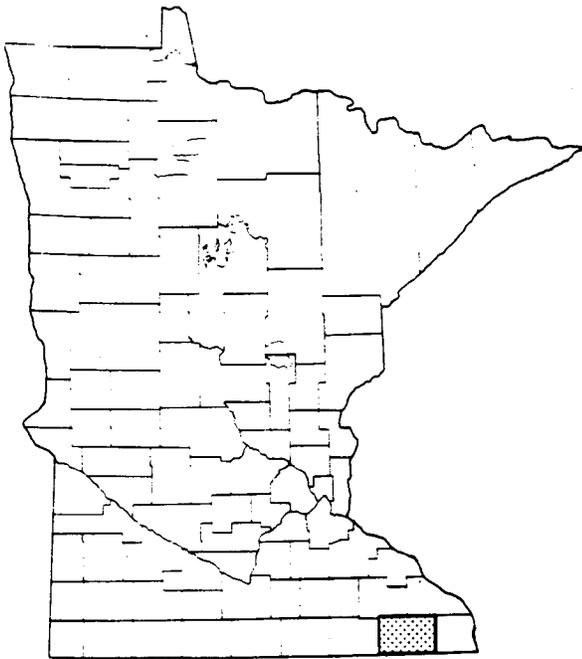


**SUMMARY**  
**BUSINESS RETENTION**  
**AND**  
**EXPANSION PROGRAM**  
FILLMORE COUNTY  
MINNESOTA



**This summary provides highlights from the 1990 Fillmore County Business Retention and Expansion Program. For a detailed description of the program results, review the Final Report which is available at the Fillmore County Extension Office and the Office of the Policy Coordinator.**

State Sponsors are:

University of Minnesota/Minnesota Extension Service  
and the Department of Trade and Economic Development

Local Sponsors are:

Fillmore County Economic Development Commission  
and the Fillmore County Office of the Minnesota Extension Service

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## **Summary of Fillmore County's Business Retention and Expansion Follow-Up Program**

As the awareness of the importance of existing firms to local economies has increased, the retention and expansion of these firms has begun to receive as much attention as the attraction of new firms. The Business Retention and Expansion Follow-Up Program, sponsored locally by the Fillmore County Economic Development Commission, its Business Retention and Expansion Task Force, and the Fillmore County Office of Minnesota Extension Service, has three primary objectives:

- 1) to demonstrate the county's pro-business attitude;
- 2) to assist, as much as possible, with the individual concerns of local firms; and
- 3) to develop county programs to address those concerns mentioned by a number of firms.

The success of this program is a reflection of the leadership and hard work of many local leaders in the county. The leadership team included:

Sheila Craig, Fillmore County Extension Director;  
Bruce Hartert, Fillmore County Policy Coordinator;  
Linda Grover, Southeast Minnesota Development Corporation Specialist; and  
Lyle Meldahl, SEMCAC Transportation Director

### Task Force members included:

Gary Peterson, County Commissioner  
LeRoy Eickhoff, Mayor of Wykoff  
Goodie Gudmundson, Tax Consultant  
Richard Nelson, Regional Development Commission  
Dale Shafer, Utility Development  
Charles M. Johnson, Sr., Financial Institution  
Lee Himle, Insurance Agent  
Steve Cremer, President of Manufacturing Firm  
Rebecca Dalton, Executive Director of Tourism Association  
David Drury, Retailer  
Ernie Hain, News Media  
Arlo Grabau, Farmer  
Pat Dahl, Rosemaling Business  
Ron Meyer, Computer Business  
Liz Atkinson, Restaurant Business  
Marge Fuller, Public Health Nurse  
Mark Woodward, Pastor  
Willie Eppen, Public Utility  
Joel Young, Investments  
Vernon Groen, Agriculture Teacher  
Tim Bremseth, President of Manufacturing Firm  
Waldo Bunge, Retired School Administrator  
Vonda Budde, Retailer  
Byron Hall, Restaurant Owner

There were 32 individuals who served as volunteer visitors, including all of the above individuals, and:

Myron E. Allen, Jim Hoiness, Dale Krage, Carol Liss, James J. Peterson, Forrest C. Smith, Brian Thielges, Ron Vikre, Bob Wood, and Steve Hadoff.

