

**BUSINESS
RETENTION
&
EXPANSION
Strategies
Program**



**Department of
Applied Economics**

◆
**University
of Minnesota**

WINSTED

**Summary Report
March 2000**

Local sponsors:

City of Winsted

Northern States Power

Reliant Energy Minnegasco

Southwest Minnesota Foundation

University of Minnesota Extension Service—McLeod County
and Mid-Minnesota Cluster

Winsted 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 Winsted has a number of initiatives to help retain and expand existing businesses, the Winsted BR&E Task Force wanted to do more to help their existing businesses expand.

Objectives

The Winsted BR&E Program has four objectives:

1. To demonstrate the community's pro-business attitude and to express appreciation to local firms for the contributions they are making to the local economy.
2. To identify the needs and concerns of the existing local businesses so that the local business climate can be improved.
3. To assist businesses in resolving problems
4. To learn the future plans of the area's local firms with respect to retention, expansion and/or relocation.

Sponsorship

This program is sponsored locally by the following organizations: City of Winsted, Northern States Power, Reliant Energy Minnegasco, Southwest Minnesota Foundation, and the University of Minnesota Extension Service-McLeod County and Mid-Minnesota Cluster.

Winsted BR&E Program History

The Winsted BR&E Program started in January, 1999 with a presentation to citizens of Winsted, Howard Lake and Lester Prairie by George Morse, Extension Economist with the University of Minnesota Extension Service, about the BR&E Strategies program. While the other communities decided not to participate the Winsted City Council approved moving ahead with a BR&E project. Through the spring and summer a leadership team was recruited to lead the BR&E project with the help of Michael Darger, BREI Certified Consultant.

In the fall of 1999 the Winsted program was accepted to participate in the University of Minnesota BR&E Strategies Program. The leadership team then determined which firms to visit. The BR&E Strategies Program prepared a survey instrument and the Leadership Team tested it with visits to two firms.

A Task Force was recruited by the leadership team and met to review the survey, firm selection and plan of work recommended by the leadership team. Next the Task Force and additional firm visitors were trained on how to conduct successful visits. Teams of two volunteers arranged their own visits and completed 31 visits (each about one hour) in October and November.

After the surveys were returned, the co-Red Flag Coordinators reviewed each survey and decided how the immediate follow-up should be handled. A Red Flag meeting of the Task Force was held to review the findings.

University of Minnesota staff ran the statistical analysis, organized the research review meeting of fifteen faculty, state agency and local people, and wrote the research report.

A four-hour retreat was held on February 16th, 2000. At this retreat, the Task Force established priorities on which major projects they wished to undertake. A committee was set up on each of the 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 Winsted BR&E Program

Leadership Team

This group coordinated the local program:

Aaron Reeves, City Administrator, Overall Coordinator and Visitation Coordinator
Jim Fowler, Community Bank, Co-Business Resource Coordinator

David Nelson, University of Minnesota Extension Service, Co-Business Resource Coordinator

Paige Reeves, Holy Trinity Schools, Milestone Meeting Coordinator

Chris Schultz, Winsted Publishing, Media Coordinator
Floyd Sneer, Mayor

Winsted 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 firms.

Task Force

Jeff Albers, City Council member
Jan Anderson, Ridgewater College
Jim Fowler, Community Bank Winsted
Gene Goddard, Minnesota Department of Trade and Economic Development
Jill Hess-Kollasch, St. Mary's Care Center
Riley Hoheisel, Superintendent, HLWW Public Schools
Duane Hoverstein, Ridgewater College
Tony Kielkucki, Representative, Minnesota Legislature
Jim Koch, K-Way Express
Kevin Kubasch, Kubasch Sanitation
Margaret Marketon, HLWW Public Schools
Julie Millerbernd, HLWW Public Schools
David Nelson, University of Minnesota Extension Service – Renville County
Les Nelson, Mid Minnesota Regional Development Commission
Tom Ollig, citizen
Aaron Reeves, City Administrator
Paige Reeves, Winsted Holy Trinity Schools
Chris Schultz, Winsted Publishing
Mike Seaberg, Community Bank Winsted
Dave Sherman, Midland Insurance
Floyd Sneer, Mayor
Mary Stamm-Neff, Neff Dental
Father Paul Wolf, Winsted Holy Trinity Church and Schools

