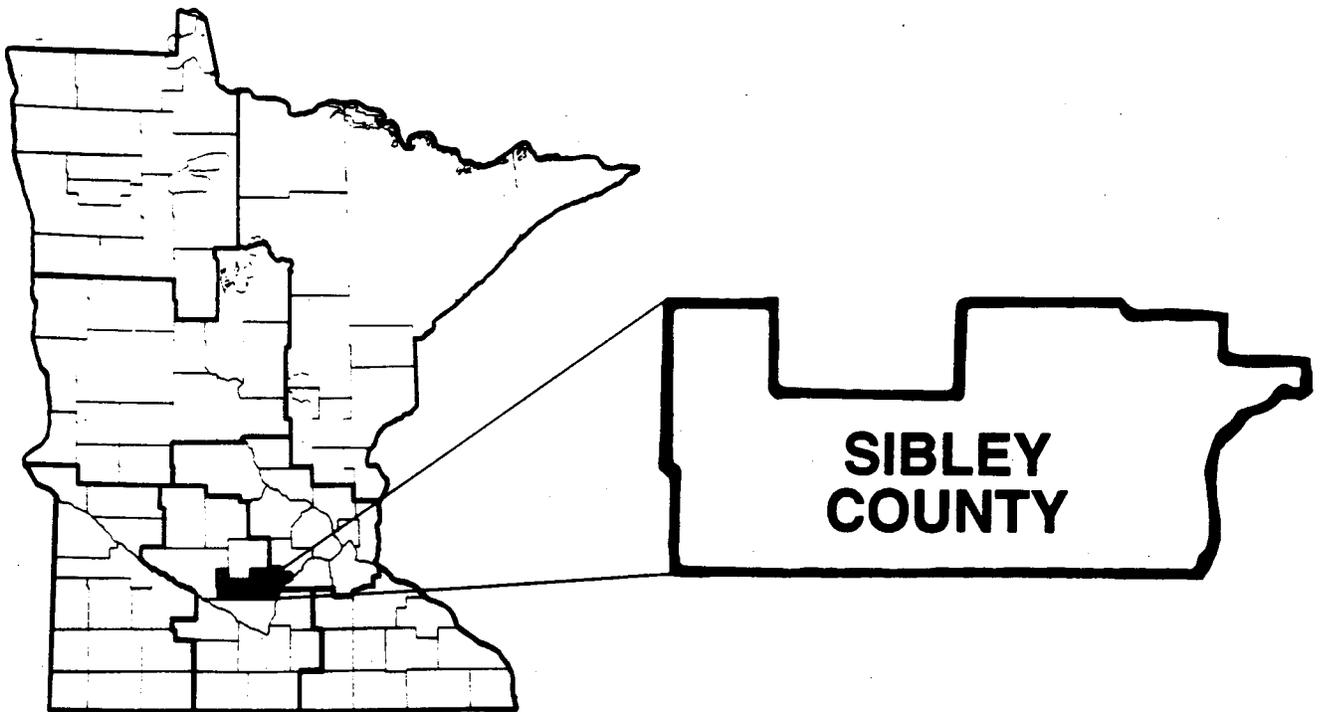


BUSINESS RETENTION AND EXPANSION STRATEGIES PROGRAM SUMMARY REPORT 1991



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

**Local Sponsors are:
Sibley County Economic Development Commission
and Sibley Office of the Minnesota Extension Service**

THE SIBLEY COUNTY BUSINESS RETENTION AND EXPANSION (BR&E) STRATEGIES PROGRAM was a partnership between the Minnesota Extension Service at the University of Minnesota, the Sibley County Economic Development Commission, and the Sibley County Office of the Minnesota Extension Service. The program had three primary objectives. They were:

- 1) to demonstrate the community's pro-business attitude;
- 2) to assist, as possible, with the individual concerns of local firms; and
- 3) to develop community programs to address those concerns mentioned by a number of firms.

