

RESEARCH REPORT

Local Jobs and Income Growth:
The Impacts of The
Northeast Louisiana Business Opportunity Center

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Overview of Results

This report summarizes the results of an evaluation of the impacts which the Northeast Louisiana Business Opportunity Center (BOC) in Monroe, Louisiana has had on both its client firms and the local economy. BOC provides business services, business advice, and facilities to small, young firms in the Monroe area which choose to locate there.

The key findings of this study are that:

- All BOC firms either located or plan to locate in the Monroe community upon graduation from BOC, boosting employment and income in the Monroe area.
- About 87 percent of client firms believed that BOC had a positive or very positive impact on their business success.
- Over two-thirds of sales by BOC firms in 1994 were made to customers outside of Monroe and Louisiana, bringing income from other areas into the state and adding employment to the local and state economies.

- BOC client firms had 153 full-time employees in 1994 and their activities stimulated the creation of an additional 193 jobs in the local economy.
- Clients of BOC paid about \$1.36 million in wages and salaries in 1994, which resulted in nearly \$2.3 million in total additional income in the Monroe-area economy.
- BOC client firms had almost \$3.86 million in gross sales in 1994. These sales generated over \$5.7 million in total additional output in the Monroe economy.

The evaluation of BOC suggests that business incubators can be an important part of their communities' economic development programs. By nurturing home-grown business through the very difficult start-up stage, BOC helps local entrepreneurs enter the economy without encountering some of the problems and high initial costs which often confront new firms.

¹The authors are Research Assistant and Rural Development Economists, respectively, Department of Agricultural Economics. The authors wish to acknowledge Dr. Arnold C. Cooper for sharing his insights into entrepreneurial theory and providing a critique of the questionnaire used in this study. We also wish to acknowledge Dr. David Hughes and Dr. Loren Scott for their assistance providing data for the analysis. Inaki Péna, graduate research assistant, provided assistance with data entry. Funding for this project from the U.S. Department of Agriculture's National Research Initiatives program is gratefully acknowledged.

Introduction

Business incubators emerged as a popular economic development tool during the 1980s. By 1991, there were roughly 450 incubators in rural economies, comprising 28 percent of all incubators in the U.S. (Stenberg). Business incubators can be important to the long-run health of small or rural economies by helping create jobs and generate income through support of start-up firms. Business incubators typically provide physical facilities, business services and/or business advice to newly emerging local businesses. Client firms are able to reduce initial operating costs by sharing equipment (e.g., computer, fax) with other businesses. These firms benefit from locating in a facility with other new businesses, where they can share their problems, expertise, and experience.

This study examined the characteristics and impacts of a single business incubator, the Northeast Louisiana Business Opportunity Center (BOC) in Monroe, Louisiana. BOC provides support to firms that locate within its facility. This report summarizes the third of four incubator evaluations funded through the U.S. Department of Agriculture's National Research Initiatives grant program. This research project identifies the direct and total impacts of BOC client firms on employment, income, and output in the Monroe community. Personal interviews were conducted with the director of BOC and with operators of eight firms, tenants and graduates, and with one firm which spun off from a BOC graduate and operates in the same resource and product markets. The data collected in these interviews are summarized in this report.

About the Northeast Louisiana Business Opportunity Center

The idea for this incubator came from an article in INC magazine and a proposal was developed by staff of the Small Business Development Center at Northeast Louisiana University. BOC opened its doors to clients in 1986. Its goal is to create jobs for the citizens of Ouachita Parish, Louisiana, by facilitating the start-up and growth of small businesses. BOC operates as a nonprofit organization governed by a nine-person board of directors. BOC has no direct link to local government, although public and private grant monies were used to start up and renovate the incubator facility. Incubator operations are self-financing.

BOC has 27,000 square feet of light manufacturing, commercial, and office space available for tenants, with 7,000 square feet also suitable for heavy manufacturing. It offers a variety of business counseling and business services to its clients. The sample used in this study included 4 current tenants (80 percent) and 4 graduates (67 percent). The interviews were conducted during the last quarter of 1994.

Characteristics of BOC Firms²

Most current and former tenants of BOC are relatively mature firms (Figure 1). Only one quarter of the firms were less than four years old, while about 63 percent were more than five years old. These firms were small, however. While one fourth had more than 20 full-time employees, nearly 38 percent employed two or fewer people full-time. Seventy-five percent of the firms produced manufactured goods and the remainder produced services. BOC client firms relied upon factors other than pricing for their business success (Figure 3). All of the firms believed that a reputation for quality was "important" or "very important" to their success, while 86 percent identified better customer service, customized products, and uniqueness of their product as "important" or "very important" factors in their success.

