

**BUSINESS
RETENTION
&
EXPANSION
Strategies
Program**



OWATONNA

**Summary Report
November 2003**

Local sponsors:

Owatonna Area Chamber of Commerce & Tourism
Owatonna Economic Development Authority
Owatonna Public Utilities

**Department of
Applied Economics**



**University
of Minnesota**



Owatonna

BUSINESS RETENTION & EXPANSION Strategies Program

For more information contact

Lisa Krampitz
Owatonna Area Chamber of Commerce & Tourism
(507) 451-7970

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

Owatonna Business Retention and Expansion Program

Every community needs to pay attention to their existing businesses. The Owatonna 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 Owatonna as a provider 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 Owatonna BR&E Task Force served as a way to identify and understand the current needs and aspirations of a cross section of Owatonna's business community.

The survey results have been used to stimulate the development of a set of strategies. The Task Force intends to implement these as a means to insure the growth and expansion of the local economic base throughout the county.

Objectives:

The Owatonna BR&E Program has five 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 establish and implement a strategic plan for economic development.
5. To build community capacity to sustain growth and development.

Sponsorship

This program is sponsored by:

- Owatonna Area Chamber of Commerce & Tourism
- Owatonna Economic Development Authority
- Owatonna Public Utilities

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 Owatonna BR&E Program got underway March 5, 2003, when a Leadership Team was formed and began planning. A Task Force of 25 people from a variety of sectors was recruited. (Task Force and Leadership Team membership are listed below.) Task Force orientation was underway by the end of March and Visitor training was conducted in April. Interviews began April 21.

The Task Force set a goal of surveying 100 firms selected across all sectors of the Owatonna business community. A mix of population and random samples were taken to compile the target list of 100 firms/employers. First, the population set of the 20 largest employers was included regardless of sector, including public and nonprofit sector employers such as the school district, hospital and county government.

Second, a sample of 25 manufacturers was selected randomly. Third, a sample of 30 retail/service businesses was selected randomly. Finally, 25 other firms were chosen at random from all sectors to complete the target list. A backup list of additional prospective firms was selected and used as substitutes for firms that were unwilling or unable to participate in the interview process.

The Task Force worked with U.M. BR&E to design a survey instrument. They reviewed similar surveys used by three other cities that had previously conducted a Business Retention and Expansion project. The Leadership Team tested the survey instrument during its practice firm visits.

Firm Visits

Visitors conducted interviews from late April through May. 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 initial 100 firms selected participated in the survey. The backup list was used to generate an additional 20 surveys, bringing the grand total to 102 firms. It is the greatest number of firm visits accomplished since 1996 for a project affiliated with U.M. BR&E. This is a very strong rate of participation for which the visitors should be proud. Teams of two visitors conducted each of the interviews.

Red Flag Review

Two Red Flag sessions were held in May. During these sessions surveys were reviewed for any “red flags” or issues that merited relatively urgent follow-up. A total of sixteen red flags

were generated. Several red flags were in active play by members of the Task Force. The balance of the red flags were delegated for follow-up by the Owatonna Business Incubator for business plan and marketing assistance requests, and by the City Administrator in the case of Inspections/Planning and/or Expansion issues.

Research Report Development

The BR&E Leadership Team sent copies of the surveys to the University of Minnesota for tabulation and analysis. Bee Lee 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 August 19, 2003. At the state research review meeting, a team of thirteen (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 five-hour retreat was held on September 15, 2003. At this retreat, the Task Force set priorities on the major projects it wishes to undertake. Project teams have been set up to address each of the three priority projects. The current team members for each are listed elsewhere in this report. Your ideas, time and talent are desired. Please contact any of the listed people to get involved.

The People of the Owatonna BR&E

When a lot of people get together, great things can be accomplished. Four groups of people have been very important to the success of the BR&E visitation program. These include: 1) the Leadership Team, 2) the Task Force, 3) the Visitors, and 4) the Firms visited.

