

# Business Retention & Expansion

## Social Capital

An Economic Development Strategy to  
Work With Your Existing Businesses

Business Retention and Expansion International | P.O. Box 15011, Hattiesburg, MS 39404-5011 | 601.602.8075 | [brei@brei.org](mailto:brei@brei.org)

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## What is a BR&E Program?

BR&E programs include all efforts to encourage the retention and growth of a community's existing businesses

- Technical training
- Management seminars
- Identify local sources of inputs
- Improve labor/ management relations
- Reduce cost and improve the quality of local services
- Improve school/work relationships
- Retaining youth in the community

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## BR&E Visitation Program

- The visitation program is a special type of BR&E program
  - The program surveys existing businesses to determine their perceived strengths, weaknesses, opportunities and threats – particularly as these apply to the local/provincial/state economic environment
  - Uses a standardized survey instrument to obtain specific information from existing businesses
  - Surveys are conducted by trained economic development professionals on a “continuous” or “segregated” basis
  - Analysis of survey responses provides insight to the removal of barriers and the enhancement of opportunities to business (and job) growth
- But the goal – outcome – is relationships!

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## Why Implement a BR&E Visitation Program?

- Communities can't do it **all** (ask yourself “What is all?”)
- The process identifies needs of individual companies (Company Specific issues) and systemic issues facing all companies (Company Common issues)
- Prioritizes existing firm-related projects subject to the following types of criteria:
  - **The types of firms in the community**
  - **The pressures they face**
  - **Other local factors**

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## What is a BR&E Visitation Program?

**“... is an action-oriented process for learning about the concerns of local businesses and setting priorities for BR&E projects to address those needs.”**

George Morse  
University of Minnesota

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## Basic Types of BR&E Visitation Programs

- **Traditional or Volunteer Visitor**
  - Uses volunteer visitors from the community to survey the businesses; process is entirely community driven
- **Paid Professional**
  - Community drives the process, but a paid professional surveyor is used for the business visits
- **Segregated**
  - Economic development professionals develop and implement the process, but a community plan is the key process goal
- **Continuous**
  - Economic development professionals develop and implement the process, but the goal is focused on relationship building with the business

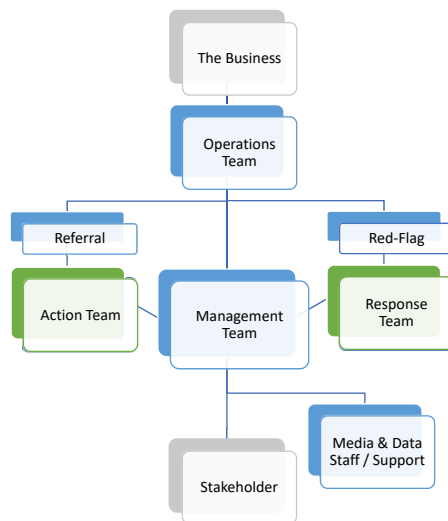
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## Continuous/Segregated Process Key Features

- **The process is comprised of three main process sets**
  - **Internal Processes** – management team, account executives
    - Management team – facilitates the overall process
    - Account executives – responsible for firm visits and response/referral team interactions
  - **Partnership Processes** – response and action teams
    - Response Team – addresses red, yellow, and green flag issues arising from the diagnostic visit
    - Action Team – the “client services network” that provides programs and tools to BR&E clients
  - **External Processes** – businesses and stakeholders
    - Businesses – the primary beneficiaries of the BR&E program
    - Stakeholders – those in the community with an interest in the local economic environment

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## Continuous/Segregated Process Key Features



Blue: Internal Teams/Staff  
 Green: Partners  
 Grey: External

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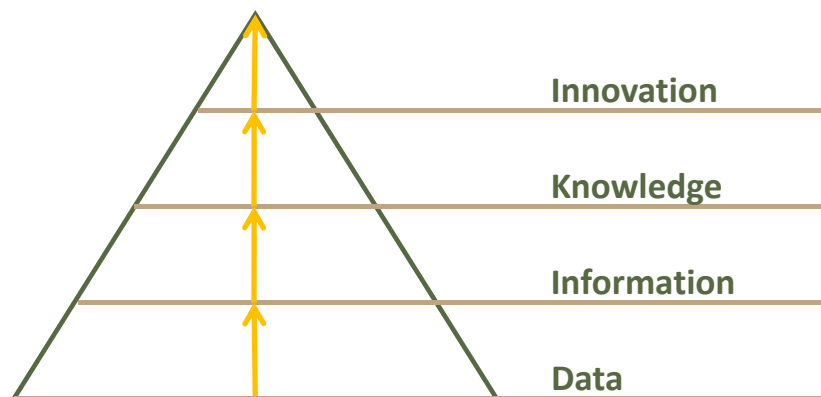
## Continuous/Segregated Process Key Features