Firm Visitors

Joan Barrie-Daigle, TDS Telecom
Jane Bayerl, HLWW Schools
Don Guggemos Jr., American Express Financial Advisors
Stacy Horsch, HLWW Community Education

Mr. Krosch, Mid MN Development Commission
Pat Lang, Ridgewater College
Laurie Mickolichcheck, St. Mary's Care Center
Stephen Moe, Winsted Laundromat and Car Wash
Neil Schlagel, Winsted Publishing
Julie Stifter, HLWW Schools

Firms Visited

Thirty-one firms were visited. The community wishes to thank the firms for their willingness to help the community understand the needs of existing firms.

Adult Training and Habilitation Center
Art's Welding, Inc.
Bailey's Tavern
Bryan's Service
Community Bank Winsted
Dairy Farmers of America
DDS, PA
EDCO of Winsted
Farmers Coop
Holy Trinity Schools
Jimmy's Pizza
Juncewski Masonry, Inc.
Kremer Pharmacy
Kubasch Excavating, Inc.
K-Way Express, Inc.
Littfin Lumber Company
Millerbernd Design and Fabrication
Pantry, Inc.
Sharon's Beauty Salon
SJ&F Enterprises
St. Mary's Care Center
Sterner Lighting
Trillium
Vitran Express
Winsted Chiropractic Clinic
Winsted Elementary School
Winsted Farmers Elevator Co.
Winsted Insurance Agency
Winsted Laundromat and Car Wash
Winsted NAPA
Winsted Publishing

BREI Certified Consultant

Michael Darger served as the BR&E Strategies Program consultant to the project. This included helping the Task Force through the visitation phase of the Winsted 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 Winsted leaders in response to local firm concerns.

The participants were:

- *Local Leaders:* Jeff Albers, Aaron Reeves, Chris Schultz and Floyd Sneer
- *State Agency Personnel:* Gene Goddard Minnesota Department of Trade and Economic Development; David Heidebrink, Minnesota Workforce Center – Hutchinson; Michelle Ostrum, Minnesota Department of Economic Security; Catherine Stine, Minnesota Technology, Inc.
- *University of Minnesota:* James Costa, Department of Applied Economics; Michael Darger, Business Retention & Expansion Strategies Program; Elizabeth Davis, Department of Applied Economics; Marilyn Grantham, Extension Service; Zining Li, Department of Applied Economics; Elizabeth Templin, Extension Service and Association of Minnesota Counties
- *Other:* Paul Ammerman, Northern States Power Company

Winsted's Economic Profile

An economic profile of Winsted and the regional economy was prepared for the BR&E Task Force's use in the BR&E retreat on February 16th, 2000. This profile gave an overview of population, income and employment trends in the Winsted area. The economic profile is included in the Winsted BR&E Research Report, which is available at City Hall or from a Task Force member.

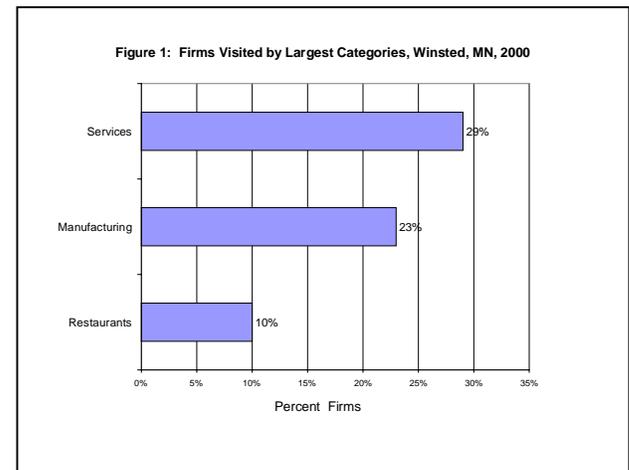
BR&E Survey Results

This section presents the survey results from the 31 firms visited by Winsted community leaders in July-October-November 1999. The characteristics of the firms visited are described first, followed by the strategies and priority projects selected by the Task Force. Selected survey results related to these projects are included in this summary. Additional survey results are in the Winsted BR&E Research Report.

