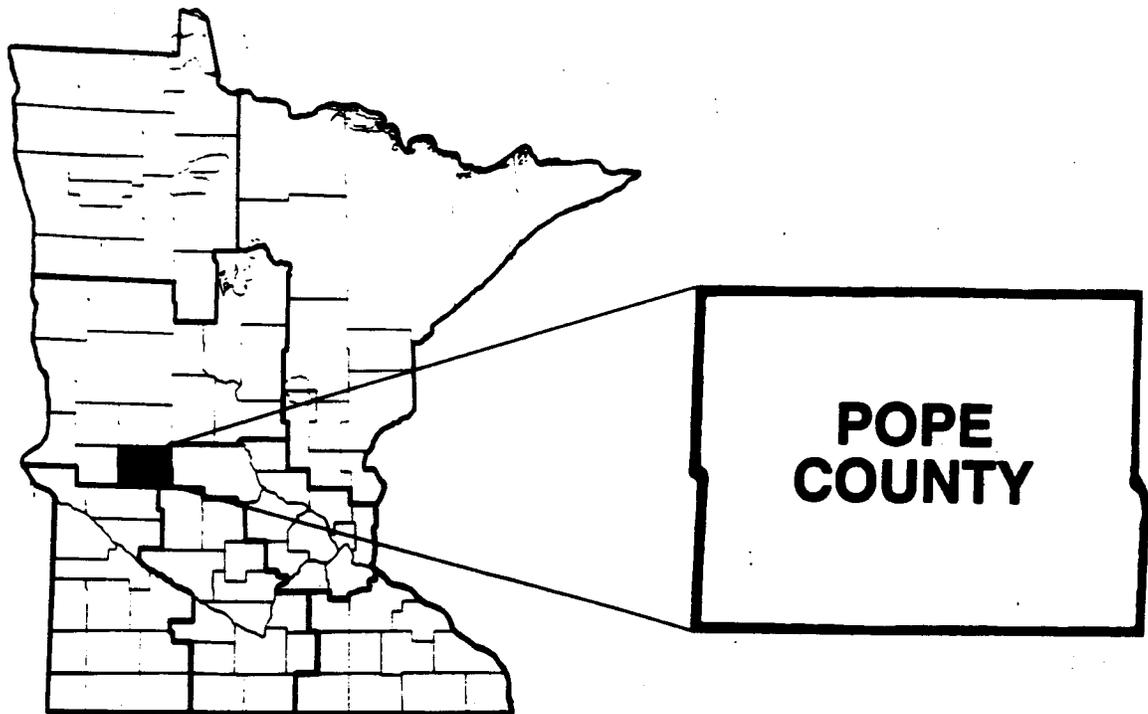


# **BUSINESS RETENTION AND EXPANSION STRATEGIES PROGRAM SUMMARY REPORT 1991**



**State Sponsor is:  
University of Minnesota/Minnesota Extension Service**

**Local Sponsors are:  
Glenwood Development Corporation  
and the Pope County Office of the Minnesota Extension Service**

# BR&E Strategies

## Business Retention and Expansion Strategies

The Pope County Business Retention and Expansion Strategies Program, sponsored locally by the Glenwood Development Corporation and the Pope County Extension Office, visited 117 businesses in the County during February, March and April of 1991. Fifty two community leaders participated in this economic development program, which had the following objectives:

- 1) demonstrating the community's pro-business attitude to local firms,
- 2) helping local firms solve local problems and use state development programs, and
- 3) developing long-range economic development strategies for the retention and expansion of existing firms.

After visiting 117 firms, the local Task Force followed-up on the concerns and requests of firms that participated, helping them handle local problems and make contacts with state programs. After research on the surveys was conducted at the University of Minnesota, the task force developed a set of long-range recommendations for the community. This summary reports highlights of the results of the survey of local firms and presents the recommendations of the Pope County Business Retention and Expansion Task Force.

Copies of the full report and data are available loan from the Pope

County Office of the Minnesota Extension Service and the Glenwood Development Commission.