BR&E Leadership Team

Dave Einhaus, Attorney
 Ken Henricksen, Owatonna Business Incubator (OBI)
 Lisa Krampitz, MainStreet Director
 Eric Mattison, OBI Board
 Lisa Purvis, formerly of OACCT, currently with Owatonna Hospital
 Greg Sparks, City of Owatonna
 Dave Strand, City of Owatonna
 Bill Thompson, City Council President
 Dan Werner, Owatonna Hospital

Owatonna BR&E Task Force

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

Table 1: Task Force Members

Name	Affiliation
Dave Einhaus	Attorney
Ron Ensley	Owatonna People's Press
Joe Green	Owatonna Public Utilities
Ken Henricksen	Incubator
Jim Herzog	Retired Principal
Dean Knutson	US Bank
Lisa Krampitz	MainStreet Director
Eric Mattison	OBI Board
Jennifer Noeldner	Cybex

Doug Parr	Riverland
Lisa Purvis	OACCT
Bob Randall	Viracon
Greg Sparks	City of Owatonna
Jack Spitzack	Lasson Property Mgmt.
Dave Strand	City of Owatonna
Bill Thompson	City Council President
Dan Werner	Owatonna Hospital
Vern White	Retired
Dave Williams	EDA

Volunteer Visitors

The following people participated with Task Force members in the firm visits:

Table 2: Volunteer Visitors

Les Abraham	Tom Kuntz
Cal Anderson	Ray Lacina
Julie Arnold	Deb Langer
Ken Bay	Tony Loosbrock
Walt Borgstahl	Tim McManimon
Brian Borwege	Judy Meister
Earl Bruhn	Woody Meister
Mike Bruno	Doug Meyer
Ralph Carpenter	Gene Michaelson
Aaron Casterton	Ann Miller
Bob Chesney	Gene Miller
Madrene Cupkie	John Muellerliele
George Dow	Kathy Muellerliele
Sue Draayer	Dan Nechville
Sandy Fjalstad	Otto Nelson
Dave Fandel	Sue Pap
Sherm Fjalstad	Bill Rye
Bill Foreman	Dick Schleich
Sara Foreman	John Schoen
Willie Giga	John Shae
Barry Gillespie	Kris Stinocher
Clyde Grant	Harland Strohshein
Jim Hartle	Dave Thomas
Len Kading	Kerm Urbain
Bonnie Korblick	Tom Walsh

Sue Wavrin	
Harvey West	
Sharon West	
Jim Wiggins	
Ken Wilcox	
Vern Wilker	

Firms Visited

One hundred two firms participated in the program. The community appreciates their willingness to spend time with the interviewers and their contributions to the economy in Owatonna. Their survey results are confidential yet it is important to credit their participation by listing their names in Table 3.

Table 3: Businesses Interviewed
Business Name Interviewee

Ace Hardware	Dave Neiman
Advanced Coil	Doug Kennon
Advantage Cabinets	Scott Kubicek
Ag Power Enterprises	Ron Christianson
Al -Corn Clean Fuel	Randall Doyal
Alexander Lumber	Denny Meillier
AmericInn	Jack Spitzack
Anertec	Brian Anderson
Banbury Cross	Norma Louis
BK Lindgren Inc. Express Personnel	Betsy Lindgren
Black Forest Ltd	Gary Sticha
Blount Forestry & Ind. Equip.	Kurt Schrom
Brase Metal Worx	Craig S. Brase
Brooks on St. Paul	Sue Doty
Business Ware	Dave Polzin
Cabela's	Keith Rue
Casey & Groesbeck	Sam Woods
Cashwise Foods	Wayne Starman
Century 21 Vision	Bob Hansen
Chiropractic Health	Dr. Lyle Coleman
Community Bank Owatonna	Dale Bowers
Concepts & Designs	Tom Peterson
Costas Candies	Costa Boosalis
Custom Coffee	Steve Dobson
Custom Fabrication	Keith Vollbrecht

