



Out of the Twilight Zone:

Gaining Strategic Insight from Business Retention

— Eric P. Canada —

Sequel to the Award Winning Article:

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

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Rocketing Out of the Twilight Zone: Gaining Strategic Insights from Business Retention

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Frustration Exceeds Benefits

In my years of field research on business retention and contact with developers at our marketing courses (Economic Development: Marketing For Results!, et. al), and business retention workshops, development professionals consistently express frustration with the results produced by business retention programs. Some of the reasons cited are:

- Unsure what questions to ask executives.
- Hours consumed writing visit reports.
- Lack of insight from findings.
- Low confidence in the results.
- No comparison between Company A, Company B, Company C, etc.
- Inconsistent results when involving volunteers.
- Inability to access data trapped in paper survey documents.
- Lack of carry forward from one year's program to the next or during staff transitions.
- Inability to fulfill expectations created by assistance offers.
- Poor return on investment for the hours consumed.

This list is just the beginning. Add your own frustration(s) to the list. Ultimately, these frustrations are the reasons why so many communities have no retention program or have dropped their program. Development professionals recognize the negative consequence of not doing business retention, i.e. advance notice of problems at a company or community level and missed expansion opportunities. Add in the fact that development professionals have promoted the need to do business retention for at least twenty-five years and it becomes clear everyone knows the importance, but many still fail to act.

In 1996, we wrote of our frustrations with the traditional business retention survey instrument. Our premise was that current retention survey strategy was only 40% effective. Later, when we analyzed the content of a random sample of over 50 survey instruments from across North America, we found our initial assessment of 40% to be generous. The situation was far worse than anticipated.

The solution Blane, Canada Ltd. proposed in our best selling book, *Economic Development: Marketing for Results!*, was to segment the survey instrument into two parts, background information and the survey tool oriented toward strategic information. Well, after more than two years of research, it turns out that we were only partly right. Fixing the questions is only part of the solution. Yet, by virtue of taking a fresh look at the purpose and methods of business retention, plus applying new perspectives, we have discovered it is possible to go well beyond what is accepted today by the profession and even beyond what we initially thought possible.

Missing Links

Development professionals' frustrations with business retention flow from two critical issues the profession has failed to act on: ***the value of questions and analysis.***

Nearly every survey instrument we have seen is an amalgamation of questions extracted from other survey instruments with perhaps a few local interest questions added. The failure in this approach was highlighted in Blane, Canada Ltd.'s award winning research published in the article "Lost in the Twilight Zone: Business Retention Fails the Strategic Value Test!" Specifically, our analysis of the types of questions is shown in Table A.

Table A

Business Retention Survey Analysis		
Question Types	Number	Percent
Confirmation	16.0	53.2%
Assistance	3.5	10.6
Problem Identification	8.0	25.0
Predictive	1.0	4.3
Industry Intelligence	0.0	0.6
Company Intelligence	1.5	5.2
Buyer/Supplier Linkages	0.0	1.1
Totals	30.0	100%

Source: Blane, Canada Ltd.

As can be seen in Table A, development professionals seldom ask about the company's activities, the company's industry, or their future plans, except of course if they plan to expand. Putting it another way, two-thirds of the time spent with an executive is wasted in the typical interview/survey process with questions of little or no value. ***But even worse, the dominance of background questions tells the executive that someone has not done their homework.***

The other issue is analysis. Multiple choice and open-ended questions make up the "substantive" questions (46.8%) on the typical retention survey instrument. Multiple choice questions result in a count or percentage responding to each choice. Results are generally shown in a pie chart or bar graph. For example, a question on the number of companies with a union will yield a result of 21% union and 79% no union.

