

**BUSINESS
RETENTION
&
EXPANSION
Strategies
Program**



Moorhead

Summary Report December 1999

Local sponsors:

Moorhead Economic Development Authority

City of Moorhead

University of Minnesota Extension Service—Clay County

West Central Initiative Fund

**Department of
Applied Economics**



**University
of Minnesota**



Moorhead Business Retention and Expansion Program

Business Retention and Expansion (or simply BR&E) is increasingly being seen as an important local economic development strategy. While the attraction of new businesses and the incubation of new start-ups are important, helping existing firms survive and grow is an essential part of solid economic development. While Moorhead has a number of initiatives to help retain and expand existing businesses, the Moorhead Economic Development Authority wanted to do more to help their existing businesses expand.

Objectives

The objectives of the Moorhead BR&E visitation project are to:

1. Demonstrate that the community cares about and appreciates local firms.
2. Identify and help solve problems that area businesses are having.
3. Assist firms in using State programs.
4. Set priorities for long-range business retention and expansion efforts.
5. Build community capacity to sustain growth.

Sponsorship

The Moorhead Economic Development Authority (EDA) is the local sponsor of this program along with the City of Moorhead, the West Central Initiative Fund, and the University of Minnesota Extension Service–Clay County.

Financial sponsorship for the program came from the Moorhead EDA and the West Central Initiative Fund

Moorhead BR&E Program History

The Moorhead BR&E program was started in January, 1999 with a presentation to the Moorhead EDA by DonnaRae Jacobson, BREI Certified Master Consultant, and Nancy Nelson, of the University of Minnesota Extension Service – Clay County. The EDA and, later, the Moorhead City Council approved moving ahead with a BR&E

project. Moorhead chose to use its EDA as the BR&E Task Force.

DonnaRae Jacobson, and George Morse, Extension Economist, and Michael Darger, Director of the BR&E Strategies Program, both of the University of Minnesota, then helped the local team train the task force and volunteer visitors for the firm visits in April. Teams of two volunteers arranged their own visits and completed 40 visits (each about one hour) over the next six weeks.

After the surveys were returned, the leadership team reviewed each survey and decided how the immediate follow-up should be handled.

University of Minnesota staff ran the statistical analysis, organized the research review meeting of sixteen faculty, state agency and local people, and wrote the research report.

A four-hour retreat was held on August 13, 1999. At this retreat, the task force established priorities on the major projects they wished to undertake. A committee was set up on each of the three priority strategies shown in this report. If you have ideas, time, or other talents to contribute to these projects, then please contact one of the people listed.

People in the Moorhead BR&E Program

Leadership Team

This group coordinated the local program:

Chuck Chadwick, Secretary, Moorhead EDA Board and K-Mart

John Dalen, Commissioner, Moorhead EDA Board and Coldwell Banker

Helen Frampton, Commissioner, Moorhead EDA Board and Eventide Lutheran Home

Beth Grosen, Business Development Specialist, Moorhead EDA

Ralph Hansen, Commissioner, Moorhead EDA Board and Fieberger Swanson West

Chuck Huck, Commissioner, Moorhead EDA Board and Red River Electric

Scott Hutchins, Director of Community & Economic Development, Moorhead EDA

Brian Ingulsrud, Commissioner, Moorhead EDA Board and American Crystal Sugar

Jeff Kemink, Chair, Moorhead EDA Board and Norwest Bank MN-West
Roger Larum, Commissioner, Moorhead EDA Board and Larum Pladson Chiropractic
Ken Norman, Commissioner, Moorhead EDA Board and Miller Norman & Associates
Paul Skatvold, Vice Chair, Moorhead EDA Board and McLarnan Law Firm
John Stenerson, Moorhead City Council Member and Stenerson Lumber
Mark Voxland, Moorhead City Council Member and Voxland Electric

