

**BUSINESS
RETENTION
&
EXPANSION**
*Strategies
Program*



FREEBORN COUNTY

Summary Report June 2000

Local sponsors:
Greater Jobs Inc.
Albert Lea Port Authority
The Initiative Fund
Alliant Energy
University of Minnesota Extension Service

**Department of
Applied Economics**



**University
of Minnesota**

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Freeborn County 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 economic development. While Albert Lea and Freeborn County have a number of initiatives to help retain and expand existing businesses, the BR&E Task Force wanted to do more to help their existing businesses expand.

Objectives

The Freeborn County BR&E Program has five objectives:

1. Demonstrate the community's appreciation for firms and their economic contributions.
2. Learn future plans of area firms with respect to expansion and relocation.
3. Build community capacity to sustain growth and development.
4. Increase competitiveness of local firms.
5. Establish and implement a strategic plan for economic development in Freeborn County.

Sponsorship

This program is sponsored locally by the following organizations: Greater Jobs, Inc., the Albert Lea Port Authority, The Initiative Fund, Alliant Energy, and the University of Minnesota Extension Service.

Freeborn County BR&E Program History

The Freeborn County BR&E Program started in July, 1999 with a presentation about the BR&E Strategies program to citizens of Freeborn County by Larry Nelson, BREI Certified Master Consultant and Manager of Economic Development for Alliant Energy. After further consultation and deliberation Greater Jobs Inc. decided to be the lead sponsoring entity for a BR&E program. In the fall a leadership team was recruited to lead the BR&E project.

Matching funds were successfully requested from Alliant Energy, The Albert Lea Port Authority and The Initiative Fund.

In November, 1999 Pam Bishop submitted the application to the BR&E Strategies Program. The University of Minnesota BR&E Strategies Program approved the application and the Leadership Team proceeded to select the firms to visit. The leadership team decided to target all the manufacturers, the largest employer and the only locally owned, high wage/growth service company in Freeborn County. A survey instrument was prepared by Larry Nelson with assistance from Michael Darger, of the BR&E Strategies Program. The Leadership Team tested it with visits to four firms.

Task Force Orientation and Volunteer Training

In January, 2000 the Leadership Team conducted the first meeting of the Task Force. The Task Force learned about BR&E techniques, reviewed the survey, and received training on how to effectively conduct the firm visits.

Firm Visits

During February and March the Leadership Team and Task Force conducted 40 firm visits for a total of 44 (including the Leadership Team visits).

After the surveys were returned a Red Flag meeting of the Task Force was held to review the findings.

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

A four-hour retreat was held on May 18th, 2000. At this retreat, the Task Force established priorities on which major projects they wished to undertake. A committee was set up on each of the four priority projects 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 Freeborn County BR&E Program

Leadership Team

This group coordinated the local program:

1. Dr. Ron Harmon, CEO, Albert Lea Medical Center – Mayo Health System, and Leadership Team Coordinator
2. Pam Bishop, Executive Vice President, Greater Jobs, Inc./Albert Lea Port Authority, and Visitation Coordinator
3. Larry Nelson, Manager of Economic Development, Alliant Energy, and BREI Certified Master Consultant to the project
4. Tami Riecke, Office Manager, Albert Lea – Freeborn County Chamber of Commerce, and Milestone Meeting Coordinator
5. Don Savelkoul, Attorney and Red Flag Coordinator
6. Tom Falk, Interstate Meats and Media Coordinator

Freeborn County BR&E Task Force and Volunteer Visitors

Several community leaders participated as Task Force members. This group addressed red flag issues, and set priorities for action and implementation of selected projects. Task Force members also participated in firm visits.