Open-ended questions are generally analyzed using a key word or frequency as the basis. A question like, "What are the community's strengths as a place to do business?" will generate individual comments. These comments can only be compiled as text statements and searched for similarities or analyzed using some form of key word count. This provides great quotes, but little valid evidence for decision-making. Unfortunately, the limp questions and rudimentary analysis frequently raise more questions than they answer, e.g. are worker-recruiting problems limited to the community, or is this an industry problem? Did three of fifty people list transportation as an asset? Is transportation an asset if only three people mentioned it?

Polishing the Crystal Ball

When faced with the potential for frustration, many development professionals practice avoidance and take an alternate route. With years of interviewing experience, many development professionals can fairly accurately assess a company's condition after an interview. These professionals prefer a free form, conversational interview with just a few key questions. This approach allows the development professional to hone in on issues that by experience have given them insights. The end result is a "sense" of the company. But unfortunately, at the end of the day, there is no solid evidence to support that type of "assessment" made by the development professional. When this approach is used, a different type of consequence emerges:

It takes years for a person to build the experience base needed to make valid judgments.

There is no concrete information to support policy, program, or resource decisions, only one person's feeling.

This approach limits the number of companies that can be visited to the available time of one person, one busy person.

Lack of structure in this approach translates into a lack of priority. Visits are frequently put off in deference to "more pressing" work.

There is limited ability to compare Company A to Company B and Company C.

There is little or no residual (written) knowledge base to pass on to the Board, community leadership, or the next development professional when the experienced executive takes a new job or moves to another community.

The value of an experienced professional's assessment is critical in economic development. This type of soft information can be important. However, for large communities with many companies, it is impractical to think one person can cultivate relationships with a majority of the companies, especially if that person has any other responsibilities. Consequently, this approach is not appropriate for most organizations.

"The answer is only important if we ask the right question." anon.

Where to Start

The thesis we outlined in our article, *Locked in the Twilight Zone: Business Retention Fails the Strategic Value Test!*, for fixing the woes of business retention centered on a strategic information approach to business retention. The evidence was clear and ample that the questions in use contributed little to policy decisions, program design, resource allocation, or marketing. Therefore, we thought if we could increase the value of the questions, we could produce better overall results.

In the quest for the perfect set of questions, Blane, Canada Ltd. started by stepping outside of economic development to find a new perspective. Our work in competitive intelligence and customer satisfaction survey design has taught us the importance of shifting perspectives. Since we were interested in evaluating companies, we focused on people who made their career and/or livelihood on their ability to assess a company's potential quickly and accurately. Some of the chosen perspectives included: stock analyst, investment banker, venture capitalist, mutual fund manager, private investor, and competitive intelligence researcher. Because of a related issue, the ability to look at large volumes of data and make accurate assessments quickly, we also used military strategist as a reference. This input was summarized and tested in our participants' group of communities. (See Thanks)

Looking at business and the interpretation of information from these points of view gave us a different focus. Instead of the typical self-centered economic development approach - community satisfaction and assistance - we became interested in the company, company management, company growth strategy, and the company's industry. This is not to say that satisfaction or assistance questions are unimportant. Quite to the contrary, they are very important to economic development. Still, the point is that these are not the most important questions.

As we interviewed experts in these fields and researched their literature, we began compiling the questions they used to investigate a company. The library of powerful, interesting, valuable questions mounted quickly. However, as the catalog of questions towered over 375 questions, it became clear that the challenge was not in framing the "right" question. There are dozens of great and interesting questions. The challenge was in the answer. Or more precisely, how will the analysis of the answer be treated to provide the development organization the desired information about each company and the company's relationship to the community?

As we worked to craft "perfect" questions, we came up against a second problem that was limiting the value of the business retention exercise. Essentially, we discovered that before we could select the perfect question, we had to know what the answer was to tell us. Focus. The retention survey instrument had to have a focus to break free of the habit of selecting a "question for the sake of the question". We began to think in terms of, "What 3 or 4 questions do we want to be able to answer after meeting with the company executive?"

