

**BUSINESS
RETENTION
&
EXPANSION
Strategies
Program**



**Department of
Applied Economics**

◆
**University
of Minnesota**

PIPESTONE COUNTY

**Summary Report
May 2002**

Sponsored by:



Pipestone County Economic Development Authority
Southwest Minnesota Foundation
Reliant Energy – Minnegasco

UNIVERSITY OF MINNESOTA
Extension
SERVICE

Pipestone County

BUSINESS RETENTION & EXPANSION Strategies Program

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Pipestone County Business Retention and Expansion Program

Every community needs to pay attention to their existing businesses. The Pipestone County Business Retention and Expansion program (or simply BR&E) is a key element in staying in touch with local businesses and developing strong local economic development efforts. While the attraction of new businesses and the encouragement of new business start-ups are important parts of an overall economic development strategy, many communities now recognize the need to do a lot more to assist existing businesses survive and grow.

It is useful to think of Pipestone County and its cities as a provider of input services to firms located here—similar to other vendors that firms use. Just as businesses gain competitive advantage by continuously aligning their operations to provide better service to their better customers, the county and its cities must be looking for ways to provide a better environment for their premium paying customers—businesses. The survey conducted by the Pipestone County BR&E Task Force is a way to get to know the needs and aspirations of Pipestone County's businesses. The survey results are used to develop strategies that help businesses to remain in Pipestone County and expand in Pipestone County.

Objectives

1. To demonstrate to local business that the community appreciates their contribution to the local economy.
2. To help existing businesses solve problems.
3. To assist businesses in using programs aimed at helping them become more competitive.
4. To develop strategic plans for long-range business retention and expansion activities.
5. To build community capacity to sustain growth and development.
6. To identify opportunities to attract support businesses.
7. To encourage cooperation between cities.
8. To identify opportunities for vacant buildings (i.e. Jasper School Building and empty mainstreet buildings).
9. To give equal consideration to communities smaller than Pipestone.

Sponsorship

This program is sponsored locally by Pipestone County Economic Development Authority, Southwest Minnesota Foundation, and Reliant Energy – Minnegasco. Other resources are provided by the University of Minnesota Extension Service – Cluster 11, including Pipestone and Murray Counties.

Pipestone County BR&E History

The Pipestone County BR&E Program started in November, 2000 with a presentation about BR&E visitation to the Pipestone County Economic Development Authority (PCEDA) by University of Minnesota BR&E (U. of M. BR&E) representatives. PCEDA decided to organize a BREV program. From December through February a leadership team and task force was recruited to lead the BR&E project. Matching funds were successfully requested from the Southwest Minnesota Foundation and Reliant Energy – Minnegasco.

In March, 2001 David Bau, Certified BR&E Consultant and Murray County Extension Educator, worked with the leadership team to orient them to BREV and to plan the Pipestone program. In April, PCEDA submitted the application to U. of M. BR&E, which was accepted. The Leadership Team proceeded to select the firms to visit. It decided to target a cross sector of the business community in Pipestone County. The Leadership Team selected a survey instrument with assistance from U. of M. BR&E. The Leadership Team tested it with visits to two firms.

Task Force Recruiting and Orientation

The BR&E leadership team recruited volunteers among Pipestone County community members to perform firm visits. Volunteers included business persons, educators, local government officials, economic development officials and citizens at large. In May, 2001 the Leadership Team conducted the first meetings 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 through September the Leadership Team and Task Force conducted 54 firm visits for a total of 56 visits (including the two practice visits). The total response rate was 67%. Prior to the visits, the Leadership Team sent copies of the survey to the firms. Visitors worked in teams of two and took responsibility for arranging and conducting the interviews.

Red Flag Review

After the surveys were completed and returned, the Task Force met to review each survey and decide on how to handle the immediate follow-up. The Red Flag review is designed to identify and deal with immediate issues or problems discovered during the survey process, without the need to wait for formal analysis of the survey data. Prompt attention to issues raised, even when the issues may be intractable, creates a positive response from survey participants and builds good will.

Research Report Development

The BR&E Leadership Team sent copies of the surveys to the University of Minnesota for tabulation and analysis. Kari Zumhove entered the data into a spreadsheet and word processing files. Michael Darger prepared a summary. At the research review meeting on November 15, 2001, a team of fourteen (listed later in this section) reviewed the results and suggested projects that might

respond to the firms' needs. Michael Darger prepared the Research Report based on the input of the state research review panel and other ideas.