Firms' Experience in BOC

Every firm surveyed had a satisfactory experience in BOC (Figure 4), with nearly 88 percent "very satisfied." One quarter of the firms experienced unforeseen difficulties with the location of BOC and the lack of public transportation to and from BOC. Almost 86 percent of respondents believed that the manager of BOC played an "important" or "very important" role in facilitating communication and cooperation among client firms (Figure 5). Nearly 88 percent of the firms believed that BOC had a "positive" or "very positive" influence upon their business success (Figure 6). One firm believed that it could have grown more rapidly outside of BOC, but that the assistance and experience of locating within BOC was more important to the long-run viability of the firm.

Client firms found most of BOC's services useful (Figure 7). One-half or more of the firms used business counseling, fax, computer, photocopying, workshop, and mailing or express service pick-up, and 38 percent

²For more detailed information about the evaluation of BOC, see Hearn, Markley, and McNamara, *Economic and Fiscal Impacts of the Northeast Louisiana Business Opportunity Center*.

used the furniture/typewriter loan and the forklift and pallet jacks which were available. Only the telephone and answering services were not used by BOC's clients.

Economic and Fiscal Impacts of BOC Firms

BOC's client firms, including the graduate spin-off firm, had significant impacts on the Monroe and Louisiana economies. BOC firms had 153 full-time employees in 1994 (Figure 8). Expenditures by BOC firms and their employees generated an additional 193 full-time jobs in the Ouachita Parish area, resulting in a total full-time employment impact of 346 jobs. BOC tenants and graduates also employed 29 persons in a part-time capacity in 1994. Employees of BOC firms received wages and salaries of about \$1.36 million in 1994 (Figure 9). When multiplied via employee purchases, the total income impact on the Monroe-area economy was over \$2.27 million in 1994. BOC firms had gross sales of about \$3.86 million in 1994 (Figure 10), which generated a total output impact of over \$5.7 million added to the Monroe-area economy in 1994.

Firms engaged in producing services accounted for only 2 full-time jobs in 1994, 1.3 percent of all full-time jobs generated by BOC tenants and graduates (Figure 11). Those firms accounted for a slightly higher share of wages and salaries (Figure 12), 2.4 percent in 1994, or \$33,000. Service firms had almost the same share of gross sales as they did payroll, 2.2 percent in 1994, or \$83,000.

BOC firms also generated additional income for the state government. The state of Louisiana realized over \$405,000 in additional tax, license, and fee revenues during BOC's nine years of operation (Figure 13). These revenues resulted from the employment and sales of firms nurtured in BOC. Sales taxes are by far the largest source of additional state revenue, more than \$238,300 during 1986-1994.

Distribution of the Impacts of BOC Firms

Most sales by BOC tenants and graduates were in out-of-state markets (Figure 14), \$1.4 million in 1994. BOC firms sold \$517,000 of output in the Monroe-area economy in 1994, while sales in-state but outside the local community were \$152,000. Therefore, BOC firms brought income from outside the state of Louisiana to the Monroe-area economy. All firms hired at least 90 percent of their employees locally. Most of the employment benefits associated with BOC firms were captured by the local community. In addition, 41 percent of the employees earned \$5 or more per hour.

Conclusions

The Northeast Louisiana Business Opportunity Center is one example of a business incubator which boosts local economic activity. It provided needed space and services to new businesses in the Monroe area to help them survive the difficulties associated with business start up. Both tenant and graduate firms provided an important source of employment and income growth in Monroe through the assistance they received from BOC. BOC is helping to generate manufacturing jobs in the community and the state. Louisiana has relied on the energy sector for employment and income in the past, which has contributed to the unstable, boom-bust nature of the state economy, while the Monroe economy has been more closely tied to trade and services (Scott, Richardson, and Jamal). BOC is supporting entrepreneurs in the Monroe area, helping to expand, diversify, and stabilize employment and income in both the community and the state.