Demonstration of a pro-business attitude is essential to the retention and expansion of existing businesses. Businesses appreciate knowing that community leaders value their economic contributions and a pro-business attitude signals that local officials will collaborate closely with them on future expansions. This objective was achieved by 40 community leaders personally visiting 80 firms in the county during April and May 1991.

After the visits to firms, the Task Force explored ways to help each of these firms with their concerns. All 80 firms were sent information that was requested in the interviews with many being recontacted by appropriate officials. A special brochure was developed for Sibley County employers giving contact persons, phone numbers and addresses for key agency services.

The University of Minnesota analyzed the survey data and presented "suggested recommendations" to the Sibley County Task Force. This

group then developed the action recommendations shown in this Summary Report. The full Final Report, with all of the data and results, is available on loan from the Sibley County Extension Office. Each of the BR&E Task Force members also has a copy of the full report.

The success of the BR&E Strategies Program is a result of the leadership and hard work of many local leaders in county. The leadership team included: Bob Bullemer, Darrel Mosel, Wes Judkins, Jory Isakson, Jim Nichols, and Sue Engelmann. This team, plus the thirty-nine member Task Force, provided the core leadership for the project.

Characteristics of Firms Visited:

The Task Force decided to survey all local manufacturing firms and the larger non-manufacturing firms in this years program. Nearly three fourths of the firms (72%) were in services sectors (including retail/wholesale trade, transportation/utilities, and services) with the rest (28%) in manufacturing and construction. Yet nearly two-thirds of the fulltime jobs covered by this survey (63%) were in manufacturing and construction rather than the service sectors. More details on the firms are in the full report.

Priority Strategies:

The Sibley County Business Retention and Expansion Task Force considered five strategies for encouraging the economic development in the county. Each of these is described below along with the survey results and related recommendations. These priority recommendations will be addressed as there are resources to accomplish them. Leadership teams are being formed to tackle each of these issues. Community leaders wishing to contribute time and talent to the

implementation of these recommendations are encourage to contact any member of the Leadership team.

STRATEGY # 1: IMPROVING THE COMPETITIVENESS OF SIBLEY COUNTY FIRMS BY SHARING INFORMATION ON DEVELOPMENT PROGRAMS

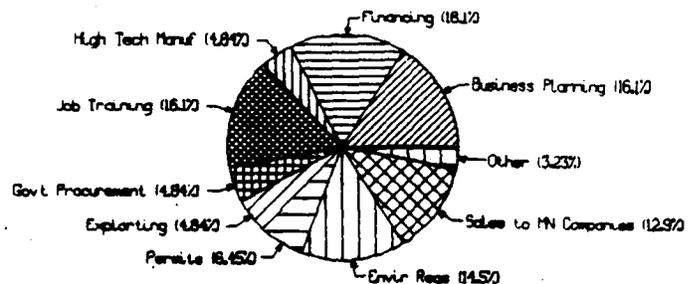
Strategy Overview: Nationally, businesses of all types are facing greater competition, both from international firms and from firms within the region. To become more competitive, firms must either reduce their costs per unit or increase their quality. The major sources of cost reduction are new technology, improved management, higher labor productivity, better labor-management relations, and lower input costs. Many firms, especially small-to medium-sized ones, have a difficult time keeping informed of the development programs available. Through the BR&E program, local leaders can provide firms with current information about these programs, and also serve in an ombudsman role.

Survey Results: Sibley County firms were already taking major steps to remain competitive. Further, there were 141 information request on programs, with over 40 percent coming from manufacturing firms. The topics most frequently requested was financing, business planning, permits, environmental regulations, job training and sales to other Minnesota companies. Given these results the Task Force made the following recommendations:

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

In Sibley County the three most frequently requested types of additional information were on business financing, business planning, and job training (See Figure 1).

INFORMATION REQUESTS -- MANUFACTURING Sibley County, 1991



To prepare programs on these, proposals will be solicited from a number of educational institutions.

A small team of local leaders will be designated to provide leadership for the implementation of this recommendation. Institutions willing to provide assistance should be asked to meet with this team to describe the type of assistance they will provide to local firms in Sibley County.

