



# **Why Business Retention is Important and How to Maximize Its Value**

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# Why Business Retention is Important and How to Maximize Its Value

Eric P. Canada

The most frequently asked question we get is how to explain the importance of business retention and expansion. The answer is layered. We begin at the top.

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*A community's best companies are your  
competitor's best prospects!*

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## *Narrow View*

1. **Target marketing.** Your competitors do it and they pick the best growth opportunities wherever they find them... even in your back yard!
2. **Business strategy.** Business is constantly evolving to remain competitive and grow. As strategy at the corporate level changes, impacts are felt in communities.
3. **Growth.** The #2 barrier to expansion in a community nationally<sup>1</sup> is the lack of affordable land and buildings.
4. **Business climate.** Companies do not stay/grow where they are unappreciated, unwanted, or abused. When the risk exceeds the value, companies respond.

Stopping here translates into a focus on a defensive strategy. Behavior includes counting visits, touting “relationships” and scoring responses to questions. A defensive strategy draws about 25% of the value of the BR|E effort. Write a report on findings and the value increases to about 45%. It’s a good start, but focusing on bullets 1 through 4 is a narrow view of the potential of business retention. This thinking lulls economic developers into a false sense of security with a mantra – relationships, relationships, relationships. Assumption. They will call when they need

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<sup>1</sup> Synchronist Users’ Forum, North American Data Study, 2017

us.

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*Focusing on bullets 1 through 4 is narrow view of the potential of business retention. This thinking lulls the economic developer into a false sense of security with a mantra – relationships, relationships, relationships.*

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### ***Full View***

The narrow view is less than half the BR|E picture. The real reason BR|E is important is much more complicated. The counterpart to a defensive strategy is an opportunity focused approach. In this approach, the defensive advantages are captured as a by-product. As a result, this approach can extract a full 100% or maximum value from the BR|E effort.

- A. **Resources are limited.** Not all companies are equal. Some have greater value and greater growth potential. Knowing the difference allows resources to move to where they can have maximum impact, maximum value.
- B. **Organizational strategy.**
  - a. **Business needs change.** Knowing those needs early allows the organization to take advantage of new opportunities that can be revenue producers.
  - b. **Competitive position.** Every community must compete for investment and jobs. Knowing why a community is not competitive by using accepted national benchmarks, provides insight needed to redirect strategy to improve competitiveness.
- C. **Business climate.** Knowing which local problems – among dozens of candidates – really restrict business growth allows the organization and community to respond before existing jobs or new job opportunities are lost.
- D. **Anticipate needs and opportunities.** A good interview process will help identify needs of individual companies as well as groups of companies that executives do not or will not articulate.
- E. **Influence.** Everyone has an opinion. Backing an opinion with validated evidence creates winning arguments that can change the way decision-makers inside AND outside the organization use resources to improve the community's product for business.

- F. **Resource allocation.** Like any investment portfolio, the value of a portfolio – your base of existing businesses – is greater and more productive when managed than when the portfolio is ignored.

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*Bullets A through F take an full view and place a value on relationships, quality data, and influence.*

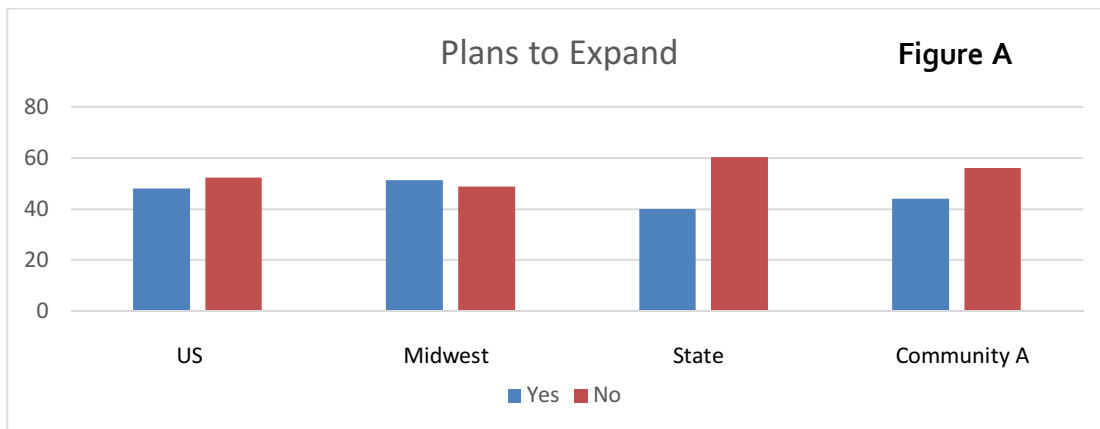
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## By the Numbers...