Cybox	Eddie Kurzontkowski
David Allard CPA	David Allard
Deml Heating	Roger Deml
Extreme Powder Coating	Greg Peterson
Fabricated Wood Products	Brad Spitzack
Federated Insurance	Al Annexstad
Finnegan's Welding	Pat Finnegan
Fuel & Food	Rhonda Pirkl
Gainey Conference Ctr.	Marlene Levine
Gandy Co.	Dale Gandrud
General Equip	Dennis VonRuden
Gopher Sport	Dan Gorman
Holiday Inn & Suites	Stephanie Curtis
Hy-Vee Food	Nicole Moore
Intellbell Inc	Carl Towley
J Shore & Company	Jerry Shore
J&J Cabinets	Jerry Schiller
JC Office	Lisa McGinnis
J-C Press	Sabra Otteson
Jeno Welding & Mach	LaVern Jeno
Jerry's Supper Club	Dave Born
Jostens Inc	Lisa Ebeling
Kids Korner	Dan Buck
King Co.	Todd Koenigs
KRFO	John Connor
Larson Allen & Weishair, LLP	Gregg Draeger
Lawrence Transportation	Bill Schultz
Manke Service	Harlan Manke
Maryln's Bridal	Maryln Minor
Master Craft	David Risch
McDonald's	Elliott Eisman
McQuay	Will Fort
Medford Outlet Mall	John Hammer
MK Jewelers	Mary Kay Utzinger
MN Cadvantage	Jeff Bakken
Modern Metal Products	Dave Pfeiffer
NAPA	Bob Thomley
New Owatonna Ford	John Berger
NCS Pearson	Jeff Samples
Northern Precision	Doug Krueger
Owatonna Clinic- Mayo Health Syst.	David Berg
Owatonna Concrete Products	Dave Saykora
Owatonna Country Club	Melinda Maltezos
Owatonna Garden Center	Krista Kielmeyer

Owatonna Heating & Cooling	Wes Kain
Owatonna Hospital	Dan Werner
Owatonna Metal Recycling	Dan Jerpbak
Owatonna Roller Rink	Chris Rothhoff
Owatonna School District #761	Dr. Jim Bauck
Pal's Machining	Pat Marchwick
Pannkuk Bake Shop	Mike Pannkuk
Phoenix Air	David Anderson
Pit's Metal Treating	Jim Klien
Plaza Morena	Jose Herreia
Quality Systems Development	Charles Dewey
Randall Electric	Randy Randall
Retrofit Companies	Mike Noble
Riverplace Auto Center	Conrad Miller
Salon E Clips	Gwen Statlander
So. Cent. Human Relations Ctr.	Bob Steele
Spherion	Ann Miller
SPX/OTC Div	John Porter
St. Clairs for Men	Greg Krueger
State Farm Insurance	Steve Carroll
Steele County Free Fair	Elmer Reseland
Sterling Drug	Kathy Dostal
Tienda Mexico #3	Eli Talamantes
Timberlodge	Jerry Bahr
TPS Insurance	Tom Effertz
Truth Hardware	Greg Wobschall
United Prairie Bank	Larry McGraw
US Bank	Dean Knutson
Wal-Mart	Mark Wilson
Welker Construction	Kurt Welker
Wells Fargo Bank	Tim McManimon
Wenger Corp	Bob McKenna
Workforce Dev. Inc.	Sue Draayer

BREI Certified Consultants

Lisa Purvis and Lisa Krampitz served as BR&E consultants (trained by U. M. BR&E and certified by BREI) 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 Research Review Panel

The state research review panel included a team of thirteen, including university faculty, state agency personnel, and Owatonna 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 research review panel follows.

State Research Review Panel Members

Michael Darger
Director, BR&E Strategies Program

Vernon Eidman
University of Minnesota,
Department of Applied Economics

Dentley Haugesaug
Minnesota Department of Employment
& Economic Security

Laura Kalambokidis
University of Minnesota,
Department of Applied Economics

Tom Kuntz
Owatonna Public Utilities

Ward Nefstead
University of Minnesota,
Department of Applied Economics

Earl Netwal
Regional Diagnostics

Jennifer Noeldner
Cybex International

Lisa Purvis
Owatonna Area Chamber of Commerce
& Tourism

Bob Randall
Viracon

Steve Reckers
Minnesota Department of
Administration

Bruce Schwartz
University of Minnesota Extension
Service

Dan Werner
Owatonna Hospital

Owatonna's Economic Profile

The Task Force, at its September 15th retreat, reviewed an economic profile of Owatonna prepared for its use. The profile is included in the Owatonna Research Report and is available for review through the Owatonna Area Chamber of Commerce and Tourism's office.