Recommendation # 2: Create an "Eggs & Issues" Business Forum

On a quarterly basis, a breakfast program will be held for local businesses on issues of importance to the business community. These meetings will feature: 1) economic development practitioners from other communities that have used a novel approach to economic development, 2) staff from state and federal development programs, 3) local leaders with expertise in particular business topics.

Recommendation #3: Continue and Expand County-wide Economic Development Staff

Keeping firms abreast of the newest state and federal programs is a demanding job. While volunteers can do a lot to help on this task, volunteers alone are seldom adequate for doing a timely and professional job. When this duty is combined with the implementation of the other tasks in economic development, this requires professional staff. The Task Force encourages the Sibley County Economic Development Commission to continue its professional staff and its on-going exploration of the needs for additional staff.

STRATEGY #2: EXPANDING THE SUPPLY AND QUALITY OF THE SIBLEY COUNTY LABOR FORCE

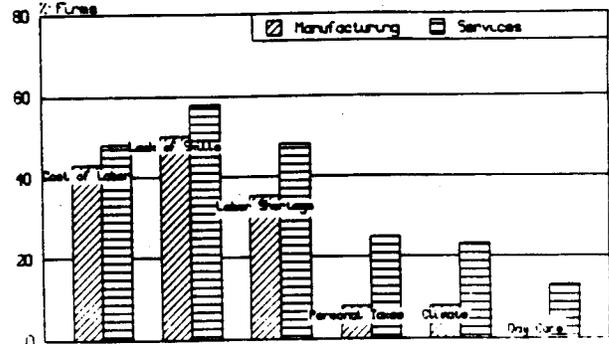
Strategy Overview: In order to attract new firms to the community and to help existing firms become more competitive, the county needs to continually up-grade the quality of its existing labor force and expand the supply. Without an adequate supply of skilled labor neither existing nor new firms can expand in the county. One means of expanding the local labor supply is up-grade skills of existing employees. Given the location of the county and the commuting possibilities, an increased understanding of the current supply and demand for labor is needed to establish a sound policy.

Survey Results: Labor skills and availability were seen as important factors in firm decisions to remain, expand or to relocate out of Sibley County. In fact, for manufacturing firms labor availability was rated

second of 20 factors and labor skills was rated fourth. Two thirds of the manufacturing firms reported problems in recruiting employees and 57 percent reported problems in retaining some classes of employees, particularly for machine operators and handler/ laborers. Retail firms experienced even greater problems in recruiting, with 70 percent having some difficulties. Service firms experienced the greatest difficulties in hiring professionals, retail sales personnel, service personnel, and technical skilled personnel.

Both manufacturing and service firms cited the lack of skills as the major reason for their difficulties in recruiting or retaining labor. This was followed by the cost of labor (See Figure 2).

REASONS FOR DIFFICULTIES IN RECRUITING LABOR
Sibley County, 1991



In contrast, firms reported the most important personnel issues to be rising labor costs, labor training, employee health benefits, and then lack of appropriate skills. With these concerns, it is not surprising that 22 firms requested information on job training. Job training is an alternative means of increasing both the supply and quality of skilled labor. Given these findings from the survey of firms, the following recommendations were adopted by the

Task Force:

Recommendation # 1: Upgrade the Job Skills of Existing and New Employees

Firms have the opportunity to adopt a lot of new technology, ranging from new computer programs for word processing and financial management to programmable automation and robotics. As these technological changes occur, the skills of existing employees need constant up-dating. Without this up-dating, employers can not easily adopt new technology.

The agencies providing educational assistance on labor training will be asked to help develop a program for up-grading the skills of both local employees and younger workers just entering the labor force.

Many small firms can not afford to pay the employees during training time and the employees can not afford to take time off from work while doing job training. A sub-committee will explore the possibility of a outside funding to help cover the employee wages during this training. Possibly the grant could cover a part of the training and wage costs while the employer and employees each cover a part of these costs.

