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Business Retention and Expansion

A S.T.A.R.T. Economic Development Action Step Packet

Produced by the Center for Public Affairs Research
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Local Business, Local Jobs

Research indicates that the creation and growth of local firms is usually the source of most new jobs in a community. Because of this, local business retention and expansion is an important key to keeping local economies healthy.

Typically, business retention and expansion efforts focus on the retention of current jobs in the community, the expansion of employment or investment levels by existing businesses, and the creation of new business ventures, particularly if they would directly support or benefit from existing business. For example, attracting a new business that uses the output of an existing local firm has the potential to: 1) benefit the existing business by providing a local market for end or intermediate products of the production process, and 2) employ community members.

This action step packet provides an overview of ideas and strategies for pursuing a business retention and expansion initiative. First, it profiles issues that need to be considered by local leaders as they develop their retention and expansion efforts. Among the issues covered are:

- Defining specific objectives of retention and expansion programs,
- Addressing specific development factors,
- Targeting retention and expansion program efforts,
- Developing local strategies, and
- Organizing and implementing a business retention and expansion program.

Second, the packet gives examples of what your community might do to address these issues. A collection of reprints and other source materials provides additional information about how to undertake a retention and expansion program, as well as other communities' practices and experiences with such programs.

Objectives of Retention and Expansion Programs

The best methods for retaining and expanding businesses are those that specifically address factors which either help or hinder local economic development. For example, training programs to improve the quality and efficiency of workers can make it easier for businesses to remain profitable or take advantage of new technologies. For example, assistance with the con-
struction of new or improved waste treatment facilities could reduce the cost of doing business for a food processor facing new environmental regulations.

Addressing Specific Development Factors

Many of the barriers to local business expansion and retention can be identified by examining the factors that drive the economic development process. While these factors are numerous, identifying them and understanding their influence on business growth and location decisions is critical. The success of business retention and expansion strategies ultimately will depend upon the extent to which local efforts reduce the cost or increase the availability of these factors. Among the most important barriers to development are the following:

1. Decreased Demand for Goods and Services

This factor is critical to retail and service businesses, which provide the bulk of employment in so many smaller communities. The relationship between demand and goods is direct. When a person or a business needs a particular good or service, a search for a business to meet the need takes place, and usually a transaction happens. In many rural communities of Nebraska there has been a decrease in demand because of population shifts and changes in shopping patterns.

The relationship between demand factors and businesses which are not retail or service in nature is not as simple. Even for manufacturing, or other export-based industries, the demand factor is present, but it is more distant. Often several transactions take place before the final product is purchased by a consumer, so it is more difficult to trace demand for the product back to these transactions.

You'll recall, from the video tape used for the Day 1 session of your local S.T.A.R.T. Economic Development strategic planning project, that community economies have two kinds of demand—internal and external. As a result communities can influence demand for the products and services of local businesses in two ways. The first is by making sure local demand for consumer goods and services is maintained and met. Emphasis in this area would be on retaining local residents and businesses that contribute to present demand and supply levels and patterns. In other words, be sure that goods and services needed locally are available locally, whenever possible. Look at the buying patterns identified through S.T.A.R.T.'s community attitude survey. What goods and service needs are not being met at this time? What can be done to meet those needs? Details on strategies for enhancing your retail trade base can be found in a companion action step packet, "Retail and Main Street Development."

A second aspect of demand is external in nature. It is important that community leaders involve themselves in appropriate ways to help ensure demand for locally produced export products. Methods could include supporting check-off programs to market agricultural products, working with state and federal officials to ensure that foreign markets are created and preserved, helping local firms obtain federal procurement contracts, working to attract tourism dollars, and promoting regional trade.
2. Changing Labor Needs

This factor is rapidly emerging as a preeminent concern. The declining size and changing composition of the entry-level labor force; increasing knowledge and skill requirements of new jobs; and lower priced high quality goods from foreign countries are making the quantity, quality and cost of labor a crucial factor in local development success. As a result, retention and expansion strategies must include attention to training and work experience needs, local education standards and curricula, and wage rates. Nebraska’s community colleges and the Job Training Division of the Nebraska Department of Labor can be important partners in this local effort.

In many rural areas, official unemployment statistics often indicate low unemployment rates and, thus, suggests a small pool of available labor. But these statistics may misrepresent the true picture of unemployment; they ignore the number of people who are underemployed (by skill or wage level) or who work only a few hours but would be available for more, and they don’t include people who would like to work but are currently too discouraged to look. Such information can lead to an often incorrect perception by employers or potential employers that labor is simply not available for business start-ups or expansion. As a result, some communities may have to focus attention on conducting labor surveys to identify the true extent of unemployment and underemployment, and the availability of local residents for employment opportunities. The Nebraska Department of Labor can provide guidance and assistance in assessing labor availability and quality.

3. Lack of Land and Facilities

Adequate and suitable physical facilities, including land and buildings, are critical if local firms are to have the ability to grow and expand. Studies repeatedly have shown that most business relocations are due to inadequate space and facilities for expansion.

At a minimum, communities need to keep an inventory of buildings that are suitable for a variety of business uses. Available land that has the utilities needed for business locations should also be inventoried. Many communities develop industrial and retail properties for existing business and potential business locations. Local zoning ordinances and land use regulations also need to be examined to ensure that they are not detrimental to business development.

4. Inadequate Transportation and Communication Systems

In most rural areas, highways are the most important component of the transportation system. Important considerations are whether there are general problems of highway safety, capacity and access for the local area and its businesses; and whether particular sites and businesses have special transportation needs. The cost and availability of transportation such as intercity bus and courier services represent additional dimensions of this factor. Effectively handling such transportation issues requires considerable work with government officials and transportation jurisdictions. Funding is of paramount importance.

Beyond these basic aspects of transportation, communities must examine the new transportation arteries of the future—telephone lines and telecommunications facilities—which are essential to emerging information-based businesses. Communities need to work to ensure that existing systems have
the ability and capacity to handle modern telecommunications equipment. In addition, if businesses have been having problems with, for example, the telephone system, collective community action may be warranted.

5. **Inability to Access Capital**

A major barrier to local economic development, particularly for small and new firms, is a lack of adequate equity and venture capital. Increasing the availability of debt capital and technical assistance to existing small manufacturing firms should be a high priority.

Local bankers usually have considerable experience in making agricultural loans, but they may lack expertise in arranging commercial loans. Likewise, the local financial community may not understand all of the ways they might assist in local economic development initiatives. Attention should be focused on trying to reduce these expertise and information gaps.

6. **Inefficient or Inadequate Public Infrastructure**

The provision of public facilities and services is important to local businesses. These firms need public services to manufacture goods, help provide services, ship products, and meet the needs of employees. If any of these services are inefficiently provided or lacking, or a public facility has deteriorated, this will impact the cost of doing business in the community.

Many communities have worked to upgrade public water, sewer, street, and waste disposal facilities. This can help local firms keep business costs down and retain a competitive edge. Local funds, as well as state and federal grants, have often been used for maintenance and expansion of the public infrastructure.

Top priorities of local government should include providing basic public services and residential amenities, assessing the level of red tape which might inhibit business development and growth, and developing an understanding among leaders and the community about the role of local government in providing basic services and their impact on economic development. It will be particularly important to focus on service and infrastructure weaknesses that involve intergovernmental issues.

7. **Complexity of Managing a Business**

Operating a small business has become an increasingly complex task. This has expanded the possibility of problems. For many companies, these problems are technical in nature (e.g., production processes, equipment operation, packaging technology). Other businesses' problems may be management-oriented (e.g., information management, marketing, business plan development, and personnel administration).

