

The Missing Link: **A Vision for R&E**

A North American Field Study of Results and
Outcomes in Retention and Expansion Programs

Blane, Canada

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September 2002

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Executive Summary

The current vision for R&E as an independent economic development program is no longer valid. The dynamics of the world have changed. To remain valid, R&E must have a role in a broader context. If it is to survive, R&E must be repositioned. A new vision for business retention and expansion is critical.

The process underlying Retention and Expansion (R&E) is highly customizable to fit the needs and resources of the sponsoring economic development organization; therefore, comparative information is slim. The gap in the literature addressed by the “Results & Outcomes” research is a systematic investigation of program results across a variety of programs throughout North America. The overriding question, “Are we getting our money’s worth from R&E?”

The five significant conclusions of the research findings are:

- ◆ Three (3) clearly defined levels of R&E approaches
- ◆ “Results” regardless of approach
- ◆ “Results” defined within the context of the process (short-term)
- ◆ Inability to articulate underlying frustration
- ◆ Lack of a vision for R&E

The universal success rate has led professionals into a state of lethargy. Execution from program to program is inconsistent. Benefits of R&E are assumed, not documented. Improvement is focused exclusively on tweaking the process. But, most importantly, universal success means there is no demand for change. With 100% success, tough questions go unasked and unanswered:

- ◆ How do we get more from the R&E effort/investment?
- ◆ How can R&E take a more prominent role in our organizations and our communities?
- ◆ How can the perceived value be increased for critical audiences?

Satisfaction levels are high. Ideas for improvement are “stuck” at the process level. Yet, analysis of individual comments on satisfaction point to an underlying frustration among professionals.

A new set of “Opportunity” benefits can be derived from most R&E programs. These benefits include: **results**, expanded **public relations** messages, **follow-up** tracking, **carry-over** of information from one program cycle to the next, **carry forward** of historical knowledge during staff transitions, enhanced **client knowledge**, and identification of new **business building** options. Research findings document capturing these benefits from R&E is the exception, not the rule. Yet, each benefit can flow from R&E within the currently accepted process with little or no additional effort. When evaluated against potential for opportunity benefits, an enormous gulf stands between current practices and real effectiveness. A new vision for R&E is emerging. It consists of three central elements:

Client Focus/Client Knowledge

Focus on the client. Focus on aggressively increasing the value of the process, as it is currently practiced, to gain a detailed knowledge of each individual client and their potential.

Business Building

Use the detailed client knowledge to help individual companies and groups of companies grow (increase sales and profits) their businesses.

Economic Portfolio Management

View the economic base as a portfolio. Manage the portfolio to direct resources to maximize the overall growth of the portfolio instead of responding to demands of the individual pieces.

Professionals have a lot to show for their work with business retention and expansion. However, reframing retention and expansion is a huge opportunity for economic development organizations to build more value for the community and the organization.

The Missing Link: **A Vision for R&E**

A North American Field Study of Results and Outcomes in Retention and Expansion Programs

September 2002

Eric P. Canada

Introduction

Retention and expansion has been a core component of economic development since the '60s. The practice of retention and expansion (R&E) has been refined and is now well known to all but the newest members of the profession. There is a broad and solid body of how-to information and descriptive literature. Professionals involved in R&E even have their own international organization, Business Retention Expansion International (BREI) as a source of information, training, and fellowship.

Since the process underlying R&E is highly customizable to fit the needs and resources of the sponsoring economic development organization, comparative information is slim. Therefore, the gap in the literature addressed by this research is a systematic investigation of program results and outcomes across a variety of programs. In other words, what results are likely when an economic development organization engages in an R&E program? The overriding question, "Are we getting our money's worth from R&E?"

This report captures the findings and conclusions following a study of R&E in North America (United States and Canada). This study was conducted by:

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Each of the researchers participated in this study as a matter of professional curiosity and personal commitment to advance the profession. Research was funded out-of-pocket by the participants and their organizations.

Research Goals

- Identify results and outcomes stemming from business retention programs.
- Determine commitment level.
- Explore awareness circles.
- Probe expectations and satisfaction.
- Identify opportunities for improvement.

