

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



GRANT COUNTY

Summary Report October 2000

Local sponsors:

Grant County

Barrett Civic and Commerce

Barrett Economic Development Authority

Elbow Lake Economic Development Authority

Herman Development Corporation

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University of Minnesota Extension Service—Grant County

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BUSINESS RETENTION & EXPANSION Strategies Program

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Grant 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 the communities within Grant County have a number of initiatives to help retain and expand existing businesses, the BR&E Task Force came together across the county to help their existing businesses expand.

Objectives

The Grant County BR&E Program has eight objectives:

1. To gain a stronger understanding of the various business owners to determine what makes them successful and what can make them better.
2. To increase understanding of businesses by the communities and show them that the communities care about them.
3. To help existing businesses solve problems.
4. To demonstrate that the opportunity is there to remain and expand if so desired.
5. To get businesses to think “outside of the box.”
6. To get people to see the benefits of more jobs and an improved quality of life.
7. To bring the communities together within the county.
8. To assist businesses in using programs aimed at helping them become more competitive.

Sponsorship

This program is sponsored locally by the following organizations: Grant County, Barrett Civic and Commerce, Barrett Economic Development Authority, Elbow Lake Economic Development Authority, Herman Development Corporation, Hoffman Economic Development Authority, Hoffman Community and Agriculture, West Central

Initiative, West Central Research and Outreach Center, and the University of Minnesota Extension Service—Grant County.

Grant County BR&E Program History

The Grant County BR&E Program started in August, 1999 with a presentation about the BR&E Strategies program to the Economic Development Authority of Hoffman by Guy Southwick, BREI Certified Master Consultant and Extension Educator in Grant County. In September, a presentation or information concerning the program was sent out to the other Economic Development Authorities in the county. In December a leadership team was recruited to lead the BR&E project. Matching funds were successfully requested from the Barrett EDA, Elbow Lake EDA, Herman Development Corporation, the Hoffman EDA, and West Central Initiative.

In March, 2000 Guy Southwick 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 a cross sector of the business community in Grant County. The Leadership Team selected a survey instrument 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 April, 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 May, June, and July the Leadership Team and Task Force conducted 49 firm visits for a total of 53 (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 September 12th, 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 Grant County BR&E Program

Leadership Team

This group coordinated the local program:

1. Guy Southwick, Extension Educator, University of Minnesota Extension Service, and Leadership Team Coordinator
2. Al Schoenbauer, Eagle Bank and Business Resources Coordinator
3. Dr. Ed Persons, Hoffman Economic Development Authority and Milestone Meeting Coordinator
4. Owen Heiberg, Herman Development Corporation and Visitation Coordinator
5. Alveda Rhude, Barrett Civic and Commerce and Media Coordinator

Grant County BR&E Task Force and Volunteer Visitors

The Leadership Team and many other 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
Les Alvstad	Business
Rodger Anderson	Retired Farmer
Tom Arnquist	Business
Robert Aune	Citizen
Marilyn Backman	Farm Business
Dale Champ	Government
Scott Cleveland	Citizen
Jeff Dreier	Development
Ed Ellison	Retired Farmer
Graham Groth	Business

David Hanson	Government
Phyllis Hanson	Pharmacist
Owen Heiberg	Development
Dianne Herman	Business
Jim Johnson	Citizen
Ruth Johnson	Development
Richard Kastner	Government
Kent Marshall	Education
Harold Mohagen	Chamber of Commerce
Dr. Ed Persons	EDA
Glen Reiner	Business
Alveda Rhude	Civic and Commerce
Al Schoenbauer	Business
Roger Schoephoerster	Retired Farmer
Kelly Smith	Education
Guy Southwick	Education
Carol Stamness	Business
David Starner	Farm Business
Gene Wenstrom	Development
Dave Willard	Farm Business