Figure 1.
Age of BOC Firms

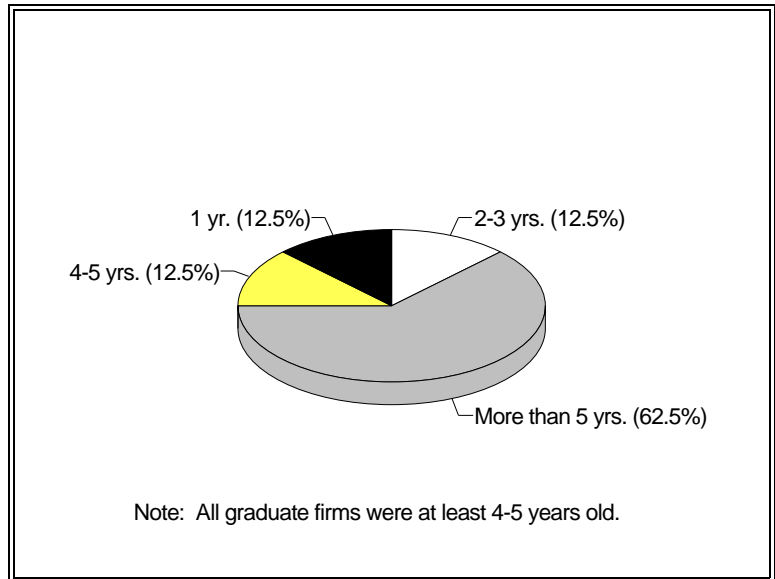


Figure 2.
**Distribution of BOC Firms by
Number of Full-time Employees,
1994**

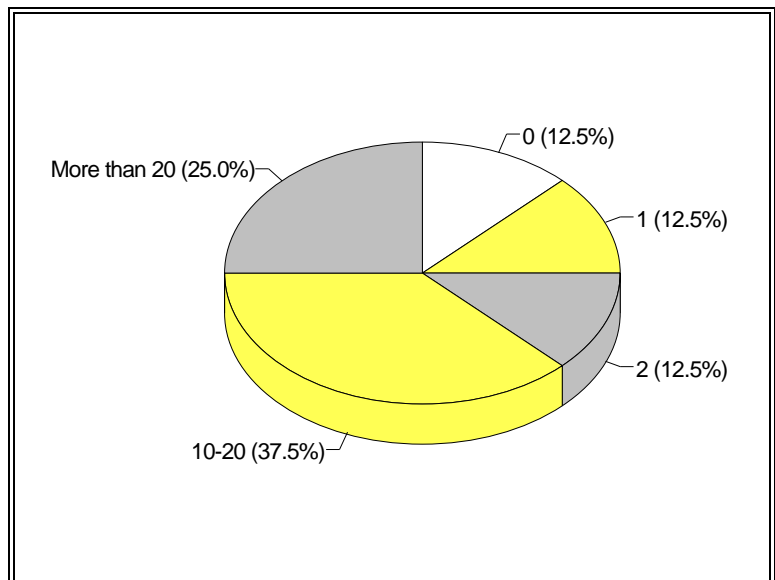


Figure 3.
Factors Important to
BOC Firms' Success

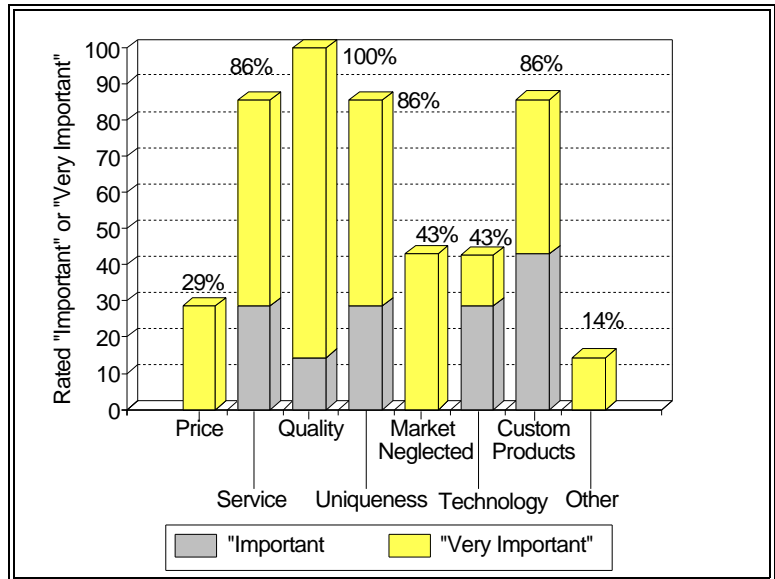


Figure 4.
Firm Satisfaction with
BOC Experience

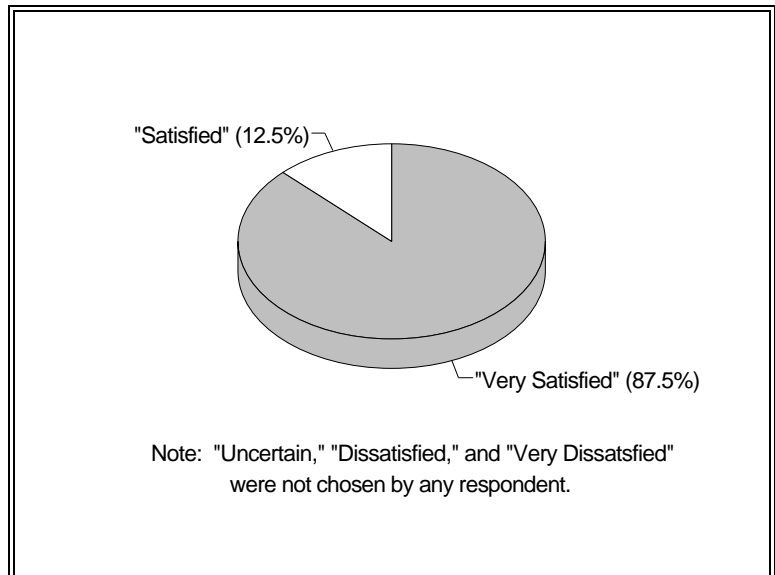