**BR&E Leadership:** The success of the Pope County BR&E Strategies Program is due to the following people:

**Leadership Team:** These leaders planned the local program, coordinated the firms visits, and managed the follow-up.

John Caskey, Glenwood Development Corporation

Jack Morris, Extension Agent, Minnesota Extension Service

James Johnston, Starbuck Chamber

Harry Husmann, Villard Elevator, Manager

**BR&E Task Force:** These leaders helped recruit visitors, assisted in the immediate follow-up and made the recommendations that appear in this summary report.

Maurice Amundson, Farmer, Retired

Becky Behm, Alexandria Vocational Technical Institute

Elrue Dunsmore, City Parks, Retired

Robert Ellestad, County Eng. Retired

Leonard Heidelberger, Retired

Hanley Mortenson, Starbuck Chamber

Marlin Ness, Bulk Gas Distributor

Richard Ofstedal, Minnewaska Area

High School Principal

Dean Olson, MN Dept. Transportation

Jim Olson, County Commissioner

J. Gordon Paulson, Investment

Counselor

John R. Stone, Pope County Tribune

Earl Rundgren, Retired

Jim Sumption, Minister, Retired

**Volunteer Visitors:** Many of the above leaders also as firm visitors, along with a number of other community leaders. Working in teams of two, most teams visited 3 or 4 firms.

|                    |                   |
|--------------------|-------------------|
| Maurice Amundson   | Russ Anacker      |
| Irene Ask          | Duane Beckwith    |
| Becky Behm         | Allan Behm        |
| Milton Carlson     | John Caskey       |
| Paul DeGier        | Pat Dinsmore      |
| Belvin Doebbert    | Jan Doebbert      |
| Elrue Dunsmore     | Rick Ekstrand     |
| Duaine Essig       | Jan Essig         |
| Sally Femrite      | Maurine Fjoslien  |
| Louonna Fronk      | John Gandrud      |
| Jennie Haeckel     | Helen Hagen       |
| Bruce Harvey       | Sandy Heidecker   |
| Leonard Heidelberg | LaVon Holland     |
| Mike Howe          | Dolores Johnson   |
| Jim Johnston       | Patrick Kelleher  |
| Jeanne Kincade     | Gladys Kirton     |
| Gib Lee            | Brian Long        |
| Ruth Martinson     | Dick Mollers      |
| Jack Morris        | Hanley Mortenson  |
| Kathryn Mozey      | Lori Neumann      |
| Donna Noyes        | Dick Oeltjen      |
| Jody Ogdahl        | Bill Ogdahl       |
| JoAnn Olson        | Dean Olson        |
| Dan Ostrander      | J. Gordon Paulson |
| Janet Pfeninger    | Barb Rising       |
| Earl Rundgren      | Elayne Schluter   |
| Dean Schluter      | Kathy Stem        |
| Lolly Stem         | Dan Swartz        |
| Bob Vanderburgh    | Joyce Wahlquist   |
| Kevin Wiederholt   | Susan Wink        |

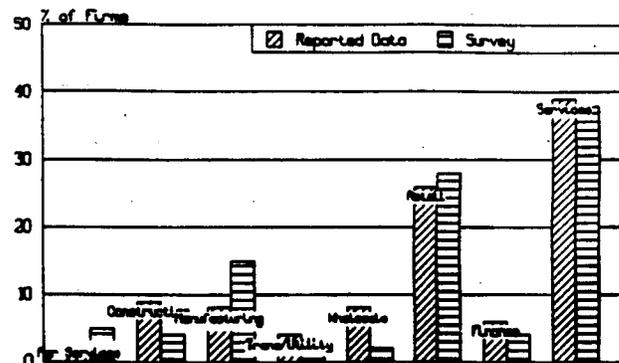
### SURVEY RESULTS AND ECONOMIC DEVELOPMENT STRATEGIES

#### Characteristics of Firms Visited

The Pope County BR&E Strategies Program visited 117 firms of approximately 287 in the county. This was nearly seven times as many in the typical BR&E program in Minnesota. Seventeen of the firms visited were

in manufacturing. While this was only 15 percent of the total firms in the BR&E survey, this was nearly double the percentage reported (8%) by the U.S. Department of Commerce in the 1988 Minnesota County Business Patterns (Figure 1).