Results and Outcomes Findings

The five significant conclusions of the research findings are:

- ◆ Three (3) clearly defined levels of R&E approaches
 - Conversational
 - Standard
 - Sophisticated
- ◆ "Results" regardless of approach
 - The paradox: The questions are irrelevant!
- ◆ "Results" defined within the context of the process (short-term)
 - Improving R&E is consistently viewed as tweaking the process
- ◆ Inability to articulate underlying frustration
- ◆ Lack of a vision for R&E

Secondary conclusions from the research findings include:

- ♦ Lack of a long-term view (outcomes)
- ♦ No motivation to get more for the investment of time and money
- ♦ Weak program recognition (i.e. value association) beyond the organization's leadership
- ♦ Battle between R&E and business attraction for strategic dominance in economic development is based on...
 - "Rule of Thumb" documentation (i.e. 80% jobs from existing companies)
 - Characteristically weak evidence to support R&E's real value
 - Strong, emotional anecdotal attraction success stories

The findings also confirm many facts long believed to be true:

- ♦ R&E is a "do-it-yourself" program
- ♦ Heavy staff responsibility assumes a very diverse skill set
- ♦ Limited staffing devoted to R&E
- ♦ Limited use of allies and partners to make calls
- ♦ Limited funding
- ♦ Very limited use of grant or special, program-specific funding
- ♦ Difficult to articulate leadership's commitment
- ♦ Large number of organizations have staff-driven, on-going programs with monthly call goals
- ♦ Networks deliver solutions; EDC just one player.
- ♦ Looking for answers/direction at all available training venues (IEDC, BREI, State Assoc.)

Results and Outcomes Terms

Since the terms "Results and Outcomes" are often used interchangeably, the following definitions are essential to understanding and discussing R&E as investigated in this research.

Results: Anything that comes as a direct consequence of an action or process.

Outcomes: The way something turns out, the end product.

In this research, results are therefore viewed as a short-term measure. Outcomes are seen as a long-term measure, implying the passage of time and the inclusion of intended, as well as consequential, results in the final determination of outcomes. By way of example:

The **RESULT** of FY 2000 R&E program: Eight volunteers and staff visited 43 companies; staff provided follow-up replies to 14 companies; staff is working with two companies on securing financial assistance for expansions. The two companies anticipate adding 54 employees.

Two years later, the **OUTCOME** of the R&E program conducted in FY 2000 was that only one company expanded. The second proposed expansion was shelved and the company has since reduced staff by 20%. The net gain was 13 new jobs. The FY 2000 program report was filed, and quickly forgotten by Board and Council members. There is no on-going R&E activity unless a company calls for assistance.

R&E Program Visit Approaches

Research and literature review shows three different approaches to executive interviews. These approaches and their characteristics are:

Conversational Style:

Sporadic personal conversations with company executives, few if any specific questions, not necessarily conducted on-site at the company, little or no written record. Interviews conducted only by economic development executive staff.

Possible results: Company-specific solutions and services, identification over time of issues impacting multiple companies, opportunities to change the organization's program priorities.

Standard R&E Style:

Periodic program blitzes and/or on-going personal visits, specific list of questions (general, themed [e.g. technology, cluster], mixed, problem identification) little or no consistency in question from one program cycle to another. Question selection negotiated among participants. Staff and/or ED allies and/or volunteers make the calls. The written record (paper and/or electronic) allows tabulation, totals/distribution, and reporting for internal and/or external uses. Some media involvement.

Possible results: Company-specific solutions and services, identification of issues impacting multiple companies, changes in the organization's program priorities, info to support changes at outside organizations.

Sophisticated R&E:

Regularly scheduled blitz or on-going calls, majority of questions selected for analytical objectives by independent specialist. Questions are consistent over time across program cycles. Limited number of local issue questions covered concurrently. Calls made by dedicated staff with ED allies and/or volunteers.

In extreme cases, could include statistical sample selection and statistical analysis. In these cases, an outside specialist is required to conduct interviews.

Information viewed as a long-term client history/service record. Provides ability to know one company from another and act differently based on that information. Written record (paper and electronic) allows tabulation, totals/distribution, extensive analysis, and reporting for internal and/or external uses, as well as conclusions. Historic data allows trend analysis to identify long-term changes.

Possible results: Company-specific solutions and services, identification of issues impacting multiple companies, changes in the organization's program priorities. Findings over time create an ability to identify long-term trends. Documentation of issue allows the organization to influence outside organizations. Findings drive a variety of themes for internal and external communications.

Inside Job

It comes as no surprise to professionals that R&E is viewed as a staff job. Staff is expected to do virtually everything.

- ◆ Design the process
- ◆ Design the survey tools
- ◆ Build the database
- ◆ Recruit and train volunteers
- ◆ Conduct the interviews
- ◆ Manage the process
- ◆ Analyze the data
- ◆ Write reports
- ◆ Prepare internal/external promotion
- ◆ Execute 1-to-1 follow-up
- ◆ Implement findings as needed

Using the design of the survey instrument as an example, 53% were developed by staff alone. Another 29% of the survey instruments were designed by staff and a partner or committee. Only 18% of the respondents used an academic partner or consultant to develop the survey instrument. To develop an electronic database for recording the information, staff assumed responsibility 51% of the time while consultants and academic institutions were somewhat more involved providing support to 26% of the respondents.