It's never about the data UNLESS you want to a) identify value added services; b) offer leadership factual information; or c) build a context for decision-making. Relationships will always be part of the puzzle. But, when they are the goal, 55% of the value of the work put into BR|E is lost.

Not all numbers are equal. Any number is a good number until a public official disagrees or you have a substantive point of comparison. BR|E generates lots of numbers. Unfortunately, nearly all sit in isolation. They can't be compared if your program, your methodology, and your questions are unique to your community or your region. Year-to-year comparisons help, but they do not provide a full context because so much can change from one year to the next.

In sharp contrast, Figure A places the community into context with its State, its Region and the United States. In this example, the findings for companies with plans to expand is greatest in the Midwest. The Midwest is performing slightly better than the US as a whole and significantly better than the State where Community A is located. Also, Community A is better off than the State, but not significantly.



These benchmarks are drawn from thousands of executive interviews<sup>2</sup>. They provide a context

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<sup>2</sup> Interviews are conducted by hundreds of Synchronist Suite users throughout the US and analyzed through the North American Data Study to identify national and regional trends.

for what the local economic developer learns locally. Benchmarks help us understand local results. Taken at face value – as is the practice in most economic development, would report to investors and leadership that 42% of with expansion plans is terrific news. It is a good sign. We are doing great! With a seemingly strong positive number, it is easy to accept the good news and move on to the next topic. Sadly, as in this Midwestern community example, 42% is only part of the story. In reality, the community has an 8% competitive disadvantage in its region and nationally. This raises an important question that does not come up otherwise.

Why?

This simple question, drawn from a broader context, has the power to change economic development strategy.

## **Maximizing Value**

A good BR|E program has both immediate and strategic focus by necessity. A good program looks for a 100% plus return on investment. A good program looks to build a reputation for accurate, reliable business information – within the organization and the community – bringing recognition to the organization. A good program looks to drive meaningful metrics...

- Jobs, capital investment, square footage added as a result of hands-on problem solving with clients
- Grants and incentives delivered to clients
- A significant pipeline of potential growth
- Value added services provided to clients
- Identification of revenue generating programs and services
- Recognition as the source for business information in the region
- Relationships

A good program requires a substantial commitment. It is not a strong hand shake and a smile. It is not a part-time or seasonal job. It is not 5 minutes in a walk-by. Done properly, a branded, packaged, and marketed BR|E program is not only fundable, it is a revenue generator. Done poorly, it is a distraction.

It comes down to a pretty clear choice: Defend or Engage, Influence, Impact.

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*It comes down to a pretty clear choice:  
Defend or Engage, Influence, Impact.*

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Enlightened economic development professionals view business retention and expansion

(BR|E) as their **Competitive Intelligence** operation. In this view, the information gathered through outreach and strategic executive interviews fuels decisions and resource allocation across the organization and throughout the community.

## Retention

# Listening to our “clients”

Greater Dubuque’s *Infoaction* program underscores the importance of existing businesses

As the Assistant Director of Greater Dubuque Development, Dan McDonald’s primary role is to serve the area’s existing employers. McDonald oversees Greater Dubuque’s business retention and expansion program, *Infoaction*. *Infoaction* is based on a systematic, on-site visit process with area CEO’s, business owners and top managers. Although the idea of maintaining contact with existing employers seems simple enough, Greater Dubuque’s program has turned some heads and has been cited by some as one of the best in North America.

In March, Greater Dubuque was invited to share its program with officials from the City of Toronto. In April, McDonald served as the featured speaker at a forum in Chicago for participants from 11 states engaged in business retention and expansion programs. At the Business Retention and Expansion International Conference in Nova Scotia in May, Dubuque’s *Infoaction* program was cited for excellence in at least two separate presentations. In June, McDonald was again used as an expert for a panel discussion with economic development professionals from across Iowa.

We sat down with McDonald to discuss Greater Dubuque’s program and why it is an important component for any community:



Daniel McDonald  
Assistant Director, Greater Dubuque

► For more information on the *Infoaction* program call Greater Dubuque Development at (563) 557-9049.

## Case Study: Greater Dubuque Development Corporation, IA

**Question: We’ve heard a bit about Greater Dubuque’s efforts with existing companies. Tell us about it.**

McDonald: Sure. At Greater Dubuque, we systematically get out from behind our desks to visit with about 200 companies per year. We do this to gain a better understanding of our customers, or, in our case, Dubuque area businesses. It’s really about customer service and gaining a clear understanding of what is happening in the ‘real’ world.

