consider the importance of "basic" industries or "export" firms to take advantage of the multiplier effect (see Appendix A). Unique local circumstances may lead some Coordinating Councils to use other guidelines in choosing firms to visit.
- The geographic area — Some countywide or joint efforts with neighboring communities may be appropriate. The more firms used and the greater their similarities, the more reliable and precise descriptions of local strengths and weaknesses should be.

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Visitation Teams capacity is important when deciding the number of target firms. Consider the number of volunteers recruited and how much time they can be expected to provide.

Visitation Teams

Try to have two people for each Visitation Team — one with experience in business management and the other with community decision-making. This combination of backgrounds may provide a better description of business concerns as they relate to community programs and available resources.

These teams have a difficult dual role. First, their visit is a demonstration of interest and good will. They must win the trust and confidence of employers to obtain reliable and complete information. Yet, they need a businesslike approach to obtain a detailed, accurate description of conditions that need to be changed or improved.

Study-Action Task Forces

Employers will describe some concerns that may be easily resolved through discussions with selected local leaders. However, other important concerns may be beyond the capacity of existing community programs and resources. The Coordinating Council should organize task forces to further analyze these concerns, identify and analyze alternatives and design suitable solutions.

The Coordinating Council should strive to develop specific and practical task force assignments with a reasonable chance for success. Recruit task force members according to their interest, expertise and access to resources. Have regular feedback sessions to identify barriers so more resources can be provided or the assignment can be revised.

The University of Nebraska's Cooperative Extension Service and Nebraska Department of Economic Development can help search for resources, monitor progress and share solutions to common community problems.

Chapter III
Building the Information Base

STEP I — Building Awareness and Interest

Competition and changes in market forces inevitably produce economic stress and adjustments affecting the whole community. While economic development is a widely supported community goal, difficult choices may be required to select and carry out economic development strategies.

Discussions of economic pressures and alternative development strategies are important in building community awareness, interest and support. Either local or outside authorities can be called upon to describe factors expected to affect the community’s economy. However, local residents alone should choose the best economic development strategies for their community.

This program begins when several people choose an economic development strategy focused on established firms and growth from within. While making this decision, consult positive, creative people with knowledge of the community to:

- test the ideas presented here,
- discover adjustments that would help adapt the program to local needs, and
- identify people willing and able to put this program into action.

STEP II — Getting Organized

An organizational meeting is needed to firm up the interest of key supporters. Use the meeting to:

1. Discuss pressures for change, alternative economic development strategies and the need for action.
2. Explain this program. Use publications, visual aids and speakers from the Nebraska Department of Economic Development, the Cooperative Extension Service or another community.
3. Obtain “public” commitments — the kind made before friends and neighbors — for the general concept as well as for more specific jobs such as:

- Project Leader — to provide communication, encouragement and coordination. Obviously, the time required varies with the number of firms targeted and the special problems addressed.
- Coordinating Council members — influential, knowledgeable business and community leaders representing a broad range of community interests.
STEP III — The Coordinating Council’s Preparation

The Coordinating Council must complete many jobs before they activate the program. They need to:

A. Recruit business and community leaders for Visitation Teams. Find out how much time they can commit and the number of employers they can interview.

B. Select the target firms or employers to be interviewed. Consider the community’s economic structure and develop criteria to select firms with the greatest potential impact on community employment.

C. Review the survey in Appendix B and adjust the questions to fit local objectives and special characteristics of the business climate.

D. Prepare two master lists:
   1. An alphabetical list of target firms; the name, address and phone number of the owner or manager to be interviewed; and the Visitation Team members expected to call on them.
   2. A calendar or schedule with the date, time and place for each interview.

E. Select dates to train the Visitation Teams and confirm the interview schedule. Set a deadline for interviews so all reports can be promptly reviewed and summarized.

F. Localize letters and news releases in Appendix C to notify employers, increase public interest, and encourage Visitation Teams to complete the interviews within the announced time period. A “Visitation Week” may be used to coordinate and encourage completion of these visits.

STEP IV — Training Visitation Teams

This meeting should help business Visitation Team members understand the program’s objectives and procedures proposed to achieve them. Review the purpose and general concepts presented here. Explain criteria used to select target firms and factors expected to influence the performance of these firms. Pressures for change are described in the “U.S. Industrial Outlook”, published annually by U.S. Department of Commerce. It describes more than 950 industries. Another useful reference is “Nebraska Industry, A Survey of Concerns, Needs and Future Plans” (Nebraska Department of Economic Development, January 1984).

Visitation Team members need an interview format which obtains useful information and which they feel comfortable using. First, review the questionnaire and the importance of each question. Then set aside time to practice interview procedures. Finally, BE SURE to emphasize the importance of treating the information confidentially to maintain employers’ confidence.