Given the very limited resources available to R&E, continuation of this pattern is insured. Unfortunately, the critical embedded assumptions by leadership and investors are:

- 1) Easy to do-it-yourself.
- 2) Needed expertise is in-house (anybody can do this stuff).
- 3) Staff time is “low value” (OK if it takes a little longer).
- 4) Compromises in the quality of questions, recording methods, and/or analysis, resulting from weak staff skills will have no substantive impact on results.
- 5) No money, no alternative.

All of these assumptions contribute to persistent under-funding of existing business programs. Plus, accessing new resources from the organization or tapping outside resources is frequently not possible because the “results” are already good, additional value is not apparent, and finally, there is no solid evidence to justify additional investment is warranted.

Funding: R&E vs. Business Attraction

More often than not, respondents complained about under funding. This view is supported by the findings since over 54% of respondents commit less than \$100,000 to R&E, and 70% of these organizations budget less than \$50,000. The breakdown in this category of respondents was:

- ◆ 30% \$50,000 – \$100,000 budgeted
- ◆ 39% \$10,000 – \$50,000 budgeted
- ◆ 31% no specific budget

In the upper budget bracket, over \$100,000, the budget information gathered was not sufficiently detailed to allow other conclusions as to the true resources committed to retention and expansion. Funding ambiguity stems in part from the lack of a clear definition for what constitutes an R&E program. Respondents in some cases included funding committed to any program benefiting existing business, e.g. international trade, entrepreneurship, workforce development. In other cases executives excluded staff salaries.

Even though many complain about insufficient funding, few economic development organizations have mounted an effort to build a case for gathering new resources. In documenting the value/importance of R&E, the vast majority of respondents accept the long-standing “rule of thumb” – “80% of new jobs in a community are derived from current employers.” Other “estimates” vary widely and are typically unsupported by reasonable documentation. As a result, there is little solid evidence available to underscore the benefits to be derived from committing more resources to existing business programs.

Also, only a few respondents are tapping non-budget funding sources. Only about 24% of respondents leverage grants to help support their R&E effort. Given the high percentage of cases 41 (61%) where staff makes over 90% of the calls and 33 (49%) of those organizations use staff exclusively, it appears that few organizations are looking for opportunities to partner with other organizations such as the Workforce Development Board, Manufacturing Extension, etc. Partnering with other organizations which have a shared interest in knowledge of the existing business base could provide valuable manpower and/or funding. Partnering could also cut down on the number of separate interview requests executives receive from economic development organizations.

Guaranteed Success

R&E is a defensive strategy. R&E is a response to the insecurity of the unknown and the recruitment efforts of competitors. It has focused on community problems. Opportunities, beyond the possibility to identify expansion candidates are seldom on the radar. The majority of economic development organizations narrowly define expectations:

- ◆ Retention Companies and/or jobs saved.
- ◆ Expansion Companies adding capital investment and/or new jobs.
- ◆ Problems Local issues troubling business executives.

Economic development organizations, regardless of the style used (conversational, standard, or sophisticated), report success on all three fronts (retentions, expansions, problem identification). Success is substantiated by ample anecdotal evidence. Everyone has success stories, regardless of program design/execution sophistication.

- ◆ Companies are saved.
- ◆ Companies are helped.
- ◆ Critical issues are identified.
- ◆ Resource allocation is shifted to address problems
- ◆ Policy decisions are influenced.

The paradox, then, is that the ability to generate results regardless of the survey approach suggests the type of questions or the quality of the discussion during the interview is not important.

Performance

Performance in R&E is difficult to pin down. An historic selling point of R&E programs is that they can be individually crafted to meet the perceived needs of the community where they are in use. Consequently, common characteristics are limited to process elements, e.g. staff-driven or volunteer-driven, on-going or blitz, etc. Results, as noted earlier, are narrowly defined. A model program is not one of proven performance, but rather a program which has been the subject of a published article or is a self-designated “model” intended as a template for use by regional partners. Consequently, it is difficult to establish performance criteria for R&E. The central question is then, what drives R&E value for an economic development organization?

To evaluate performance or effectiveness, researchers have focused on the issues of expectation, interest, satisfaction, and perceived value. Each of these subjective factors helps define the value placed on the R&E program by critical audiences.