Key findings of the economic profile included observations that Owatonna is growing faster than the state as a whole, but not as fast as the Twin Cities or Rochester metro areas.

A significant loss of 1,891 manufacturing jobs in the period of 1998 to 2001 was noted. Despite job gains in several other industrial sectors, the net number of jobs based in Steele County declined by 1,142 during the 1998 to 2001 period. This loss of manufacturing jobs probably contributed to a less robust

growth rate in per capita income for the county. While Steele County per capita income has been growing, it did so at a lesser rate than in many neighboring jurisdictions.

Despite the job losses, manufacturing remains the dominant aspect of Owatonna's economy, employing 28.2% of Steele county residents.

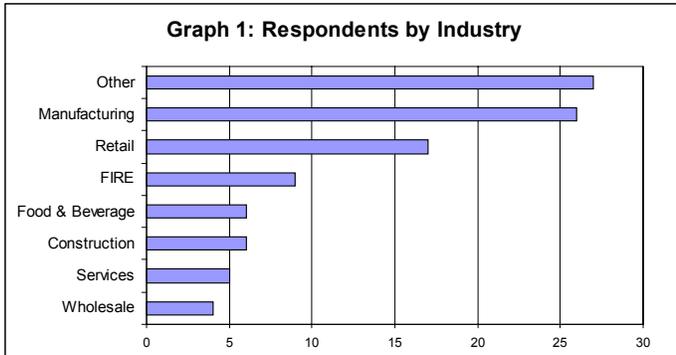
Owatonna BR&E Survey Results

Following are the results of the survey of 102 firms by Owatonna leaders during the spring and summer of 2003. 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

One hundred two firms were visited during the spring and summer of 2003. An effort was made to get a balanced sample of firms from across the city's economic base.

The Manufacturing, and Retail sectors were among the most numerous of firms surveyed, followed by the Finance, Insurance and Real Estate sector (FIRE). See Graph 1.



Overview of Business Retention and Expansion Strategies

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, the 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 firm management and its employees, not community groups, or state and local governments. However, the actions of these stakeholders can sometimes help firms become more profitable by identifying ways to lower their costs or expand their markets. The strategies and specific projects outlined below are aimed at helping firms in Owatonna become more profitable and thus enable them to survive and grow in the community.

Owatonna BR&E Priority Projects

The following three priority projects were selected from many possibilities considered at the half-day retreat September 15th, 2003:

Priority Project #1: Provide information to businesses on programs and strategies for increasing productivity, reducing cost, and accommodating growth

Priority Project #2: Provide workforce training for critical skills

Priority Project #3: Improve the physical appearance of Owatonna and develop ways to draw visitors, particularly interstate travelers, to the city's other amenities

A core group of Task Force members has agreed to initiate each of these three projects. They have each met at least once to begin the process of task clarification, establishing desired outcomes and identifying potential resources and collaborators. To be successful, each project team needs to expand its membership. Your interest, support, and assistance is critical to the success of these endeavors. Contact any of the team members for more information.

Priority Project #1: Provide information to businesses on programs and strategies for increasing productivity, reducing cost, and accommodating growth

This project will focus on developing an industrial marketing plan. It intends to take advantage of Owatonna's existing industrial clusters to retain and advance

job creation; identify and promote Owatonna's unique advantages; and develop and maintain information for businesses on available real estate, financial incentives and sources of capital.

Related Survey Results

Thirty-two percent of all respondents reported selling to the medical industry and 27 percent to the communications industry. These two industries constitute major clusters of common interest.