The volunteers visited 45 firms in the Fillmore County area using the Business Retention and Expansion survey forms. Once the data was collected the

Task Force met in order to handle the follow-up for individual firms. Timothy Soulen, graduate student in the Department of Agricultural and Applied Economics at the University of MN, and George Morse, Extension Economist at the University of MN, analyzed the data and developed recommendations for the Task Force. The Task Force then met to review the recommendations and discuss the ones they felt were most practical. After making appropriate modifications, the Task Force adopted the recommendations described in this summary.

The analysis for this report was based on 45 surveys from the 1990 Business Retention and Expansion Visitation Program in Fillmore County. Over half the firms (60%) were in the retail sector, while the remaining were in the manufacturing sector. While manufacturing firms had from 1 to 140 full time employees, the average was 23, with 53% of the firms having nine full time employees or less. For retail firms, the size ranged from 0 to 22 full time employees, the average being 6 employees, with 73% of the firms having eight full time employees or less. Overall, 58% of the firms in the study employed less than ten individuals on a full time basis.

#### **STRATEGY ONE:**

#### **Improve The Competitiveness of Local Firms by Helping Them use Federal, State and Local Development Programs**

Nationally, businesses of all types are facing greater competition, both from international firms and from firms within the region. This level of competition makes it essential that the Business Retention and Expansion

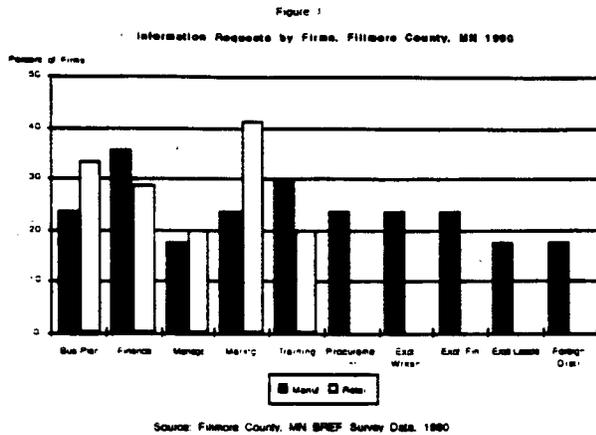
Program (BRE) help the firms become more competitive.

The BRE Program can help identify those federal, state and local programs that are most helpful in giving firms a competitive edge. Many firms, especially small to medium sized ones, have a difficult time keeping informed of the development programs available. Through the BRE program, local leaders can provide firms with current information about these programs, and also serve in an ombudsman role.

#### **Survey Results on Competitiveness Strategy:**

Firms in Fillmore County have been actively changing their operations to become more competitive. In the manufacturing survey, 71% of the firms reported changing their mix of goods and services, while 65% plan to make these changes in the future. Many of the firms have already modernized their production technology (82%) and made capital improvements (88%). Firms in the retail/service sector survey reflected the same spirit of change. (See full report for more details).

There were 63 information requests from the 45 firms, with two-thirds of the requests coming from the manufacturing firms. Marketing and financing were the most frequently requested items, followed by business planning, job training, and management. See Figure 1.



stories by local firms in using the assistance programs will stimulate additional use of the programs.

News stories featuring local businesses and their products will help assist firms in marketing their products, recruiting new employees, and build pride in their communities.

**Task Force Recommendation # 3:  
Develop Local Factsheet on Regional  
Offices and Programs**

Many firms are unaware of the regional and local programs that can serve them, and thus do not fully utilize

them. A short factsheet will outline the programs available, contact persons, addresses, and phone numbers.

**STRATEGY TWO:  
Expand the Supply and Quality of  
Fillmore County's Labor Force**

In order to help existing firms become more competitive, the county needs to continually up-grade the productivity of its existing labor force and thus reduce the cost per unit of output. Likewise, the attraction of new firms depends upon an adequate supply of high quality labor.

**Survey Results on the Labor Force:**

Ninety four percent of the manufacturing firms felt that labor skills and labor availability were important or very important location factors. While more manufacturing firms felt labor skill was favorable in the county (39%) than unfavorable (17%), more felt labor availability was unfavorable (17%) than favorable (6%). Further, across 10 job classifications, there were 35 cases

**Task Force Recommendation # 1:  
Sponsor Local Programs on  
Marketing, Financing, and Business  
Planning**

Since the needs of each firm will vary considerably and it is difficult to get small firms to participate in workshops, the Task Force will put out a request for proposals from institutions offering assistance on marketing in this area.

