

**BUSINESS
RETENTION
&
EXPANSION
Strategies
Program**



**Department of
Applied Economics**

◆
**University
of Minnesota**

SPRINGFIELD

Summary Report January 2000

Local sponsors:

City of Springfield

Springfield Economic Development Authority

Pieschel Foundation

The Initiative Fund of southeast and south central Minnesota

University of Minnesota Extension Service–Brown County
and Cluster #12

Springfield 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 Springfield has a number of initiatives to help retain and expand existing businesses, the Springfield Economic Development Authority (EDA) wanted to do more to help their existing businesses expand.

Objectives

The Springfield BR&E Program has eight objectives:

1. To show that the city and EDA is interested in and willing to help the businesses in the community.
2. To learn what the businesses are doing now and plan to do in the future.
3. To hear the problems and concerns businesses may have.
4. To get feedback from the businesses on how they view the community as a place to do business.
5. To help business become aware of the many resources available to help them.
6. To develop long term goals and strategies to maintain the businesses existing in the community.
7. To assist the businesses in any immediate problem or issue they may have.
8. To provide information to the businesses on the business environment in the area.

Sponsorship

This program is sponsored locally by the following organizations: City of Springfield, the Springfield Economic Development Authority, Pieschel Foundation, the Initiative Fund of southeast and south central Minnesota, and the University of Minnesota Extension Service-Brown County and Cluster #12.

Springfield BR&E Program History

The Springfield BR&E Program started in March 1999 with a presentation to the Springfield

Economic Development Authority by Wayne Hansen, BREI Certified Master Consultant, of the University of Minnesota Extension Service – Redwood County about the BR&E Strategies program. The EDA and, later, the Springfield City Council approved moving ahead with a BR&E program.

Wayne Hansen then helped the local team train the Task Force and volunteer visitors for the firm visits in June. Teams of two volunteers arranged their own visits and completed 47 visits (each about one hour) between July and October.

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 twelve faculty, state agency and local people, and wrote the research report.

A four-hour retreat was held on December 8, 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 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 Springfield BR&E Program

Leadership Team

This group coordinated the local program:

Mark Veglahn, EDA Director, Overall Coordinator
Mark Clennon, Southwest State Bank, Visitation Coordinator

Brian O’Leary, Attorney at Law, Milestone Meeting Coordinator

Paul Pieschel, F&M Bank, Business Resource Coordinator

Clete Utz, Mayor, Media Coordinator

Bill Esser, retired businessman

Paul Muske, Attorney at Law

Bob Carruthers, retired businessman

Springfield 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. In addition to the Leadership Team and Task Force, an additional group of community members participated in firm visits. These visitors participated in the two-hour training program and visited two to four firms.

Task Force and Firm Visitors

Jack Baynes	Paul Muske
Clayton Beyer	Brian O'Leary
Mark Brown	Colleen O'Leary
Carol Carlson	Paul Pieschel
Bob Carruthers	Roger Prechel
Mark Clennon	John Ryan
Bill Esser	Mike Schwartz
David Gross	Sharon Sturm
Dr. Heller	Paul Tauer
Glenn Jensen	Scot Thoreson
Kent Johansen	Carl Todtleben
Gary Krueger	Clete Utz
Ben Luense	Mark Veglahn
Jim Miesen	Doris Weber

Firms Visited

Forty-seven firms were visited by the Springfield BR&E program. The community wishes to thank the firms for their willingness to help the community understand the needs of existing firms.

