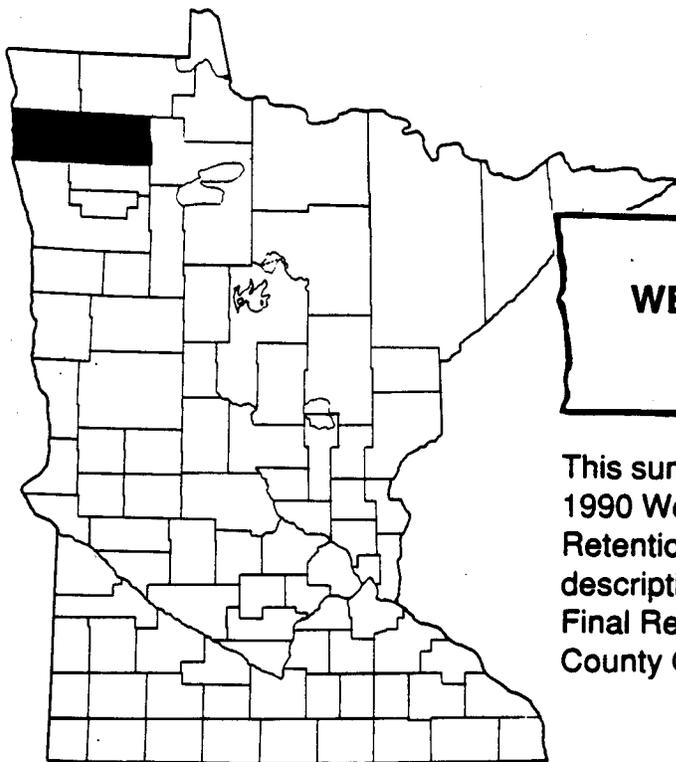


SUMMARY

WESTERN MARSHALL COUNTY MINNESOTA



WESTERN MARSHALL COUNTY

This summary provides highlights from the 1990 Western Marshall County Business Retention and Expansion Program. For a detailed description of the program results, review the Final Report which is available at the Marshall County Office of the Minnesota Extension Service.

State Sponsor is

University of Minnesota/Minnesota Extension Service

with collaboration from the Department of Trade and Economic Development

Local Sponsors are

Marshall County Office of Minnesota Extension Service

and the Retention and Expansion Follow-Up Task Force

R&E MINNESOTA'S
FOLLOW-UP PROGRAM
August 1990

Marshall County's
Business Retention & Expansion
Follow-up Program

The importance of the retention and expansion of existing local businesses has become well known. While communities should attempt to attract new businesses, typically 40 to 60 percent of the change in a local economy occurs in those firms that are already in the area. Further, attraction efforts are seldom, if ever, successful when existing firms are not satisfied with the community as a place to do business.

The two primary objectives of Marshall County's Business Retention and Expansion Follow-up Program were:

- 1) to assist, as possible, with the individual concerns of local firms; and
- 2) to develop community programs to address concerns mentioned by a number of firms.

This program was conducted during April and May 1990 by Marshall County leaders with technical assistance from the Minnesota Extension Service. The data was collected earlier as a part of the Star Cities program with the guidance of the Minnesota Department of Trade and Economic Development.

The leadership team for this program included:

Nancy Nelson, Marshall County
Extension Agent
Jan Anderson, Stephen Economic
Development Coordinator
John Douville, Warren Economic
Development Coordinator
Jan Hoff, Thief River Falls
Technical College

The Retention and Expansion Task Force consisted of the following twenty one community leaders:

Bruce Anderson, Dick Bolduc
Harold Bustrack, Joanne
Carlson, Cecil Deschene

Father Roger Grundhaus
Bruce Hannes, Pat Heggen
Suzie Jevning

Art Kohlase, John Larson
Richard Luedtke, Jeff Nelson
Joyce Paul

Lenore Pietruszewski, Tom Rogus
Peter Sinclair, Ed Turn
Lloyd Wang, Arlene Ward

This group met four times in the process of developing these recommendations. George Morse, an Extension Economist from the University of Minnesota, conducted this research and presented highlights to the Task Force. The Task Force then decided which recommendations were feasible and appropriate for Marshall County.