**Q: You describe this as customer service. Is this why Greater Dubuque spends so much time with existing business?**

In 1999, Greater Dubuque Development Corporation created a new model for their existing business program. That model crafted by Dan McDonald, VP Existing Business is described in this 2004 interview. Today, 18 years later, InfoAction is one of the longest-running, most advanced BR|E programs in the US. It is responsible for strong relationships and a flow of information that has helped GDDC and the community stay ahead of the curve winning national praise and a growing investment base. More importantly, timely information has allowed them to make strategic decisions and sharpen their focus on serving their core customers. They have been a valued Synchronist Suite Partner since 1999.

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Mc: Excellent service is a must in all occupations. However, serving existing industry is also our number one priority. Existing business drive more than 80 percent of all job creation and capital.



investment projects nationally. In fact, in places like Iowa, the number is probably more like 90 percent. This is not just a clever statistic—it's reality.

***Q: You say 80-90 percent—how does that look in Dubuque?***

Mc: Pretty close. Just take a look at any of our annual reports and you'll see that most of the expansions come from within.

***Q: Do you only meet with companies that plan to expand or grow?***

Mc: No. We value all of our existing businesses. Most CEOs of existing companies don't ask for a thing and they quietly go about their business. Whether a company is expanding or not, we meet with the executives because they have such a sharp sense of what's happening in the economy and because they can also help us identify issues within the Dubuque area. Good or not so good, the executives have been quite candid with their assessments. They've been very good to me.

***Q: Describe your visits with a company.***

Mc: Mostly it's about asking questions and listening to the business person. As I just noted, most are very candid during my visit. Although the discussion is candid and relaxed, we do use a systematic approach with set questions. It's kind of like portfolio management, if you will. Our disciplined approach, along with custom software to capture the information, gives Greater Dubuque a pretty good idea of Dubuque's economic make up.

***Q: Can you elaborate? What makes Greater Dubuque's program different?***

Mc: Well, unlike many communities that simply use volunteers to stop by and say

“howdy,” we use a staff-driven approach to maintain high levels of consistency and confidentiality. We are also deliberate in our efforts to meet one-to-one with local decision-makers. I think it's also important to explain what we are not. We are not a membership-type organization or a charity. That means we are not interested in selling anything or asking for money during these visits. In fact, we have done multimillion dollar deals with companies that are not investors in Greater Dubuque. That's OK because our job is to serve these companies.

***Q: Assume I'm the CEO of a Dubuque area company. Tell me in 30 seconds or less why should I meet with you?***

Mc: In 30 seconds or less? There are a number of reasons to seek their input. It's very important to us. First, the numbers don't lie. Existing businesses create the bulk of jobs, payroll, taxes and capital spending in our economy. These are Greater Dubuque's number one customer. We want to hear from our customers. Second, regardless of expansion plans, CEOs and business owners provide Greater Dubuque with a view from the street. We hear about opportunities and challenges long before it's a major trend and makes the front page of the Wall Street Journal. And from a community perspective, the CEO is providing valuable information about whether the community is on the right track or going in the wrong direction. Finally, and just as important, I would tell a CEO that having a base knowledge of their company can be an advantage. From a business-to-business perspective, Greater Dubuque has helped some businesses connect.

**Q: What is Greater Dubuque's role in helping existing businesses grow?**

Mc: In some cases, it's working to coordinate incentive packages, in other cases, it's simply providing information. We've helped existing companies with everything from traffic issues to zoning issues to sign ordinances to even connecting one local company with another company for the purpose of doing business.

**Q: How then does your program create jobs?**

Mc: First I would tell you that Greater Dubuque does not "create" jobs. The private sector creates jobs and drives capital spending. However, indirectly, our team can help remove artificial barriers and send a signal that we are willing to go to bat for the company.

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*"Whether a company is expanding or not, we meet with the executives because they have such a sharp sense of what's happening in the economy and because they can also help us identify issues within the Dubuque area."*

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**Q: Give me an example.**

Mc: For example, if you can't help a company resolve, say, a traffic issue with IDOT, how on earth can you help

them with a multimillion dollar expansion? Many times, it's about demonstrating superior customer service. It's also about relationships. I know it's somewhat of a cliché, but I happen to believe it's the biggest truth. Relationships do matter. In one case, a few years ago, the president of a large company expressed some frustration with a few issues. Our team treated the CEO's comments with great care. Since that time, this same CEO made Greater Dubuque his first call when he expanded and we were able to assist. In fact, the company is considering yet another expansion.

