

**BUSINESS
RETENTION
&
EXPANSION
Strategies
Program**



SIBLEY COUNTY

**Summary Report
December 2002**

Local sponsors:

Sibley Economic Development Commission (SEDCO)
Sibley County – Blandin Community Investment Partnership
University of Minnesota Extension Service – Sibley County

**Department of
Applied Economics**



**University
of Minnesota**

UNIVERSITY OF MINNESOTA
Extension
SERVICE

Sibley County Business Retention and Expansion Program

Every community needs to pay attention to their existing businesses. The Sibley County Business Retention and Expansion (or simply BR&E) program is a key element in staying in touch with local businesses and fostering strong on-going economic development efforts.

It is useful to think of Sibley County and its various communities as providers of inputs used by the businesses that reside here. Just as businesses gain competitive advantage by continuously aligning their operations to provide better service to their customers, the community must be looking to provide effective service to their customers.

The survey conducted by the Sibley County BR&E Task Force served as a way to identify and understand the current needs and aspirations of a cross section of Sibley County's business community.

The survey results have been used in a planning process to select some priority areas for follow-up action. The Task Force intends to implement these priority projects as a means to insure the growth and expansion of the local economic base throughout the county.

Objectives

The Sibley County BR&E Program has four objectives:

1. Learn local business viewpoints on the economy.
2. Understand businesses' relationship with economic development.
3. Provide local businesses with information about current development programs from county, regional and state resources.

4. Establish or maintain communication between businesses and local leaders.

Sponsorship

This program is sponsored by:

- Sibley Economic Development Commission (SEDCO)
- Sibley County-Blandin Community Investment Partnership
- University of Minnesota Extension Service-Sibley County

Technical and research assistance for this program is provided by the University of Minnesota's Department of Applied Economics and the University of Minnesota Extension Service.

Program Organization

The Sibley County BR&E Program started in November of 2001. A leadership team was formed and started meeting in January. A task force of 35 people from a variety of sectors was recruited. (Task Force and Leadership Team membership are listed below.) Task Force orientation and visitor training were held on multiple days to encourage participation. These meetings were held during April and May. Lisa Hinz served as the project BR&E co-consultant and overall coordinator.

The Task Force decided to target 55 firms with an effort to catch the majority of the largest employers, and achieve a balanced geographic mix in this countywide seven-community effort. A survey instrument previously used by the Redwood Falls Area was reviewed and modified by the Leadership Team to include a concentration on technology

use. The Leadership Team tested the survey instrument during its practice firm visits.

Firm Visits

Visitors conducted interviews over the summer. 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. Eighty-two percent of the targeted firms were interviewed, a very strong rate of participation for which the visitors should be proud.

Red Flag Review

A number of what were characterized as “Yellow Flags” were received during the interview process, however, nothing that rose to the level of a “Red Flag.” These lesser yellow flag issues were dealt with informally. It appears that there were a few individual cases of businesses being upset with their local community. These concerns have been noted.

Research Report Development

The BR&E Leadership Team sent copies of the surveys to the University of Minnesota for tabulation and analysis. Sarah Knutie and Margretta Hanson entered the data into a spreadsheet and word processing files. Michael Darger prepared a summary for the state research review meeting that was held at the University on September 16, 2002. At the state research review meeting, a team of seventeen (listed later in this section) reviewed the results and suggested projects that might respond to the firms’ needs. Earl Netwal and Michael Darger drafted this report based on the input of the state research review panel and other ideas.

Task Force Retreat

A four-hour retreat was held on October 30, 2002. At this retreat, the Task Force set priorities on the major projects it wishes to undertake. Project teams were set up to address each of the four priority projects. The current team members for each are listed under each project. Your ideas, time and talent are desired. Please contact any of the listed people and get involved.

The People of the Sibley County BR&E

When a lot of people get together and pitch in great things can be accomplished.