Agree upon a deadline for completing all visitations. Provide packets to each Visitation Team that include:

- Master lists identifying the firms to be interviewed, an interview schedule, and a sample letter asking for an appointment.
- Enough surveys for each firm they visit.
- Fact sheets that describe recognized industry trends or characteristics.

STEP V — Organizing Business Visits

Visitation Teams should arrange their appointment with a letter explaining the purpose of their visit. They should confirm the appointment by phone. The early warning will give employers an opportunity to gather their thoughts about the community’s business climate and improve the quality of the information obtained.

Visitation Team members should use the survey questions to guide the interview. Record responses either during or immediately after each interview, when recollections are fresh.

Remember to keep reports secure and return them to the “project coordinator” promptly.

STEP VI — Summarizing and Analyzing Information

Survey results should be summarized as soon as possible. A small subcommittee of Coordinating Council members is recommended to further ensure confidentiality.

Their first job is to compute statistical measures for the data provided (average, total, range, etc.) and simply list the subjective responses for each question. Restrict editorial suggestions to those which improve the information’s clarity and guard the source’s identity.

Employers’ replies may not produce as many well-defined problems or opportunities as expected. Some additional interpretation or clarification often will be needed. Present the summary to Coordinating Council members and ask them to review each question and prepare a brief description of the problems and opportunities they find. Divide Coordinating Council members into small groups to defend, clarify and then consolidate these descriptions. Strive to identify the full range of opportunities and concerns.

Finally, organize the results into two reports according to their expected impact on the community’s economic development goals.

1. A Community Strengths Report would present a realistic, but positive, description of employers’ appraisal of the community. It would describe the contributions of target firms to the local economy and employers’ views of the community’s strengths and opportunities for growth.

2. A second report, Challenges for the Future, would focus on problems, concerns or opportunities described during visits with employers.
STEP VII — Recognition and Celebration

The first phase of this program, the information gathering job, has been completed so don't forget to celebrate! Recognition is an important part of the fuel that helps keep both volunteers and professionals motivated!

Some people may not participate in the next phase, so take time to congratulate them before moving on to new challenges. Letters to employers and volunteers are an appropriate way to express appreciation and describe benefits or plans to use the information they provided.

Chapter IV
Benefits To Be Captured

Reinforced Communications and Common Concerns

The business visits between recognized business and community leaders are expected to produce two types of benefits. First, these visits will repair communication gaps and discover mutual concerns. The improved communications and common concerns discovered during the interviews should be useful in organizing subsequent problem solving efforts. In addition, friendly but well organized interviews should demonstrate pro-business interest rather than defend current policies or programs.

These benefits may be easily captured through business visits. Coordinating Council members may have to organize special activities to capture other benefits.

Business and Industry Recognition

Every vital community must have a sound economic structure.9 The Community Strengths Report summarizes the contribution of target firms to the local economy by describing the jobs they have provided and the inputs they have purchased.

This information can be used to reinforce “Business and Industry Recognition Week” activities. Nebraska’s governor proclaims a “Business and Industry Recognition Week” each May. Most activities are organized by community leaders to recognize the contributions of business and industry to the local economy and to demonstrate their appreciation. These activities include community luncheons, open houses and tours, public demonstrations, displays and exhibits of locally produced goods or services, special events, and news stories. Additional suggestions for observing “Business and Industry Week” are available from the Nebraska Department of Economic Development.

“Fine-Tuning” the Community’s Business Climate

Communities depend on a variety of groups to provide goods and services important to business performance. Elected officials, professional administrators, managers and volunteer leaders make decisions about policies, procedures and programs which affect local businesses. Coordinating Council members should meet with these decision-makers to describe the community’s strengths and future challenges as outlined in the two reports. They should place special attention on opportunities to meet the needs identified.

These decision-makers include:

- **Elected officials or administrators** responsible for water, waste disposal, transportation, fire and police protection, education and health services. Discussions may range from concerns about potholes and snow removal to compliance with codes and other regulations. **Make sure** to use this opportunity to reinforce earlier decisions underlying community strengths as well.

- **Community or area suppliers or processors** of related goods or services. The community’s economic activity can be increased by 1) substituting locally supplied inputs for those produced elsewhere or 2) through further processing to increase the added value. The identification of such potential market “niches” may be particularly helpful to entrepreneurs searching for new business opportunities.

- **Industrial development groups** involved in recruiting firms that are moving or establishing branch plants. Factors important to target firms are also likely to be considered by other prospective employers. People who host those prospects should also find the information valuable.