Figure 5.
Importance of BOC Manager
to Firm Networking

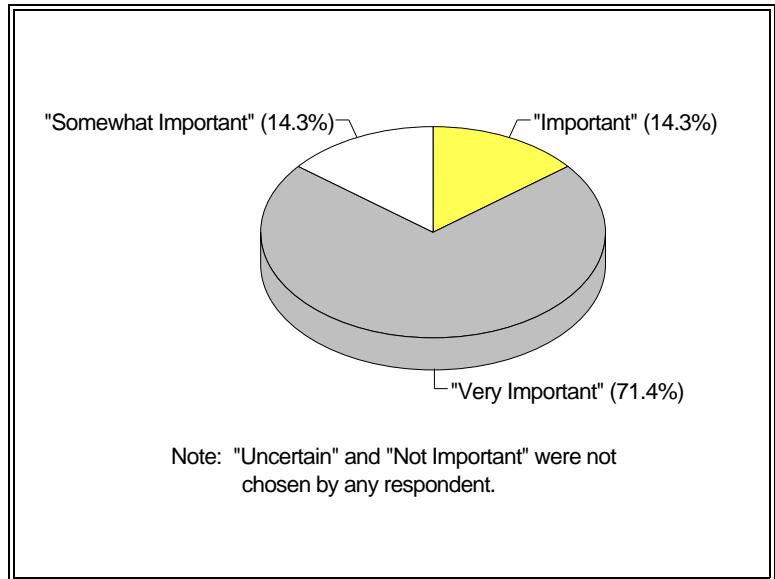


Figure 6.
Impact of BOC on
Firm Success

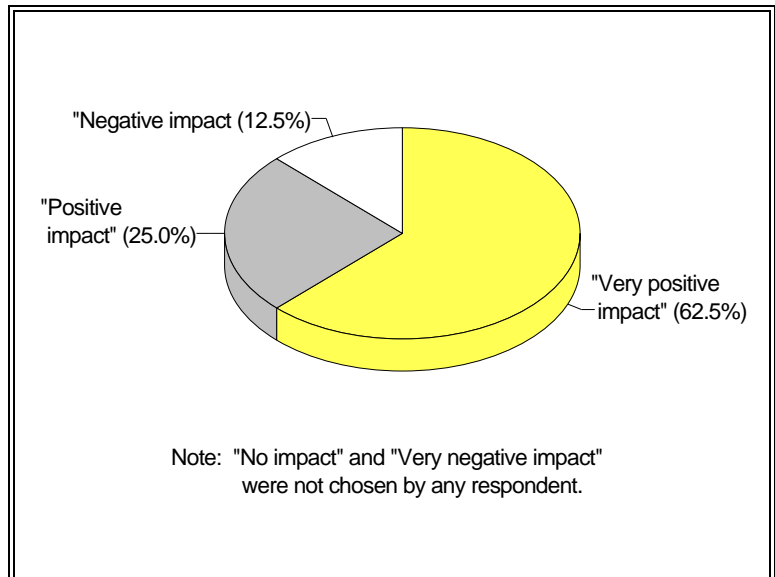


Figure 7.
Firm Use of Services
Offered by BOC

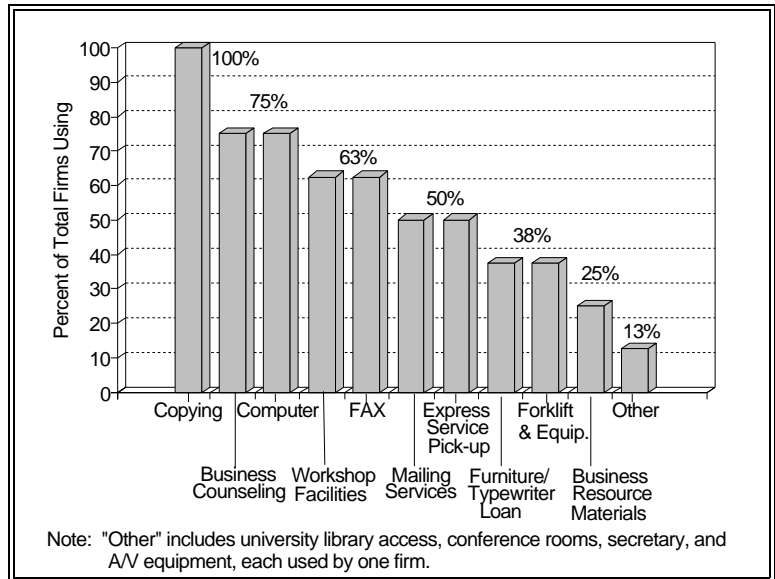


Figure 8.
Direct and Total
Employment Impacts
of BOC Firms

