

# **Business Retention and Expansion**

## ***Creating a Local Incentive to Retain One of a City's Largest Employers***

*by*  
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*Submitted to:*

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## Executive Summary

The City of New Roads is the parish seat and largest municipality in Pointe Coupee Parish, with a population of about 5,000. It has five employers who employ over 100 people. In January of 2009, one of those largest employers, Evolved Industries, was acquired by a company located in another part of Louisiana named Wildgame Innovations. The Vice President of Evolved, Jerry Caime, contacted the director of business retention and expansion at the Baton Rouge Area Chamber, Steve Sparks, to advise him of the acquisition and possible relocation of Evolved's facilities to Broussard, Louisiana. Mr. Sparks had developed a relationship with the company from previous business retention and expansion visits.

Mr. Sparks contacted the local director of economic development, Scot Byrd, to suggest a visit to company executives to explore whether some way to keep the company in New Roads might be found. Mr. Byrd set up a meeting with the Mayor of New Roads, Tommy Nelson and other local government officials. During the meeting, the principal reason for relocating the New Roads facilities to Broussard was determined to be the cost of relocating the Broussard manufacturing equipment to New Roads was more expensive than relocating the New Roads equipment to Broussard. Other than this initial expense, the company executives were happy with the New Roads location. An agreement in principle was reached, that if this cost could be mitigated, the acquiring company would strongly consider relocating to New Roads. There were no established local economic development incentives. The state was unable to help because it was a business relocation within the state. To retain the company, economic development officials would have to persuade local government to form a special incentive for Wildgame.

The purpose of this case study is to examine the elements that contributed to the successful retention of this important employer within the City of New Roads. First, how the implementation of a professional business retention and expansion program by the regional economic development entity, the Baton Rouge Area Chamber, had developed the relationship that created the opportunity to be aware of the acquisition in its early stages. Second, how that regional entity working closely with regional partners allowed a quick local response. Third, how the information from this course of study influenced the process as it went forward. Fourth, what can be learned from this case study by other regional and local economic development organizations.

## **The Importance of a Regional Business Retention and Expansion Program**

When the Baton Rouge Area Chamber created its business retention and expansion program, one of the most important results was developing a relationship with businesses within the region and local economic development organizations and chambers of commerce. There were many benefits derived from this program:

1. A personal relationship with leaders of important firms within the region, allowing us to become more aware of their needs by giving them a contact person that can help them to deal with governmental entities that can aid them when significant changes occur.
2. We can be more effective in putting synergies of different businesses in touch with one another within the region.
3. Smaller economic development organizations in the areas surrounding Baton Rouge that have limited resources can help accumulate data for the regional database and share software resources with the larger entity. This allows us to make better recommendations regarding public policy on incentives and development of resources to aid local businesses.
4. It fosters alignment of all the various economic development entities in the region around core strategies and promotions.
5. It creates a favorable impression that among existing businesses that not only encourages them to stay in the region, but to share that positive impression with other companies considering the region as a future home.

In this particular case, our established relationship made us aware of the acquisition of a local business by a business outside our region. We had a competitive advantage, because the

economic development entity for the region where the acquiring company was located was not actively involved in competing against us for the company. Consequently, when we created a relatively modest incentive for the company to maintain its operations in our area, we were successful in getting the company's assurance they would not only keep their operations here, but relocate their other operations to our area. At that point, it was just a matter of getting the local government to agree to the incentive package.

I note here that it was due to the efforts of the regional economic development organization, BRAC, that the relationship was formed with the company. The local economic development organization had no formal policy regarding BRE efforts at that particular time and the local organization had little formal training in economic development best practices. Had it not been for the initiative established by the regional entity, this company would likely have been lost to the local area and the region. This is an important point, because many smaller entities do not have the resources to provide a full time economic development professional with experience and training.

### **How Working with the Local Economic Development Organization Resulted in Quick Response.**

One of the great benefits of a regional entity working closely with local partners is the knowledge of local politics, dynamics, and players involved that the local entity can provide. Missteps in dealing with local political forces can do create unnecessary roadblocks to accomplishing the goal of helping local business to prosper and grow.

In Wildgame Innovations case, a close working relationship with the mayor of the city was key to bringing about a quick meeting with company officials and the local government. The first

meeting focused on what was the most important needs of the company and what would it take to keep them from leaving our area. Having established that the biggest barrier was the cost of relocating their equipment from the other plant to New Roads, we then focused on how we could legally fund a local incentive to pay for the relocation.

Next, understanding local precedents in dealing with the city council and parish government body was an important role played by the local entity. It was anticipated that the city council would ask the parish to participate in the incentive package 50/50. This has happened enough times in the past on other funding issues that it was easily predictable. We knew that getting the approval of the council for half would not be difficult, but getting the parish to agree would not be as easy. With that in mind, we commissioned an economic impact study from a professor at LSU to help sway the parish government. Understanding these political issues was key to the success of working this to a successful conclusion and this is the most important role the local entity can play. In this part of the process, it is important for the regional entity to defer to the lead of the local entity.