**Q: So, in a sense, sometimes small things matter?**

Mc: No. They always matter. The "small things" are what happen between either an expansion announcement and a layoff notice. Again, if we can't help a company with what may be perceived as a minor issue, why should they believe that we can help them when it comes to expanding and investing millions of dollars?

**Q: If so much emphasis is on existing businesses, does the recruitment of new industry get lost in the shuffle?**

Mc: That's an understandable question. It's a common question as well. The answer, unequivocally, is no. We focus on attracting new industry to the Dubuque area as well. Thanks to our River Valley Initiative investors, Greater Dubuque now has the resources to

truly compete in the recruitment game—from plane tickets to marketing materials. We also have a very flexible staff and we all share in the role of retaining, expanding and recruiting industry.

***Q: How so?***

Mc: Well, Rick Dickinson leads our overall efforts and he spearheads almost all of the outside recruitment. He's the road warrior, if you will. However, thanks again to our investors, other members of our staff have spent time with site locators and companies across the United States. Places like Los Angeles, Chicago, San Francisco and even New York City. Actually, the recruitment of New Hampshire-based On-Point is a good example. Rick was out of the office so I did the initial site-visit and tour with the company. Then, on their second visit back, I was in California and Rick took over the process. Throughout the entire process, however, each and every member of our staff played a role. I guess you could say that we are good at multi-tasking.

***Q: Do other communities in the U.S. try to strike a balance between recruitment of new industry and attention to existing companies?***

Mc: The competition on the recruitment side is fierce. As Rick has told our investors, there are about 450 projects per year on a national basis. Couple that with 15,000 economic

development groups, professionals and site location firms and you've got the perfect storm in terms of competition. Nationally, I would argue that the vast majority of dollars spent by cities are for the attraction of new businesses. Existing industry usually gets pushed to the back burner.

***Q: I don't understand. If most of the growth comes from existing businesses, why then would more money be spent on recruiting new companies?***

Mc: In Dubuque, our leadership "gets it". It understands and invests in our existing base. However, when you look around, "new" is often perceived as better. Whether it's a new car or new shoes versus a used car or old shoes, new is wrongly perceived as better in economic development. It's a perception thing I guess. Retention and expansion is viewed as defense whereas attraction is viewed as offense. However, as I've already said in this interview, existing businesses generate most of the jobs and capital investment. That, to me, is offense.

***Q: I'd like to finish by asking, in a generic way, what's working and what would you change about your program?***

Mc: Thanks to some inquiries from my peers around the country, I've actually thought about this at some length. Just this month, I was asked the same question by a professional from

Nashville, Tennessee. First, as far as what's working, I believe that Greater Dubuque's Infoaction program is solid because of the consistency, the confidentiality and the level of candor from the CEOs. We are not a tips club and we are deliberate in our efforts to get in front of our customers. As far as things that I would change, really, two things stand-out in my mind. First, better use of the "big picture" information. We can do a better job of using some of the trend information to possibly impact community decisions. A better job of connecting-the-dots. Second, I can do a better job of selling the visit to a CEO. Most executives have been very accommodating when I have asked for their time. However, I think some are not really sure why Greater Dubuque makes a request to have a one-to-one visit. After all, these are very busy people. These are the areas that we will improve going forward.

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## Expansions

In 2003-2004, the majority of growth in Greater Dubuque's business sector was from existing industry. Expansion occurred in the form of equipment upgrades, construction of new facilities and/or increasing a workforce. The following is a sample of some area projects



McKesson Corporation announced it would expand its Dubuque operation to include 74 new positions.



Schieffer Company International, L.C. invested \$2 million in new equipment and added 10 new jobs in Peosta.



Vessel Systems began construction in the late Summer on a new facility in Dubuque's Industrial Center West. The new 34,500 square foot facility will allow the company to gain efficiencies and add 25 new jobs and \$1,000,000 to its annual payroll.



Medline Industries announced plans to add 41 new positions to its Dubuque operation.



Lund Manufacturing added 5,000 square feet to their Farley facility



IIW Surveyors & Engineers began constructing a 6,800 square foot addition to their existing office.



Dyersville's RC2 announced plans to invest \$3 million to expand an existing building and upgrade technology. Once complete, the project will have retained and created 180 jobs.



Dyersville's Modernfold added 21,000 square feet of warehouse space to its existing operation.



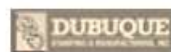
The Adams Company is near completion of a new, 50,000 square foot facility in the Dubuque Industrial Center West.



Mi-T-M converted 80,000 square feet of warehouse space into new manufacturing space. The Peosta company just invested over \$1.2 million in new, high tech equipment and plans to start a new generator line.