The Marshall County Task Force developed action recommendations related to four strategies. The strategies were:

- 1) Improving the competitiveness of local firms by sharing information on development programs;
- 2) Expanding the supply and quality of Marshall County's factor force
- 3) Improving the quality of life in Marshall County; and
- 4) Developing strategic places for local economic development.

STRATEGY ONE

IMPROVE THE COMPETITIVENESS OF LOCAL FIRMS BY SHARING INFORMATION ON DEVELOPMENT PROGRAMS

All firms are facing greater competition from their counterparts in other regions, the rest of the nation, and other countries. In order to maintain and expand their market share, firms must continually reduce their prices, improve their quality or offer new products and services. This situation makes it imperative that communities implement programs that help firms improve their competitiveness. Marshall County cannot afford to develop and deliver these programs independently. Yet, it can share information on federal, state, and local programs that help firms become more competitive. To understand the needs of Marshall County firms, the survey data from the retention and expansion survey is now examined.

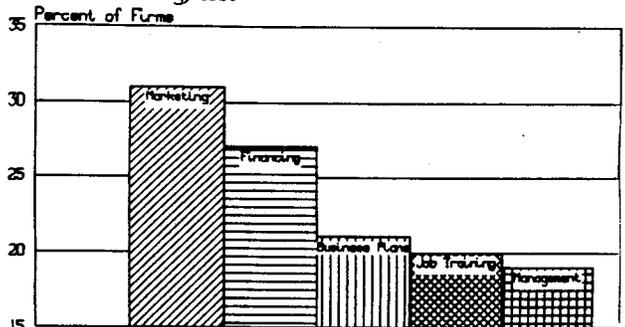
Survey Results on Competitiveness Strategy:

Marshall County firms reported a number of business changes taken to improve their competitive positions. Further, they plan to make a number of additional changes during the next two years. Over 56 percent had made changes in their goods and services over the past three years while 29 percent planned to do so during the next two years. Forty four percent had modernized their production technology during the past years and more (48%) were planning additional changes in the next two years. An even greater percentage (63%) had made other capital improvements. This data suggests that many Marshall County firms have been adapting to this changing business climate.

Forty-three percent of the 97 Marshall County firms visited in the retention and expansion program indicated they would use additional information to adapt to changes in the business climate. The specific requests are shown in Figure 1.

Information Requested on Development Programs

Marshall County, 1990



Marketing assistance was the most frequently listed item, with 31 percent of the firms requesting this. This was followed by requests from financing assistance, business plan assistance, job training assistance, and management assistance.

Task Force Recommendation #1:
Sponsor Local Programs on Marketing

In Marshall County the number one request for additional information was for marketing assistance. Since the needs of each firm varies considerably and it is difficult to get small firms to participate in workshops, the Task Force has requested proposals from five institutions offering assistance on marketing. A sub committee composed of Jan Hoff, Harold Bustrack, Ed Turn, and Nancy Nelson will work with the selected agencies.

Task Force Recommendation #2:
Establish Newsletter on Economic Development

At least eleven institutions serve Marshall County and its business. But many firms are unaware of these institutions and thus do not fully utilize them. The Task Froce recommends publishing a separate newsletter on economic development. It would include local factsheets on regional offices and programs. For some communities, this could also be incorporated into the mailing from the local Chamber.

The newsletter will be prepared on a periodic basis by John Douville, with contributions from others.

Task Force Recommendation #3:
Establish Informal Opportunities for Discussion

Local businesses should be encouraged to discuss common concerns between them to try to resolve common problems and to share success stories. A series of small informal coffees will be arranged by a subcommittee of Art Kohlhase, and Bruce Hammes.

Face to face contact between business firms and program representatives is necessary for using most programs. Yet, many of these programs do not have offices in Marshall County. If interest arises, representatives from such agencies could be invited to meet with these groups.

