

**Redwood Area**

**Business Retention and Expansion  
Strategies Program**

**Summary Report**

**October 1998**

**Local Sponsors**

Redwood Area Development Corporation  
City of Redwood Falls  
University of Minnesota - Redwood County

**State Sponsor**

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S E R V I C E

## Introduction

### Overview of the BR&E Strategies Program

In February 1998, the Redwood Area Development Corporation (RADC) initiated a Business Retention and Expansion Program. Since existing businesses are key to the growth of the Redwood Area economy, the RADC wanted to take steps to help strengthen them. The BR&E program gave community members the opportunity to learn about the plans, concerns, and needs of area firms and take short- and long-term steps to help the firms stay in the area and expand. The Redwood Area BR&E Program has several objectives:

- Demonstrate that the RADC and its member communities care about and appreciate local firms.
- Strengthen the ties between member communities of the RADC.
- Identify and help solve problems that Redwood area businesses are having.
- Build an awareness of the importance of telecommunications and other technologies to future economic growth.
- Assist firms in using state programs.
- Set priorities for long range business retention and expansion efforts.
- Build community capacity to sustain growth.

The BR&E Leadership Team organized the program, developed and tested a survey for use on firm visits, and recruited and trained a task force and volunteer firm visitors. The task force and the visitors completed 43 firm visits, addressed "red flag" or immediate concerns of local firms, met to review the survey results and set priorities for actions, and began working in teams to implement the priority projects.

## Background on the Firms Visited

Forty-three firms were visited as part of the Redwood Area BR&E Program. Fifty-eight percent of the firms are located in Redwood Falls or their post office address includes them in Redwood Falls. Twelve percent of the firms are in Morgan. Less than ten percent are in each of the following cities: Belview, Vesta, Morton, Lucan, and Sanborn.

Table 1. Location of Firms

City	Number	Percentage
Redwood Falls	25	58%
Morgan	5	12%
Belview	4	9%
Vesta	4	9%
Morton	3	7%
Lucan	1	2%
Sanborn	1	2%

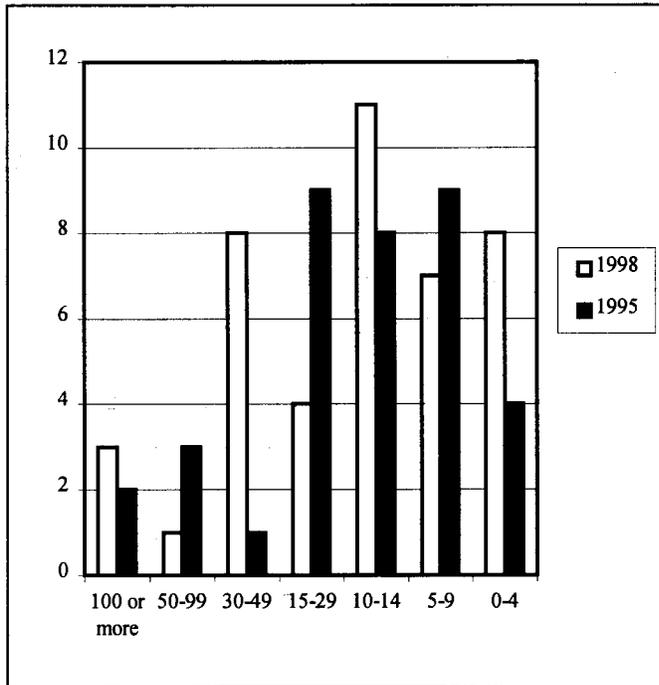
Thirty-seven percent of the firms in the survey described themselves as manufacturing firms. Other sectors include agriculture (16 percent), finance, insurance, and real estate (14 percent), and services (14 percent).

