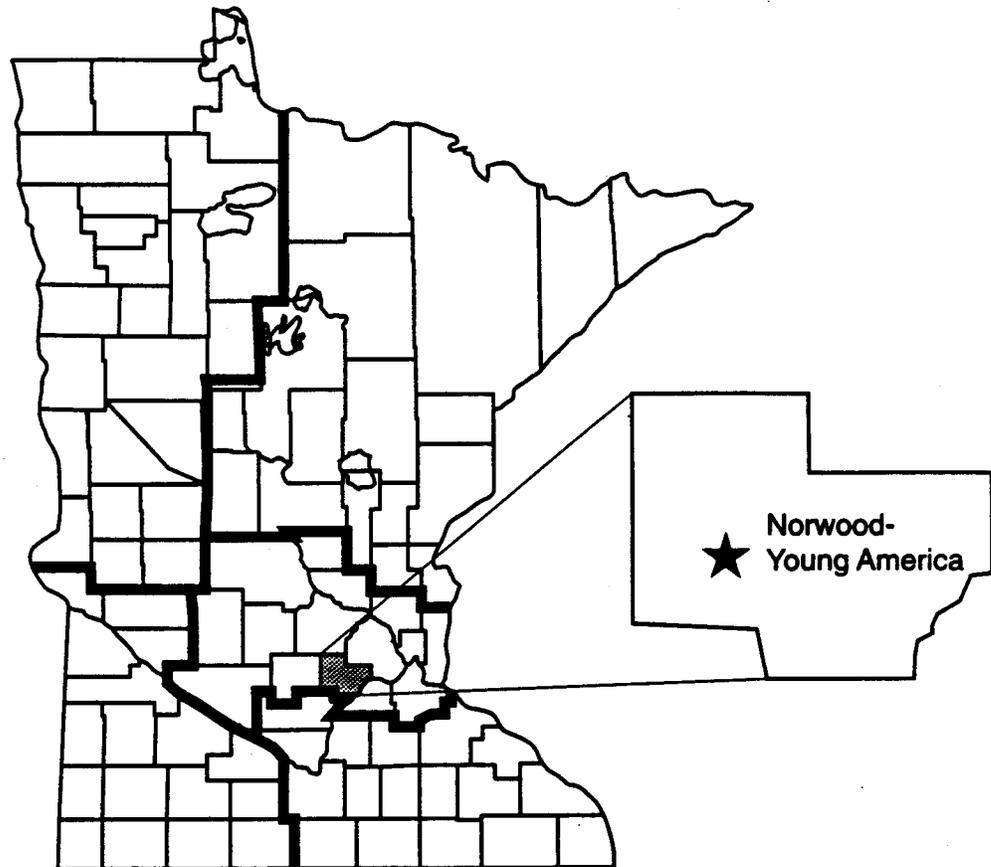


EXECUTIVE SUMMARY

Norwood / Young America Business Retention and Expansion Strategies Program - 1994



State Sponsors:

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

Local Sponsors:

Norwood-Young America Chamber of Commerce
City of Norwood
City of Young America
Minnesota Extension Service, Carver County

SUMMARY REPORT
NORWOOD/YOUNG AMERICA BUSINESS RETENTION AND EXPANSION
STRATEGIES PROGRAM: MAY 1994

The Norwood/Young America 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 Norwood/Young America volunteer visitors met this objective by personally visiting 69 firms in the area.

Following visits to firms, the Norwood/Young America 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. In addition, 21 follow-up contacts were made to businesses experiencing a need for firm expansion, moving or remodeling.

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 Norwood/Young America Chamber of Commerce and the office of the Minnesota Extension Service - Carver County. Each of the BR&E Task Force members also has a copy of the full report.

Co-leaders Nancy Lenhart and Mary Wilson, along with 18 additional Task Force members, kept the BR&E process moving forward to success.