PRIMARY TYPES OF BUSINESSES  
IN BR&E SURVEY  
Pope County, 1991



Firms in the survey tended to be slightly larger than in the average. For example, while firms with under 9 employees made up 83 percent of the nonfarm firms in the county, they were only 66 percent of the BR&E survey sample.

Using the County Business Patterns data as a base point, the BR&E survey had over 50 percent coverage for manufacturing. In contrast, only about 26 percent of the service firm employment was covered by the survey.

### BUSINESS RETENTION AND EXPANSION STRATEGIES

The retention and expansion of existing firms is a function of the following factors:

- 1) profit potential in the community;
- 2) community's attitude toward its businesses; and
- 3) quality of life in the area (schools, recreation, services, etc).

A region's profit potential is the key influence on a firm's location and investment decisions. While neither the firm nor the community has complete control of profit factors, both can take steps to reduce costs of production.

While profits are extremely important, other factors, such as quality of schools, health care, and room for expansion, also influence firms in selecting one community over others. The community may improve its comparative advantage by demonstrating its pro-business attitude, by helping firms become more competitive, by enhancing the quality of life in the community, and by developing strategic economic development plans.

**STRATEGY # 1: IMPROVE THE COMPETITIVENESS OF THE LOCAL FIRMS BY SHARING INFORMATION ON DEVELOPMENT PROGRAMS**

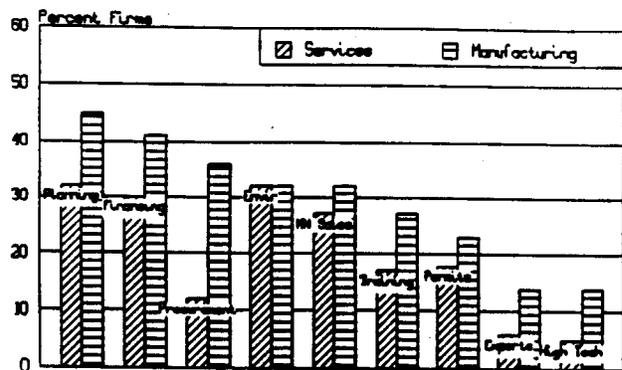
**Overview of Strategy:** Nationally, businesses of all types are facing greater competition. This competition makes it essential that the Business Retention and Expansion Strategies Program help the firms become more competitive.

To become more competitive, firms must either reduce their costs per unit or increase their quality. The major sources of cost reduction are new technology, improved management, higher labor productivity, better labor-management relations, and lower input costs. The R&E Program can help identify those federal, state and local programs that are most helpful in giving firms a competitive edge. Through the R&E program, local leaders can provide firms with

current information about these programs, and also serve in an ombudsman role.

**Survey Results:** A number of changes have already been made by Pope County firms in order to make their operations more competitive. These are detailed in the full report. The focus here is on the future changes. In order to make these Pope County firms requested information on 235 different programs for an average of just over two requests (Figure 2).

INFORMATION REQUESTS  
SERVICE & MANUFACTURING FIRMS  
Pope County, 1991



For manufacturing firms, business planning was the most frequently requested item, followed by financing, and government procurement. The service sector firms were most interested in environmental regulations, business planning, financing, and sales to other Minnesota firms.

Pope County firms requested more information per firm than in the state-wide averages. The percent of firms requesting information on business planning, financing, government procurement, permits, and environmental regulations was close to twice that for the state sample. This is a positive sign, suggestion that Pope County firms are eager to

learn about ways to stay competitive by reducing their costs of learning about new state and federal programs.

**Recommendation # 1: Sponsor Local Educational Programs on Business Planning and Financing**

In Pope County, the three most frequently requested types of information were: business planning, financing, and environmental regulations, with over 38 firms interested in additional information on each of these topics. Interest in the first two may be sparked by the fact that banks are now asking firms to provide a business plan before approving new financing. Without accurate information on environmental regulations it is impossible for firms to make solid business plans.

