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A Comparative Study of Factors Influencing Industrial Development

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A Comparative Study of Factors Influencing Industrial Development

Blount County, Tennessee

Hardin County, Kentucky

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Senior Honors Thesis

The University of Tennessee Honors Program

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Executive Summary

Industrial Development is an important part of any economy, local, state and national. In order to promote successful industrial development, it is necessary to both attract and sustain manufacturing industry. Local Chambers of Commerce and Industrial Boards are usually responsible for the recruitment of potential manufacturers; it is in question whether such bodies have the appropriate knowledge necessary to effectively accomplish this task. To this end, research has been conducted in order to identify the factors and their relative importance that are involved in attracting and sustaining industry in a region. These factors, which have been identified based on research on the State of Tennessee, are examined and applied to two specific counties, one in Tennessee and one in Kentucky, in order to test their validity. Through the testing of specific factors, it became apparent that not only the factors themselves, but the ability of a community to effectively, memorably, and easily communicate information pertinent to these factors may be a deciding element that distinguishes one site in one community from sites in multiple other communities.

Introduction

Background

Industrial Development has been strongly linked to the economic welfare of a region. Over fifty years ago, in 1951 at the University of Tennessee, Claude J. Davis studied the relationship between local governments and industrial development. At that time, the southern United States was just beginning to develop and compete for manufacturing industry with the industrialized north. Today, that competition is still raging, though southern state and local governments are competing with much more than their neighbors to the north. Davis conducted his research on the interrelated factors causing industry to relocate and ultimately select a specific location amidst a changing market, and though half a century later, the competition is no longer simply region or even national with developing international competition, the importance of manufacturing to an economy, anywhere from local to national, has not changed. Industrial development is still seen as central for the economic good of a region.¹

“Simply put, a healthy manufacturing sector is key to better jobs, fostering innovation, rising productivity, and higher standards of living in the United States,” according to the U.S. Department of Commerce in their report, “Manufacturing in America” published in January 2004.² Since manufacturing has been identified even at the top level of national

¹ Davis, Claude J., “Local Government Services and Industrial Development,” M.A. Thesis, The University of Tennessee, 1951.

² U.S. Department of Commerce. Manufacturing in America, A Comprehensive Strategy to Challenges to U.S. Manufacturers. Washington, D.C., January 2004, page 7.

government as central to the American way of life, it is important to develop methods by which local governments can successfully facilitate, attract and promote local industry. To this end, in 2003 at the University of Tennessee, Archana Niranjana completed research towards the promotion of industrial development. Through the identification of factors most strongly related to the attraction and retention of manufacturing businesses in the state of Tennessee, the purpose of the study was to better equip local and state governments to develop strategies to promote their the level of their own industrial development. Niranjana used a statistical tool, Factor Analysis, as the methodology to identify key factors for industrial development, identify the impact of such factors, and to sort and classify visible factors into general categories. These categories were described as “invisible factors.”³

Introduction of Factors

It is the purpose of this paper, to examine the factors identified, to apply the factors to a state outside of Tennessee, and thus, to validate the usefulness of these factors. In reaching these goals, two local areas will be compared. Through the study, the relevance of the identified factors will be tested in each area, the success and failures of each local government, municipal boards, industry and chambers of commerce will be examined, and, if possible, other supporting factors will be identified. The implementation of such factors will also be addressed.

³ Niranjana, Archana. “Factor Analysis in Industrial Development.” M.S. Thesis, The University of Tennessee, December 2003.

The factors and their overall classification into general factors were studied based on two separate data sets. The first data set was retrieved from survey responses from over 300 manufacturing companies in Tennessee. This group will subsequently be referred to as “Industry.” The second data set was based on a survey of local Chambers of Commerce. Each group’s responses were tabulated and studied using Factor Analysis with the following results:

Table 1.