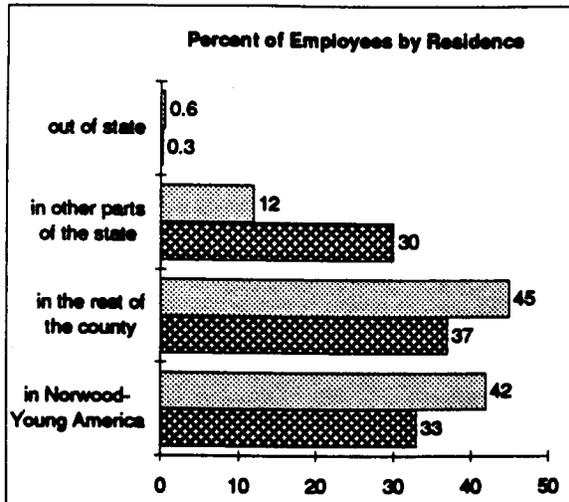
Characteristics of Firms Visited

Combined, the 69 firms surveyed in Norwood/Young America provide 1,147 full-time jobs and 684 part-time jobs. The average hourly wage is \$8.87. Thirty-five percent of the firms were in retail trade; 29% in the service industry; and 15% in Finance, Insurance, and Real Estate (F.I.R.E.). Manufacturing, construction; transportation and public utilities; and education firms were also surveyed.

The majority of the firms in the survey (80%) are small in size, with less than 10 employees. Only 3 firms have 100 or more employees.

Only 33% of the full-time

employees and 42% of the part-time employees live and work in Norwood/Young America. The rest commute in from other cities.



Twenty-five percent of the firms increased the number of jobs due to expanded market share. The introduction of new products or services increased jobs in 19% of the firms, and entering new markets increased jobs in 15% of the firms.

Three percent of the firms decreased jobs due to labor saving technology. Better management and declining sales each accounted for job loss in 3% of the firms. Only slightly over 1% of the firms decreased jobs due to an increase in wages.

Pull Factor analysis* reveals that Young America (with a pull factor of 0.2) is losing retail sales to other areas. Although the overall pull factor for Norwood is also less than one (0.8), miscellaneous merchandise,

apparel, and auto dealer businesses have positive pull factors, indicating a draw of customers from other areas for these products and services.

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.

Reasons for Changes in # of Jobs

Reasons for Change	---Percent* of Firms---	
	Expanding Jobs	Losing Jobs
New Product/Service	18.8	—
Entered new markets	14.5	—
Expanded market share	24.6	—
Declining sales	—	2.9
Labor saving technology	—	2.9
Increasing wages	—	1.4
Better management	—	2.9

*Percentage is percent of all firms. Since more than one answer is possible, these cannot be totalled.

Strategy One: Improve competitiveness of Norwood/Young America firms by sharing information on State and Federal programs.

Overview of Strategy: One way

* A pull factor greater than 1 indicates that local retailers are "pulling" in customers from other communities. A pull factor less than 1 indicates

to assist firms is to familiarize them with State and Federal programs that can help them cut their costs of production and thus become more competitive. Changing markets and new technologies, for example, affect the operation of a firm and usually requires updated information and/or additional assistance.

Survey Results: The most requested information by manufacturing firms included: information about new state regulations; adopting new technologies; total quality management; computer-aided design; upgrading manufacturing systems; labor training; and recycling business waste.

Non-manufacturing firms requested information on marketing strategies; business management; strategic business planning; new state regulations; marketing to senior citizens; and total quality management.

Task Force Recommendations:

1. **Establish a Resource Center for information on state programs.** Information on State and Federal Programs that provide assistance to businesses will be in a "Business Resource Center". This Center could be located at the Norwood and Young America City Halls, Young America Library, Chamber of Commerce, Community Education or Carver County office of Minnesota Extension Service.

Top Information Requests

Manufacturing Firms*

Request	Percent Firms
Adopting new technologies	50
Total quality management	50
Computer-aided design	50
Upgrading manufacturing system	50
Labor training	50
Recycling business wastes	50

Non-manufacturing Firms**

Marketing strategies	53
Business management	40
Strategic business planning	39
New state regulations	35
Marketing to senior citizens	33

* Number of manufacturing firms = 6

** Number of non-manufacturing firms = 57

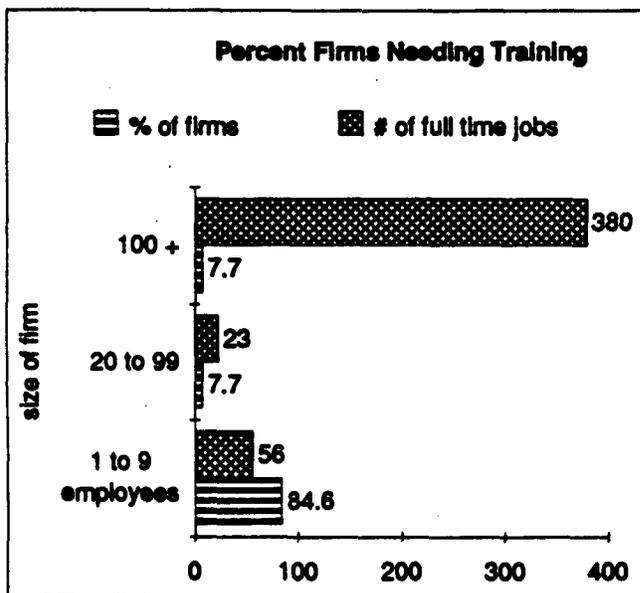
2. **Establish a Resource Library Fund to be used for updating and expansion of materials.** The monies for this fund would come from the Chamber of Commerce and the cities of Norwood and Young America.

