

The Pulver Approach: Improve the Efficiency of Existing Businesses

The more efficient existing firms are, the more competitive they will be in regional, state, and national markets in the long run. The greater the efficiency the more net income they can return to the community. The ability to be competitive over time is the greatest assurance a firm can have of its capacity to maintain or expand an operation in a specific locality. High levels of operating efficiency are of equal concern to firms in industries in which total employment is declining. The most efficient are capable of surviving longest.

Here we are talking about the profitability of businesses that are already within the community.

There are a number of actions which communities can take to assist businesses in improving their efficiency:

Prior to the 1980s community economic development strategies were a hodgepodge collection of disconnected policies. Communities often took a “shot-gun” approach trying a random collection of ideas, some of which worked, some failed. Unfortunately there were little conceptual or theoretical frameworks to think about the policies and evaluate why some worked and others did not. In attempt to provide structure to this scattered approach Glen Pulver (1979) itemized five strategies that, in layman’s terms, outline how a community can change the economic conditions of the community.

They are:

- Attract new basic employers.
- Improve efficiency of existing firms.
- Improve ability to capture dollars.
- Encourage new business formation.
- Increase aids/transfers received from broader governmental levels or units.

1. Communities can strengthen the management capacities of existing firms by organizing and sponsoring educational programs. The factor most frequently cited as the primary reason for business success or failure is management. Unfortunately, many local business owners may be very good at producing the good or service that they offer for sale, but they lack basic business skills. The provision of high quality management education and individual consultation at a low cost (often measured in time commitments) may be one of the most important things which can be done to assure economic development. These need not be formal course but rather a series of workshops where different topics are addressed. Most local business owners are too busy to commit to a set of formal courses and are more likely to participate in stand-alone workshops that focus on different elements of business management.

2. A business and industry visitation program in which community leaders visit business owners and management on an organized regular basis is an effective means of uncovering limitations to growth. These limitations may be reduced by some form of local public or collective private action. All businesses, not just manufacturing, should be included. In addition to identifying potential problems these visitation programs can also build a stronger sense of community.

3. Business growth may be encouraged through identification of sources of financial capital. Small businesses seem especially sensitive to capital availability. If local financial institutions are aggressive participants in local economic development efforts, then adequate debt capital is usually found for deserving businesses. Equity capital, such as becoming part owner of the business by purchasing stock in the company, may be less readily available. Organized informal and formal capital pools are great stimulants to economic expansion. Some communities have formed private foundations that are positioned to offer small loans directly to businesses or loan guarantees that business can present to banks. Some communities have gone as far as forming credit unions to help fill gaps in local financial markets.

4. To remain efficient, businesses must be well aware of the latest technology in their field. Knowledge of new technology can be increased through local organization and sponsorship of educational programs in science and technology. Cooperation is generally available through nearby universities and technical schools. This could be adoption of the latest advertising technologies such as social media, business accounting or customer tracking software to mechanization technologies.

5. The quality of work force available to local employers can be improved through strong vocational and technical education, appropriate employment counseling, and supportive social services. For example, parents who are excessively concerned about the general well-being of their preschool children on a day-to-day basis are seldom as productive at work as they might be if good day care were available. Constructive community action can be helpful.

6. The provision of local and regional facilities which are competitive in quality and price with those of other communities does much to improve business efficiency and access to non-local markets. For instance, high speed internet capability is increasingly important. Those cities, villages and towns with outdated communication systems present a major barrier to an increasingly computer-dependent society. Another example includes access to overnight delivery services. Working with providers of these types of services are important activities for communities.

7. Although community sponsored business and industry recognition or appreciation events do little per se to improve operating efficiency, they are effective stimulants in encouraging business leaders to stay in the community and to expand. At minimum they make management feel more a part of the community and thus add a positive to the intangibles of business location.

8. Providing forums for business networking is an integral part of not only building a stronger sense of community amongst local businesses, but also provides a mechanism for businesses to form partnerships, new customers, and a learning environment. Research on effective clusters suggest that networking is necessary, but not sufficient.

In the end, working with businesses that are already located within the community can have the most sustainable impact on community economic development. Many community businesses are locally owned and operated and are likely to grow in the community and are unlikely to relocate to another community.