	Industry	Chambers of Commerce
Factor I – Intrinsic Factor	Access to Land and Housing	Market Demand
	Quality of Workforce	Quality of Workforce
	Business Climate	Access to Tangible and Intangible Resources
	Government Economic Development Policies	Sports and Culture
	Local Taxes	
Factor 2 – Extrinsic Factor	Market Demand	Access to Land and Housing
	Access to Tangible and Intangible Resources	Local School Systems
	Transportation Structure	
Factor 3 – Supporting Factor	Utilities	Business Climate
	Local School System	Transportation Infrastructures
	Sports and Culture	Government Economic Development Policies
Factor 4 – Miscellaneous Factor	Others	Others
	Environmental Awareness	Environmental Awareness
		Local Taxes
		Utilities

⁴ Niranjan. “Factor Analysis.” 53.

Factor 1, the Intrinsic Factor, was cited as the most significant factors to the polled group. The factors with secondary priority, Extrinsic Factors, were slightly less important according to surveyed organizations. Supporting Factors of Factor 3 were even less important and, finally, Factor 4 was comprised of the least important factors. Through this study, the elements, which are most important to industry members, were distilled from the array of possible elements involved in decision-making.

Several observations can be made on these findings. First, and most importantly, the discrepancy between the relative importance of many factors of those making decisions about the location of industry, and the importance stated by those responsible for recruiting industry into specific regions. Only one element is constant between both industry and chambers of commerce Intrinsic Factors – Quality of Workforce. Otherwise, every factor cited as most important to members of industry is secondary, tertiary and even of lowest importance to local chambers of commerce. From this, several conclusions could be made. First, one could assume that local chambers of commerce have “more insight into the Economic Development of Tennessee” as Niranjan does.⁵ Or, one could question why local chambers of commerce do not base their values of importance and means of recruitment on the stated values and factors that are important to members of industry.

Objective

Therefore, it is the purpose of this paper to examine the relevance and specific applications of these identified factors in two focus groups – one in Tennessee and one in

⁵ Niranjan. “Factor Analysis.” 49-52.

Kentucky. For the purpose of comparison, a Blount County in East Tennessee was selected as the basis of comparison due to its apparent successes in industrial development. A second focus group was selected from neighboring state, Kentucky. The selection was narrowed to Kentucky due to its similarities to Tennessee in geography, location and size. Hardin County in Northern Kentucky was chosen for further analysis. Each focus group is studied for the presence of the factors described. The results are compared with one another. Of particular interest are the successes of states neighboring Tennessee, therefore, the successes and failures of the Kentucky focus group is of key importance.

Profile Focus Groups

Case 1: Blount County, Tennessee

Blount County has been relatively successful in its attraction and development of industry. Located in East Tennessee – south of Knoxville, east of the Tennessee River and just west of the Smoky Mountains – it originally developed a lively lumbering industry. Over time, this industry subsided and others developed, supporting a population of approximately 108,000 people. With a 23.1% population growth rate between 1990 and 2000, the county is on a strong growth track matched by strong growth in industry. The Knoxville Metropolitan Service Area, which includes Blount County, has a Cost of Living Index of 89.5 with the national average being 100.0.⁶ According to the Blount County Government Homepage, Blount County is the home of over 100 manufacturing plants, the largest two being Aluminum Company of America (Alcoa),⁷ which employees over 2000 people and Denso Manufacturing, which employs over 2200 people.⁸ With the major commercial airport for East Tennessee, McGhee Tyson Airport, within the borders, Blount County has the advantage of ready access to many destinations.⁹

The Blount County Chamber of Commerce has a developed website with information for potential residents, business owners, investors, tourists and other interested parties.

Within easy access is a site dedicated solely to economic development, containing links

⁶ Blount County, Tennessee. Blount Partnership: Chamber of Commerce, Economic Development Board. "Corporate Resource Guide." 2004, page 7.

⁷ Blount County Government Home Page. "About Blount County." <<http://www.blounttn.org/about.htm>> (21 April 2004).

⁸ Blount County Government. "Annual Report for the Year Ended June 30, 2003." 2003, 2.