Task Force and Firm Visitors

Dorothy Agather	Ernie Mancini
Jim Antonen	David Martin
Beth Astrup	David Miller
Kevin Bengtson	Larry Nicholson
Jim Bjorklund	Karen Nitzkorski
Chuck Chadwick	Ken Norman
John Dalen	Ron Ohe
Leo Eldred	Sandi Pettersen
Pam Enz	Chris Reed
Helen Frampton	John Rowell
Jeff Frider	Brian Sandvig
Beth Grosen	Kent Satrang
Ralph Hansen	Eileen Scheel
Chuck Huck	Bill Schwandt
Scott Hutchins	Paul Skatvold
Brian Ingulsrud	John Stenerson
Kenneth Just	Greg Timberlake
Morrie Kelsven	Dale Van Havermaet
Jeff Kemink	Mark Voxland
Lynne Kovash	Julie Vreeland
Roger Larum	Hal Wentzel
Morrie Lanning	Jill White
Dave Malmskog	

Firms Visited

Forty firms were visited by the Moorhead BR&E project. The community wishes to thank the firms for their willingness to help the community understand the needs of existing firms.

American Crystal Sugar Company
 ASP of Moorhead Incorporated
 Bottle Barn
 Brian Heide Construction
 Busch Agricultural Resources, Inc.
 C & W Machine, Inc.

Carol's Craftique
 Coast to Coast Hardware
 Coldwell Banker 1st Realty-Encore
 D & M Technologies Inc.
 Dakota Clinic, Ltd
 Disc & Tape, Inc.
 Domino's Pizza Administrative Office
 Drywall Supply Central
 Flament-Ulman, Inc.
 FMI Inc.
 Golden Phoenix
 Gunhus, Grinnell, Klinger, Swenson, & Guy, Ltd.
 Homemakers Villa
 Hornbacher's
 Jimenez Tortilla Factory
 Magnum Electric, Inc.
 Michael J. Burns Architects, Ltd
 Minnesota Relay
 Motel 75
 Northwest Power Products
 Norwest-Moorhead
 Olsen Chain & Cable Co. Inc.
 Personal Touch
 Readon Office Equipment Inc.
 Rita's Moorhead Beauty School
 Robert V. Toutges, DDS
 Schuck Bus Service
 Selland Motors
 SM Enterprises
 State Bank of Hawley
 Stop-N-Go
 Target
 Town and Country Oil
 Wright Awning

BREI Certified Master Consultant

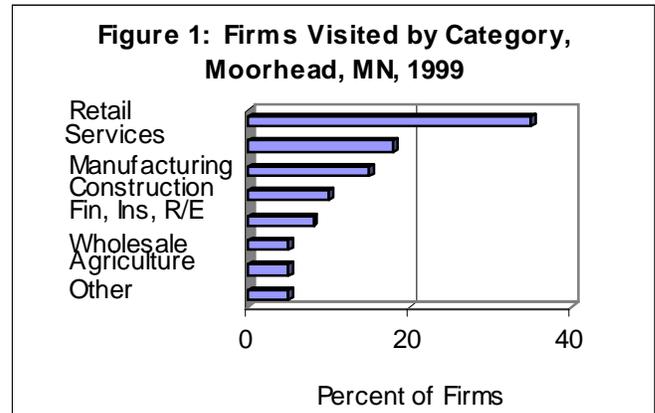
DonnaRae Jacobson served as the BR&E Strategies Program consultant to the project. This included helping the Task Force through all phases of the Moorhead BR&E Program. It will also include working with the community on implementation for at least a year after the community meeting.

State Review Panel

This panel reviewed the tabulated survey results and suggested potential actions that might be taken by Moorhead leaders in response to local firm concerns. Interactive television was used to connect panels in St. Paul and Moorhead. The participants were:

- *Local leaders:* Beth Grosen, Chuck Huck, Scott Hutchins, DonnaRae Jacobson, Jeff Kemink, Nancy Nelson, Heather Sokolofsky, and Mark Voxland.
- *State Agency Personnel:* Greg Bergman, Dept. of Economic Security – Northwest Region; Helen Friedlieb, Dept. of Trade & Economic Development; Elizabeth Starling, Dept. of Economic Security; Julie Vreeland, Minnesota Technology – Moorhead
- *University of Minnesota:* Will Craig, Center for Urban and Regional Affairs; Michael Darger, BR&E Strategies Program; Fred Smith, Center for Urban and Regional Affairs
- *Other:* Lynn Stafford, League of Minnesota Cities

firms. The largest categories of firms responding were retail trade (35%), services (18%), manufacturing (15%), and construction (10%) as shown in Figure 1.