BR&E Leadership Team

Lisa Hinz, University of Minnesota
Extension Educator, Overall
Coordinator

Dennis Nau, business owner, Media
Coordinator

Catherine Lorenz, SEDCO chair, New
Auburn community representative,
Visitation Co-Coordinator

Dean Pederson, SEDCO vice chair,
Winthrop EDA director, Visitation
Co-Coordinator

Steve Renquist, Sibley County
Economic Development Director,
Business Resources Co-Coordinator

Wayne Sanderson, AgStar Financial
Services, Business Resources Co-
Coordinator

Paulette Wentzlaff, City of Arlington
EDA, Milestone Meeting Coordinator

Sibley County BR&E Task Force

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

Leo	Bauer	Gaylord	Government
Roger	Becker	New Auburn	Government
Karen	Brandt	Gaylord	Business
Arlen	Bruhjell	Arlington	Government
Tim	Dolan	Gaylord	Education
Janet	Graupman	Gibbon	Government
Merrill	Grisham	Gaylord	Business
Jerry	Hahn	Gaylord	Business
Holly	Harjes	Green Isle	Education
Bill	Harjes, Jr.	Green Isle	Government
Lisa	Hinz	Gaylord	Education
Steve	Johnson	Winthrop	Business
Tom	Johnson	Winthrop	Business
LuVerne	Kent	Gibbon	Business
Julie	Knobloch	Gaylord	Education
Holly	Kreft	Arlington	Government
Kelly	Kunkel	Gaylord	Education
Kevin	Lindstrand	Arlington	Business
Catherine	Lorenz	New Auburn	Business
Darrel	Mosel	Gaylord	Business
Lowell	Nagel	Arlington	Government
Dennis	Nau	Gibbon	Business
Roger	Osborne	Winthrop	Government
Mavis	Pautz	Gaylord	Government
Dean	Pederson	Winthrop	Business
Harold	Pettis	Gibbon	Government
Cindy	Quast	Henderson	Business
Tim	Regner	Gaylord	Government
Steve	Renquist	Gaylord	Government
Lynda	Sabo	Gibbon	Education
Wayne	Sanderson	Glencoe	Business
Jim	Swanson	Arlington	Education
Paulette	Wentzlaff	Arlington	Government
Beth	Wilson	Gaylord	Government
Charlie	Woehler	Gaylord	Government

Volunteer Visitors

In addition to Task Force members, the following people participated in the firm visits.

Ellen	Klopfleisch	Gaylord	Citizen
Renee	Rasmussen	Winthrop	Citizen
Larry	Sorenson	Arlington	Business
Pat	Steckman	Henderson	Citizen
Dennis	VanMoorlehem	Arlington	Government

Firms Visited

Forty-five firms (46 establishments) participated in the program. The community appreciates their willingness to spend time with the interviewers. Also, the firms are appreciated for their contributions to the economy in Sibley County.

Table 3: Businesses Interviewed

Arlington Market	Arlington
Arlington State Bank	Arlington
Battcher Family Dairy	Arlington
Cemstone	Arlington
Haggenmiller Lumber	Arlington
Kreft Cabinets	Arlington
Scott Equipment	Arlington
Seneca Foods	Arlington
Sibley Medical Center	Arlington
Sibley Medical Center	Arlington
Technical Services	Arlington
Technical Services	Arlington
Ag Land Coop	Gaylord
Entegris	Gaylord
First National Bank of St. Peter	Gaylord
Gaylord Feed Mill	Gaylord
Jerry's Home Quality Foods	Gaylord
Michael Foods Egg Products	Gaylord
ProGrowth Bank	Gaylord
SEH	Gaylord
Wakefield Pork	Gaylord
CELEX Wire & Tube Cutting	Gibbon
Gibbon Lumber	Gibbon

Isakson's Plumbing & Heating	Gibbon
Mid-America Hosp./ Gibb Ballroom	Gibbon
Northern Insulation	Gibbon
South Central Coop	Gibbon
Tom's Food Store	Gibbon
Countryside Equipment & Repair	Green Isle
HDD	Henderson
Henderson Independent	Henderson
Master's Servant Garage	Henderson
True Value	Henderson
Country C Store	New Auburn
High Island Hideaway	New Auburn
Just's Shop & Laundromat	New Auburn
Dairy Farmers of America	Winthrop
Dairy Queen	Winthrop
Guidecraft	Winthrop
Heartland Corn Products	Winthrop
Hefty Seed	Winthrop
Lyle's Café	Winthrop
Prime Star Leasing	Winthrop

BREI Certified Consultant

Lisa Hinz and Steve Renquist served as BR&E consultants for the program. 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.