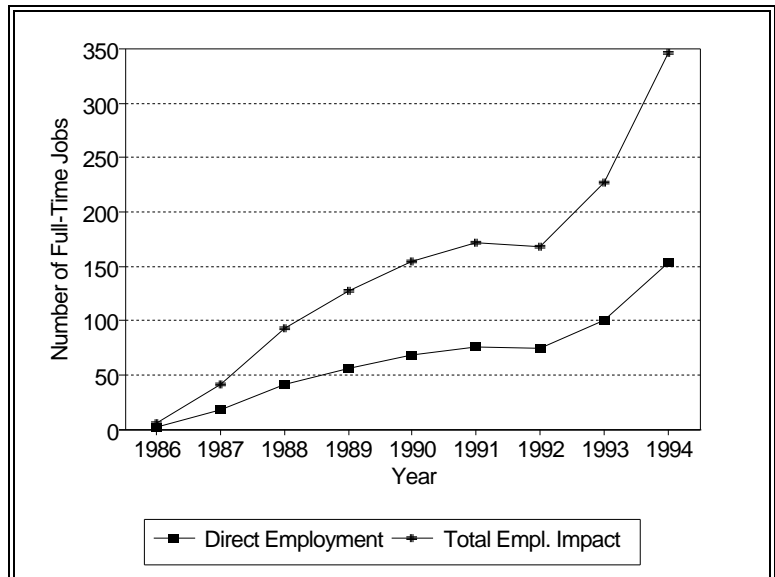


Figure 9.
Direct and Total Income
Impacts of BOC Firms

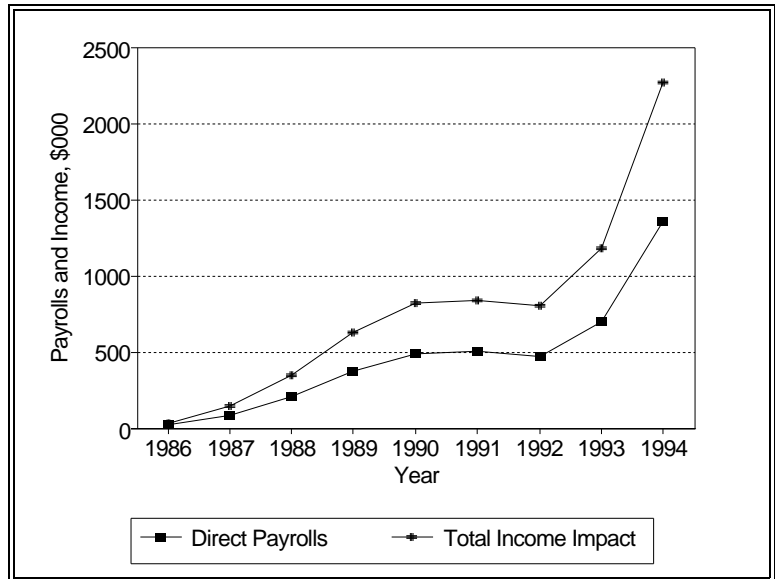


Figure 10.
Direct and Total Output
Impacts of BOC Firms

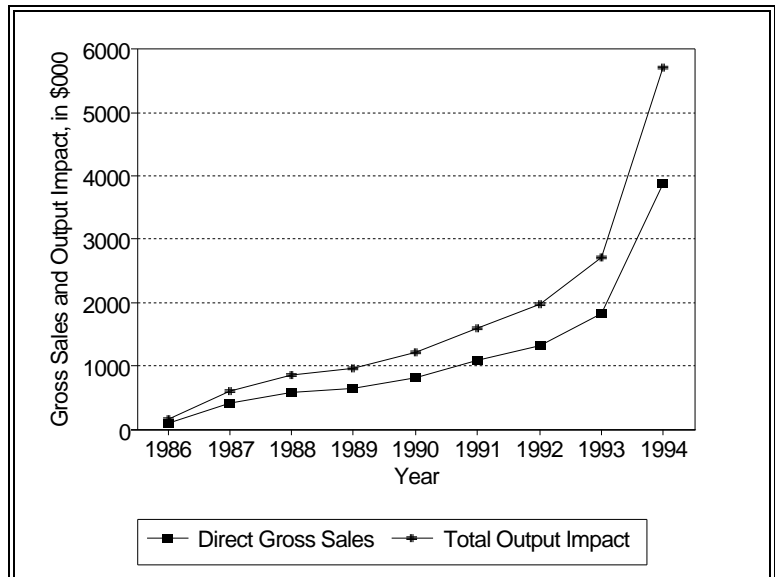


Figure 11.
BOC Firms' Employment,
By Sector, 1994

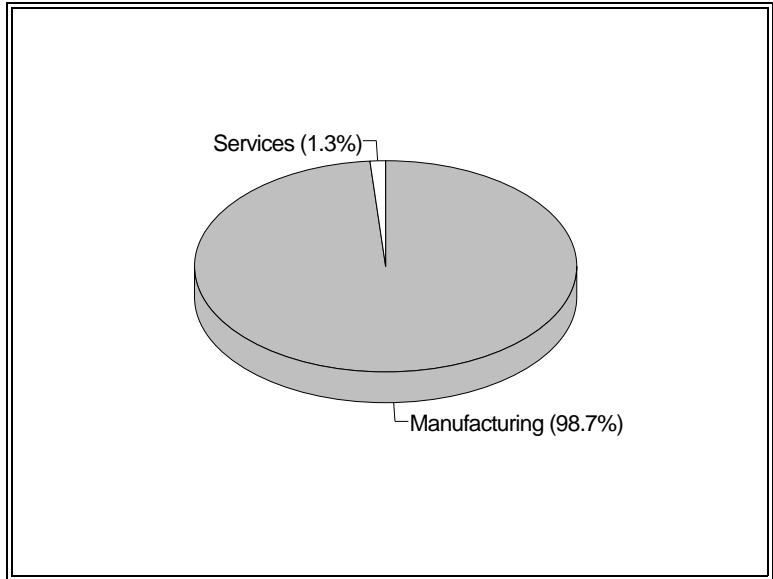


Figure 12.
BOC Firms Salaries and