Moorhead’s Economic Profile

An economic profile of Moorhead and the regional economy was prepared for the BR&E Task Force’s use in the BR&E retreat on August 13, 1999. This profile gave an overview of population, income and employment trends in the Moorhead area. If you would like to see it ask to see the full Moorhead BR&E Research Report at the Clay County Extension Office, the Moorhead Economic Development Authority, or from a member of the Task Force.

BR&E Survey Results

This section presents the survey results from the 40 firms visited by Moorhead community leaders in April – June 1999. The characteristics of the firms visited are described first. Then the strategies and priority projects selected by the Task Force are presented. Selected survey results related to these projects are included in this summary. Additional survey results are in the full research report.

Characteristics of Firms Visited

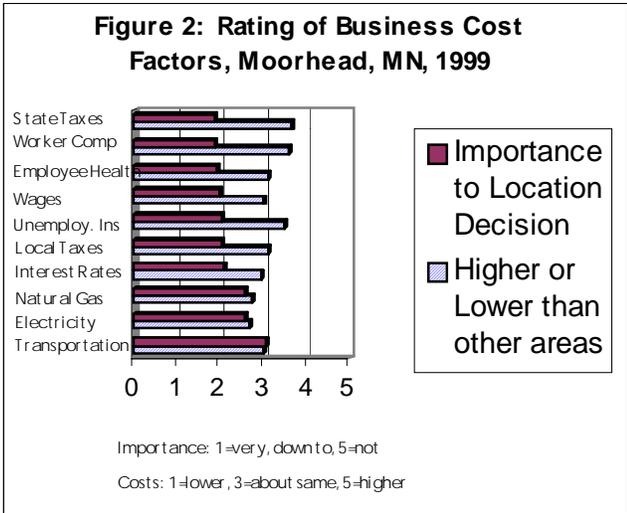
Forty firms were visited during April - June of 1999. These firms employ 1143 full time persons and 638 part-time people. The firms visited represent a sample of 10% of the businesses in Moorhead (approximately 400 firms). The leadership team decided to visit about 50% of the manufacturing businesses and a proportional sample of all the other

Moorhead fared well in the firms’ assessment in several ways:

First, as a whole the firms were optimistic about their future. Eighty percent expected sales increases over the next three years. Employment stability or increases were predicted across functional areas. No firms predicted any decrease in their employment levels.

Second, in terms of the quality of the workforce, the firms rated 100% of their employees as good or excellent in attitude toward work. Ninety-eight percent of employees were rated good or excellent for productivity.

Third, Moorhead is competitive in the eyes of the firms on important business factors. Out of eighteen factors only three are rated as being less competitive than other communities. These three, in fact, are factors that are tied to state regulations (i.e. state taxes, worker comp., and unemployment insurance). In Figures 2 & 4 these 18 factor ratings are illustrated. On the How Favorable scale in Figures 2 & 4 a score of three or less indicates that Moorhead is comparable or better than competing communities.



- Telling Moorhead’s “Story” to Internal and External Audiences
- Improving the Physical Environment of Moorhead

Strategy One. Helping Firms Learn About Programs for Increasing Firm Productivity

Profits depend on reducing the cost per unit and thus the overall costs. To reduce the cost of production per unit (i.e., to increase productivity) it is necessary to do the same job in new ways that either use more equipment, new management techniques, or new skills. While the motivation for being more productive has to come from the firm owners, operators, and employees, there are a variety of programs for helping firms achieve this.

The aim of this strategy is to help firms learn about those programs that could help them improve their productivity and profitability and to do it in as user friendly and low cost a fashion as possible.

Related Survey Results

Firms in Moorhead appear to be receptive to programs that could improve their productivity. Seventy percent of the firms requested information on one or more items. In total the firms made 104 information requests (or an average of 2.6 per firm).