Expectations

When evaluating results compared to expectations at the onset of the R&E program, researchers were interested in both the board members perspective as well as the staff person responsible for implementing the R&E program.

While the response distribution was different, on analysis, the results came out to be almost identical. On a seven-point scale, respondents indicated results did a good job of meeting their own (5.5) as well as board members' expectations (5.4). Supportive comments ran from positive to negative with more emphasis on the positive. "We expect results so there are seldom any surprises." "Most people are surprised by the relationships that are being developed." "We didn't get as much support as I had hoped."

Interest

Researchers probed for the level of interest in two very important outside audiences: government officials and the media. Interest rating for the media is flat, no highs, no lows, nearly uniform distribution across the full seven-point scale. The 3.95 average response falls almost exactly at the midpoint. Respondent comments included: "Reporter calls pretty regularly." "Media is not interested in business retention. They are interested in reporting business departures, closings, or new companies moving into the region or parish." "Media interest is average if there is a project. If it is standard information on what we did, then the media interest is low." Respondent's interview comments indicated the focus of public relations (PR) activity during the R&E program was centered on two areas.

Process focus – What we are doing and why.

Results focus – What happened as a result of visits.

According to many respondents, the relationship with the media is problematic. A number of executives openly stated they do not try to cultivate the media. Some mentioned confidentiality concerns in what they could share.

Government official interest is significantly higher, averaging 5.48 on the seven-point scale. Supportive comments indicate the interest varies greatly among individuals. Some individuals have strong interest while others show little interest. One respondent also noted, "Elected officials are most interested in the things they can impact." Implied in several comments was the importance of education to cultivate interest of both government officials and the media.

Value

The value of R&E to the economic development organization is perceived to be very high by respondents. 83% of the respondents rated the value to the organization as 6 or 7 on a 7-point scale with an average of 6.25. Supporting comments were all positive and very strong. In a number of cases, respondents used qualifiers in their comments which undermined the stated value. Qualifiers included: "...reluctance to fully fund," "...short shelf-life, not leveraging the value, or marketing the value." "... major challenge is to carve out the time for existing business when faced with prospect calls." These responses clearly demonstrate that executives involved in active R&E programs are committed to R&E. Yet, the way some qualify their responses suggests a degree of latent frustration with the value placed on R&E.

Satisfaction

To evaluate satisfaction, respondents were asked to rate their satisfaction on a scale of 1 (low) to 7 (high) to reflect the level of effort required to complete the executive contacts. The majority of respondents, not surprisingly, are very satisfied citing client recognition and awareness as the primary benefits. Eight respondents, however, rated their satisfaction very low, 3 or below. The concerns that led to this dissatisfaction were process related problems, difficulty scheduling volunteers, hard to get appointments, and volunteers or partners not fulfilling their roles. One respondent

indicated frustration because executives had few needs or didn't take advantage of available programs. Another noted the poor quality of information gathered as part of the dissatisfaction, "Too informal, therefore, harder to use the information."

Economic developers appreciate and understand the level of effort required for R&E, and most feel their effort is justified. Overall, there were no major surprises in the performance evaluation responses. Process issues again surfaced as weaknesses limiting overall performance. Otherwise, respondents say results are satisfactory. Respondents provide no direct indication of any specific concern that would force them to question their current approach to R&E. However, on analysis, comments by numerous respondents hint at some underlying frustration. Plus, the high correlation between expectations and results forces the question, are we using the right frame of reference to determine success? Is the narrow set of expectations handicapping the profession, making it difficult to achieve more significant and meaningful outcomes?

Information Content

When asked about the quality of the information collected, respondents rated their information very high. The majority of respondents (92%) rate their information satisfaction at 5 or higher when 4 is average on the 7-point scale. A full 55% rate their satisfaction 6 or 7. But the quality of information is relative. What was the yardstick used by respondents to arrive at such high values?

Looking at the supporting comments gives one a very different sense of the information value. In fact, the quality of the information rating is undermined by explanatory comments such as:

"Confirmed many opinions."

"Tendency toward generalities."

"Simple, not heavy duty content."

"...name and face recognition is worth any effort, despite the quality of data retrieved."

"...varies annually. Even if no information is gathered, it is of value..."

These comments suggest an element of frustration and/or justification. The fact that information confirms opinions can be interpreted to mean that the questions lent themselves to easy, predictable answers. And frequent references to "relationships" lend weight to the interpretation that the focus is on being there, not the quality of the information collected or what happens to information that is collected.

The exception was a lone voice, "Valuable... everything we have for business information comes from this. The users of the information are broad based throughout the community." This is an enlightened view not commonly shared. This organization is delivering a higher value from R&E for the community and the organization.