Small-business owners can benefit from the assistance of specialists in these areas. But often business people do not have the time or resources to seek the appropriate technical or management assistance. Included in this action step packet is a publication that describes sources of assistance for Nebraska businesses: *A Guide to Doing Business in Nebraska*.

Many communities have worked with local businesses to discover what their management and technical needs are and have helped find resources to assist the firms. An enclosed guidebook, *Improving the Climate for Business Expansion and Retention: Guidelines for Communities*, describes a detailed process that has been followed by several Nebraska communities.
Remember, many of the factors affecting business growth and location plans are beyond the control of the local community. State and federal tax policy, agricultural policy, technological changes, and changing world trade patterns are illustrative of these forces. The point is not to engage in hand wringing or to oppose things over which we have no control: the point is to recognize those things that can be affected by local actions, and then act accordingly.

**Targeting Retention and Expansion Program Efforts**

Most smaller communities will want to make their retention and expansion efforts available to the entire business community. In some communities, however, size and resource limitations may dictate some targeting (but one might argue that in any program, some targeting is inevitable). Questions that should be considered include:

- What sectors, if any, should the retention and expansion program emphasize?
- Should the focus be on traditional areas of strength, or on emerging opportunities in the economy?
- Should the focus be on basic-sector businesses—businesses which sell goods and services outside the local area and thus bring new dollars into the community—or should attention be paid to the non-basic sector as well?
- Should resources be focused on small businesses or larger companies in the area?
- What geographic area should be targeted for labor force initiatives?
- Should specific labor market groups be targeted (e.g., displaced farmers, older persons)?

Obviously, questions such as these will not be easily answered. But with some patience and time you will be able to discuss the pros and cons of each possibility and work out arrangements that are satisfactory to local residents and the business community.

**Developing Local Strategies**

Often, several local development projects are taking place at the same time in a community. Because these efforts do not occur in isolation, it is important to understand how various strategies are related. If there is already a business retention and expansion strategy being pursued, contact the group handling it. Eliminating duplicate efforts and focusing resources is essential.

A number of steps are necessary for retaining and expanding local business. Each community is different and should respond to its own needs, but the following general strategies will be useful to most smaller communities. Each of these strategies addresses one or more of the development factors reviewed earlier.

- **Attracting New Business Investment.** Generally, it will be very difficult to recruit new business if the existing businesses do not have
adequate local support to be successful. Potential new businesses look carefully at the experiences of existing business.

• **Development of Retail Business.** This is a specialized approach to working with existing businesses. Many of the techniques and methods will be similar. Additional tasks include trade area analysis, business inventory, consumer needs survey, and threshold estimates.

• **Entrepreneurial Development.** This strategy involves developing entrepreneurs, gathering venture capital, starting business incubation, and helping with start-up costs. While some of these activities can involve existing businesses, they are particularly concerned with business formation. The needs of new businesses are usually quite different from those of existing businesses. Some elements common to all strategies include research and development funds, patents, product and market development, and production issues.

• **Business District Improvement.** This also involves local businesses; specifically, working with members of the business district on common issues relating to location and infrastructure.

• **Community Promotion and Marketing.** This strategy is concerned with external and internal community promotional efforts. Often, community marketing is tied to the economic fortunes of local businesses.

Many communities in Nebraska have undertaken business retention and expansion programs. Following are summaries of action steps your community might consider:

1. **Establish a mentoring program,** which matches retiring business owners with potential owner/operators to prevent the loss of local businesses through a lack of buyers. You may also want to consider providing assistance to shop owners in finding potential buyers, and providing limited financial assistance to buyers. This is especially helpful for young buyers.

2. **Form a business visitation program** to find out what can be done to assist local businesses with their operating and/or expansion needs. *Improving the Climate for Business Expansion and Retention,* the guidebook included with this action step packet, provides detailed guidance about this type of effort.

3. **Form a New and Existing Business Committee** to learn about business assistance resources available from the state and universities. Match program services and resources with specific business assistance needs in your community. Be a catalyst for seeing that needs are met with available outside resources.

4. **Contact alumni of the community who may want to pursue business opportunities in their hometown.** Make a list of potential business ventures before you contact former residents.

5. **Sponsor a workshop on financial resources for business development in cooperation with area organizations that have a stake in the future (e.g., development districts, community colleges, state colleges, banks, chambers of commerce, and economic and industrial development o-
ganizations). This can be an effective way of enhancing local residents' understanding of their role in local economic development.

6. Undertake a business recognition and awareness program to emphasize the importance of business to the community. Recognition can be accomplished as part of an annual chamber of commerce dinner/meeting, or as part of the Business and Industry Recognition Program coordinated by the Nebraska Department of Economic Development. Sponsor visits to local businesses and industries to promote awareness and understanding in the community and area. Develop product and service displays in the local chamber or industrial foundation office.

7. Form a group or request that an ongoing group (e.g., chamber of commerce, local development corporation/commission) learn about and monitor changes in the local, state and national economy. Identify growth industries and new business opportunities. Use resources such as those provided through Nebraska's Department of Labor and Department of Economic Development, as well as the universities and colleges, to gather this information. Become familiar with resources such as the U.S. Industrial Outlook. Many local libraries want to play a larger role in promoting community economic development and will be glad to help you acquire this information.

8. Check into the appropriateness and availability of training programs, such as Managing Main Street, a program of the University of Nebraska Cooperative Extension Service, or those offered by the Nebraska Business Development Center. Training and consultation projects can provide valuable lifelines for small and young firms as well as the retail community as a whole. Topics range from understanding changing markets to learning better management practices and developing new business plans for individual firms.

9. Establish a group to identify sources of capital for existing small businesses. Small, young businesses in rural areas have a particularly hard time staying alive. Small firms with capital needs of $5,000-$50,000 have a tough time finding funds. Focus your efforts on this type of establishment and need.

10. Identify firms that have the potential to expand but need assistance with production technology issues. There are many sources of engineering and technical assistance for businesses in Nebraska, including the university system, state and community colleges, and state agencies. Help link these local firms with external resources.

11. Identify one or more people who could learn about resources available for training and retraining labor. Match these resources with area business labor-training needs. It is particularly important that you establish relations with the community college in your area. Make its outreach and labor-training staff aware of your community's preparedness for and interest in economic development.

12. Develop a "match-marketing" program. Work with local businesses to locate alternative area or state suppliers. Often local firms purchase goods or services from suppliers outside the area because of tradition
or convenience. They often do not have the time to evaluate the costs of other suppliers who may be in the area. Match-marketing programs help strengthen the area economy. As an example, the Kearney Chamber of Commerce operated Central Nebraska Connection, a match-marketing program that helped the central region. A similar program is operating in Lincoln.

13. Form a group marketing effort. This is a method to reduce costs and improve the effectiveness of several local companies by having them share some or all of their marketing and distribution activities. There are many barriers to this type of venture, including competition, loss of control, reluctance to change, and legal constraints. It is up to the local development group to work to overcome these barriers and provide the leadership to form joint marketing programs that can benefit the total community.

Organizing and Implementing a Business Retention and Expansion Program

Your business retention and expansion efforts will require several steps. One of the first things you will want to do is establish external contacts to identify resources available to help you develop your activities. The process of establishing external contacts is critical from two perspectives. First, it tells the economic development community that your area is serious about economic development. And second, it will provide you and others in your community with a reliable source of information as you develop and fine-tune your program efforts.

Next, you need to select a project leader and members to serve on the retention and expansion committee. Your action plan task force is a good beginning, but you will want to expand membership before you go very far.

A third step involves summarizing what you perceive to be the significant barriers to retention and expansion in your community and area. Look at the business attitude survey conducted for Day 2 of the S.T.A.R.T. Economic Development project. What issues are suggested by the survey responses? How might they be addressed through the retention and expansion initiative?