Table 1 Task Force Members

Name	Category
Curtis Smith	Business
Joanne Hanson	Business
Tom Falk	Business
Tony Simpson	Business
Chuck Karl	Business
Cal Johnson	Business
Tonia Lauer	Business
Jim Gries	Business
Paul Fields	Business
Linda Cook	Business
Aaron Wangen	Business
Chuck Kjos	Business
Nancy Skophammer	Business
LeAnn Dulitz	Business
Jim Koch	Business
Dave Lundak	Business
Todd Ulve	Business

Dawn Freeman	Business
Ron Freeman	Business
David Wentzel	Business
Judy Verdoorn	Bus./Develop.
Noel Austin	Bus./Develop.
Keith Eyler	Development
Dara Gjersvik	Development
Larry Nelson	Development
Pam Bishop	Development
Jean Eaton	Education
Gary Rhodes	Education
Neil Opstad	Education
Dave Mullenbach	Government
Warren Amundson	Government/Bus.
Grace Schwab	Government/Edu.
Don Savelkoul	Other - Attorney
Doug Peterson	Other - Attorney
Bob Sturtz	Other - attorney
Amy Kennedy	Other – Chamber Pres.
Dr. Ron Harmon	Other – physician
Dr. Steve Weiss	Other - physician
Dr. Toby Thompson	Other – retired
Phil Bartusek	Other – police officer
Gar Petersen	Other – insurance
Bill Leland	Other - Realtor
Bob Entorf	Other – retired
Don Nolander	Other – Sheriff
Cindy Falk	Other – citizen
Mary Mudra	Other – temp. services

Firms Visited

Forty-four firms were visited. The community wishes to thank the firms for their willingness to help the community understand the needs of existing firms.

Table 2 Firms Visited

Ad Art
Agri-Growth
Alamco Wood Products, Inc.
Albert Lea Electroplating
Albert Lea Medical Center – Mayo Health System
Alliance Benefit Group
ALMCO
Armour- Freeborn Foods
Bridon Cordage
Built Rite
Central State Airgas
Church Offset, Inc.
Concrete Minnesota

Crossroads Trailers
Edwards Manufacturing
Exol
Farmland Foods
Fountain Industries
GameTec
HiTec Metal Group
Interstate Meat Service
Interstate Molding & Manufacturing
Interstate Packaging, Inc.
Kleentec
Larson Contracting
Lou-Rich, Inc.
Metal Culverts
Minnesota Corrugated Box
Minnesota Freezer Warehouse
Mrs. Gerry's Kitchen, Inc.
Natural Biologics
Northaire Fabrication
Olson Manufacturing
Progress Castings, Inc.
Ring Can Corporation
Rofshus Precision Machine, Inc.
Safe Air Repair
Schweigert Foods
South Minnesota Oil
Streater
Ulland Brothers
Universal Cooperative, Inc.
Vasco, Inc./Rink Systems
Ventura Foods

BREI Certified Consultant

Larry Nelson served as the BR&E Strategies Program consultant to the project. This included helping the Task Force through the visitation phase of the Freeborn County BR&E Program. It will also include working with the community on quarterly implementation meetings 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 Freeborn County leaders in response to local firm concerns. The participants were:

- *Local Leaders:* Pam Bishop, Ron Harmon and Larry Nelson.
- *State and Regional Agency Personnel:* Dentley Haugesag, Minnesota Department of Trade and Economic Development; Karen Hill Goslee,

Southeast Minnesota Private Industry Council; Kenneth Morris, Minnesota Technology, Inc.; Michelle Ostrum, Minnesota Department of Economic Security; Steve Reckers, Minnesota Planning

- *University of Minnesota:* Michael Darger, Business Retention & Expansion Strategies Program; Jan Hively, College of Education; Barbara Lukermann, Hubert H. Humphrey Center; George Morse, Department of Applied Economics;
- *Other:* Fred Zimmerman, University of St. Thomas

Freeborn County's Economic Profile

An economic profile of Freeborn County and the regional economy was prepared for the BR&E Task Force's use in the BR&E retreat on May 18th, 2000. This profile gave an overview of population, income and employment trends in the Freeborn County area. The economic profile is included in the Freeborn County BR&E Research Report, which is available for review at Greater Jobs, Inc. or from a Task Force member.

BR&E Survey Results

This section presents the survey results from the 44 firms visited by Freeborn County community leaders in February and March. The characteristics of the firms visited are described first, followed by the strategies and priority projects selected by the Task Force. Selected survey results related to these projects are included in this summary. Additional survey results are in the Research Report.