⁹ Blount County Chamber of Commerce. <http://www.blountchamber.com> (21 April 2003).

to manufacturing chamber of commerce members, business relocation priorities, available buildings (complete with name, square footage, contact name, contact e-mail and contact phone number), and available land and industrial parks. In addition, there is a link providing easy access to order further literature. Secondly, there is an attractive informational guide, titled Basically Blount, focusing on the business advances, technological advances, natural resource and people of Blount County. Though not available on the internet, Blount County has published a Corporate Resource Guide as their main recruitment tool, in print form. These sites will be discussed further in the analysis section.

Case 2: Hardin County, Kentucky

Statewide, Kentucky relies heavily on manufacturing as both an employment base and as a source of revenue. In 2003, according to Workforce Kentucky, an online resource on Kentucky labor market information, manufacturing was the third largest employer by industry, employing 17% of the available workforce, following service industries and trade industries. Over the last decade, manufacturing in Kentucky has changed very little, with an increase of 6.5 percent between 1990 and 2000 in employment levels.¹⁰ Though manufacturing is only the third largest sector by employment, it is by far the largest sector by percentage of gross state product, with over \$30,000 million gross state product in 2001, which is approximately 25% of the total gross state product. Therefore, manufacturing is pivotal to both the state economy of Kentucky and to the local economies within its borders.

¹⁰ Cabinet for Workforce Development. Workforce Kentucky.
<http://www.workforcekentucky.ky.gov/cgi/dataanalysis/?PAGEID=94&SUBID=117> (16 March 2003)

Hardin County is located in northwest Kentucky, southwest of Louisville. With a population of over 95,000, it was selected as a focus of comparison to Blount County for several reasons. First, counties were narrowed to those directly adjacent to the counties containing the states largest cities, Lexington, Louisville, Frankfort and Cincinnati, directly across the Ohio border. Because Lexington and Louisville were the cities with the most comparable population and resources as Knoxville, the counties adjacent to them were selected. Due to its large size, the Kentucky counties across the Ohio River from Cincinnati, Ohio were rejected because the size might lend itself to greater manufacturing opportunities and less rural environments. This resulted in approximately ten possible counties.

From there, counties were removed based on population. It seemed that a county of comparable size to Blount County to remove the nuisance factor that significant population differences might cause. Many counties adjacent to Kentucky's large cities had rather small populations ranging between 10,000 and 30,000; therefore these were rejected. Finally, only two counties had remotely similar populations to Blount County's 100,000+ residents – Madison County with over 73,000 residents and Hardin County with 95,000 residents. Ultimately, Hardin County was selected due to its proximity to a medium-to-large sized city, its overall population and its proximity to a major waterway, all characteristics similar to Blount County.

Other characteristics of Hardin County are as follows. The median household income in 1999 was \$37,744, only \$118 less than Blount County's \$37,862 median annual household income. Though manufacturing is also a key part of Hardin County's economy, it is far less than that in Blount County and the literature readily available online is far less adequate and informative. Similar to Blount County, in Hardin County, manufacturing is the third largest industry at 16.1% in 2002 following services and trade.¹¹

¹¹ Economic Development Information System. Think Kentucky. "Community Information," <http://www.thinkkentucky.com/edis/cmnty/cw003/QuickFacts.htm> (23 April 2004)

Factor Analysis in Each Focus Group

The following analysis was used to determine level to which the local Chambers of Commerce and industrial boards in the two cases address the identified factors under study.

Initially, from a survey of city and county Chamber of Commerce websites, it was easy to separate the wheat from the chaff. Some had visually pleasing layouts, easy to read fonts, and were full of useful information and links. Others may have pleasing looks, but upon examining the information on the site, it appeared that it was nothing more than several pages of self-promotion. Granted, all websites are designed with the purpose of promoting their own local economy, but some had no substance to back up their claims of the promising outlook for their county. No sites were found that described the bleak outlook on the horizon for their own residents and the reason's industry ought to look elsewhere for a new location. A third group of sites were both pleasing to the eye and pleasing to the mind. They were well structured, easy to navigate and supplied useful information instantly.

