COMMUNITY DEVELOPMENT AND BUSINESS LOCATION DECISION MAKING

Communities have attempted to attract new business and industry and assist in the expansion of existing firms for many years. In the past, this local economic development activity, referred to as industrial development, focused on attracting new and assisting with the expansion of existing manufacturing firms. Most communities emphasized recruitment at the expense of existing business assistance.

In today's more complex economic environment, industrial development is being replaced by a more comprehensive strategy of business recruitment and development. Business recruitment and development is the mobilization of community attitudes and beliefs, the marshalling of physical and geographic characteristics of the region, and the coordination of fiscal and human resources of the area to attract, assist and cultivate business and industry to achieve balanced economic growth. This economic development strategy includes working with all enterprises that contribute to the vitality of a local economy, not just manufacturing firms. These enterprises may include service, communication, finance, retail, transportation, and others. Business recruitment and development recognizes that investment by many types of commercial enterprises contributes to local economic development.

The community development process can facilitate a local business recruitment and development strategy. It is important to remember, though, that this strategy is only one part of a broader community and economic development program.

Business Decision Making Process

The business recruitment and development efforts of communities should focus on the decision making activities of private business. Business owners and managers decide daily on the efficient allocation of resources hoping to increase profitability. A set of factors unique to each company influences these decisions. Most factors are found within the company itself, including labor allocation, production capacity, or sales projections. Many business decisions, however, like the expansion of existing facilities,
the establishment of new facilities, or the entrance into new markets, bring in a set of external factors. These external influences are known as business location factors.

Business location factors influence the cost of doing business in a particular physical location. These factors have economic, political, social, or geographic characteristics. Business owners and managers incorporate these factors into studies that affect the location of company activities in a dynamic business environment.

Specific factors influence individual business sectors differently. For example, tourism businesses usually don’t worry about a skilled labor force; instead they are concerned about physical location in geographic areas with appropriate amenities or attractions. Back office firms require a computer literate work force and good telecommunications services.

Research has identified a general set of business location factors that influence the operation of most industries. These factors are usually divided into two groups: one group represents the general site or regional location factors, and the second group represents specific or local site factors. (See sidebars on pages 3 and 4 for a listing of these two sets of factors.) The relative importance of these factors, of course, depend on the particular commercial enterprise.

For communities to be considered as the location of a business facility they must meet the both the regional location and the local site factors. The regional location factors are often used by business decision makers to narrow down the choices of communities and the local site factors then become the way to make the final facility location choice. The priority assigned to each will differ according to the specific enterprise.

It is important, of course, for community and economic developers to become familiar with the basic location factors that influence decisions on the siting of various kinds of enterprise facilities. Some of the factors can be influenced by local action, others cannot be changed.

Community Role in Business Decision Making

The fundamental role of the community in business recruitment and development is to influence the decisions of private business regarding facility locations. This is done primarily by providing relevant information to company decision makers. Often all the data needed to complete a business location study are not available, and community and economic developers must close that information gap. Providing reliable and current data to people conducting business studies is one of the community's most important development tasks.

A first step for the community in influencing business decisions is to learn which site factors are most important to a particular company. This is not as easy as it sounds. Many companies may consider such information to
be confidential because of the highly competitive nature of business. In addition, the importance of factors may change as the business location study progresses though several phases. For example, one phase of a study may focus on markets, another on suppliers, another on labor, and so forth. A conversation with company representatives (if that is possible) will sometimes give the community an idea of the relative importance of the various location factors. Other possible sources include development staff in the state development agency or utilities in the area, or a consultant hired by the company to assist in the location decision.

The next step is to match the factors included in the business location study with the characteristics of the community. Again this is not easy because the business location factors do not have equal weight. Some factors are more important to the business than others. It is critical though that communities meet all of the location criteria and rank high in the most important factors. Sometimes businesses provide communities with checklists of their location factors or site requirements. These checklists provide a way for communities to find the most important factors. Businesses then use the checklists to make comparisons among the potential communities and facility sites.

This is, of course, a simplified view of the community’s role in business recruitment and development. It is important to remember that no company will locate in a community unless it meets the primary facility location criteria. However, a community often can expand its role in the business location decision making process and increase its chances for new and expanding business if it can provide accurate, valid, and timely information.

Community Information

Businesses require community information to make facility location decisions. A successful business recruitment and development effort requires the community to be able to quickly access vast amounts of different kinds of information about the community, and the surrounding area. In addition, to effectively participate in the competitive field of economic development, it is necessary for the community to have comprehensive and current data available to businesses immediately.

Much of the community information relates to the basic site factors (see sidebars). Community information often includes data on employment, income, labor, taxes, transportation, utilities, education, and geography. Also very important are data pertaining to demographics, like age, population trends, gender, etc. While economic and community data serve the needs of the prospective company in its planning and evaluation, the data also benefits the local development program leaders.

From the company’s perspective, specific and seemingly minute facts about a community are needed in order to conduct detailed site location and expansion studies. These studies involve data collection on several potential communities that meet minimum criteria, analysis of the data in terms of operational requirements of the company, and detailed evaluation
of the communities in terms of facility location. Each study requires different types of community information.

From the community's perspective, local leaders need comprehensive economic, demographic and geographic information about their area to make decisions regarding resource allocation for specific economic development objectives, projects and activities. Such information is essential for planning and targeting local development efforts.