When asked about the analysis of information, respondents typically review individual company responses for action (63%). But only 30% will record the information in an electronic database for further analysis or tracking over time. Reporting content focuses heavily on process statistics: number of visits, issues identified, follow-up provided, satisfaction, planned expansions, etc.

When asked if responses are used in the next round of contacts, 75% respond "Yes." However, the typical use is a review for background in advance of a subsequent visit. In a limited number of cases, responses are reviewed in an attempt to identify trends. Respondents who do not use past responses cite confidentiality or the fact that different companies are contacted each year, so old information is of no use.

Desire for Improvement

There is a strong desire for improvement. Every respondent listed multiple actions that could improve their R&E program. As noted in the examples below, these improvements are “stuck” at the process level. They mimic a tweaking behavior (incremental change) characteristic of the profession’s historic approach to R&E. The assumption is that improving the process will somehow provide better results at the conclusion.

- ◆ Slow the process down.
- ◆ Make methodical, sustainable process.
- ◆ Involve more people.
- ◆ Improve communications.
- ◆ Chart job creation.
- ◆ Document services rendered.
- ◆ Secure more time, more resources.
- ◆ Increase awareness.
- ◆ Improve, benchmark, become more systematic...

Research results show very little indication of any long-term view or demand for other values that could be derived from R&E. However, when one looks at individual comments related to satisfaction, it becomes clear there is a sense something is missing, a sense of frustration.

“When the vast majority of companies contacted have no specific need for assistance, where is the value added?”

“They only see the value when we help them in some way.”

“When technical assistance alone provides no guarantee of retaining a company, where is the benefit?”

These respondents are indirectly acknowledging and asking for a more substantive benefit from their R&E effort. Their comments unfortunately suggest that there is little understanding of alternative values to be derived from the R&E program. And, interestingly not a single respondent questioned current expectations from R&E as the opportunity to produce more significant results from the investment in R&E.

This lack of an understanding of other sources of value is corroborated by the way respondents evaluate R&E compared to other economic development programs. When asked to rank their economic development programs on a five-point scale, the two lowest ranked programs were business attraction and business retention with a rating of 3.45. Concrete activities like financial assistance, community development, and entrepreneurship all rated higher.

A Broader View of Value: Total Value Array

Economic development professionals are obviously interested in how R&E supports the organization’s overall mission and contributes to the organization’s health. However, the ability to produce results regardless of the approach obscures the importance of achieving higher levels of sophistication with R&E programs. There is no need to challenge a proven method with demonstrated results – 100% success. Yet, in fact, 100% success contributes to:

- ◆ Lethargy
- ◆ Inconsistent execution
- ◆ Lack of need to document benefits
- ◆ Tweaking behavior – process oriented
- ◆ No demand for change

In short, with 100% success, tough questions go unasked and unanswered:

How do we get more from the R&E effort/investment?

How can R&E take a more prominent role in our organizations and our communities?

How can the perceived value be increased for critical audiences?

Today's results as defined by economic developers (saves, helps, problems) really represent only one component of an R&E program's potential contribution to mission and organizational health. When one asks what benefits can be derived from an R&E program using the same method already in use, a different yardstick emerges. This new yardstick includes: organizational visibility, improved service, improved management systems, an enhanced knowledge of customers, and new opportunities to stimulate job growth.

To look beyond the simple delivery of short-term results presently accepted, *Results and Outcomes Research* was concerned with the broader array of benefits as described throughout this white paper. Using *Results and Outcomes Research* findings as a guide, researchers:

- Defined "opportunity" benefits that could be derived from R&E with the currently accepted process and little or no additional effort.
- Evaluated the strengths and weakness of each benefit against each accepted approach.
- Calculated a total value potential to devise a measure on overall effectiveness for each approaches.

As depicted in the following performance matrix, organizations with every program style are very capable of delivering results under today's current standards – saves, expansions, and the identification of issues. Economic development organizations successfully gather information, then convert that information into action at the program as well as policy level. Additionally, many organizations use information gathered to influence outside organizations. However, moving beyond the initial, short-term result, performance wanes quickly.

Reviewing the set of potential benefits shown in the matrix, it becomes absolutely clear that a conversational approach delivers little other value to the community or the organization. The most widely used "Standard" style offers significant improvements over a conversational method, but still falls substantially short of delivering on the range of benefits that could add value to an economic development organization. This weak return supports respondents' underlying frustration which was evident throughout *Results and Outcomes Research* findings: given the resource commitment required, a 36% return is wholly inadequate.

