

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

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Business retention programs are not reaching their potential. The model currently in use produces little information to help manage or anticipate economic growth, predict companies at risk, or identify growth industries. Questions of significant strategic value constitute less than 12% of the questions posed in the typical survey or visit. A new approach is proposed to maximize strategic information gathered through the retention process.

In April 1994, we stated in Blane, Canada Ltd.'s *Clients and Friends Letter*,

“Business retention programs that fail to gather predictive data are only 40% effective. Satisfaction and future plans are only a small part of what should be gathered during a retention visit/survey. Competitive intelligence experts use information to predict the behavior of companies. Using these same techniques, development professionals can identify companies at risk even before management knows.”

The truth is, we were wrong! There is even less strategic value to the information collected under the business retention model currently in use. After analyzing more than 50 retention survey instruments, the results indicate that:

- ◆ more than 53% of the questions confirm information already known or easily known
- ◆ only 5.2 % of the questions gather company intelligence
- ◆ fewer than .6% of the questions focus on gathering industry intelligence

In short, the current approach fails to access critical knowledge held by CEOs and senior management while time is wasted confirming information available from others in the company. No wonder retention activities contribute little to the marketing strategy of most development organizations. The problem is that the current model for business retention focuses on:

- confirming information easily known
- identifying local problems
- offering assistance
- building good will

These are important goals, but in an environment of global competition these issues do not drive corporate decision-making. Therefore, should a development organization invest 88.4% of their information collection process on these issues? We think not. Is this the most valuable information a company executive can share with a development professional? No. Rather, an organization should utilize strategic and competitive intelligence to help sharpen the focus of internal and/or external marketing activities.

Today, according to our current analysis, **questions of significant strategic value constitute less than 12% of the questions posed** during a retention visit or in a mail survey. Yet, averages can be misleading. For example, **57% of the surveys asked no questions of strategic value.** In those

cases where strategic questions were asked, based on a 30-minute interview, an average of only 3.6 minutes was devoted to gathering strategic information.

State of the Art

Prior to 1993, we hadn't given much thought to the structure and purpose of a business retention survey instrument. Like other professionals, over the years we had conducted many visits, telephone interviews, and created written surveys. Each was a slight variation of the others we had written or gathered from peers. We accepted common practice as appropriate and useful. **The notion that there was another way never occurred to me!**

A personal breakthrough resulted from work Blane, Canada Ltd. had done for development and corporate clients in the areas of customer satisfaction and competitive intelligence. In these disciplines, the emphasis is on enhancing the strategic value of information. The link to business retention came from the book, *The Competitive Intelligence Handbook*, by Richard E. Combs and John D. Moorhead. From this book along with other sources, two phrases struck a cord.

“The essence of any competitive analysis activity is that it contributes to making better and faster decisions.”

Charles J. Mathey
“Competitive Analysis”

“The answer is only important if we ask the right question.”

Anon

We have since confirmed that a conflict exists between information gathered through business retention programs and the information developers actually need to improve marketing results. While conducting research for the book, *Economic Development: Marketing for Results!* We interviewed dozens of peers in development. Through these interviews it became

clear me that development organizations invest tremendous resources in business

Figure 1: Category Definitions

Confirmation Questions – confirm basic company information already known or easily known

Assistance Questions – offers to help resolve problems, provide information, facilitate third party help

Problem Identification Questions – identify specific problems and rate overall satisfaction with community services

Predictive Questions – explore management actions to assess attitudes toward the company's growth potential

Industry Intelligence Questions – identify trends within the company's industry regarding demand, product innovation, competition

Company Intelligence Questions C gather information about the company's markets, activities, and plans

Buyer/Supplier Linkage Questions C assess changing relationships with key customers and or suppliers

retention and produce information of relatively low value. The low quality of results has caused a halfhearted commitment to retention/expansion, a predominantly reactionary management style, and little consideration of collected information in crafting the organization's overall marketing strategy.

To help make the case for this article that the wrong questions are being asked, we conducted a structural analysis of current survey instruments to document the types of questions in use. Seven categories of questions were defined. (Figure 1) Surveys were gathered from development organizations throughout the U.S. and Canada. (Figure 2) More than 50 surveys were received and evaluated.

For each survey, individual questions were evaluated and then categorized. To avoid skewing the results when categorizing, Teresa Rendleman, who did not know how the findings would be used, put the questions into categories.

The matrix in Table 1 shows the representative distribution of questions by type for a number of the survey instruments evaluated. The findings, as shown in Table 2, fully substantiate the premise:

- surveys are dominated by confirmation questions
- questions do not tap the specialized knowledge of executives
- questions provide little in the way of strategic information to focus internal or external marketing

The biggest surprise in the matrix was that fewer than half the surveys explore the possibility of supplier opportunities with local executives. Linked industry marketing can be a powerful marketing strategy. Peoria, Illinois has pursued a linked industry marketing strategy for years. And, according to Tucker Kennedy of Peoria EDC (IL), several

new facilities, including their last two attractions, *located in Peoria to be closer to a primary supplier*. The evidence in our analysis indicates that while development professionals talk about supplier/buyer marketing strategies they are apparently not making use of a primary tool, the retention survey, to capture information to make this strategy more effective.

