

Business Retention and Expansion Strategies Program

Waconia & St. Bonifacius

**Summary Report
February 1996**

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Overview

In 1995, the cities of Waconia and St. Bonifacius joined together to initiate a Business Retention and Expansion program for their two cities. Sprint/United Telephone, the Minnesota Extension Service-Carver County, School District #110's Community Education Department, the Waconia Chamber of Commerce, the City of Waconia, and the City of St. Bonifacius sponsored the program and business, government, and educational leaders from both communities agreed to work with local firms to make the program a success.

The Business Retention and Expansion program in Waconia and St. Bonifacius has three primary goals:

- 1) To demonstrate the community's pro-business attitude and to express appreciation to local firms for the contributions they are making to the local economy.
- 2) To identify the needs and concerns of existing local businesses so that the local business climate can be improved.
- 3) To learn the future plans of the area's local firms with respect to retention, expansion, and/or relocation.

In the Fall of 1995, 45 volunteers from the community visited 68 firms and three public institutions in the two cities. During these one-hour visits, the volunteers learned about the concerns, information needs, and future plans of the businesses. The surveys

completed during the visits were sent to the University of Minnesota for analysis.

A panel of 15 people from the University of Minnesota, state and regional agencies, and the Waconia/St. Bonifacius Business Retention and Expansion Task Force met to review the research results and develop suggested recommendations for Task Force to consider. At a meeting on February 20, 1996, the Task Force established four priority initiatives aimed at strengthening the business sector in the two cities.

Background on the Firms Visited

Seventy-one firms from a variety of sectors participated in the survey. Service sector firms, retail establishments, and manufacturing firms represent 35 percent, 30 percent, and 14 percent of the firms, respectively. The majority of the firms are home-grown operations with 65 percent having been founded in the community. Only 17 percent are branch plants, satellites, or franchises, while 58 percent of the firms are organized as closely held corporations and 30 percent as sole proprietorships.

Industries Represented in the Survey

<i>Industries</i>	<i>Percent</i>
Services	34.8
Retail Trade	30.3
Manufacturing	13.6
Finance, Insurance & Real Estate	7.6
Wholesale Trade	3.0
Construction	3.0
Education	3.0
Farming	1.5
Transportation & Utilities	1.5
Other	4.5

The firms included in the survey employ 1,590 people in their local operations. This breaks down to 1,025 full-time employees, 391 part-time employees who work between 20 and 39 hours a week, and 174 part-time employees who work less than 20 hours a week. The number of employees in these local firms increased 140 percent between 1990 and 1995. The number of full-time employees increased 142 percent and continued to represent 64 percent of the firms' total employment. These figures translate into a firm average of sixteen full-time employees, five employees who work between 20 and 39 hours a week, and three employees who work under 20 hours a week.

Employees of Firms in the Survey

<i>Employees</i>	<i>1990</i>	<i>1995</i>	<i>Change</i>
Full-time	7.1	15.5	118%
20-30 hours a week	3.0	4.9	63%
Under 20 hours a week	.97	2.6	168%

Although they represent only 14 percent of the firms in the survey, the manufacturing firms surveyed employ 46 percent of the full-time workers and 36 percent of all workers. The services firms in the survey employ 158 workers full-time and 183 workers part-time. Of the 295 people the retail firms employ locally, 158 work full-time.

Ninety-six percent of the firms in Waconia and 63 percent of the firms in St. Bonifacius rated their communities as good or excellent places to live. Firms in both communities are also generally pleased with the community services they receive. Notable exceptions include the quality of the beach, recreational

facilities, and vocational schools. St. Bonifacius firms rated street maintenance, zoning, building codes, and snow removal less favorably.

How Firms Rate Community Services

1=excellent; 2=good; 3=fair; 4=poor; 5=very poor

	<i>Waconia</i>	<i>St. Boni</i>
Ambulance Services	1.2	1.9
Health Care/Hospitals	1.2	2.0
Fire Protection	1.2	2.3
Elementary & Secondary Schools	1.7	2.2
Police Protection	2.1	2.1
Snow Removal	2.2	2.7
Street Maintenance	2.2	3.5
Building Codes	2.4	2.8
Higher Education	2.5	3.0
Zoning	2.5	3.2
Day Care	2.6	2.5
Vocational Schools	2.6	3.3
Recreational Facilities	2.9	3.1
Public Beach	4.0	3.3

In general, the firm owners and operators interviewed in the survey are optimistic about the future of their businesses. Over 87 percent of the firms expect their sales to increase over the next three years. Not one firm expects sales to decline during this period. Eighty-one percent of the firms have no plans to close or move their businesses, while 53 percent have plans to expand or modernize their current buildings and equipment. Of those firms that plan to expand or modernize, 58 percent expect these changes will result in the hiring of additional employees.