Wages, By Sector, 1994

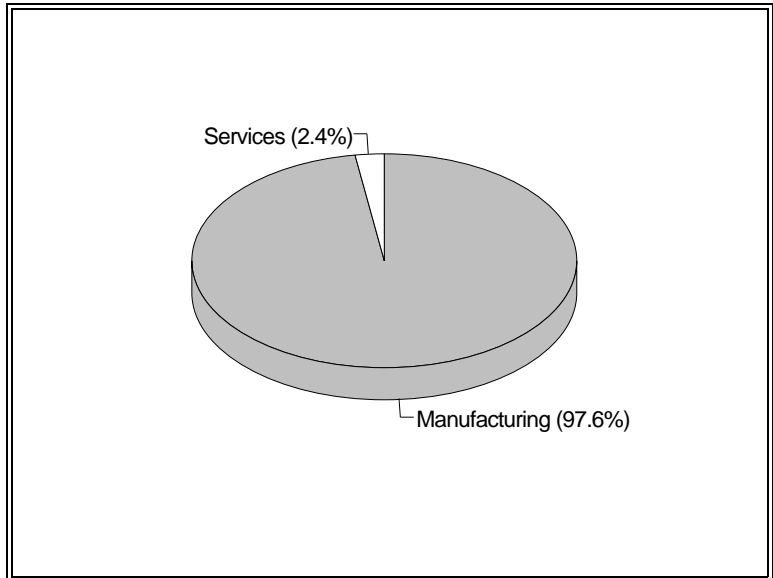


Figure 13.
Impact of BOC Firms on
State Government Revenues,
1986 - 1994

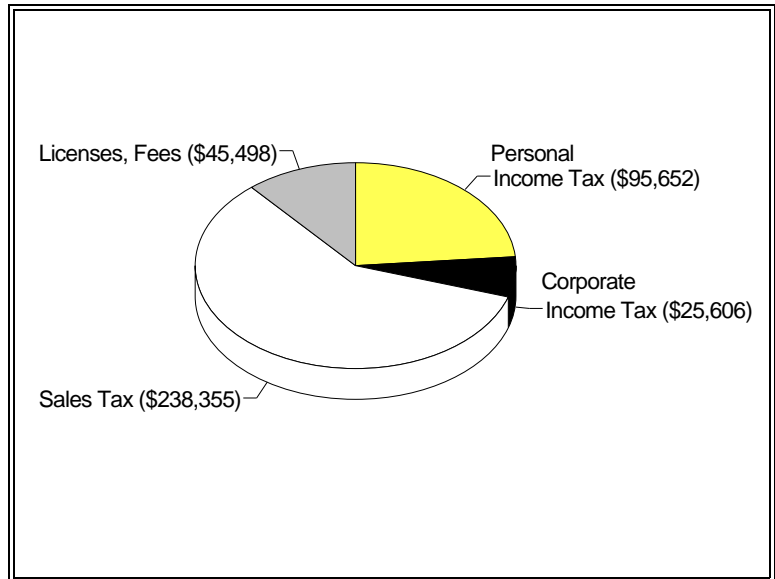
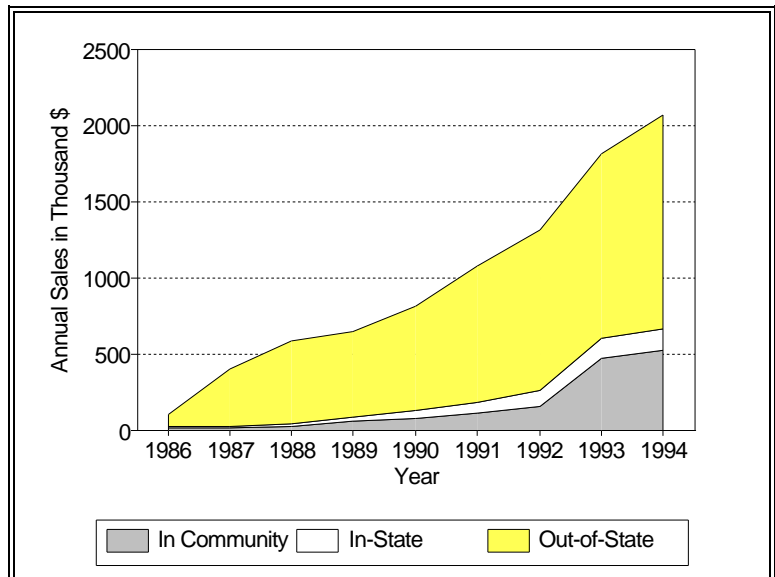


Figure 14.
BOC Firm Sales, By
Location, 1986 - 1994



For More Information

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For more information about the Northeast Louisiana Business Opportunity Center, contact Gerald McDonald, Director, 3126 Highway 594, Monroe, Louisiana 71203.

For more information about incubators, contact the National Business Incubation Association, 20 East Circle Drive, Suite 90, Athens, Ohio 45701.

References

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