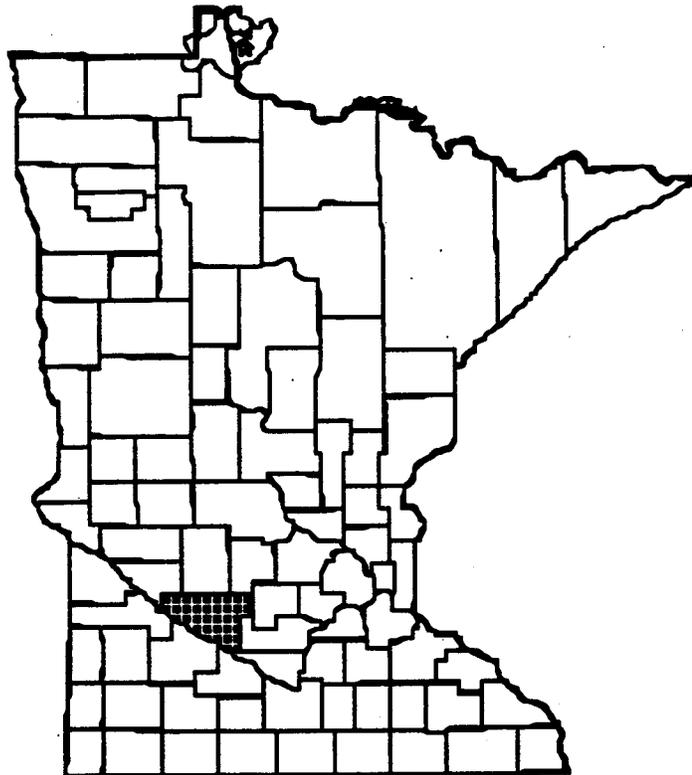


**SUMMARY REPORT**

**RENVILLE COUNTY  
BUSINESS RETENTION AND EXPANSION  
STRATEGIES PROGRAM  
1993-1994**



**STATE SPONSORS:**

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

**LOCAL SPONSORS:**

**Renville County Economic Development Commission  
Minnesota Extension Service, District Extension Office, Morris**

## **Executive Summary**

### **RENVILLE COUNTY BUSINESS RETENTION AND EXPANSION STRATEGIES PLAN<sup>1</sup>**

#### **The Renville County Business Retention and Expansion**

**Strategies Plan's principal goal is to: "Help Renville County's Existing Businesses Survive and Grow."** This approach was selected by community leaders as a cost effective means of stimulating growth from within. In the fall of 1993 community leaders visited 27 businesses to learn about their concerns and bottlenecks to their future growth. The Minnesota Extension Service/ University of Minnesota assisted the community leaders with the initial organization, volunteer training, and the research on the survey results.

A copy of the full report "Renville County Business Retention and Expansion Strategies Program: 1993-1994" is available from the Renville County Economic Development Commission and the Renville County office of the Minnesota Extension Service.

**Key Leaders in the Program:** Four sets of local leaders played key roles in the Business Retention and Expansion Strategies (or simply called BR&E) Program. They were the: (1) BR&E leadership team; (2) BR&E task force; (3)

volunteer visitors; and (4) participating firms. The leadership team provided overall direction to the program. The volunteer visitors visited 27 Renville County firms, seeking their opinions on their challenges and concerns. The task force developed the recommendations in this report.

#### **BR&E SURVEY RESULTS**

##### **Characteristics of Firms Visited:**

About half of the jobs in this survey (49%) were in the manufacturing firms. However, non-manufacturing firms were included so that each of the communities in the county would be involved. On average, the 27 firms had 19 employees, with 14 of these having an average of 6 workers (Graph 1).