Challenges for the Future

The Challenges for the Future Report will describe many problems or concerns that cannot be effectively addressed with existing programs or local resources. Yet, target employers, Visitation Teams and Coordinating Council members have a right to expect additional efforts that address these challenges as well.

Study-Action Task Forces are proposed to look beyond the community for allies and specialized resources and then develop long term plans for progress. Their assignment includes:

1. Further investigation of the problem or opportunity and its impact on the community's economic future.
2. Identification and analysis of all reasonable alternatives.
3. Design of action programs thought to have a reasonable chance for success.

While the success of these task forces depends on the assignment, several types of programs may be developed to affect the local business climate:

- A training program to improve labor skills was developed with the cooperation of target employers and a nearby community college in a pilot test of this program. The Cooperative Extension Service and Business Development Centers at universities and state and community colleges are among the resources which can help labor and management improve business performance.
- Financial assistance programs have been developed to relieve transportation, utility, land or other costs. A Nebraska Department of Economic Development bulletin, "Resource Manual for Nebraska Business", reviews information sources important to small business. The Nebraska Department of Economic Development and the Nebraska Cooperative Extension Service will assist in locating these resources.
- Linkages may be developed to help these firms obtain access to the technical expertise required for research and development. University of Nebraska Center for Food Processing, Technical Assistance, Productivity and Entrepreneurship are among those which offer such assistance.
- Detailed market analyses, trade area studies or labor studies often may require a professional consultant. Yet, population reports from state and federal sources will provide an adequate foundation for preliminary investigations.

Business contractions and closures as well as expansions affect demands for community services and the capacity to pay for them. These plans or decisions usually are not widely shared and may only be inferred from other indicators. Therefore, cautious interpretations and confidentiality should be of utmost concern. Nonetheless, early warning is important to key leaders for the wise use of limited community resources.

The following recommendations may help Coordinating Councils improve these task forces potential for success:

1. Select just one top priority concern for each task force.
2. Strive for clear, precisely defined assignments.
3. Recruit task force members with the interest and expertise required for success.
4. Recognize the need for: 1) cooperation with neighboring communities, and 2) access to financial and technical assistance from "outside" public and private organizations when recruiting task force members.
5. Monitor each task force to identify roadblocks, help them gain assistance, and to redirect, reorganize or disband those groups without a reasonable hope for progress. Finally, be sure there is a celebration when a "good try" has been made.

There is no way to predict the performance of these task forces. Indeed, some may find no acceptable alternatives for the issues or concerns they are asked to address. However, the future of many rural communities may depend upon an assertive approach of this kind to identify attainable alternatives and make reasonable plans for progress.
Appendix A
Dimensions of Economic Development

Appendix B
Sample Questionnaire

Appendix C
Business Visitation Packet
Dimensions of Economic Development
A Framework for Rural Economic Development

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This NebGuide discusses strategies to use for rural economic development.

The Case for Diversity

"As agriculture goes so goes Nebraska" is an oversimplified, but widely shared view of the state's economy. However, this viewpoint is more appropriately applied to most rural communities. Dr. Larry Swanson(1) considered 27 "agriculturally dominated" Nebraska counties to examine the relationship between rural communities and the farms surrounding them. He warns "...most rural farm communities in the state face continuing social and economic deterioration and, for many, ultimate demise if current trends in the loss of farms continue." (Figure 1).

Farm Numbers

120,000
100,000
80,000
60,000


Source: U.S. Dept of Commerce, Bureau of Census, Census of Agriculture

Figure 1. "Nebraska Farm Numbers", 1940-82

Annual agricultural sales suggest further declines in the number of farm and ranch families. The 1982 Agricultural Census indicated 75% of all Nebraska farms and ranches had annual sales of less than $100,000. While there is variation in the portion current farm and ranch families retain, these income levels do not seem enough to attract the young men and women needed to maintain the current level of farm and ranch families (Figure 2).

Table 1. Nebraska farm operators and their off-farm jobs.

<table>
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<tr>
<th></th>
<th>Nebraska</th>
<th>U.S.</th>
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<tbody>
<tr>
<td>Total farm operators</td>
<td>67,597</td>
<td>63,768</td>
</tr>
<tr>
<td>Farmers off-farm work:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Any</td>
<td>25%</td>
<td>37%</td>
</tr>
<tr>
<td>200 days or more</td>
<td>11%</td>
<td>17%</td>
</tr>
<tr>
<td>Principle occupation;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;other than farming&quot;</td>
<td>14%</td>
<td>21%</td>
</tr>
</tbody>
</table>

there was a regional trade center with at least 10,000 population (Table 2).