- Grassroots program with local buyin
- The local EDO plans and organizes the program
- Economic development professionals (account executives) visit the firms
- The program builds linkages and networks
- The stakeholders have a greater understanding of the local economy
- Followup is built into the program process
- BR&E programs plan for something to happen
- The program responds to the weaknesses and threats identified in the survey
- Business-specific solutions
- Local economic environment issues are addressed

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## Continuous/Segregated Process Key Features

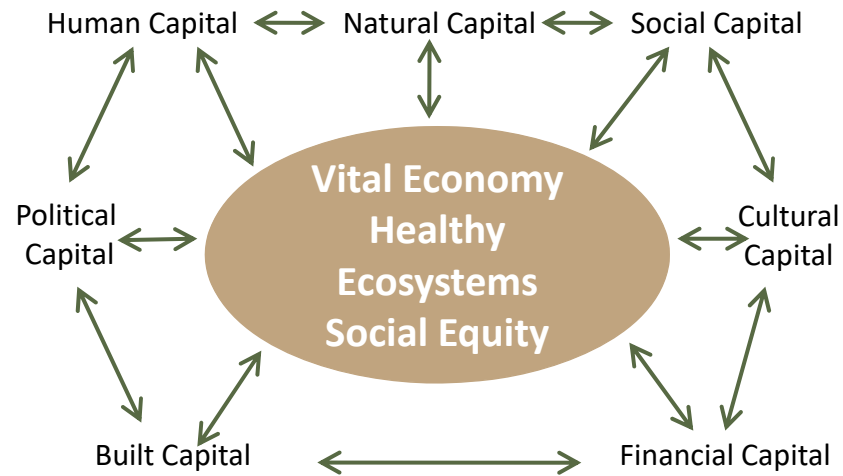
This type of activity can move the local development office up the innovation pyramid



Source: Steve Deller, University of Wisconsin. NACDEP presentation, 2010.

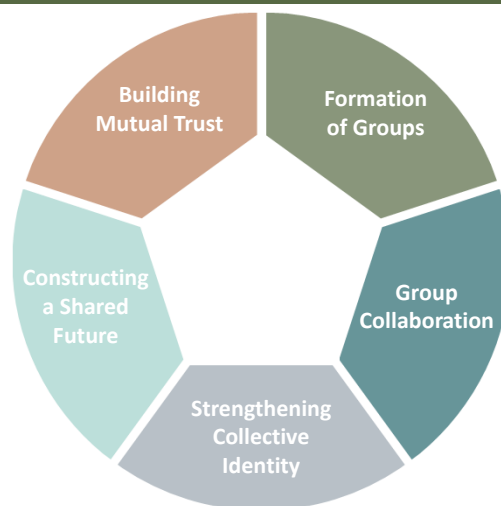
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## Community Capitals



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## Social Capital



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## Social Capital

Social Capital consists of two competing components that must be used together in order to facilitate an effective and open community that can solve problems