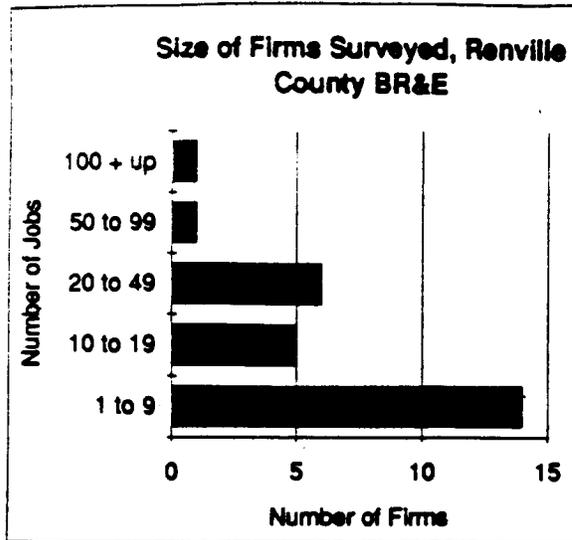
**OVERALL STRATEGY: Improve Renville County's Firms Competitiveness and Profitability by Sharing Information on State and Federal Development Programs**

**Overview of Strategy:** Increased competition is making it difficult for firms of all types to survive and grow. In order to successfully compete in this changing

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<sup>1</sup> The Renville County Economic Development Commission served as the Task Force which developed the recommendations in this report. The background research was done by George Morse, Extension Economist and Professor, and Theresa Heiland, Research Fellow, both from the University of Minnesota. Kent Gustafson served as the BR&E Consultant that coached the local team and trained the volunteer visitors.

Graph 1



market, all types of firms must become more competitive. To improve their competitiveness, firms must either be able to: (1) enhance the quality of their products or services without major increases in their prices; or (2) reduce costs per unit. Reducing costs per unit of production or service generally requires adopting new technologies or new business practices. Ultimately a firm's management and employees control its ability to successfully introduce new efficiency methods. However, educational programs which help them upgrade employee skills and management methods can keep a firm ahead of its competitors. While Renville County does not have the resources to establish these programs, it can assist its local firms in using state and federal programs aimed at helping firms become more competitive. Specific strategies which the Task Force decided to adopt included:

- 1) enhancing the quality and quantity of the county's labor supply,
- 2) upgrading specific aspects of public services, and

3) continuing targeted business retention and expansion efforts.

**Survey Results on Competitiveness:** Costs and competition were reported to be key factors likely to influence profits during the next five years. When measuring the percentage of jobs impacted, the top factors controlling profits were: raw material costs (47% jobs), government policies (43%), domestic competition (42%), taxes (34%), and foreign competition (30%). During the visits, firms requested an average of 2.5 pieces of information on topics which could help them become more competitive. The major requests were for information on new state regulations (44%), financing programs (33%), business management (33%), marketing strategies (30%), labor/management relations (26%) and strategic business planning (Table 1).

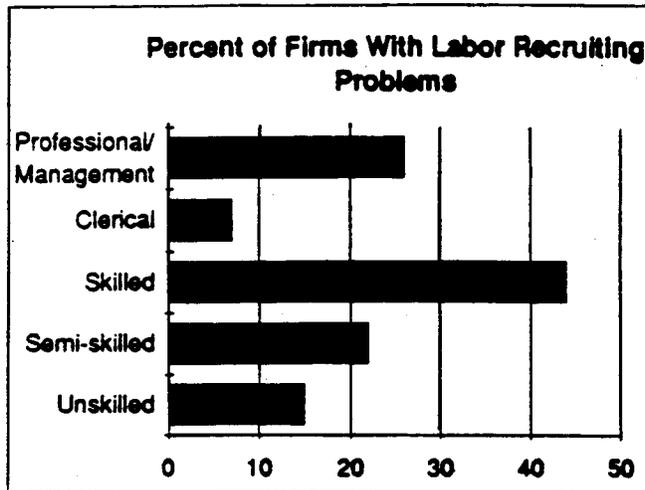
**Table 1**  
Firms' Top Information Requests

<u>Topic</u>	<u>Percent of Firms</u>
New state regulations	44
Financing programs	33
Business management	33
Marketing strategies	30
Small business planning	26
Labor/Management Relations	26

**Survey Results:** Renville County firms appear to have positive labor/management relations, with 89% of the firms reporting their workers had good to excellent attitudes toward work. An identical percentage reported good to excellent productivity by their workers. Yet, 44% of the firms survey said they had problems recruiting skilled

employees (Graph 2). All but one firm expected new technologies to require their labor force to need retraining.