Firms Visited

Fifty-three 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

Advanced Manipulator Specialist, Inc
Alvstad and Associates
Anderson's Dew Drop Inn
Angen Transportation
Arnquist Home Center, Inc
Backman Seeds
Barn Burner's Products
Barrett Automatic
Barrett Care Center
Barrett Lake Resort
BrenLynn-Wagner Excavating
Brewzers Back Door Saloon
Carroll's General Store
Community First National Bank
Cosmos Enterprises
Cosmos International, Inc
Dean's Super Valu
Delaware Mutual Insurance Company
Elbow Lake Coop Grain
Elbow Lake Dental Center
Elbow Lake Plumbing and Heating
Elk Lake Heritage Preserve
Envirotech International
Erickson/Smith Funeral Home

Farm Stuff, Inc
First National Bank
Free Scout Press
Grant County Health Center
Haley Oil Company
Herman Auto Repair
Hoffman Coop Oil
Hoffman Good Samaritan Care Center
Hoffman Lumber
Hoffman Tribune
Joanne's Window Treatment
Johnson Grain and Fuel
Johnson Pharmacy
Lake Region Veterinary Center
Lawrence's Family Foods
Mitchell Law Office
Mohagen's Hardware
New Horizon's Ag Service
Peterson Agri-Service
Runestone Telephone Association
Severance Enterprises
Sherwood Insurance Agency
Star Bank
Steven Johnson Tool and Machine
The WenDell Supper Club
Tonya's Tiny Tots
TWF Industries
Unique Auto Body
Valley Woods
West Central Area Schools

BREI Certified Consultant

Guy Southwick and Dorothy Rosemeier, as BREI Certified Master Consultants, are serving as the BR&E Strategies Program co-consultants to the project. This included helping the Task Force through the visitation phase of the Grant 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 Grant County leaders in response to local firm concerns. The participants were:

- *Local Leaders:* Ed Persons, Alveda Rhude, Al Schoenbauer, and Guy Southwick
- *State and Federal Agency Personnel:* Greg Bergstrom, Department of Economic Security; Helen Friedlieb, Department of Trade & Economic Development; Pradeep Kotamraju,

MnSCU; Deb Miller-Slipak, USDA—Rural Development

- *University of Minnesota:* Michael Darger, Business Retention & Expansion Strategies Program; Kent Gustafson, Extension --Tourism Center; George Morse, Department of Applied Economics; Ward Nefstead, Department of Applied Economics; Dorothy Rosemeier, West Central Sustainable Development Partnership

Grant County's Economic Profile

An economic profile of Grant County and the regional economy was prepared for the BR&E Task Force's use in the BR&E retreat on September 12th, 2000. This profile gave an overview of population, income and employment trends in the Grant County area. The economic profile is included in the Grant County BR&E Research Report, which is available for review at the Grant County Extension Office in Elbow Lake or from a Task Force member.

BR&E Survey Results

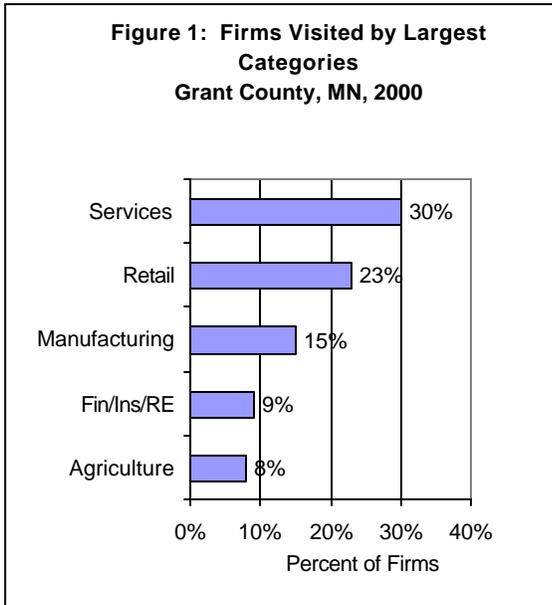
This section presents the survey results from the 53 firms visited by Grant County community leaders in May, June, and July. The characteristics of the firms visited are described first, followed by the strategies and priority projects selected by the Task Force. Selected survey results related to these projects are included in this summary. Additional survey results are in the Research Report.