These comparisons indicated ‘‘main street’’ business growth was greatest for the state’s four Metro counties. Substantially lower growth rates were reported for the more broadly dispersed counties with regional trade centers. However, even lower growth rates were reported for agriculturally dependent counties. Two observations: First, the increasing concentration of ‘‘main street’’ business activity in population centers. Second, these adjustments were underway even before the ‘‘agricultural crisis’’ of the 1980’s.

The viability of rural communities is affected by the growing competition from larger trade centers as well as adjustments in the surrounding agricultural economy. Adjustments have impact on families as well as institutions they support with their taxes and donations. A more diversified economic base to dampen effects of fluctuations in the agricultural economy and offset increased competition is important.

A Strong Community Structure

Every community needs a sound economic foundation. Even during frontier days, pioneers could not produce all the goods and services they needed. Initially they brought pots and pans, rifles, and farm tools with them. Ultimately, some export income was required to pay for the goods and services they could not produce for themselves.

Modern communities still need some ‘‘basic’’ economic activity through which goods or services are produced that can be sold to ‘‘outside’’ customers to produce income needed to pay for goods and services not produced locally. Furthermore, as rural and urban demands become more specialized and sophisticated, our economic interdependence with the rest of the world has grown.

‘‘Basic’’ industries use the export income they receive to pay for land, labor, capital, and management required for production. The rent, interest, wages, and salaries paid to local firms and households directly affect the community’s economy. Subsequently, additional indirect effects are produced to ‘‘multiply’’ the impact, when these firms and households in turn make other local purchases, when they pay local taxes and provide donations to support local religious and charitable organizations.

Figure 3 illustrates characteristics of a community’s economic structure. The community’s basic industry exports goods and services to ‘‘outside’’ customers and

<table>
<thead>
<tr>
<th>Counties</th>
<th>Employees</th>
<th>Establishments</th>
<th>Sales Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro</td>
<td>+30%</td>
<td>+66%</td>
<td>+22%</td>
</tr>
<tr>
<td>Trade centers</td>
<td>+17%</td>
<td>+47%</td>
<td>+18%</td>
</tr>
<tr>
<td>Ag. dependent</td>
<td>+6%</td>
<td>+39%</td>
<td>+17%</td>
</tr>
</tbody>
</table>

receives payment for them. Payments flow from the community to outside suppliers for inputs that firms and households do not buy locally. These relationships illustrate the community’s linkage to the rest of the world.

‘‘Multipliers’’ describe the influence of basic industry upon income and employment level within the community. The larger the share of business and household needs that can be satisfied within the community the greater these multipliers and the local level of economic activity. Certain myths associated with use of these multipliers include a tendency to overestimate them, to assume all types of jobs have similar economic impact, and that estimates for the state may apply at the community level (3).

Some economic activity leaks out of each community’s economic barrel when local firms and households make outside purchases and investments. This leakage will increase with the proximity and competition of regional trade centers. It will fall as established firms mature and other local businesses develop to supply inputs and market their products. By reducing leakage and increasing share of business retained, communities raise the multiplier effect.

Economic Development Strategies

Economic development involves efforts to increase the impact of basic industry, to reduce leakage, and to increase community multipliers. Communities have used many strategies and approaches to reach economic development goals. However, few communities have enough resources to pursue all alternatives. Five general development strategies can help community leaders choose those best suited to their needs and resources.

Attract Traditional ‘‘Basic’’ Employers

In this strategy, attention focuses on ‘‘basic or export’’ firms in the goods-producing industries—agriculture, manufacturing, and mining. Attention often focuses on community interest in diversification of the economic base and the methods used to identify and attract manufacturers. However, efforts to improve
Encourage New Business Formation

Shifts in production technology or market demand open opportunities for new economic activity. "New starts" were credited with an increase of 9 for every 100 existing jobs reported during the 1980-82 period (6). Other authorities have reported two-thirds of all jobs are created by firms with less than 20 employees and that young firms, less than 5 years old, have produced 80% of all new jobs (8).

Special attention has been given to inventors, innovators, and entrepreneurs — people whose ideas can be developed into profitable business opportunities, whether they serve local or outside customers. Usually, financial resources are limited, the markets undeveloped and management untested, therefore, risks are high and failures frequent. "Managing on Main Street" offered by the Nebraska Cooperative Extension Service with the Small Business Development Centers is but one of the programs available to help minimize those risks.

Expand & Retain "Passive" Income Payments

These income sources are associated with savings residents made in earlier periods that now provide rent, dividends, and interest income. They are produced from sources outside the community. Another source of "passive" income is associated with transfers to the community that are controlled by larger units of government.