The manufacturing sector is significantly more involved in medical technology than it is in the communications industry.

Seventy-six percent of surveyed firms began operation in Owatonna, and 63 percent were neither a branch plant, a satellite, or a franchise.

Project plans from the team:

The goal is to establish an on-going project to serve as a resource to meet the needs of Owatonna's industry clusters, and thereby promote job creation, attraction, expansion, and retention. In addition to providing support for existing businesses, it would also function as a reservoir of information and resources for prospective firms considering locating in Owatonna.

A steering committee has been established to initiate the project. Task forces will be created to address the needs of industry clusters and opportunities for job creation, attraction, expansion, and retention. Owatonna's advantages will be defined and communicated to both existing and potential businesses. Communication methods for promoting property, funding

and incentive resources will also be defined.

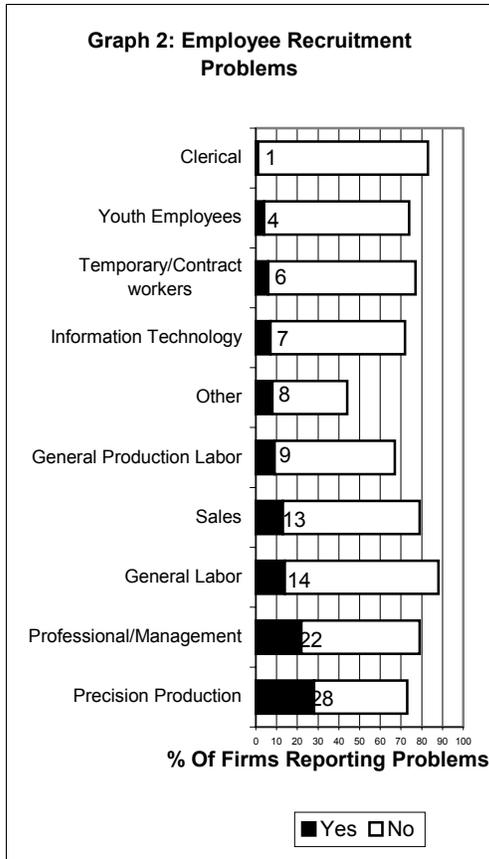
Project team members include Ken Henriksen, Jim Herzog, Dean Knutson, Karol Milbrath, Greg Sparks, Jack Spitzack, and Dave Strand, in conjunction with the existing marketing committee. Your assistance would be most welcome.

Priority Project #2: Provide workforce training for critical skills

This project will focus on developing an action plan to identify key skills needed across the broad scope of Owatonna's businesses and industries.

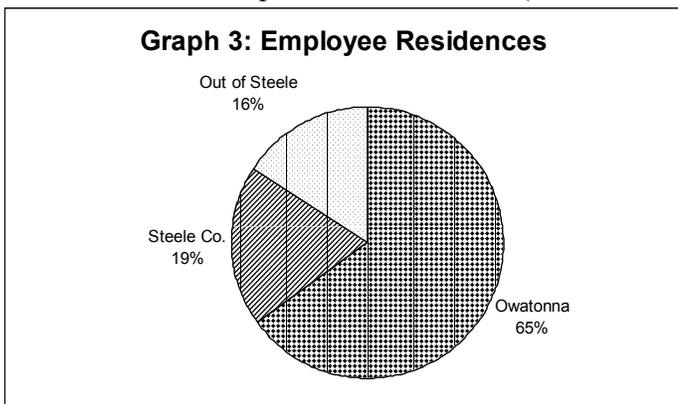
Related Survey Results

Over a quarter of all firms surveyed said they had "problems" recruiting employees with precision production/specialty skills. More than a fifth suggested problems recruiting professional/management personnel. General labor and sales were the next two most difficult recruiting areas. See Graph 2.



Labor Pool

Owatonna’s labor pool extends beyond Steele County into the surrounding region. One in seven jobs with the surveyed firms were filled with people who commuted to work in Owatonna from outside Steele County. Owatonna residents filled 65 percent of the jobs, and about 20 percent were other Steele County residents. See Graph 3. Almost 78 percent of the FIRE (i.e.