Characteristics of Firms Visited

Thirty-one firms were visited during October and November of 1999. These firms employed 661 full

time persons and 187 part-time people. The firms visited represent a sample of eighteen percent of the 174 businesses in Winsted. The Task Force decided to visit all the manufacturers, banks, farmer elevators and coops, creameries, real estate developers, schools, nursing home & care centers, trucking firms, telecommunications firms, solid waste firms and newspaper publishers in Winsted. Other firms were randomly selected from these categories: retail, professional services, trade services and hospitality. The categories of firms responding are shown here in descending order as a percentage of the total sample (see Figure 1): services (29%); manufacturing (23%); restaurants (10%); construction (6%), transportation & public utilities (6%); education (6%); finance, insurance, real estate (6%); agriculture (3%); and retail trade (3%).



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

First, as a whole the firms were optimistic about their future. Eighty-seven percent expected sales increases over the next three years. Employment stability or increases were predicted across all worker categories.

Second, in terms of the quality of the workforce, one hundred percent of those responding rated their worker's attitudes as either excellent (45%) or good (55%). Likewise, they rated productivity high, with ninety-four percent as either excellent (38%) or good (56%).

Third, Winsted is rated highly as a place to live and relatively high as a place to do business. Eighty-

seven percent of the firms rated it as good or excellent as a place to live and 84 percent rated it as good or excellent as a place to do business (see Figure 6).

Overview of BR&E Strategies for Winsted

Profits are the key to the retention and expansion of firms. While the owners of a firm often are attracted to nice places to live, a firm can only survive if it makes a profit (revenues exceed costs).

In a market economy, making a profit is the responsibility of the firm management and its employees, not community groups or local or state governments. However, the actions of these groups can sometimes help firms become slightly more profitable. The strategies and associated projects outlined below are aimed at helping firms become more profitable and thus survive and grow in the community.

Winsted BR&E Strategies:

1. Improving labor availability
2. Improving labor productivity
3. Expanding firm revenues by helping them expand markets, products and the overall marketability of Winsted
4. Connecting financing and assistance for existing business and new business creation

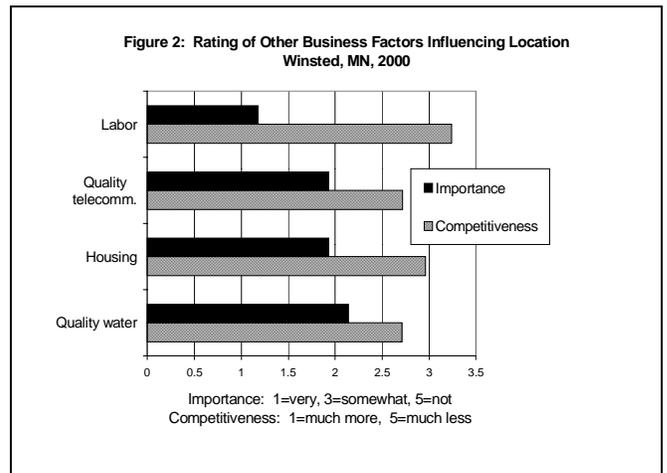
Strategy One. Improving Labor Availability

Labor availability is a major problem in many areas due to the current very low unemployment rates. Winsted is no exception to this problem. In fact, labor availability is such a big issue that it is considered separately from labor productivity.