Blount County was a member of the third category to some degree. Hardin County falls in the first category. Its local Chamber website is unattractive and lacking the volume of useful information. It does have general demographic information, but these come in the form of links to the main Kentucky industrial development website which contains demographic information on each county in the state. With 95 counties in the state of

Tennessee and 120 counties in Kentucky, companies attempting to relocate their operations have many options and endless sources of information via the internet. Therefore, it is important for localities to take advantage of each opportunity to present themselves clearly, favorably and informatively to prospective companies.

The internet is a primary tool for presenting information to recruit industrial companies to a region or county. Therefore, it is of value to analyze the way that local Chambers of Commerce advertise themselves to industry with respect to the factors already identified as the most important to members of industry. This analysis is done on both counties under study.

Factor 1. Access to Land and Housing

Blount County publishes a Corporate Resource Guide as its primary recruitment tool. It is a product of the Blount Partnership, which is composed of the Chamber of Commerce, the Economic Development Board, the Blount County Chamber Foundation and the Smoky Mountain Convention and Visitors Bureau. This publication along with the websites, <http://blountchamber.com> and <http://blountindustry.com>, compose the core of the public recruitment tools.

Within the first pages, Blount County addresses the first factor of importance, access to land and housing. The average home cost is \$130,000.¹² Other descriptive statistics are given on the home and family early in the guide. This is the general extent of information on local housing. Later in the guide, there is an extensive section on industrial parks

¹² Blount County. "Corporate Resource Guide." 7.

within the county. For each park described, there are both an aerial photograph and a computer generated layout of the property. General information is given on the property itself, including the total acreage, land description, size range of lots, and selling price. Secondly, demographic information is given on the surrounding area and potential labor force. Thirdly, tenants are listed, and lastly, a list of utilities and their specifications are given. This information is repeated for six industrial parks.¹³ In addition, current listings of available land and buildings can be found online on the Chamber website.

When asked about the important factors identified to attract industry, Brian Daniels, Executive Vice President of the Blount County Industrial Board, identified the site as the first factor of importance. The type of property, the location, the conditions of the land, the presence of existing buildings or not, the size and many other factors are important to potential industry. Though several aspects of a site are important he cited that specific needs of various industries vary widely resulting in different criteria that make a specific site attractive or may eliminate a site. Whereas one company might only entertain sites with existing structures due to tight scheduling, others are committed to constructing an entirely new facility and are therefore only interested in undeveloped land.¹⁴

In Hardin County, the median home price is also available through the Think Kentucky website which is linked to through the Chamber website. This is the only information available on the housing. Also within the Think Kentucky website are two computer drawn maps showing the available industrial sites and the available industrial buildings

¹³ Blount County. "Corporate Resource Guide." 38-49.

¹⁴ Daniels, Bryan. Interview by the author, Maryville, Tennessee. 27 April 2004.

with respect to the cities within which they lie. Such maps are available for Elizabethtown and Radcliff, both in Hardin County. In addition to the location on the map the following information is given on industrial land: site names, acreage, largest tract size, rail accessibility, interstate access, and proximity to an airport. Total square footage, acreage, minimum ceiling height and railroad accessibility is given on each industrial building location.¹⁵

Though this information is available for Hardin County, its presentation is such that it does not promote the availability of land. When comparing Blount County's presentation with Hardin County's, the detailed maps of Blount County make it a more attractive option.

Factor 2. Quality of Workforce

Blount County, though it has detailed information on the entry level, median wage and experienced level wage for numerous industries, as well as information on the employment rates by industry, the overall unemployment rate and the total labor force in Blount and surrounding counties, this gives little information on the quality of the overall labor force.¹⁶ Prospective companies may draw inferences from the quantity of technical schools and the rest of the educational system, but this too does not quantify the value of the labor force. Similarly, Hardin County provides information on the average labor cost with respect to the rest of the state and the rest of the country, but this does not illuminate

¹⁵ Economic Development Information System. Think Kentucky. "Community Information," <http://www.thinkkentucky.com/edis/cmnty/cmntyindex.htm> (23 April 2004)

¹⁶ Blount County. "Corporate Resource Guide." 9-15.

the true value of the workforce. Neither gives any information on the level of training and skill of the labor force, nor the quantity of available unskilled labor.