Once you have discussed these issues you should have a better idea of the types of general problems that may be on the minds of local business people. The fourth step is to develop a survey that can be used as a guide to collect more detailed information from local and area businesses through personal visits. Improving the Climate for Business Expansion and Retention contains an example of one such survey. Because the business attitude survey conducted for Day 2 already contains the basic information, you’ll want this survey to build on—not repeat—the data already collected.

Your next organizational task is to prepare a list of businesses to visit and about which to compile information. Use the targeting questions above to provide a reference point for compiling the list. Remember that this information will determine the types of activities you will focus on, so compile it carefully. At this time you should also identify individuals and obtain commitments from them to serve as members of the business visitation team.

Once you have developed your business visitation questionnaire and identified persons who will be making visits, you will want to train them so they understand the objectives of the retention and expansion strategy, the role of
the questionnaire in compiling information about specific business needs, protocol for the visit and survey, and how the information will be used.

The final tasks in this step are making the visits and compiling and analyzing the information. The result should be a report detailing strengths and weaknesses in the local business environment. This document will guide the local business retention and expansion initiative. Next steps might range from compiling more detailed information to developing the types of programs and activities whose need is evidenced.

Regardless of the breadth of needs identified through the visitation program, it is important to pursue only a limited number of activities at a given point in time. While you want the overall ideas and needs underlying the retention and expansion effort to be comprehensive in scope, you do not want to dilute the effect of your actions by spreading your resources too thin. It also important that you explore all avenues for cooperation, both at the state and local levels.
In many small communities, there's a presumption that tourism is strictly something for the bigger cities.

"There's nothing a tourist would want to see in this town," is a thought that's heard many times when I work with Iowa's rural communities. But two small communities in this state are proving that theory is wrong. This is a story of their successes.

**Walnut, Iowa (Population 897)**

Five years ago, a small group of Walnut, Iowa, residents began meeting for coffee at a local restaurant. The restaurant was about to close its doors and the loss would have left the community with little more than a few antique shops remaining downtown. These would have been the only retail businesses left in town. This small group decided to combat this situation and form the Walnut Improvement Company in order to provide the financing needed to keep the restaurant open. This was only the first step.

The group then began to discuss methods to reverse the community's downward slide. In order to better understand the town's situation, they took stock of Walnut's true assets and arrived at some heartening conclusions. Walnut had some advantages: The community lies only three-fourths of a mile off Interstate 80, the entrance road into the community was attractive and well-kept; the town still boasted a large stock of late nineteenth- and early twentieth-century buildings in good repair, the downtown area had kept its original brick streets; the Auction House, a local business, had a good reputation in the area; and modern technology had caused little contamination of the built environment with cheap or tacky architecture.

After this informal community assessment, the group began talking about what direction Walnut would take. They knew the gas stations, motels and restaurants on Interstate 80 did a good business. They reasoned, why not pull some of that traffic into the town? A vision for the future economic health of the community began to develop.

Eldon Ranney, a local business owner, explained that perception in a letter to the editor of the local newspaper, "We have a vision. It involves Walnut. In our vision, Walnut thrives and prospers during a period when other communities of Walnut's size in rural America have become, or are becoming, ghost towns. Walnut thrives because it discovered an industry to which it is ideally suited and the whole community is working together to cause that industry to focus on Walnut. That industry is 'Tourism.'"

The community leaders decided to build on the established assets Walnut already possessed, and these made it an ideal location for the establishment of antique and collectable shops. They knew the antique business is an unusual one. The more competition there is, the more people stores will attract. If people have to drive far in order to engage in their hobby and browse through antique shops, they're more likely to come to a town if it boasting a number of shops rather than just a few.

Walnut citizens started to utilize their strengths in order to revitalize the economy. Residents designed and printed a community brochure and distributed copies to the state's Welcome Centers. The community effort also resulted in the development of two festivals that use the theme of antiques and collectables: the AMVETS June Antique Show and Walk held the third weekend in June and the Annual Christmas Walk held the Friday and Saturday after Thanksgiving.

Slowly, but steadily, Walnut's reputation as a key Midwest wholesale and retail market place for antiques began to develop. Much of the attention the community received wasn't through its own advertising but through publicity in the media. For example, an Omaha television station's travel...
September-October, 1988  

The Walnut Community Club petitioned the Walnut City Council to officially proclaim their community as Iowa's Antique City. Then they went a step further and petitioned Governor Terry Branstad to sign a similar proclamation. Once the community club accomplished this designation, citizens and local officials tackled the task of placing an informational sign on Interstate 80. At first, the community experienced many frustrations due to the rules and regulations governing proper highway signage. However, a solution was found when the Pottawattamie County Board of Supervisors passed a resolution designating a portion of County Road M-47 as “Antique City Drive.” After this action, the Iowa Department of Transportation notified Walnut that it would install new Interstate 80 exit signs announcing the Antique City Drive Interchange.

Today, Walnut is in a unique position for a small Midwestern town; the main street does not have a single vacant or unused building. But community leaders are quick to point out that the changes didn’t happen overnight; it took a lot of patience and persistence to make their vision become reality. They emphasized that eight other goals and principles helped in their efforts. Other small communities could adapt these to guide their own tourism promotion efforts.

- Express the community’s goals in the form of a “vision of the future.” This helps sell the program in the community.
- People within the town must be willing to work together; responsibilities must be shared.
- When a community begins to advertise, don’t create expectations that the town cannot meet; advertise as honestly as possible.
- Guard against extravagance in the development of a community brochure. Keep the early message plain and simple and make it more elaborate only when elaboration is justified.
- Make use of free state services like the state Welcome Centers, consultants and other government aid.
- Use the media as often as possible to tell your story; if necessary, write the press releases and submit them to the media.
- If a community festival is planned, hold it at the same time each year, so people can count on it and make their plans accordingly.
- Business owners especially need to work together to keep shopping hours uniform and they should not be afraid to recommend other local shops or businesses to customers looking for a particular item.
- Ask each and every citizen to promote the community wherever and whenever the opportunity presents itself.

Dows, Iowa (Population 771)

On August 6, 1988, officials dedicated the Dows Depot Welcome Center and it opened to receive visitors. The event represented both the end and, in some ways, a new beginning to a project that has involved the entire community.

The community of Dows, like many small towns, traces its beginnings back to the establishment of the railroad. But, when passenger service to the community ended, the railroad abandoned the depot and it fell into a state of neglect. It stood in a severe state of disrepair until the Dows Historical Society and the Dows Community Betterment Council took an interest in the building. Both groups decided that the depot needed to be preserved as an integral part of Dow's heritage.

Financing the building’s purchase was a major undertaking. The railroad asked $66,000 but eventually sold it to a real estate company which then asked $10,000 after it had stripped the depot of its interior furnishings. Undaunted, volunteers took on a number of projects to raise the funds. A local business owner donated the use of a building in the downtown area and volunteers opened a Country Store. Citizens donated clothing and other goods. The proceeds went into a fund for purchasing the depot. Other fund-raising projects included card parties, bake sales and Saturday morning coffees in conjunction with the town's Farmers' Market.

It took a little over a year to raise the $4,000 that served as the final price that the historical society paid for the building, but the money was raised entirely by local volunteers. The next step involved restoring the structure and the estimated cost lay in the $70,000 range. At about this same time the Iowa Department of Economic Development announced a new tourism initiative. It established a matching grants program for a pilot project that would help fund tourism Welcome Centers. The program was unique because the state envisioned that each would be a true grass-roots community project; the state encouraged towns to be creative in their applications.