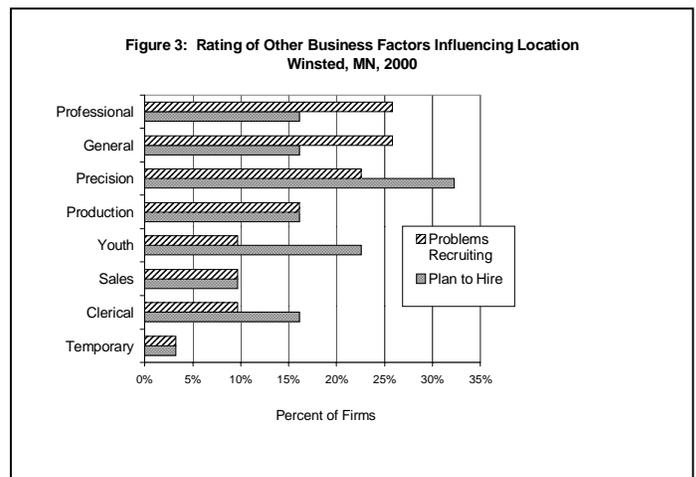
Related Survey Results

The availability of labor, raw materials, credit and other services can influence location decisions and profitability of firms. Figure 2 shows the firms' ratings on these factors (1=very important and 5=not important) and on whether Winsted is more or less favorable than competing communities on these factors (1=much more favorable and 5=much less favorable).

The availability of labor is far and away the most important factor to the Winsted firms. Other important factors are quality telecommunications, availability of housing and quality water. When the firms were asked to compare Winsted to other communities the firms rated it as about the same or better for most factors. Two of the four most important factors, quality telecommunications and availability of housing were rated as better than competitor communities. Unfortunately, on the single most important factor, availability of labor, Winsted was rated as slightly less competitive.



Twenty-six percent of the firms reported having trouble recruiting both general labor and professional/ management and there were also problems recruiting precision production/specialty skills workers (23%) (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 Winsted because the firms reported that they planned to hire additional workers in all categories except one over the next three years. Overall, the firms reported they expected to hire 111.5 additional employees in that time period. As a percentage of the full-time jobs in the surveyed firms (661) this is a significant projected increase (17%). The greatest percentage of firms expect to hire new people in the following categories: precision production/specialty skills (32% of firms) and youth employees (23%). The greatest number of actual jobs is expected in general production labor (31.5 jobs) and precision production/specialty skills (31.5 jobs).

The Task Force considered nine potential project ideas related to improving labor availability. They also considered ideas generated at the Task Force retreat. Two priority projects were selected; one focuses on recruiting more workers while the other focuses on improvement and retention of potential workers in the area schools. For details on the other ideas see the full Winsted BR&E Research Report.

Priority Project #1: Initiate a Comprehensive Long-term Workforce Recruitment Project over a 3-5 Year Timespan

There is an opportunity to attract additional employees to the community. Of those firms answering the question ninety-six percent of the firms viewed Winsted as either an excellent (17.9%) or good (78.6%) place to reside. These perceptions may be useful in marketing the community to potential workers.

The Task Force indicated more overall interest in this project idea than any other. Therefore, it established a committee that will study the feasibility of implementing a comprehensive workforce recruitment promotion. Additional members of the committee might include chamber representatives and regional representatives from the Minnesota Department of Trade Economic Development (Gene Goddard) and the Department of Economic Security.

This project will combine several individual projects presented in the Winsted BR&E Research Report. These include the following:

1. considering different types of promotional campaigns and target populations

2. organizing a cooperative advertising campaign for firms wanting to recruit sons & daughters returning for holiday visits (i.e. the “Grandma network”)
3. determining ways of recruiting through higher educational institutions including colleges, universities and technical schools, especially recruiting graduates of Winsted area schools
4. broadening advertising for professional and skilled workers to Twin Cities publications

Jill Hess-Kollasch, Chris Schultz and Floyd Sneer are coordinating this effort for the BR&E Task Force. More participants are needed. Please contact one of the people listed for more information.