Forty-four percent of the service sector firms not participating in joint advertising indicated a willingness to do so. Educational programs on the options for doing this successfully could help these firms undertake this new effort.

Since the needs of firms change rapidly, an on-going series of programs will be developed in collaboration with the institutions that offer this type of educational program. Potential groups to contact are: Alexandria Technical School, Moorhead State University Small Business Development Center and the Minnesota Banker Association's Enterprise Network

**Recommendation # 2: Expand the Citizens for Progress Program to Entire County**

Recently, the Glenwood Economic Development Commission initiated a monthly breakfast for local business people. The purpose is to discuss

issues of importance to the business community. The Task Force recommends that invitations be extended to businesses from throughout the county for this series.

Some of the topics covered in recommendation # 1 can be covered in these meetings. Alternatively, these meetings can feature economic development practitioners from other communities that have used a novel approach to economic development.

**Recommendation #3: Continue and Expand Support for Full Time Economic Development Professional**

Keeping firms abreast of the newest state and federal programs is a demanding job. When this duty is combined with the other tasks of a professional in economic development, this is likely to require a full time person. The Task Force feels it is essential to continue the current level of professional support in the county and for other communities to consider collaborating more formally with the Glenwood Economic Development Commission in the provision of staff support.

In addition to the paid professional support, the Task Force recommends that retired business executives be invited to volunteer their time to participate in the SCORE program. SCORE is a nationwide organization of retired business executives who volunteer their time to help businesses. They will work with existing businesses as well as new start-ups.

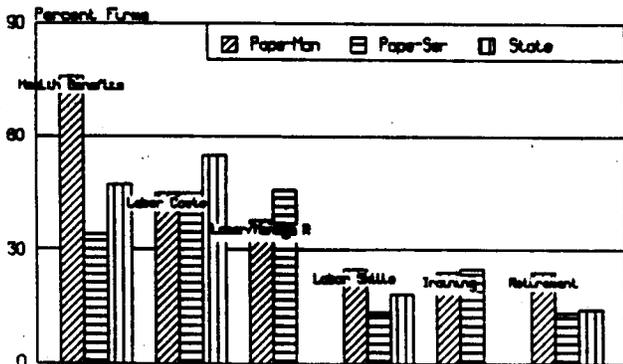
**STRATEGY # 2: EXPAND THE SUPPLY AND QUALITY OF POPE COUNTY'S LABOR FORCE**

**Strategy Overview:** The quantity and quality of a county's labor supply is becoming the most important

determinant of its ability to grow. In order to attract new firms to the community and to help existing firms become more competitive, the county needs to continually up-grade the quality of its existing labor force and expand the supply. One means of expanding the local labor supply is up-grade skills of existing employees.

Survey Results: Over half of the firms reported that labor skills and availability were important factors in firm decisions to remain or expand in Pope County. Pope County firms are experiencing very minor recruitment problems relative to firms in the rest of the state. While this is clearly a positive element for the county's future growth, a significant number were concerned about health care benefits, labor/management relations, labor skills and training, and retirement benefits (Figure 3).

IMPORTANT PERSONNEL ISSUES  
Pope County vs. State Sample 1991



**Recommendation # 1: Form a School/Business Partnership Program**

Schools are important to existing firms in three ways. First, firms in communities with high quality schools

have an easier time recruiting new employees to the area. Second, the changing technical and managerial requirements in today's global market require firm management to constantly up-date their skills. Educational institutional can facilitate these programs. Third, new entrants to the labor force need a solid foundation in basic skills.

Likewise, existing firms are important to the local educational institutions. In addition to contributing to the tax base, business leaders can provide suggestion and ideas for school improve and often provide assistance in specific courses.

Given the mutual dependence between educational institutions and existing firms, it is desirable to increase the communications and cooperation between the local businesses and educational institutions. A special committee with both groups will be established to explore the school/business partnership.