**Graph 2**



**Task Force Recommendation #1:  
Develop a school-business partnership program.**

Schools and local businesses are mutually dependent on each other. Businesses must have a supply of new entrants to the labor force that have a solid foundation in the basic skills and have a strong work ethic. Frequently, School/business partnerships take a number of different forms. Some schools have started a number of in-school businesses which students both staff and manage. Examples are school stores, advertising businesses, small engine repair firms, and computer assisted design. In other cases, businesses have helped the schools examine their curriculum so that it better prepares students for work. In still others, individual businesses adopt schools or specific classes, providing mentoring,

loaning equipment, or giving financial support.

**STRATEGY TWO:** Enhance the attractiveness of the community by improving the available work force.

**Overview of Strategy:** Availability of a qualified labor force is a major deciding factor for firms when selecting a location to operate their business, or for existing businesses considering expansion. It is also important to understand current labor needs for local firms so that this is not a bottleneck to their growth. When the skills of existing workers are expanded, this increases the productivity, competitiveness and profitability of firms. One means of helping firms become more competitive is to make it easier for them to upgrade the skills of their existing workers.

The Renville County BR&E Task Force will organize a school/business partnership to explore ways to increase the collaboration between local schools, technical colleges serving the county, and local businesses. Educational leaders will be invited to participate in the formative stages of this partnership.

**Task Force Recommendation #2:  
Provide Educational Programs on Specific Skills**

The BR&E Task Force will invite the Private Industry Council and regional technical colleges to help them work with the firms that indicated they have a shortage of skilled labor. A three person team of business leaders will be appointed to work with these agencies in exploring how they can provide labor training assistance to the firms which are having difficulties recruiting skilled labor.

### **Task Force Recommendation #3: Study Expanded Housing Options**

The Task Force identified the lack of affordable quality housing as a factor that makes it difficult to recruit skilled labor in Renville County. The group recognized that this is a difficult problem since the small size of the local economy and the limited number of higher paying jobs makes it difficult for contractors to build speculative housing. And the lack of a supply of housing makes it difficult to attract higher income skilled laborers.

The Task Force will appoint a three person team to look into the types of public programs designed to assist in the development of housing and see if any fit Renville County.

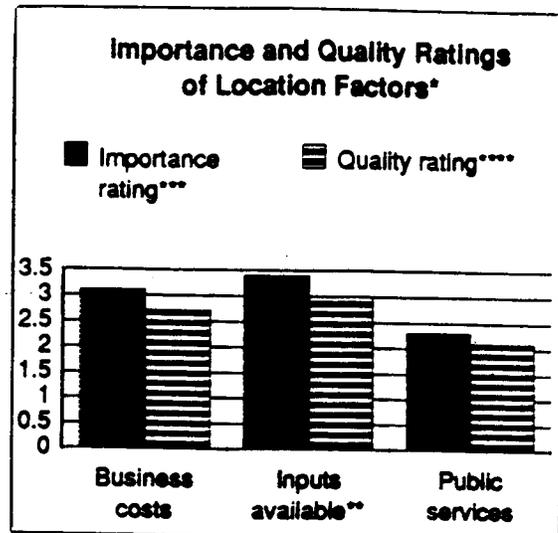
### **STRATEGY THREE: Enhance the Public Services in the Renville County**

**Overview of Strategy:** The quality of public services often influence business location decisions. To remain competitive, firms need adequate transportation and communication systems, adequate fire and police protection, reliable water sources, recreational opportunities for their employees and their families, and other public services. While the value of these services is difficult to measure, some industrial location consultants will not recommend communities where the quality of the public services is too poor. Some business costs (e.g. fire insurance) are directly tied to the availability of public services (e.g. adequate water pressure). Other costs (e.g. recruitment costs of professionals and skilled labor) are more indirectly tied to the quality and availability of adequate public services.