For a company who is looking to relocate, the skill, integrity, teach-ability, and cost of the prospective workforce would be of key interest. Yet, many of these metrics may be difficult to quantify, and it appears that even successful economic development boards, such as Blount County, do not fully address the issue.

Then, on what basis do potential employers base their evaluation? According to Bryan Daniels, members of industry look at the performance and rankings of local school systems. If a school system performs well, such as the Maryville school systems consistently top ranking in Tennessee, companies perceive that as a sign of a talented and adaptable workforce.¹⁷ In addition to looking to the graduation rates and reputation of local high schools and technical schools, they may value the level of performance of other industries, especially those who may have recently moved to the area and had to develop the skills of their own employees.

If these are the things of concern to prospective industry, it would behoove local industrial boards to provide such information. Could it be inferred that the lack of information is due to the perception of Chambers of Commerce that such information is not valuable? Or is it due to a lack of verifiable information? Or, is it because to be truthful on such neglected matters would not speak favorably on their region? These

¹⁷ Daniels, Bryan. Interview by the author, Maryville, Tennessee. 27 April 2004.

questions will persist through the remaining factors, especially those that are under addressed by local Chamber of Commerce literature.

Factor 3. Business Climate

In Blount County's Corporate Resource Guide, the primary information given on the business climate comes in the following form. First, tax incentives are listed, which will be discussed in a future section, industrial development incentives, corporate tax burdens, financial/banking institutions, small business loans, industrial revenue bonds, highway grants, and foreign trade zoning. Though all these appear to be valuable information, the primary emphasis is definitely on taxes.¹⁸

When looking at the chamber website, links were found to the Blount County Annual Report for the year ended June 30, 2003. Though it provides useful information, it is clear from the writing style that the target audience of the report is residents of the county. It shows graphs depicting the revenues and expenditure for the year. Based on the expenditures, it is obvious that education and minimizing debt are both priorities for Blount County. This positive image of the local government could be useful information to include in the industrial recruitment tool, though it may raise questions about the existence of funding to promote industry in the county.¹⁹

With respect to the quality of life and the local crime rate, many industrial development boards and chambers of commerce seem to focus on this issue. In the Blount County

¹⁸ Blount County. "Corporate Resource Guide." 33-36.

¹⁹ Blount County Government. "Annual Report for the Year Ended June 30, 2003." 2003, page 2.

Corporate Resource Guide, the main references to quality of life are found in the initial description of the region where natural resources, recreational outlets and regional attractions, including the mileage from Blount County, are listed.²⁰ Though, quality of life issues may not be addressed explicitly in their primary recruitment tool, there are attractive pictures throughout that may reflect on a good quality of life. The book, *Basically Blount*, seems to focus much more on these issues.

In this respect, Blount County is unusually outdone by other Chambers of Commerce, who may overemphasize and overstate the attractive features of their region. With much natural beauty, particularly with Townsend and the Great Smokey Mountain National Park within county borders, it is surprising that Blount County officials chose to illuminate such features so dimly. Perhaps this is because of their focus on the development aspect of industry rather than portraying the serenity of the region. According to Bryan Daniels, this is the intentional purpose of the Blount County Industrial Board. Rather than promoting quality of life issues, which are rather common among Chambers, they chose to focus on the issues they deemed important to a company who is trying to make decisions based on the financial repercussions of a site.