**STRATEGY # 3: IMPROVE THE QUALITY OF LIFE IN POPE COUNTY**

Overview: Business decisions to locate in a community or to continue expanding there often depend heavily on the quality of life in the area. A community's quality of life is defined as those factors that make the community a better place to live. This includes schools, vocational training, recreational opportunities, cultural events, health services and public services. In fact one of the

major firms says that about one-third of the time, they recommend places which have higher quality of life rather than the less cost location.

Communities can directly influence many of these aspects and can also reduce the costs to businesses of attempting to have these problems corrected.

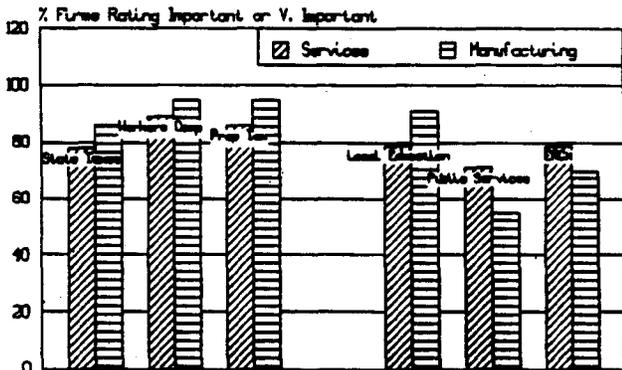
**Survey Results:** Over 50% of the firms rated quality of life factors as important or very important when asked: "What importance do you give the following factors in considering remaining, expanding or relocating? In fact, local education ranked as the third most important factor for both manufacturing and service firms.

only workers compensation/unemployment insurance and local property taxes ranked as more important than local education(Figure 4).

Other local quality of life factors rated differently between manufacturing and service firms, however. Service firms rated the environment, recreation, and culture as the third most important factor (tied with education), while manufacturing firms rated it ninth. Likewise, the service firms felt that public services were more important than did the manufacturing firms.

The quality of life factors received very positive ratings from both the manufacturing and service firms, with local education and the environment receiving positive ratings from over 90 percent of the firms. All of the quality of life factors received ratings above 75%.

SIX MOST IMPORTANT LOCATION FACTORS  
MANUFACTURING AND SERVICE FIRMS  
Pope County 1991



More firms felt local education was important to their location decisions than were government incentives and programs. Further, education rated higher than any of the business factors and more important than state income and sales taxes. In fact,

The adequacy of local public services was generally rated fairly high. Services that rated in the top six for both manufacturing and services were: fire protection, road; utilities, schools, emergency medical system. While the service sector firms gave high ratings all both the rail and air service (above 65%), the manufacturing firms were concerned with a number of services. In particular, sewer, water and solid waste services were not rated very high.

**Recommendation # 1: Publicize High Ratings for Pope County Quality of Life**

Pope County firms rated very highly a number of the local quality of life factors. Public services, including fire protection, roads, emergency medial services, schools, rated very well. The environment, recreation

and culture also rated very highly. This information can be used in media stories for the benefit of local citizens and firms and in promotional materials for industrial attraction efforts. It will be supplemented with objective data on the nature and quality of these services.

**Recommendation # 2: Continue County-Wide BR&E Task Force**

Firms are likely to experience periodic problems with public services. While it is not necessary to do a complete survey of local firms every year, it is desirable for the Task Force to make contact with the firms once per year to see if they have new concerns with local services. Frequently, these concerns stem from poor communications or the fact that firms ignore communications until an issue directly impacts upon them. The BR&E Task Force can help bridge the gap between the firms and local units of government, to the benefit of both.

This group will work closely with all other economic development groups in the county.

**STRATEGY # 4: ASSIST SERVICE INDUSTRIES**

**Overview:** "Service sector industries" include all businesses except those in farming, mining, construction, and manufacturing. Businesses included are: Transportation. Public utilities, Wholesale and retail trade, Finance, Insurance, Real estate, and Other Services.

Most of the sales from the service sector are local ones but some of the industries are basic industries that

bring in a considerable amount of outside income. Service sector firms are also critical aspects of the local economy in two other respects. First, some are necessary inputs to manufacturing and other basic industries. Communities which lack these services do not reap as many benefits from the growth of manufacturing firms. Purchases from these service firms will go outside the community and reduce the multiplier effects that are expected from new manufacturing growth.