Characteristics of Firms Visited

The target list of firms was determined by the Grant County Leadership Team as follows:

1. A list of all the firms in the county was compiled.
2. The firm list was broken into eight categories by industry.
3. A geographic breakdown of the firms was also done for the areas participating.
4. A sample target of 70 firms was selected randomly from the industry groups. They were also selected from the geographical groups to ensure proportionate geographical representation.
5. A slight amount of fine-tuning was done to create the final sample target.

Fifty-three firms were visited for a strong response rate of 76%. The firms visited represent a sample of at least twenty percent of the businesses in Grant County. These firms employed 545 full time persons and 345 part-time people. Thirty percent of the firms are service providers followed by retailers (23 percent); manufacturers (15 percent); finance, insurance, and real estate (9 percent); and agriculture (8 percent). See Figure 1.



Seventy-nine percent of the firms are locally owned. The largest number of firms are closely held corporations (42 percent) and sole proprietorships (34 percent). The firms reported a median number of four full-time employees and a mean number of 10.5. The firms' employment needs were relatively nonseasonal as only twenty-one percent of the firms reported seasonal swings in employment levels.

Overview of BR&E Strategies for Grant 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.

Grant County BR&E Strategies:

1. Improving Labor Availability and Productivity
2. Improving Firm Profitability through Technical and Development Assistance
3. Redeveloping Housing and Commercial Areas
4. Exploiting Projects, Technology, and Marketing Opportunities that can Capitalize on Grant's Strengths and Complement the Existing Business Mix

Strategy One. Improving Labor Availability and Productivity

Labor availability, especially skilled labor, is a major problem in many areas due to the current very low unemployment rates. Although its unemployment rate is higher than Minnesota's, Grant County is no exception to this problem.

Related Survey Results

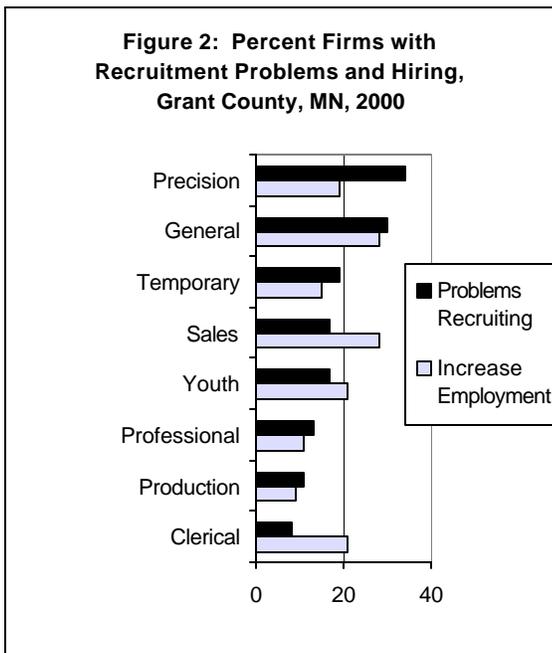
When asked to grade various business factors the Availability of Skilled Labor received the worst grade from the Grant County firms (see Table 3). This gains more significance because the firms separately ranked this as the most important factor on the list.

Table 3 Compare Your Community's Business Factors to Competitors' Communities

(1 = much more favorable, 3 = the same, 5 = much less favorable) * = Average score

	Much More		About Same		Much Less	
	1	2	3	4	5	
Qual. Telecomm.			*			2.82
Quality Water				*	3.00	
Available Credit				*	3.00	
Available Industrial Site				*	3.17	
Available Raw Materials				*	3.19	
Proximity of 4-lane Highway				*	3.26	
Availability of Housing				*	3.26	
Airport Facilities				*	3.29	
Availability of Labor				*		3.35

Firms reported difficulty in recruiting new employees. Thirty-four percent have problems recruiting precision production/specialty skills workers. Thirty percent are having trouble recruiting general labor. Over fifteen percent are having difficulty recruiting temporary, youth, and sales workers (see Figure 2). Since over fifteen percent of the firms plan to hire in these categories over the next three years the problem could get worse. In fact, across all the labor categories the firms plan to hire a total of 144 additional people within that time, a 26 percent increase.