Advance Press
Amdsen Surge & Farm Supply
Barron Fabrication
Bittler's Building Supply
Carlson Bros.
Clay's Drive-In Liquor
Coast to Coast
Coleman Powermate
Dave & Char's Style House
Dr. Belling
Dr. Haugo
Dueber's
Ed's Repair
Esser's Dept. Store
F & M Bank
Fredin Bros. Stockyards
Genuine Woodcraft
Glenn's Auto Parts
Hap Ouverson Motors
Harvestland Co-op

Hayden Furniture
Lang's Meat Market
Miesen Color Center
Ochs Brick Co.
Pizzeria Hause
RC Sports Bar & Grill
Richert's Bus Service
Rick's Firestone
Riverside Animal Clinic
Rogotzke Appliance
Ruby's Heritage House
Running's Fleet & Farm
S. Paul Schmidt & Co.
Springfield Drug
Springfield Floral
Springfield Home & Office
Springfield Medical Clinic & Hospital
Springfield Public Schools
St. John's Lutheran Home
Sturm Funeral Home
Tauer's Super Value
The Building Center
Tim's Auto Parts
Tis A Gift/Victoria Gardens
United Prairie Bank
Weber Ford & Mercury
Western Telephone

BREI Certified Master Consultant

Wayne Hansen served as the BR&E Strategies Program consultant to the project. This included helping the Task Force through the visitation phase of the Springfield 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 Springfield leaders in response to local firm concerns. The participants were:

- *Local Leaders:* Mark Clennon, Mike Schwartz, Mark Veglahn
- *State Agency Personnel:* Todd Graham, Minnesota Department of Economic Security; Connie Ireland, Minnesota Department of Trade and Economic Development; Mark Van Osdale, Minnesota Technology, Inc.; Michelle Ostrom, Minnesota Department of Economic Security
- *University of Minnesota:* Michael Darger, Business Retention & Expansion Strategies

Program; Vernon Eidman, Department of Applied Economics; Wayne Hansen, University of Minnesota Extension Service Redwood County; Zining Li, Department of Applied Economics; Catherine Rasmussen, University of Minnesota Extension Service Brown County

Springfield's Economic Profile

An economic profile of Springfield and the regional economy was prepared for the BR&E Task Force's use in the BR&E retreat on December 8th, 1999. This profile gave an overview of population, income and employment trends in the Springfield area. If you would like to see it, ask to see the full Springfield BR&E Research Report at the Springfield Economic Development Authority, the Springfield Public Library or from a member of the Task Force.

BR&E Survey Results

This section presents the survey results from the 47 firms visited by Springfield community leaders in July - October 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-seven firms were visited during July-October of 1999. These firms employ 779 full-time and 327 part-time people. The firms visited represent a sample of 46% of the 102 businesses in Springfield. The leadership team decided to visit all the manufacturers and all the downtown retailers of new merchandise (i.e. population sample). The leadership team then selected a number of firms from the rest of the Springfield businesses with an emphasis on the larger employers. The largest categories of firms responding are shown here in descending order as a percentage of the total sample (see Figure 1): retail trade (37%); services (11%); other (11%); manufacturing (9%) and restaurants (9%).



Springfield fared well in the firms' assessment in several ways:

First, as a whole the firms were optimistic about their future. Fifty-nine percent expected sales increases over the next three years and 22 percent expect stable sales. Employment stability or increases were predicted across all functional areas.

Second, in terms of the quality of the workforce, the firms rated 97 percent of their employees as good or excellent in attitude toward work. Ninety-one percent of employees were rated good or excellent for productivity.

Third, Springfield is rated highly as a place to live and relatively high as a place to do business. Ninety-eight percent of the firms rated it as good or excellent as a place to live and 87 percent rated it as good or excellent as a place to do business (see Figure 7).

Overview of BR&E Strategies for Springfield

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 first three strategies and associated

projects outlined below are aimed at helping firms become more profitable and thus survive and grow in the community.

In addition, the quality of life in a community has an important influence on location decisions, especially of smaller firms. Improving the quality and efficiency of public services so that taxpayers receive more value per tax dollar is one way of improving the quality of life. The fourth strategy, and an associated project, is geared toward quality of life issues.

Springfield BR&E Strategies:

1. Helping firms learn about programs for increasing firm productivity
2. Improving labor availability and productivity
3. Expanding firm revenues by helping them expand markets, products and the overall marketability of Springfield
4. Enhancing and promoting the quality of life in Springfield

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 Springfield appear to be receptive to programs that could improve their productivity. Sixty-two percent of the firms requested information on one or more items. In total the firms made 133 information requests (or an average of 2.9 per firm).