Characteristics of Firms Visited

Forty-four firms were visited. These firms employed at least 2,860 full time persons and 251 part-time people. The firms visited represent a sample of five percent of the firms in Freeborn County (882 businesses according to *County Business Patterns 1996*). The Leadership Team decided to visit all the hospitals and high-growth, high-wage, locally owned service companies in Freeborn County (only one firm in each category). But the primary target was manufacturing firms. Forty-eight manufacturers were identified for visits.

Forty-four firms responded out of the fifty targeted for an excellent overall response rate of 88%.

Sixty-eight percent of the firms are locally owned. Fifty percent of them have multiple locations. The majority of the firms (82%) are closely held corporations. The majority of the firms are clustered just below, at or just above the 20-49 full-time employee range. So reasonable estimates of the median and mean number of employees may be 40 and around 110, respectively. The employment pattern is relatively nonseasonal with only eighteen percent reporting seasonal employment swings.

Overview of BR&E Strategies for Freeborn County

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).

In a market economy, making a profit is the responsibility of the firm management and its employees, not community groups or local or state governments. However, the actions of these groups can sometimes help firms become slightly more profitable. The strategies and associated projects outlined below are aimed at helping firms become more profitable and thus survive and grow in the community.

Freeborn County BR&E Strategies:

1. Improving Labor Availability and Productivity
2. Improving the Physical Environment of Albert Lea, as the Commercial and Residential Hub of Freeborn County
3. Improving Firm Profitability through Technical and Development Assistance
4. Recruiting Firms that can Capitalize on Freeborn's Strengths and Complement the Existing Business Mix

Strategy One. Improving Labor Availability and Productivity

Labor availability is a major problem in many areas due to the current very low unemployment rates. Freeborn County is no exception to this problem.

Related Survey Results

When asked to grade various business factors the Availability of Skilled Labor received the second worst grade from the Freeborn County firms (see Table 3). Only State Taxes (worst) and Worker Compensation rates (third worst) were rated similarly with a score of between "average" and "poor". Availability of unskilled labor was rated only "average". However, worker stability and productivity both scored near "good".

Table 3 Business Climate Factors

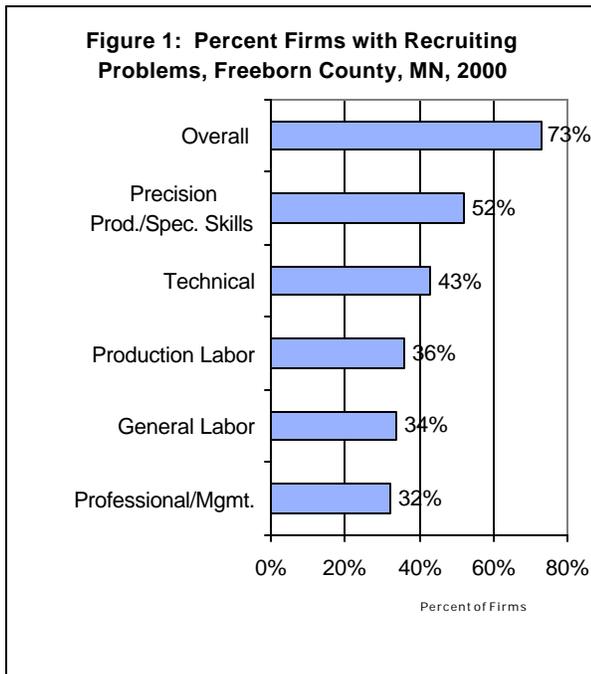
(1 = excellent to 5 = very poor) * = Average score

	1	2	3	4	5
	Poor				
Highway Access		*			
Low Crime Rate		*			
Worker Product.		*			
Worker Stability		*			
Available Credit		*			
Land		*			
Buildings		*			
Proximity to Markets		*			
Wage Rates		*			
Recreation		*			
Raw Materials		*			
Service Suppliers		*			
Colleges/Universities		*			
Technical Training		*			
Railroad Service		*			
Housing		*			
Union Profile		*			
Access to Airport			*		
Avail. Unskilled Labor			*		
Local Taxes			*		
Environ. Regulations			*		
Unemp. Insurance			*		
Cultural Opportunities			*		
Worker Comp.			*		
Available Skilled Labor				*	
State Taxes				*	