Table 2. Industries of Firms Visited

Industry	Percentage
Manufacturing	37%
Agriculture	16%
Finance, insurance, & real estate	14%
Services	14%
Wholesale trade	5%
Retail trade	5%
Transportation & public utilities	5%
Construction	2%

The firms have 1,592 full-time employees, up 11 percent since 1995. Seven percent of firms have more than 100 full-time employees, and 21 percent have between 30 and 100 full-time employees. Nineteen percent have fewer than five full-time employees. The firms also employ 224 people who work between 20 and 39 hours, and 107 who work fewer than 20 hours.

**Figure 1. Full-Time Employment by Range**



The firms have an average of 38 full-time and 17 part-time employees, and a median of 12 full-time and 7 part-time employees.

Manufacturing firms have the largest share of the 1,592 full-time employees (66 percent), followed by the agriculture sector (14 percent). The services sector has the largest share of the part-time workers employed by these firms: 49 percent of those who work 20 to 39 hours a week and 45 percent of those who work fewer than 20 hours a week.

**Table 3. Full-Time Employment by Industry**

Industry	Percentage
Manufacturing	66%
Agriculture	14%
Services	11%
Finance, insurance, & real estate	4%
Transportation & public utilities	1%
Retail trade	1%
Wholesale trade	1%
Construction	1%

## Strategies and Priority Projects

To address the concerns and needs identified in the survey, the BR&E Task Force plans to implement four priority projects related to three key strategies. A summary of the strategies and priority projects follow. If you are interested in helping implement these projects or would like more information, contact the individuals listed with each project or call Rob Anderson, Executive Director of the RADC, at (507) 637-2315

### Strategy 1. Increase Labor Availability and Productivity

Employers across the state often report they cannot find enough workers to fill the jobs they have or they cannot find workers with the appropriate skills. Redwood Area firms share this problem. Many firms anticipate a growing need for employees, yet they already have a difficult time recruiting workers to meet their current needs.

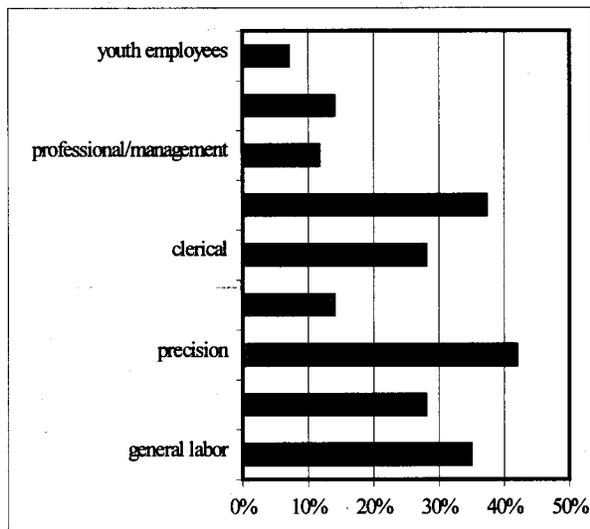
#### Survey Results Related to Strategy 1

In the next three years, 30 percent of firms expect their need for sales workers to increase, and 26 percent expect an increase in their demand for precision production and specialty skilled workers. Between 5 and 23 percent anticipate they will have increases in employment in other categories as well. The increases translate into more than 200 new jobs, or a 13 percent increase over 1998's full-time employment.

Meanwhile, a large number of firms already have difficulty recruiting new workers. Forty-two percent have difficulty recruiting precision-production/specialty skilled workers, 37 percent have trouble recruiting professional and management workers, and 35 percent have difficulty recruiting general labor.

Seventy-nine percent of firms rate the availability of labor as an important or very important factor they (or firms like them) would use in selecting a new site, yet 37 percent find the availability of labor in the community as less favorable than in the communities of their competitors. No other business factor was rated as important or less favorable in the community than labor availability.

**Figure 2. Percentage of Firms with Difficulty Recruiting Employees**



The most common resources the firms use to find new workers are very local: referrals from existing employees (79 percent) and ads in the local paper (77 percent). Only 30 percent use college placement offices, 23 percent use job service resources, and 19 percent use ads in the metro-area papers. These results suggest that several useful recruitment resources may be under-utilized by Redwood area firms.