Forty-three percent requested information on new state tax incentives followed by business management (38%), marketing strategies (35%), strategic business planning (25%), and mentoring (23%) (see Figure 3).

Overview of BR&E Strategies for Moorhead

Profits are the key to the retention and expansion of firms. While the owners of a firm often are attracted to nice places to live, a firm can only survive if it makes a profit (revenues exceed costs).

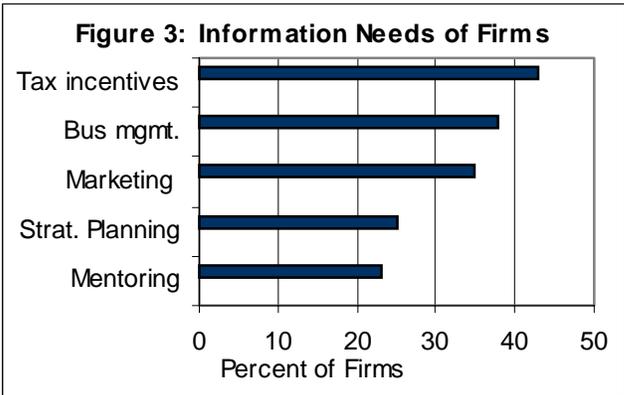
Making a profit is the responsibility of the firm, not community groups, or government. However, these groups can sometimes help firms become slightly more profitable. The first two strategies listed below are aimed at helping firms become more profitable and thus be able to survive and grow in the community.

In addition, the quality of life in a community has an important influence on location. Improving the quality and efficiency of public services is one way of improving the quality of life. Moorhead firms are relatively satisfied with public services and rate the City fairly high. Therefore, Strategy Three is focused on telling this positive story.

Finally, a fourth strategy is concerned with improving the physical environment of Moorhead. The BR&E Task Force highly regarded this strategy yet did not adopt a project related to it because Mayor Lanning was separately convening a Beautification Task Force.

Moorhead BR&E Strategies:

- Helping Firms Learn About Programs for Increasing Firm Productivity
- Improving Labor Availability & Productivity



Eighty-three percent of the firms were willing to have their name given to the appropriate state, federal or other agencies that provide this information. This is a relatively high level of receptiveness compared to other areas of Minnesota. Ninety-two percent of the firms that had used such programs would recommend them to other firms in Moorhead.

The Task Force felt that there were a couple of important steps that could help firms learn about programs available to increase their productivity and profitability.

Priority Project #1: Conduct Follow-up Research on Specific Information that Businesses Want

Moorhead's economic development services received a slightly lower rating than other community services with a score halfway between "good" and "fair". This finding provoked a discussion of how best to deliver services to existing firms.

It was decided that in-depth follow-up research will be conducted to determine what firms really want in the way of information and training. A low cost way to conduct this research is to host focus group discussions with selected firms. Potential partners for researching and delivering this information are the Chamber of Commerce, Moorhead State University, Concordia College, and Northwest Technical College, all of whom received high ratings from the firms. A well-managed partnership could potentially pay dividends for the firms and for the image of local economic development.

Another aspect of this project is "roster management". This will involve identifying who are the firms and what do they need on an individual firm basis. Secondary sources of firm data will be used to generate a master roster with which to target the outreach efforts.

Priority Project #2: Explore the Need to Invest More in Economic Development Services

The Task Force selected a related project which is to explore the need to invest more in economic development services. If another person was added to the Moorhead EDA staff more individual follow-up work could be done. For instance, an "Existing

Business Specialist". The specialist would be charged with coordinating community BR&E efforts. Also, the specialist would be able to tell the story of existing business, their needs, and their value to the community.

Team members for Priority Projects 1 & 2 include: Ralph Hansen, Scott Hutchins, Morrie Kelsven, and Dorothy Agather. If you would like to participate or want more information, please contact one of them.

