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
University of Minnesota Extension Service
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

<table>
<thead>
<tr>
<th>City</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redwood Falls</td>
<td>25</td>
<td>58%</td>
</tr>
<tr>
<td>Morgan</td>
<td>5</td>
<td>12%</td>
</tr>
<tr>
<td>Belview</td>
<td>4</td>
<td>9%</td>
</tr>
<tr>
<td>Vesta</td>
<td>4</td>
<td>9%</td>
</tr>
<tr>
<td>Morton</td>
<td>3</td>
<td>7%</td>
</tr>
<tr>
<td>Lucan</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td>Sanborn</td>
<td>1</td>
<td>2%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>37%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>16%</td>
</tr>
<tr>
<td>Finance, insurance, &amp; real estate</td>
<td>14%</td>
</tr>
<tr>
<td>Services</td>
<td>14%</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>5%</td>
</tr>
<tr>
<td>Retail trade</td>
<td>5%</td>
</tr>
<tr>
<td>Transportation &amp; public utilities</td>
<td>5%</td>
</tr>
<tr>
<td>Construction</td>
<td>2%</td>
</tr>
</tbody>
</table>

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.
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.

Table 4. Resources Used by Firms to Recruit New Employees

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

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.

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 5. Training Required by Employees

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

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 workforce 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

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

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

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

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

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

Gordon Alexander  Royce Heffelfinger  Dick Quast
Rob Anderson     Deb Hess           Dick Rebstock
Ed Braland        Tom Hollatz       Lori Ryer
Bob Brown         Barry Hultquist    Jim Schulte
Larry Bunting     Stacey Iversen    Rich Seavert
Rick Colgan       BJ Justice-Kamp   Pete Smith
Dick Elders       Brian Kletscher   Joel Solie
Rick Ellingworth  Julie Kuehn       Jerry Sullivan
Toni Fredrickson  Brian Langeland   Dean Toft
Mark Fuhr          Dave Lepper       Sara Triplett
Wayne Hansen      Randy Malecha     Howard Voelz
Tim Harvey        Brian Matzke       Wayne Weber
Jack Hawk          Todd Peterson     Jeff Weldon

State Review Panel Members

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

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
Affiliated Community Medical
ALTimate Medical
Artesyn Technologies
B&L Industries
Brix Family Pharmacy
Chassis Liner
Cole Welding & Repair
DeKalb
Everstrong Construction
F & M Bank
Farmer’s Union & Marketing
First American Bank
Flexor
G&B Western Tack
Harvestland Cooperative
Heartland Wood Products
Kaardal Insurance
Kibble Equipment
Maasd Metal & Fabrication
Meadowland Farmers Cooperative
MN Central Railroad

MN Valley Bank
Parkview Homes & Apts.
Pingel’s Pressure Washers
Pioneer
Redwood County Telephone
Redwood Falls Hospital
Redwood Falls Savings & Loan
Redwood Metal Works
Revier’s Tire Center
Schoffman’s Inc.
Schult Homes
Sea-Line Manufacturing
Service Enterprises
Shelter Components (Kevco)
Stage
Sunwood / Good Samaritan
United Bank SW
Warrior Manufacturing
Wayne’s
Weber’s Wood Working
Welter’s Wood Works

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

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