If the hope is for improved marketing results, development professionals must increase the *strategic value* of available information. Because the retention survey process effectively generates information from important sources, it should be the cornerstone of a strategic information system. *The key becomes asking the right questions.*

Figure 2: Sample Instruments

To gather a random sample of survey instruments, personalized letters were sent to 55 development executives requesting copies of R/E instruments (personal visit, phone, and/or mail). To insure a random sample of instruments, each recipient was asked to photocopy the letter and forward it to two other professionals. Also, a notice asking for current survey instruments was placed on an Internet mailing lists of approximately 125 individuals interested in economic development. Finally, sample instruments included among materials from AEDC's business retention course were included. All instruments received before the deadline dates were included in the analysis.

Competitive or market intelligence is defined as “the selection, collection, interpretation, and distribution of publicly-held information that has strategic importance,” according to authors Richard Combs and John Moorhead. Counter to the purpose of a traditional retention program, a market intelligence approach seeks to gather and organize *predictive* information as well as market intelligence. Predictive information provides value by helping the development executive anticipate changes impacting a community’s economic base. Market intelligence seeks to document or quantify competitive advantages and weaknesses affecting retention and attraction.

Improved marketing results are the driving force behind the need for redesigning the retention survey. The proposed approach is not a radical new concept. It is supported by proven market research and competitive intelligence techniques used regularly in other industries.

To achieve the maximum benefit from a retention program, it should be viewed as a four-stage system.

- Stage 1 C compile employer information
- Stage 2 C conduct CEO interviews
- Stage 3 C compile and analyze the data
- Stage 4 C blend findings into the marketing plan

Stage 1 – Compile Employer Information

About 50% of a traditional business retention survey is devoted to collecting employer background information, e.g., company address, number of employees, union representation, senior executives, parent company, products, and SIC codes. This information should be collected by phone from the company’s executive assistant or human resource manager prior to conducting the CEO interview. There

are two benefits to obtaining this background information in advance. First, during interviews with the CEO, interaction can be focused on questions that will provide more valuable information along with industry insights. Second, being prepared demonstrates to the CEO that the organization has done its homework.

Stage 2 – Conduct CEO Interviews

The emphasis of the redesigned retention survey instrument should be on capturing three types of information: customer satisfaction, predictive information, and marketing research. Some predictive information and market research data cannot be easily captured in a written (mail out) survey. Some of these questions do not lend themselves to multiple choice or short answers. Question choice and presentation are very important in the mail survey instrument. To maximize gathering of strategic information, use telephone or personal visit interviews consisting of open-ended questions. Each interviewer should be prepared to probe for clarification by following up answers with the questions “Why?” or “Can you give me an example?”

Type of Interview

Blane, Canada Ltd.’s experience indicates that in general telephone interviews are as effective as personal visits. The critical ingredient, person-to-person contact, exists in both methods. Telephone interviews have a number of advantages: they tend to be more efficient, they can be scheduled for the convenience of the respondent, they can be completed in less time, and they greatly reduce non-productive downtime required for travel between interviews. Telephone interviews also provide a sense of comfort because the respondent is not being directly observed and, consequently, is less aware of the interviewer’s note taking.

On the other hand, in personal interviews it is often easier to establish a rapport with the respondent than in

telephone interviews. In addition, a personal visit allows for the use of props, which might be needed to clarify a question or facilitate an answer.

Regardless of the method C mail, phone, or personal C to affect the change being proposed, it is essential to dramatically overhaul the types of questions posed to company executives. The following sample questions cover three areas of interest: customer satisfaction, predictive information and market research. Brief explanations highlight the nature of these sample questions.

Customer Satisfaction

Attitudes are important indicators of customer satisfaction. If attitudes have changed, it is important to know how they have changed. For example, negative trends help identify problems, whereas positive trends could indicate progress has been made in improving services or resolving past problems.

Sample Questions

1. Has your attitude toward doing business in this community changed during the last two years?
2. If yes, has it improved or deteriorated?
3. Why?

Predictive Information

To begin to predict company behavior, it is essential to learn about factors that drive expansion and relocation. For example, if a sister facility (facility with the same production capabilities) is already in place, production can be shifted quickly in response to changes in business conditions. The possibility of a quick shift increases the risk level for communities with a sister facility.

Sample Questions

1. Does your company have a sister facility producing the same or similar products? (List city and state or country)
2. Are the plant and equipment at the sister facility older or newer?

For many companies, the driving force in plant location is proximity to market. When growth is in a different geographic region than production, pressure increases to move or expand production within the new market. Being unaware or complacent about a company's growth patterns could cost a development organization expansion opportunities. Valuable insight is gained through understanding a company's market area and direction of growth.

Sample Questions

1. Where are the company's top three markets served from this facility?
2. Where is your company's market growing fastest?
3. What is the company's top international market?

Market Research

Understanding advantages and disadvantages of doing business in a community from the executive's point of view can provide valuable marketing insights. Problems can be addressed, and opportunities can be leveraged.