Five percent of the firms interviewed are considering closing their businesses in the local community and 14 percent are considering moving. The firms considering closing employ 94 full-time workers and 13

part-time workers. Almost 96 percent of those workers are in the education sector. The firms considering moving employ 115 full-time and 39 part-time workers, who together represent almost 10 percent of the total number of workers covered by the survey. Fifty-five percent of those employees are in the retail sector, 34 percent are in the services sector, and 7 percent are in the construction sector. No manufacturing or finance, insurance, and real estate businesses are considering moving or closing.

Firms Considering Moving or Closing

	<i>Moving</i>	<i>Closing</i>
Number of Firms	9	3
Share of Firms	14%	5%
Full-time Employees	115	94
Part-time Employees	39	13
Total Employees	154	107
Share of Employees	10%	7%

Priority Strategies

The Task Force considered four strategies and a series of suggested projects to address issues identified in the survey. The three strategies and four actions recommended by the Task Force are described in this section. Research related to the fourth strategy, *Maintain and Improve Quality of Life* is included in the Business Retention and Expansion Strategies Program's *Waconia and St Bonifacius Research Report*. Copies are available through the Minnesota Extension Service office in Carver County.

The Task Force encourages community members to participate in the development and implementation of the projects. The names of contact people follow each project.

Strategy 1. Encourage Existing Business Expansion

To survive and grow, the firms in Waconia and St. Bonifacius must constantly upgrade the quality of their products and services while keeping prices competitive. Making these changes is not easy, however. Expanding will take good management and planning skills, innovation, flexibility, access to labor and capital, reliable and quality public services, and hard work.

Research Results Related to Strategy 1

Since many of the firms surveyed are closely held corporations or sole proprietorships, expansion of their operations may be difficult. Small operations often lack the managerial experience needed to run larger operations. As the following table shows, many firms likely recognize this need and would welcome a variety of management information.

Information Firms Would Like to Receive

<i>Subjects</i>	<i>Firms Interested</i>
Marketing strategies	53%
Business management	39%
New state regulations	37%
Strategic business planning	33%
Financing programs	33%
Recycling business wastes	31%

Several firms report that they currently find it difficult to recruit workers in every category: skilled, unskilled, semi-skilled, clerical, and managerial. Meanwhile, many firms expect that for a variety of reasons, they will need to hire additional workers in the near future. Finding enough of the right kind of employees will determine in large

part whether these firms will be able to expand.

Over 43 percent of the workers the firms now employ live in Waconia or St. Bonifacius. The majority of the other employees live in communities surrounding these cities. In order to meet their anticipated demand for employees, many local firms may have to look outside the area.

A potential impediment to the expansion of local firms is the lack of available space. Several firms cited overcrowded buildings and no land for expansion as reasons they are considering moving or closing. In addition, although more than half of the firms surveyed have plans to expand or modernize their current building or equipment, 45 percent said they did not currently own or lease sufficient property to allow for expansion.

An additional obstacle to growth for some firms in the communities may be high business costs. For example, some firms believe their taxes are slightly higher than those of their competitors. Several firms also listed high local taxes as a reason they were considering moving or closing.

Business Costs

Compared to your competitors, your business costs are 1=much lower; 3=about the same; or 5=much higher.

Business Costs	Waconia	St. Boni
Local taxes	3.8	3.2
State taxes	3.3	3.3
Workers' compensation	3.3	3.2
Wage rates	3.2	2.9
Health care costs	3.2	3.0
Transportation costs	3.1	3.2
Unemployment insurance	3.1	3.2
Interest rates	3.0	3.0
Energy costs	2.9	2.9

Project 1: Organize management training workshops

On a regular basis, the Task Force will work with other agencies to organize management training workshops in the community. These workshops will cover different topics and be open to everyone in the community. To start, the workshops will cover subjects the firms expressed an interest in on the survey: marketing strategies, business management, new state regulations, strategic business planning, financing programs, and recycling business wastes. By addressing these issues first, the community will be following the firms' agenda and be responsive to the needs of local businesses. The Chamber of Commerce, Minnesota Extension Service, and other local groups and firms will be invited to cosponsor the events. The host organization or committee will invite guest speakers, publicize the event, and provide a meeting room and light refreshments. The guest speakers will include business persons and representatives of state government and academic institutions.

Members of this team thus far are: Tim Litfin, Bob Heinrich, Lynn Ayers, and Nancy Lenhart.