Another factor that may affect recruitment is that area firms tend to employ people who live in the same city or in the Redwood area. For example, 95 percent of firms reported that at least some of their employees live in the city in which the firm is located.

**Table 4. Resources Used by Firms to Recruit New Employees**

Resources	Percentage
referrals from employees	79%
Ad in local paper	77%
Promote from within	60%
College placement offices	30%
Professional associations	28%
Hire temporary employees	28%
Job service	23%
Hire our own apprentices	21%
Ad in metro-wide papers	19%
Private search firms	14%
Temporary agency	14%
Local job fair	12%
Internet/World Wide Web	12%

Large numbers of firms reported their employees require training in several areas. Sixty percent said their workers need training in computer use, 58 percent reported training is needed in basic workforce skills and customer service, and 51 percent of firms said their employees need management training.

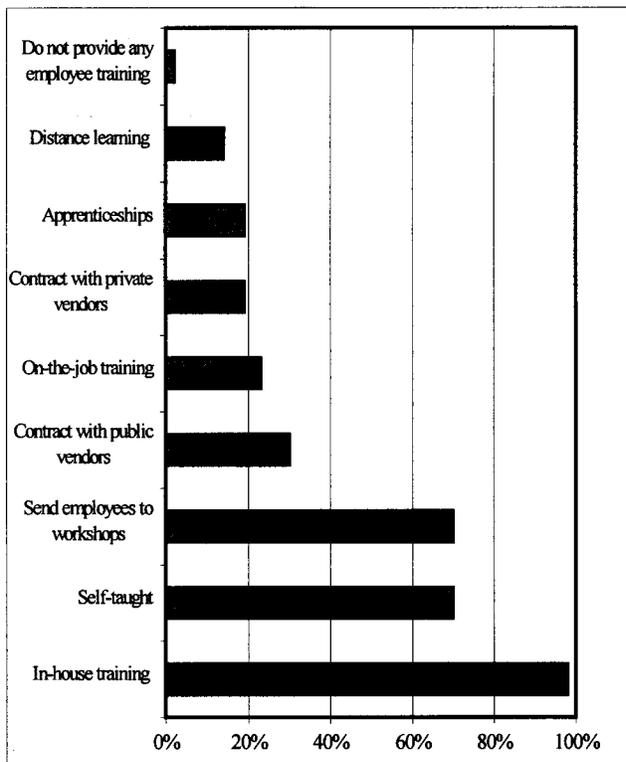
Redwood firms do not look very far for training. Ninety-eight percent use in-house training, including one-on-one instruction by a supervisor or co-worker and training department courses. Seventy percent reported their employees are self-taught. On the other end of the spectrum, only 30 percent of firms use contracts with public vendors, 19 percent use contracts with private vendors, and 14 percent use distance learning.

The high level of reliance on internal training sources and the relatively low level of training provided by outside sources might hinder the introduction of new technologies and processes that may enhance the firms' labor productivity. In addition, hiring someone with specific knowledge to do training frees up supervisors to conduct their work and attend training targeted at their specific positions or needs.

**Table 5. Training Required by Employees**

Type of Training Required	Percentage of firms
Computer use	60%
Basic workforce skills	58%
Customer service	56%
Using new machinery/technology	56%
Management skills	51%
Sales	42%
Office machine use	37%
Computer programming	21%
English as a Second Language	2%

**Figure 4. How Firms Train Their Employees**



The results seem to indicate that although firms may not be using them now, they are interested in exploring a variety of training programs. Many of the firms likely see training programs as a way to both enhance the skills of their current work force and find new employees.

Over half of the firms are interested in receiving customized training programs through area technical colleges, schools, and others; participating in mentoring programs for technical college or university students; and providing summer employment for students or teachers.