In Hardin County, the local website had little information on the actual business climate of the county. The Chamber of Commerce website has little valuable information other than through links to the Think Kentucky website. In fact, industrial development is not

²⁰ Blount County. "Corporate Resource Guide." 5-7.

among the objectives listed in their list of focal points.²¹ The Elizabethtown/Hardin County Industrial Foundation, Inc, website had more explicit objectives towards the attraction of new industry and the promotion of existing industry, though within its pages, there was little more information of value than a mission statement and a list of existing industries. Nothing of value from the perspective of a prospective company was given on anything, including the business climate.²²

Factor 4. Government Economic Development Policies

This year, Blount County's Payment in Lieu of Taxes (PILOT) program was a major catalyst in providing for and promoting the development one of the counties largest and its oldest employers from which it derives its name, Aluminum Company of America (ALCOA). As Alcoa competes with other operations at its Pittsburg company headquarters, the ability to secure funds for facility upgrades is crucial in order to maintain competitive and efficient in the market. Blount County was able to demonstrate their support of Alcoa, which is a central part of the community's economy and a major employer, by paying for the capital investment. Then, in turn, Alcoa pays back the county on a "lease to own" basis over fifteen years and receives 75% tax abatement on the purchases connected with the project. Therefore, both the community and the company win through the preservation of essential industry.²³

²¹ Elizabethton - Hardin County Chamber of Commerce. <<http://etownchamber.org/message.shtml>> (23 April 2004)

²² Elizabethtown/Hardin County Industrial Foundation. <<http://eifky.org/mission.shtml>> (24 April 2004).

²³ Basically Blount. "PILOT Tax Abatement Helps Sustain County's Oldest Manufacturer," 2004, <http://www.blountchamber.com/basicallyblount/business_pilot.html> (21 April 2004).

This story is available on the Blount County website in the area entitled Basically Blount. The article goes on further to state that Blount County is committed to supporting existing industry to enable it to remain competitive in an increasingly cost-conscious market. It is possible that industry does not only expect aid in establishment through tax incentives, but that it expects community involvement in order to survive and thrive in today's local economy. Further analysis of this issue will be discussed in the Evaluation Section. Also, Blount County describes many tax incentives and other industrial development incentives that compose its overall economic development policy.²⁴

Similar to previous factors, Hardin county government gives little information about the economic development strategies of the community. Even through the development of an Industrial Foundation and a website, there is little to persuade industry of community involvement.

Factor 5. Local Taxes

In Blount County, they promote and detail their local tax structure in their Corporate Resource Guide. Detailed in the pages are tax incentives, including franchise, corporate and sales tax incentives, state and local tax structures, Tennessee industrial development incentives and a comparative corporate tax burden.

First, Blount County taxes are outlined. The only taxes levied in the county are real property taxes (both residential and business), personal property taxes and sales taxes. Those residing in Maryville or Alcoa pay both city and county property taxes. Next, state

²⁴ Blount County. "Corporate Resource Guide." 33, 35.

of Tennessee taxes are detailed, with the first emphasis being placed on the states ranking of taxes as a percentage of personal income. In the southeastern region of the United States, Tennessee is the second lowest. Business taxes are laid out in spreadsheet form with the overall tax rate and the state and local contribution. Because Tennesseans do not pay a state income tax, which may make Tennessee appealing for those in the workforce, but when examining from the perspective of prospective industry this may have an opposite impact. Because the state draws no revenue from the income of residents, this places a larger tax burden on corporations in order to generate the same revenue of a similar state with a state income tax. Therefore, the state may be less equipped to grant tax incentives and benefits due to a lower level of funding. This may be a deterrent to companies.

Overall, it appears from the literature given, that Tennesseans do pay less in taxes than their neighbors, but there is no accountability as to how responsible the state is in their management of the resources obtained through taxation. This would relate to the concern of companies on the business climate. This raises the following question: are companies concerned with the local and state government's use of funding? Based on their concern with local industrial development policies, it seems like this would also be a factor of interest.

Kentucky, on the other hand, does have a state income tax. Therefore, it would appear that they should be better equipped to offer more tax incentives than Tennessee. Hardin County, though their Chamber of Commerce website has little information on their own

site, has extensive information on different tax incentives. These tax programs include statewide tax credit programs such as the Bluegrass State skills Corporation Skills Training Investment Credit, Kentucky Rural Economic Development Act (KREDA), the Kentucky Jobs Development Act (KJDA), and the Kentucky Industrial Development Act (KIDA) among others.²⁵ It appears that the importance of tax incentive is lost on no one. Therefore, it is the substance of these tax incentives that are vital to members of industry. Each company, based on their particular industry, size, age and location, in addition to other factors, may be privy to a variety of tax incentives and other benefits offered by a particular state and local government.

