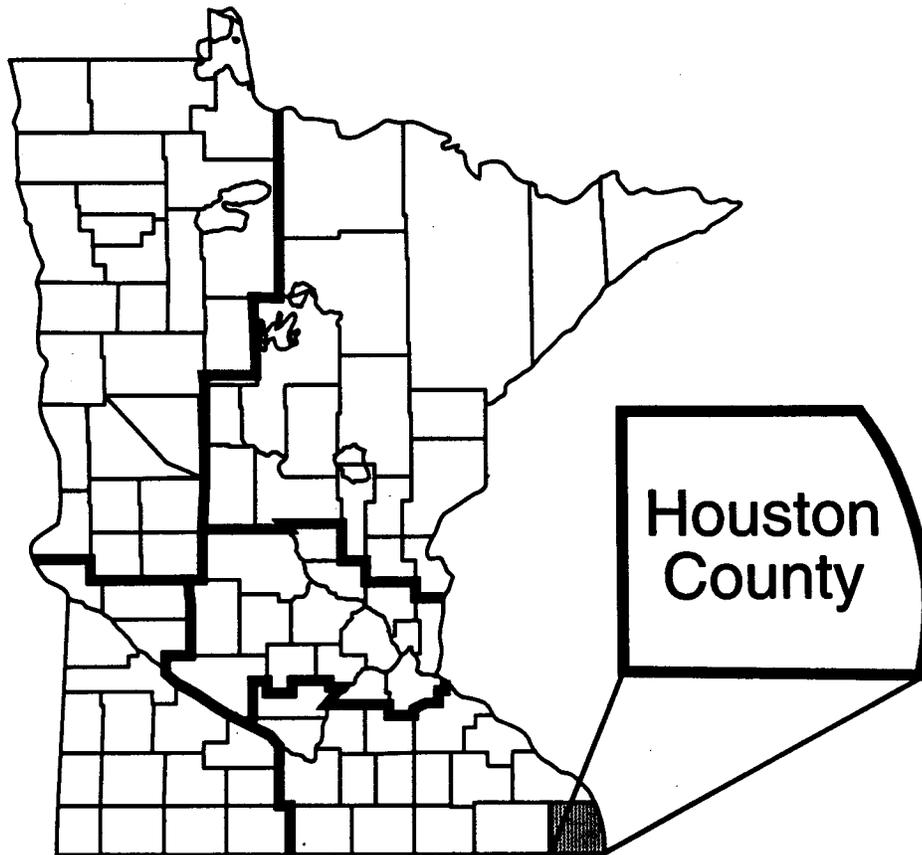


**EXECUTIVE SUMMARY
HOUSTON COUNTY
BUSINESS RETENTION AND EXPANSION
STRATEGIES PROGRAM - 1994**



State Sponsors:

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

Local Sponsors:

**Houston County Bankers Association
Houston County Commissioners
Minnesota Extension Service, Houston County**

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.

We express our gratitude to the following individuals for their part in reviewing the Houston County BR&E survey results, and the recommendations they suggested to address the issues presented.

Will Craig, Center for Urban and Rural Affairs, Humphrey Institute

Becky Hall, Southeast Minnesota Region Representative, Department of Trade and Economic Development

Carole Yoho, Department of Agriculture and Applied Economics, U of MN

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SUMMARY REPORT
HOUSTON COUNTY BUSINESS RETENTION AND EXPANSION
STRATEGIES PROGRAM: SEPTEMBER 1994

The Houston County Retention and Expansion Program began in February, 1994, with three primary objectives:

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

Demonstration of a pro-business attitude is integral to any business retention efforts. Businesses are more likely to stay if local leaders convey the message that they want to work with business owners in creating a vital business environment. The Houston County volunteer visitors met this objective by personally visiting 58 firms in the area.

Following visits to firms, the Houston County BR&E Task Force met to review concerns raised by local businesses. Fact sheets explaining various assistance programs were sent to all those who asked for information.

University of Minnesota staff analyzed the survey data and presented "suggested recommendations" to the BR&E Task Force. The task force then developed the action recommendations outlined in this summary report. The full Research Report, with all of

the data and results, is available on loan from the office of the Minnesota Extension Service - Houston County. Each of the BR&E Task Force members also has a copy of the full report.