A second critical aspect of service sector firms are their contribution to the quality of life in the community. The lack of recreational services motion pictures, health services, social services, museums, religious organizations, auto repair, and other personal services can make the community unattractive as a place to live, leading to net out-migration. This results in a tighter labor market, making it difficult for firms to recruit and retain workers. It also makes it more difficult to attract new firms to the community since these services are a key component of the quality of life of the community.

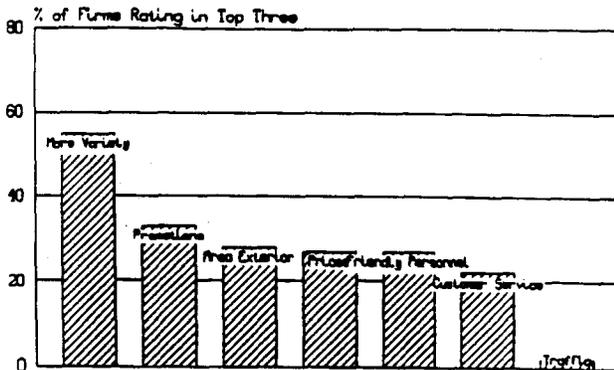
**Survey Results:** Half of the service sector firms view their shopping centers or areas as excellent or good, with 20% rating them only fair or poor (Figure 5).

To improve these Pope County shopping areas, over 20% of the firms cited the following items as means of securing additional business:

- Additional variety of businesses (55%)
- Special events or promotions in the shopping area (33%)
- Improvement in the exterior atmosphere of the area (28%)
- More competitive prices (27%)

More knowledgeable and friendly  
personnel (27%)  
Better customer service (22%)

CRITICALLY NEEDED IMPROVEMENTS IN  
SHOPPING AREAS  
Pope County 1991



Two of the items deal with customer service and can be corrected by additional training of personnel.

Currently, very few service firms share advertising. Yet, 44% of those that reported that they do not currently share advertising indicated they were interested in exploring at least one means of doing this. The most popular means of sharing advertising efforts was promotions and special events (44% of firms), followed by cooperative advertising (36%) and cooperative coupons (22%).

**Recommendation # 1: Promote the Customer Service Training Programs**

Two issues mentioned by 49 percent of the firms as critically needed improvements in the shopping area were better customer service (22%) and more knowledgeable and friendly personnel (27%). The Glenwood Development Commission is planning a customer service training program. The Task Force encourages the promotion of this county wide.

**Recommendation # 2: Establish a Community Pride/ Clean-Up Days**

Since 28% of the firms felt that a critically needed improvement was to upgrade the exterior atmosphere of the area, an initial step will be to set up a community clean up - fix-up days. Before starting this effort a small team will explore what other communities have done along these lines.

**STRATEGY # 5: DEVELOP STRATEGIC PLANS FOR ECONOMIC DEVELOPMENT**

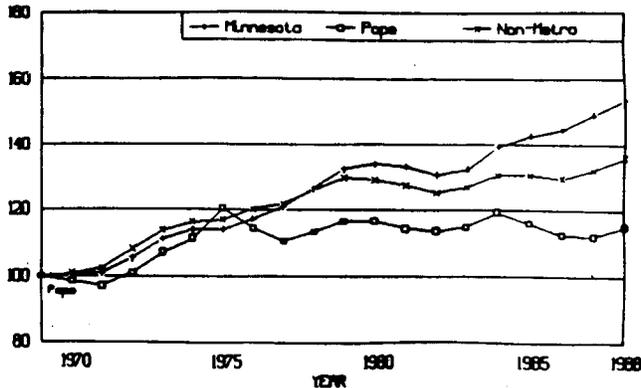
**Overview:** Strategic planning and contingency planning are essential elements of a strong local economic development program. Contingency plans outline reactions that would be taken to react to a major economic problem, such as the closing of a local firm. Strategic planning is forward looking, attempting to outline major steps which can be taken to improve the local economy. To have effective efforts in contingency and strategic planning local leaders must keep a pulse on both the outlook of local firms and changes in the global economy.