Priority Project #2: Establish a School-Employer Partnership to Increase Skill Levels by Cost-Sharing and Creating Tuition and other Incentives for Local Learners

A fairly common lament in rural communities is the outflight of their youth. After putting major investments of time, energy and money into raising their children into responsible, productive adults, the community often loses them to economic opportunities in larger communities. Many communities are inviting their native sons and daughters “to come home” after they have already left. For instance, at school reunions they may host a concurrent job fair or community information booth.

The Task Force decided to take more of a preventive approach to this issue by creating a school-employer partnership committee. This group will explore linkages between employers and educators for the improvement of students’ skills. These linkages are also intended to create recruiting opportunities for area firms. Linkages envisioned include employers sharing costs, offering tuition incentives and making in-kind contributions to schools. An excellent learning resource available to the committee is the Wright County School-to-Work Partnership.

Riley Hoheisal, Kevin Kubasch, Julie Millerbernd, Aaron Reeves, Paige Reeves and Mike Seaberg are providing leadership to this project. More participants are needed. Please contact one of the people listed for more information.

Strategy Two. Improving Labor Productivity

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 tactics related to wages, benefits and company policies.

Related Survey Results

Firm owners/operators were satisfied with the attitudes and productivity of their workers. One hundred percent of those responding rated their worker's attitudes as either excellent (45%) or good (55%). Likewise, they rated productivity high, with ninety-four percent as either excellent (38%) or good (56%).

About a third of the firms (35%) felt that there might be major technological innovations in their industry with another thirteen- percent unsure whether such innovations would occur. Of those predicting major changes, fifty-five percent (or nineteen percent of all firms) expected these new technologies will require retraining their labor force.

The Task Force considered four potential projects related to labor productivity issues. While there was support for a few of these as well as some other project ideas they conceived, the group realized that they must focus their initial efforts on a few projects. None of these projects are a priority at the present time. For details see the full Winsted BR&E Research Report.

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

This strategy includes three tactics: helping firms increase their market share and enter new markets, assessing the gaps in the goods and services available

locally and improving the physical image and infrastructure of the main street area.

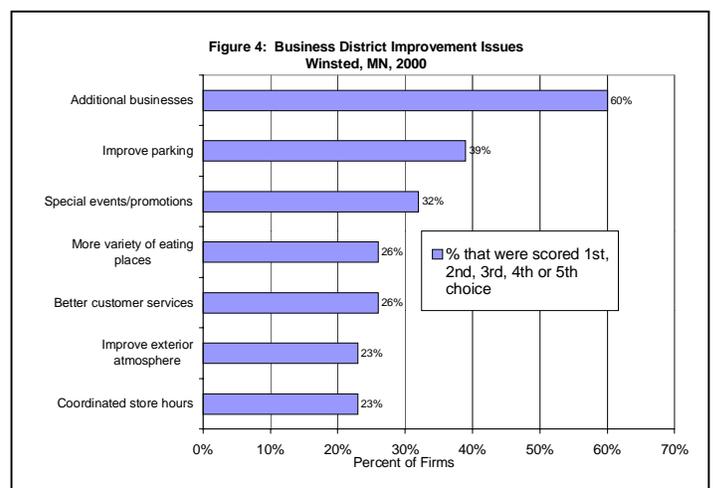
Firms that can enter new markets or expand market share with their existing product lines generally can spread their fixed costs and make greater profits. Firms that can find new product lines or services can diversify their business, create greater stability, and often also expand profits. Firms that can find ways to sell products with greater margins or to modify products so that they can capture greater margins make greater profits.

Assessing the gaps in the local retail product and service mix could contribute to a strategy to deliver more of what existing and potential patrons desire.