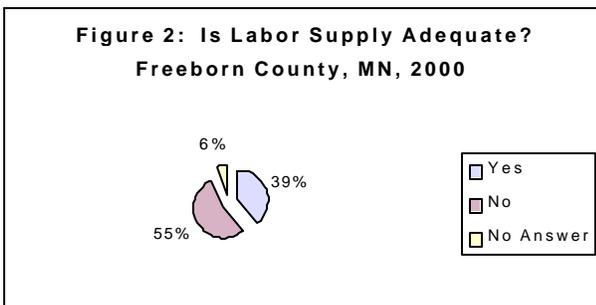
When asked what types of information they would like to receive the top choice by far for the firms

was labor training/staff development. The second highest request regarded employee benefits.

Seventy-three percent of the firms reported difficulty in recruiting new employees. Most significantly, fifty-two percent have problems recruiting precision production/specialty skills workers. Forty-three percent of the firms reported having trouble recruiting technical workers and over a third of the firms had problems recruiting general production labor (36%), general labor (34%) and professional/ management (32%) (see Figure 1).



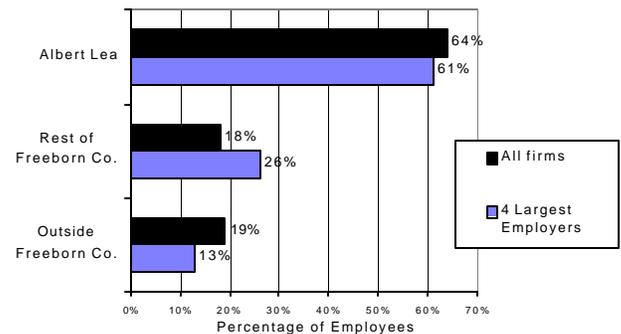
Most firms are projecting employment increases (52%) or stability (41%). While thirty-nine percent see the labor supply in Freeborn County as adequate, fifty-five percent do not (see Figure 2).



The firms reported that an average of sixty-four percent of their employees live in Albert Lea,

eighteen percent elsewhere in Freeborn County and only nineteen percent from outside the county (see Figure 3). Compared to other communities Freeborn County features a relatively high percentage of employees residing in the city or nearby. In a county with a declining workforce, a continued near exclusive reliance on local residents may hamper firm growth prospects, unless the workforce trend is somehow reversed.

Figure 3: Where Employees Reside For All Firms and 4 Largest Employers, Freeborn County, MN, 2000



The Task Force considered nine potential projects relating to Improving Labor Availability and Productivity. They also considered ideas generated at the Task Force retreat. One priority project was selected – **Retaining Youth in the Community**. For details on the other ideas see the full Freeborn County BR&E Research Report.

Priority Project #1: Retaining Youth in the Community

A common lament in rural communities is the outflight of their youth. After putting major investments of time, energy and money into raising their children the community often watches them leave for economic opportunities in larger communities. Presumably this is in happening in Freeborn County based on the population losses seen over the past two decades.

The project idea here is to retain youth by integrating them into the community through such activities as: developing youth leadership skills, including youth on decision-making boards, creating school-to-work programs and involving youth in community service projects. Logical members for this project team might include local mentors of young people (i.e. teachers, coaches, counselors,

church youth leaders, 4H, etc.) and the human resource directors from local firms.

The group’s goal is to retain youth, and bring them back to the community after completing college. They aim to achieve this goal by partnering with the school district to keep better data on the kids currently in the area and where they go after graduation. Further, they hope to help the business community recognize the contribution of youth presently and into the future.

Grace Schwab and Tami Riecke will co-chair the committee and Cal Johnson, Tom Falk, and Jim Gries are also involved. Please contact one of these people for more information.

Strategy Two. Improving the Physical Environment of Albert Lea, as the Commercial and Residential Hub of Freeborn County

As the county seat and the home of the majority of Freeborn County residents, Albert Lea is the commercial and residential hub of the county. This strategy is devoted to the goal of improving the physical climate in Albert Lea. Two suggested tactics are: downtown revitalization / beautification and community visioning / comprehensive planning.