Strategy Two. Improving Labor Availability & Productivity

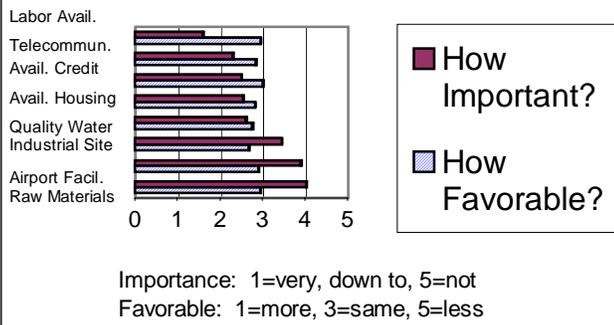
Labor availability is a major problem in many areas due to the current very low unemployment rates. One of the most effective means of increasing profitability is to improve labor productivity. Higher labor productivity allows firms to pay higher wages, which in turn reduces turnover and makes it easier to attract new workers.

This strategy helps firms learn about means of improving their labor productivity via labor training programs and for helping firms recruit employees.

Related Survey Results

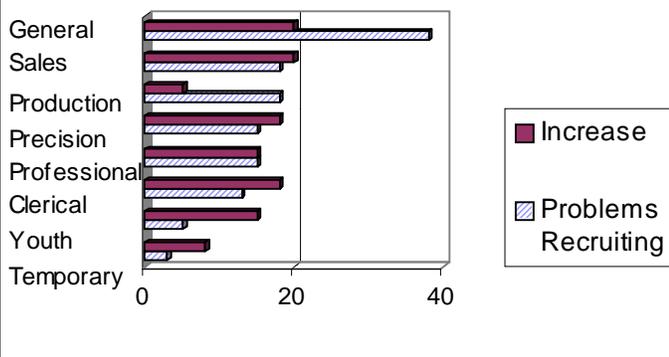
The availability of labor, raw materials, credit, and other services can influence location decisions and profitability of firms. Figure 4 shows the firms' ratings on these factors (1= important and 5 = not important) and whether Moorhead is more or less favorable than competing communities on these factors. The availability of labor is by far the most important factor to the Moorhead firms. Fortunately, Moorhead is not at a competitive disadvantage to its neighbor communities

Figure 4: Rating of other Business Factors Influencing Location, Moorhead, MN, 1999



Thirty-eight percent of the firms reported having trouble recruiting general labor and there were also problems recruiting general production labor (18%), sales (18%), precision production (15%), professional (15%), etc. (see Figure 5). This is not an unfamiliar story around Minnesota. Nor according to the projections of the State Demographer and the Department of Economic Security does the problem seem likely to go away anytime soon. This appears to be true for Moorhead because the firms reported that they planned to hire additional workers in all categories over the next three years. Overall, the firms reported they expected to hire 104 additional employees in that time period. As a percentage of the full-time jobs in the surveyed firms (1143) this is a significant increase (9%).

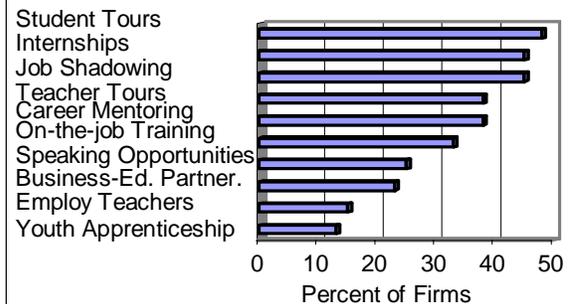
Figure 5: Percent Firms with Recruitment Problems and Planning to Hire, Moorhead, MN, 1999



One half of the firms (50%) felt that there might be major technological innovations in their industry with another 18% unsure whether such innovations would occur. Of those predicting major changes, 82% (or 41% of all firms) expected these new technologies will require retraining their labor force.

Looking to the future, Figure 6 illustrates the relative interest in potential activities for connecting business to education. Three activities exceeded 45% in firm interest: Student Tours (48%), Internships (45%), and Job Shadowing (45%). This high level of interest would suggest potential success for projects geared to linking students, teachers, and parents with employers in Moorhead.

Figure 6: Firms Interested in Education-Business Connecting Activities, Moorhead, MN, 1999



Priority Project #3: Establish a School/Business Partnership for K-12 and beyond

School/business partnerships are a means of introducing work experiences for youth; educating teachers, parents, and students about career/job opportunities; and building mutual support and understanding of the challenges to business and education. The intent of such partnerships is to promote an increased quality of life by upgrading residents' skills, knowledge, and ability to apply lifelong learning. In turn, the business community is expected to benefit from a more capable and engaged workforce.