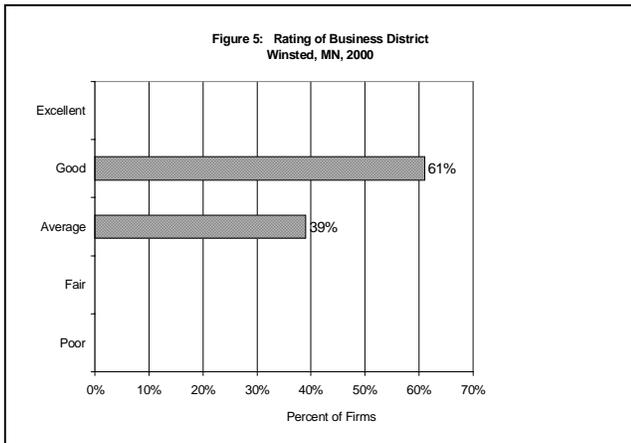
A community's image will affect its marketability. One of the most important aspects contributing to a community's image is that of physical appearance. Another is the perceived convenience of a business district including elements like variety, parking and service.

Related Survey Results

The firms indicated a very strong preference for "additional business which result in greater variety" for the Winsted business district. Sixty percent of the firms rated this as one of their top five priorities for improving the district (see Figure 4). The next highest priorities, in order, were improvement of the parking situation (39%), special events or promotions (32%), increasing the variety of eating places (26%), better customer services (26%), improving the exterior atmosphere (23%) and coordinated store hours (23%).



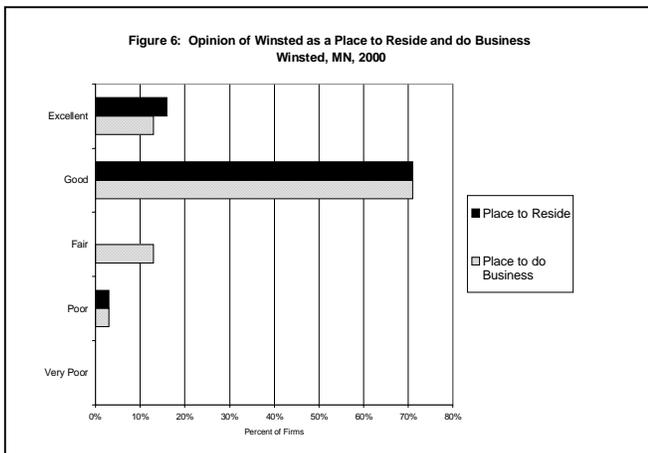
None of the firms rated the business district as excellent yet sixty-one percent rated it good (see Figure 5). Twenty-three percent of the firms share advertising expenses for the promotion of the district. An additional nineteen- percent of the firms were willing to explore cooperative advertising as an option.



44.7 percent of the firms’ customers are located in Winsted. Another twenty-eight percent of customers are within one hour of Winsted, excluding the Twin Cities metro.

The firms are optimistic about their sales trend in the next three years. Eighty-seven percent expect an increase.

The firms had an overall positive opinion of Winsted as a place to do business and as a place to live (see Figure 6). Eighty-four percent of the firms rated the area as an excellent (13%) or good (71%) place to do business. Eighty-seven percent of the firms rated the area as an excellent (16%) or good (71%) place to live.



Out of eight potential projects for Strategy Three, the Task Force elected to implement one: **Establish a Marketing Strategies and Business Planning Program** (see below). There was even broader interest in another project idea conceived at the Retreat: **Promote and Enhance Chamber Leadership and Participation**. This idea received the second highest amount of votes of general interest from the Task Force. However, it was not selected as a priority project for the Task Force because it was felt that this would be the business of another entity, the Winsted Civic & Commerce Association (“C&C”). Instead, the Task Force highly recommends that the C&C consider converting itself into a full-fledged Chamber of Commerce, presumably with paid staff. The Chamber could then provide leadership and energy to projects such as: improving downtown parking & appearance, retail hours coordination, a strong Web page, etc. For details on the other ideas see the full BR&E Winsted BR&E Research Report.

Priority Project #3: Establish a Marketing Strategies and Business Planning Program with the Small Business Management Program and the Small Business Development Center

The most highly ranked information need of the firms was for marketing strategies. Thirty-five percent of the firms wanted information and twenty-six percent said it was a priority. Therefore, it was decided to establish a marketing strategies outreach program.

