

## **To Save a Small Town**

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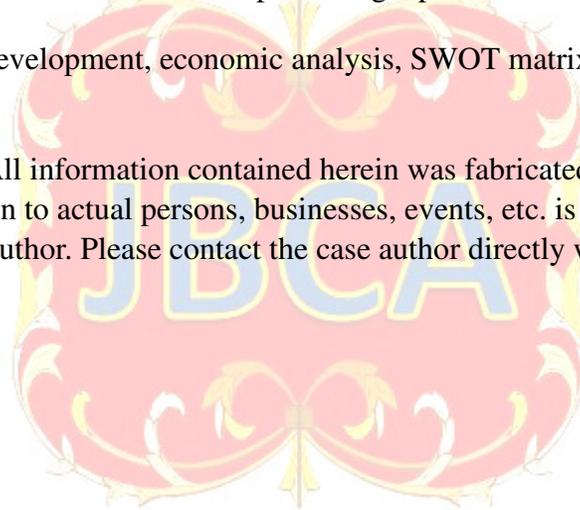
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### **ABSTRACT**

A small-town development council is eager to turn their community around after struggling to recover from a social and economic decline spanning over two decades. They enlist the help of a group of consultants who develop a strategic plan to save the town.

Keywords: Small-town development, economic analysis, SWOT matrix, management case, MBA case

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## INTRODUCTION

In November, Dennis Carhart contacted Dr. Sandra Garon in one last attempt to get her to help save Peachville. His email read, “I don’t want to be a pest, but I wanted to check in again. I’m hoping you can find the time to help us. Our little town is in trouble. Please let me know.”

Before that email, Carhart had been trying for a year and a half to get Garon to commit to helping Peachville. Carhart was the president of the Peachville Development Corporation, a nonprofit dedicated to promoting the business interests of Peachville. He was interested in having Garon analyze Peachville to help revitalize the town.

Dr. Garon, a professor of economics, had been teaching for over twenty years at a local university. She had previously prepared numerous economic impact studies for various industries and organizations. Garon was very sympathetic to the struggles of Peachville but concerned about taking on the project in addition to her other responsibilities.

Carhart, however, was very persistent; he noted, “In the past two months, it was announced that Peachville was losing its only grocery store, and the local radio station has been sold to a national organization and will no longer broadcast local content. There has never been a more important time to figure out our path forward. We need your expertise.”

Garon contacted her colleague, Dr. Jules Mack, about collaborating on the project. Dr. Mack was an assistant professor of marketing and owned several businesses in the area. Carhart often mentioned marketing and attracting new business to Peachville, making Mack a great addition to Garon’s team. Once she agreed, Garon and Mack met online with Carhart to discuss the potential project further.

## ABOUT PEACHVILLE

Peachville is a small town located in the southeastern United States. Like many small towns in America, it was once robust, with small businesses supporting an active farming community; however, things began to change at the start of the twenty-first century when big-box retailers forced prices down and drove salaries higher. Shoppers and workers slowly pulled away from Peachville and into larger neighboring towns. The last grocery store closed before the project’s development, leaving the town without a single supplier of fresh food and meats. A drive down Main Street provides a glimpse of Peachville’s past, which has since fallen into disrepair after decades of declining investment. There are two gas stations, an elementary school, and one small diner surrounded by neglected businesses. The once-booming town center is partially shuttered and littered with empty buildings.

A part-time elected mayor and a volunteer city council run the town. The mayor, Alan Scott, is an ambitious young person who grew up in Peachville. He does not remember the height of Peachville’s prosperity but knows his town’s challenges. In addition to blighted business properties, many homes in the area are dilapidated because younger residents have moved out, and older residents don’t have the ability or funds to maintain the properties. Scott holds a small police force that keeps the town safe, but he does not want the police force to become Peachville’s bylaw enforcement. At the same time, his budget has no room to hire a town manager or compliance officer. Existing property values have decreased, and there has been no new housing development for decades. This has caused real-estate tax revenues, the primary source of Peachville’s revenue, to decline. Altogether, there are few opportunities for either investment or infrastructure maintenance.