Recommendation # 2: 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 institutions 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. School/business partnerships have been instrumental in identifying curriculum changes that can benefit local firms.

The first step in this process will be for a special committee to explore what other communities have done in school business partnerships. This committee would include representatives from both educational institutions and the business community.

Recommendation # 3: Establish Internship Programs in Community Businesses

In order to stimulate interest among youth in working in Sibley County, existing firms will be invited to set-up internships for short periods. These should be aimed at all types of students, not just those that are non-college bound or having difficulty in high-school. The purpose of the program is to give them an opportunity to learn about local businesses, with the hope that they would become interested in working in some of the local firms. Requests for assistance in exploring

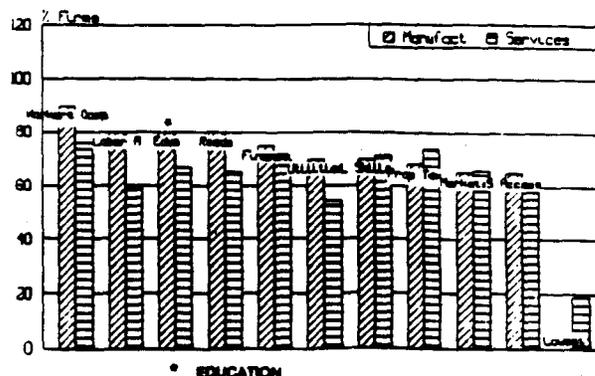
this should be sent to the National Center for Research Vocational Education and the Center for School Change at the University of Minnesota

important. In fact, education ranked as the second most important factor for manufacturing and the sixth most important factor for service firms(See Figure 3).

STRATEGY THREE: IMPROVE THE QUALITY OF LIFE IN SIBLEY COUNTY

IMPORTANCE OF LOCATION FACTORS
Sibley County, 1991

Overview of Strategy: Quality of Life is one of the major factors in the location decisions of firms and their decisions about reinvesting in a community. 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.



Some private location firms do not recommend communities which have inadequate quality of life. 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 lowest cost location.

Roads were rated second in importance by manufacturing firms but ranked only eighth with the service firms. Other public services and the environment were not rated as high by local firms.

Communities can directly influence many of these aspects and can also reduce the costs to businesses of attempting to have these problems corrected. A community's strategic plans for economic development must include a careful consideration of these quality of life factors.

The general picture from these survey results is that local firms are relatively satisfied with local public services with no overwhelming problems. However, in 32 cases firms cited these public services as either poor or very poor. The most serious problems were mentioned with sewers, solid waste and water. The following recommendations were adopted:

Results Related to Quality of Life: Quality of life aspects are important location factors for Sibley county firms. When asked "What importance do you give the following factors in considering remaining, expanding or relocating? ", over sixty percent of the firms rated local quality of life factors as either very important or

Recommendation # 1: Identify Unique Features of Sibley County

Every community or county likes to be known for something unique. The Task Force should ask: "What is Unique about Sibley County that would make it a place people want to live, work or visit?" Some of the results from this survey will be helpful in answering this question. The Tourism

Center at the University of Minnesota might also be able to provide some assistance on this.

Recommendation # 2: Publicize High Ratings for Selected Public Services

Sibley County firms rated several public services very highly. These included: fire protection, utilities (electrical and natural gas), schools, and emergency medical systems. This information can be used in mass media stories for the benefit of local citizens and firms and in promotional materials in industrial attraction programs. It should be supplemented with objective data on the nature and quality of these services.

STRATEGY FOUR: PROVIDE ASSISTANCE TO RETAIL AND SERVICE SECTOR FIRMS

Overview of Strategy: Service sector industries include all businesses except those in farming, mining, construction, and manufacturing. Service sector firms are critical aspects of the local economy in two 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. This makes 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.

Results Related to Strategy Four: Nearly half of the service sector firms (48%) view their shopping centers as average to poor. In order to understand those aspects of shopping centers that might be enhanced, service firms were then given a list of 15 items and asked which are the most critically needed improvements for their shopping center in order to retain and/or expand retail businesses.