Strategy 2. Develop a Strong Business-School-Community Partnership

The quality and quantity of labor available to existing firms is likely to be a major factor in their ability to survive and grow in these two communities. One means of assuring a good supply of labor is to improve the quality of the local schools. Strong schools attract in-migrants and better prepare local children for the workplace.

Through open and frequent dialogue, joint planning meetings, and a variety of cooperative efforts, firms can be assured that the skills of the local labor force meet their needs while schools can benefit from training, advice, and other resources businesses can provide.

Research Results Related to Strategy 2

Although firms in St. Bonifacius and Waconia gave education high marks in terms of its importance to the successful operation of their businesses, they were less impressed with vocational schools and higher education.

Quality of Education

1=excellent; 2=good; 3=fair; 4=poor; 5=very poor.

	Waconia	St. Boni
Elementary/Secondary	1.7	2.2
Vocational Schools	2.6	3.3
Higher education	2.5	3.0

Importance of Education

1=not important; 2=important; 3=very important

	Elementary/ Secondary	Higher Education
Waconia	2.5	2.3
St. Bonifacius	2.4	2.3

The less than stellar ratings given vocational and higher education may indicate that these schools are not meeting the expectations of the firms surveyed. A large number of firms reported that they experience difficulty in recruiting skilled, semi-skilled, and professional/management level employees. These are often the same types of employees that vocational and other higher educational institutions produce. These schools also provide various training

programs aimed at helping members of the current workforce improve their skills.

Firms with Problems Recruiting Employees

Type of Employee	Yes	No	Unsure
Skilled	50%	44%	6%
Professional/ Management	30%	56%	14%
Semi-skilled	29%	61%	10%
Unskilled	29%	60%	10%
Clerical	18%	71%	11%

Several changes reported in the survey suggest closer cooperation between local businesses and educational institutions will be essential to the growth of local firms. One, many firms believe technological innovations on the horizon will affect their industry and require that they retrain their workers. Two, 53 percent of the firms plan to modernize their present buildings or equipment. This modernization may require additional employees and training for current workers. Three, 52 percent of the firms anticipate other changes in their operations, which in 62 percent of the cases may mean the addition of new employees. Those firms planning to add workers expect to hire an average of 16 new employees.

Firms Expecting Technological Innovations to Affect Their Industry

Industry	Number of Firms
Services	8
Wholesale Trade	7
Finance, Insurance & Real Estate	5
Manufacturing	2
Education	2
Farming	1
Construction	1
Transportation & Public Utilities	1
Retail Trade	0
Other	1

In addition to helping address the need for additional workers and training, cooperation among businesses, schools and communities is important for several reasons: 1) communities with quality schools have an easier time recruiting new employees and employers to the area; 2) changing technical and managerial requirements of the global market place require employers, workers, students, and teachers to continually update and improve their skills; 3) new entrants to the workforce need a solid foundation in basic skills and work readiness attitude.

Project 2: Develop a community/school/business partnership

The Task Force will develop a community/school/business partnership to promote greater cooperation among the community, businesses, and schools. These types of partnerships may include mentoring, apprenticeships, school-based enterprises, or vocational education courses. Through partnerships, schools and students benefit from the input and experience of businesses, while firms can help ensure that students are prepared with the skills and attitudes they need to enter the workforce. The community benefits from stronger schools and firms.

To begin this project, a committee will study partnerships in other communities. Information on partnerships is available from the Minnesota Extension Service, the Center for School Change at the Humphrey Institute of the University of Minnesota, and the Department of Children, Families, and Learning.

Members of this team thus far are: Tim Litfin, Cindy Belz, and Nancy Lenhart.

Strategy 3. Rejuvenate the Retail Sector

The retail sector is an important part of the Waconia and St. Bonifacius economies. According to the 1990 Census, 15 percent of Waconia's and 17 percent of St. Bonifacius' employed residents over the age of 16 worked in the retail sector. The atmosphere of the shopping areas in these communities impacts the owners' ability to attract shoppers to their stores and may also impact the community's ability to attract non-retail firms to the area.

Research Results Related to Strategy 3

Although they gave their communities high marks as places to live and work, nonmanufacturing firms were less positive about the shopping areas of the two cities. The atmosphere of the shopping area in St. Bonifacius was rated below average, and the shopping area in Waconia was rated just above average. Since 30 percent of the firms in the survey are retail businesses, this less than glowing review is particularly significant.