The program could involve a variety of initiatives aimed at helping firms learn more about successful marketing practices. For example, materials could be provided to firms through a variety of media (newsletters, mailings, newspaper articles, Web, e-mail and radio); through courses conducted in community buildings, at the firm, or at colleges and other institutions; and through special workshops in the community. A special half-day workshop on marketing might also be held once the project team determines the specific topics of interest to area firms.

One specific topic that might first be covered includes the roles of marketing: figuring out what to sell, and merchandising: selling at the best possible price that which you have already produced. There is a big difference between the two, and sometimes

business find it difficult to make the distinction and do both well.

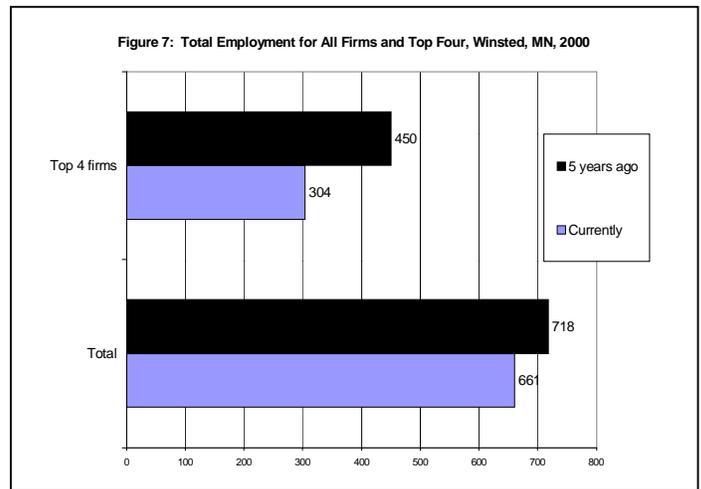
Several resources and people can help the community provide up-to-date and useful information. These resources include the SBDC in Marshall, the Minnesota World Trade Office (for international marketing), the University of Minnesota Extension Service and the Small Business Management Program and other instructors from community and technical colleges of MnSCU. Jim Fowler, David Nelson and Les Nelson are coordinating this effort for the BR&E Task Force. More participants are needed. Please contact one of the people listed for more information.

Strategy Four: Connecting Financing and Assistance for Existing Business and New Business Creation

Winsted has had an unusually strong concentration of manufacturing and industrial service firms compared to other communities of its size. Unfortunately, the loss of local ownership of several prominent Winsted firms has led to a significant loss of employment in the last several years. This serves to illustrate the importance of the continued creation of new locally owned business and the growth of existing locally owned firms. This strategy is devoted to these goals by exploring the creation of financing and assistance for existing business and resources to support the creation of new business.

Related Survey Results

In the last five years the total number of employees in the firms surveyed declined significantly. The number of full-time employees declined eight percent. This was attributable to the four largest employers visited (as ranked by their employee levels five years ago). These firms reduced their employment by a combined 146 full-time employees (32%) in that time period (see Figure 7).



This illustrates that the loss of local ownership of area firms is a real threat to the Winsted economy. This threat may be something that the Task Force can do relatively little about. On the other hand, a strength in Winsted is the entrepreneurial, competitive spirit that created the firms there to begin with. Tapping into and encouraging this strength is something the Task Force may be able to take advantage of.

The Task Force considered four related potential project ideas. While there was support for a few of these as well as another project idea they conceived, the group decided that none of these projects are a priority now. For details on the projects see the full Winsted BR&E Research Report.

Additional Information: See the Winsted BR&E Research Report, February, 2000, for this project. Copies are available for review at offices of the local sponsors, particularly the City of Winsted, as well as from members of the Task Force.

Your Role: Everyone in the community has a responsibility to help retain and expand existing businesses. To explore how you can help, check with the individuals on the project teams for the three priority projects, or Aaron Reeves of the City of Winsted.



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 Aaron Reeves, David A. Nelson and Ellen Carlson. This publication is available in alternative formats upon request. Please contact Michael Darger at (612) 625-6246.

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