Social security, private pension funds, and investment incomes of senior citizens are important as a source of basic or export income for many rural and urban communities. Senior citizens often represent a substantial share of rural population and their tendency to shop locally, positively affects local multipliers.

Regional, state and federal levels of government spend tax funds to satisfy a variety of responsibilities. These "transfer" payments are often associated with public assistance. However, public expenditures in rural areas are also made to support the development of dams, highways, schools, parks, and other public needs.

The Economic Development Process

The five strategies describe a range of approaches to economic development. Careful consideration of community strengths and weaknesses are recommended before choosing those which offer the best prospect for success.

Critical Organization Questions

First, what are the community's dimensions? Economic development efforts often stem from concerns focused on the place where daily needs for goods and services are satisfied. However, local economic developments have impact on the larger trade area and even neighboring communities. The households, firms, and communities affected can have both shared and
competing interests. The organization should provide enough communications to consider those interests.

Second, who should be involved? Whether economic changes are produced by local programs or are the result of forces beyond community influence, trade-offs will be evident. Sacrifices and compromise will be required as those who receive the benefits from changes will not always bear a similar share of the costs. Further, most economic development proposals require majority support and approval. Therefore, the participation of people who represent a broad range of the community's socio-economic interests is recommended.

The Process

Communities need tools or guidelines to help identify opportunities for economic development. These tools are part of a systematic development process designed to help communities identify economic opportunities by focusing on appropriate strategies. It addresses the need to develop an organization, assess local conditions, set goals for local development, make a plan to reach goals, identify and use resources to carry out the plan, and evaluate progress.

There are many ways communities can learn about the Economic Development Process. “The Nebraska Community Action Handbook-A Guide to Local Economic Development” provides information about programs and services available. The Handbook briefly describes programs and contains instructional materials on the Education Process. In addition, there are workshops and seminars on various elements of community economic development. Contact the Nebraska Department of Economic Development or UN-L’s Cooperative Extension Service.

References

Appendix B
Sample Questionnaire

Interview Procedures

This questionnaire asks employers about their firm’s local economic impact, their views of the business climate, problems, and anticipated changes in operations. Coordinating Council members should change this questionnaire to better fit the unique characteristics of their target firms and community. Questions can be rewritten, added or deleted. The result should be a set of questions important to both employers and business Visitation Team members.

Guidelines for Interviewers

To ensure the success of your interview make sure to explain:

a. Who is sponsoring this program.
b. That the objectives are to recognize the contributions of target firms to the local economy and to identify strengths and weaknesses in the local business climate.
c. That responses will be carefully handled to protect their identity. Let them know several firms will be interviewed and only summaries of several respondents’ replies will be made public.
d. That these personal contacts are considered the best way to obtain information and to learn of people with special interests and expertise to improve prospects for expanding or retaining local employment opportunities.

Remember

• Ask all questions on the form.
• Consistent interpretations of the questions are essential. It’s usually best not to offer additional explanations.
• Don’t argue with the employer’s answers.
• A professional demeanor tends to increase accuracy and reduce the time necessary for the interview.
• Check the survey to be sure all questions have been answered and replies accurately recorded.

Finally, carefully guard the confidentiality of these replies and promptly turn them over to the program coordinator.
Business Visitation
Questionnaire

Firm ________________________________________________________________

Address _____________________________________________________________

Name, Title of Officer(s) Interviewed ____________________________________

Date of Interview ____________________________________________________

Contribution to the Local Economy

1. What is the general category of goods or services sold?

   Agriculture ............................................................................................

   Manufacturing ......................................................................................

   Transportation, Utilities or Communication .............................................

   Finance or Insurance ............................................................................

   Retail or Wholesale Trade .....................................................................

   Other (please describe): _____________________________________________

2. What year did this firm start business in this community? ________________

3. Estimate the number of jobs ___________________________ as well as the total wages and salaries $_________________________ the firm provided in the community last year?

4. What portion of these jobs were part-time ______________ (percent) or seasonal labor __________ (percent)?

5. What percentage of the firm’s employees live:

   In this city ...........................................................................................

   In this county ......................................................................................

   Outside this county ............................................................................
6. Has the firm's local employment increased _____ decreased _____ or remained about the same _____ in the last three years?

7. Have sales increased _____ decreased _____ or remained about the same _____ in the last three years?

8. What portion of the firm's annual sales are made to customers:

   In this county? ............................................................ %

   Outside the county but in Nebraska? ................................ %

   Outside Nebraska? .................................................... %

---

**The Local Business Climate**

9. What is your overall opinion of the community as a place to do business?

   Excellent _____  Good _____  Fair _____  Poor _____  No Opinion _____

10. Describe your satisfaction with these business climate factors. Are you very pleased, satisfied or wish for improvement.