The Task Force considered nine potential projects related to labor availability and productivity issues. Although several were nominated, no priority projects were chosen from Strategy One. For details on the project ideas see the full Grant County BR&E Research Report.

Strategy Two. 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 Grant 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. The community can take several important steps to help the firms grow and expand in Grant County.

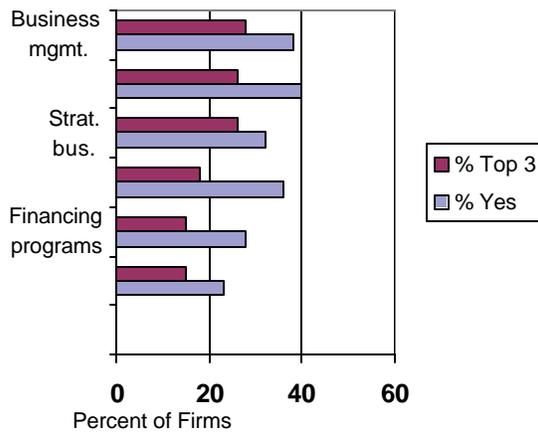
Related Survey Results

The firms are optimistic about their prospects. Seventy percent have rising sales and another thirteen percent report stable sales. Seventy-five percent predict increased sales over the next three years. Eighty-seven percent have identified expansion opportunities!

In the good news, bad news department there is a little of each. First the "bad" news: a firm is considering moving outside the county and another hinted it might consider doing so. The "good" news is that fifty-two firms aren't planning to move out of the county and that there is still time to try to retain the two that hinted they might leave.

The firms expressed interest in receiving additional information on a variety of subjects that could improve their productivity (the cross-hatched bar in Figure 3). In fact, they made 196 total information requests (or an average of 3.7 per firm). Of the requested items the firms prioritized the following items (the dark bar in Figure 3): Business management (28 percent), Marketing strategies (26 percent), Strategic business planning (26 percent), Internet / E-Business (18 percent), and Financing programs & New state regulations (each at 15 percent). Significantly, eighty-five percent of the firms were willing to have their name given to the appropriate local, state, or federal agencies that provide this information.

Figure 3 : Percent Firms Requesting Information, Grant County, MN 2000



The Task Force considered eight potential projects related to firm profitability and development assistance. Two priority projects were chosen from these – **Follow-up Encouragement of Firms that have Planned Expansions and Appeal to MnSCU to Establish a Small Business Management Program in Grant County.** For details on the other project ideas see the full Grant County BR&E Research Report.

Priority Project #1: Follow-up Encouragement of Firms that have Planned Expansions

Twenty-three firms plan modernization or expansions to their building and/or equipment. This represents an opportunity for the Task Force to initiate follow-up assistance and facilitation to these firms. The Task Force agreed – members cast more votes for this project than any other at the retreat. A team was formed to follow-up with each of these firms. The follow-up contacts may be prioritized in order of estimated relative impact of each expansion project (based on employment, tax base, key service/product offering, etc.).

The project team will work to provide assistance, appropriate contacts, and encouragement to those businesses looking to expand. Rodger Anderson, Wally Anderson, Ruth Johnson, and Al Schoenbauer will provide leadership for this project. Please contact one of these people for more information.

Priority Project #2: Appeal to MnSCU to Establish a Small Business Management Program in Grant County

In the interest of creating more local capacity for technical assistance and management training, the Task Force decided to make an appeal to the Minnesota State College and University System (MnSCU) to establish a small business management program housed in Grant County. This program is the counterpart to the Adult Farm Business Management Program currently administered in the county by David Willard. The farm management program is located in the West Central Area Secondary School and would work in coordination with the new small business management program.

The following project team will provide leadership: Richard Kastner, Owen Heiberg, Ed Persons, and Glen Reiner. Please contact one of these people for more information.

Strategy Three. Redeveloping Housing and Commercial Areas

This strategy includes a couple of basic tactics with the goal of improving the physical environment in Grant County. The tactics are: redeveloping housing and redeveloping commercial areas.

Without quality housing affordable to workers Grant County’s prospects for BR&E success will be diminished for lack of labor needed for expansion. It will also affect the local purchasing power needed to sustain area businesses.