Karen Todd, the local BR&E Coordinator, along with 22 additional Task Force members, kept the BR&E process moving forward to success.

Characteristics of Firms

Visited: The following data are based on the results of the Houston County BR&E survey conducted in 1994. Seventy-two firms were targeted for participation in the survey, and 58 firms (81%) completed the survey. Forty-three percent of those firms were in retail trade; 17% in the service industry; and 15% in manufacturing. Farming, Finance, Insurance, and Real Estate (F.I.R.E.); construction, transportation and public utilities; and wholesale trade firms were also surveyed.

These 58 firms represent 14% of the firms in Houston County and 23% of the jobs, as reported for 1992 by the Minnesota Department of Jobs and Training. Although the task force did put forth efforts in using a systematic approach for obtaining a representative sample of county businesses, care must be taken not to generalize results from the 58 firms for all Houston County firms.

Together, the 58 firms provide 608 full-time jobs and 371.5 part-time jobs. The average wage is \$7.00/hour.

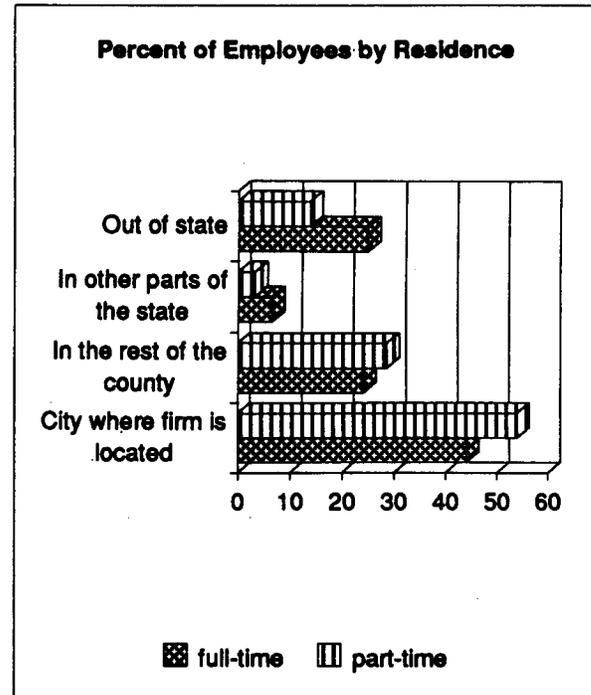
The majority of the firms in the survey (84%) are small in size, with less than 10 employees. Only 1 firm has 100 or more employees.

Approximately half of the smaller firms with 1-9 employees increased full-time employees over the last 5 years. Two-thirds of the mid-size firms (20-49) and the only firm with 50-99 employees, also increased the number of full-time employees. Half of the firms with 10-19 employees decreased the number of employees in the past five years.

Almost one third (31%) of the firms surveyed were located in Caledonia, representing 59% of all the jobs accounted for in the survey. Twenty-two percent of the firms were located in LaCrescent, 19% in Houston, 14% in Spring Grove, 7% in Eitzen, and 7% in Hokah.

Forty-four percent of the full-time employees and 54% of the part-time employees reside in the same city where their employer is located. Twenty-four percent of the full time employees and 29% of part-time employees reside in other parts of the county while 7% of full-time and 3% of part-time employees reside in other parts of the state. Twenty-five percent of the full-time and 14% of part-time employees reside outside of Minnesota.

Forty-one percent of the firms increased their number of jobs due to expanded market share. Approximately one fourth of the firms expanded jobs due to



a new product line/service, and 17% of the firms expanded jobs because of entering new markets.

Some firms are losing jobs however. Better management (reported by 9% of the firms), labor saving technology (7%), and declining sales (3%) caused firms to decrease their number of jobs.

Priority Strategies: The BR&E Task Force considered four strategies. Each of these is described below as they relate to survey results. The priority recommendations set forth by the Task Force are included for each strategy.

Community leaders wishing to contribute to the implementation of these recommendations are encouraged to contact any member of the leadership team. A complete account of strategies and recommendations is presented in the full report for your reference.

STRATEGY ONE: Improve Competitiveness of Houston County Businesses by Sharing Information on State and Federal Programs.

Overview of Strategy One: Firms can become more competitive by reducing production costs or by improving quality and services. This implies new technology, low input costs, higher quality management and improvements in labor productivity. Through the BR&E Strategies Program, local leaders can provide timely information about state and/or federal programs that can help firms remain competitive.