The citizens of Dows decided that they would put together a grant application despite knowing that the competition would be fierce. The community would provide matching funds through the use of donations and in-kind services. Local businesses and several private citizens donated seed money; the Dows Historical Society pledged the depot and the adjoining land as part of the match and residents promised to work many volunteer hours. The strategy worked.

Dows, the smallest of the ten communities awarded grants, received $20,000 for the establishment of the Dows Depot Welcome Center.

Residents donated thousands of volunteer hours in the ensuing months. For example, one portion of the project involved dedicating a number of Saturday mornings to tearing down an old brick icehouse so workers could use its bricks to replace destroyed ones in the depot. Evening work consisted of replacing wooden floor planks, sanding and painting interior woodwork, rebuilding a portion of the interior for public bathrooms, landscaping the grounds surrounding the depot and innumerable other tasks. The entire community became involved in the project. The help ranged from a local 4-H Club that donated the money for paint remover as well as the time and effort to strip and sand two huge oak entrance doors, to senior citizens who handled much of the interior detail work. Local businesspeople, acting as a steering committee, donated their skills in accounting, approved the bills, reviewed and monitored progress schedules and engaged in the other necessary administrative responsibilities. Many citizens donated antiques to the depot and these furnishings included two potbellied stoves, old books, photos and maps of the area, and memorabilia about the railroads and farming in the early 1900s.

The finished depot provides a variety of tourist information for the four-county area surrounding Dows. It stocks brochures on local museums, recreational opportunities, lodging and
restaurants. It also carries maps as well as general information on Iowa tourism. In addition, the Dows Depot has a store which displays Iowa products, local crafts, Dows Depot T-shirts, post cards and buttons. The sales are used to pay the welcome center's maintenance costs. None of the grant money was used to pay for ongoing day-to-day operations.

The depot has served as the catalyst for a continued tourism promotion effort. There are several long-range plans in progress. These include improving a scenic route into the community along a river road, reconstructing a covered bridge, relocating a country schoolhouse to a site near the depot, opening a new restaurant and restoring another historic building to house an Iowa products store and a bed-and-breakfast facility. The hope is that Dows will attract approximately 1 percent (100 people) of the traffic that flows by on Interstate 35 each day.

Local residents believe that two key factors have contributed to the success of the depot project. First, they note that the close coordination of all efforts was and still is vital. That's especially true when using volunteers to accomplish so much of the work. As one person commented, "It's impossible to overcommunicate on a project like this." The second factor, closely related to the first, is that no one person, group or segment of the community should have the responsibility for the entire project. Different groups and individuals need to take responsibility for the various tasks that they can do best. In that way, the total community can share in a successful project.

Self-reliance is an important component in the successes of both Walnut and Dows. The citizens of both communities showed a determination to pursue tourism as a way to build on their community's economic base and they took the necessary steps to develop the opportunities that were available. Assistance from outside sources has been very limited. The successful strategies involved maximizing local resources and building from within. These same strategies can be used by any small community that wants to develop its tourism potential.

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improve and expand existing business

Realistic marriage-seekers set their sights on hometown sweethearts, not on the world's Marilyn Monroes and Clark Gables. The realism that creates nuptials also pays off in generating local jobs. Economists report that a large majority of a town's new employment comes from the growth generated within local firms, not from the relocation of new businesses. Rule one for picking up businesses: cozy up to those hometown opportunities before casting a glance at big-city industry.

"Backyard development" is the business retention/expansion term coined by Dr. Larry Ledebur, economic development expert and principal of Asian Associates, a research and technical assistance organization. According to Ledebur, communities can generate jobs in their own backyards, by fostering entrepreneurial activity and encouraging existing firms to invest in new capital equipment. This chapter proposes why and how small towns can identify and cultivate development opportunities in their own backyards.

myth of business relocation

Surely, many local leaders would like nothing better than to take credit for the successful relocation of a business. Best yet, the new firm should hire 100 unemployed workers, use little water, need minimal sewer service, emit no noxious fumes and remain in the community forever.

But these wish-list industries are few and far between. Small Business Administration (SBA) Senior Economist Bruce Phillips reports that there is little in- and out-migration of businesses, especially the small firms. "Most business owners are tied to their towns and often will not move, unless they are offered an exceptionally attractive opportunity." According to Phillips, the bigger threat to communities is business closure.

Through its research, SBA has learned that companies do not relocate without a good reason. "Most migrations are due to transfers in ownership or mergers," says Phillips. Unfortunately, community leaders are rarely able to influence these factors.

There is another reason why businesses do not move willy-nilly. Most suppliers of business financing offer firms few incentives to relocate within their home state's boundaries or to resettle in a new region without expanding their labor force. Often, a requirement for receiving a loan is the net production of new jobs.

nurturing small firms

These arguments have persuaded numerous small towns to invest their limited economic-development resources in encouraging businesses to start-up, remain, and expand at home. The SBA says almost three-fourths of the nation's businesses are very small firms—fewer than 20 employees. Wise community leaders have taken note of this fact and incorporated small-business development into their overall economic development scheme.

business visitation

Sensing the risk and expense of exclusive industrial attraction campaigns, many small communities are adopting a balanced approach to job creation. Small business/industrial visitation programs offer towns an opportunity to maintain and expand the local economic base, without taking big chances.

In a business visitation program, local government leaders visit small and large businesses in the area to collect up-to-date, confidential data on their needs, problems, concerns and plans. This information is then expanded into a comprehensive strategy for retaining and expanding local jobs and revenue opportunities. During the process, the local government considers how to create an environment that encourages home-grown firms to prosper and expand.

more than public relations

The primary aim of business visitation programs is to improve the efficiency of existing enterprises. "The more efficient local firms are, the more competitive they can be in the regional, state and national markets," explains Ohio State University Extension Economist George Morse. "And the more net income businesses will return to the local economy."

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In a recent survey of 33 active business visitation efforts in Ohio, the state's extension service learned that additional goals and accomplishments of community programs. Small and large towns alike said that a visitation program is particularly effective in showcasing the community's pro-business attitude. Also, satisfied local firms can be the town's best advertisement in attracting new business.

Identifying and resolving problems requiring local-government action was the second most important objective. Local leaders reported that regular business visitations permit them to help existing firms locate sites or buildings for expansion, remedy zoning conflicts, alter traffic patterns, arrange for improved safety services, acquire public funds for business development and more.

Useful as well is the visitation program's ability to offer insights into the obstacles that local firms are likely to face during the next five years. Technological innovations, foreign competition and consumer taste changes are external threats felt by many hometown businesses. "Whether there is an attempt to save a plant through an employee stock option plan or a decision to find a new business to replace the old one, leaders need time to prepare an effective reaction," comments visitation expert Morse.

A fourth priority of Ohio's community programs is to alert local firms about financing and technical assistance available from a variety of state, federal and private sources. "Roughly half of the local success stories are the result of visitation programs linking small firms to useful state or federal programs," reports Morse.

organizing for visitation

The first step is to recruit volunteers for the business visitation team. Ohio Extension Agent Sam Crawford stresses that team members should be the town's "movers and shakers," who show enthusiasm, patience and commitment. Likely team participants are respected business owners and managers (active or retired), elected officials, community bankers, chamber of commerce leaders, vocational education specialists, county extension agents, regional planning agency staff members, area university/college faculty, school board members, and private industry council members.

Ideally, the program should establish at least three teams of two members each. The Ohio visitation teams found that acceptance of the program by local firms is improved by pairing a public sector representative with a local business leader. Also, visits are more likely to stimulate follow-up assistance and to reap tangible results if at least a few team members are paid staff (e.g., extension, regional planning, etc.).