Beginning with the End in Mind

In the course of our research, Blane, Canada Ltd. also asked hundreds of development professionals, including certified business retention experts, "What question would you like to be able to answer 'walking out the door'?" To put it another way, if you could only have two or three questions answered, what is most important to know about local companies?

Initially, their response was the litany of single-issue questions frequently seen on a survey form - workforce, financing, and problems. As we pressed, a higher order of question emerged. These were compiled and categorized. These questions ultimately fell into the six following categories. Eventually, we began to refer to these as the "core" questions.

- Is the company satisfied with the community as a place to do business?
- What is the company's value to the community?
- What is the risk of the company downsizing or leaving?
- What is the company's growth potential?
- What can we do to help this company?
- Are there marketing opportunities associated with this company's suppliers or industry?

Imagine asking an executive any of the first four of these questions. If the executive could answer at all, it would be a generic answer related to total employment, payroll, civic contributions, or a subjective statement of their satisfaction. While such comments could be interesting, they would provide no information that could be adequately documented and analyzed.

Building A Set of Questions

If we accept the notion of a company's value to the community as one of the core questions, then the appropriate action is to craft questions that explore the company's value, questions that help the interviewer interpret a value for the company. A company's value can be seen in both direct and indirect indicators. Therefore, questions exploring both types of value are useful. So, using value as an indicator, we began constructing questions that reflect on a company's direct or indirect value to the community. Looking at direct value first, the list could include:

- Total employment
- Total payroll
- Total taxes paid locally
- Volume of local purchases
- Active corporate philanthropy
- Growth and/or growth potential

On the other side, indirect value contributions could be measured in terms of:

- Encouraging employee involvement in the community
- Drawing new skilled employees/residents to the community
- Lending prestige through prominence in their industry
- Playing a prominent role in their corporate structure

Clearly, not all of these items make good questions. Some can be determined in advance before meeting with the company executive. For this reason, this type of question was eliminated from consideration for the interview or survey. However, a few were retained as part of the essential background information for the company, background information to be gathered before a visit or survey.

Working with each core question, it was then possible to develop clusters of questions. After the draft questions were in place, each could be evaluated using standard survey design criteria such as:

- Confirm quality of information solicited
- Eliminate overlap or duplication
- Avoid threatening topics
- Validate prior question response

The Art of Analysis

By creating focus with the core questions, formulating and choosing questions became a surprisingly simple, straightforward exercise. But, as the problem of the “right” questions dissipated, the challenge of finding a solution for business retention shifted from the questions we ask to how conclusions are drawn with multiple questions contributing input.

Looking back at past practices for analyzing business retention findings, what Blane, Canada Ltd. found was a pattern of linear analysis. That is, every question generates an answer, which is “analyzed” independently of every other question as shown in Figure A. By looking for the perfect questions, we inadvertently stumbled onto the Achilles heel of the retention process – analysis.

The alternative to linear analysis described above is matrix analysis. In matrix analysis information is pulled from various questions to draw a conclusion on a core question. In the example in Figure B, a conclusion on core question 1 is drawn by collecting information from survey questions 1, 2, 3, and 4. The conclusion for core question number two is drawn from the executive’s answers to questions number 1, 3, and 6.