### Bonding

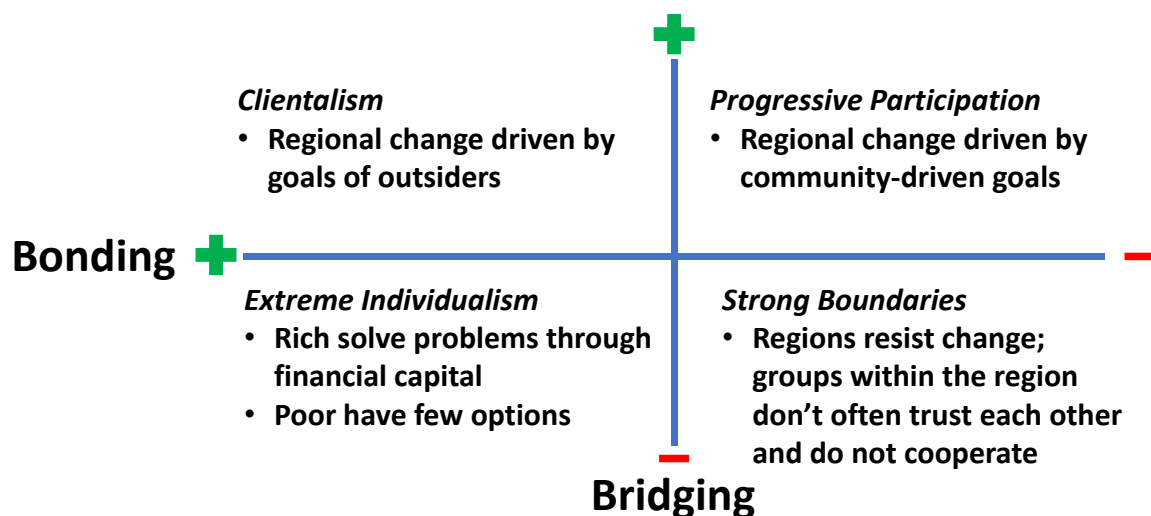
- Tight, exclusive networks
- Strong distinction between insiders and outsiders
- Single answer focus

### Bridging

- Open and flexible networks
- Permeable and open boundaries
- Legitimization of alternatives

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## Dimensions of Social Capital: Implications for Area Development



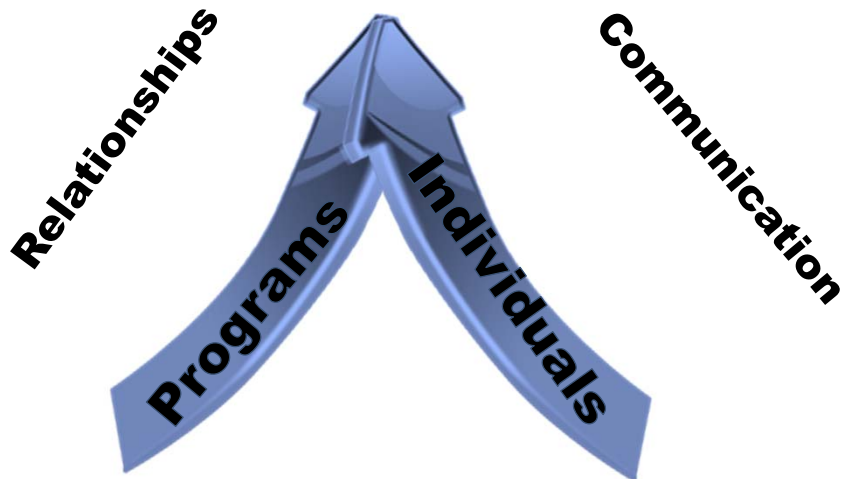
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## Yogi Berra's Example of General Reciprocity

**“If you don’t go to somebody’s funeral,  
then they won’t come to yours.”**

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## Social Indicators



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## Honesty and Trust give communities a “measurable economic advantage”

- **Tangible benefits**

- Firms spend less on “surveillance” if they can trust the public and employees
- Firms spend less on legal services or wondering how they will lose in a relationship
- Firms spend less on checking compliance with contracts if they can trust partners, employees, and customers

- **Intangible benefits**

- Firms have more of a trusting outlook on exploring partnerships
- Exploitation of cluster opportunities becomes more viable
- Greater level of trust between firms and government agencies, assistance organizations, the general public, etc.

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## How Does Social Capital Work?

- Social Capital helps communities resolve problems and make group decisions
- Social Capital reduces the transactions costs of doing business
- Social Capital broadens perspectives and opens the door to new ideas

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## Mission of BR&E Visitation Programs

- Help existing firms survive and grow:
  - BR&E Visitation Programs utilize a *process* for learning about the concerns of local businesses and setting priorities for BR&E projects (activities) to address those needs
- To build the capacity of the community to implement both BR&E programs and other local economic development efforts

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**Higher levels of social capital help build capacity to improve the local community's economic situation**

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## Social Capital and BR&E

- Utilizing a continuous/segregated model presents a different challenge in building social capital in a community than do the other BR&E models
  - **The Management and Operations Teams, in collaboration with the Stakeholders, should determine how the community's social capital can best be enhanced.**
- Building social capital is a tremendous part of setting the stage for the economic expansion of existing businesses
- How can you as the BR&E Operations Team or Task Force Coordinator develop social capital in your area?

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## Questions

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