Redevelopment is a big concern of maturing communities today. To the extent they can make things new they can affect their image and marketability for the better. Commercial area redevelopment is a tactic suggested by several State Review Panel members to improve Grant County communities.

Related Survey Results

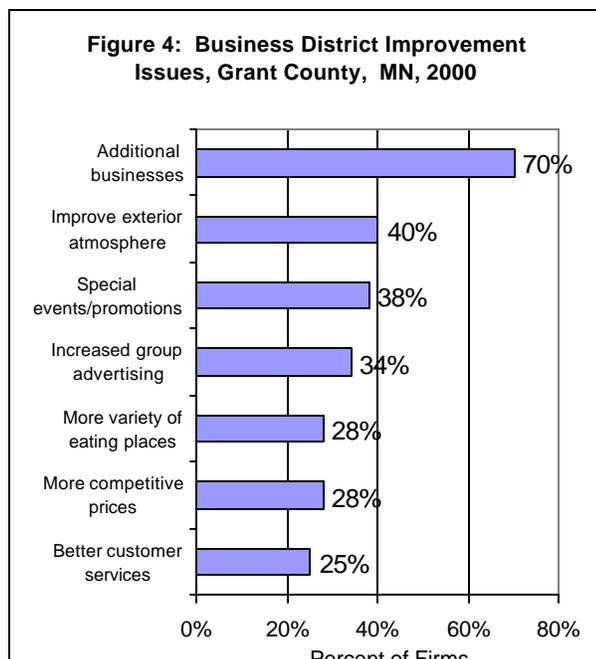
The availability of housing was rated as slightly worse than competitors’ communities (see Table 3 on page 4). When asked whether there is sufficient housing nearby to support a ten-percent expansion 68 percent of the firms said “definitely yes” or “yes”. Seventeen percent said “definitely not” or

“no”. Another fifteen percent were unsure (9 percent) or did not answer.

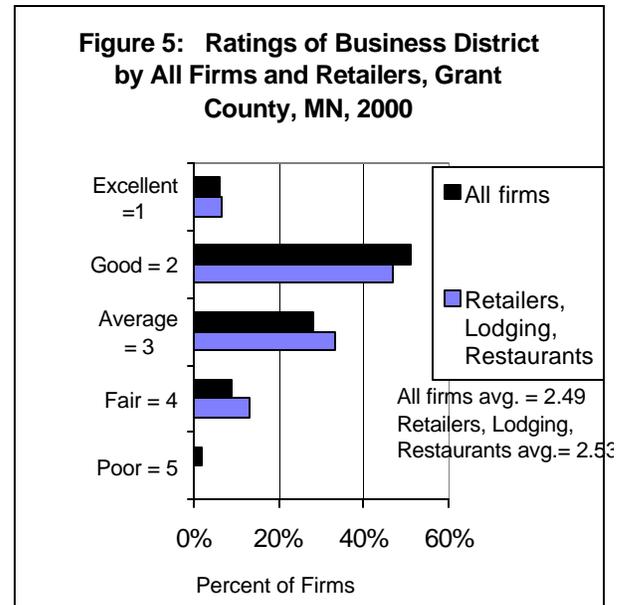
Table 4 Rate Community Services
(1 = excellent to 5 = very poor) * = Average score

	Exc.	Good	Avg.	Poor	Very Poor	
	1	2	3	4	5	
fire protection		*				1.57
schools		*				1.67
religious choices		*				1.76
police protection		*				1.96
ambulance services		*				1.98
snow removal		*				2.04
health care/hospitals		*				2.09
community education		*				2.12
parks/rec. facilities		*				2.13
City government		*				2.25
sewage		*				2.28
availability of parking		*				2.29
street maintenance		*				2.34
economic development		*				2.46
Chamber of Commerce		*				2.47
zoning		*				2.5
public library		*				2.51
child care		*				2.65
access to cultural events			*			2.72

The firms indicated a very strong preference for “additional business which result in greater variety” for their business district. Seventy percent rated this as one of their top five priorities for business district improvements so it was, far and away, the highest priority (see Figure 4). The next highest priorities, in order, were: improving the exterior atmosphere (40 percent), special events or promotions (38 percent), and increased group advertising (34 percent).