State Review Panel

The state review panel included a team of fifteen, including college faculty, state agency personnel, and Sibley County BR&E Leadership Team members. The panel reviewed the survey results and suggested actions the community might pursue to address firms' concerns and needs. Panel members also provided information on programs and resources available to help the community meet the needs of local businesses. A list of

the participants in the state review panel meeting follows.

State Review Panel Members

Candace Campbell
CDC Associates

Michael Darger
Business Retention & Expansion
Strategies Program, University of
Minnesota

Sherri Gahring
University of Minnesota

Darlene Heiskary
MN Department of Economic Security

Lisa Hinz
University of Minnesota Extension

Connie Ireland
Minnesota Technology, Inc.

Christy James
Minnesota Rural Partners – Virtual
Entrepreneurial Network

Laura Kalambokidis
University of Minnesota

Bob Klanderud
Small Business Development Center

Catherine Lorenz
SEDCO Chair

Dennis Nau
SEDCO Representative

Earl Netwal
Regional Diagnostics

Dean Pederson
Winthrop EDA Director, SEDCO Vice
Chair

Steve Renquist
Sibley County Economic Development
Director

Vernon Ruttan
Regents Professor Emeritus
University of Minnesota

Dick Senese
University of Minnesota Extension
Service

Gerald Wenner
Department of Trade & Economic
Development

Sibley County's Economic Profile

An economic profile of Sibley County was prepared for use by the Task Force at its October 30th retreat.

This profile gave an overview of population, income, and employment trends in Sibley County, and compared it with other adjacent counties. The profile is included in the Sibley County Research Report and is available for review through SEDCO or the Extension office.

Over the past ten years Sibley County has experienced a significant up-tick in population ending decades of decline. An increase in the ethnic diversity accounts for a significant portion of that population growth, but not all. Areas most proximate to the metro area have seen the first tinges of ex-urban housing development.

The per capita income growth rate appears to be lower than almost all of the county's neighbors. This suggests, among other things, that the economic potential of the "burgeoning" population is yet to be fully realized. During the last five years of the 1990's, per capita

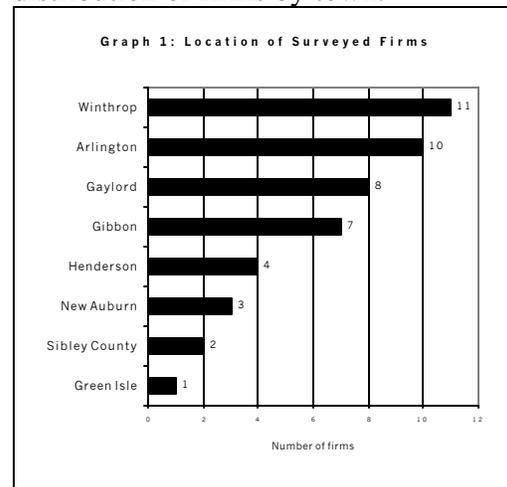
income grew much more rapidly than it did the first half. This suggests an improving situation.

Among the more noticeable demographic changes of the past decade was the level of educational attainment. Sibley County boasted an almost 90 percent increase in the population with at least some college level education. It's clear its people value higher education.

Sibley County BR&E Survey Results

Following are the results of 46 firm visits by Sibley County leaders during the summer of 2002. The firm characteristics are summarized first, followed by the priority projects selected by the Task Force. Survey results related to those projects are included in this summary. Additional survey results including the four strategic themes can be found in the Research Report.

Characteristics of firms visited
Forty-five firms (one had two business establishments visited so 46 visits were made) were visited during the summer of 2002. An effort was made to get a balanced sample of firms from all parts of the county. Graph 1 shows the distribution of firms by town.



The Manufacturing, Retail, Services and Agriculture sectors were the most numerous types of firms surveyed. Firms from the other smaller sectors including the Finance, Insurance & Real Estate; Transportation & Utility; Wholesale; and Education industries were also included.