Survey Results Related to Strategy One: Houston County manufacturing firms requested an average of 8.1 information topics per firm. Topics most requested by the 10 manufacturing firms include: marketing strategies (by 80% of the firms); total quality management (70%); new state regulations (70%); adopting new technologies (60%); labor training (60%); financing programs (60%); and strategic business planning (60%). Other important topics include upgrading manufacturing systems (50%); business

management (50%); and recycling business waste (50%).

Non-manufacturing firms requested an average of 4 business information topics per firm. Out of 48 non-manufacturing firms, half of them want information about marketing strategies. Forty-six percent of the firms want information about financing programs, and 44% want information about new state regulations. Other important topics include: business management (requested by 42% of the firms); marketing to senior citizens (38%); and recycling business wastes (35%).

Topics Most Requested

Manufacturing Firms*

Marketing strategies	80%
Total quality management	70%
New state regulations	70%
Adopting new technologies	60%
Labor training	60%
Strategic business planning	60%

Non-manufacturing Firms**

Financing programs	46%
New state regulations	44%
Business management	42%
Marketing to senior citizens	38%
Recycling business wastes	35%

* Number of manufacturing firms = 10.
 **Number of non-manufacturing firms = 48.

RECOMMENDATIONS FOR STRATEGY ONE:

Task Force Recommendation #1: Initiate more educational programs for business owners, especially in marketing,

financing, and general business management. This will be a cooperative effort with Universities, technical schools and the Minnesota Banker's Association.

Task Force Recommendation #2:
Encourage business owners to use the Small Business Development Centers in Rochester, Winona and LaCrosse for individual assistance. Encourage these centers to bring more training programs to Houston County.

Task Force Recommendation #3:
Investigate ways to improve communication between business leaders in the county. It could be possible to create networking organizations of similar industries, establishing a newsletter, conducting "Eggs and Issues" forums for dialogue with public and private sector participation, develop computer information highway and use databases at local libraries.

Task Force Recommendation #4:
Collaborate with the Houston County Banker's Association and the Minnesota Bankers Association to establish and publicize financing opportunities for business retention and expansion. Training seminars for business owners on these issues will be necessary.

STRATEGY TWO: Upgrade the Labor Force as a Means of Enhancing the Attractiveness of Houston County Communities.

Overview of Strategy Two:
Firms will locate in a particular area for a variety

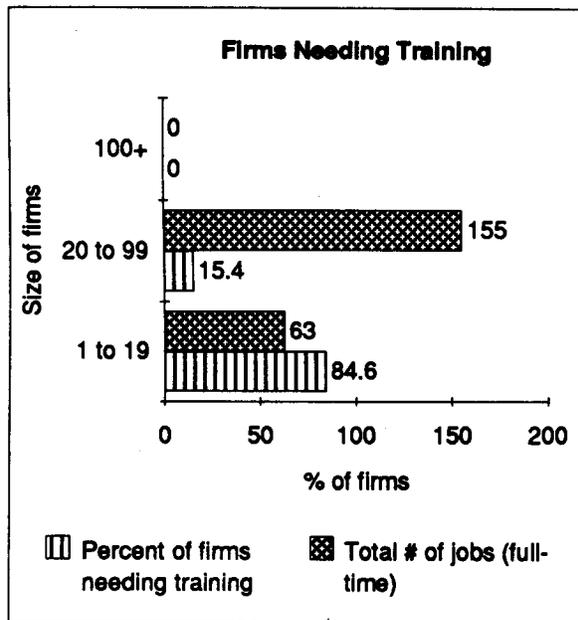
of reasons; an important one being the availability of an adequate labor force. As economic sectors constantly change to remain competitive in a global economy, firms must increasingly address training and re-training of their employees. Quality management, educational opportunities and adequate benefits are essential to maintaining a quality labor force.

Survey Results Related to Strategy Two: Employers were asked to rate their employees with respect to their attitude toward work and productivity. Eighty-nine percent of the firms reported good to excellent attitudes toward work in 84% of the jobs. Ninety-three percent of the firms reported good to excellent attitudes toward productivity in 97% of the jobs.

When asked if there were plans to introduce technological innovations that may affect their operations, the large firm, two-thirds of the mid-size firms, and one-third of the small firms said "yes". Another one-third of the small firms responded that they were "not sure".