Figure A

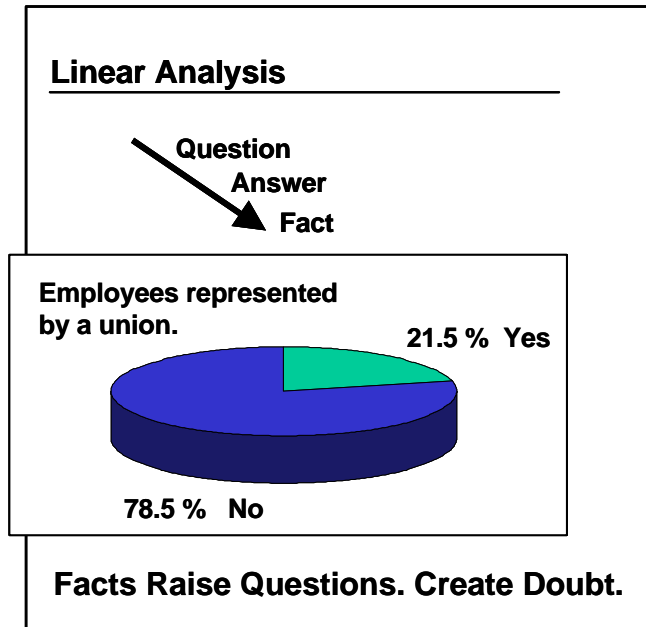
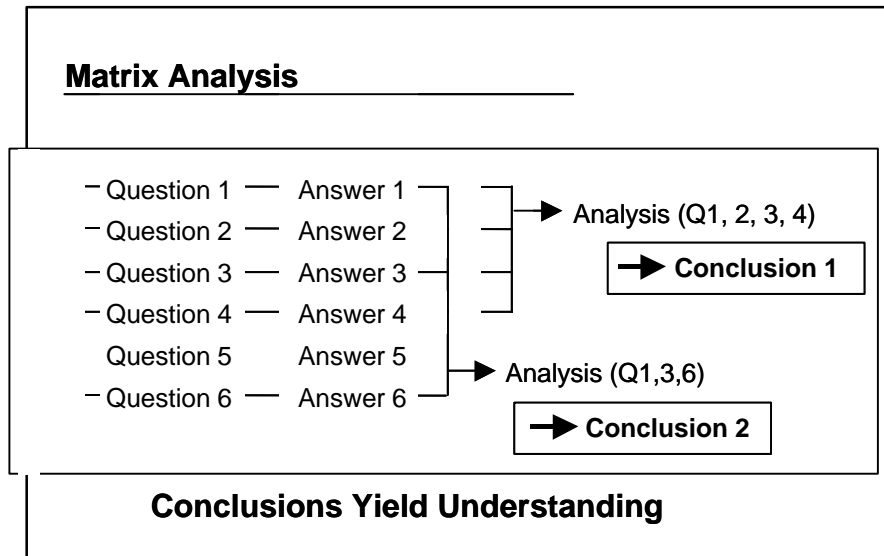


Figure B



Leveraging Computer Technology

Adopting matrix analysis techniques to business retention increases the complexity of the analytical process. With linear analysis, development organizations use computers and database software for straight tabulation or counting responses. Programming this type of use is fairly easy and often done in-house. By drawing from the answers to multiple questions, matrix analysis significantly increases the complexity of database manipulation. This task is easily managed by a properly programmed computer and database software, but requires programming skills seldom available on staff in a development organization and never in the budget.

The use of database software for the business retention function also allows other development activities to be supported out of the same database management software. For example, a business directory can easily be compiled from the business retention database. This eliminates the problem of maintaining separate but overlapping databases or building a directory on a word processing program then manually updating it annually (at a great effort).

Conclusion

Business retention is about more than “flying the flag,” offering help, and promoting programs or services. To justify the investment of time and money, development organizations must derive more benefits than increased goodwill or the answers to a few isolated questions.

As Blane, Canada Ltd. has dug deeper into the practice of business retention, the training materials, and literature it became apparent that developers have directed their efforts to improve business retention solely at the process level. Apparently the assumption was, “if the process works better, the result will be more successful.” Because of the fascination with process, there are a number of excellent models of how-to-do a business retention program. Unfortunately, at the same time, there is not a single model, until now, for increasing the value of the retention effort. So, while the process is important, an excellent process with poor questions leads straight back to frustration. As a profession, we have avoided the more difficult issue of how to increase the value of the results.

As with any basic research, not all the answers could have been anticipated when we initiated our work. We learned in the course of our research the value of providing more structure for questions used in business retention effort and analysis. Structure is critical to producing results, consistent, quantifiable results.