**Table 6. Programs of Interest to Area Firms**

Receiving customized training programs	56%
Participating in mentoring programs for tech college or university students	53%
Providing summer employment for students or teachers	53%
Participating in career exploration or shadowing programs for high school students	49%
Participating in mentoring programs for area high school students	49%
Serving as an apprenticeship site	44%
Collaborating with other businesses in training students and/or employees	33%
Offering training to members of other organizations, (e.g., schools and firms)	33%
Serving on a school advisory committee	33%

## Project 1. Labor Recruitment Project

Since many Redwood area firms apparently use only limited and local sources for recruiting workers, the potential labor force from which these firms draw is considerably smaller than it could be. To address the firms' labor recruitment concerns, the project group working on this project plans to help improve area firms' access to potential workers. As part of this initiative, the task force project group plans to take the following steps:

1. Encourage firms to expand the ways in which they recruit new employees. Most firms currently use referrals or ads in local papers. Many other sources, including placement offices at colleges in the region and ads in state-wide or other papers, could be used. The task force will provide firms with information on various recruitment options.
2. Facilitate links between Redwood area businesses and placement offices at area technical colleges and the Workforce Center in Marshall. Colleges and the Workforce Center have a variety of resources to help firms find workers. However, many firms in the area apparently are not using them.
3. Conduct a workshop for businesses on how to retrain, mentor, and hire workers who are disabled, dislocated, senior citizen, or currently on or leaving public assistance. Forty-four percent of the firms interviewed said they would be interested in participating in such a workshop.

The following people have agreed to work on this project: Deb Hess, Rob Anderson, Toni Frederickson, Stacey Iversen, Char Graf, and Penny Messer. Please contact them if you would like to assist in the implementation of this project or would like more information.

## Project 2. Redwood Area Workforce Training Initiative

The purpose of this project is to help firms access the training they need. Many firms expressed a need for a variety of training for their employees. However, they are not relying on many of the providers who can offer new ideas and processes to improve productivity.

As part of this project, the BR&E Task Force project group addressing this effort is considering the following initiatives to help firms access the training they need.

1. Determine what types of training are most needed in the community. Share the information from the assessment of what training is needed with technical colleges. Find out whether the colleges offer the needed training or need to develop programs to address the needs of Redwood area firms.
2. Develop a directory of training resources that will include information on what is available from vendors, including the Workforce Center and technical colleges.
3. Facilitate apprenticeship and mentorship programs with area businesses. This type of initiative may also have a positive impact on recruitment efforts.
4. Explore the possibility of conducting a training fair. The fair could include private and public vendors and workshops on specific training issues and effective ways to provide training.

The following people have agreed to work on this project: Julie Kuehn, Jerry Sullivan, and Wayne Hansen. Please contact them if you would like to assist in the implementation of this project or would like more information.

## Strategy 2. Facilitate Increased Productivity and Lower Costs

### Overview of the Strategy

This strategy addresses ways that firms can increase their productivity and lower their costs. While the firms are the ones to make the improvements, the community can serve as a link to resources that can help firms make those positive changes happen. The community can also reduce bottlenecks to expansion that cost time and money, and a firm's patience.

The Redwood area firms surveyed plan several new changes in the next three years that will enhance their growth. If the firms make these changes and expand their operations in the area, they will likely be an important source of economic growth for the community.

### Survey Results Related to Strategy 2

Some key areas of interest for the firms are marketing (58 percent of firms), business management and planning (40 percent), and financing (37 percent). These categories were also rated in the top three by the largest number of firms: marketing strategies (ranked as one of the three most important topics by 49 percent of firms, business management and planning (33 percent), and financing programs (23 percent).

A common thread among these categories is their relationship and importance to expansion. Several programs exist to help firms in each of these areas. However, firms often do not have the time to track them down, sift through them to decide which ones are relevant, and then make the contacts with the appropriate agencies. The community and the Redwood Area Development Corporation, in particular, can help serve as a link to these resources.