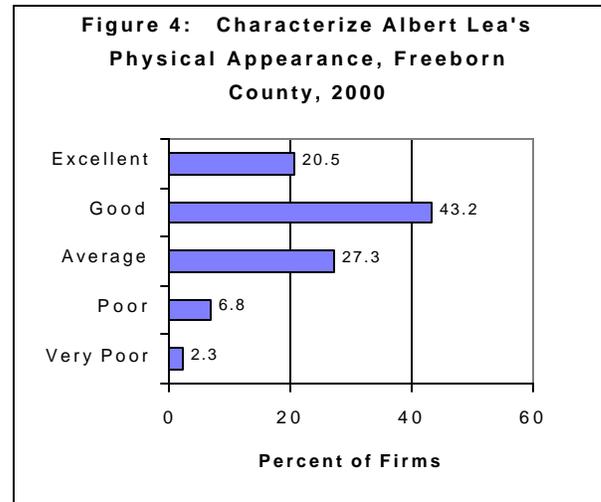
Downtown revitalization and beautification is suggested to help improve both Albert Lea’s self-image and morale as well as the image it projects to the outside world.

Community visioning and comprehensive planning is suggested to enhance the city image over the long haul. While this has fewer visible benefits in the near term, it could contribute in a much broader way to a gradual reversal of negative images that were indicated by a significant number of the firms.

Related Survey Results

The firms, on average, rated Albert Lea’s appearance between “average” and “good” (see Figure 4). Yet when asked how important beautification was to them thirty-two percent said “very important” and fifty-nine percent claimed it was “important”. Specifically, twenty-one percent mentioned downtown cleanup and revitalization as

priority issues. Four firms mentioned attracting better quality restaurants and three firms mentioned cleaning up the city lakes. Finally, the town rated slightly below “average” on cultural opportunities (see Table 3 above).



The Task Force considered four potential projects related to physical environment issues. Two priority projects were chosen from these – **“The Design Team” and Coordinate City and County Vision and Planning Processes, Leading to a Comprehensive Plan.** For details on the other project ideas see the full Freeborn County BR&E Research Report.

Priority Project #2: “The Design Team”

Originally, the Task Force intended to invite the Minnesota Design Team to work with them to envision how to improve the aesthetics of Albert Lea. This would involve a team of volunteer urban designers, architects, planners, and landscape architects from around Minnesota that would help community members gain ideas and pictures in their mind about how specific beautification and redevelopment ideas might look. Unfortunately, due to a lack of volunteers, the Minnesota Design Team has had to restrict its services to towns of fewer than 5,000 people.

Nevertheless, “The Design Team” committee is moving forward with an alternative project. The committee is pursuing a “First Impressions” program, which allows a small group of people from two communities to exchange a site visit, followed

by an evaluation and reporting process. An implementation process will be defined following the analysis. There is also a possibility that the University of Minnesota School of Architecture and Landscape Architecture can lend some assistance.

Jean Eaton will chair this committee and Pam Bishop and Larry Nelson are also involved. Please contact one of these people for more information.

Priority Project #3: Coordinate City and County Vision and Planning Processes, Leading to a Comprehensive Plan

The Task Force strongly felt that the city and county should engage in a coordinated planning process that would result in a new comprehensive plan. The firms' perceptions of a declining physical appearance in Albert Lea and lackluster ratings they gave to services like telecommunications, streets, available land and buildings, affordable housing, recreational opportunities and more contributed to this feeling. For Freeborn to compete in the global economy it needs to have a strong vision and plan. A visioning process could be held to kickstart the comprehensive planning needed in the city and throughout the county. Last year a town meeting generated a fair amount of interest in creating a new plan and vision for Albert Lea and Freeborn County. The BR&E Task Force hopes it can use the business survey results to motivate the community to launch a comprehensive planning process.

Essential participants in this project would include the planners and administrators for the county and the city. Other participants would be local government officials from the townships and cities, as well as representatives of schools and colleges, citizens at large and various community groups and interests (i.e. including business). Outside resources here might include the Minnesota Department of Planning, the Blandin Foundation, and the Initiative Fund.