The shaded bar in Figure 2 shows the percentage of firms that ranked an item as one of their top three

most desired types of information. For example, Strategic Business Planning was ranked as one of the top three by 30 percent of the firms. The other major interests are Marketing Strategies (26%), Business Management (24%), Financing Programs (20%) and Technology and Telecommunications (20%).



Sixty-seven percent of the firms were willing to have their name given to the appropriate state, federal or other agencies that provide this information. This suggests a receptiveness by firms to receiving information on programs that could improve their productivity. In addition, 92 percent of the firms that had used state and federal programs would recommend them to others.

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. There were three other potential projects considered. For details see the full BR&E Research Report.

Priority Project #1: Develop Strong Links to the Small Business Development Center(s) for Technical Assistance and Educational Workshops

The types of information requests shown in Figure 2 fit well within the Small Business Development Center's (SBDC) mandate. There are SBDCs in both Mankato and Marshall that could potentially work with firms in Springfield.

The following steps will help firms take greater advantage of this program.

The Task Force will ask the SBDC to do a workshop in Springfield on one or more of the high interest topics previously mentioned. Invitations may be extended to existing business groups as well as the firms that indicated an interest in specific topics. A wide variety of local and non-local resource groups might also be invited to participate including: the Economic Development Authority, the Chamber of Commerce, Minnesota Technology, Inc., SCORE, University of Minnesota Extension Service, etc.

The Task Force will work with the SBDC to develop news stories on the firms that have already used their programs and run those in the local papers. Also, an informational packet will be prepared for the EDA to make referrals to technical assistance providers.

Bob Carruthers, Jim Miesen, Paul Pieschel and Doris Weber are coordinating this effort for the BR&E Task Force. If you would like to participate in this project, or want more information, please contact one of these people.

Priority Project #2: Work with the Small Business Management Program at South Central Technical College for Business Training Tailored to Local Businesses

Generalist business courses are now available through the Minnesota State College and University System (MnSCU). The closest provider of these training services is South Central Technical College in Mankato.

In order to respond to the needs expressed by the firms for business information and training, the Task Force will approach South Central Technical College. The goal will be to set up some training tailored to the needs of Springfield firms. The Springfield EDA may be approached to consider cost sharing of these training services.

Ben Luense, John Ryan, Mike Schwartz and Carl Todtleben are coordinating this effort for the BR&E Task Force. 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

Twenty-four percent of the firms reported having trouble recruiting precision/specialty skills labor and there were also problems recruiting general labor (17%), general production labor (15%) and professional/management (13%) (see Figure 3). 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 Springfield 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 187 additional employees in that time period. As a percentage of the full-time jobs in the surveyed firms (779) this is a large projected increase (24%).



Firm owners/operators were satisfied with the attitudes and productivity of their workers. Ninety-seven percent of those responding rated their workers' attitudes as either excellent (40%) or good (57%). Likewise, they rated productivity high, with 91 percent as either excellent (36%) or good (55%).

About half of the firms (48%) felt that there might be major technological innovations in their industry with another 28 percent unsure whether such innovations would occur. Of those predicting major changes, 60 percent (or 33 percent of all firms) expected these new technologies will require retraining their labor force.

A final note of interest from the survey. When the firms were asked whether they would have an interest in participating in a school-to-work program or school/business program, 61 percent said yes.

The Task Force considered five potential projects related to labor issues. While there was support for several of these, the group realized that they must focus their initial efforts on a few projects and none of these were a priority at the present time. For details see the full research report.