   SATISFACTION

<table>
<thead>
<tr>
<th>Financial services</th>
<th>Other business/professional services</th>
<th>Land/site costs</th>
<th>Proximity of customers</th>
<th>Proximity to suppliers</th>
<th>Labor (costs/training/availability)</th>
<th>Tax rates</th>
<th>Permit processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pleased</td>
<td>OK</td>
<td>Improve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

11. Rate the quality of community services your business requires (good, adequate, poor). Now consider cost of those services (high, fair, low).

   Community Service (Continued) | Quality of Service | Cost
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td>Good</td>
<td>Adequate</td>
</tr>
<tr>
<td>Air</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rail</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Truck</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

20
12. Several organizations offer specialized assistance to business and industry. They include local development groups, trade associations, public agencies, and educational institutions.

   A. Have you asked such organizations for help? Yes ___ No ___

   B. Which one was most helpful? (briefly identify)

   C. What other types of specialized assistance would you recommend to improve the area’s business climate.
   (Describe briefly.)
Business Plans and Expectations

13. Do the officials responsible for the firm’s expansion and retention plans live in this community?
   _____ Yes _____ No
   If no, where are they located? ____________________________________________

14. Briefly describe changes which are planned for the next three years in:
   A. Employment __________________________________________________________
   B. Facilities size or location ______________________________________________
   C. Production Processes _________________________________________________
   D. Other (please explain) ________________________________________________

15. Rank the importance of the following factors in choosing and/or remaining in this community:

   
<table>
<thead>
<tr>
<th>Essential</th>
<th>Convenient</th>
<th>Unnecessary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business and professional services</td>
<td>_____</td>
<td>_____</td>
</tr>
<tr>
<td>Land/site costs</td>
<td>_____</td>
<td>_____</td>
</tr>
<tr>
<td>Proximity to customers</td>
<td>_____</td>
<td>_____</td>
</tr>
<tr>
<td>Proximity to suppliers</td>
<td>_____</td>
<td>_____</td>
</tr>
<tr>
<td>Distribution/collection costs</td>
<td>_____</td>
<td>_____</td>
</tr>
<tr>
<td>Labor costs</td>
<td>_____</td>
<td>_____</td>
</tr>
<tr>
<td>Tax rates</td>
<td>_____</td>
<td>_____</td>
</tr>
</tbody>
</table>

16. Estimate the percentage of goods needed for production and goods sold that are shipped by:

<table>
<thead>
<tr>
<th>Goods Needed</th>
<th>Goods Sold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Truck</td>
<td>%</td>
</tr>
<tr>
<td>Rail</td>
<td>%</td>
</tr>
<tr>
<td>Air</td>
<td>%</td>
</tr>
</tbody>
</table>
17. Do you buy or sell goods or services that could either be produced or further processed to increase area employment.  
(Describe briefly.)

IV. Expansion and Retention Challenges

18. In general, are new entry level workers adequately trained to meet your needs? ....... Yes _____ No _____

19. Have you had difficulty recruiting or retaining employees in these categories?

(Cross out those that don’t apply)

<table>
<thead>
<tr>
<th>Category</th>
<th>Recruiting</th>
<th>Retaining</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Professional</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managerial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machine operatives</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Precision production</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Handler/laborer</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

20. Do you anticipate needing employees who are either better or differently trained in the next two or three years. Yes _____ No _____ If Yes, please explain.

21. Do you presently have room to expand at your present location? Yes _____ No _____ If not, why?
22. Do you have concerns or suggestions for improvements in community facilities or services?

Police

__________________________________________________________

Fire

__________________________________________________________

Water

__________________________________________________________

Sewage

__________________________________________________________

Zoning/Permits

__________________________________________________________

Other:  ____________________________________________________

Questions of Special Concern

23. Local Question #1

24. Local Question #2

25. Visitation team members’ impressions and opinions:

1. The key problem(s) identified:

2. Follow-up needed:

3. Members of the vistation team:
APPENDIX C

Business Visitation Packet

Letter of Introduction

News Releases or Background Information for Interviews:
1. Announcement of the Expansion and Retention Program.
2. Announcement of the Business Visitation Interviews
3. Description of Final Reports
4. Rural Employment Trends and Prospects
5. Expansion and Retention of Established Firms

Sample Letter of Introduction

Dear ____________________ ,

The well-being of the residents of this community depends upon a healthy, growing economy. Efforts to attract new employers and encourage others to start new firms are important. However, we recognize that the expansion and retention of established firms is the foundation of our economic development efforts.