Teams are often organized and sponsored by the town or county chamber of commerce. But some teams are creatures of the local government or of a non-profit, community improvement corporation.

getting a business education

Becoming street-wise about state and federal business assistance programs is the second team activity. "Visitation members should know enough about available resources to feel comfortable in distributing fact sheets and encouraging the firm's owner to explore the programs," says George Morse. "But volunteers cannot become program experts. It's perfectly acceptable to say to the firm's owner, 'I'm not certain how to answer your question, but I'll be sure that our visitation coordinator gets back to you ASAP.'"

How do team members get so smart? Visitiation experts recommend that local coordinators regularly invite representatives of key state and federal agencies to conduct a show-and-tell and distribute program fact sheets.

selecting, visiting firms

"When scheduling visits, don't ignore the smallest firms," warns Ohio Extension Agent Crawford. "Frequently, small, locally owned businesses are the ones most in need of assistance and the ones that have the greatest potential for future growth." Crawford also recommends giving priority to those firms which sell their products or services outside the community, bringing income back into the local economy.

Eventually, the program should reach all local businesses, scheduling visits with one or two firms per month per team. But care must be taken in assigning visits to team volunteers. "No member should interview a business competitor, political rival or even a key client," cautions Crawford.

reviewing industry trends

Which of the community's industries are likely to expand their employment during the next five years? Which businesses are likely to reduce employment or close? What marketing develop-
ments, population changes and technological innovations are creating new opportunities—or applying new pressures—to local firms? These questions can be answered, in part, by reviewing the U.S. Industrial Outlook, an annual guide to current and future industry trends.

By describing trends in many business sectors, the U.S. Industrial Outlook helps team members understand the business they are visiting. Such a grounding is a key to structuring a productive interview. As Morse explains, "Asking the right questions is essential to getting the right answers."


tips on business visits

The team arrives, following a brief letter of introduction, and at a time selected by the business owner/manager. In a low-key fashion, the team should accomplish four goals during this first visit: (1) learn as much as possible about the products or services of the firm; (2) listen for clues about the business' short- and long-term plans; (3) stress that the team's services are confidential; and (4) avoid making any commitments that cannot be fulfilled.

In Ohio, a three-page questionnaire is used to guide the dialogue. "But the interviewers should not fill in the information during the appointment," stresses Crawford. "That would inhibit an informal, relaxed meeting."

As soon as the interview is over, perhaps in the car, the team members should complete the questionnaire. Then an informal report can be compiled, noting the interviewers' personal observations and describing any problems identified during the discussion.

The team has an obligation to carry any unresolved concerns to potential problem-solvers quickly. "No matter what's involved in correcting the problem, keep the firm informed of your work on its behalf," recommends Crawford.

If visits are conducted regularly—at least once per year—respect for the business retention and expansion program builds. And the community which once was shocked by a plant closing or oblivious to a small business expansion possibility, gains essential insight into its economic future.
Tourism as a Factor in Community Development

This article asks the academic community, economic development organizations, and interested parties to consider tourism as an area for consideration in revitalizing distressed communities. It sketches a form of tourism which seeks to be sensitive to the economic, socio-cultural and ecological needs of the community members — be they rural or urban. The desire for varied interest groups is to develop tourism offering visitors unique experiences from products and services produced and controlled by community members.

The concept of community reflects a group of people with some shared values, who learn and need help from each other, and who pass on their values to succeeding generations. Ideally, communities seek to have a healthy level of autonomy and self-sufficiency to enable them to make decisions which are deemed to be in their own best interest. The boundaries of a community vary from an identifiable group like the Amish, to a city or a rural town, to a state, to a region, or to a nation.

Tourism has been defined a number of ways, but the one offered by Mathieson and Wall (1982) in their book Tourism: Economic, Physical and Social Impacts, captures the full scope:

"The study of tourism is the study of people away from their usual habitat, of the establishments which respond to the requirements of travelers, and of the impacts they have on the economic, physical, and social well-being of their hosts."

Historical Trends

Discretionary domestic and international travel for pleasure and business for a select few is as old as history. The "democratization of travel" with ever-increasing numbers of persons in widening social-economic backgrounds that regard travel as a necessity — is a product of this century. Improvements in social legislation and transportation innovations, particularly the introduction of a standard work week, annual vacations and the automobile fueled mass domestic travel. The introduction of the jet engine in the 1950s facilitated the growth of international tourism in the 1960's in both industrialized and non-industrialized countries.

Business interests were the first to realize the potential of this new phenomenon. They sought to maximize its potential in ways beneficial to the individual business establishments and evolving chain operations. Product branding and the introduction of similar standards of design, service, and food led to the success and growth of the more aggressive and innovative organizations. The discovery of radio and television advertising, the introduction of computer technology and favorable legislation solidified the dominant position of mega-companies.

Some unintended negative consequences are becoming the focus to scientists from varied disciplines — geography, anthropology, sociology, political science, history, economics, and the environmental sciences. Travel that is driven primarily by the growth and profit needs of business organizations have contributed to the homogenization of previously distinctive communities and cities. Items needed by the visitor are no longer products created and made within the community, but are centrally fabricated and shipped to the particular location by the company. Small locally owned businesses with locally grown food, local cuisine, locally fabricated souvenirs, local art and music have become quaintly packaged items to be sampled with the main "business of travel" being conducted in large conference hotels, convention centers, domed stadiums, shopping malls, and theme parks.

In this form of tourism, the community is little more than a convenient destination, key decisions are made by persons outside the community. Community members are primarily employees in these organizations and are recipients of the potentially negative impacts of overcrowding and congestion etc. Wendell Berry (1987) in his book Home Economics, suggests that rural America has become a domestic colony. He states:

"For many years, I think, the people of rural America have been struggling with the realization that we are living in a colony. It is an irony especially bitter for Americans that, having cast off the colonialism of England, we have proceeded to impose a domestic colonialism on our own land and people, and yet we cannot deny that most of the money made on the products that we produce in rural America — food and fiber, timber, mineral fuels of all kinds — is made by other people in other places." (p. 185)

The same case can be made for urban communities where some cities like Detroit, Cleveland and St. Louis lost from 20 percent to 30 percent of their populations between 1970 and 1980 based on decisions made by large-scale manufacturing firms.

Potential of Tourism as a Development Tool

Tourism offers an interesting opportunity to reverse the trend of "domestic colonialism." The visitor comes to the particular community, therefore the community has the potential to develop ways to supply the visitors' needs. Peter Murphy refers to tourism as "community industry" in his article "Tourism as a Community Industry: an Ecological Model of Tourism Development" in Tourism Management Vol. 4, No. 3, September 1983 as quoted by Michael Haywood in "Responsible and Responsive Tourism Planning in the Community" Tourism Management Vol. 9, No. 2, June 1988. He states:

"The term 'community industry' acknowledges that tourism is an industry which must attract visitors and remain competitive if it is to succeed in the world market, but at the same time it extends decision-making beyond the business sector to consider the long-term interests of the host community on which the industry is so dependent. The host community is the destination in which the individual, business and governmental goals become the tangible images of the industry. A destination community provides the community assets (landscape and heritage), public goods (parks, museums and institutions, and hospitality (government promotion and welcoming smiles) that are the backbone of the industry. To attract visitors with a viable product and maintain a destination's amenities and support, tourism should be viewed as a resource industry, a resource industry in the corporate sense that the industry gives back to the community while extracting a living from it, so that both the industry and the community base can benefit mutually from a long-term partnership."

The challenge for community development organizations and the academic community is to develop a "community industry" in which key decisions are made which extend "decision-making beyond the business section to consider the long-term interests of the host community. The long-term interests of the community involve meaningful employment for its residents, a good quality of life, opportunities for spiritual and intellectual growth, input in key decisions which affect their well-being, and a desire to pass on to their heirs the potential for an even better life.