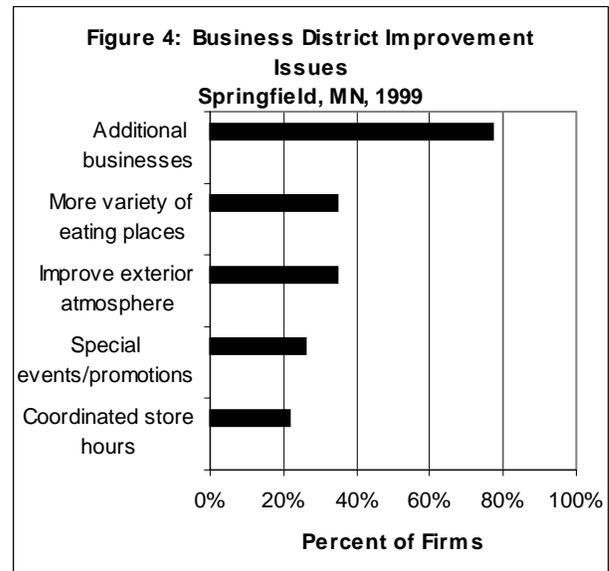
Strategy Three. Expanding Firm Revenues by Helping Them Expand Markets, Products and the Overall Marketability of Springfield

This strategy includes three basic tactics with the goal of improving the firms' competitiveness and income, while simultaneously improving the availability of goods and services to local customers. The three tactics include: helping firms increase their market share and enter new markets, creating a theme or themed event(s) that draws more customers to Springfield and improving the physical image of the main street area.

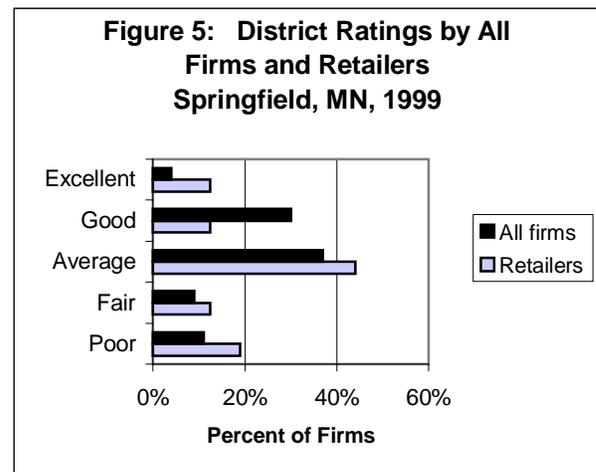
Related Survey Results

The firms indicated an overwhelming preference for "additional business which result in greater variety" for the Springfield business district in question 31 of the survey. Seventy-seven percent of the firms rated this as one of their top three priorities for improving the district (see Figure 4). The next highest priorities, in order, were improving the exterior

atmosphere (35%) and increasing the variety of eating places (35%), special events (26%), and coordinated store hours (22%).



Four percent of all firms rated the business district as excellent and 30 percent rated it good (see Figure 5). Retail firms were more critical with a total of only 25 percent rating the district as either excellent or good. All firms rated it of slightly above average while the retailers rated it slightly below average.



Fifty-two percent of the firms share advertising expenses for the promotion of the district. An additional fifteen percent of the firms were willing to explore cooperative advertising as an option.

Seventy-three percent of the firms' customers are located in or within fifteen miles of Springfield. Given this relatively confined trade area and a nongrowing population, the firms must either increase their trade area or face stagnant or declining sales.

About two thirds of the firms use the Internet. But only about a quarter of the firms market their products and services on line. Only 17 percent of the firms currently have a Web page, but another 35 percent plan to create one.

Out of eight potential projects for Strategy Three, the Task Force chose two priority projects, relating to the first tactic of helping firms increase their market share and enter new markets. For details on the other ideas see the full BR&E Research Report.

Priority Project #3: Use E-Commerce and a Strong City Web Site to Expand Customer Base and Market Share as well as to Recruit/Retain Local Graduates in the Community

Only about a quarter of the firms are using E-Commerce to market themselves. There may be opportunities for more firms to expand their market share or enter new markets via E-Commerce. Of course, E-Commerce is a complex endeavor that requires strategic planning and thoughtful implementation to be successfully exploited.