Financial, Insurance & Real Estate) employees were Owatonna residents. Manufacturers, in contrast, recruited 45 percent of their employees from outside the city. See Table 4.

Table 4: Percentage of Employees’ Residence by Sectors

	Owatonna	Steele County	Outside Steele Co.
Manufacturing	55%	19%	25%
Retail	71%	14%	10%
FIRE	78%	11%	12%
Rest of firms	64%	23%	13%

Project plans from the team:

The first step will be to identify the critical skills most in demand by Owatonna’s major employers. The committee intends to build on a survey of approximately 50 employers already underway by the Owatonna College and University Center (OCUC). The project team intends to augment OCUC’s work by adding a focus group approach. The sector focus groups will use the same question set as the OCUC employer assessment. Implementation of this aspect will be completed by February of 2004. Results of this effort and that of OCUC will then be used to develop an appropriate strategy to meet the long-term needs of Owatonna’s business and industry.

Project team members include Doug Parr, Bill Thompson and Dave Williams. They could use your assistance as well.

Priority Project #3: Improve the physical appearance of Owatonna and develop ways to draw visitors, particularly interstate travelers, to the city's other amenities

This project, nicknamed the “clover leaf pluckers”, is a combination of two projects considered at the Task Force retreat. The BR&E survey indicated that businesses felt that the physical appearance of the community was important and that there was merit in the idea of promoting the city's attractions to visitors. Three initiatives have been identified to address these issues: beautification, destination branding and Interstate highway development.

Related Survey Results

Physical Appearance

Seventy-six percent of respondents characterized Owatonna's physical appearance as either “good” or “excellent.” Fourteen percent rated it as “average” and four percent as “poor.” Over 83 percent rated beautification of the community as “important” or “very important.”

What Firms Liked Best about Owatonna

Firms were asked to identify the five things that represented the best of Owatonna. In loose groupings of the open-end responses 86 percent mentioned Community/People/Small town; 65 percent noted Parks/Recreation/Clubs; 62 percent said Schools/Education; and 50 percent said Business/Industry/Entrepreneurship.

Attractiveness of Community Features

Proximity/Distance from/to the metro area and small town atmosphere were

seen as Owatonna's biggest assets. Freeway access and Festivals and Events were seen as additional assets the community could celebrate. Seventy-five percent of the firms believed promoting the area to visitors is in the best interests of their individual business.

Project plans from the team:

Several action tasks have been identified to improve the physical appearance of the city, including: improved lighting, adding flower planters, murals, streetscaping of major corridors, an annual downtown cleanup, and developing strategies to improve the exterior appearance of various buildings.

Destination branding to promote Owatonna to outside visitors has also been identified. For instance, better signage in terms of both welcome monuments and improved directional and regulatory signs has been identified. Banners that brand Owatonna in a symbol and/or slogan are also a part of the destination branding. Finally, coordinating musical ensembles in the Central Park bandshell has been identified as a way to brand Owatonna as a destination.

Interstate highway area development is a final initiative that came from the BR&E survey process. Owatonna's geographic position on Interstate Highway 35 has historically been attractive to prospective developers. With the continuing interest on the part of retail, restaurant and convenience developers, Owatonna citizens should be mindful of the long-term credibility and viability of these proposed developments, taking into consideration whether or not they will complement existing and targeted

businesses for the I-35 corridor. The intent of this goal is not regulatory in nature, but would evaluate whether or not these developments are in the best interests of Owatonna citizens and visitors.

Project team members include: Ron Ensley, Lisa Krampitz, Tom Kuntz, Kathy Muellerleile, Lisa Purvis, Bob Randall, and Dave Strand.



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 Extension Service. Elaine Reber of the Department of Applied Economics, Lisa Krampitz of the Owatonna Chamber of Commerce and Tourism and members of the Owatonna project teams also contributed. This publication is available in alternative formats upon request. Please contact Michael Darger at 612-625-6246 or bre@extension.umn.edu.

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