STRATEGY TWO

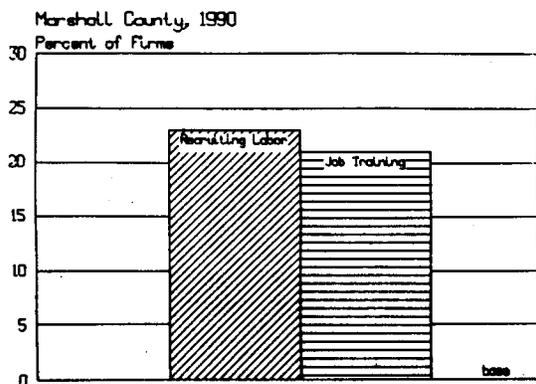
EXPAND THE SUPPLY AND QUALITY OF
MARSHALL COUNTY'S LABOR FORCE

In order to attract new firms to the community and to help existing firms become more competitive, the county needs to continually up-grade the quality of its existing labor force and expand the supply. Without an adequate supply of skilled labor neither existing nor new firms can expand in the county. This strategy presents special problems, however, since employees are unlikely to invest in job training unless the county has a growing demand for workers. Likewise, it is unlikely that the county will reverse its population decline and attract new workers without jobs. Yet, there are a few steps which can be taken, as outlined below.

Survey Results on Labor Strategy

Seventy percent of the firms listed labor as an important factor in location decisions. Despite high levels of unemployment in the county, firms had difficulty recruiting and retaining employees. Over one fifth (22.6%) of the firms reported problems in either recruiting or retaining employees. These recruiting problems probably reflect a mismatch between labor skills available and those needed. Thus it is not surprising that twenty firms requested information on job training (Table 2).

Labor Problems and Needs



Recommendation #1: Identify Labor Needs

When visiting firms in next year's program, emphasis should be put on identifying specific labor concerns.

The Minnesota Extension Service will provide a computerized list of the characteristics of the firms with labor problems, but not list the names of the individual firms.

Task Force Recommendation #2: Educate Employers About Services Available and Assist in Advertising

Employers need to market their labor needs. They may not be aware of the services of Job Services, or placement offices at University's and Technical Colleges. Other possible recruiting methods include job fairs, alumni, newsletters, and discussing possibilities for job sharing or part time workers.

Bruce Hammes, and Jan Hoff will follow-up on this recommendation.

Task Force Recommendation #3: Determine Characteristics of the Unemployed

Marshall County continues to have a very high unemployment rate compared to the state average and surrounding counties. Effective efforts to reduce the county's unemployment rate requires background information on these unemployed individuals.

Nancy Nelson will serve as the resource for this information.

STRATEGY THREE

IMPROVE THE QUALITY OF LIFE IN MARSHALL COUNTY

A primary factor in firm location and reinvestment decisions is the community's quality of life which is defined as those factors that make the community a better place to live. This includes schools, vocational training, recreational opportunities, cultural events, health services and public services. Some consulting

firms advising companies on where to locate do not recommend communities which have inadequate quality of life.

Survey Results on Quality of Life Strategy

Quality of life aspects are important location factors for Marshall County firms. When asked "What importance do you give the following factors in considering remaining, expanding or relocating?", the top four were quality of life ones. The quality of life factors were rated as follows:

Education (K-12)	93%*
Recreation	89
Public Services	80
Roads	71
Higher Education	62
Government Programs	44
Other Transportation	36

* rated as important or very important

The evidence on the adequacy of these quality of life factors is mixed. The most favorable factor was recreation. Over half of the respondents mentioned recreation or closely related factors as favorable for the county. While 98 percent of those responding reported the school system as "adequate", only 14 percent cited it as a reason for remaining in Marshall County. Further, 15 percent of those interviewed were not familiar enough with the schools to respond to this question.

Almost half (46.4%) of the firms felt that one of the local public services

was inadequate. The services that were seen as most inadequate were: air service (13%), solid waste disposal (10%), and rail service (10%). While individually these are low rates of dissatisfaction, they can be important factors to the individual firm.

Task Force Recommendation #1: Educate Marshall County Residents on Quality of Life Benefits

The fact that over half of the existing firms see recreation as a favorable location factor can be mentioned in marketing materials. An effort also needs to be made to increase the diversity of what is offered locally in terms of 'culturally' oriented activities.