Strategies for Community-Based Tourism

Community and economic development professionals should be active in this process to ensure the social return for public investment is not lost in this revitalization process.

Global tourism has become a $2 trillion global industry which, to date, has been relatively recession proof. In Michigan it has become a $15 billion industry. (This is too important a growth industry to be left to homogenizing of businesses who are "killing the goose that's laying the golden eggs"). Other groups which have the larger interests of the viability of the community, the quality of the natural environment, and the authenticity of the vacation experience have to make themselves heard above the technologically driven din.

For more information, please contact the author, O.H. Michael Smith, Hotel, Restaurant, and Institute Management, 431 Eppley Center, Michigan State University, East Lansing, MI 48824, tel. (517) 353-9211.
"Entrepreneurial Development"

James R. Thele

Management and Technical Assistance

The entrepreneur is the someone who owns and operates a business, takes the risks and receives the rewards of ownership. While many people desire to own their own business, only a relatively few have characteristics and the skills to be a successful. Of those who have the capacity, few actually start a business and many who are successful in starting a business, eventually fail. But a community can identify people with the capability to be entrepreneurs, provide the necessary skills training, and make available continuing support.

Promoting entrepreneurship - the process of establishing new business ventures - is a strategy that is only recently being incorporated into community economic development programs. This paper will outline management and technical assistance aspects of promoting entrepreneurship using the "Omaha Small Business Network" as a successful program model.

Omaha Small Business Network

The private non-profit "Omaha Small Business Network, Inc." operates three inter-related programs.

1. **The Omaha Business and Technology Center** is a small business incubator facility that rents office and industrial space to start-up and growing businesses and provides clerical and administrative support services.

2. **The Entrepreneurial Outreach Office** helps entrepreneur's start new businesses and provides management services to new and disadvantaged businesses.

3. **The Seed Capital Fund** makes high risk loans to start-up businesses and disadvantaged businesses using a revolving loan fund of City of Omaha Community Development Block Grant dollars.

The program is a city government and business community initiative designed to generate new jobs and new economic activity by aiding the formation and growth of small businesses. It is located in the economically distressed Near North Neighborhood in Omaha. New small businesses need for the growth of the overall Omaha economy and is a requirement for the revitalization of the Near North Omaha area.

Since the program started in October, 1984, the Omaha Small Business Network, Inc. has assisted over 500 entrepreneurs with management assistance, bookkeeping, business plans, marketing, sources of financing, and technical assistance. A network of management and technical assistance organizations and volunteers have been crucial to the program. They include Chamber of Commerce, Service Corps of
Retired Executive, Active Corps of Executives, Nebraska Business Development Center, the U.S. Small Business Administration, University of Nebraska of Omaha, Creighton University, and the State of Nebraska.

Through the Seed Capital Fund, 24 businesses were financed who were unable to secure financing from traditional sources. These loans are high risk investments in businesses located in the Business and Technology Center, in the downtown, and neighborhood revitalization areas. The loans are reviewed and approved by an investment committee comprised of business and finance volunteers.

The Business and Technology Center houses 36 businesses employing 126 people. Tenants and graduates of the program have added 135 new jobs to the Omaha Economy. As these businesses grow, they move from the Center and a new group of businesses enters the business incubator to repeat the process of start-up and growth.

The Omaha Small Business Network is designed to eventually become self-supporting. The Business and Technology Center generates income from rents and the sale of services. The Seed Capital Fund's operation is supported by the City of Omaha. Their income, together with contributions from the corporate community, are used to support the technical assistance services provided as part of the program.

Preparing the Entrepreneur

Successful entrepreneurs must have the personal characteristics and the skills necessary to start and operate a business. The entrepreneurial development process requires the identification of entrepreneurial individuals, the evaluation of skills, and a program of management and technical assistance. Few individual organizations have the financial and staff resources to provide all the components of an entrepreneurial development program alone. However, most if not all, communities have the necessary resources within their existing corporate, educational, and organizational structure. The secret is to develop an effective network of management and technical assistance resources who will respond to the needs of the entrepreneurs and ensure that the service is provided in an effective and timely manner.

In the Omaha Small Business Network model, the staff meets with the entrepreneurs to evaluate their commitment, motivation, and skills as well as the business concept. Depending on the entrepreneurs' needs, assistance may be provided by staff or through referral to an organization or individual in the technical assistance network. The staff then assists the entrepreneur develop the business plan. Once the business is started, the staff keeps in contact with the entrepreneur to provide or secure management or technical assistance.

In order to illustrate how the entrepreneurial development network works, this fictitious example describes an entrepreneur who has developed a new food product to be produced and sold through food brokers.
1. The Omaha Small Business Network staff meets with the entrepreneur and makes a favorable evaluation of the entrepreneurs' personal characteristics, skills, and business concept.

2. The staff contacts the university for a study of the market for the product using students in a marketing class.

3. A test of the product's acceptance among consumers is made by offering the product to employees of a local corporation in the corporation's cafeteria.

4. Information on product processing is secured from the state Food Processing Center.

5. The Omaha Small Business Network staff and the Business Development Center assist the entrepreneur prepare the business plan and financial projections.

6. Volunteers from the Active Corp of Executives and the Service Corps of Retired Executives prepare a bookkeeping system for the business.

7. Chamber of Commerce volunteers provide advice on advertising.

8. Small Business Administration guaranteed loan and an Omaha Small Business Network Seed Capital Fund subordinated loan are secured together with equity funds from the entrepreneur and friends and relatives.

9. The business opens in the Business and Technology Center.

A number of agencies and individuals can be involved in the entrepreneurial development team assisting an entrepreneur. While it would be unusual for as large a team as illustrated in the example to be used with most projects, normally there is more than one member of the entrepreneurial development network involved. The staff of the development organization is the link between the entrepreneur and the individuals and organizations providing the expertise. This link must make sure that both expert and the entrepreneur follow through with their commitments.

Follow up

After a new business begins operation, the entrepreneurial development organization must follow up to help insure the success of the project. Often entrepreneurs do not bring their problem to the entrepreneurial development team until they become severe, and in some cases they may not even recognize that they have problems. If the Omaha Small Business Network provides part of the financing, mandatory monthly meetings are held to review the business' operations and financial condition. Where financing is not provided, the follow-up is voluntary.
Business Retention Experience

William Orthman

When I was asked to speak today regarding "Business retention" I felt very fortunate that I was not asked to comment on "business closures" as our company came very close to being one of those fatal statistics!

During the last several years I have gone through a learning, agonizing Process A - PROCESS OF SURVIVAL. If sharing of that experience will help SAVE one Nebraska business - our time will be well invested. We are really referring to business(es) in your community that may be in serious trouble or heading that direction. What can you do to keep those businesses alive and operating in your town? To help answer that question I want to make FOUR POINTS. Those points are based upon my experience during the last several years.

Point Number 1 - A Troubled Business has Plenty of Company

If you have a troubled business in your community - the owner(s) need to understand that they are not along - they have plenty of company. There are many other companies in the same situation. In this day and age, it is no disgrace to be the owner of a troubled company.

It is also important to understand this local entrepreneur. Generally speaking he is either a super salesman, a creator or an inventor. Seldom is he a FINANCIAL WIZARD or an exceptional administrator. He started his business on a shoestring, built it into a large successful operation, and thinks nothing about laying everything he owns on the line. To keep the business GOING and GROWING. He has turned in a fair performance and believes in his product and himself.