The farming industry keeps the town afloat, supporting the school and police systems, but even this industry is struggling. Years of economic downturn have made harvests more challenging. Workers are in short supply, as eligible employees have been leaving the town for decades, and new labor must be brought from outside the Peachville region. This has put Peachville in dire financial constraints and on the edge of bankruptcy.

The county and state in which Peachville is located have experienced a positive compound growth rate in residents over the past decade. However, Peachville experienced a negative compound growth rate. In simple terms, the population of Peachville is declining. The town's population is 43.1% White, 46.03% Black/African American, and 5.08% Hispanic. Notably, Peachville has a much higher proportion of Black/African American and Hispanic residents than both the county and state in which it is located.

Interestingly, the percentage of Peachville residents who graduate from high school (30.57%) is much higher than the percentage of high school graduates in the county (26.39%), state (19.49%), and even nation (18.53%). Unfortunately, the percentage of Peachville residents with higher education degrees is much lower than county, state, and national percentages.

## **MOVING FORWARD**

Between November and May of the following year, Garon, Mack, and Carhart had multiple conversations about what their project would entail. They agreed that the project would provide a strategic plan for Peachville. It would also include a situational analysis of the town's SWOT (strengths/weaknesses/opportunities/threats) matrix, goals, strategies, and implementation recommendations. In June, the Peachville Town Council and Peachville Development Corporation voted to fund the project jointly.

In August, Garon, Mack, and several colleagues held a town hall meeting in Peachville to solicit input from residents. Later that year, a survey was distributed to Peachville business owners for further input. In addition to the town hall and survey, secondary information was collected about the town's external, internal, and competitive environments.

## **THE EXTERNAL ENVIRONMENT**

### **Economic Trends**

Economic trends are patterns of economic movements in one area that can be used to analyze an area's economic performance over time. These trends vary in length and magnitude, as well as their effect on employment, output, interest rates, and inflation.

Some of Peachville's economic trends that are worth mentioning include:

1. Population – changes in the population of a region over time, determined by the level of net immigration from new residents and the rate of natural increase. According to the US Census Bureau, the current population of Peachville is 2,322 individuals. The projected five-year-forward total population for Peachville is 2,331. Peachville experienced a negative compound growth rate of -0.15% during the past decade.
2. Residential mobility – the average travel time to work for employees 16 years of age and older who do not work at home. The residential mobility of Peachville indicates that 2.6% of the town's population moved from a different state in the last year. On average, 16.32% of

Peachville residents spend 10-30 minutes commuting to/from work, while another 22.91% spend 30-60 minutes commuting.

3. Total Personal Income – comprised of three distinct income sources: i.) cash wages and salaries earned by individuals from employment, ii.) dividends, interest, and rent payments received by individuals, and iii.) government transfer payments to individuals. The average household income in Peachville is \$35,280, about 59.38% of the average household income in the state. Close to twenty-seven percent (26.9%) of Peachville residents have a median household income between \$50,000 and \$100,000 per year, while only 8% of the residents make more than \$100,000 in household income.
4. Employment – 59% of Peachville residents participate in the labor force, primarily as part of the civilian labor force. Since the end of the economic downturn in 2008, the unemployment rate of Peachville has been improving.
5. Inflation – Since 2008, nationwide inflation has remained low, ranging from 0.7 percent to 3 percent, depending on the year. However, in the past couple of years, nationwide inflation has dramatically increased to up to 7 percent. This trend has had an impact on the local economy of Peachville.

Understanding the above economic trends of Peachville is crucial for policymakers, investors, and business leaders as they make decisions about resource allocation and economic policies. Analyzing these trends makes it possible to identify opportunities and risks and make informed decisions that promote sustainable economic growth in Peachville.