Over 20% of the firms cited the following items as means of securing additional business: 1) exterior atmosphere of area (40%), 2) special events or promotions in the shopping area (25%), 3) better customer service (22%), and 4) more knowledgeable and friendly personnel (20%). Note that two of the items deal with customer service and can be corrected by additional training of personnel.

The most common means of advertising among the service sector firms is in the weekly newspapers, followed by weekly shopper news, direct mailing and the yellow pages. Currently, very few service firms do joint advertising. Yet, 64% of those that reported that they do not currently share advertising indicated they were interested in exploring at least one means of doing this.

Task Force Recommendations: After considering the changes in the service industry and their survey responses, the task force adopted the following recommendations:

Recommendation # 1: Programs on the Changing Demographics of Sibley County and the Development of Special Market Niches

The Task Force feels that Sibley County retail and service firms are unlikely to be able to compete with the Metro area malls on price or variety. Rather, Sibley county firms must compete on service and quality in specialized market niches. In order to select a profitable specialized niche, local retail and service firms must understand the changing nature of their customers. As the population shifts, it is essential to tract these changes in order to adjust the services and products offered. With the release of 1990 Census data there is a wealth of new information available. The Task Force recommends that a series of meetings on the changing demographics of Sibley County be held for retail and service firms, as well as other community leaders.

Recommendation # 2: Develop Cooperative Efforts and County-wide Workshop for Retail and Service Firms

Consumers are demanding variety in their selection of goods and services. This often puts stores in small communities at a disadvantage. Customers are more likely to be attracted to a wide selection within a limited number of merchandise lines than a more limited choice over many different types of merchandise. If this specialization is done, there are advantages to joint advertising with other stores in the shopping center. Increased traffic to a particular shopping center can benefit all. Further, even two competing shoe stores in the same shopping center are likely to benefit

from pulling in customers that might otherwise go to a larger trade-area center in order to capture a wider selection.

Twenty eight firms indicated a willingness to share advertising expenses. Further, 25% of the firms indicated that special events and promotions were critically needed events for their shopping center. These firms will be pulled together for a discussion of the ways that they could do this. In order to justify high quality programs for retail and service firms, county wide efforts will be undertaken to explore the common concerns of the retail firms. This will provide for the critical mass needed to justify programs which could not be done on a community by community basis.

Recommendation # 3: Sponsor Workshops on Customer Relations

Poor customer relations is the major reason customers stop using a particular store. Since additional traffic in a particular store in a shopping center increases the probability of trade in other stores, all stores in a shopping center are hurt by poor customer relations in a given store.

Survey respondents cited this area as one of the most critically needed area for improving shopping centers. Customer relations training programs should be set-up for the local firms to help employees approach customers in a more friendly and knowledge fashion.

STRATEGY FIVE: DEVELOPMENT STRATEGIC PLANS FOR LOCAL ECONOMIC DEVELOPMENT

Strategy Overview: Strategic planning and contingency planning are essential elements of a strong local economic development program. Contingency plans outline reactions that would be taken in the event of 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.

Results from BR&E Survey: Manufacturing firms were asked to name their three most important raw materials, supplies, or services that are used as inputs in their business. When asked what percentage of these they purchased outside the county, they reported an average of 27%. For seven of these inputs (11% of potential responses), the firms felt that it might be feasible for the input to be economically produced within the county.

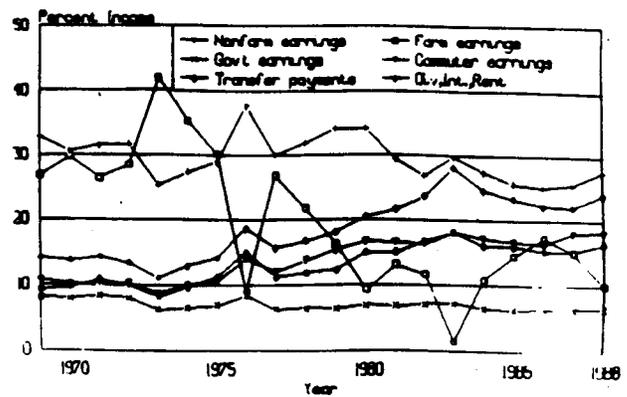
Economic and Demographic Trends: In addition to the data from the business surveys, it is desirable to consider the economic trends before developing recommendations for strategic planning.