Task Force Retreat

A four-hour retreat was held on March 18, 2002. 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 three 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 Pipestone County BR&E Program

Leadership Team

Jim Achterhoff, Overall Coordinator
Karen Pollard, Business Resources Coordinator
Bill Ellis, Milestone Meeting Coordinator
Erv Pribyl and Al Sheldon, Visitation Coordinators
Mark Fode, Media Coordinator
David Krueger

Pipestone County BR&E Task Force

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

Jim Achterhoff – Mayor of Edgerton
Holli Arp – University of Minnesota Extension Service, Pipestone County
Phil Berg – University of Minnesota Extension Service, Pipestone County
John Biren – SWCD Conservation
Sue Buffington – Holland
Greg Carrow – Carrow's True Value Hardware
Larry Carstensen – Jasper Mini Mall
Paul Dobbs – MN West Community College

Bill Ellis – Mayor of Pipestone
 Mark Fode – County Star
 Duane Hassing – Jasper EDC
 Bud Johnston – Keepers of the Sacred
 Tradition of Pipemakers
 David Krueger – Director, Pipestone
 County EDA
 Betty Lichtsinn – Mayor of Ihlen
 Linda McCorquodale – Minnesota
 Workforce Center
 Rona Moore – Keepers of the Sacred
 Tradition of Pipemakers
 Paul Pierson – USDA Rural Development,
 Worthington
 Karen Pollard – Former Director, Pipestone
 County EDA
 Erv Pribyl – Pipestone Co. Commissioner
 Bonnie Sas – Pipestone County EDA
 Dustin Scholz – Pipestone Good Samaritan
 Village
 Al Sheldon – Ellison Meats
 David Smith – Jasper State Bank
 David Steuart – Buffalo Ridge State Bank
 Jim Sommers – City of Trosky
 Brian Thompson – First National Bank,
 Pipestone
 Paul Ward – Edgerton EDA

Volunteer Visitors

In addition to the Task Force members, the following people also participated in the firm visits: (alpha by first name)

Barbara Heyl	Pipestone City Council
Bill Johnson	First Farmers & Merchants
Brad Karels	Ellison Meats
Carey Bolluyt	First Farmers & Merchants
Clint Sires	Southwest Regional
Carey Bolluyt	First Farmers & Merchants
Carol Scotting	University of Minnesota Extension Service –Pipestone County
Dean Risa	First Farmers & Merchants
Dick Tuinstra	Pipestone
Duane Krueger	Minnesota West Community & Technical College
Elsie Larson	Senior Center
Gene Goddard	Department of Trade & Economic Development

Kari Fruechte	University of Minnesota Extension Service –Pipestone County
Keith Eitrem	Jasper State Bank
Larry Schemmel	Pipestone
Lee Tracy	American Express Financial Advisors
Lisa Livermore	USDA - Rural Development
Lorelei Schelhaas	University of Minnesota Extension Service –Pipestone County
Marlene Trageser	First Farmers & Merchants Bank
Mary Beth Rambow	Ellison Meats
Mavis Larson	Jasper
Mick Myers	Pipestone Chamber of Commerce
Mike Braml	Minnesota Technology, Inc.
Norma Anderson	Jasper
Pat Beyers	Pipestone City Council
Patrick Connelly	USDA – Rural Development
Ryan DeBates	Jasper State Bank
Shirlene Zylstra	Jasper State Bank
Susie Otto	City of Pipestone EDA
Troy Strom	Pipestone City Administrator

Firms Visited

Fifty-six firms were visited. The community greatly appreciates their willingness to help the community understand their needs.