Eighty-five percent of the small firms (affecting 63 full time jobs) anticipate the need for retraining their employees due to new technologies. Fifteen percent of the mid-size firms will require retraining for their employees, affecting 155 full-time jobs. (See Table 12). In total, 318 of the 608 jobs covered by this survey (or 52%) will require retraining.

Much like other rural communities in Minnesota, some firms experience difficulty recruiting the kind of employees that they need for their particular operation. Forty-eight percent of the firms have problems recruiting skilled employees, and 26% have trouble finding semi-skilled employees. Nineteen percent have difficulty recruiting professional - management type employees. Unskilled and clerical employees are less difficult to recruit.



RECOMMENDATION FOR STRATEGY TWO:

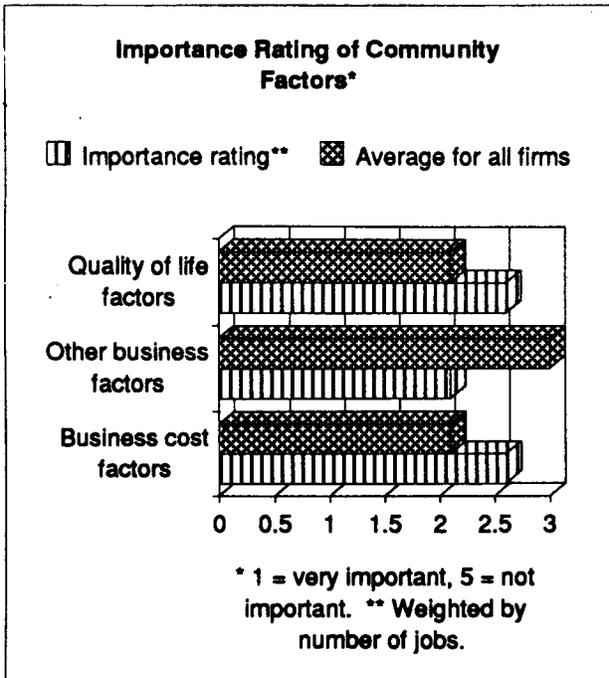
Task Force Recommendation:
 Develop school/business partnership programs. Houston County's schools can be places of learning specific business

related and workplace skills needed by our county's businesses. This is a program of skill building through hands on experience in business operations.

STRATEGY THREE: Enhance Business Cost and Quality of Life Factors in the County.

Overview of Strategy Three:
 Many community factors influence the location of a firm. For example, to attract quality employees, employers are concerned with adequate housing, health care, police and fire protection, educational and recreational opportunities. In addition, good fire protection can reduce fire insurance rates and directly reduce the firms' cost of doing business. For the purpose of this study, community factors are discussed in three categories: business cost factors; other business factors; and quality of life factors.

Survey Results Related to Strategy Three: Businesses were asked to give importance and quality ratings to business cost factors, other business factors, and quality of life factors. Business cost factors and quality of life factors were given an equal importance rating of 2.6. (1 = very important...5 = not important). Other business factors was rated 2.1, or slightly more important than costs or quality of life. It should be noted that these scores were weighted by the number of jobs in the firms.



When using the simple average for all firms, again, **business costs and quality of life factors** were tied but now rate as more important than **other business factors**. In both cases, however, the **quality of life factors** rated as equal in importance to the **business costs factors**.

The most important **business cost factors** include: local taxes (1.8 importance rating); state taxes (1.8); workers compensation (1.8); employee health care (1.8); and interest rates (1.9). (Ratings: 1=very important, 5=not important).

The most important **quality of life factors** include: fire protection (1.6 importance rating); elementary and secondary schools (1.8);

police protection (1.8); and health care/hospitals (1.9).

Other business factors were rated important, such as: availability of labor (2.2 importance rating); availability of credit (2.4); and quality of telecommunications (2.4).

When asked to rate services in their local community, Houston County firms gave **community services** an overall average rating of 2.0 (1 = excellent ... 5 = very poor). The highest ratings were given to fire protection (1.6); ambulance service (1.7); health care/hospitals (1.8); police protection (1.8); elementary and secondary school (1.9); and street maintenance (1.9).