During the next few weeks we will be initiating a “Local Business Assistance” program to improve the community’s business climate. Established business owners or managers will be interviewed concerning their firm’s contribution to our economy and their views about strengths and weaknesses of the local business climate.

Two reports will be prepared to summarize information obtained from the firms we plan to interview. One emphasizes the importance of these firms and the comparative advantages of doing business in this community. The second report, “Future Challenges,” will address the need for improvements.

One of our Business Visitation teams will be calling you to arrange an appointment. We appreciate your help and want to assure you that every effort will be made to treat the information you provide confidentially.

Sincerely,

________________________
NEWS RELEASE

When Committee Chairperson Selected

For Release ________________ (date)

For more Information Contact:
________________________________________________________________________________ (full name)
________________________________________________________________________________ (office phone number)
________________________________________________________________________________ (full name)

has been named chairperson of the ____________________________________________ (full name) Coordinating Council organized to study factors affecting the community’s business climate, ____________________________________________ (full name) announced today ________________ (date).

“Using a model business retention and expansion process developed by Nebraska’s Cooperative Extension Service and Department of Economic Development, the Coordinating Council consists of volunteers from both the business and public sector. Visitation Teams will be formed to survey selected __________________________ (name of town) business owners,” __________________________ (last name) said.

“The expansion retention survey is designed to obtain data on the contributions, needs and perceptions of businesses in our community,” he said. “With this information, we can direct our resources more effectively toward solving business problems and improving the business climate of our community.”

According to __________________________ (last name), “the bottom line’ is more jobs and a strong municipal tax base.

The study is being sponsored by ____________________________________________ in cooperation with the Nebraska Department of Economic Development and the University of Nebraska Cooperative Extension Service.

Committee Chairperson __________________________ will lend guidance and coordinate committee activities to monitor survey results and design appropriate strategy for follow-up.
BEGINNING this week, (town name) area business people will be given an opportunity to voice their concerns about the local business climate. Interviews will be held as part of a business retention and expansion program, (full name) announced today (date).

"Much of the economic well-being of our city depends on the growth of our existing businesses," (last name) said. "Because of its importance to our community, positive steps are being taken to identify and meet the needs of these firms."

In-depth surveys of (number of firms) (name of town) firms will be conducted under the sponsorship of (sponsoring agent) in cooperation with the University of Nebraska Cooperative Extension Service and the Nebraska Department of Economic Development.

(last name), chairperson of the Business Retention and Expansion Council, said (number of volunteers) business and community leaders have been recruited to conduct interviews with the (number of firms) firms targeted for the study. The surveys will be done over a period from (date) to (date). "We've only got a small team so it may take us awhile to reach some firms. They can call (last name) if they want additional information," said (last name).

"Our survey has several objectives," (chairman's last name) said. "We want to understand better how local business people view (town name)’s (name of town) economy and how we can improve (name of town) as a place to do business.

"A major focus of the program is helping local firms use state and federal programs that might give them a competitive edge and thus lead to further local growth.

"We also hope to establish a system that provides early warning of local business problems to prevent needless business losses and to retain jobs and tax dollars." "The majority of new jobs created in communities like ours comes from expansion of existing successful businesses."

This business retention and expansion program was designed by the University of Nebraska’s Cooperative Extension Service and the Nebraska Department of Economic Development to assist small and medium-sized communities. The (name of town) program is part of that statewide initiative.

"We want to work in partnership with (name of town) businesses to help solve their problems," (last name) said. "The strength of our local economy is our common concern. I urge all business people contacted to take advantage of this opportunity to share their views."
NEWS RELEASE

When Final Report Is Available

For Release _______________ (date)

For More Information Contact:

_________________________________________________________________________________________(full name)

_________________________________________________________________________________________(office phone number)

_______________________________________________________________________________________ (town name) is an excellent (good, fair, poor) place to do business, according to the final report of the ___________________________________ (town name) Retention and Expansion Committee. The Retention and Expansion Council’s report is based on surveys with ___________________________________ (number of firms surveyed) firms over the past ____________ months. The committee consists of volunteers from the local business community and development agencies. Key findings of the survey were as follows:

____ percent of the firms have been in the community more than ________ years.

____ percent had expanded their employment during the past _________ years.

____ percent had lost employees.

____ percent had experienced no change in employee numbers.

____ percent of the firms had specific suggestions on ways the community could improve local services of the business climate.

Based on the survey results, ___________________________________ (full name) says the Coordinating Council has recommended that the city take the following actions to encourage growth:

________________________________________________________________________________________

________________________________________________________________________________________

________________________________________________________________________________________

________________________________________________________________________________________

________________________________________ (chairman’s last name) will present the full report at a public meeting __________________________ (day of week) at _____________________________.