### **How the Information from this Course Influenced the Process**

One of the very first training classes attended by Mr. Byrd as the newly appointed director of economic development was for business retention and expansion. This was because it had been determined by research that one of the most economically effective strategies that local economic development organizations can engage in is business retention outreach. As a result, there were some things we knew we needed to do when this situation arose:

1. Respond quickly, professionally, and aggressively. Wildgame Innovations needed to immediately feel that its needs were important and were going to be met with competent and decisive action.
2. We were better able to articulate the importance of keeping this company, because it is an entrepreneurial, high impact firm. Not only would we keep the jobs at our local facility and gain jobs from the relocating facility, but this is a firm poised for significant future growth. Also, we knew that the multiplier effect for a manufacturer like this with national distribution was quite high, which led to the decision to commission the economic impact study.
3. We knew Wildgame Innovations also had sister businesses in Texas and Florida. Helping the company out in this situation was a tool we could use to leverage the attraction of those additional companies as well.
4. We were able to talk intelligently with the help of our regional partners on other incentives that Wildgame Innovations might be eligible for in their expansions. We were able to enlist the aid of other agencies as well, like MEPOL (Manufacturing Extension Partnership of Louisiana).
5. In the event the Wildgame Innovations could not be retained, we were better informed thru the training of this course on how to minimize the impact of a closure on the community , like the seven step plan for the community response: 1. Creating training resources for dislocated workers, 2. Prepare economic and fiscal impact estimates, 3. Establishing a public relations plan, 4. Identify incentives for small business and supplier recovery, 5. Identify the political and business leadership team, 6. Understand the state's role in recovery, and 7. Have a plan for the political fallout.

We had a lot of incentive to avoid the possibility of losing Wildgame Innovations. Our sister parish, West Feliciana, has recently went through the closure of one of its major employers, a paper mill. Mr. Byrd had many discussions with the director of economic development there, Steve Jones, about the impacts that were felt in the community and how they dealt with the fallout that was derived from it. The bottom line here was that it is much easier work to try to retain a company than it is to prepare the community for a closure and then try to create or attract a replacement.

What can be learned from West Feliciana's experience is that the paper mill industry is a mature industry that is having difficulties in the market place. Wildgame Innovations is a growing, emerging company that is creating a new market. Wildgame Innovations was worth the local community making an investment in, whereas the paper mill was perhaps not as good an investment and the best case scenario was to look at ways to transition forward. Being able to identify the likely future result of a community investment is an important distinction to make in a retention effort.

Another example of a closure that was impossible to stop due to market reasons was the International Paper Company closure in Bastrop, La. This closure resulted in the loss of over 500 jobs, which was a significant blow to the Bastrop/Monroe area. The total impact of the closure was estimated to be in the range of 2,000 jobs due to related and auxiliary businesses. This accounted for about 17% of the workforce in the area, so if there was any possible justification for retaining the company, obviously it would have been pursued. So that was another example of the best practice being of assistance in the transition.

Locally, the Pointe Coupee Chamber of Commerce visited all of the local car dealers after the stock market collapse in late 2008. One in particular expressed concern that they may close and

after much deliberation, the same conclusion was reached regarding the future of small car dealer in rural communities. Even the owner of the dealership agreed that any incentive or “bailout” the local community might create would probably be a bad investment and the decision was reached to help local employees find jobs and locate another business to occupy the location. Another local business that was growing occupied the new space and all of the employees were employed in other locations. A good working relationship with the owner of the dealership was maintained, which was important since he owns other businesses within the community.

### **What Can be Learned from this by other Local EDO’s and Regional EDO’s?**

One of the first strategies that any local EDO should develop a formal plan for is business retention and expansion. Politically, it gets you more notice for the work you are doing to continue to justify your funding to begin with and perhaps make it easier to increase your fund raising efforts. It gets the most results for the dollars invested and is typically affordable for any size organization. It establishes your organization as the “go to” agency for dealing with economic development issues. Business retention and expansion is the most important way a local EDO can effectively be of assistance to the larger regional EDO. While business retention and expansion visits are relatively easy to master, being prepared for a possible business closure or expansion is far more intricate and this demonstrates the need for expertise and further training. There absolutely is no substitute for being prepared in advance.

It is important for regional EDO’s to partner with local partners because they know the “lay of the land” politically and can make it possible to move through the local government and business organizations quickly and efficiently. Also, this is the most effective way the regional organization can expand its influence with minimal increases in operational costs.

Going forward, our local organization will strive for better understanding of the industries that each of our key employers are engaged in, so that we more intelligently be able to assist them and also be able to anticipate when expansions or reductions are likely to occur. This forecasting of likely impacts on the community is not something that we had been doing and we want to be able to plan our business retention and expansion efforts in the areas that are most likely to grow or decline. This will also help us to understand what are some likely growth areas to guide our marketing and attraction efforts.