Looking Toward the Future

In their book, *Enterprise One to One: Tools for Competing in the Interactive Age*, authors Don Peppers and Martha Rogers identify several new rules for competition in business. Three of these rules also apply to development organizations. They include:

- Improved customer tracking
- Interactive dialogue with clients
- Mass customization of products and services to the specific needs of clients

Each of these is a logical extension of applying a strategic information approach to business retention as described in this article. The top two components, client tracking and interactive dialog are the nucleus of the strategic information approach. Increasing the value of information gathered, retained, and analyzed relative to a community's economic base should be the driving force behind any business retention program. The third, mass customization is about delivering communications, products, and service customized to the specific needs of the individual client, or in our case, a company and groups of clients who share similar needs. Development organizations can no longer afford to take a cavalier attitude toward knowing their clients -- companies in the community. All of these are possible with a strategic information approach to business retention.

On July 17th, 1997, using strategic information as a platform, Blane, Canada Ltd. outlined an intriguing future scenario in an internal memo to members of our research consortium.

“Interestingly, if we look at the three “core” questions listed above (value to community, growth potential, and risk) the analysis could easily lead to a new concept wherein companies within a community or geographic region could be classified by their value to the community, growth potential or risk. Organization's services, programming, and even policies (i.e. incentives) could be designed around different classifications, a novel concept in economic development where size and history are the traditional criteria.”

As this memo was written before we reviewed the book *Enterprise One to One* resources, the strategic information approach appears to be on track with changes at the forefront of a critical business marketing practice. This time, maybe economic development will be among the leaders instead of years behind the curve, as is typically the case.

Is it possible? Absolutely! Our Strategic Information Research Consortium* started with a commonly used database program and the principles described in this article to create a system to organize data, manage analysis, and generate reports for an information based business retention program. Participants now have a proprietary system to manage their total business retention program. In this system, every company visited or surveyed can be analyzed on its value to the community, growth potential, relative level of risk, as well as satisfaction with the community as a place to do business. Warning reports and alerts are among the reports that can be generated quickly to help allocate staff resources for increased effectiveness. Additionally, by using the computer to automate analysis and reporting, the staff time typically needed for these functions is dramatically reduced, leaving more time for business calls or other responsibilities.

Blane, Canada Ltd. and a small group of development pioneers have proven the concept not only valid and workable, but more importantly valuable to a development organization. As experience is gained and the system refined, we fully expect more significant advances ahead for our vision of business retention.

A Word of Thanks

The research and insights discussed in this article would not have been possible without the help of a small group of eight information pioneers and their organizations. In 1996, Don Burdick, Jamestown, NY who has now left the profession, laid out a challenge: a willingness to put money on the table if other EDC's would help fund research to take Blane, Canada Ltd.'s concept of strategic information and build a working business retention system. As with any basic research it was essential to have diversity among participants. Participant organizations had to be of different types (government, chamber, and economic development), serve different sized service areas (local and regional), and be geographically dispersed. It took over a year and countless proposals to development professionals. In the end, eight pioneers stepped forward. Their professional support, their colleagues on staff, and investment allowed this work to go forward, benefiting the entire profession. Our thanks to each of them for the courage and leadership they have shown.

Ronnie Bryant, CED, and **Stephen Taylor**, St. Louis Regional Commerce and Growth Association, St. Louis, MO

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Developer	<i>Synchronist Business Information System</i> TM (business retention software system)
Publisher	<i>Economic Development Marketing Letter</i> (e-mail newsletter)
Trainer	"Marketing for Results!" (courses) "Maximizing Results! Advanced Marketing and Complex Sales" Trained over 4,500 development professionals in courses and workshops
Acknowledged	Roepke Award Winner, 1997 for "Locked in the Twilight Zone: Business Retention Fails the Strategic Value Test!" <i>Economic Development Review</i> , Article, Summer 1996.
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