The initial group objectives are as follows:

Objective #1: Identify Community Vision statement pertaining to regional business expansion and retention.

Objective #2: Identify strategies necessary to facilitate vision

Task: Possibly develop coordinator position to ensure progress and exclusive dedication to process.

Objective #3: Determine specific planning committees and task forces necessary to implement strategies

Task: Identify projects

Task: Identify responsible entity

Task: Establish realistic timelines

Task: Identify progress tracking methods

The project team includes: Noel Austin, Bob Entorf, Karen Hill-Goslee, Ron Harmon, Amy Kennedy, Chuck Kjos, Dave Mullenbach, Neil Opstad and Dick Westurn. Please contact one of these people for more information.

Strategy Three. Improving Firm Profitability through Technical and Development Assistance

This strategy addresses ways that firms can increase their profitability 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 tax a firm's patience.

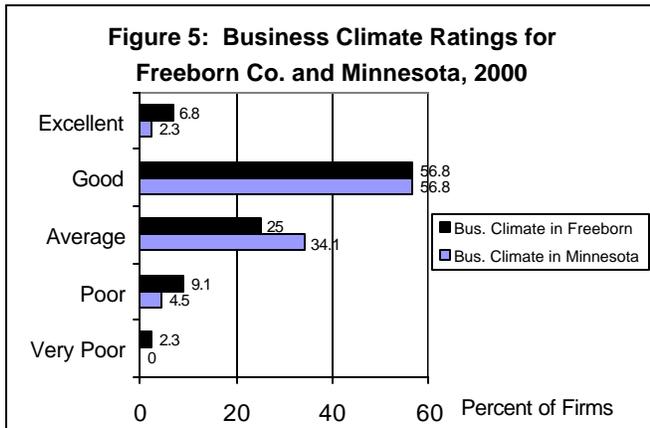
The Freeborn County firms have significant expansion plans for the next three years. If the firms make these changes and expand their operations in the area, they will be an important source of economic growth for the community.

Related Survey Results

The firms are in a prosperous time. Fifty-nine percent have rising sales and twenty-seven percent report stable sales. Eighty-two percent report increasing or stable profits and ninety-three percent are seeing an increasing or stable market share.

Twenty-three of the firms (52%) plan expansions that will result in an aggregate increased employment of 434 jobs. This is at least a ten percent increase in the employment of the firms. Five firms need more land, ten need to expand their buildings and all twenty-three will invest in more equipment.

When asked about the business climate in Freeborn County and in Minnesota, the firms gave an average rating to each jurisdiction of only between “average” and “good” (see Figure 5). Only three firms gave Freeborn an “excellent” rating. Yet twenty-five of the firms gave a score of “good” to Freeborn County and the state. Only one firm is considering relocating out of the area.



There were four potential projects for Strategy Three presented to the Task Force. Although there was broad support for one of the ideas, **Provide Assistance to Firms to Develop Their E-Business Capacity**, (it tied for the second highest amount of votes of general interest from the Task Force) it was not selected as a priority project. The Task Force felt that a major telecommunications improvement was happening in the area so there was no need for action on their part. For details on the project ideas see the full BR&E Freeborn County BR&E Research Report.

Strategy Four: Recruiting Firms that can Capitalize on Freeborn’s Strengths and Complement the Existing Business Mix

Freeborn County has a strong manufacturing base for its economy. There is a concentration of food processors and industrial machinery and equipment representing close to half of the manufacturing payroll in the county. When plant closings or downsizing in these industrial categories occur there are very strong ripple effects in the local economy. There are also some indications that area firms may be aging. In response to these factors, this strategy calls for diversification of the local economy by

recruiting firms that can take advantage of Freeborn’s strengths and complement the existing businesses.