The University of Minnesota Extension Service has an E-Commerce educational program called Access Minnesota Main Street. The program offers businesses training on: how to use the Internet to research new markets, to find suppliers or learn about competitors, to decide if a Web presence is right for their business, to learn the process of Web site development and promotion, and to learn how to incorporate the Internet into their business plan. It has been pilot tested around Minnesota in several rural communities.

The creation of a strong community Web page is the second part of this project. This project could be as much a defensive as an offensive tactic if it was successful in creating an Internet home for city residents and businesses. If local people got their information and did their Web surfing based from a Springfield home page, the local firms would have a great opportunity to advertise their offerings.

Partners in this priority project might be the public school, the city, the Chamber of Commerce, and any local Internet service provider or Web-related business.

Paul Pieschel, Paul Tauer and Phil Weller are coordinating this effort for the BR&E Task Force. If you would like to participate in this project, or want more information, please contact one of these people.

Priority Project #4: Assess the Gaps in the Types of Products & Services Available in the Business District and Determine Ways to Fill Them

In response to the expressed need for greater variety in the business mix, the Task Force could do some assessment of the need and opportunity. For instance, a motel, a clothing store and restaurants were some perceived needs. The Task Force could conduct some follow-up research on the types of products and services desired through resident surveys and focus group discussions. It would also be important to gauge the willingness of residents to purchase these items before any attempt is made to fill the gaps. It may be more plausible to fill these product and service gaps by getting existing businesses to expand their product lines.

Nevertheless, if this project is adopted efforts will probably also be needed to determine how to attract needed types of businesses to Springfield, or to incubate new establishments from within the community. Resources, financing sources and others, needed to support the businesses would need to be identified as well.

Kent Johansen, Roger Prechel and Scot Thoreson are coordinating this effort for the BR&E Task Force. If you would like to participate in this project, or want more information, please contact one of these people.

Strategy Four: Enhancing and Promoting the Quality of Life in Springfield

While a firm will not be able to maintain itself at a site if it is not profitable, quality of life can be a key factor in whether a firm selects (or stays in) one community over another. This is true because the most important resource to any firm usually involves people, either customers or employees. The higher the quality of life, the greater likelihood of a stable or increasing population base.

One of the apparent strengths of Springfield is the quality of life available. This strong quality of life may be useful in increasing the population in Springfield, which in turn would contribute both purchasing power to the retail base as well as a greater pool of employable talent. This asset could also be promoted as a way to encourage business expansion and the recruitment of new workers. Additionally, efforts could be made to improve specific community services and enhance the quality of life in the area.

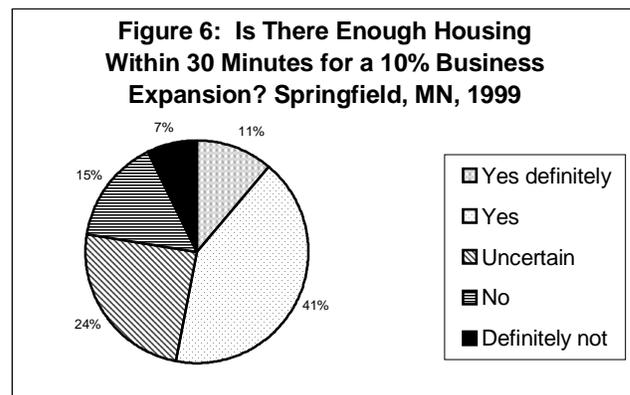
Related Survey Results

Twelve of eighteen community services were rated as good or excellent by the firms. Among the highest rated services were public schools, parks/recreational facilities, health care and ambulance, fire and police and the library (see Table 1).

On the negative side, access to cultural events received fair or lower ratings from 48 percent of the firms. Economic development received fair or lower ratings from 32 percent. Availability of parking (28%), chamber of commerce and city government (both 26%) were also areas of concern. Additionally, 46 percent of the firms were uncertain or concerned about the availability of affordable housing within 30 minutes of Springfield sufficient to handle a ten percent expansion in their labor force (see Figure 6). The firms see Springfield as less favorable than other communities for the availability of housing. These five areas present opportunities to improve the quality of life.