**Survey Results:** Business costs, quality of life, and other business factors were

listed in the survey. Generally, the firms felt the availability of labor and other business inputs was slightly more important than business costs and the quality of public services (Graph 3).

**Graph 3**



\* The ratings are weighted by the number of jobs in each firm so that small firm's response will not distort the overall result.

\*\* Inputs include: availability of labor, raw materials, credit, transportation, water, natural gas, and electricity.

\*\*\* Based on a five point scale with 5 = very important to 1 = not important.

\*\*\*\* Based on a five point scale with 5 = excellent and 1 = very poor.

Overall the businesses were satisfied with the quality of local public services in the county. However, with the exception of the schools, health care, EMS, fire and police protection, at least three firms rated the others as poor or very poor (Table 2). Although these results do not suggest that these service problems affect the businesses' competitiveness and profitability, it is risky to assume that they do not.

**Table 2**  
Public Service Concerns\*  
of Firms Visited

Public Service	# Firms
Schools	5
Vocational Schools	11
Higher Education	12
Recreational Options	14
Ambulance	5
Health Care	10
Fire Protection	2
Police Protection	5
Snow Removal	12
Street Cleaning	12
Street Repair	13

\* Firms rating these services as fair, poor, or very poor.

### **Task Force Recommendation # 1: Address the Concerns of Firms**

Using the surveys from the visits, the Task Force plans to review the individual concerns public service concerns of each firm. The Task Force will explore the specific concerns of these firms and serve as a communication link between firms and local government.

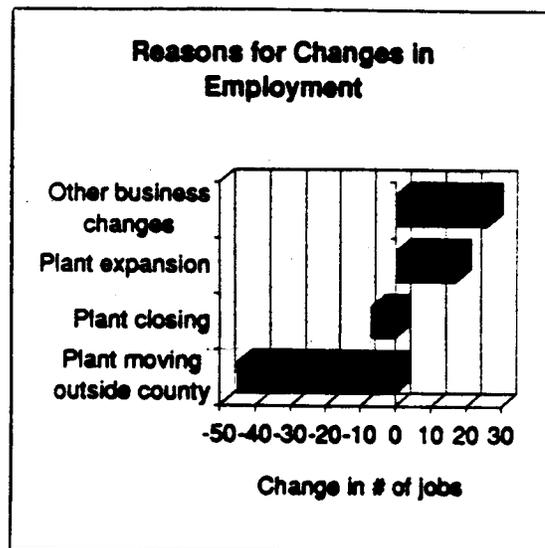
When feasible options can be identified to improve the quality of this service the Task Force will encourage the local governments to remedy this concern. The group recognized that at times the solutions might be beyond the resources of the local unit of government.

### **STRATEGY FOUR: Continue Business Retention and Expansion Programs**

**Overview of Strategy:** While the attraction of new branch plants has been the traditional approach used by many communities to encourage economic development, this approach has not been very successful. Research on the sources of growth has found that between 60 to 80 percent of the net changes in a community's total jobs comes from existing businesses. These

changes are due to expansions, contractions, or closures of the areas existing firms. If the community can quicken the rate of expansion, slow contractions, and lessen the number of closures, it can have a greater impact than by through the attraction of new firms (Graph 4).