**Types of Information Useful to Business Planners**

The need for community and area economic information varies by community, but basic categories are particularly useful. Following are the types of information which communities should attempt to collect, keep current, and be able to provide to businesses.

**Community Profile**

A brief statistical description of the community is a quick reference to the major economic, social, and political characteristics of the city or town. Profiles have a variety of uses but are especially helpful to people evaluating a large number of communities and planning to make preliminary personal or business decisions. For example, they are used in business location studies to examine a large pool of potential communities and eliminate from consideration those that do not meet minimum company requirements. Often communities do not even know that they are being examined as a potential site. Other companies may use them for marketing studies.

Information in the profile should be current and updated at least annually. Some communities have developed their own profiles. Most state departments of commerce or economic development provide standardized profiles. Sometimes, utilities or other businesses with an economic interest in the community will assist in compiling and printing these profiles for their service area. University cooperative extension agents also are a source of assistance.

**Economic Facts Book**

This is a detailed and comprehensive collection of information about the community. Included in the book are facts on the local transportation and communication network; area utilities including water, sewer and electricity; various tax levies and rates; levels of employment in major public institutions and private firms; thorough descriptions of public facilities and services, such as schools and hospitals; governmental structure; the nature of the area economy, including the workforce, and community amenities, such as parks, recreation and entertainment. A section on financial assistance programs is also important. These books are often twenty-five or more pages long.
Facts books are most often used by business people conducting a detailed study of a small number of communities, or analyzing specific community-level data. These data books may also be used by people considering establishing or expanding a firm, or participating in a business venture in the community. In addition, industrial facts books are essential when a community has made it through the initial screening phase of a site location study and the facility planner needs detailed information for a thorough analysis.

Some communities prepare their own facts books. Because timeliness is so important, they often use a flexible format, like a 3-ring notebook, to keep the information current. As a way to help communities with their business recruitment and development efforts, many utilities or regional planning commissions sometimes gather and prepare fact books for communities in their region.

**Labor and Employment Studies.**

Detailed and current information on the area labor force is especially important to a business recruitment and development effort. After all, one of the reasons for undertaking a local economic development program often pertains to improving job opportunities. Labor information can be grouped into two broad categories: labor force characteristics and work force availability. This information is useful to the business planner and to those doing local economic development planning.

Labor force characteristics describe the people who are now employed in the area. This includes their occupational classifications, employment by industrial sectors, wage rates, gender participation, and the number of establishments employing people. There are many ways to use this information. For instance, it is useful to list employment by industrial sector (e.g. agricultural, manufacturing, wholesale, retail, etc.) for the county and then compare existing employment to past years to see changes. Important historical trends may be apparent. Comparing existing county employment to state and national figures is also useful. Data on the characteristics of the labor force are available in reports from your state department of labor (ask for Employment and Wage Data, or ES-202 Report by county.) For more information contact your state employment security agency. Many states have a labor market information offices that can be especially helpful. Another useful source of information on employment is County Business Patterns published by the U.S. Department of Census. The Census of Population also contains important labor information.

Work force availability refers to people in the area who are actively looking for employment. Data on numbers of people and job skills are important. This is especially valuable information to prospective employers. The local job service office, which is often part of a state employment security department, can provide information on the area work force availability. Additional information on labor availability is occasionally gathered by state agencies, like the departments of commerce or economic development or manpower services, or public utilities for specific development projects.
Because specific information on employment availability and the size of labor markets is hard to locate, communities may need to conduct their own surveys. State or area economic development agencies, utilities, or cooperative extension agents may be able to assist with labor studies.

Employee training and development programs in the area are also important to prospective employers. Community colleges often have staff that assemble training programs for labor force training. Contact your area community or technical college or department of economic development or commerce for more information to include in this material.

**Special Studies.**

Special studies are often conducted periodically in many communities and parts of the state. These studies include, but are not limited to: highway and transportation improvements, infrastructure deficiencies, solid waste disposal management, and natural resource management. The studies are prepared by federal, state, or regional agencies and may contain valuable information on specific communities. They should be carefully examined since plans or recommendations may impact local development efforts and objectives.

One important special study, the community comprehensive plan, describes current land use in the area, including residential, commercial and industrial land uses and transportation and utility systems. By identifying population growth patterns, the comprehensive plan reveals areas in the city where growth can best be supported. This information is useful to potential businesses. Current copies of the comprehensive plan are an important part of the community information component of a business recruitment and development program.

Copies of all community studies, plans, or publications should be part of a local data base and made available to business and industrial prospects. It is in the best interest of communities to keep themselves informed of regional planning and management studies performed by public agencies or utilities.

**Additional Resources to Assist Community Developers**

There are several books, manuals, and organizations that can assist community developers in their business and industry development efforts. Many state departments of economic development have programs and publications that are designed to help communities in this aspect of local development. Following are some additional resources on business recruitment and development:
Organizations

American Economic Development Council
9801 Higgins Road, Suite 540
Rosemont, Illinois 60018-4726
(708) 692-9944

National Council for Urban Economic Development
1730 K Street, Suite 915
Washington, D.C. 20006
(202) 223-4735

National Development Council
211 East 4th
Covington, Kentucky 41011
(606) 291-0220

Department of Housing and Urban Development
Community Development and Planning
451 7th Street SW
Washington, D.C. 20410

Publications