Firms were asked: "In the community in which your business is located, are the following business costs higher, lower, or about the same as for your direct competitors from other communities?". The overall average response for **business costs factors** was 3.1, or "about the same" (1 = much lower ... 5 = much higher). Workers compensation (3.6 rating), unemployment insurance (3.3), and state taxes (3.2) were the main business factors considered higher for Houston County firms than that of their competitors.

When asked if **other business factors** were more favorable, less favorable or about the same as for their competitors from other communities,

overall, firms responded that these factors were "about the same" (3.1) for themselves than for their competitors (1 = much more favorable ... 5 = much less favorable). Firms viewed all factors slightly less favorable for themselves, in particular the proximity of a 4-lane highway (3.3).

RECOMMENDATIONS FOR STRATEGY THREE:

Task Force Recommendation #1:
Explore the Minnesota Worker's Compensation Program and how it compares with Wisconsin and Iowa programs. Then, address strategies to remove differences in rates in order to ensure that Houston County can remain competitive in business retention and expansion efforts.

Task Force Recommendation #2:
In order to improve the quality of life in the county, continue to support ongoing efforts of local city economic development groups. Continue to support the tourism industry projects of Historic Bluff Country and support other countywide efforts dealing with quality of life in the county.

STRATEGY FOUR: Continue Business Retention and Expansion Efforts.

Overview of Strategy Four:
Even one business moving or closing can contribute to economic decline. Rather than losing important pieces of the local economy, providing assistance before it is too late can retain a local source

of jobs and revenue. An assessment of services and resources available to local businesses and implementation of timely initiatives must be an on-going process.

As Federal dollars for smaller towns and rural regions decline, the economic success of rural places weighs heavily on collaboration of services and cooperation of community leaders. The BR&E Strategies program provides a forum for such multi-community and local business networking. Community leaders and business owners can become more aware of their interdependency and develop new working alliances.

Survey Results Related to Strategy Four: Five firms are considering moving or closing, affecting 197 full-time jobs and 48 part-time jobs. Note that this is about one third (32.4%) of all the jobs in the firms surveyed. However, none of the firms are considering moving outside the county.

Three of the firms are considering moving within the same city and one is undecided. The reasons given for considering moving or closing include: overcrowded buildings (reason given by 2 firms); no land for expansion (1); and transportation problems (1). One is considering moving to "eliminate overhead" (other).

Firms were asked about changes they anticipate in their operations. Given plant closings, plant expansions and other business changes (i.e. changes in the mix of

goods/services; adding production lines; or changing production technology), the total expected change in the number of jobs is an addition of 151 jobs.

Expected Changes In Employment

Source	# of Firms	Change in # of Jobs
Plant closing	1	0*
Plant expansion	26	80
Other business changes**	29	71
Total Expected Change		151

* This firm has 3 part-time jobs not included in this table.

** i.e. changes in the mix of goods/services, adding production lines, or changing production technology.

When asked to rank five items that are most critically needed improvements for their shopping area in order to retain and/or expand retail businesses, the improvements considered most needed included: reducing traffic congestion (2.2); improving the exterior atmosphere of the area (2.3); increased hours (2.4); additional businesses (2.6); increasing group advertizing (2.7); more variety (2.8); better customer services (2.9); and increasing individual advertising (2.9) (1 = most critically needed improvement, 2 = second most critically needed improvement, etc.).

Overall, approximately 41% of the firms rated the atmosphere in the shopping area "excellent to good". Another 41% rated the shopping area "average".

When asked their opinions about local building codes and ordinances, the majority of the firms (72%) thought the codes were "about right." Five percent thought they were "too restrictive", and approximately 9% thought they were either "lenient" or "too lenient".