²⁵ Cabinet for Economic Development, Think Kentucky. "Kentucky Business Incentives," 2003, <<http://www.thinkkentucky.com/kyedc/kybizince.asp>> (25 February 2004).

Introduction of Other Factors

In examining and validating identified factors, it became apparent that some new observations, which potentially could be defined as additional factors were worth noting. Two main concepts emerged. The first was related not simply to a factor itself, but the communication of the factors as a whole and the mode of communication. The second was related to the expectations of industry, not simply in the recruitment and site selection process but to the long-term sustainability of a company and the communities' responsibility to support it in this endeavor.

New Factor 1. Communication, "Ease of Use"

First, it became clear, even through the research process itself that not only was the content and quality of information itself important, but a key factor was the ability of a community to effectively and memorably communicate the advantages of their particular locale. In interviewing Bryan Daniels, his professional experience supported this. In the past, companies may have plotted on a map all the potential locations and the current locations of clients and suppliers. From there, they would find the midpoint, identify the group of industrial sites nearest this centroid, approach these local Chambers of Commerce and begin the formal recruitment process. This process involved on site visit, informational sessions and the development of relationships.

This is no longer the model. With improved transportation, other factors have emerged as chief. Typically, companies begin a search of internet sites, expecting to find the

information they need online, and already narrow down their search before they contact a single Chamber of Commerce or Industrial Development Board. According to Daniels, prospective companies now approach them with all the information they want, ready to begin the bargaining process on various incentives and tax breaks. Therefore, the effective communication of details relating to such factors and the ease of use become of key importance in order to even have that first contact.²⁶

Of both of our focus groups, neither group excelled in this arena. Blount County, though its Corporate Resource Guide clearly, succinctly and attractively communicated a large bulk of the information related to the factors in this study, none of this well organized and well groomed data and statistics were available online. There are plans to make it available in the summer of 2004. Though much of its data was available online, the methods employed to communicate to potential companies was also inadequate. There was very little information on the Chamber of Commerce website, with the only information being supplied through links to the state website, www.ThinkKentucky.com.

Though it is advantageous to have consistency in the form of information presented across the state, there were often holes in the information, or even too much information where organization in the presentation of material was lacking. This often resulted in increased searching to find information. It also seemed to communicate a lack of involvement by local officials, as there was no true specialized knowledge offered on

²⁶ Daniels, Bryan. Interview by the author, Maryville, Tennessee. 27 April 2004.

their own website. In the pursuit of future local companies, local governments should be motivated to provide the right tools necessary for effectively evaluating a location, easily.

New Factor 2. Community Burden for Promotion of Companies

A second issue raised was the role of local chambers of commerce and industrial boards in not just the attraction and promotion of local industry, but their responsibility to enable local companies to remain competitive from an internal perspective. Meaning, some thought should be put to determining to what level is a community responsible or able to promote the advancement of industry by helping it improve the way it functions internally, or in some other way than through tax benefits. Such as, if a company is struggling to maintain competitiveness and overall economic viability in a global market, is the community responsible to provide assistance? On such example related to taxation was the use of the PILOT program with the Alcoa Company. On possible idea would be the retention of a local industry “expert” who could serve as a resource for struggling companies. This person, trained in the top current methodologies being incorporated in manufacturing such as lean manufacturing, could serve in a consultant role. Though, the creation of an additional full time position may be infeasible for many small counties and the expertise required could be difficult to find.