Amdahl Motors
 Bayliner
 Bob Menning Trucking Inc.
 Bornhoft/Pipestone Concrete
 Bremer Bank
 Cargill Inc.
 Carstensen Contracting
 Cas Farrell Implement
 Clothier by Dawn
 CMT Manufacturing Inc.
 Concealite Life Safety Products

Corbin Transport
 Dave Hulstein Excavating
 De Boer Chevrolet Co.
 Eastern Farmers Co-op
 Ellison Meats
 Fey Industries Inc.
 First Farmers and Merchants National Bank
 First National Bank & Trust
 Gannon's
 Glass House Restaurant and Catering
 Global Ventures I
 Gorter Clay & Dairy Equipment
 Hank's Foods
 Historic Calumet Inn
 Jasper Foods
 Jasper Mini Mall
 Jasper State Bank
 Jasper Stone Works
 Jasper Sunrise Village
 Kneip Auto Repair
 Lange's Café
 Lingen Service Center
 M & M Distributing Company
 Meulebroeck Taubert & Company
 New Life Treatment Center
 Pepsi Cola Bottling Company
 Pipestone County Medical Center
 Pipestone Ford
 Pipestone Products
 Pipestone RV Campground
 Prins Grain Company
 Rustrap Manufacturing Company
 S & S Truck Repair
 Scott's Repair
 Skelly's Meat Market
 Snyder Drug Store
 Southwest Office Supply
 Sturdevant's Auto Supply
 Trosky Tree House
 True Value Hardware
 Viland Implement Inc.
 Ward Tax Service
 Wassink Electric
 Wilson Manufacturing Company
 Woodstock Telephone Company

BREI Certified Consultant

David Bau served as the Certified BR&E Consultant to the project. This includes coaching and advising the local Leadership Team; conducting training sessions with the Leadership Team, task force, and firm visitors; and facilitating quarterly implementation meetings when the Task Force moves into implementation.

Research Review Panel

The panel reviewed the tabulated survey results and suggested potential actions that might be taken by Pipestone County leaders in response to local firm concerns. The participants were:

Pipestone County BR&E Task Force:

- Bud Johnston, Keepers of the Sacred Tradition of Pipemakers
- Linda McCorquodale, Southwest Minnesota Private Industry Council
- Paul Pierson, USDA Rural Development
- Karen Pollard, Pipestone County Economic Development Authority

University of Minnesota:

- Marian Anderson, Association of Minnesota Counties and U. of M. Extension Service
- David Bau, U. of M. Extension Service – Murray County
- Michael Darger, U. of M. Department of Applied Economics
- Paul Glewwe, U. of M. Department of Applied Economics
- Stephanie Guess-Murphy, U. of M. Department of Applied Economics,
- Joyce Hoelting, U. of M. Extension Service – Administration

Minnesota State Agencies:

- Connie Ireland, Minnesota Technology, Inc.
- Bob Isaacson, Minnesota Department of Trade and Economic Development
- John Lavine, Minnesota Department of Planning
- Kyle Uphoff, Minnesota Department of Economic Security

Pipestone County's Economic Profile

An economic profile of Pipestone County was prepared for use by the Task Force at its March 18, 2002 retreat. This profile gave an overview of population, income, and employment trends in the Pipestone County area. The profile is included in the Pipestone County BR&E Research Report, which is available for review at Pipestone County Economic Development Authority or from a Task Force member.

Briefly, Pipestone has lost significant population over the last twenty years. This is a trend similar to its neighboring counties with the exceptions of those counties with larger cities. Those counties have seen stable or increasing populations. Pipestone's per capita income has slipped with respect to its ranking among Minnesota counties and even more compared to its neighboring South Dakota counties.

BR&E Survey Results

Following are the results of the survey of 56 firms by Pipestone County community leaders during May through September of 2001. The firm characteristics are summarized first, followed by priority projects selected by the Task Force. Survey results related to those projects are included in this summary. Additional survey results are in the Research Report.

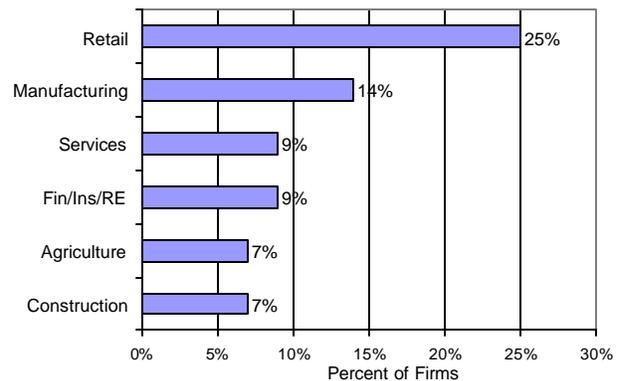
Characteristics of Firms Visited

The Pipestone County Leadership Team determined the target list of firms to visit in the following manner. The 38 manufacturers in the county were all selected as were the largest 30 non-manufacturing employers. Then, the remaining firms were sorted by community. Smaller communities with just a few businesses had all of their firms remain on the list. Larger communities were asked to select firms and the mayors were given the list for their community and asked to meet with the Leadership Team to help in the process. They tried to include mid-sized

firms, other firms that weren't typically in contact with PCEDA, and an overall variety of firms. For example, if there were two car dealers in a town they would only interview one. The final list included 83 firms.