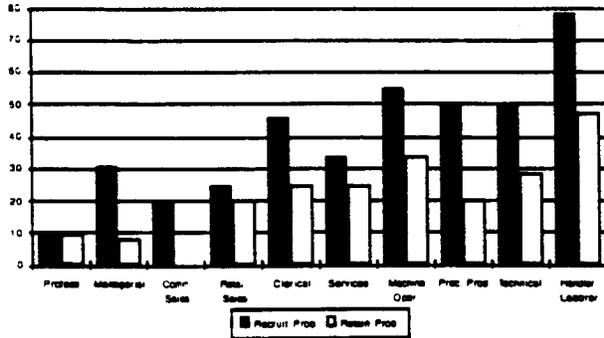
To facilitate the task of developing relevant and effective programs, the Minnesota Extension Service will do a computer sort of the retention and expansion survey data to provide these institutions with a description of the characteristics of the firms requesting this type of assistance.

**Task Force Recommendation #2:  
Run Feature Articles in Media on  
Development Programs and Local  
Firms**

News stories on the benefits and costs of federal, state and local developmental assistance programs, new state regulations, and the economic outlook of key industries in the region, will be placed in local media. Success

where manufacturing firms indicated moderate to severe problems recruiting employees, particularly in the handler/laborer classification. Only 3 of the 18 manufacturing firms (17%) reported no problems in recruiting employees. See Figure 2.

Figure 2  
Percentage of Manufacturing Firms Indicating Moderate to Severe Problems with Recruiting and Retaining Employees



Source: Fillmore County, MN BREF Survey Data 1990

Among retail firms, 47% of them rated the county's labor skill as fair to poor while 53% of them rated the county's labor availability fair to poor.

Across the whole survey, eight firms (25%) requested information on job training. In addition, 80% of the retail firms indicated they were planning on participating in training programs. Job training is an alternative means of increasing the supply of skilled labor.

**Task Force Recommendation #1:  
Educate Youth Regarding Hiring Needs of County**

Educational experiences to familiarize students with career opportunities and training expectations at local firms will be planned. This information might also be made available to all local citizens. Pat Abbe's program will be explored for this recommendation. A labor training fact sheet will be

developed as a part of this program. Agencies providing training will also be invited to sponsor local programs.

**Task Force Recommendation #2:  
Establish a Business/Education Partnership**

Given that 89% of the manufacturing firms rated local education as important or very important, it is desirable to insure that firms see the local schools as a favorable location factor.

While 94% of the manufacturing firms responding reported the school system as "adequate", only one firm cited it as a reason for remaining in Fillmore County. This suggests that while the firms are not unhappy with the schools, they might not be as strong advocates for them as would be expected given the importance they ascribe to local education.

A school business partnership will help schools communicate the steps which they are taking to improve the quality of their programs. It will also give local firms an opportunity to make suggestions for improvement, and provide assistance to the schools.

The first step in this process will be to form an ad hoc committee to explore what other communities have done in school/business partnerships.

A group consisting of representatives from local business groups; school administrators, board members, and faculty; (and any other interested parties) will be formed. The group will be responsible for making recommendations on:

- 1) identification of skills needed in business and industry;
- 2) types of training needed to develop or improve those skills in workers;
- 3) the education level which can best provide the required training (e.g. high school, pre-employment training, on-the-job training, etc.);
- 4) types of training that could be done at each education level; and,
- 5) determine who will be responsible for conducting programs at each level (course development, funding, etc.).

The group will use the information from the labor survey described below to aid in its analysis.

**Task Force Recommendation #3:  
Develop a Labor/Wage Survey with  
Neighboring Counties**

Fillmore County's ability to keep existing manufacturing firms and attract new ones might be limited in the future by it's supply of handler/laborer labor. With an understanding of the labor market in the area, the Task Force could develop more effective strategies for improving the labor force.

Prior to initiating a local survey, the available information from state agencies will be reviewed and their assistance sought.

**STRATEGY THREE:  
Improve the Quality of Life in  
Fillmore County**

The county's quality of life is a major factor in its ability to attract new firms or to encourage the retention and expansion of existing ones. A county's quality of life is defined as those factors that make it a better place to live. This includes schools, vocational training,

recreational opportunities, cultural events, health services and public services.

The county can directly influence many of these aspects and can also reduce the costs to businesses of attempting to have these problems corrected.