Sample Questions

1. What are the advantages of doing business in this community?
2. What are the disadvantages of doing business in this community?
3. Where are your primary competitors located? Why?

These questions are just a few examples of the approach developers could use to predict behavior, evaluate satisfaction,

and improve economic development marketing. They represent the types of questions development professionals should ask during a retention interview. This list is not complete, however, and these questions are not designed to blend into an existing survey instrument. Further research is still needed to determine what specific questions will produce information of the greatest strategic value to development professionals. Additional examples of interview questions are provided in the book, *Economic Development: Marketing for Results!*

Stage 3 - Compile and Analyze the Data

Each survey form has value and provides insight as each describes one company's situation and one executive's view. This information must be analyzed separately. The first step of the analysis is to perform a "risk" assessment. Based on the company information gathered, a determination must be made regarding the following questions:

1. Is there any reason to believe that this company is at risk for downsizing, closure, or relocation?
2. Is there evidence the company is considering expansion locally or elsewhere?
3. Is the company committed to the community?
4. Regarding these findings, what steps, if any, should be taken by the organization?

Company analysis should be completed immediately following the personal or telephone interview, and any required action should be scheduled as soon as possible thereafter.

The real power of a retention program designed as a market research tool is gained from the aggregate result of numerous surveys. By comparing the answer given to each question, it is possible to identify trends among clusters of companies. The clusters

used for analysis can be made up of companies grouped by size, industry, location, market, or other shared characteristics. The goal of this cluster analysis is to find recurring comments that identify opportunities or suggest potential problems. The condition of the community's product, community services, and attitudes, is of particular concern during cluster analysis. The search for competitive advantages also takes place in the cluster analysis.

A cluster analysis should be conducted regularly as new surveys are added to the information base. Results should be compared to data from a prior time period. Cluster analysis can be performed manually or electronically depending on the number of surveys involved and available resources.

Stage 4 - Blend Findings into the Marketing Plan

The final step in the retention information system proposed is to decide how the new information affects marketing.

- *What are the implications for future marketing activities?*
- *Are local companies at risk?*
- *Do local plant managers need community information packaged specifically for off-site decision-makers?*
- *Is more internal marketing needed with local executives?*
- *How should the organization respond to changing attitudes about doing business in the community?*
- *Are there new opportunities for business attraction to be researched or pursued?*
- *Can area executives open doors through their affiliations to help with business attraction?*

Any conclusions drawn from the analysis of the interviews must then be systematically blended into the current marketing plan.

Jumping the Gun

As development professionals tend to be action oriented, it is likely that some will plug into their current retention survey sample questions from this article. The perspective and strategic information the questions suggested here would improve any of the instruments we have analyzed. But, to break the “er” improvement cycle – newer, bigger, better, and shorter, – common in business retention survey instrument design, more work is necessary.

We believe economic development needs a comprehensive strategic information system. To system envisioned will bundle value laden questions, noted earlier, with information gathering techniques including the retention process, new information sources, information management tools, and structured analysis procedures. To construct a comprehensive system as described will require involving expertise outside of economic development. This expertise will be derived from the input of people who gather and evaluate business information from a financial perspective such as stock analysts, floor traders, and investment portfolio managers. There is also a need to involve information specialists such as competitive intelligence researchers, electronic researchers, as well as computer specialists to assemble hardware and software into support systems that automate the information-handling component of a system.

Conclusion

Today's business retention methodology and tools are ill equipped to address the needs of the development organization wanting to build their local economy. Good will is no longer the issue. Continued reliance on the traditional business retention approach for information collection in today's competitive environment leaves development organizations vulnerable and open to criticism. Business

retention programs should play a greater role in providing company, industry, and marketing information needed to build the foundation for solid marketing strategies.

There is tremendous potential for increasing the strategic value of a business retention program without an appreciable cost increase. To capture the potential of this shift, development professionals must challenge traditional methods. They must increase experimentation to build better retention interview tools.

The ability to gather strategic information for marketing should become a top priority for every development organization. Internal information resources should create opportunities and anticipate changes that impact businesses within a community.

Next Step

Since proposing this framework, development professionals who have read *Economic Development: Marketing for Results!* and participants in marketing courses where this concept has been discussed have challenged Blane, Canada Ltd. to develop the concept into a complete strategic intelligence system for economic development. This challenge has resulted in the formation of an independent research consortium to develop the concept and share the results.

Blane, Canada Ltd.'s research in this area continues, as we believe it is an inexpensive way to increase marketing effectiveness. We are currently helping to form an independent research consortium to lead work on creating a comprehensive strategic information system for economic development. The intent is for participants to share the cost of research and then have access to the resulting system for their organization.

Participation in the consortium is open to state, regional, and local development groups (development organizations, units of government, public utilities or others) in the U.S. and Canada interested in increasing the value of internal information resources.

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Authors

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Synchronist Business Information System®

Award Winning Business Retention Software

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

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

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

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

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Breakthrough Concepts

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

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

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

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

"Rocketing out of the Twilight Zone"

"What's a Gazelle?"

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