In 1988, services (which includes transportation firms, utilities, wholesale and retail trade, finance, insurance, real estate, health care, business services, and religious organizations) employed the most people in the county. Farming employed the second most number of people, followed by goods producing firms (includes construction and manufacturing), and then by government. Sibley County, however, is not a retail trade center and the

data suggests it is losing ground in this area. Only the eastern part of the county has a growing population, due largely to commuting to the Twin Cities.

Three major changes have occurred in the Sibley County economy during the past twenty years (See Figure 4).

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



First, while still important, farm income dropped from about 30 % of the total in the early 1970s to around 10% in the 1980s. Further, over 25 percent of the county's farmers work over 100 days off the farm. Second, commuter earnings has nearly doubled (10% to nearly 20%). And third, passive incomes (transfer payments and dividends, interest, and rents) have grown from just under 25% of the total to about 40 percent of the total. Based on these data, the Task Force makes the following recommendations:

Recommendation # 1: Explore Improved Transportation from Metro Area to Sibley County as Means of Increasing Population Growth

Without additional population growth, service firms in Sibley County are unlikely to see growth and

might even experience declines in sales. The eastern part of the county is growing, taking on the character of the suburbs of the Twin Cities. Yet, overall the county population is declining.

People are naturally drawn to the open spaces and rural character of a county such as Sibley. If the commuting time between Sibley County and the metro area was shortened, via some system of improved transportation, this would stimulate additional population growth in the county.

A committee will be established to explore alternative means of cutting the commuting time to the Twin Cities, including alternative forms of mass transit. As a bedroom community of the Twin Cities, the county has considerable potential for additional growth.

Recommendation # 2: Explore Feasibility of Attracting Value-Added Agricultural Processing Plants

Given the abundance of agricultural land and products, Sibley County appears to have a comparative advantage for agricultural processing plants. The Task Force recommends that a team be assembled to study the feasibility of different types of value-added agricultural processing plants.

As an initial step in this process, the team could solicit assistance from the University of Minnesota's Department of Agricultural and Applied Economics and the Minnesota Department of Agriculture.

Recommendation # 3: Attract "Feeder Companies" to Sibley County

"Feeder companies", defined as those that supply parts or services to other firms already in either the county or the Twin Cities metropolitan area, will be developed or encouraged to expand.

The first step would be to identify those parts and supplies that existing firms in this region are currently purchasing outside the region, starting with data from the BR&E survey. Then feasibility studies will be done on the top candidates to ensure that the county is an economically viable location for this type of industry.

The team established to work on this issue will send a request for proposals to the University asking for help in this process.

Additional Recommendations Considered: A number of additional recommendations were considered. These important issues are likely to need attention in the future: studying child care options, developing economic development programs with greater youth involvement, developing a rural technical assistance program, and providing information on means of cutting individual firm costs on workers' compensation.

CONCLUSIONS: Communities that work with their existing businesses tend to grow more rapidly than those that only attempt to attract new ones. Based on the survey of 80 Sibley County firms, the BR&E Task Force identified steps to work with our existing firms as well as to attract new ones. Individuals wishing to contribute to these efforts can contact leadership team members.