**Survey Results on Quality of Life**

Quality of life aspects are important location factors for Fillmore County firms. Eighty nine percent of the manufacturing firms rated three quality of life factors (education [K-12]; higher education; and, environment, recreation and culture) as either important or very important.

The evidence on the adequacy of these quality of life factors is mixed. The two services considered least adequate, air and rail transportation, were considered important by only two firms and very important by no firms.

Facility space, however, was considered inadequate by 29% of the manufacturing firms and 31% of the retail firms. Also, 45% of the retail firms rated parking as inadequate.

Note that 90% of the retail firms rated Fillmore County's environment, recreation, and cultural opportunities as good to excellent.

See full report for further information.

**Task Force Recommendation #1:  
Publicize Community Strengths**

Since opinions on quality of life are based on perceptions, informing firms about educational and recreational opportunities, as well as public services, may help improve perceptions.

A newsletter or brochure informing firms of the locational strengths and advantages in the county may also be used as a marketing tool in helping firms recruit and retain employees, a problem discussed earlier.

**Task Force Recommendation #2:  
Continue the Business Retention and Expansion Task Force**

Even if the visits are not done every year, there is a need for interaction between local governments, the business community, and educational institutions. Since the BRE Task Force provides a confidential setting for exploring local economic development problems, it gives county leaders an opportunity to explore the nature of these problems more freely.

**Task Force Recommendation #3:  
Work with Local Planning Organizations to Ensure Effective Planning**

Since 29% of the manufacturing firms and 31% of the retail firms feel that facility space is inadequate, effective planning will help ensure that these businesses stay in Fillmore County. By discussing the needs of these firms, and then working together with the Planning Organization, appropriate decisions about annexations, zoning, and facility plans can be made to effectively meet county needs.

**STRATEGY FOUR:  
Develop Strategic Plans for Local Economic Development**

Strategic planning and contingency planning are essential elements of a strong local economic development program. Strategic planning is forward looking, attempting to outline major steps which can be taken to improve the local economy. Contingency planning

outlines reactions that would be taken to react to a major economic problem, such as the closing of a local firm.

Local leaders must have a clear understanding of several factors to conduct effective efforts in strategic and contingency planning. These are:

- 1) the economic outlook of local firms;
- 2) changes in national and international economies;
- 3) on-going feedback from local firms on their concerns; and
- 4) factors influencing the location of firms.

**Results Related to Strategic Planning:**

The responses on potential relocations of the Fillmore County manufacturing firms were inconsistent. Of the five firms reporting plans to relocate, two indicated they would move within the city while 3 indicated they would move outside the city. Most (4 of the 5) indicated the move would take place within 3 years. The reasons for considering this move included the Minnesota business climate (3), other incentives (3), inadequate land/facilities (2), city services (1) and labor supply (1). Obviously, the most common reasons

were incentives from other cities/states and the Minnesota business climate.

Among the retail firms, 4 indicated plans to relocate. Three of them plan to stay within the city. Reasons cited for the relocation included no market and/or lagging sales (2), lack of parking (1), inadequate land/facilities (1), city services (1), and labor supply/cost (1).

Three fourths (75%) of the manufacturing firms in Fillmore County reported plans to expand their current plant facilities while 71% plan to add new production lines. Also, 39% of the retail firms plan to remodel/expand their facilities. Frequently, it is at the time of such expansions that firms find it necessary to relocate due to inadequate space for the expansion.

**Task Force Recommendation # 1:  
Strategic Plans to Diversify  
Economic Base**

Strategic plans need to be developed to diversify the economic base of Fillmore County. A sub-committee of the BRE Task Force will send a request for proposals to the University of Minnesota and other institutions to help them study the factors which are most important in attracting new manufacturing plants. Fillmore County's strengths and weaknesses in attracting various types of manufacturing will be examined. This group might also examine the new Free Trade Agreement with Canada to see if it offers any opportunities for Fillmore County. Tourism is another aspect that will be examined.

**Task Force Recommendation #2:  
Form a Committee to Deal with  
Expanding Firms**

A committee should be formed to assist those firms indicating a desire to expand. They can help solving problems and locating resources such as sites, funding, etc. An industrial park might be developed. This committee should study the options and determine the benefits and costs of such a plan.

**Task Force Recommendation # 3:  
Attract Retirement/ Passive Income**

Passive income (social security, dividends, interest payments, etc) has become a major source of income in much of Minnesota, including the counties near Fillmore County. A means of capturing this passive income in the county, and generating additional employment related to this, needs to be found.