### **Sociocultural Trends**

Historically, sociocultural trends have had an impact on global and local cultures. For example, the recent global downturn accelerated the virtual trend and enhanced business-to-business as well as business-to-customer relationships. One needs to rely on the internet and digital ecosystem to benefit from the latest techniques and digital trends. Unfortunately, not everyone has access to these, as a digital divide still affects people's lifestyles and well-being. While more than 90% of households with an income of \$100,000 or more have a smartphone, desktop/laptop computer, and broadband internet access, the picture is much different for families with an income of \$30,000 or less. Approximately one in four households at these income levels own a smartphone. Only 59% of these households have a desktop/laptop, while 57% have broadband internet (Pew Research, 2021).

Second, a “creative renaissance” has emerged, which has allowed entrepreneurship to flourish. During the past five years, monthly business applications fluctuated between 250,000 and 300,000 per month nationwide. Since August 2021, monthly business applications have exceeded 400,000 each month.

Relative to the population trends, Peachville's state has recently seen positive net migrations. According to data collected by United Van Lines, the state has the third-highest inbound migrations of the lower 48 states in the U.S. during the current year. The study also found that 32% of people who moved to the state did so to be closer to their families (<https://www.usnews.com/news/best-states/articles/2022-01-03/americans-moved-south-in-2021-a-study-finds>). According to the U.S. Census Bureau, Peachville's state has the sixth-largest absolute growth in population (59,976) and the fifth-largest percentage growth (1.2%) nationwide.

To further analyze the population trends, one can rely on Claritas, a company that has segmented the American population into 66 groups. The four groups most prevalent in the Peachville zip code are Young & Rustic, Back Country Folks, Country Strong, and Big Sky Families. The table below summarizes the key characteristics of these groups. Young & Rustic is “composed of restless singles and young families in the nation’s rural areas.” Back Country Folks refers to individuals mainly living in “remote farm communities,” receiving “below average incomes,” and living in “older, modest-sized homes and manufactured housing.” Claritas defines Country Strong as “lower middle-class families in rural areas that embrace their day-to-day lives,” while Big Sky Families are similarly a “segment of middle-aged rural families.”

	Young & Rustic	Back Country Folks	Country Strong	Big Sky Families
Median Household Income	\$12, 357	\$22,140	\$39,033	\$90,765
Income Producing Assets	Low	Low	Below Average	High
Household Technology	Below Average	Lowest	Below Average	Average
Age Range	<55	>55	<55	34-54
Presence of Kids	Mostly without	Mostly without	Family Mix	Mostly with
Homeownership	Mixed	Mostly owners	Mostly owners	Mostly owners
Employment Levels	Mixed	Mostly retired	Mixed	Management & professionals
Education Levels	High school	High school	High school	College graduates

Furthermore, according to a survey by the National Retail Foundation, 83% of shoppers say convenience is more important than it was five years ago. Consumers generally seek to do business with companies that make it easy to get information and complete purchases.

### Political Factors

The political system in Peachville’s state is a representative democracy. The state has three branches of government: executive, legislative, and judicial. The executive branch is comprised of a Republican governor and lieutenant governor. The branch also includes a nine-member cabinet. The legislative branch is a bicameral system comprised of a state House of Representatives and a Senate. The House of Representatives has 124 members (79 Republicans, 43 Democrats, and two vacancies), while the Senate has 46 members (30 Republicans and 16 Democrats). Peachville’s county has a council-administrator government, meaning that the county council appoints an administrator who oversees local safety and education. There are five members of Peachville’s county council, 3 Republicans and 2 Democrats.

### American Rescue Plan Funds

Peachville’s town council determines local government revenue and spending patterns. The Peachville town government has a limited set of tools to collect sufficient revenue and provide

public services for its residents. The town government derives its revenue from various sources, although it primarily relies on the following:

- Property taxes – taxes levied on real estate and are a significant source of Peachville’s revenue. These taxes are based on the assessed value of a property.
- Sales taxes – taxes imposed on purchasing goods and services within the city limits.
- Fees and permits – including building permits, parking fees, business licenses, and utility fees).
- Intergovernmental aid from the state and federal governments in support of specific programs and projects.