Table 7. Information Requested by Firms

Information Requested	Percentage of Firms
Marketing strategies	58%
Business management/planning	40%
Financing programs	37%
Total quality management	30%
Labor training	30%
New state regulations	28%
Recycling business wastes	28%
Labor/management relations	26%
Tax increment financing (TIF)	23%
Selling to government	21%
Meeting needs of handicapped	21%
Export/foreign markets	16%

Many firms appear willing to learn about and use business-related programs. Sixty-five percent of the firms agreed to let the Redwood Area BR&E team share their requests for information with agencies that can provide that information. Forty percent have used state and federal programs in the past, and 88 percent of those firms would recommend the programs to other firms.

## Project 3. Marketing Strategies and Business Planning Program

The purpose of this project is to address the needs firms have for technical assistance, particularly in the areas of marketing and business planning. Fifty-eight percent of firms requested information on marketing strategies, and 49 percent said it was one of the three most important topics.

To implement this project, the project work group is considering the following initiatives:

1. Develop stronger links with the Small Business Development Center in Marshall. The SBDC serves the Redwood area and has resources on business planning and marketing that may be of use to area firms.

2. Assemble a list of potential marketing strategies and resources firms can use. Provide this list to area firms.
3. Conduct seminars and workshops for firms with marketing "experts".
4. Assemble resource materials on how to develop business plans and share with area businesses. Possibly conduct an event addressing business planning.

The following people have agreed to work on this project: Gordon Alexander, Brian Matzke, Mark Fuhr, Howard Voelz, and Jeff Weldon. Please contact them if you would like to assist in the implementation of this project or would like more information.

### **Strategy 3. Increase Productivity and Lower Costs through Greater Use of Technology**

#### **Overview of the Strategy**

Businesses adopt various technologies to help increase their productivity and lower their costs. In some cases, the companies are forced to make these changes. Many large companies and government agencies are increasingly requiring purchasing to be done electronically. So, if a firm wants to continue or expand its sales to these types of customers, it will need to acquire the necessary technology and skills.

#### **Survey Results Related to Strategy 3.**

The use of technology by Redwood area firms is considerable and increasing. Sixty-five percent of firms have modernized their production technology, and 60 percent have adopted labor-saving technology.

In addition, 93 percent of firms use computers in their businesses for word processing (93 percent), spreadsheets and accounting (88 percent), and customer databases (80 percent). Sixty-eight percent use email, and 58 percent use the Internet-World Wide Web.

Several firms plan to start using computers for a variety of functions within the next three years: Internet (33 percent) and email (25 percent). Only three firms do not use computers currently. Of those firms, two plan to start using computers within the next three years.

Forty-nine percent of firms currently use electronic data interchange (EDI) in their businesses. EDI is the exchange of information between computers utilizing a modem and some type of transmission media, such as telephone lines. An additional 19 percent plan to begin using EDI in the next three years.

The results point to potential educational opportunities related to telecommunications and computer technology. For example, 26 percent of firms lack information about how new technologies could assist their businesses. Thirty percent believe the cost of computer technology is too high relative to the potential benefit. This last result may signify a lack of understanding about the role of computers in increasing productivity or a lack of reasonably priced hardware, software, or support service in the area.

#### **Project 4. Expand the Use of Electronic Commerce and Promote and Educate Firms about the Potential Uses of Electronic Data Interchange**

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The purpose of this project is to inform firms about the potential of both electronic commerce and electronic data interchange to help increase their sales and productivity. Electronic commerce is a potential way for firms to expand their sales, while greater use of electronic data interchange can help firms save money and increase productivity.

Large numbers of firms communicate several times a day with customers, vendors, and employees at off-site locations. These results suggest an opportunity for greater training and support in electronic data interchange.

Electronic commerce offers firms easy access to markets in the state, country, and world-wide. More and more business is being conducted electronically. This project will help firms learn about the potential impact of electronic commerce, how it works, and how they might use it in their business.

To help firms get more familiar with electronic data interchange and electronic commerce, the BR&E project team working on this effort plans to develop a strategy to create educational opportunities addressing both electronic data interchange and electronic commerce. These might include educational seminars, workshops, or printed and electronic informational materials. The working group will develop promotional materials, identify necessary resources to provide education and training in both areas, and organize training sessions.