However, he tends to live in a vacuum. I don't want to insult anyone or any profession but THIS ENTREPRENEUR probably feels somewhat isolated and alone. His banker is an ag banker. His accountant is an ag accountant. His lawyer is an ag lawyer. When things begin to go wrong, his answer is to work endless days and nights placing band-aids on the business when it may need major surgery. Some businesses are doomed to failure and do not deserve assistance. However, most local businessmen are just plain hardworking people willing to gamble everything for their business and deserve all the help they can get.

The local banker has provided help for the local business for years. But wakes up one morning and realizes he has more invested in this business than anyone else and immediately tries to lay off part of the loan to a long-term lender. Perhaps the loan request is not incorporated into a well thought out business plan and the request is refused. If the long-term debt request is approved the local banker will often loan more short-term money. JUST WHAT THE BUSINESS DOESN'T NEED.
Again point one - when a company gets into trouble the owner needs to know he has plenty of company, - even when he refuses to admit he is in trouble.

I have a personal example: My father started our company in the early 1960's in his farm shop. By 1982 we were employing approximately 120 people in a 60,000 sq. ft. manufacturing plant. We went into 1983, the PIK year, with way too much inventory and because of PIK experienced an unexpected drop in sales over 50%. As if that was not enough bad luck, in 1985, our largest customer filed bankruptcy while owing our company over a quarter of million dollars. Even though our sales came back we never really recovered from that loss. The customer bankruptcy strained relationship with our metropolitan bank to the absolute limit.

By the summer of 1986 our relationship with our big city bank had totally deteriorated. We were given an ultimatum to either sell or liquidate the company. Needless to say, neither of those two options were acceptable to us - nor to the community. The city had already lost the Sperry New Holland combine plant with 800 jobs. We were one of four small "home grown" manufacturers left in Lexington - all of us about the same size. If we had closed our doors it would have reduced the manufacturing jobs by 25 percent.

Our first step toward recovery was to assess the situation:

1. We admitted to ourselves our company was in trouble.
2. We admitted to ourselves that unless things changed from negative to positive - we could lose the company that we had spent 26 years building!
3. We admitted to ourselves that we could not win this battle alone.
4. We refused to roll over and play dead.
5. We took positive action and sought help.

Point Number II. Help is available - But you have to ask for it.

A troubled business owner needs to know that help is available but he won't get help if he doesn't ask for it. When a business is under extreme stress it needs the following:

1. A competent, reputable business consultant, experienced in working with businesses under stress and one who is familiar with non-judicial and judicial reorganization plans.
2. A competent, reputable bankruptcy attorney highly experienced in non-judicial and judicial reorganization plans.
3. A competent accounting firm.
4. Hopefully a supportive local banker
5. A lot of stamina, faith and just plain guts.

We were fortunate to have been working with an excellent small consulting firm in Omaha that had extensive experience working with
companies under stress and irate bankers. They also had worked with the Nebraska Department of Economic Development. When communications broke down between a business owner and his banker, third party involvement is essential. This consulting firm steered us to a highly competent bankruptcy attorney.

We had a competent accounting firm.

We had a local supportive banker.

Some business owners fear that such professionals are too expensive. But what is it worth to be prepared to go into combat and win to ultimately save your company. In my opinion it is worth whatever it costs.

Point Number III. - A Good Plan Is Essential

A. You must have a well thought out plan--If you are going to win.

B. Personal Experience -

Our first objective was to negotiate a "well laid-out" reorganization plan and stay out of judicial proceedings. The big city bank refused to accept this plan so we converted to judicial proceedings using - basically - the same plan. Time does not permit me to explain our plan in great detail, but the MAJOR component part of the plan was the assistance for DED in the form of guarantees of letters of credit. This assistance was essential if we were to file Chapter 11. When you file Chapter 11 you face (3) major problems:

a. Maintaining cash flow.
   b. Having to pay COD for all purchases.
   c. Interest on your debt - One of the MAJOR reasons a company is in trouble.

You need a plan that does not require MORE DEBT and MORE INTEREST. We had orders on the books and were approaching our busy season so we could SHIP and COLLECT if we could keep the plant open. The only way to accomplish this without paying more interest was to re-establish credit with our suppliers by providing them Letters of Credit. Since we did not actually take the money we were not obligated to pay interest. The DED was extremely responsive and agreed in record time, to grant the guarantees provided the Lexington community would help support the effort. We asked a local development group to support our effort - THEY AGREED.

We then went back to our metropolitan bank with our plan which included loan reductions. We informed them that we were filing Chapter 11 and invited them to accept the plan prior to filing. Their decision saved us from court battles and thousands of dollars in legal fees. Throughout this process, we were fortunate to have the support of our local bank.

I cannot emphasize enough - THE TOTAL PLAN MUST WORK. The plan must cash flow and accommodate all parties. In the final analysis the
plan must win - for both the owner and the community. Without the support of the DED, our local community, our local bank, the SBA and the FmHA - and eventually our big city bank we would have lost the battle. To build a plan that works and accommodates all parties is a MONUMENTAL TASK! and the business owner cannot do alone.

IV. My Last Point Is - Make Your Plan Work

"Some fail to plan and some plan to fail". THE PLAN IS WORTHLESS IF YOU DO NOT LIVE WITH IT AND MAKE IT WORK. We lived with our plan and we made it work. We even exceeded our planned results. We paid off all short-term bank debt, exceeded our inventory reduction plan and are now experiencing substantial sales and profit growth.

We filed Chapter 11 in Oct. of 1986 and we will be out of Chapter 11 next month. Most companies do not come out of Chapter 11. Chapter 11 can be just a delaying tactic before liquidation. IF YOU DON'T CHANGE WHAT CAUSED THE PROBLEM THEN THE PROBLEM WON'T GO AWAY. We changed and we intend to be around for many years to come.

Lastly - many business failures need not happen. Every failure dramatically hurts our communities and our state. We need to concentrate just as hard on keeping existing, troubled, but deserving businesses alive as we do in trying to attract new business. Most established businesses are good risk, they have operated successfully and made significant contributions to our community and its economy.

What can you do as professional and/or community leaders? Answer: Attend workshops such as this one today, be aware of what's happening in your community, listen and respond. And when you visit with your local entrepreneur REMEMBER:

. it is no disgrace to have a troubled company.
. Help is available.
. An effective plan can be developed; and
. If the plan is followed failure can often be avoided. I'm standing here as living proof of that.

If there is someone in your community who needs to talk to someone who has been to hell and back - PLEASE HAVE THEM CALL ME. I will be happy to share my experience and thoughts with total confidentiality.
The Economic Development Council of Buffalo County, Nebraska

Steve Butress, President

Introduction

The Economic Development Council was organized in mid-1986, a cooperative effort of the City of Kearney, Buffalo County, and the Kearney Area Chamber of Commerce. Kearney's economy at the time was relatively healthy, although there were disquieting elements—a general decline in the agricultural economy and the closing of a local 600 employee plant.

The combination of circumstances presented the perfect opportunity to establish a new, innovative program to guide the region through the transition from an agricultural based economy to an economy with more diversified manufacturing, services, and agricultural processing. It also made it possible to design a program appropriate to a national industrial base that was focusing on improved efficiency, performance, and competitiveness.

Objectives

Our objective was to design and carry out a development program that would:

* Enhance the competitiveness of businesses and institutions through community support, new products, lower costs, new technologies.

* Make effective use of the region's resources, including our people; their ideas, inventions, and energies; and the area's physical resources.

* Provide regional leadership and outreach to communities distressed by agricultural restructuring.

* Become a model for rural and small town development demonstrating that local initiative can have a substantial impact on community and regional futures.

* Earn the attention of regional, national, and international businesses that might be seeking a new site.