Few of the firms rated their business district as excellent and 51 percent rated it as “good” (see Figure 5). Yet 39 percent rated it as “average” or worse. Retailers, lodging and restaurants, as a group rated the districts a smidgen lower.



There were five potential projects for Strategy Three presented to the Task Force. The Task Force chose one of them, **Establish a Grant County Economic Development Authority**. For details on the other project ideas see the full Grant County BR&E Research Report.

Priority Project #3: Establish a Grant County Economic Development Authority

Several Minnesota counties have had special legislation enacted allowing them to form economic development authorities at the county level. These county EDAs have broader powers than county HRAs, yet they cannot supercede city EDAs inside municipal boundaries. It was suggested at the Research Review Meeting that Grant County should consider forming an EDA. There was no direct data in the survey information that supported this suggestion. However, as seen in Table 4 (above) economic development received some of the lowest ratings from the firms even though it was rated as one of the most important services. Some benefits of a county EDA might include developing a countywide vision for economic development as well as developing more coordination and cooperation amongst the various county communities. The Task

Force gave this project the second highest number of votes.

A team to investigate and pursue establishing a county EDA might include task force members, county commissioners, a county HRA rep, and members of the local city EDAs. DTED has an informational guide to EDAs. Another informational resource is the Minnesota Association of Professional County Economic Developers (contact Carol Lovro of the Association of Minnesota Counties).

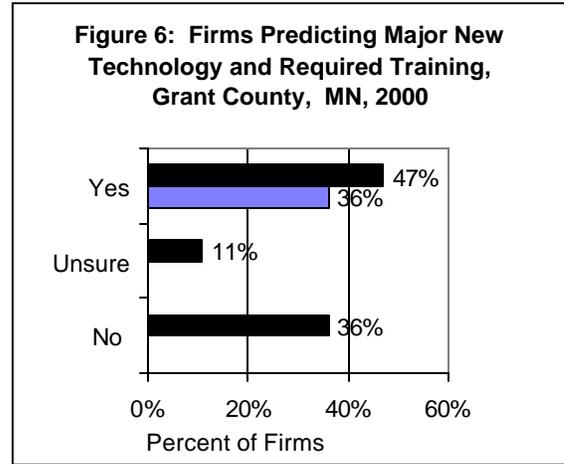
The following project team will provide leadership: Jeff Dreier, Alveda Rhude, and Guy Southwick. Please contact one of these people for more information.

Strategy Four. Exploiting Projects, Technology, and Marketing Opportunities that can Capitalize on Grant’s Strengths and Complement the Existing Business Mix

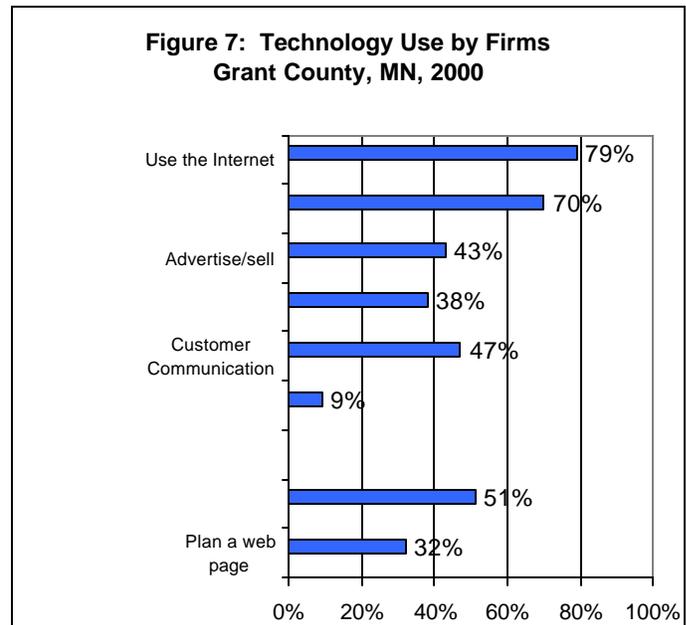
This strategy is the most broadly defined. The first three strategies were more narrowly focused on human resources, technical assistance to firms, and redevelopment of the physical environment. This strategy is the catchall for any other ideas that the Task Force considered. Ideas in this strategy relate to business district marketing, technology use by the firms, and a possible opportunity afforded by Grant County’s unique aging profile with respect to the rest of the state.