An effort should be made to begin educating local citizens about the positive aspects of living in Marshall County. There are many factors which businesses feel are valuable to remaining the Marshall County and these need to be used in marketing the county not only to prospective businesses and tourists but also to remind people of why they live here.

A subcommittee headed by Pat Heggen will work on this objective.

Task Force Recommendation #2: Visit Firms Every Year

In a rapidly changing economy, the problems and information needs of firms will be changing rapidly also. With some locational disadvantages, Marshall County must emphasize its quality of life assets. In part,

this means staying on top of public service problems of individual firms. Thus, it is desirable to visit firms every year to see how needs have changed. These regular visits will improve the dialogue between firms and local governments throughout the year.

A subcommittee headed by Jan Anderson, will work on this objective.

Task Force Recommendation #3 - Assist With Keeping Local Schools Open

The task force and the firms visited recognize the importance of the local school to a community and the businesses. As the census affects state regulations and legislation, businesses need to cooperate in any efforts to keep a school in the community. One means of doing this is to establish a school/business partnership. The Task Force recommends studying whether this would be a practical option in Marshall County at this time.

A subcommittee headed by Peter Sinclair will tackle this objective.

STRATEGY FOUR

DEVELOP STRATEGIC PLANS FOR LOCAL ECONOMIC DEVELOPMENT

Strategic planning and contingency planning are essential elements of a strong local economic development program. Contingency plans outline reactions that would be taken to react to a major economic problem, such as the closing of a local firm. Strategic planning is forward

looking, attempting to outline steps which can be taken to improve the local economy.

Local leaders must have a clear understanding of several factors to conduct effective efforts in contingency and strategic 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 concern; and 4) factors influencing the location of firms.

Survey Results on Planning Strategy

Six Marshall County firms reported plans to move out of the county while another seven plan moves within the county. The reasons for considering these moves varied widely. Yet, four of the firms reported their current facilities were inadequate. Seven firms reported incentives from others as the reason for considering these moves and five reported the poor business climate in Minnesota.

Fortunately, twenty firms in Marshall County reported plans to expand their current plant facilities while 14 plan to add new production lines. Farming dominates the Marshall County economy, with about 80 percent of the employment in this sector. While sugar beets contribute significantly to the county's economy, this concentration in one or two crops also makes the local economy very vulnerable. Weather variations lead to major fluctuations in the production of local crops. Further, if (or probably "when") national policy removes the quotas on sugar beets, the county's income might be

cut severely. Land prices and tax revenues also would fall.

Task Force Recommendation #1: Study National, State and Local Economic Trends

A subcommittee of the Retention and Expansion Task Force should look at the economic outlook of major sectors and firms in Marshall County. The purpose of this group would be to detect early warning signs of downturns in local firms. So the communities can react quickly.

This sub-committee will study the new Free Trade Agreement with Canada to see if it offers opportunities to Marshall County; examine expected changes in agricultural policy and review the U.S. Industrial Outlook for major industries in the county.

This committee consists of Cecil Deschene, John Douville, Jeff Nelson, and John Larson.

Task Force Recommendation #2: Strategic Plans to Diversify Economic Base

Strategic plans need to be developed to diversify the economic base of Marshall County. While the Star Cities programs in the county provide a background for attracting new firms, attention will need to be put on the types of non-agricultural businesses in which Marshall County has a comparative advantage.

A sub-committee of the R&E Task Force will request assistance from development agencies in studying Marshall County's strengths and

weaknesses in attracting new manufacturing plants.

An emphasis of this committee will be to highlight any agri-businesses which may compliment the agriculture base of Marshall County.

Heading up this sub-committee are Jan Anderson, and Pat Heggen.

Task Force Recommendation #3: Attract Retirement/Passive Income

With passive income (social security, dividends, interest payments, etc) comprising both the largest and fastest growing source of income in Marshall County, means of keeping it in the county and generating additional employment need to be found.

The needs and concerns of the elderly need to be explored and addressed to keep them living in the county. Particular attention will be given to housing and health care.

Traditionally, those elderly who have funds to invest are not investing it in local business ventures. These options need to be explored and marketed.

A subcommittee of Bruce Hammes, Art Kohlase, Ed Turn, and Peter Sinclair will give leadership to this venture.