The most advanced and least often used approach has the greatest potential to deliver greater value to the organization. This approach can dramatically increases effectiveness with the same level of effort as the standard R&E method. Yet, adding sophistication will require more substantive questions. Questions must provide a better understanding of the company, their business, and its drivers.

Total Value Array Existing Business Program								
Method	Results	PR	Follow Up	Life Span	Carry Forward	Client Know	Bus Bld.	Total Value
Conversational	++	-	-	-	-	-	-	.143
Standard	++	+	+	+	-	-	-	.357
Sophisticated	++	++	++	++	++	+	+	.857

Value Range: -, +, ++ (- = 0, + = 1); 14 Point = 100%

Value Definitions

Results	Save companies, assist expansions, identify problems and issues
PR	Gather factual information to support on-going PR opportunities that are not limited to process
Follow-Up	Help track and manage follow-up service delivery (client service record)
Life Span	Extend the life span of benefits derived after the program "ends"
Carry Forward	Build a meaningful, historic information base of company specific intelligence which can survive staff changes
Client Knowledge	Gain a detailed understanding of the company and its potential
Business Building	Identify opportunities to grow businesses (not entrepreneurship)

Conclusions

The central question of this research, "Are we getting our money's worth out of R&E?" has been answered. The R&E process has remained substantially unchanged for the past 25 years. Today, the process is more polished and better organized. Professionals are better trained thanks to the hard work of many dedicated professionals. Yet, the vision for R&E has remained stymied in process issues. And, as one respondent's comment suggests, a process approach has risks...

"Most of the time, they (company executives) do the interviews out of courtesy. If there are no issues, there are no results."

Results for every approach, a do-it-yourself style, and limited funding reduce the opportunity for significant improvement even though professionals have shown in this research an appetite for improvement in their quests for better R&E programs.

Creating and using the new yardstick proposed would create different expectations. Different expectations could create a foundation for higher value for those who support and invest in R&E. This research points out new benefits that can contribute value. Researchers believe this value can be derived with the current process at little additional effort or cost. With a subtle but significant shift toward a more sophisticated approach, economic development organizations have an opportunity to greatly expand the value derived from their R&E investment – time & effort. A more sophisticated approach to R&E is an excellent point of departure.

Researchers believe the true gap discovered through this research is the lack of an overall vision for R&E. The research findings provide no evidence of a long-term vision among professionals. The old concept of R&E as a defensive strategy was adequate perhaps for the 80s and 90s. Is it adequate for today? Probably not!

Economic development professionals have been inside the cocoon far too long. Until economic development professionals step outside the comfort zone, there will be no true progress regarding R&E's contribution to economic vitality. It will continue as it exists delivering, on average a 36% ROI.

A New Vision For R&E

The current vision for R&E as an independent economic development program is no longer valid. The dynamics of the world have changed. To remain valid, R&E must have a role in a broader context. It can no longer be viewed as an independent program. R&E should deliver value throughout the organization and community as part of a bigger picture. But what picture?

If it is to survive, R&E must be repositioned. In our collective work with many different economic development organizations, researchers believe evidence of a broader vision is incubating. Researchers believe the solution may be found in our basic mission, “Foster an environment for economic growth and vitality in our community.” Our mission is not about attraction or retention. These are only part of a complete economic development program.

Results and Outcomes Research has provided valuable insight into new opportunities for R&E to deliver value. Now, as the recruitment pie shrinks, is a perfect opportunity to implement a new model for R&E. For a fresh perspective on R&E, consider a stock portfolio analogy.

Think of the companies in a community as parts of an investment portfolio. The value of the portfolio is the sum total of the value of the individual companies. An investor is constantly asking about growth potential, value, diversity, balance, acquisition options, etc. Therefore, like an investor, community leadership should be asking, which are our most valuable companies? Which are our growth companies? Which companies are stable? Which companies are in decline? Now, given that knowledge (value, growth, risk)

- How should the economic development organization invest their resources (incentives, loans, grants, staff time, etc.)
- Should other community and private economic development resources be directed to maximize the potential of individual companies?
- Should the portfolio be conservatively or aggressively managed?
- Is the portfolio being neglected?
- What is the cost/consequence of a failure to act?
- What combination of actions will maximize the portfolio’s long-term value?

The first requirement of economic portfolio management is carefully developed company specific information. This information will allow the economic developer to differentiate among the growth potential of individual companies in the portfolio as well as prospective acquisitions (attraction candidates). Then, by carefully directing economic development resources toward growth and value (existing or acquired) and away from risk, it is possible to maximize the value of the overall portfolio.