Despite its limited resources, the Peachville government is responsible for many public services and infrastructure. The town’s spending priorities reflect these civic responsibilities. Government spending is allocated mainly to the following:

- Public safety, including equipment and facilities necessary to support police and fire protection efforts. Additionally, salaries and benefits for police officers are incorporated into the spending.
- Administrative costs, such as salaries and benefits for Peachville government employees and maintenance of government buildings and other facilities.
- Infrastructure and utilities, including constructing and maintaining roads, bridges, water, and sewage systems.
- Education, parks and recreation, and social services.

The Peachville government develops annual budgets, which are then approved by the town council. Specific spending allocation varies by year and depends on local needs. The availability of funds and established preferences in the town’s budget determine final spending decisions. Peachville’s state announced that the town of Peachville would receive almost \$1 million in American Recovery Act funds. However, the town needed guidance on how to use the funds best, hence the need for a strategic plan for the town.

## **NEIGHBORING TOWNS**

Peachville faces “competition” from nearby small towns, which are all eager to draw visitors from larger cities. Within Peachville’s county, there are two towns, Springfield and Templeton, with populations of approximately 4,780 and 298, respectively. Numerous other small towns lie nearby in different counties, including Farmington, a small town eight miles down the road in a neighboring county.

Peachville is located almost exactly halfway between Springfield and Farmington. Springfield has a thriving downtown area and hosts a popular outdoor market on the second Saturday of each month. Farmington boasts a newly constructed town pavilion and similarly hosts weekly farmers’ markets from June through September. Farmington also has an excellent website with accessible information on obtaining business licenses, local events, tourist attractions, and more.

## **INTERNAL ENVIRONMENT**

Peachville is typically busy year-round with activities. However, the recent economic downturn halted many of these events and placed the town at a standstill. The Town of

Peachville owns several properties throughout the town. One of the town-owned buildings is in severe disrepair and is likely unsalvageable.

The Peachville Development Corporation is a nonprofit 501©(3) that promotes the business interests of the larger county in which Peachville resides. The corporation has eleven board members. To revitalize Peachville and other struggling small towns, the corporation sponsors an annual Peach Blossom Festival and Christmas Celebration. Three community concerts are held in the town park in the summer.

The Peach Blossom Festival is Peachville's major attraction. Held annually on the first Saturday in May, the festival includes arts and crafts, food vendors, a beauty pageant, and a parade. Thousands of visitors are drawn to the festival to enjoy the festivities. Revenue generated from the Peach Blossom Festival is used to invigorate Peachville and the greater county area. For example, Peachville Development Corporation has purchased Christmas banners to hang in the downtown area and new benches to be placed outside the library.

The local businesses in the downtown Peachville area are open only for limited hours. One booming restaurant, "Meat and Three," is open from 11:00 AM until 2:00 PM Tuesday through Friday and Sunday. The county Chamber of Commerce office is open from 8:30 AM until 12:30 PM, Monday through Friday. The Peachville library operates from 1:00 p.m. until 6:00 p.m. Monday through Thursday.

The town of Peachville has a Facebook page with over 1100 followers; however, posts are rarely made. Similarly, the Peachville town webpage listed on their page is yet to be fixed.

To proceed with the strategic plan for Peachville, the research team held a town hall meeting at Peachville Elementary. The goal of the town hall meeting was to get input from the residents of Peachville. The meeting was well attended, and the residents were very vocal about their concerns. They indicated that the most positive aspects of Peachville included its small-town atmosphere, close-knit community, and friendly citizens. Interest was expressed in seeing the following businesses or services offered in Peachville: a hotel, affordable housing, and hardware stores. The Peachville locals felt that some of the town's most critical issues were creating a full-time town administrator position, dilapidated buildings, unmaintained yards, lack of communication between the town government and residents, and revitalizing the tourism industry.