Total full-time employment for the surveyed firms was 1,239, a slight increase of 12 more full-time jobs over that for the same firms three years ago. Six of the surveyed firms were new and/or reported no full-time employees three years ago. While total employment has risen slightly, the surveyed firms reported a significant level of churning within their employment ranks of full-time employees. For example, of the eleven manufacturers, four reported an aggregate 64 fewer full time employees over their employment levels of three years ago, while the other seven reported an increase of 81 full time positions. Of the seven services firms, two reported a loss of 52 jobs.

Total part-time employment increased over the past three years by 41 jobs. Seventeen firms reported using part-time seasonal employees. That accounted for 230 of the total reported 542 part-time jobs. Of the seasonal jobs, at least 180 were directly related to the corn and pea harvest.

Seventy-four percent of surveyed firms began operation in Sibley County. Most of the firms were closely held corporations (53 percent) or sole proprietorships (23 percent). One was a partnership. Another 15 percent were an “other” form of business organization, mostly if not all cooperatives, and the balance were public corporations.

Employers rated their employees’ attitude toward work and productivity very highly. Ninety-eight percent rated their employees’ attitude as either Good or Excellent. Ninety-three percent rated their productivity as Good or Excellent.

The majority of employees live in Sibley County, with 19 percent living out of the county.

Overview of Business Retention and Expansion Projects for Sibley County

Profits are the key to the retention and expansion of businesses. While a business owner might be attracted to an area because it is a nice place to live or raise a family, a firm can only survive if it eventually makes a profit (that is, its revenues exceed its costs). The same is true for businesses that start in the community. The owners may be loyal to the community, but if they cannot make their business profitable they will close or move it; they do not have a choice.

In a market economy, making a profit is the responsibility of the individual firm’s management and its employees, not community groups, nor state or local governments. However, the actions these leadership groups take can help firms in other meaningful ways. The specific projects outlined below are aimed at enhancing the ability of Sibley County businesses to become more profitable and better able to compete in the future.

Sibley County BR&E Priority Projects

The following four priority projects were selected from over twenty different possibilities derived from four major

economic development strategies at the half-day retreat on October 30th, 2002.

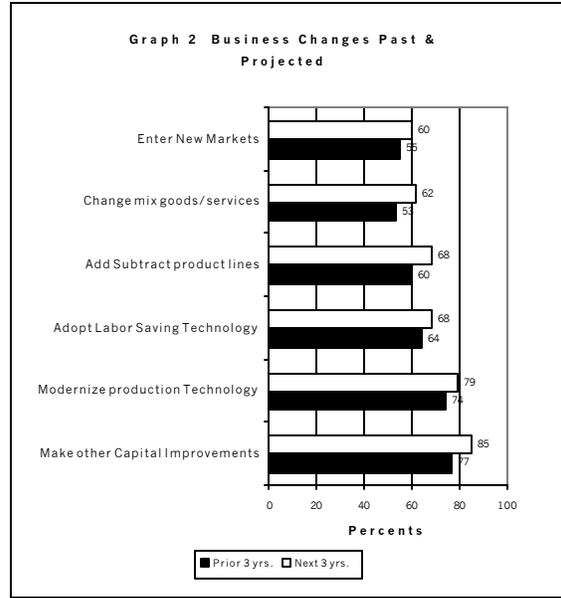
1. Facility Inventory
2. E-commerce Education for Businesses
3. Use Community Technology Centers and Possibly Mobile CTCs with Individualized Training
4. Promote New Housing

Priority Project #1: Facility Inventory

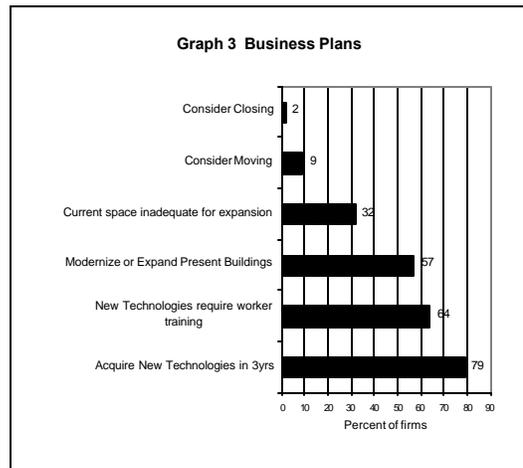
Related Survey Results

Eighty-nine percent of surveyed businesses anticipate increased sales over the coming three years, which would represent a significant improvement over the prior three years experience.