The meeting will be held at the ____________________________ (name of building) at

________________________________________ (street address).
Retention and Expansion of Established Firms

The retention and expansion of existing employers has become a popular economic development tool. The primary purpose of such programs is a more profitable environment for established firms. Methods used include reducing costs of identifying and using state and federal programs, providing assistance with government regulations, providing training for management or labor, and by improving the labor-management climate. All these efforts are expected to improve profits and the odds that firms will be able to survive or expand. Five reasons are frequently given for community Retention and Expansion Programs:

1. **Higher Success Rates**

   Historically, most firms have expanded within fifty miles of their present location.\(^1\) Retention and expansion programs attempt to capitalize on this tendency. Harrison and Bluestone report that during the early 1970s, employment grew by 37.1 percent from the expansion of existing firms. On the other hand, the contractions of existing firms resulted in a 26.2 percent decline in employment.\(^2\) Through Retention and Expansion program factors may be identified that adversely affect the business climate that cannot be handled by resources at hand. Long-term plans and coordinated efforts with other communities are avenues to be explored in searching for solutions to such problems.

2. **Improved Hosting Teams**

   People designated to host prospective investors or employers are an essential part of efforts to attract new community employers. It's important that these hosts are kept up-to-date and "in-tune" with the views of established employers. Further, most of these prospects will wish to visit with established employers privately. An effective retention and expansion program can help make this visit a good one.

3. **Community Strengths and Weaknesses**

   A retention and expansion program provides an avenue to clarify and investigate factors with impact on business performance. The program is built upon interviews with established employers. Once recognized, handicaps or weaknesses can be addressed in cooperation with local government to improve the business climate for both established and prospective employers.

4. **Zero-Sum Games Avoided**

   Economic development programs which emphasize the attraction of new industry often result in transfers of jobs from one community to another. As a result, one community's gain is another's loss. Retention and Expansion programs appear to avoid aspects of such "zero sum" games, although established firms often compete with firms from neighboring communities.

5. **Pro-Business Attitude**

   A positive community attitude is an essential element in attracting new firms as well as in retaining and encouraging existing firms to expand. Retention and expansion programs provide an excellent means of demonstrating that pro-business attitude.

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Rural Employment Trends and Prospects

Rural Employment Experience

Our projections about the future performance of rural economy will be improved if we first understand how it has performed in the past.

During the 1950s, rural areas gained but one job in manufacturing for every three they lost in natural resources. By the 1960s, gains in manufacturing tended to offset losses in industries based on natural resources. During the 1970s, increases occurred in private services, government, manufacturing, construction, and even in the natural resource industries.

The employment increases in manufacturing, construction, and the service industries together with declines in U.S. agriculture over the past four decades have dramatically transformed the rural economy. In 1940, the natural resource industries provided more than four jobs out of every 10 in rural areas; in 1980, they provided less than one job in 10. By 1980, the service industries, manufacturing, and construction had come to dominate economic activity in many rural areas, much as they do in metro areas.

Conditions Associated with Rapid & Slow Growth

In the 1969-73 period, rural areas outpaced urban areas in employment growth, but between 1975 and 1982, they lagged behind. Not only did rural employment growth slow in relation to metro growth during this latter period, but it slowed from the early 1970 rural growth rate. During the early period (1969-73), all rural industries, except the natural resource industries, made a significant contribution to growth. But during the 1975-82 period, rural employment growth was concentrated in services, trade, and government.

We do not fully understand all forces contributing to the period of robust growth nor why it has subsequently slowed. Some attribute the growth spurt to a plentiful supply of labor, and a favorable business climate. Others have cited the influx of retirees, government rural development programs, the modernization of rural life, and a stabilization of employment in natural resource industries. Rural growth appears to have been the result of many different favorable factors coming together at the same time.

Similarly, the slowdown in rural growth also seems to be associated with complex and imperfectly understood factors, including the increase in foreign competition. Foreign competition has been important to industries in which many labor intensive, routine assembly operations are required. These industries have faced increased competition, or have often shifted operations toward countries where labor costs are extremely low.

Employment Prospects

Once a trend is well established, people often expect it to continue indefinitely. This view appears to be supported by the heavy concentration of slow-growing industries in rural areas and the fact that nearly one-third of all rural jobs are located in the economically depressed North Central Region.

According to the Wharton models for the nation, growth is expected to be rapid in the construction and service-producing industries, moderate in government and durable-goods manufacturing, about zero in non-durable manufacturing, and negative in the natural resource industries. A moderate number of new jobs will be provided by government, durable goods manufacturing, and construction during the 1980s. However, most new jobs will continue to be generated by the private service industries as they were between 1975 and 1982.