Retail businesses included in the survey employ 268 people, 89 percent more workers than they employed in 1990. Sixty percent of the retail jobs created during this period were full-time. Of the 19 retail firms surveyed, four reported that they are considering moving. These firms, which employ 85 people in their local operations, gave overcrowded buildings and no land for expansion as the reasons for moving. Three of these retail firms are considering relocating to another site in the same city.

Non-manufacturing firms identified several improvements needed in order to retain or expand retail businesses in their community.

These include additional businesses to increase variety; improvement of the exterior atmosphere, such as front and rear entrances, landscaping, trees, store fronts, sidewalks, cleanliness, and attractive signage; and more variety in the types of places to eat.

Critically Needed Improvements to Retain and/or Expand Retail Businesses

<i>Priorities</i>	<i>Firms Ranking Item as Top Priority</i>
Additional businesses	55%
More variety in places to eat	48%
Improvement of exterior atmosphere	32%
More knowledgeable and friendly local personnel	20%
Improvement in parking situation	18%
Special events / promotions in the shopping area	18%
Better merchandising by retailers	17%
Increased group advertising	15%
Reduction of traffic congestion	12%

Other important issues identified in the survey include cooperative advertising and special events or promotions. Of the firms that share advertising expenses, 75 percent said they would be interested in cooperative advertising, 63 percent would be interested in promotions and special events, and 44 percent would support cooperative coupons. Of those that do not currently share advertising expenses with other firms, 44 percent said they would be willing to explore joint efforts.

As for special events, Waconia firms find them only slightly beneficial to their business. Many firms in St. Bonifacius found these events to have no impact. Although retail firms in Waconia rated these events higher than did firms in general, retail firms in St. Bonifacius found these events slightly less

beneficial than the all-firm average. These firms, however, strongly support increased efforts on St. Bonifacius-specific events.

Importance of Community Events to Local Businesses

1=harmful; 2=no impact; 3=slightly beneficial; 4=beneficial; 5=very beneficial

	<i>Waconia Retail</i>	<i>St. Boni Retail</i>
Carver County Fair	3.5	2.7
Waconia Home & Business Expo	3.5	2.8
Nickle Dickle Day	4.2	2.2
Ice-Fest	2.5	2.0
Holiday Jubilee	3.5	2.0
Sunday in the Park	2.4	2.0
Theater #110	2.6	2.0
Fireworks on July 4	2.5	2.0

Project 3: Initiate a retail development and expansion program

A committee that includes representatives of both retail and non-retail firms, local government, the chambers of commerce, and other organizations, will initiate a program aimed at helping local retail firms develop and expand. The committee will work to address specific issues in the survey including: the identification of land for consolidating expansion in a shopping area, customer service training, financing for capital improvements, and other items identified by this strategic team.

Members of this team thus far are: Barbara Swanson, Stanley Bandur, and Kim Mackenthun.

Project 4: *Make the shopping areas attractive and interesting places to visit*

By working together to make the shopping areas more attractive through the planting of trees and flowers, painting of old buildings, parking improvements, special events that highlight the retail section of the city, and the development of new stores and restaurants, the community will help rejuvenate the shopping area. Community residents will enjoy shopping in the area and may come to local stores to shop for more than just last-minute items. An attractive shopping area with good restaurants may attract people from throughout the metro area who want to spend an afternoon shopping and exploring the city. Local committees in each community will consider the following activities:

- modernization of existing shopping areas;
- beautification of the shopping areas;
- local survey of the needs for additional and varied retail businesses (e.g., restaurants);
- traffic and parking improvements; and
- recruitment of new retail establishments.

Members of this team thus far are: Brenda Fisk.

Leadership Team/Steering Committee

Tim Litfin, Community Education, District #110
Nancy Lenhart, Minnesota Extension Service
Sharon Parpart, Sprint/United Telephone
Brenda Fisk, City Clerk, St. Bonifacius
Bruce Eisenhauer, Waconia City Administrator
Cindy Belz, Waconia Chamber of Commerce
Barbara Swanson, Waconia Chamber of Commerce
Brandy Siewert, Waconia Chamber of Commerce

Local Sponsors

Sprint/United Telephone
Minnesota Extension Service-Carver County
Community Education-School District #110
Waconia Chamber of Commerce
City of Waconia
City of St. Bonifacius