Strategy Two: Upgrade the Labor Force as a Means of Enhancing the Desirability of Norwood/Young America Communities for Present and Potential Businesses.

Overview of Strategy: As economic sectors constantly change to remain competitive in a global economy, firms must 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: Twenty-six percent of the firms participating in this survey reported having problems recruiting skilled employees. Sixteen percent had trouble recruiting professional and management personnel, and 13% had difficulty recruiting semi-skilled employees. Unskilled and clerical employees are less difficult to recruit.

Thirty-three percent of the smaller firms, 60% of the mid-size firms, and 33% of the large firms expect technological innovations that may affect their industry. The smaller firms (85%) in particular expect that these new technologies will require re-training -- affecting 56 full-time jobs. Approximately 8% of the mid-size and 8% of the large firms expect their employees will require re-training due to new technologies; affecting a total of 403 jobs.



Task Force Recommendations:

1. Develop school/business partnership programs. These programs can be organized in a variety of ways. Mentorship programs, school-based enterprises, vocational education courses -- all with emphasis on skill building through hands-on experience in business operations.

The development of school/business partnerships has blossomed in the past decade throughout the U.S. Minnesota Extension Service Project Future produced a video, "Seeds of Change" describing how schools in Minnesota small towns became active participants in their local economy through innovative partnerships. In addition, the Center for School Change at the Humphrey Institute/University of Minnesota has publications of recent school-business projects throughout greater Minnesota. Programs have been tailored to fit local needs.

Strategy Three: Enhance the Quality of Life in the Community.

Overview of Strategy: Many community factors influence the location of a firm. For example, 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: On the average, Norwood/Young America firms rated **quality of life factors** (rated at 2.1; 1=very important...5=not important) as slightly more important than **business costs** (rated at 2.3). Firms with greater numbers of employees, however, gave **other business factors** and **quality of life factors** an equal rating of 2.1., both slightly ahead of **business costs**.

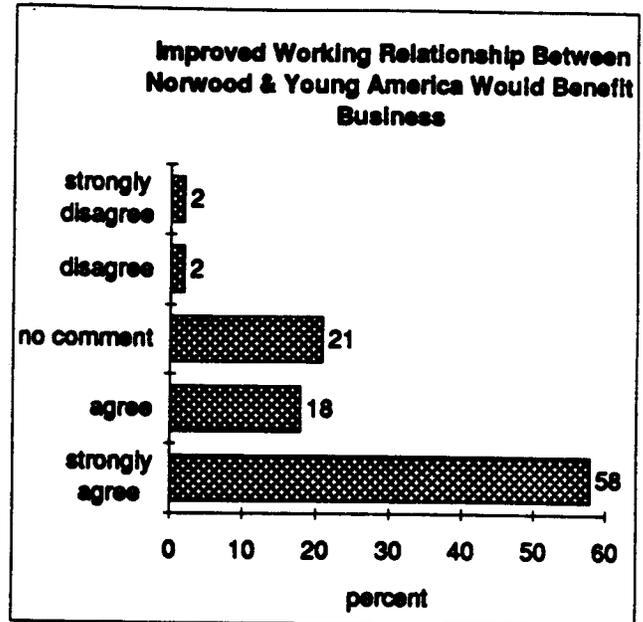
Elementary and secondary schools; fire protection, and police protection were given the highest importance rating (1.7) among **quality of life factors**. Zoning was given a 1.9 rating.

Availability of labor (2.2), availability of credit (2.5) and quality of telecommunications (2.5) were rated the most important **other business factors**.

Regarding the local community, firms were asked: "Would an improved working relationship in cooperative long-range planning between Norwood and Young America benefit your business?" Fifty-eight of the firms "strongly agreed" that an improved relationship between these two cities would be beneficial. Another 18% "agreed" with the statement, with 21% having "no comment", and 4% being in disagreement.