Eighty-five percent of businesses anticipated making capital improvements to their business, 68 percent planned to adapt new labor saving technologies, while 70 percent expected to modernize their production technology. Sixty percent or more expressed plans to enter new markets, or make changes to their product lines or change their mix of goods and or services. In each case this would represent an increase in the firms' actual performance over the past three years. (Graph 2)



Fifty-seven percent expect to modernize or expand their present building facilities; however, 32 percent indicate that their current facilities are inadequate for expansion. Nine percent indicate plans that include the possibility of moving from their current location and one firm indicated the possibility of closing operations. Almost four out of five firms report plans to acquire new technology over the coming three years, much of which will require worker training. (Graph 3)



32 percent of firms indicate that they do not own or occupy adequate space for their expansion needs.

Project plans from the team

Project #1 Goals:

Develop a facility inventory that provides a ready inventory of potential expansion sites for businesses and points out gaps where there may be opportunities for site development.

Making Room To Grow – Once an inventory has been developed, a second priority is to provide suggestions concerning the creation of commercial buildings (spec) and sites.

Marketing Sibley –a logical progression to the completion of a building and site inventory, and potential expansion. A marketing program was agreed to be the third priority and will include a web site as well as print and other media.

Project #1 Tasks:

Contact cities to determine the stock of existing business, industrial buildings and buildable sites. This was assigned to Steve Renquist; the letter has gone out to the cities.

Develop or adapt an ‘Available Building and Site’ form for cities to use to contribute their information for the inventory.

Complete a review of the zoning of each site and building to determine its use availability.

Determine utility service availability to the available buildings and sites. The following subsequent tasks have been determined by the team to be a logical progression from the project.

- Potential new space - Tasks to be determined as facilities inventory is completed.

- Marketing Sibley - Tasks to be determined as facilities inventory is completed, will include multiple media (print, web, etc.) to meet local and out-of-county interests.

Project #1 members:

Dean Pederson, Harold Pettis, Lynda Sabo, Steve Renquist, and Paulette Wentzlaff. For more information or to offer assistance, please contact one of them.

Priority Project #2 and 3: Enhancing Technology Use

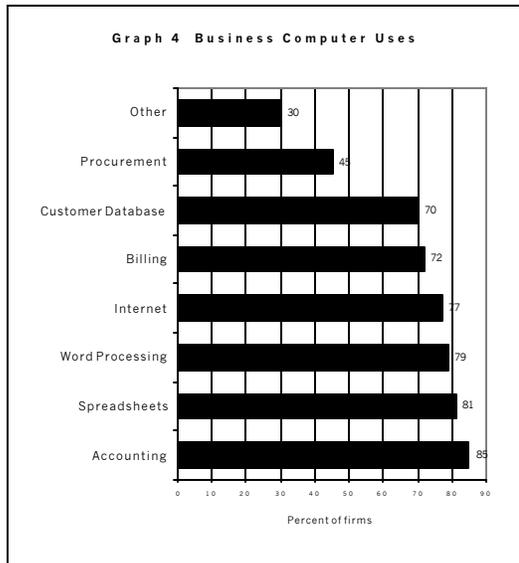
During the planning retreat the Task Force looked at a strategy to facilitate increased access and utilization of technology. The Task Force decided technological innovation was important. Priority Projects #2 and 3 emerged from this area of concern.