**Results from Published Reports:** This section of the report examines major economic trends in Pope county and their implications for strategic plans for community economic development.

Employment in Pope County grew by about 17 percent from 1969 to 1988, considerably slower than other non-metro counties and the state as a whole. However, from 1979 to 1988, its rate of growth was about the same as the non-metro-counties (Figure 6).

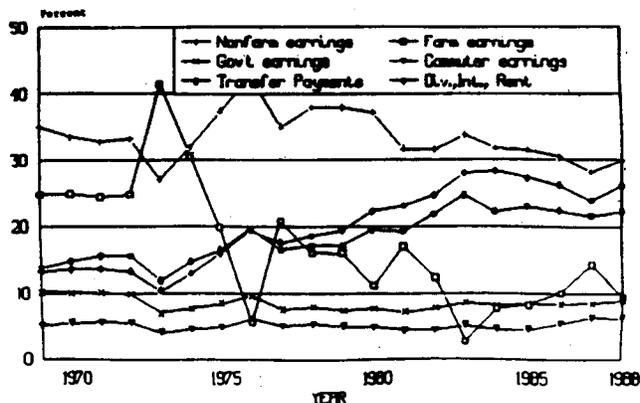
**EMPLOYMENT CHANGES IN POPE CO., MINNESOTA, AND NON-METRO COUNTIES**

Percent Change from 1969 to 1988



The overall structure of the Pope County economy is shown in Figure 7. Nonfarm jobs provided the largest source of income (30%), with dividends, interest, and rents being second in importance (24%) and transfer payments being third in importance (21%). These two passive sources of income account for close to half of the total personal income in the county. Farm earnings and payrolls from government both accounted for 10 percent of the total personal income. Incomes from workers commuting to jobs outside there could add another 5 percent to the total.

**PERSONAL INCOME BY SOURCE 1969-1988  
POPE COUNTY, 1969-88**



Two important changes have occurred in the county's economy over the past two decades. The contribution to personal income of farming has dropped from 25% to 10%. Passive income (dividends, interest, rent, social security, pensions, and welfare) has nearly doubled (moving from about 24% of the total to 45%).

An increasing number of farm operators rely upon off-farm employment to supplement their farm incomes. In 1987 over 25% of the farmers worked 150 days per year off the farm compared to less than 10 percent in 1949.

During the past two decades manufacturing employment has increased about 40 percent or about the same as for other non-metropolitan counties and at a higher percentage increase than the metropolitan counties. Yet, this growth has been very erratic. Given the small base in manufacturing this is not surprising.

Pope County is definitely not a retail trade center in fact on a per capita basis. Its retail sales per capita were lower than any of its surrounding counties. While the per capita retail sales did increase slightly from 1980 to 1988 it still is at the low end of the scale relative to its neighboring counties.

The suggestions in this strategy differ from the others in that most will require a long-term effort in order to achieve them. However, they frequently are the high payoff options that the county faces.

**Recommendation # 1: Develop an Advantage Pope County Program**

Pope County will develop a local version of the Advantage Minnesota Program. While focusing its primary efforts on local firms, this program will also work with firms looking at relocating into Pope County. Working under the coordinating of local development professionals, six teams of 2 or 3 local leaders each will develop in-depth knowledge on the specific location factors that affect the retention, expansion, or attraction of firms. The teams will cover the following areas:

1. Labor and training;
2. Public and private financing;
3. facilities (sites and buildings);
4. public services and taxes;
5. transportation; and
6. living conditions (housing, education, and amenities).

If a local firm had a problem this team will have, or seek, the expertise to help the firm. By working with existing firms, these teams will have a direct positive effect on the local economy. In addition, working with local firms will keep the teams up-to-date on these issues so that they could work efficiently with new firms looking at the county.

The team members will be carefully selected to ensure that they have the current expertise and they will regularly up-grade their knowledge of economic development programs.