A second local concern was the proposed metro phone system. Firms were asked: "How do you feel the proposed metro phone system will impact your business?" Sixty-five percent reported the impacts would be

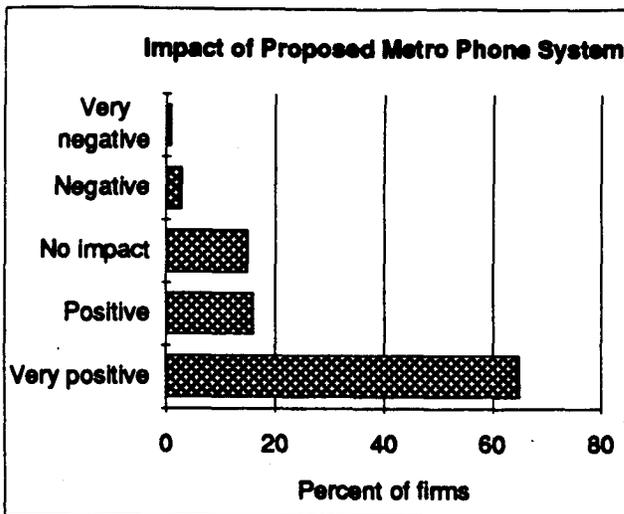
"very positive." Another 16% reported the impacts would be "positive." Fifteen percent felt the proposal would have no impact on their business. Only 4% felt the impacts would be negative.



Another question read: "If beautification projects were undertaken in the future, which projects should be given the highest priority?" Highway 212 was in first place, with 64% of the firms ranking this as their first or second choice. Fifty-two percent ranked Faxon Road the second highest priority, followed by Norwood-Elm Street (30%) and Young America - Main Street (15%).

The above results may be related to the location of the firms. Seventy-two percent of the firms surveyed came from Norwood with the balance from Young America. This may

explain the reason that the Norwood-Elm St. project was rated above the Young America-Main Street project. However, less than half of the Norwood firms rated the Norwood-Elm St. project as their first or second priority. Likewise, only slightly over half of the Young America firms rated the Main St. project as their first or second priority.



Additional businesses (given a 1.8 rating) was considered the most critically needed improvement (1=most critically needed improvement; 2=second most critically needed improvement), followed by reducing traffic congestion (2.2), and increasing feeling of safety (2.3).

The final local question was: "Are present local building codes and zoning ordinances too restrictive, about right or too lenient?" Seventy percent of the respondents felt the building codes and zoning ordinances were about right. Fifteen percent felt

that these were too restrictive and fifteen percent felt they were too lenient.

Task Force Recommendations:

1. The Task Force encourages the two cities to further explore means of implementing cooperative long-range planning efforts between Norwood and Young America. By a 9 to 1 ratio, local firms expect that cooperative long-range planning efforts between Norwood and Young America would benefit their businesses. Seventy-six percent of the firms reported that this would benefit their firms compared to only 4% that expected negative impacts. The Task Force encourages the two cities to explore means of implementing these cooperative efforts as soon as possible.

2. Recommend that the cities of Norwood and Young America merge. Community factors influence retaining existing businesses as well as the location of potential businesses. Many quality of life and business factors (i.e. fire protection, police, etc.) are directly related to municipal services. The quality and/or quantity of these city services may be improved as a result of a single unified city. The Task Force recommends that the two city councils investigate and implement formal merger proceedings.

3. Encourage community to vote in favor of the proposed metro phone system. Eighty-one percent of the firms

report that the proposed metro phone system will benefit their firms. Sixty-five percent relate that it will have "very positive" impacts while another 16% feel it will have "positive" impacts. Only 4% report negative impacts. The Task Force encourages the public to consider these very positive impacts on NYA firms and vote to support the adoption of the new metro phone system.

4. Norwood and Young America are encouraged to adopt the following priorities in future beautification projects: 1) Highway 212, 2) Faxon Road, 3) Norwood-Elm Street, and Young America-Main Street. Based on the survey results the above priorities appear to reflect the interests of local firms.

Strategy Four: Continue Business Retention and Expansion Efforts.

Overview of Strategy: 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.

Survey Results: Survey results reveal that 10 Norwood/Young America firms are considering moving or closing. One firm is considering moving outside of Carver County, affecting 115 full-time and 7 part-time jobs. Another firm is undecided.

"Overcrowded buildings" caused 6 out of 10 firms to consider relocation. "No land for expansion" was a problem for 3 firms. Only one firm cited any of the other reasons for considering relocation.