Action Plan Elements

We have established a series of incentives to accomplish our objectives. Although several of these elements contribute to two or more objectives, descriptions focus on the greatest impact.

1. Actions Designed To Improve Competitiveness of Existing Businesses

   One-on-One Program: This program is carried out by the Council President and volunteers through frequently scheduled contacts with
existing businesses. The purpose is to demonstrate our concern for these businesses' well-being; identify concerns, opportunities or needs; and to act as a delivery system for the services and programs available from local, state, or federal sources.

The response to this program has been extremely enthusiastic and the results remarkable. Numerous opportunities to assist these businesses have been identified. They include:

--help acquire the financial package for a 60,000 square foot, 206 job expansion.

--identify new products that will permit a manufacturer to diversify.

--help 3 companies acquire new facilities for expansion plans.

--business planning, venture club financing, a new facility and marketing assistance to help start an additional manufacturing business.

--locate grant funding to break a job-training bottleneck.

--site acquisition and telecommunications system negotiations that resulted in a 400 employee local catalog/telemarketing company.

--initiated a broad-based task force to deal with solid waste disposal.

This list demonstrates the range of the needs identified, the resources available, and the solutions delivered. It also demonstrates the incredible leverage available. Most of the resources, energy, and potential comes from these businesses. Generally only limited assistance is required from the Council to unlock their potential.

The secondary benefits, some of which were not fully anticipated, have also made important contributions to the regional economy. Examples of secondary benefits include:

--identifying companies with the marketing, manufacturing and financial resources to take inventors' ideas to the market place.

--reducing the city's landfill costs by viewing the waste stream as the resource base for a new business opportunity.

--identifying job opportunities that can, through new technologies, be moved to more remote, rural sites.

--expanding opportunities to hire mentally handicapped, giving them the opportunity for more rewarding lives and lowering tax-supported costs.

--identifying technologies within one company that have application in other local companies.
--identifying personnel and skills within one company that have been loaned to help smaller companies grow.

The Industrial Round Table This committee is composed of representatives of area manufacturers, city and county officials. It meets monthly and provides the forum for these companies to discuss items of common concern and interest. They have assumed leadership in the solid waste task force, and are discussing other areas of potential cooperation. The Eaton Corporation recently hosted area businesses for a 16 hour motivation/human potential training series that they have used effectively in their plant. This experience is indicative of growing spirit of cooperation technology sharing and skills sharing expected to emerge.

Industry Appreciation Week In addition to the regular contacts with businesses, we have also recognized their contributions publicly each spring. We hold a large luncheon to honor their contributions, generate week long media coverage of company profiles, and hold a fun filled pig-roast at a Platte River cabin that is eagerly anticipated by all participants. We are also planning to broadcast company profiles on our public-access cable TV channel.

The Central Nebraska Connection was incorporated as a new non-profit corporation in late-1987 for regional import-substitution. The staff of the Connection call on purchasers in a 3 county area to identify products that are purchased outside the region that could conceivably be purchased locally to lower the cost of supplies, inventory, and shipping to local industry. It also identifies product diversification opportunities for area manufacturers. This program, funded by 7 different local and state sources, also is an important opportunity for regional cooperation, helping to reduce long-standing community rivalries.

The Kearney Telemarketing Association We started this chapter of the Direct Marketing Association to increase telemarketing awareness, use, and skills among local businesses. We targeted telemarketing as an area of significant opportunity for the region.

Besides the obvious contribution that the current 400+ telemarketing jobs provide to the region, we see an even more important role in the future. We hope to use video, inter-active disc and other emerging telecommunications technologies in two major initiatives. One, we expect to bring jobs into the remote, rural regions surrounding Kearney. Data entry, telemarketing, and remote type-setting are all portable jobs that can be staffed in remote locations. This could make possible the continued viability of some smaller communities. Secondly, we intend to capture specialized knowledge that exists in Kearney, package it in various telecommunications technologies, and telemarket it nationally. Our main street is now 3500 miles long.

Business Services Delivery System This region has developed an impressive list of resources to provide assistance. These include: The Nebraska Business Development Center which provides business and financial planning, and marketing consulting assistance; the Nebraska
Technical Assistance Center of the University of Nebraska, providing engineering assistance; the University's Food Processing Center; and the Department of Economic Development's financial packaging function. The Council's role is to make sure that the appropriate resources are applied effectively to the identified needs.

II. Actions Designed To Make Effective Use of the Region's Resources

The Incubator Without Walls Inventors conceive of many potentially profitable ideas. However, inventors don't have the skill, knowledge, experience, or financial ability to develop them into profitable products have developed a series of services, an "Incubator Without Walls", to capture this resource.

The Venture Club is a loosely organized group of investors that meets to consider proposals for equity participation. We work with the inventors to prepare a business plan and an appropriate financial package several projects have received financing through the Club.

The Kearney Energy Enterprise Project is a innovative attempt to create jobs and retain dollars in the local economy. Funded by a $130,000 Exxon overcharge grant, the project will train displaced agricultural workers in energy conservation business technology. The training will enable them to effectively sell their services, creating jobs for themselves and reducing the energy costs of local businesses and homeowners. We expected to create 8 jobs and retain $500,000 per year that is currently leaving our economy.

The Council is also taking a lead role in an effort to establish a "community goals forum" focusing on downtown revitalization, and is maintaining a Business Opportunity Clearinghouse, an inventory of business opportunity in the region.

III. Actions Related to Regional Development

Regional Development Conference The Council, in cooperation with the development agencies in 2 neighboring counties, hosted a day-long conference where 150 business, political, and education leaders met to discuss opportunities for regional cooperation.

A Tri-County Promotional Brochure will soon introduce a new "city" of 150,000 population, with 20 Fortune 500 Companies, 4 hospitals and 3 college campuses. This regional cooperation paves the way for future initiatives related to regional air service, equitable funding for higher education units and possibly consolidation of some government services.

Circuit Rider Concept A circuit-rider concept, provides professional development services to the smaller communities throughout the county. The smaller communities have their own development corporations or chambers, but rely on the Council for staffing.

The Center For Regional Development Kearney State College has announced the establishment of the Center for Regional Development, an outreach program to make the resources of the College available to
businesses and communities throughout the region. The Council President assisted in the creation of the Center, and will work actively with their staff to help them realize their full potential. This can be an important connecting point between the resources of the College and the needs of the region.

The Institute for Agriculture and Natural Resources of the University of Nebraska is also redefining the role of the Agricultural Research and Extension Centers. The Council President has been working closely with UNL administrators to develop new services at the Centers that will apply the resources of the University system to the needs of communities and businesses in the region.

The qualitative results have been equally rewarding. The first, and most observable, is the very positive attitude within the county. People here view the future with optimism which is in sharp contrast to many communities in the farm belt. There is a strong sense of community: between business, government and education; between communities within the county; between our county and neighboring counties. Cooperation has replaced competition as the basis for improved relations. We are moving toward a future which we are jointly choosing and jointly creating.

Notes on Transferability

Most small rural communities feel the strong need to improve their economies, but most don't know how to use the limited resources available to have significant impact. The Development Council program has been designed specifically to become a model program for rural and small town economic development. The techniques are applicable in most small communities and can be accomplished with the resources available. We expect to use several methods to make this model available, including:

--Active involvement in state level efforts that will influence resource allocation and development direction, including New Seeds for Nebraska, New Horizons, The Institute for Agriculture and Natural Resources, and the Center for Regional Development.

--The Circuit Rider Concept, which is currently delivering these services to communities in the region.

--An intern program, where less experienced staff from other communities will be trained in on-the-job settings within the Council's offices and projects.

--A video and workbook presentation is envisioned that will be available for national distribution.