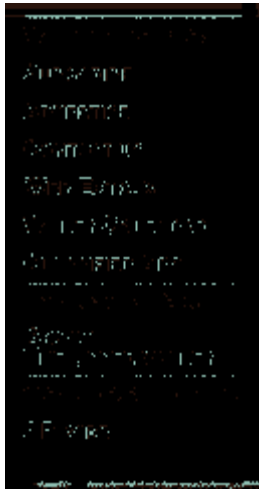

VALLEY NEWS

THE NEWS SOURCE OF THE UPPER VALLEY

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Sunny? Cloudy? A Weather Eye on Business Climate

Editor's note: This is the first in a new series of twice-monthly columns that will explore the Upper Valley's "business climate," focusing on the issues and conditions affecting the region's economic health.

By Sarwar A. Kashmeri

For the Valley News

"We live in a forest ..." Steve Christy, the president and CEO of Mascoma Savings Bank, told me during a conversation for my previous series of columns, A Talk With the Boss, in the *Sunday Valley News*. The Upper Valley, he said, is a region that is appealing for its recreational and scenic opportunities, but, uniquely, has a lot of the amenities that larger urban areas have -- cultural offerings, medical facilities, infrastructure -- without the population densities.

He might as well have called it the enchanted forest.

There is an unusually vibrant business presence here. How else to describe a mix of businesses that spans companies as diverse as Norwich-based King Arthur Flour, whose products have set the standard since George Washington's time, and Lebanon-based Timken Aerospace -- a billion dollar company whose ball bearings set the standard in the aerospace industry today?

The entrepreneurial spirit of the Upper Valley's businessmen and -women shows up in so many ways. Look at Lebanon-based Finowen, whose technology has made it cost-effective to install high-speed Internet in the area's most rural villages, where it is not economical for cable or telephone companies to provide this increasingly vital resource. Underpinning this vibrant economy are two institutions that serve as the area's Rocks of Gibraltar: Dartmouth College and Dartmouth-Hitchcock Medical Center.

But talk to the business leaders of the enchanted forest, as I have been doing for the last few months, and it does not take long to hear voices that question the health of the Upper Valley's business

environment. These well-meaning critics raised a host of issues that, in no order of priority, include:

- * Work force -- The availability and quality of skilled and unskilled labor, especially in the area of precision machining; training; unionization; and wage rates.
- * Housing -- The availability of affordable housing for production employees, middle managers and executives.
- * Government regulations -- Planning and zoning requirements, taxation, receptivity to new businesses on the part of local government leaders;
- * Financing -- The availability of venture and commercial financing, and government assistance.
- * Health Care -- A growing cost of doing business in the Upper Valley, whose companies' products are shipped worldwide where health care is a societal cost, not a business expense. This makes it increasingly difficult for local businesses to compete.
- * Infrastructure -- A serious impediment for today's global economy -- inconvenient air travel facilities.

The Upper Valley is not an island; its health and vitality ultimately depend on actions taken in Montpelier, Concord and Washington, D.C. -- but increasingly also in Brussels, Beijing and New Delhi. Most of the area's manufactured products are shipped around the world, and Upper Valley business leaders are as savvy about the growing sophistication of workers and the costs of production in Beijing and Colombo as they are about similar issues in Claremont or Springfield.

As in other parts of the country, moving a business to the other side of the world is no longer as large an issue as it used to be.

The voices I heard in my previous series of columns were the voices of the area's business leaders, but they are just a few of the many voices that determine the business environment in the Upper Valley. Beyond the business leaders, the voices that are instrumental include entrepreneurs, developers, labor leaders, bankers, zoning and planning officials, local and national politicians, concerned citizens and the media.

The picture provided by the previous series was like a Polaroid snapshot at an early stage of development -- the blurry outlines are visible, but the picture is far from clear. During 2005, by extending the dialogue to these other key players, we will continue to let this snapshot develop with digital clarity and increased scope.

The well-known professor of international business at Dartmouth's Tuck School of Business, Vijay Govindarajan, says we now live in an era of constant change, driven by the dynamic forces of technology, globalization, the Internet, changing demographics and shifting customer preferences. As a result, companies find that their strategies need almost constant definition. Creating the future involves identifying possibilities, selecting winners and implementing innovative ventures.

I believe his advice is equally valid for the economic health of geographic regions. Thriving Silicon Valley took its eye off the ball and was punished; Bangalore in India recognized its offshoring future and was rewarded for it. Silicon Valley's downward trajectory was Bangalore's growth curve. It would be a mistake to take our enchanted forest for granted.

Residents of the Upper Valley are the executives who will collectively determine the area's future. We are all busy with the day-to-day pressures of family and work; there is little time to spend in understanding the business climate around us and fathom its strengths, weaknesses, opportunities and threats. It is the *Valley News'* objective, through these columns, to help provide a perspective.

I'd welcome suggestions on which denizens of this enchanted forest I should talk to, and I'd welcome your comments as the new series unfolds.

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