The following people will be involved in implementing this project: B. J. Justice-Kamp, Wayne Hansen, Julie Kuehn, Kathy Peterson, Jim Marshall, Tom Balko, Deb Hess, Jeff Weldon, and Doris Novak. Please contact them if you would like to assist in the implementation of this project or would like more information.

## **BR&E Leadership Team**

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Rob Anderson, Executive Director  
Redwood Area Economic Development Corp.

Wayne Hansen, Extension Educator  
University of Minnesota Extension Service -  
Redwood County

B. J. Justice-Kamp  
Independent Consultant

Jerry Sullivan  
Farmers Union Insurance

Jeff Weldon, City Administrator  
City of Redwood Falls

## **BR&E Task Force and Firm Visitors**

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Gordon Alexander

Rob Anderson

Ed Braland

Bob Brown

Larry Bunting

Rick Colgan

Dick Eilders

Rick Ellingworth

Toni Fredrickson

Mark Fuhr

Wayne Hansen

Tim Harvey

Jack Hawk

Royce Heffelfinger

Deb Hess

Tom Hollatz

Barry Hultquist

Stacey Iversen

BJ Justice-Kamp

Brian Kletscher

Julie Kuehn

Brian Langeland

Dave Lepper

Randy Malecha

Brian Matzke

Todd Peterson

Dick Quast

Dick Rebstock

Lori Ryer

Jim Schulte

Rich Seavert

Pete Smith

Joel Solie

Jerry Sullivan

Dean Toft

Sara Triplett

Howard Voelz

Wayne Weber

Jeff Weldon

## **State Review Panel Members**

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This group reviewed the survey results and suggested projects for the Task Force to consider.

Gordon Alexander, City of Vesta

Rob Anderson, Redwood Area Development Corp.

Larry Eisenstadt, Worker Preparation Branch, Minnesota Dept. of Economic Security

Marilyn Grantham, University of Minnesota Extension Service

Wayne Hansen, University of Minnesota Extension Service - Redwood County

Cindy Jepsen, Minnesota Office of Technology

Ted Lanpher, Community and Economic Development, Northern States Power Company

Patricia Love, B R&E Strategies Program, University of Minnesota

Rae Montgomery, University of Minnesota Extension Service

George Morse, Department of Applied Economics, University of Minnesota

Lynn Stafford, League of Minnesota Cities

Jeff Weldon, City of Redwood Falls

## **Firms Visited as Part of the Redwood Area BR&E Program**

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Forty-three firms were visited as part of the Redwood Area BR&E Program. The BR&E Task Force wish to thank all of the firms for their time and participation.

Activeaid	MN Valley Bank
Affiliated Community Medical	Parkview Homes & Apts.
ALTime Medical	Pingel's Pressure Washers
Artesyn Technologies	Pioneer
B&L Industries	Redwood County Telephone
Brix Family Pharmacy	Redwood Falls Hospital
Chassis Liner	Redwood Falls Savings & Loan
Cole Welding & Repair	Redwood Metal Works
DeKalb	Revier's Tire Center
Everstrong Construction	Schoffman's Inc.
F & M Bank	Schult Homes
Farmer's Union & Marketing	Sea-Line Manufacturing
First American Bank	Service Enterprises
Flexor	Shelter Components (Kevco)
G&B Western Tack	Stage
Harvestland Cooperative	Sunwood / Good Samaritan
Heartland Wood Products	United Bank SW
Kaardal Insurance	Warrior Manufacturing
Kibble Equipment	Wayne's
Maasch Metal & Fabrication	Weber's Wood Working
Meadowland Farmers Cooperative	Welter's Wood Works
MN Central Railroad	

## **Sponsors**

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Redwood Area Development Corporation (RADDC)  
City of Redwood Falls  
University of Minnesota Extension Service-Redwood County

This summary report and the research report were prepared by Patricia Love, Business Retention and Expansion Strategies Program, University of Minnesota.