Based on the very strong interest by the firms in various Education-Business connecting activities, the Task Force will explore establishing a School-Business Partnership, or collaborating with a preexisting partnership, if one exists. There was particular interest from the Task Force on surveying

students in the school district to determine their career intentions, interests, etc.

Priority Project #4: Determine Training Needs for Existing Workers

There is a need for incumbent worker training (i.e. existing workforce). The vast majority of the workforce for the next twenty years is already working. Furthermore, any degree, vocational certificate, diploma or other certification of skill/knowledge attainment has a shorter shelf life than in the past. Lifelong learning is essential to maintaining the skills/competencies of Moorhead’s workforce.

The Task Force will study what is already being done to meet the training needs of Moorhead business. The committee will identify what gaps exist in the system and determine how to fill them.

Priority Project #5: Community Job Bank

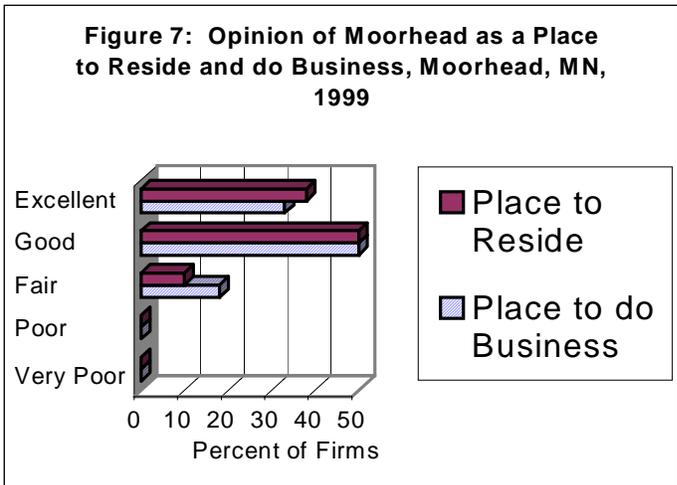
After initiating projects #3 and #4 above, the Task Force will consider establishing a community job bank. Discussions will occur with representatives from the low-income community, minority community, or distressed neighborhoods in Moorhead, whatever applies, to explore the feasibility of creating such an organization. The focus would be on linking people to resources necessary so they can obtain good employment.

Team members for Priority Projects 3, 4 and 5 include: Ken Just, Brian Ingulsrud, Chuck Huck, Karen Nitzkowski, Mark Voxland, and Greg Timberlake. If you would like to participate or want more information, please contact one of them.

Strategy Three. Telling Moorhead’s “Story” to Internal and External Audiences

One way to increase profitability is to increase the pool of resources available to firms. The most important resource to any firm generally involves people, usually customers or employees. If Moorhead’s residential base can be increased, it will contribute both retail customer purchasing power as well as a greater pool of employable talent. But for this to happen the story of Moorhead’s quality of life must be told to both internal and external audiences.

Moorhead has lived in the shadow of the booming Fargo economy for years. Fargo has enjoyed stronger economic growth in practically all respects. Yet Moorhead has a good story to tell according to the firms. Eighty-eight percent of the firms viewed Moorhead as either an excellent (38%) or good (50%) place to reside. Furthermore, 83% of the firms viewed Moorhead as either an excellent (33%) or good (50%) place to do business (Figure 7).



All but five of the eighteen community services rated somewhere between good and excellent (Table 1).