The executive visit (R&E visit) is the perfect opportunity to capture essential company specific information to understand their value, growth potential, and risk. The new vision for R&E consists of three central elements:

Client Focus/Client Knowledge

Focus on the client. Focus on aggressively increasing the value of the process, as it is currently practiced, to gain a detailed knowledge of each individual client and their potential.

Business building

Use the detailed client knowledge to help individual companies and groups of companies grow (increase sales and profits) their businesses.

Economic Portfolio management

Manage the portfolio to direct resources to where they will maximize the overall growth of the portfolio instead of responding to the demands of the individual pieces.

Re-positioning R&E In the New Model

- ♦ View R&E as an essential element in business building.
- ♦ Use the R&E survey as diagnostic tool, assess potential and risk.
- ♦ Build and manage a detailed knowledge base on individual companies.
- ♦ Draw in partners with shared interest in business information to distribute the workload.
- ♦ Distribute information widely (maintaining confidentiality).

Outline For A New R&E Model

1. Adopt a new vocabulary:

- ♦ **Clients** instead of suspects/prospects.
- ♦ **Accounts** instead of projects.
- ♦ **Business Drivers**, anything contributing directly to a client's new sales or growth.
- ♦ **Territory** instead of community.
- ♦ **Service Delivery**, service and referrals based on client responsiveness.
- ♦ **Portfolio**, active involvement, management, and intervention instead of an observed and respond behavior.
- ♦ **Trend Analysis** (direction and pace of change), instead of problems.
- ♦ **Risk Analysis**, based on the performance of the portfolio, not an individual company.
- ♦ **Return On Investment (ROI)**, internal measures to push resources to maximize distributed benefits.
- ♦ **Distributed Benefits**, serving the shared interests of clients, community, and organizations.

2. Develop new standards for defining R&E success:

- ♦ **Results:** capture saves, expansions, identification of issues.
- ♦ **PR:** pursue on-going PR opportunities (not limited to process) of information on the portfolio's economic performance and trends.
- ♦ **Follow-Up:** track follow-up and service delivery to build a client service record.
- ♦ **Life Span:** extend the life span of benefits derived beyond the program's "end".
- ♦ **Carry Forward:** build a historic information base of company specific intelligence surviving leadership and staff changes.
- ♦ **Client Focus:** focus each client interaction on gathering client oriented strategic info to increase the understanding of each client's business and business practices. Concentrate on clients who are willing to collaborate.
- ♦ **Client Knowledge/Understanding:** compile a detailed understanding of the company and its potential.
- ♦ **Business Building:** identify opportunities to grow businesses (not entrepreneurship) and make these opportunities available to clients.

3. Use a value model built on intense knowledge of each company and proactive pursuit of their growth

- ◆ Focus on long-term outcomes and business drivers that transform the client company's behavior.
- ◆ Assume personal ownership and responsibility for the growth of local companies.
- ◆ Allocate resources to maximize the portfolio's performance.
- ◆ Grow existing companies, e.g. new markets, new products, new sales, collaborations, spin-offs, suppliers.
- ◆ Uncover opportunities for services that are not tied to a particular project or "a deal".
- ◆ Push regional collaboration and tap networks to intensify business interconnections regionally.
- ◆ Measure success on:
 - Transformed company behavior, not just a fix for a static problem.
 - Client outcomes, not information outcomes or activity.

End Notes

Results and Outcomes Research could not have been completed without the generous personal support of the members of the research team and the time their organizations allowed.

- ◆ Marie-Christine Pence, Cinergy/PSI, IN
- ◆ Joe Reagan, Greater Louisville Inc., KY
- ◆ Brett Vassey, Virginia Manufacturers Association (formerly with Virginia Department of Business Assistance)
- ◆ Nancy Blane, Blane, Canada Ltd., IL
- ◆ Eric Canada, Blane, Canada Ltd., IL
- ◆ Stephanie Davis, Intern, Blane, Canada Ltd.

Results and Outcomes Research is the third* research project Blane, Canada Ltd. has initiated in hopes of stimulating a desire for broader vision for R&E, better tools, and more the advanced training necessary to support that vision. Prior research was reported in the articles:

"Locked in the Twilight Zone: Business Retention Fails the Strategic Value Test!"

"Rocketing Out of the Twilight Zone: Gaining Strategic Insight from Business Retention."

Note: These articles are available at no cost on-line at www.blanecanada.com, Books and Articles, Free Articles.

References

- ◆ *Results and Outcomes Research Findings*, February 2002
- ◆ "Locked in the Twilight Zone: Business Retention Fails the Strategic Value Test!"
© Blane, Canada Ltd., Economic Development Review, Summer 1996
- ◆ "Retention in a Recruitment World: Existing Business Programs," Chapter, *Journey to Jobs*, Washington Department of Community, Trade & Economic Development (Fall 2002)
- ◆ "Business RED: Adding Value to R&E Programs," AEDC course, © Blane, Canada Ltd. 2000.

