



BUSINESS RETENTION

I. INTRODUCTION

The main effect of economic globalisation has been to induce businesses to review the location of their operations, which has impacted on the following parameters:

- ✓ access to low production cost areas (in terms of labour, raw materials, etc.);
- ✓ closeness to markets: sales of consumer and household equipment goods are growing fast in many emerging economies while the markets of developed countries are saturated and production overcapacity is in evidence;

In addition, creating knowledge and generating innovation are no longer monopolies of western economies.

To face this change, regions need to deliver schemes or strategies to retain or root businesses and talent locally.

In principle, retention strategies can address the following situations:

- a) preventing potential threats of business closure or slowing down the ineluctable process of a relocation abroad;
- b) supporting relocation of non strategic operations and production of non competitive inputs. Such support may be critical to ensuring the long-term survival of companies that cannot reduce production costs for such inputs. In this case, the challenge is what can be outsourced without quality loss or negative impact on the brand.
- c) retaining in regions the decisional centres or manufacturing operations of new businesses incubated locally or developed as a result of research activities financed by regional authorities;
- d) retaining talent;
- e) increasing the attractiveness for new indigenous businesses in the knowledge driven economy while continuing to look for new FDI;
- f) [transfer of enterprises.](#)

II. AIM OF BUSINESS RETENTION SCHEMES

The aim of business or talent retention schemes is to provide one or more undeniable comparative advantages, .i.e. benefits that the latter could not possibly find elsewhere.

To deliver this, the initiators of such schemes must be able to:

- build a relationship based on trust with businesses so as to identify the critical factors that weaken their rooting in the region so as to take pre-emptive action to address new and emerging needs.

[In order to implement such a relationship, the Welsh Development Authority has built of team of "major account officers" who are the sole contact points between the agency and 15 to 20 strategic enterprises of the region. The aim of that approach is to develop intelligence with a set of enterprises in order to be able to provide early](#)

interventions and to customise the services provided by public authorities. In Wales, for instance, the contacts with big enterprises lead to a scheme helping SMEs to become able to use new management tools such as LEAN, 6 Sigma or to diversify their customers base.

The ADIRA RDA (Alsace, F) organises each month get together events named "Apero Management" providing opportunities to all regional enterprise managers to meet in a friendly informal environment to exchange views on different issues. All meetings start with a "peer" testimony.

The IGRETEC RDA (Charleroi, B) is leading an "enterprise club" in all the industrial parks it manages.

- constantly improve the quality of business support service provision. Experience shows that offering subsidies to attract production units does not guarantee long-term business retention in a region.

In Finland, lots of RDAs are supporting networks of medium-sized enterprises to stay in contact with world leaders, even if they move from the region.

With regard to the services that RDAs can offer to the local plant of a multinational firm, they usually consist of :

- workforce training and development
 - improvement of local supplier capability
 - energy efficiency
 - environment improvement
 - access to infrastructure
 - RDTI grants
 - sourcing from local subcontractors.
- identifying the weaknesses of individual subsidiaries of international companies when it comes to internal competition with sister or other companies within the industry;
 - anticipating the loss of competitive sense in maintaining integrated production in a region or a resistance to the relocation trends set by major principal contractors;
 - offering foreign students attractive living and working conditions;
 - overcoming the EU regulation on State aid;
 - anticipating skill needs.

III. TOOLS

The tools needed to develop a retention strategy include:

- ✓ Tailor-made dialogue with targets in order to identify problems in advance;
- ✓ Industry-specific and regional economic intelligence in order to ensure that the regions' offer is relevant and up to date;
- ✓ Integration of companies and universities in high valued-added regional and transregional networks. Indeed, the currently predominant production model rests on networks of subcontractors, suppliers, assemblers (car, aerospace and other industries) or marketing and retail specialists (textile, clothing, furniture and other industries). This practice is also increasingly widespread in fields including technological and new product development through codevelopment systems;
- ✓ Deployment of a reception or "after sales" service for all FDIs. IGRETEC (B), in cooperation with OFI (Walloon Office for Foreign Investment) are visiting once a year

all FDI enterprises located in the Charleroi region. They are trying to review if the attractiveness factors which have been critical for the location of a FDI in the region are still in place.

- ✓ Improvement in the quality of local production and branding efforts of the regional assets can also be part of a business retention scheme.

IV. ISSUES TO BE CONSIDERED WHEN DESIGNING A BUSINESS RETENTION SCHEME

According to Oxford Intelligence (UK), in an increasingly complex global competition, the challenge for RDAs is to know :

- Which are the threats to the local plants of any multinational firms and where are they coming from (global competition or competition between plants of the firm) ?
- Which developments are arising within multinational companies (world wide, continental, national and at local plant level) ?
- Where is decision making – at local level, at EMEA H.Q., at parent H.Q. ?
- Are there project opportunities that can be captured, based on the fact that a plant is already located in the region ?

V. LIMITS OF BUSINESS RETENTION SCHEMES

We have to acknowledge that business retention schemes cannot solve all the problems. Indeed :

- Some factors enhancing the attractiveness of a region cannot be changed at regional level;
- Change in local management teams affects regional loyalty.

Delaying the relocation process can often be considered as a success for a business retention scheme.