Task Force Members

*Jan Albrecht, Watertown
*Lynn Ayers, Ridgeview Medical Center
*Stanley Bandur, Medallion Kitchens
Cindy Belz, Waconia Chamber of Commerce
*Rick Dressen, Waconia schools
*Bruce Eisenhauer, Administrator, City of Waconia
*Brenda Fisk, City Clerk, City of St. Bonifacius
Pat Hasse, Librarian, St. Bonifacius
*Bob Heinrich, Crown College
Mary Lou Hilgers, St. Bonifacius Catholic Church
*Curt Johnson, Waconia
*Tim Litfin, District #110 Community Education
*Kim Mackenthun, Mackenthun's IGA
*Julie Ann McConnell, Carver County HRA
*Sharon Parpart, Sprint/United Telephone
John Prondzinski, Ridgeview Medical Center
*Roger Sauerbrey, Sprint/United Telephone
*Kathy Schmitz, Ridgeview Medical Center
*Brandy Siewert, Waconia Chamber of Commerce
*Barbara Swanson, Waconia Chamber of Commerce
*Marcy Waritz, Office of Representative Minge
*Tom Wegner, MN. Extension Service-
Hennepin County

*Also a volunteer visitor

Volunteer Visitors

Chuck Anderson, Southview Elementary School
Paula Borer, Westview Good Samaritan
Kari Dressen, Citizen Volunteer
Richard Dupont, Waconia
Laura Eider, Citizen Volunteer
Don Ellerberger, Citizen Volunteer
Gerry Elling, Sprint/United Telephone
Mark Frederickson, Waconia High School
Peter Gustafson, Bayview Middle School
Jim Hoese, County Commissioner
Tom Konrardy, Ridgeview Medical Center
Bill Lano, Billy's
Nancy Lenhart, MN. Extension Service
Yvonne Litfin, Citizen Volunteer
Rep. Carol Molnau
Paul Melchert, Attorney
Vernon Oraskovich, MN. Extension Service
Keith Peters, Security Bank
Darlene Roth, Welcome Neighbor
Ann Runk, Scott-Carver Coop
Jane Schifsky, Government Center, Chaska
Debbie Schmidt, Citizen Volunteer
Steve Siewart, Citizen Volunteer
Jeff Theis, Scott-Carver Coop
Rich Thurk, Citizen Volunteer
Leslie Wilson, Government Center, Chaska
Marcus Zbinden, Government Center, Chaska

Recommendations Panel

Jan Anderson, Hutchinson Technical College
Danielle Wolf, Hennepin Technical College
Miki Dzugan, University of St. Thomas, Chaska
Tim Litfin, Community Education, District #110
Vicki Oliver, Minnesota Technology, Inc.
Nancy Lenhart, Minnesota Extension Service
Bart Bevins, Dept. of Trade and Economic Development
Jan Hively, University of Minnesota
Sharon Danes, University of Minnesota
Carol Yoho, University of Minnesota
Beth Honadle, University of Minnesota
Barbara Lukerman, University of Minnesota
Gordon Rose, Professor Emeritus, University of Minnesota
George Morse, University of Minnesota
Patricia Love, I.Strategies

**Firms Visited in
Waconia and St. Bonifacius**

Waconia Firms

Advantage Mailing, Inc.
Beck's Pharmacy
Brose Farms
The Bicycle Shop
Carver County Fair
Carver County Mental Health Program
Casualty Assurance
Charlene Knorr Dance
Clearspring Counseling
Clearwater Clothing
Country Store
D&J Furniture-Floors
Dome West
ERA Chestnut Realty
Expert Construction
Farm Service Agency (ASCS)
First National Bank of Waconia
Fitness Master, Inc
Hair Affair
Harms Distributing
James Maiser, CPA
Jim Gilbert's Wild Bird Store
Johnson Funeral Home
Kermit Ohlsen, DDS
Lakeview Clinic, LTD
Makenthun's IGA
Medallion Kitchens of Minnesota, Inc.
Meyer Station
Minnesota Landscape Products
Mobile Medical Closet
Nana's Nook
Orthopedic Consultants
Ridgeview Medical Center
Rosie's Tuxedos and Alterations
School District #110
St. Joseph's School
Special Force Ministries
Subway
Travel Easy, Inc.
Waconia Building Center
Waconia Chiropractic Clinic

Waconia Cleaners and Launderers
Waconia Dodge, Inc.
Waconia Eyewear Center
Waconia Farm Supply
Waconia Good Samaritan Center
Waconia Manufacturing
Waconia Printing
Waconia Video
Weinzierl Jewelry

St. Bonifacius Firms

Carol's Hair Fashions
Cemstone Products
Crown College
Cunningham Adv.
First National Bank of Waconia
Gun Stop
Holiday
Identi-Graphics
Makenthun's Meat Market
Specialized Woodcraft, Inc.
St. Boni Farm Store
St. Boni Ford
St. Boni Hair Design
St. Boni Motor Sports
STI
Suburban Mold
Tom Thumb
Tonka Mills
Wolf Sales