The Results and Outcome Numbers

The Sample

- ♦ 65 Surveys completed (58 useable)
 - 65 % phone
 - 35 % Internet responses
- ♦ 20 States and Provinces
- ♦ 7 Canadian communities

Representative Characteristics

- ♦ Organization type: EDC 57%, Gov 22%, Chamber 17%
- ♦ Service area: Community 36%, County 43%, Regional 10%, Other 7%
- ♦ Service area character: Rural 38%(19), Suburban 17% (10), Urban 19% (11), Other 31% (18)
- ♦ Population: 28% (16) <50,000, 28% (16) = 50,000 to 100,000, 21% (12) = 100,000 to 250,000, 12% (7) = 250,000 to 500,000, 5% (3) = 500,000 – 1million, 10% (6) =>1 million
- ♦ Blitz vs. on-going: Blitz 16% (9), On-going 81% (47); other 3% (2)
- ♦ Contact method: Visit 49% (24), Phone 4% (2), Mail 4% (2), E-mail 2% (1), Combination 41% (20)

Interesting Statistics

- ♦ Only about 24% leverage grants to help support R&E.
- ♦ 72% of volunteers are trained internally by staff.
- ♦ An estimated 54% commit less than \$100,000 to R&E, and 70% of these devote less than \$50,000.
- ♦ In 41 cases (61%) staff makes over 90% of the calls. 33 organizations (49%) use staff exclusively.
- ♦ In 14 cases (20%) volunteers make more than 60% of the calls.
- ♦ 26 (38.8%) organizations use volunteers to make calls. Only 5 (7.4%) use volunteers exclusively.
- ♦ 81% of respondents have on-going existing business programs.
- ♦ Staff experience range 36% <5 years, 28% 5-10 years, and 36% >10 years.
- ♦ Monthly Call volume 43% <10, 20% 10-15, 30% 20-30 (Note: 75% of respondents report monthly call volume).
- ♦ Staffing 16% <1, 34% 1, 14% 1-2; 14% 2, 12% 3
- ♦ Consultants and universities involvement: 12% survey development, 14%training

Biggest Surprises

- ♦ 81% of respondents reportedly run on-going (as opposed to blitz) business retention programs.
- ♦ 64% of the programs have 5 or more years of history: 28% 5-10 years, 36% >10 years.
- ♦ Consultants and universities have far less involvement than initially believed.
- ♦ R&E is viewed by respondents as a comparatively weak program, 3.45 average rating.

Synchronist Business Information System®

Award Winning Business Retention Software

The Synchronist Business Information System® gives economic development organizations absolute control over existing business information. It puts them in a leadership position on managing their community's existing economic portfolio.

The Synchronist System is far more than a set of business retention questions. It is a structured business information system designed for collection, management, analysis, and reporting of the business data impacting the community's economy. The Synchronist System is a business assessment tool. It is the most powerful tool of its kind available to economic development professionals; proven effective in local, regional, and statewide applications throughout the U.S.

Every attempt at computerizing business retention has been about automating the traditional R&E practice. Since the current practice is fundamentally flawed, the outcome is faster, low value information. Not much of an ROI (return on investment) there. Blane, Canada Ltd. has recast the question. For our clients and Blane, Canada Ltd., R&E is about strategic information, about understanding the company and how they fit into the fabric of the community. The Synchronist System is designed to deliver both.

Synchronist information, including sample screens, reports, and users can be found at:
<http://www.synchronist.com>

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Impact

"Everyone thinks they have an R&E program – until we show them what we can do with the Synchronist. They are blown away!"

Deb Calvert, MidAmerican Energy, IA

"I need it! After using the Synchronist System in St. Joseph, MO, I can't function without it. It has become a staple for me."

Lynn Parman, formerly St. Joseph, MO, ordering Synchronist for Lawrence, KS

Breakthrough Concepts

The Synchronist System is built on pioneering research by Blane, Canada Ltd. This research and Blane, Canada Ltd.'s portfolio management concept have changed the way economic development professionals approach business retention and the broader range of values derived.

The conceptual underpinnings of the Synchronist System are captured in the series of articles:

"Missing Link: A Vision for Retention and Expansion."

"Locked in the Twilight Zone: Business Retention Fails the Strategic Information Test!"

"Rocketing out of the Twilight Zone"

"What's a Gazelle?"

Articles available at:
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