After the town meeting in January, a survey was distributed to Peachville business owners and other invited parties. The results of the survey were very similar to the results from the Town Hall.

## **REQUIRED**

1. Based on the information about the internal environment, what are Peachville's strengths and weaknesses? (Learning Objectives 1 & 2; LOs 1 & 2)
2. Based on the information about the external environment, what are Peachville's opportunities and threats? (LOs 1 & 2)
3. Develop a minimum of three objectives for Peachville. (LO 3)
4. Create an action plan for Peachville. Make at least two specific suggestions for each of the three objectives developed in question 3. (LO 3)
5. Prepare a PowerPoint that can be used to present the SWOT matrix, objectives, and specific suggestions to the Peachville Town Council & Peachville Development Corporation. (LO 4).

## Teaching Notes

### Overview

This case is designed to help students create a SWOT matrix from the presented information. It is based on an actual project completed by the authors of the case. The names of characters and places have been changed to protect their identities.

### Case Usage

This case is designed for an MBA management or marketing course or a capstone undergraduate management course in a bachelor's program. It is advised to assign the case as a group project.

Students will apply management theories and use critical-thinking skills as advisors and business consultants. Students should use their prior business education to develop a research plan, execute it, develop a SWOT analysis, create a report based on their findings, and present it to their peers, guest advisors, and faculty.

Students will be tasked to research an assigned small town through publicly available sources, university resources, and interviews with mock town participants. The students should identify concepts such as working with limited resources, having a diverse group of individuals with the same goals but different priorities, economic concepts, and government organizations' limitations. This case can encourage students to work with a small town in their area, if appropriate for their university and business school organizations. This is intended to be a half-semester project with several weeks of preparation and research outside the classroom.

### Expected Student Learning Outcomes

By completing this assignment, students are expected to reach the following learning outcomes:

1. Evaluate the external and internal business environments necessary for a SWOT analysis. (Bloom's 6<sup>th</sup> level Evaluation)
2. Conduct a SWOT analysis based on the information presented in the case. (Bloom's 4<sup>th</sup> level Analysis)
3. Create an action plan for Peachville with at least six specific suggestions for Peachville leaders. (Bloom's 5<sup>th</sup> level Analysis)
4. Discuss how the consultants should present their analysis to maximize buy-in from the Peachville Town Council, the Peachville Development Corporation, and Peachville residents. (Bloom's 6<sup>th</sup> level Evaluation)

### Discussion Questions:

1. Based on the information about the internal environment, what are Peachville's strengths and weaknesses? (LOs 1 & 2)
2. Based on the information about the external environment, what are Peachville's opportunities and threats? (LOs 1 & 2)
3. Develop a minimum of two goals for Peachville (LO 3)
4. Create at least two objectives for each goal developed in question 3 (LO 3)

5. Create an action plan for Peachville. Make at least two specific suggestions for each of the three goals developed in question 3. (LO 3)
6. Prepare a PowerPoint that can be used to present the SWOT matrix, objectives, and specific suggestions to the Peachville Town Council and Peachville Development Corporation. (LO4)

Suggested answers for the above discussion questions that should guide students' critical and analytical thinking:

1. Based on the information about the internal environment, what are Peachville's strengths and weaknesses?

Peachville's internal environment includes all the factors affecting the community's operations, strategies, and overall economic performance. From these different factors, Peachville's strengths and weaknesses can be determined. Some positive internal factors that can be characterized as strengths include the community's culture, values, and beliefs that impact how Peachville citizens interact with each other. Similarly, the community's governmental structure, operations, and processes can be viewed as strengths. The local government's involvement in economic growth and development, ability to support community activities, and production of goods and services that meet residents' demands are important internal factors. The highly active Peachville Development Corporation and the long-running Peach Blossom Festival are the town's strengths.