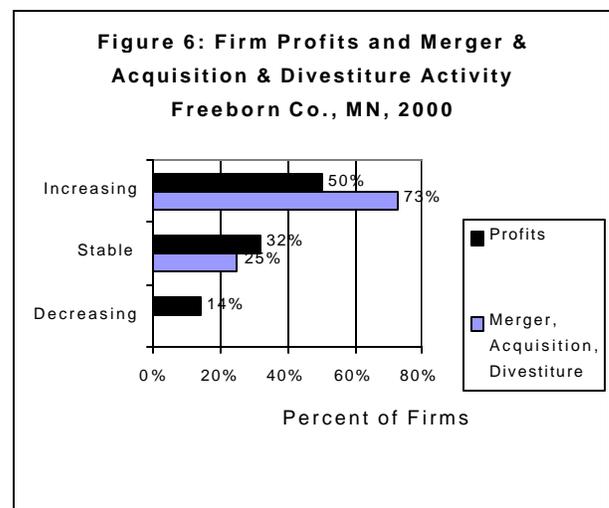
Related Survey Results

Sixty-six percent of the firms stated that they have suppliers or customers that would benefit from being closer to them. Sixty-four percent import goods or services from other states or countries and eighty-six percent export from here.

The firms reported no work stoppages in the last three years. They also rated the “union profile” as being close to “average”. Union representation averaged only eighteen percent of the firms’ workforce. More importantly, the firms rated worker productivity and worker stability as the third and fourth greatest strengths of the area (see Table 3 above).

Highway accessibility was rated far and away as the number one strength of Freeborn County as a business location. Indeed, the firms overwhelmingly ship and receive products by truck.

Three quarters of the firms report increasing merger and acquisition activity in their industries. With two thirds of the firms still locally owned, Freeborn could be vulnerable to a loss of local ownership and the economic turmoil that often accompanies such a loss. The fact that forty-six percent of the firms have stable or actually declining profits during a very robust economic period is a clue that these firms may be maturing (see Figure 6).



The Task Force considered five related potential project ideas. They selected one – **Business Retention and Expansion Corporate and Executive Visits**. For details on the other projects see the full Freeborn County BR&E Research Report.

Priority Project #4: Business Retention and Expansion Corporate and Executive Visits.

A unique and aggressive recruiting idea emerged from the State Review Panel. Why not contact and, when appropriate, visit the headquarters of local firms with nonlocal ownership to thank them, learn their concerns, and encourage them to consider expansions in or consolidations to Freeborn County? In a sense, this would just be taking the BR&E visitation effort to another front -- the home offices of the area firms who have absentee owners. This was suggested because a third of the firms were nonlocally owned, especially some of the larger ones, and because merger / acquisition / divestiture activity was reported as increasing. If these economic disruptions are going to occur anyway, why not get in there and compete for the good outcomes to fall to Freeborn County?

Members of this BR&E Corporate and Executive Visit team should include Task Force members willing and able to meet the challenge of BR&E visits requiring considerably more time, effort and sophistication. Also, possibly the chief elected officials and administrators of Albert Lea and Freeborn County and executives from Greater Jobs, Inc., Riverland College, the local newspaper, Chamber of Commerce, etc.

The objective of the group is to communicate with company executives about the possibility of expansion in Albert Lea. The goal is to meet with the executives making the decisions. The team plans to call the local contacts for permission and guidance before they attempt communication with the executives of the companies. Many company headquarters are out of state. Therefore, a letter will be sent to the CEO's and Presidents of about twenty companies, inviting them to come and take a look at Albert Lea as a possible site for future plans. The team will encourage them to consider all the benefits and assets the Albert Lea community has to offer. It is also important these executives know the

team wants to help them grow their business. The meetings will allow the team to address any issues or concerns the company may have with Albert Lea.

David Wentzel will chair the committee and Warren Amundson, Joanne Hanson, Jim Koch, Mike Moore, Larry Nelson, and Don Savelkoul are also involved. Please contact one of these people for more information.

Additional Information: See the Freeborn County BR&E Research Report, May, 2000, for this project. Copies are available for review at the office of Greater Jobs, Inc., as well as from members of the Task Force.

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 four priority projects, or Pam Bishop of Greater Jobs, Inc.



Prepared by: The Task Force, listed on page two, selected the priorities. This summary report was written by Michael Darger, Director, Business Retention and Expansion Strategies Program, University of Minnesota Extension Service, with input from the four project teams, and edited by Larry Nelson, Tami Riecke, and Ellen Carlson. This publication is available in alternative formats upon request. Please contact Michael Darger at (612) 625-6246.

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