Fifty-six firms were visited during May through September 2001 (67% response rate). The firms visited represent a sample of 18 percent of the businesses in Pipestone County (approximately 311 firms, as listed in State and County *Quick Facts*, www.census.gov). These firms employed 1360 full-time persons and 382 part-time people. Twenty-five percent of the firms are retailers followed by manufacturers (14 percent); finance, insurance, and real estate (9 percent); services (9 percent); agriculture (7 percent); construction (7 percent) and several other categories each with less than five percent of the sample (see Figure 1).

Figure 1: Firms Visited by Largest Categories
Pipestone County, MN, 2001



Seventy percent of the firms are locally owned. The largest number of firms are closely held corporations (66 percent) and sole proprietorships (14 percent), but there are also public corporations (7 percent), partnerships (4 percent), and other (7 percent).

Overview of BR&E Projects for Pipestone County

Profits are the key to the retention and expansion of firms. While the owners of a firm might be attracted to an area because it is a nice place to live or to raise a family, a firm can only survive if it makes a profit. The owners may be loyal to the community

due to emotional ties, but if there are impediments to profitability they will close or move their business to another community.

Making a profit is the responsibility of firm management and its employees, not community groups or governments. However, the actions of these groups can sometimes help firms become more profitable, and those actions can thus provide a competitive advantage to the communities that employ them. The projects outlined below are aimed at helping firms become more profitable and thus able to survive and grow in the community:

Pipestone County BR&E Priority Projects:

1. Retain youth after secondary and higher education and entice former residents and graduates to retire in the community
2. Introduce Pipestone to the international tourism market and increase tourism promotion overall
3. Expand computer technology education offerings and participation.

Priority Project #1: Retain youth after secondary and higher education and entice former residents and graduates to retire in the community

Until recently, for several years labor availability was a chronic problem throughout Minnesota and the nation due to very low unemployment rates. Pipestone County was no exception to the problem. The survey data shows the problem especially since most of the surveys were done last year before the economic downturn and the events of September 11th. Nevertheless, with Pipestone County’s long-term loss of population and the increasing age of its residents, the Task Force

determined that it had to take action on this front.

Related Survey Results

The firms were asked to compare their community to the communities of their competitors. The firms define the competitor communities. Among a list of various business factors the local communities were rated as about the same or slightly worse or better than the "competitor" communities. Aside from "four-lane highway" and "airport facilities", the worst grade from the Pipestone County firms was assigned to "availability of labor" (see Table 1). This becomes more important as a consideration since the firms ranked the availability of labor as by far the most important factor in location decisions.

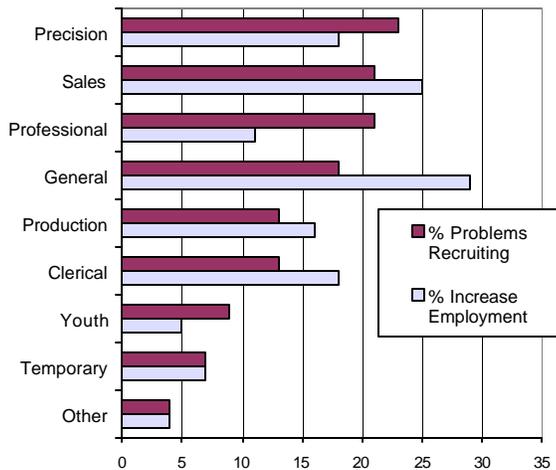
Table 1
Compare Your Community's Business Factors to Competitors' Communities (1 = much more favorable, 3 = the same, 5 = much less favorable)
 * = Average score

	Much More	2	About Same	4	Much Less
	1		3		5
Quality water			*		2.76
Avail. Industrial sites			*		2.84
Quality telecomm.			*		2.88
Avail. housing			*		2.90
Avail. raw materials				*	3.13
Avail. credit				*	3.14
Avail. labor				*	3.26
Airport facilities				*	3.32
Proximity of 4-lane highway				*	3.53

The firms reported difficulty in recruiting workers. For instance, 23 percent are having trouble finding precision production/specialty skills workers. Twenty-one percent are having problems recruiting sales and professional/management employees. Eighteen percent are having difficulty recruiting general labor (see Figure 2). Since over eighteen 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 115 additional people within that period. This would be an 8.5 percent increase on the base of 1360 full-time jobs at the firms.