Related Survey Results

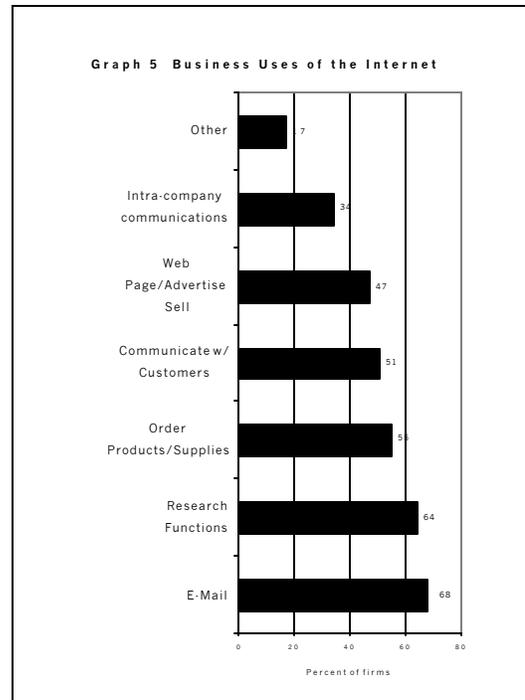
Seventy-nine percent of the surveyed firms indicated plans to make investments to modernize their production technology. Respondents showed high demand for training for computer use, and in new technology areas. Another batch of firms indicated a need for computer programmer training. All of this demonstrates that Sibley County firms are clearly involved in technology and advanced management systems. They intend to increasingly rely on technology as part of their future growth strategies.

Computer use is common throughout most of the surveyed businesses, although the applications used vary somewhat. The dominant computer uses

are for accounting, billing, customer database, spreadsheets and word processing. Over three-fourths of the businesses are connected to the internet. (Graph 4)



Surveyed businesses used the internet for a variety of functions; the most common being email, followed by research functions. It appears that more firms use the internet to buy goods and services than to sell them. Over half of firms use them to communicate with existing customers, with a third using the internet for inter-company communications. (Graph 5)



All but two firms indicated that they used Microsoft Word for their word processing needs. Microsoft also dominated spreadsheets, but there were a wide variety of programs reported for customer database purposes.

This broad mix of different programs was also evident for procurement, billing, and internet uses. This was less true for accounting, which had a strong showing by Quickbooks, but over half of the firms reported using different packages, with no other package being used by three or more firms.

Forty-seven percent of firms reported that they had web pages and 15 percent anticipated starting one within the next year. A number of firms suggested that their web pages were less than optimal in their efficacy, with very few indicating their use as a source of sales. Most appear to be used as general advertising and for contact information. A number rely on parent company

templates. Fifty-seven percent of firms indicate that they would like to learn more about effective use of the internet and electronic commerce.

About half of the firms had participated in a formal computer training program of some sort during the prior twelve months. When asked what type of training they would like to have in the coming year the responding firms covered the waterfront with a blizzard of different requests. The easiest grouping would be basic Microsoft training on the office package and its various components, with Quickbooks or Quicken a distant second, followed by many unique and/or non-specific interests.

The Task Force decided that the various issues surrounding technology and its utilization merited two projects, #2 and #3.

Priority Project #2: Provide E-Commerce Education for Businesses

Project plans from the team

Project #2 Goals:

Provide multiple opportunities for businesses to learn about using the internet for improved business productivity and services. Topics will focus on electronic commerce – doing business using the internet – and will include:

- Learning when and how to use the internet for business;
- Resources for starting and expanding a business with online resources;
- Finding business information and services online;
- Exploring e-commerce websites;
- Creating and promoting a website;

- Developing an Internet Business Plan.

The various programs will be offered through the local Community Technology Centers (CTCs) that are located in every town in the county. These will take place throughout the winter, spring, and summer of 2003, in cooperation with the CTCs, University of Minnesota Extension Service, Minnesota Rural Partners Bizpathways project, and others as identified. Additional opportunities will be developed as business interests and needs emerge.

Project #2 members:

Karen Brandt, Lisa Hinz, Holly Kreft, Kelly Kunkel, Wayne Sanderson, and Beth Wilson. For more information or to offer assistance, please contact one of them.

Priority Project #3: Use the Community Technology Centers and Possibly Mobile CTCs with Individualized Training

Project plans from the team

Project #3 Goals:

1. Better use of the existing Community Technology Centers (CTCs) by local businesses;
2. Explore potential for a mobile CTC to be used for business employee training;
3. Enlist instructors to do satellite work for CTC training.