If a community's internal factors are not adequately managed, various factors can contribute to the overall weaknesses of a community. With increasing concern about the declining population, Peachville's challenge is the retention of skilled employees and the inability to attract new businesses. The external perception of Peachville's culture translates into the community's reputation, making it challenging for Peachville to attract commuters. Similarly, the lack of employment in the town is partially responsible for a commuter deficit.

2. Based on the information about the external environment, what are Peachville's opportunities and threats?

The diverse factors outside Peachville that affect its performance, economic and business strategies, and operations represent the town's external environment. Changes in the sociocultural environment, such as Peachville's demographics, migration patterns, and social trends, all represent the community's opportunities. Other opportunities include environmental resources and geographic locations which contribute to the community's operations.

Based on the information presented in the case, students will likely identify the sociocultural trend of a "creative renaissance" and the importance of convenience as an opportunity. The high level of people migrating to the state is another opportunity.

Economic and environmental factors, such as inflation and unemployment rates, influence Peachville's attractiveness and thus create threats for the town. Political, legal, and environmental factors, including state and county laws, can similarly hurt Peachville operations. These factors can also secure resources and thus provide public goods and services.

Understanding Peachville's external environmental factors is crucial to ensure local leaders make informed decisions and secure strategic growth for the town.

Based on the information presented in the case, students will likely identify threats such as the numerous similar small towns with similar offerings and inflation. The fact that Peachville and its residents must comply with county and state laws may also be perceived as a threat.

3. Develop a minimum of two goals for Peachville.

Based on the information in the case, students may suggest goals similar to the following:

- Increase the number of businesses located in Peachville.
- Increase communication with town residents.
- Increase the number of visitors to Peachville.
- Reduce the cultural divide that some residents feel.
- Increase the attractiveness of Peachville.

4. Create at least two objectives for each goal developed in question 3.

Student answers will vary, but all objectives offered should be specific, measurable, and have a timeframe for completion. Example objectives for each of the goals listed above include:

1. Increase the number of businesses in Peachville by 10% within twelve months.
2. Make at least one post per week to the Peachville Facebook page (ongoing).
3. Expand the number of concerts in the park to four in the next 12 months.
4. Plan and host an annual diversity day for the town's residents (ongoing).
5. Tear down the dilapidated building owned by the town within the next 12 months.
6. Create an action plan for Peachville. Make at least two specific suggestions for each goal developed in question 3.

Student answers will vary and should generate exciting discussions. Specific suggestions for goal A (increasing the number of businesses in Peachville) may include:

- Holding quarterly information sessions for residents interested in starting a business; building a multi-purpose open-air facility with restrooms (to support microbusinesses participating in vendor events); having quarterly networking opportunities for local businesses; reviewing town codes related to business ownership; and hosting a "Shark Tank" style competition.
- Specific suggestions for goal B (increasing communication with town residents) may include:
- Posting regularly to the town's social media pages; creating a town web page and updating it frequently; creating regular (monthly/quarterly) announcements; and making flyers/updating social media with the information.
- Specific suggestions for goal C (increasing the number of visitors to Peachville) may include:
- Capitalizing on the success of the scarecrow contest; implementing a "Peach Ticket" campaign; expanding the Christmas celebration; combining the concerts in the park with food trucks/vendors; and providing a space that can be used as a county arts center.
- Specific suggestions for goal D (reducing the cultural divide that some residents feel) may include:
- Inviting members from culturally diverse groups to participate in the Peachville Development Corporation and holding an annual diversity day.
- Specific suggestions for goal E (increasing the attractiveness of Peachville) include:
- Demolishing or renovating the dilapidated building owned by the town; reviewing all town codes related to the physical beauty of properties; installing wireless hubs in the downtown area; and exploring options that will improve the quality of life for residents (town administrator likely needed for this).

6. Prepare a PowerPoint that can be used to present the SWOT matrix, objectives, and specific suggestions to the Peachville Town Council and Peachville Development Corporation.

