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SWOT Analysis Of the Region

By Sarwar A. Kashmeri

For the Valley News

Spend enough time with corporate and public officials in the Upper Valley and one fact jumps out above all others: Virtually none of them think it will be possible to attract large companies into the region given the size of Vermont's and New Hampshire's work force and the sensitivities associated with maintaining a more rural lifestyle.

And when such companies go out of business, the layoffs pose a huge risk to the community in that scores of jobs disappear at one time with few if any alternatives for the jobless. Witness the decade-long struggle to recover from the demise of the machine-tool manufacturers in Claremont, Springfield, Vt., and Windsor.

So the future health of the Upper Valley's economy, it would seem, depends on jobs created by a steady pipeline of new businesses, and by maintaining an environment that nurtures existing ones. Starting a business is an uphill struggle under any circumstances, but in rural areas the challenges can be formidable, especially in the delicate early stages of a new business's life: 90 percent or more of startup companies will not be around after five years.

As I mentioned in an earlier column, business incubators are an effective mechanism to coddle infant companies and support them with services and guidance until they become self-sustaining. That makes business incubators an important driver of the region's future economic health.

But incubators don't do their job in a vacuum. They need a pipeline of startup companies that are candidates for entry into an incubator. Is the Upper Valley an area that can sustain such a pipeline?

A classic business approach to begin finding answers to difficult questions is to perform a "SWOT" analysis -- an assessment of Strengths, Weaknesses, Opportunities and Threats.

A proper SWOT analysis of the Upper Valley's business climate would take days, but I recently had an unusual opportunity to walk through a highly abbreviated version of it with professor Colin Blaydon, director of the Center for Private Equity and Entrepreneurship at Dartmouth's Tuck School of Business and one of the country's leading experts on capital markets, financing structures, governance and entrepreneurship.

Here is a summary of our SWOT conversation:

Strengths: The unique lifestyle, with easy access to a host of natural amenities.

“This attracts talented people,” Blaydon said, “many of them become involved in local businesses, start new enterprises.” He points out that “two or three of the mega-law firms have established outposts here because one of their senior partners decided this is where they wanted to live and raise their children. This is world-class talent coming to the Upper Valley.”

Dartmouth itself is a major source of innovation and research. “There is a stream of ideas from our research labs, medical and engineering schools, hospitals and computer science facilities,” he says. Many result in startups. Etna Road in Lebanon, he said, “is a mini Silicon Valley.”

Weaknesses: It is still a relatively small economy and is remote from major business and economic centers. The single biggest challenge is the human resources pool in a region with a total population of around 140,000.

In practice, this means as a company grows and needs legions of programmers or a production facility, it will probably not be able to stay here. “There are companies that have been able to overcome this by importing people, but it isn't like Boston or Silicon Valley, where you can get talent without asking people to uproot their lives.

Transportation in and out of the region is another striking weakness. “You have to drive to Manchester, Burlington or Boston to connect to the rest of the world.”

Technology can alleviate some of these disadvantages “but that is not yet an answer.”

Opportunities: One of the emerging opportunities is to provide services to the expanding economic base in the Upper Valley. “There is growing need for financial advisory, accounting and other professional services.”

Threats: The retail sector is under increasing threat from the big box brand names that make life more difficult for family-owned bookstores, clothing stores, etc. “Retail activity in smaller stores can still exist, but will need to work hard to find comparative advantage.”

These are some of the key parameters that business startups in the area need to factor into their business plans. The overriding challenge for the region, Blaydon says, is for startup companies “to find paths to substantial growth that will work for these enterprises and keep growth and jobs in the region so that we capture all the benefits of success from the innovative ideas generated here.”

He points to TeleAtlas North America (formerly Geographic Data Technology Inc.) as a striking success in this respect because it has consistently grown over a number of years, been acquired, but continues to do business and thrive in the Upper Valley.

My future column on the area's business incubators will look at success stories, plans for new incubators and ongoing efforts to determine whether there are limits to the number of incubators that small states can support.

Sarwar A. Kashmeri of Reading, Vt., advises corporations on communications and marketing strategy and is a fellow of the Foreign Policy Association. This twice-monthly column explores the Upper Valley's “business climate,” focusing on

the issues and conditions affecting the region's economic health. Kashmeri can be reached at skashmeri@aol.com.

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