**Graph 4**

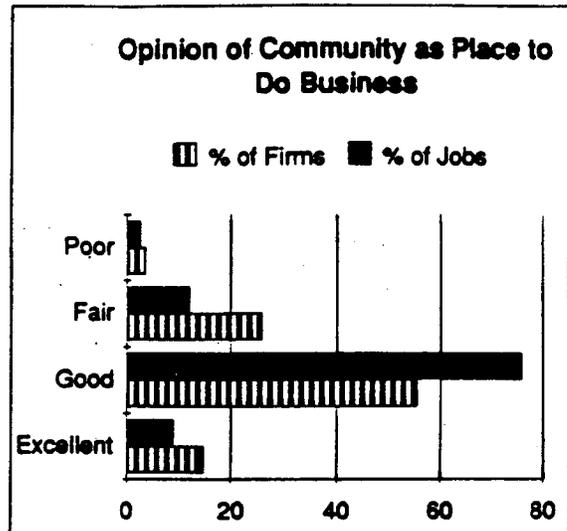


However, communities should include attraction in their overall economic development program. Firms looking at a community generally visit with existing firms before making their final decision to locate there. If the existing firms are not pleased with the community as a place to do business, the odds of attracting new businesses is slim. Thus, the first step in all attraction programs is to visit existing firms and identify the community's strengths and weaknesses. Having identified any concerns there needs to be a means of correcting them. That is the essence of a business retention and expansion program.

**Survey Results:** Five firms are considering moving or closing, impacting 59 full time employees and 8 part time employees. Of those thinking about moving, 1 firm is considering a location in a different county, 1 firm is looking in the same community, and two are undecided. Four of these firms were having trouble with overcrowded buildings; two firms said no land for expansion was a problem and 1 firm was considering moving because of changing market conditions (Table 3). There could be a loss of 45 jobs to the community if three of the firms considering moving outside of the county follow through on their plans. One business considering closing could mean a loss of 7 jobs. Even though the number of jobs among the businesses surveyed are expected to increase by 43 with plant expansions and other business changes, the expected net change is a loss of 9 jobs. Yet over 2/3 of the firms rated Renville County as a good to excellent place to do business (Graph 5).

The task force does not expect to save every firm and has limits upon its abilities to help the firms. Rather, it will explore what types of assistance can be provided and open up the lines of communication between the firms, local government, and state development agencies.

**Graph 5**



**Table 3**  
Reasons for Considering Relocation

Reason	Number of Firms
Changing market conditions	1
Overcrowded building	4
No land for expansion	2
Other	1

**Suggested Recommendation #1.**  
Establish Rapid Response Team

The Task Force will set up a small committee to provide immediate assistance to those firms indicating they are considering moving. This team will have both business persons and public officials to bring the differing perspectives of these two sectors to these problems.

**BR&E Task Force**

Kenneth Anderson, Buffalo Lake  
Lea Dobberstein, County  
Commissioner  
Tom Hurney, Fairfax  
S.H. (Sy) Larson, Franklin  
Ken Leigh\*, Renville County  
Economic Development  
Council  
Verdonn Meyer, Fairfax  
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Julie Rath, Renville

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Lea Dobberstein  
Craig Golden  
Tom Hurney  
Sy Larson  
Ken Leigh  
Deb Lingl  
Verdonn Meyer  
Herb Nelson  
Jim Norman  
Kermit Ness  
Julie Rath  
Sally Schlenner  
Orville Wolf  
\*Chair, BR&E Task Force

**Firms Visited**

**City of Bird Island:**  
George Paur Insurance Agency  
Glesener's, Inc.  
Robert Saunders  
Rural Computer  
Soil Service

**City of Fairfax:**  
Schweiss Bi-Fold Doors  
Telephone Company

**City of Hector:**  
Communication Systems Inc.  
Interstate Telecon Consulting  
Loadstar Transport, Inc.  
Todd's Fabrication  
William Olinger Truck Service

**City of Olivia:**

Agri Sales  
Baumgartner Environics  
Brandt Electric  
Co-op Country Farmers Elev.  
Keltgen Seed

**City of Renville:**

Co-op Country Farmers Elev.  
H&L Motors  
K&M Manufacturing  
Knight Security  
Maynards Grocery Store  
Smith Hardware  
Sunrise Seed  
ValAdCo

This summary and the full report for this project were written by Theresa Heiland, Research Fellow and George Morse, Extension Economist and Professor, Community Economic Development, Department of Ag & Applied Economics, University of Minnesota. The Task Force wrote the final recommendations that appear in this summary.

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