APEX announced plans and received zoning approval to construct a new, state-of-the-art facility.



Dubuque Stamping and Manufacturing continued to secure its future by investing in new equipment that will enhance its capabilities.

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## Author

Eric P. Canada, Blane, Canada Ltd. is a recognized authority on economic development marketing and business retention and expansion (BR|E). He is a psychologist by training, an entrepreneur at heart, and a developer by choice.

Before consulting, he led local, regional, and state-wide economic development organizations and programs. Today, he brings a fresh perspective to strategy and planning for clients.

Canada has a reputation for leadership and innovation.

His 2<sup>nd</sup> book, ***Economic Development for the Team*** written to provide a big-picture view of economic development for staff, volunteers, board members and elected officials was released January 2018. His previous books were, *Economic Development: Marketing for Results!* and *Marketer's Planning Guide*. He has also published numerous research whitepapers on BR|E and economic development marketing.

He is the developer behind the award-winning *Synchronist Suite*® software designed to help economic developers manage client relationships, business retention and expansion, and prospect tracking. He created national BR|E key performance indicators.

Over 15,000 economic development professionals have attended his workshops. He has taught at IEDC, EDI, 7 Basic Courses, BREI, and CDI as well as University of Southern Mississippi's Masters economic development course. He founded the ProLearning Lab to ensure high quality economic development education without commercial bias and co-founded Engage, a CEO gathering for top economic developers, 2003-2015.

He publishes the *Economic Development Marketing Letter: 13 Tips* and distributes news via Twitter: @edmarketingpro. He can be reached in Wheaton, IL at 630-462-9222 x 700 or ecanada@blanecanada.com. More Info: BlaneCanada.com



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Advisory Services	Software Solutions
<p>Put our four decades of economic development leadership to work for you. We developed and worked these programs as EDO execs. Now we can help you.</p>	<p>As former EDO execs, we know Board expectation and tools needed to manage contacts, projects, service delivery, business retention, and workforce programs.</p>
<p><b>Business Retention &amp; Expansion Advisory Services</b> Enlightened economic development professionals view business retention and expansion (BR E) as their <b>Competitive Intelligence</b> operation. In this view, the information gathered through executive interviews fuels decisions and resource allocation across the organization and throughout the community.</p>	<p><b>Synchronist CRM</b> – Our client relationship management (CRM) tool provides full functionality. One-click reporting of all your work with clients. Manage thousands of contacts with or without BR E interviews. Bring together client information in a single location accessible to all staff members from anywhere. Eliminate duplicate data entry.</p>
<p><b>Talent Development Strategy</b> – Talent/workforce is the hottest topics in economic development. We spent two decades in economic development addressing these issues at the local and regional level. Your organization has a role to play. We'd welcome the opportunity to join your team on this critical issue.</p>	<p><b>Synchronist PRIME</b> – Primary sector business retention expansion (BR E) module contains industry researched + custom questions, embedded analytics, preformatted reports and more. Only tool in the industry to predictively and objectively manage findings. Drive objective decision-making.</p>
<p><b>Vision &amp; Strategy</b> - Vision, the ability to see a future that does not yet exist, shapes economic development is the vortex of any planning initiative. It is the tension between what is and what could be. Our visioning process forges alignment within a group around aspirational as well as transactional goals.</p>	<p><b>Synchronist Talent</b> – In depth exploration of current workforce, recruitment and retention strategies, training and future talent needs. This tool shines a light on specific problems that deliver value to employers now. Moves the organization from a supply strategy to demand-driven.</p>
<p><b>Marketing Planning &amp; Strategy</b> - Marketing is a dynamic process. Success is not how much you spend, it is how you spend the money you have. Our proven planning process brings leadership through a shared experience to reach a custom outcome designed for the community's circumstances.</p>	<p><b>Synchronist OpMgr</b> – Project management module for managing expansion and attraction opportunities. Manage a project, the project team as well as client interactions, then produce up to the minute reports with built-in reporting. OpMgr can be used with Synchronist PRIME or CRTS to manage projects.</p>
<p><b>Speaking, Training &amp; Workshop Facilitation</b> - Anyone can string together anecdotes and success stories. But, it is the structure and principles that influence how disparate elements interact. Blane, Canada has invested the time to create and share the structures that allow economic developers to visualize the connective tissue.</p>	<p><b>Synchronist Main Street</b> – Your Local Company BR E module with industry researched + custom questions, designed around the economic drivers and risk factors for non-primary sector businesses. Use in conjunction with PRIME or independently.</p>