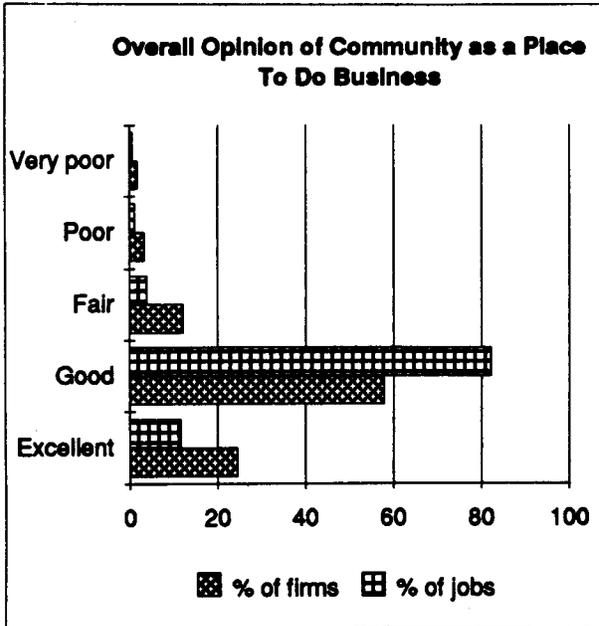
Regarding advertising activities, 35% of the firms said they would support cooperative advertising, 31% would support promotions and special events and 12% would support cooperative coupons.

Most Needed Improvements

Item	Average Rank*
Reducing traffic congestion	2.2
Improving the exterior atmosphere	2.3
Increased hours	2.4
Additional businesses	2.6
Increasing group advertising	2.7
More variety	2.8
Better customer services	2.9
Increasing individual advertising	2.9

* 1 = most critically needed improvement, 2 = second most critically needed improvement, etc.

While there appear to be a number of desired improvements, approximately 83% of the firms, representing 94% of the jobs, said their community was an excellent to good place to do business.



RECOMMENDATION FOR STRATEGY FOUR:

Task Force Recommendation: Continue to operate the Houston County Economic Development Commission in order to maintain a regional approach to economic development. Examine the structure and bylaws of the commission to determine the most productive organizational format.

The commission will proceed with the implementation of recommendations presented in this report. A strategic plan for economic development will be written to the year 2010.

LONG RANGE PLANNING...

In addition to the above recommendations, the task force voted that the following be considered in long-range planning:

- * Need to increase educational programs through more Extension Service involvement in programs;

- * compile a list of available resources for business references in the county and where these resources are kept; and improve accessibility to these references for businesses that want to use them;

- * continue to encourage efforts and collaborate with Historic Bluff Country in their recreational and tourism development efforts; and

- * continue to examine zoning and building codes to encourage planned economic development.

CONCLUSIONS: Communities that work with their existing businesses tend to grow more rapidly than those that only attempt to attract new ones. Based on the survey of 58 Houston County firms, the BR&E Task Force identified steps to work with existing firms as well as to attract new ones. Individuals wishing to contribute to these efforts can contact leadership team members.

ACKNOWLEDGEMENTS

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Trina Henke Scanlan
Dennis Schumacher
Steve Selness
Peg (Margret) Senn
Milton Staggemeyer
Ann Thompson
Nancy Tschumper
Peg Winsley
Cindy Wendel
Randy Weibel
Leonard Welke
Todd Wilson

Firms Visited:

Addies Attic
Albert's Grocery
All Phase Arena, Inc.
Apple Basket Craft & Floral
Bake Shoppe (The)
Caledonia Chrysler/Ford
Caledonia Clinic
Caledonia Electronics Inc.
Caledonia Farm & Home
Caledonia Ford, Inc.
Caledonia Haulers, Inc.
Caledonia Implement
Capacitor Associates
Cennex Supply
Connie's Body Shop
Crest Motel & Supper Club
Deters Implement
Eitzen Manufacturing Inc.
Ellingson Elevator
Ellingson Motors
Ronald Evenson, DDS
Farm Bureau Insurance
Farmers Cooperative Elevator
Green Power Equip
Gunderson Clinic
Heth Hardware Inc.
Hightouch Learning
Hokah Cooperative Oil Association
Hokah Hardware Inc.
Hoskins Electric
Houston-Money Creek Coop
Houston Quick Stop
The Inn on the Green
Judy's Child Care Service
Kwik Trip
LaCrescent Orchard Supply
Leidel's Apple Orchard & Stand
Master's Saddlery
Marv's Body Shop
Meiners Lumber Company
Money Creek Haven
Monge's IGA
Neon Shop (The)
NFO
Old Hickory Orchards
People's Natural Gas
Red's IGA
Re/Max Advantage
River Valley Sprouts
Sanden Realty
Sno Pac Foods
Stageemeyer Grocery
Tri-County Veterinary Services
Tri-State Bait and Tackle
Truss Specialists
Weiser Law Office
Weiser Pre-Cast Doric Vault
Winnebago Software Co.