Meanwhile, at the state level, according to the projections of the State Demographer and the Department of Economic Security the availability of labor problem does not seem likely to go away anytime soon.

Figure 2: Percent of Firms with Recruitment Problems and Planning to Hire, Pipestone County, MN, 2001



Project plans:

There are two components to the project: Business Objective A – Retaining youth who go elsewhere for post secondary education.

Business Objective B – Enticing former residents/graduates to retire in Pipestone County.

Business Objective A involves trying to connect local youth with opportunities that connect them to the community for the long term. The question here is how to have young people get higher education elsewhere and then return to Pipestone communities to live and work.

- Initiative #1 – Have local youth identify their future desires for employment opportunities and social activities
- Initiative #2 – Have local youth identify desires for future wages and benefits
- Initiative #3 – Have local youth identify desires or expectations for future housing needs

Business Objective B poses the question how to entice former residents or graduates

that are now retired to return and live in Pipestone communities.

- Initiative #1 – Conduct a survey of former graduates to determine what it might take to have them return to our communities to live
- Initiative #2 – Survey people that have actually moved back to the region to live after retirement
- Initiative #3 – Conduct a marketing campaign to sell Pipestone communities to these types of people

The following project team will provide leadership: Jim Achterhoff, Bill Ellis, David Smith, and Jim Sommers. By coincidence they are the mayors of four Pipestone cities. For more information or to get involved please contact one of these people.

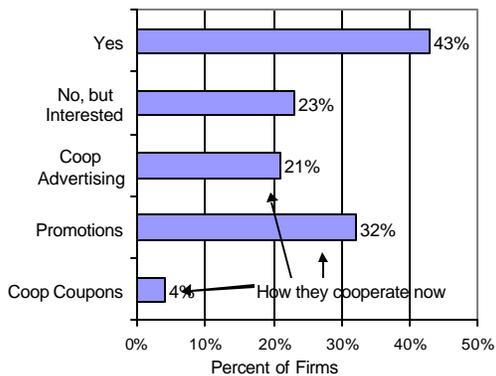
Priority Project #2: Introduce Pipestone to the international tourism market and increase tourism promotion overall

Several members of the Research Review Panel noted Pipestone's tourism potential. Because of its location on the Great Plains, the Pipestone National Monument, and its location relatively near Interstate Highways 90 and 29 there is an opportunity. An opportunity to attract more visitors, Americans and international visitors, to the area. To the extent that these visitors can be persuaded to spend their money, Pipestone would increase its "exports". This would be valuable because it would increase the dollars captured from beyond the local market.

Related Survey Results

There were no questions in the survey instrument specifically regarding tourism yet some related information emerged from the survey and a related study. Forty-three percent of the firms share advertising expenses for the promotion of their district (see Figure 3). An additional 23 percent of the firms were willing to explore cooperative advertising as an option.

Figure 3: Cooperative Advertising for Business District, Pipestone County, MN, 2001



A very valuable source of fresh primary information on the tourism potential in the city of Pipestone is the *Study of Current Area Tourists: Customer Profiles - Pipestone*. This was prepared by the University of Minnesota Extension Service Tourism Center and presented at the Pipestone Chamber of Commerce in February, 2002. It is available at their website, www.tourism.umn.edu or in Appendix 6 in the Pipestone County BR&E Research Report.

Project Plans:

There are several possible ways identified to promote Pipestone County as a tourism destination. Here is a preliminary list of ideas:

- Advertise to the international market in the Minnesota Store at the Mall of America.
- Look into combining advertising efforts with the South Dakota tourism booth within the Mall of America.
- Work with tribal casinos to promote the Native American events within their area and to promote the area's historical significance to tourists. This may include bus tours and ethnic events that people are specifically seeking.
- Create a master list of events in the area and coordinate future events to promote tourism, especially those events that would promote more than a one-day stay. The intent is to induce people to stay for an extra night's lodging.

