

## **Recruiting Outside Firms/Entrepreneurs**

### ***Description***

This is the classic strategy for improving the local economy: Search out firms that will relocate or establish a local branch; or encourage an entrepreneur to come live in the community and establish a business there. Reliance upon this technique has been roundly criticized now for some years as an uncreative solution to economic development - merely shuffling facilities or firms from one location to another. Moreover, “smokestack chasing” puts communities into an unproductive competition, leading also to undependable, transient firms, which can leave behind onerous unfunded costs, such as the new infrastructure that the community provided. Even though merely constructing a shell building that could serve one or more re-locating firms might be an important inducement, it entails risks and challenges in construction costs and in marketing the location.

Nevertheless, any community that does not consider its attractiveness to outside firms or offer at least an orientation service to firms or entrepreneurs who may be looking for a new location is handicapping itself. This does not mean that the community has to offer financial inducements (a dubious tactic with hidden and unexpected as well as obvious costs), but it surely ought to seek to increase and publicize its attractions.

Industrial or other business recruitment is ordinarily the responsibility of municipal and other governments, but CEDOs (and other local business organizations) should take a very close look at what is being done and help to shape recruitment efforts so that they are appropriate to the needs of the community. So what is described here is not so much the technique of recruitment itself, but what community organizations might do to contribute to that technique, from their own points of view. (When CEDOs are directly recruiting outside firms, it is usually with the idea of a joint venture in mind. See [Joint Ventures](#).)

### ***Benefits***

Taking an interest in the recruitment efforts of government departments (or others) will help to assure that tax dollars are spent more wisely and that the firms that are recruited fit the vision that the community has of itself.

### ***Major challenges***

Naturally, when the action is being taken by other entities, the opportunity is there only to influence that action, not direct it. So the major challenge is to develop a good working

relationship with the recruiters to make sure that the conventional approach is properly attuned to community needs.

***Some practical steps***

1. The most important preliminary is for the CEDO to consider recruitment within the context of its over-all business development strategy. That is, what priority is represented by that technique, as distinguished from others to be used? It may well be that the CEDO determines, for any number of reasons, that the recruitment efforts are of only minimal interest, in comparison to other sorts of business development activities. And this will suggest what level of resources should be devoted to working with the recruiters.
2. At a minimum, however, the CEDO must recognize the recruiters as partners in a local effort at building community resilience and therefore should spend the necessary time to know about and understand the recruitment campaign as it is being carried out locally.
3. More proactively, the CEDO can establish its own plan (or more precisely, its own sub-plan within its overall plans for business development) for contributing to the recruitment process. This can include introducing potential firms both to the CEDO's own work and to positive dimensions of the community that may otherwise get overlooked. Or it can even include seeking **Joint Ventures** with these outside firms and entrepreneurs.

***Resource organizations & contacts***

- Economic Developers Association of Canada (EDAC), Mississauga, ON tel. 905-891-8771.
- Economic Developers Association of Canada, 7 Innovation Drive, Flamborough, ON L9H 7H9 (tel.: 905-689-8771; fax: 905-689-5925; email: [edac@bigwave.ca](mailto:edac@bigwave.ca); website: [www.edac.ca](http://www.edac.ca)). Contact: Penny Gardner. Through their website you can reach the provincial associations for Alberta, British Columbia, Ontario, and Saskatchewan.
- National Association of Development Organizations, 400 North Capitol Street, NW, Washington, DC 20001 (tel.: 202-624-7806; fax: 202-624-8813; website: [www.nado.org](http://www.nado.org); e-mail: [info@nado.org](mailto:info@nado.org)). This is the trade group for regional development organizations for rural districts or small metropolitan areas. They offer training and publications.

***Publications***

- For insight on the shell building inducement, see Heinz Stuck, "Shell Buildings as Development Tools," *Economic Development Review* (1998) 16:55-58.
- Cal Clark, *135 Great Ideas on Economic Development* (Kansas City, MO: UtiliCorp United, 1999). Single copies at US\$12.95 from UtiliCorp, P.O. Box 11739, Kansas City, MO 64138-1800. Although not particularly useful for CED broadly, this book of 138 pages has several (very) short but helpful chapters on the recruitment topic: Chapters 8, 10, 13, & 14.

## *Tools & Techniques*

- Edward J. Blakeley, *Planning Local Economic Development*, 2<sup>nd</sup> ed. (Thousand Oaks, CA: Sage Publications, 1994), see Ch. 7, “Locality Development.”