BR&E LEADERSHIP TEAM

Bob Bullemer	Retired Business Owner	SCEDC Executive Committee
Sue Engelmann	County Extension Agent	
Jory Isakson	Development Director	Gibbon Economic Development Authority
Wes Judkins	Economic Development Director	Region 9 Development Commission
Darrel Mosel	Farmer	SCEDC Business Retention Committee
Jim Nichols	Sibley County Economic Development Director	Sibley County Economic Development Commission

COUNTY WIDE TASK FORCE

<u>Member</u>	<u>Employment</u>	<u>Public Office</u>
George Anderson	Retired County Hwy. Engineer	
John Bach	Farmer	County Commissioner
Robert Bade	Farmer	County Commissioner
Leo Bauer	Farmer	County Commissioner
Donald Becker	Farmer	County Commissioner
Roger Becker	City Maintenance	Mayor
Dan Bergner	Social Services Director	
Tim Dolan	County Extension Agent	
Mike Drydahl	Pastor	
John Foley, Jr.	Hardware Store Owner	Mayor
Dennis Graham	Postal Clerk	
Irene Grochow	Business Owner	SCEDC
Deb Hanson	Newspaper Owner	
Dick Hebeisen	Real Estate	
Dan Hislop	Community Ed/Teacher	Star City
Tom Homme	RCM	HRA
Jerry Howe	Business Owner	Mayor
Jory Isakson	Law/Real Estate	Local Economic Dev.
Arnold Johnson	Banker	
Arden Kreft	Cabinet Maker	Mayor
Pat Kroels	Farmer/Housewife	
Kevin Lindstrand	Accountant	
Pauline Marlinski	Business Owner	
Dennis Mead	Probation	
Louis Melius	Retired	Mayor
Virgil Nelson		
Deb Noll	County Extension Director/Agt.	
John Ohlemann	Banker	
Gordon Ostermann	Retired Maintenance Person	Mayor
Bert Pautsch	Business Owner	
Mavis Pautz	Public Health Staff	
Chuck Pettipiece	City Economic Dev. Director	
Arnold Prince	Superintendent	
Steve Renquist	City Administrator	
Don Schwecke	Farmer	County Commissioner
Connie Siebenbruner	ECFE Coordinator	Mayor
Arlen Sneltsjes	Dentist	Mayor
Larry Sorenson	Banker	
Mary Wisch	Former Business Owner	

FIRMS VISITED

Ag Land Coop
Agri-Fleet, Inc.
Alvin Bartel's Truck Service
A & M Processing
American Plastics
Arlington Building Center
Arlington Concrete Products, Inc.
Arlington Enterprise
Arlington Haus
Arlington Hospital
Arlington Service Center
Battcher Electric, Areo
Elec. Construction
Beany's Main Inn
Big Stone, Inc.
B & R Plumbing & Heating, Inc.
Brau Motors
Closing the Gap
Coast to Coast
Conklin Auto
Conklin Nursery
Country Corner
Crop Production Services
Crystal Foods (Waldbaums)
Dale's Foods
Dueber's
Eastside Ford
Eckert Supply Co.
Fullerton Building Center
Gaylord Feed Mill
Gaylord Hub & Publishing
Gaylord Metal Products, Inc.
Gibbon Gazette
Good Samaritan Center
Haggenmiller Welding
Hands, Inc.
Hebeisen Food Store
Henderson Hardwoods
Henderson Independent
Isakson's Plumbing & Heating
Jackson Electric
J.B. Lures
Jerry's Mobil
Kay's Kitchen
Klucking's R & R Cafe
Lakeview Nursing Home
Lieske Genetics, Inc.
Linton Super Valu

Locher Bros.
Lyle's Cafe
Mid America Dairymen, Inc.
NAPA
New Auburn Feed & Supply
New Auburn Garden Supply
New Auburn Oil Company
Nuessmeier Electric
Panning Bros. Tractor Parts
Pinske Meat Market
Ralph's Kitchen & Katering
RCM
Rieke Trucking
River Valley Trucking
Sommer's Grain & Feed
South Central Co-op
Technical Services for
Electronics, Inc.
The Prairie House
Thomes Bros. Hardware
Tim's Super Valu
Tom Food Store
Tri-County Agri Builders
Unidoor Corp.
Uptown Cafe
Vos Construction
Wacker Implement
Wager's Red Owl
Wiman Apparel
Winthrop Care Center
Winthrop Publishing
Winthrop Telephone Co.
Winthrop Wood Products
Wood-n-Country