Related Survey Results

Forty-seven percent of the firms report major technology changes in their industry that will change their product or the methods for its production. Most of those same firms (36 percent) predict that the employees will need retraining to prepare for the technology changes (see Figure 6).

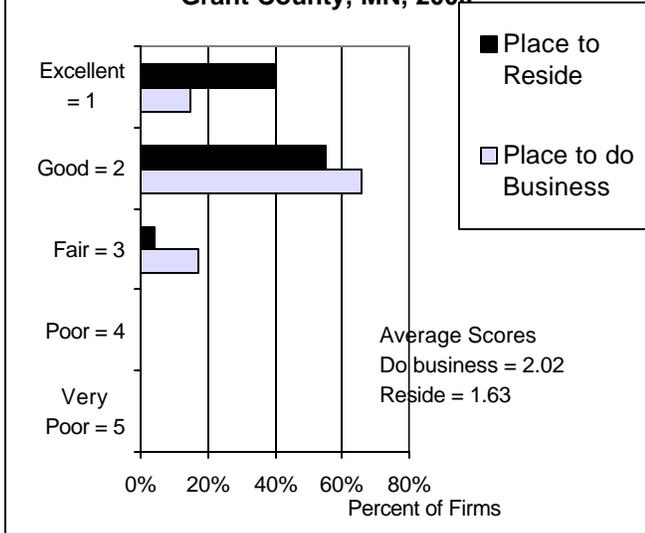


Seventy-nine percent of the firms use the Internet and the rest of the firms intend to do so. They use it for a variety of business reasons including research (70 percent) and customer communication (47 percent). Fifty-one percent have a Web page and an additional 32 percent intend to have one (see Figure 7).



The firms had an overall positive opinion of the area as a place to do business and as a place to live. Eighty-one percent of the firms rated it as an excellent or good place to do business. Ninety-five percent rated it as an excellent or good place to live! There was much stronger satisfaction with the residential conditions than the business conditions. Seventeen percent of the businesses rated it as only “fair” for business conditions (see Figure 8).

Figure 8: Opinion of the Community as a Place to Reside and do Business, Grant County, MN, 2000



The Task Force considered seven related potential project ideas. They selected one – **Expand Educational Opportunities on E-Business.** For details on the other projects see the full Grant County BR&E Research Report.

Priority Project #4: Expand Educational Opportunities on E-Business.

The Research Review Panel was somewhat surprised to see that four out of five firms are using the Internet for business and that half have Web pages. It was recommended that expanded educational opportunities on E-Business be created for these reasons. First, not all the firms are using the new technology. Second, the firms that are using it could probably use some additional training. Third, the more education of Grant County citizens the better prepared the area will be to take advantage of electronic technology. The Task Force selected this project as one of four priority projects to implement.

There are several routes the Task Force could take. First, the University of Minnesota Extension Service has a low cost educational curriculum, Access Minnesota Mainstreet. Contact Bill Bomash at 612-625-8776. Second, Minnesota Technology, Inc. has a new initiative, the E-Business Institute, that offers education on e-business topics. Contact Steve Boland at 612-373-2965. Third, private

consultants are available. For example, Jane Leonard of Community Technology Advisors, 651-645-9403.

The following project team will provide leadership: Kelly Smith, Guy Southwick, and Dave Willard. Please contact one of these people for more information.

Additional Information: See the Grant County BR&E Research Report, September, 2000, for this project. Copies are available for review at the office of University of Minnesota Extension Service -- Grant County 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 Guy Southwick of Grant County Extension.



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 Guy Southwick and assistance from Ellen Carlson. This publication is available in alternative formats upon request. Please contact Michael Darger at (612) 625-6246.

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