**Recommendation #2: Attract "Feeder Companies" to Pope County**

"Feeder companies", defined as those that supply parts or services to

other firms already in the county or region, will be encouraged to locate or to expand. This will be done after the teams listed above are fully operational since the same skills are needed for this effort.

The initial step will be to identify those parts and supplies that existing firms in their region are currently purchasing outside the region. In 8 cases (of a potential 66) manufacturing firms felt that one of their most important inputs could be produced in the county. The merits of doing in-depth feasibility studies on these 8 will be explored.

**Recommendation # 3: Explore Means of Capturing Additional Land Rental Income**

As farm land is inherited by new generations which have moved out of Pope County, the percentage of land that is rented increases. This results in some of the gross returns being sent out of the county almost immediately. Thus, while the income received by local people from farming may be correctly shown in figure 7, this figure understates the potential income from farming.

If it was possible to slow down the escape of the rental income from the county, this will boost the local economy. First, the final destination of the rent and the characteristics of the individuals receiving it will be determined. Then alternatives means of encouraging them to reinvest in the county will be explored.

FIRMS VISITED

Al's Amsoil Supply  
 Amer Business Promotions  
 Andys Fire Equipment  
 Bayside Resort  
 Ben Franklin  
 Bobs Appliance Repair  
 Bonnies Beauty Shop  
 Brownies Tire  
 Brush Stop Beauty Shop  
 C F Industries  
 Corner Drug  
 Country Shanty  
 Cyrus Cafe  
 Cyrus Supply  
 Cyrus Farmers Elev  
 Cyrus Farmers Elevator  
 Dairyland Computer & Consulting Co.  
 Dealers Livestock Equipment Center  
 Dycast Specialties Co.  
 Eco Water Systems Inc.  
 Farmer's Union Oil Co.  
 Food N Fuel  
 Glacial Ridge Eye Clinic  
 Glacial Ridge Hospital  
 Glacial Printing  
 Glenwood Equipment  
 Glenwood Fleet Supply  
 Glenwood Ag  
 Glenwood Bridge  
 Glenwood Development Corp.  
 Gloege Chevrolet  
 Gopher Courier  
 Green Valley Resort  
 Greenfield Farm/Country Inn  
 Grog Shop  
 Hilltop Lumber Inc.  
 Home Health  
 Hoplin Funeral Home  
 Hunt and Hook Camp  
 J & H Realty & Insurance  
 John & Bullock  
 KB Oil  
 KMGK  
 Koob Agency  
 Lakeridge Restaurant  
 Lakeview Construction  
 Lakeview Care Center  
 Larry's Standard

Lowry Telephone  
 Lowry State Bank  
 Maher, Gerald DDS  
 Major's Mini Market  
 Marine Specialties Incorp.  
 Marions Beauty Shop  
 Metropolitan Federal Bank  
 Meyer Shoe Store  
 Micks Barber Shop  
 Milady & Milad Hair  
 Mini-Waska 76  
 Minnewaska House  
 Minnewaska Meats Processing  
 Minnewaska Buckwheat Processors, Inc.  
 Northern States Power  
 Osborne Industries Inc.  
 Pederson's Super Market  
 Philipes Pizza  
 Pope County Sanitation  
 Pope County State Bank  
 Pope County Agency, Inc  
 Pope Co Poultry Processing  
 Ricks Wood Shed  
 Samuelsons Drug  
 Screen Prints Plus  
 Shady Rest Resort  
 Soo Railroad  
 Star Lanes Bowling  
 Starbuck Locker  
 State Bank of Cyrus  
 Steffl Well Co., Inc.  
 Steinbring Ford  
 Stone, John R., Publisher  
 Tanis Aircraft  
 TJ Vintage, Inc.  
 Toms Save-Rite Foods  
 Tony Boons Used Cars  
 Torgys Lounge  
 Total Fab  
 Villard Bait  
 Walkers Country Gardens  
 Waska Wood Resort  
 WC Iron Company  
 Woodlawn Resort & Campground

ADDITIONAL INFORMATION ON  
 ECONOMIC DEVELOPMENT

Call John Caskey  
 Glenwood Development Corp.  
 612/634-3195