New Factor 3. Implementation

Thirdly, this study raises questions about implementation. Even if a struggling county perfectly understands the factors of interest to manufacturing companies and is well aware of their counties current state of affairs, this research offers little expertise on how

a local Chamber of Commerce should begin to make themselves attractive to members of industry. Funding becomes a major issue for the development of potential sites and the improvement of local utilities such that they meet industry standards. As often success leads to more success, industry draws other industry. Therefore, a major question of struggling economic development boards would be, "How do we get this process started?" This would be recommended for future study.

New Factor 4. Removing the Culture

Lastly, observations were made about the promotion of sports and culture. In the entire results of Niranjana's research, there was no more significant deviation between industry and Chambers of Commerce than their ranking of the relative importance of sports and culture.²⁷ Whereas Chambers of Commerce cited it as one of the most important factors, it was of third tiered importance to industry. This discrepancy was strongly supported by observations.

Many chambers advertise and promote themselves largely based on the aesthetic appeal of their community or on the environment. This must arise from a fallacy, that industry is strongly interested in the recreational opportunities in an area. This is evidenced by the amount of marketing that is done on this basis. Though an attractive environment and community character may be of key concern of the labor force itself, the fact of the matter appears to be that industry is only peripherally concerned with such issues. Though a pastoral setting or thriving community activities may be an added benefit, this

²⁷ Niranjana. "Factor Analysis." 53.

will not be the central issue or the basis of a decision for or against the selection of a particular location. More than anything, an overemphasis on these topics may miscommunicate the priorities of a community and it may drown out any presentation of useful information. Most importantly, it reveals a fundamental error in the conception of local Chambers of Commerce on the topic of what is important to industry. Therefore, well-aimed attempts at recruiting industry may have many times been drowned in needless promotion.

Conclusions and Recommendations

After analysis, each factor under study, access to land and housing, workforce quality, business climate, government economic development policies and local taxes, did seem to have a significant impact on the decision of a company to locate in a specific area.

Through studying Blount County, Tennessee, and comparing a Kentucky county, Hardin County, to it, it was possible to examine and determine the validity and application of these factors. Though other factors may have some role in a company's decision, the study was limited to those factors identified as most significant through Factor Analysis and was opened to other factors that, though unidentified initially, appeared to be significant as well.

First, through the study of literature published on the focus groups, each factor was addressed to some degree. Some, like local taxes were given extensive coverage, while others, like the quality of the workforce, was not explicitly addressed, though there was information that would allow companies to draw conclusions such as the success of the local educational system. Both focus groups emphasized available land. Business climate and economic development policies were addressed, though less explicitly than other factors.

One of the most significant factors in attracting a potential company to a region may perhaps, not be any one factor itself, but the ability of a community to effectively communicate its characteristics and promote itself. As many areas, the immediate

readiness of much information on the internet causes potential companies to expect to learn what they need online before ever approaching a single economic development board. This should be a significant focus of many small communities whose online presence is anything but attractive and informative and may even repel potential industry by communicating lack of technological advancement and community involvement. Therefore, it would be of great use for local Chambers of Commerce to take measures to gather and quantify information for the factors given and focus on the production of information both in print form and online.

Lastly, in an increasingly cost competitive market, it is the recommendation of this study, that quality of life issues be downgraded in terms of importance. Though some coverage is valid and such issues would be of great concern to members of the workforce, this does not appear to be a top priority to the decision makers when other essential factors may be lacking. Rather, quality of life issues should be addressed almost as an added benefit, perhaps even the “icing on the cake,” for a region which is already competitive on many economic levels.

The following recommendations for future study are made. First, a comprehensive study of all states in the region could be done in order to determine the states and local governments with the most success in attracting industry. Their methods and practices could be studied, compared against the factors identified and used to the aid of less developed regions. Also, it would be useful to identify those counties or metropolitan areas, with a strong manufacturing base, who made a transition from a typical, non-

distinguished community to one with thriving industry. Through the identification of that transformation, the elements involved in that transformation could be distilled and dissected into a procedure that may be imitated by struggling regions. Lastly, in order to directly validate the results of Niranjan's work, it would be useful to conduct the same questionnaire sample in other states and to determine a set of factors for another state using Factor Analysis.

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