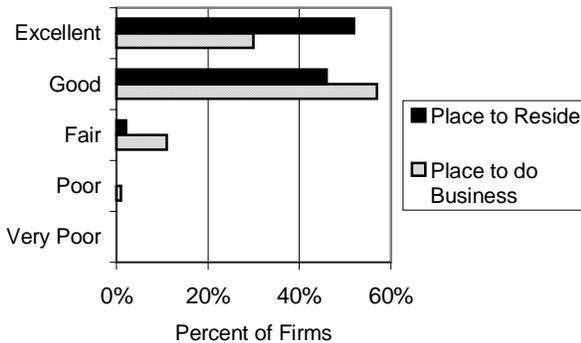
Table 1

<u>Community services</u>	<u>Score</u> (1=excellent, 2=good, 3=fair,...5=very poor)
Public library	1.2
Elementary and secondary schools	1.3
Parks/recreational facilities	1.4
Ambulance services	1.5
Health care/hospitals	1.5
Fire protection	1.5
Child care	1.7
Police protection	1.7
Community education	1.8
Sewage	1.8
Snow removal	1.9
Availability of parking	2.0
Street maintenance	2.1
Zoning	2.1
Chamber of Commerce	2.1
City government	2.2
Economic development	2.3
Access to cultural events	2.6



Back to the good news. The firms had an overall positive opinion of Springfield (see Figure 7). Ninety-eight percent of the firms rated the area as an excellent (52%) or good (46%) place to live! Eighty-seven percent of the firms rated the area as an excellent (30%) or good (57%) place to do business. These are outstanding ratings compared to BR&E programs in other communities.

**Figure 7: Opinion of Springfield as a Place to Reside and do Business
Springfield, MN, 1999**



Out of three potential project ideas the Task Force chose one for action. For details on the other ideas see the full BR&E Research Report.

Priority Project #5: City Gain Access to Developmental Sites for the Creation of Housing Using Eminent Domain Powers, if Necessary

As indicated above the firms have significant concerns about the lack of affordable housing being a potential barrier to business expansion. Further, the average starting wages for all job categories, except one, range from \$6.00 to \$9.50 an hour. These wages are lower than the nearest regional centers of New Ulm and Mankato. Therefore, an effort to ensure an adequate supply of affordable housing could be critical to business expansion. It seems certain that it would be needed before any successful attraction of businesses with better-paying jobs would occur. Several options might be pursued to address this need. For example, new housing could be developed to accommodate first-time buyers, additional multi-family units could be created, or alternative housing could be developed for seniors so their single family homes would become available for working families.

More resources are out there than ever before to help communities meet this challenge. The following outside resources are potential partners for the Task Force: Connie Ireland and Chris Eng from DTED, Minnesota Housing Finance Agency (single and multi-family divisions), Warren Hanson and the Greater Minnesota Housing Fund, the Initiative Fund of southeast and south central Minnesota, Rick Goodemann and the Southwest Minnesota Housing

Partnership, and USDA Rural Development’s Rural Housing Service.

However, the initiative for housing development in Springfield will need to be made by the Task Force and local partners like the EDA, the city, the financial community, Chamber of Commerce, etc. Strong leadership will be necessary.

The Task Force decided to pursue the acquisition of development sites for additional housing, including the use of eminent domain powers by the city, if necessary. Mark Clennon, Glenn Jensen, Paul Muske, Brian O’Leary, Jim Pietz and Clete Utz are coordinating this effort for the BR&E Task Force. If you would like to participate in this project, or want more information, please contact one of these people.

Additional Information: See the Research Report, December, 1999, for this project. Copies are available for review at offices of the local sponsors, particularly the Springfield Economic Development Authority, as well as the Springfield Public Library.

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 five priority projects, or Mark Veglahn of the Springfield Economic Development Authority.



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 and edited by George Morse, Ellen Carlson, and Mark Veglahn. This publication is available in alternative formats upon request. Please contact Michael Darger at (612) 625-6246.



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