Project #3 Desired Outcomes:

1. Offer computer skills training classes through CTC for individualized business training;
2. Local businesses expand their use of computers for improved business efficiency and productivity;

3. Employees expand knowledge/marketability.

Project #3 Actions/Tasks:

1. Leverage funds for CTC sites;
2. Identify businesses we can help that want help and would use local help;
3. Find specialists to hold the training classes;
4. Identify other possible team members.

Project #3 members:

Janet Graupman, Julie Knobloch, Catherine Lorenz, and Cindy Quast. For more information or to offer assistance, please contact one of them.

Priority Project #4: Promote New Housing

Related Survey Results

The majority of survey respondents rated most community services as either Excellent or Good, although there were a number of services that did not do as well. Among the lowest rated services were Adult Recreation and Children and Teen Recreation. These were rated as good or excellent by less than 30 percent of the respondents. Day Care, Adult Education, Higher Education and Vocational Schools did better, but still received positive marks by fewer than half of surveyed firms. Health Care/Hospitals got just over 50 percent positive remarks with the bulk of the balance of the responses rating them in the middle category as Fair. The public safety services: Police, Fire and Ambulance received the highest scores, with Elementary and Secondary Schools also doing quite well. By and large the traditional city services rated well although not quite as highly. (Graph 6)

Project plans from the team

Project #4 Goals:

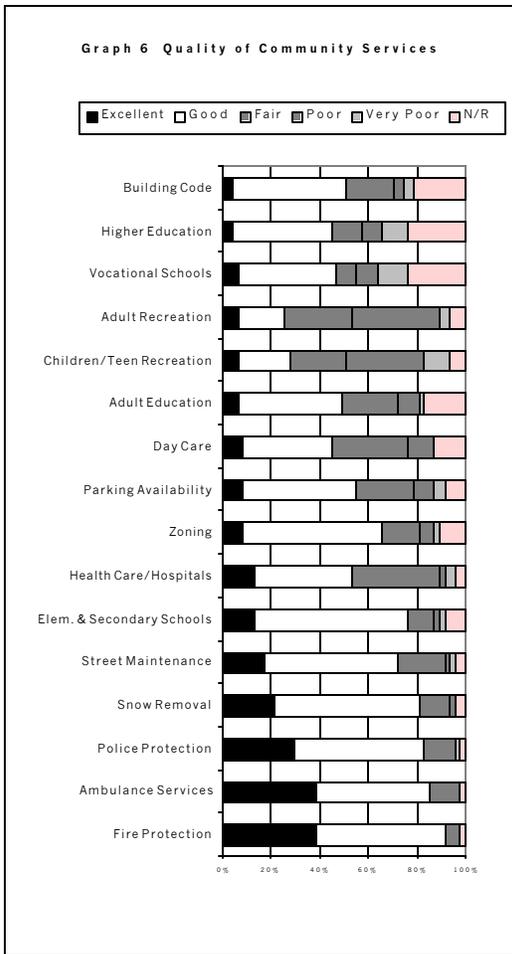
Develop an understanding of the current state of housing development across the county with a goal to support business growth by supporting housing development for current and potential workers.

Project #4 Tasks:

Compose a questionnaire/survey to be sent to all cities, townships, and possibly bankers and developers to evaluate the current housing situation in our communities. Results shared and action possibilities to be shared at a county summit in possibly 5-6 months.

Project #4 members:

Leo Bauer, Merrill Grisham, Bill Harjes, LuVerne Kent, Lowell Nagel, and Dennis Nau. For more information or to offer assistance, please contact one of them.



For more information about the Sibley County BR&E Program contact:
 Lisa Hinz, University of Minnesota
 Extension Service, 507-237-4100

OR

Michael Darger, University of
 Minnesota BR&E Strategies Program,
 612-625-6246

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The Task Force selected the priority projects. This summary report was written by Earl Netwal of Regional Diagnostics, and Michael Darger from the University of Minnesota Department of Applied Economics. Elaine Reber of the Department of Applied Economics, and several Task Force members also contributed to the report. This publication is available in alternative formats upon request. Please contact Michael Darger at 612-625-6246.