- Work with local stores and vendors to stay open longer during major events such as the Song of Hia watha Pageant. Find more vendors to draw visitors downtown as well.
- Begin and support projects such as the "Highway 75 project" promoting events associated with towns on Highway 75. This could also include the "diamond marketing plan" to draw tourists off of Interstate 90 from Luverne and bring them to Pipestone. The return route to I-90 would be via Highway 23, then to Highway 269 which becomes South Dakota 11 through Garretson, SD (home of Devils Gulch). This could tap into the tourist traffic going to the Black Hills.
- Find international publications on tourism to promote the Native American culture in the Pipestone area, the significance of the Pipestone National Monument, and the world famous pipestone rock quarry, which Native Americans use to create sacred ceremonial pieces.

These individuals will provide leadership to the project: Bud Johnston, David Krueger, Rona Moore, Erv Pribyl, and Paul Pierson. For more information or to get involved please contact one of these people.

Priority Project #3: Expand computer technology education offerings and participation

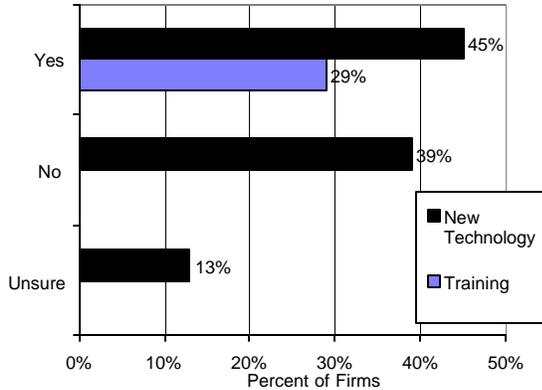
The Research Review Panel and the Task Force both discussed the need for Pipestone businesses and residents to embrace computer technology because of its potential for improving the economic prospects for the county. Increased participation in computer technology education was seen as a key way to make this happen.

Related Survey Results

Forty-five 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 (29 percent) predict that the employees will

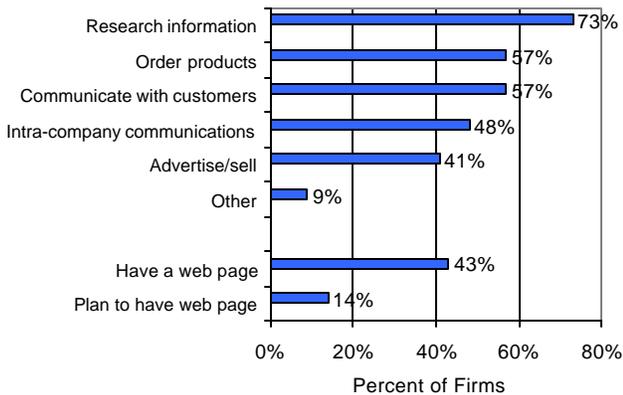
need retraining to prepare for the technology changes (see Figure 4).

Figure 4: Firms Predicting Major New Technology and Required Training, Pipestone County, MN, 2001



The firms use the Internet for a variety of business reasons including researching information (73 percent), purchasing, and selling (each 57 percent). Forty-three percent have a Web page and an additional fourteen percent intend to have one (see Figure 5).

**Figure 5: Internet Use by Firms
Pipestone County, MN, 2001**



Project Plans:

The goal is to increase the number of training opportunities and the knowledge of current training opportunities for business owners and employees in Pipestone County.

Through a collaborative effort concentrated mailings will be sent to business owners highlighting the resources and opportunities that currently exist through Community Education, Minnesota West, the University of Minnesota Extension Service, etc. Upon recommendations and interest from community leaders, and input from local businesses, the team will collaborate to provide two new training sessions focusing on "How to Grow My Business."

The committee for this project includes: Holli Arp, Paul Dobbs, Bonnie Sas, Brian Thompson, and Paul Ward. For more information or to offer assistance please contact one of them.



The Task Force selected the priority projects. This summary report was written by Michael Darger from the University of Minnesota Department of Applied Economics. This publication is available in alternative formats upon request. Please contact Michael Darger at 612-625-6246. The University of Minnesota is an equal opportunity educator and employer.