Considering plants moving outside the county, plant expansions, and other business changes, the total expected change in number of jobs for the Norwood/Young America firms participating in this survey is a loss of 86 jobs. The firms that expect to add jobs do not compensate for the one firm considering moving outside the county, affecting 115 jobs.

Firms were asked to compare whether their business costs (wages, transportation, taxes, etc.) were higher, about the same, or lower than those of direct competitors in other communities. All business costs were given a 3.0 or 3.1 rating (1 = much lower, 5 = much higher), indicating business costs were about the same for Norwood/Young business competitors.

One-hundred percent of the firms felt that interest rates in NYA were either the same or lower for them than for their competitors. The lowest item was local taxes, with only 79% of the firms feeling that their local taxes were either about the same or lower than for their direct competitors in other communities. While Workers Compensation and Unemployment Insurance are often seen as unreasonably high, 92 percent of these firms felt that these costs

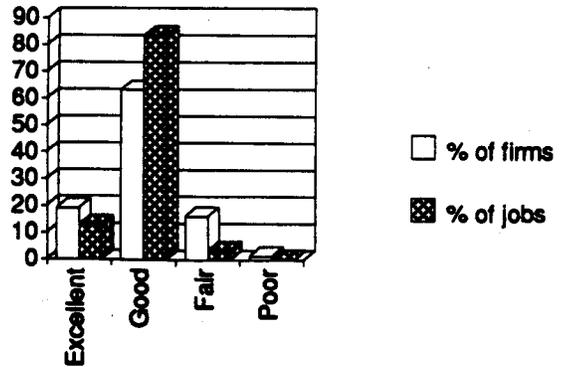
were about the same or lower than for their competitors. This could simply reflect the type of firms which compete largely with firms within Minnesota and thus face the same type of charges.

On the average, Norwood/Young America firms stated that **other business factors** (availability of labor, raw materials and credit, etc.) were about the same (3.0 rating) for them as their competitors in other communities.

Credit availability was rated as the same or better than in other areas by 100 percent of the firms. Raw materials, proximity of 4-lane highways, airport facilities, and industrial sites all were rated as good or better by over 90 percent of the firms. However, labor availability was rated as equal or better to other communities by only 84 percent of the firms. And the most serious potential bottleneck is the quality of telecommunications, with only 77% rating this as equal or better than for competitors in other communities.

Overall, Norwood/Young America businesses have a positive outlook on their communities. Eighty-two percent of the firms, employing over 96% of the workers in surveyed firms, perceive N/YA an excellent or good place to do business.

Overall Opinion of Norwood/Young America as Place to do Business



Task Force Recommendations:

1. **Establish collaborative community development efforts between Norwood and Young America.** Seventy-three percent of the firms surveyed either "strongly agreed" or "agreed" that an improved working relationship in cooperative planning between Norwood and Young America would benefit business. Survey results provide information on issues that are important to N/YA businesses, thus creating opportunities for leaders from both communities to begin to use resources to benefit the broader Norwood/Young America community.
2. **Conduct local or regional job fairs.** This strategy is aimed at helping employers attract the necessary work force to the area. Local or regional (Waconia-Plato-Norwood-Young America) employers would ban together once every three months or

quarterly to have a job fair and recruit potential employees to work at their businesses. As a group, their advertising impact could be improved and may attract applications from non-traditional areas as well as traditional areas. This would give potential employees the ability to fill out applications for several jobs in a short amount of time. The site could rotate from community to community and advertising costs could be shared by booth holders at the event. Attracting more people to work in the community could increase new potential residents to the region.

3. **Develop an inventory of available land and space.** The two most frequently mentioned reasons for considering moving were "overcrowded buildings" and "no land for expansion". If an up-to-date inventory of land and space was available, it might be possible to continue to help local firms relocate in the same city or county.

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 69 Norwood/Young America 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.