Table 1. Community services Score
(1=excellent, 2=good, ... 5=very poor)

4 year colleges/universities	1.4
public elementary and secondary schools	1.5
fire protection	1.5
police protection	1.5
private elementary	1.6
Northwest Technical College – Mhd.	1.6
libraries	1.7
chamber of commerce	1.7
health care	1.9
street maintenance	1.9
snow removal	1.9
recreational facilities	2.0
enforcement of parking	2.0
public transportation	2.1
day care	2.2
zoning	2.3
building code	2.3
local economic development	2.5

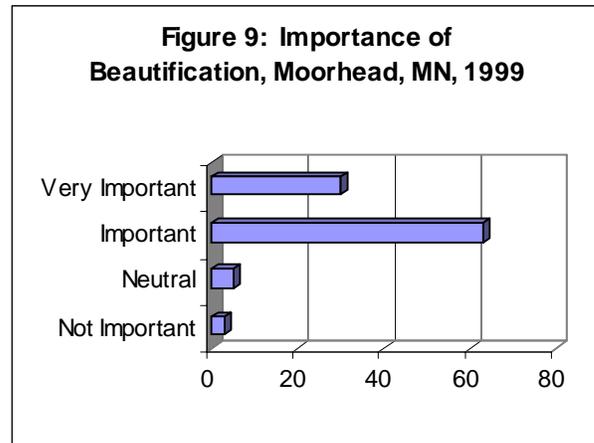
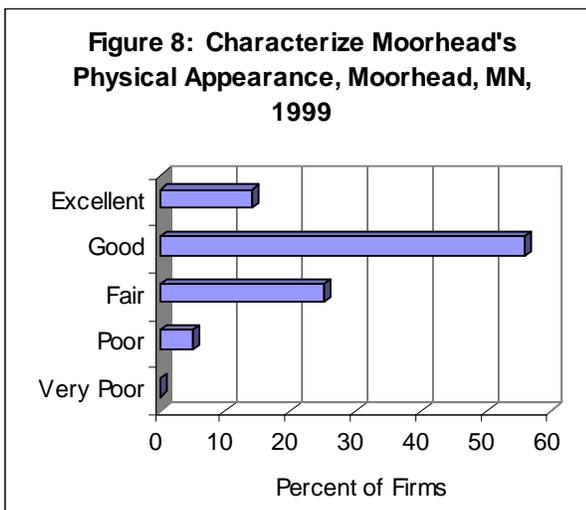
Priority Project #6: Continue Image Marketing

A comprehensive image marketing campaign about Moorhead is underway. This \$391,000 campaign (Phase 1) is designed to promote Moorhead as a desirable place to live and/or establish or retain a business. Task Force members noted the general satisfaction of the firms, the high ratings for community services, and, in particular, the high ratings the firms gave the school system and local colleges. Moorhead has a compelling story to tell – and keep telling – that will help it capture its share of the growth in the Fargo-Moorhead metro area. The committee intends to determine how to keep the campaign going after Phase 1 is completed.

Team members for Priority Project 6 include: Beth Grosen, Jeff Frider, and Pam Enz. If you would like to participate or want more information, please contact one of them.

Strategy Four: Improving the Physical Environment of Moorhead

A fourth strategy was considered regarding improving the aesthetics of the community. The firms gave Moorhead only a good-to-fair rating for its appearance (Figure 8) yet they assigned a relatively high level of importance to beautifying the city (Figure 9). Therefore, a gap exists between the appearance of the community and the strong desire of the firms to see beautification efforts.



The following two potential projects were nominated but not selected for action by the BR&E Task Force, since Mayor Lanning was in the process of appointing a city-wide committee to work on beautification issues. The Minnesota Design Team resource was highly regarded by the task force members and is recommended to the beautification committee when they commence their work.

- Invite the Minnesota Design Team for a Weekend Design Session
- Host Focus Groups to Explore Beautification Needs

Additional Information: See the Research Report, August, 1999, for this project. Copies are available for review at offices of the local sponsors, particularly the Moorhead Economic Development Authority.

Your Role: Everyone in the community has a responsibility to help retain and expand existing businesses. To explore how you can help, check with the individuals on the project teams for the six priority projects, or Beth Grosen of the Moorhead Economic Development Authority.



Prepared by: The priorities were selected by the Task Force listed on page 2. This summary report was written by Michael Darger, Director, Business Retention and Expansion Strategies Program, University of Minnesota Extension Service and edited by George Morse, Scott Hutchins, Beth Grosen, and Ellen Carlson. This publication is available in alternative formats upon request. Please contact Michael Darger at (612) 625-6246.