Most Needed Improvements*

Improvement	Rating
Additional businesses	1.8
Reduce traffic congestion	2.2
Increase feeling of safety	2.3
Improve exterior atmosphere of the area	2.6
More variety	2.8
Special events or promotions	2.9
Better customer services	2.9
Increase group advertising	3.1
Improve parking situation	3.3
Better quality merchandise	3.3
Better merchandising	3.4
More competitive prices	3.5
Increase individual advertising	3.5
Increased hours	3.9
More knowledgeable/friendly personnel	4.0

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

BR&E Leadership Team

Nancy Lenhart, Co-Chair
 Minnesota Extension
 Service, Carver County
 Mary Wilson, Co-Chair
 ISD #108 Community Education
 Roberta Anderson
 City of Norwood
 Perry Forst
 Citizens State Bank
 Tim Larson
 Norwood/Young America Times
 Clint Kurtz
 Citizens State Bank
 Jim Smith
 State Bank of Young America
 Roger Winberg
 City of Young America

BR&E Task Force

Roberta Anderson, City of Norwood,
 Administrator
 Dorothy Bohnen, Norwood City Council
 Randy Clark, Former Mayor, Young
 America
 Bob Durbin, Young America Council
 Perry Forst, Chamber of Commerce,
 Pres.
 Richard Glaeser, Norwood City
 Council
 Lenny Hilgers, Hilgers Plumbing
 and Heating
 LaVonne Kroells, Norwood Planning
 Commission
 Clint Kurtz, Citizens State Bank
 Bill Lano, Lano Implement
 Tim Larson, Norwood/Young America
 Times
 Nancy Lenhart, Minnesota Extension
 Service, Carver County
 Mike McPadden, Norwood City Council
 Tim Moore, Citizens State Bank of
 Norwood
 Lowell Plagge, City Clerk/Treasurer,
 Young America
 Bob Saarloos, Young America City
 Council
 Carol Schroeder, Norwood Planning
 Commission
 Jim Smith, State Bank of Young
 America
 Jerry Tiggelaar, State Bank of Young
 America
 Mary Wilson, ISD#108 School-
 Community Education
 Roger Winberg, City Administrator,
 Young America

Volunteer Visitors

Roberta Anderson
 Rev. Eric Aune
 Dave Bau
 Dorothy Bohnen
 Bob Cousins
 Pat DeSutter
 Bob Durbin
 Perry Forst
 Art Fuchs
 Rosalie Heiland
 Bob Hessevich
 Jan Hilgers
 Cony Kratzke
 LaVonne Kroells
 Clint Kurtz
 Pat Kurtz
 Jack Lano
 Tim Larson
 Nancy Lenhart
 Janet Mackenthum
 Mike McPadden
 Renee Messner
 Dar Mondor
 Tim Moore
 Jean Mueller
 Joyce Nuernberg
 Carol Palaia
 Lowell Plagge
 Carol Schroeder
 Dan Simek
 Jim Smith
 Malinda Stoeckmann
 Jerry Tiggelaar
 Stan Werner
 Shonna Wichmann
 Marilee Widmer
 Mary Wilson
 Curt Wilson
 Roger Winberg
 Doug Yost
 Roger Zellman

Firms Visited**Norwood Firms:**

Aagard West
 Blades Styling Salon & Tanning
 Bloomin' Baskets
 Bongards' Creameries
 Burnett Realty
 Car-Quest
 Central Auto
 Citizens State Bank
 Dairy Queen
 Don's Foods
 Draperies by Carol
 Elm Street Station
 Fahey Sales
 Foley Bros. Hardware

German Mutual Storm Ins.
Good Time Liquors
Hilgers Hardware
Hillcrest Restaurant
Holiday Station Store
J&T Trucking
Jerry's Body Shop
Kraemers Mobile & Marine
Kube's Supper Club
Lano Lanes
Lano's Equipment
McBride Funeral Home
Matthias, Roebke & Ebert CPA's
Melchert, Hubert, Sjodin &
 Willemsen
Mid-Town Restaurant
Norwood/Young America Times
Norwood Agency
Norwood Motel
Norwood Veterinary Clinic
NYA Eye Care Clinic Ctr.
Oak Grove Dairy
P. Shanahan Construction
Palace Drug
Perfection Printing
Pizza Ranch
Prchal Insurance
Repair Rack
Rund Chiropractic
St. John's School
Sinclair
Skruzacek Truck Stop
Storms Bldg. & Remodel
Three's Co. Hair Stylists
Tom's Auto Body
Video Central
Vogelin Optical
Wilson Electric

Young America Firms:

AAL
Boll Electric
Casualty Assurance of Young America
Core Building
Countryside Veterinary
Dueber's
Feed Mill
Hilgers Plumbing and Heating
Horace Mann
Hydro Engineering
Judy Does Windows
Nicklas & Wise Law
Offerman Financial
Rossbach Interiors
Simons Brothers
State Bank of Young America
Tino's
Young America Corporation
Young American Crafters

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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