

**BUSINESS
RETENTION
&
EXPANSION**
*Strategies
Program*



BIG STONE COUNTY

Summary Report May 1998

Local sponsors:

Big Stone County Commissioners
Ortonville Economic Development Authority
The Cities of Beardsley, Clinton, Correll, Graceville, and Odessa
University of Minnesota Extension Service—Big Stone County

**Department of
Applied Economics**



**University
of Minnesota**



Big Stone County 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 encouragement of new business start-ups are important parts of an overall economic development strategy, Big Stone County leaders recognized the need to do a lot more to help their existing businesses survive and grow.

Objectives

The objectives of the Big Stone BR&E visitation project are to:

1. 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. identify the needs and concerns of existing businesses so that the local business climate can be improved, and
3. learn the future plans of the area's firms with respect to retention, expansion, and/or relocation so the community can assist when possible.

Sponsorship

The program was sponsored locally by the Big Stone County Commissioners, Ortonville Economic Development Authority, the Cities of Beardsley, Clinton, Correll, Graceville, and Odessa, and the University of Minnesota Extension Service-Big Stone County.

Financial sponsorship for the program came from the Big Stone County commissioners, the Ortonville Economic Development Authority, and a scholarship from the University of Minnesota.

Big Stone BR&E Program History

The Big Stone BR&E program was started in September 1997, by the leadership team. After studying the program, the leadership team shared their findings with the 23-member task force. The task force decided to move forward with the project in October 1997.

The task force members helped recruit an additional 17 individuals to help them with the firm visits. Dorothy Rosemeier, University of Minnesota Extension Service-Swift County, then helped the local team train the task force and volunteer visitors for the firm visits. Teams of two volunteers arranged their own visits and completed 73 visits (each about one hour) over the next four weeks.

After the surveys were returned, the leadership team reviewed each survey and decided how the immediate follow-up should be handled.

University of Minnesota staff in the Business Retention and Expansion Strategies Program (Patricia Love, Director; George Morse, Professor of Applied Economics; and Inhyuck Ha, graduate student) ran the statistical analysis, organized the research review meeting of ten faculty, state agency and local people, and wrote the research report.

A four-hour retreat was held on April 13, 1998. At this retreat, the task force established priorities on the major projects they wished to undertake. A committee was set up on each of the four priorities shown in this report. Other citizens are invited to contact those listed if you have ideas, time, or other talents to contribute to these projects.

People in the Big Stone BR&E Program

Leadership Team

This group coordinated the local program, included:

- Overall coordinator and red flag coordinator: *Jeanette Knip*, Economic Development Authority, Ortonville;
- Visitation coordinator: *Greg Peterson*; Ortonville Economic Development Authority;
- Media coordinator: *Sue Kaercher*, editor, *Ortonville Independent*;
- Meeting coordinator: *John Cunningham*, University of Minnesota Extension Service-Big Stone County

Task Force

Forty-four business, development, government, education, and other community leaders participated as task force members and firm visitors. This group completed a two-hour training program and visited two to four firms in teams of two. The Task Force members adopted and agreed to implement the projects included in this report.

Deb Bamhart	Big Stone Lake Area Chamber of
LaValle Berkner	Ortonville Economic
Mark Botker	
John Cunningham	University of Minnesota
Tom Dew	Big Stone City Development
Dianne Dinnel	Northside Medical Center
Gary Dinnel	Ortonville Police Department
Judy Drewicke	KDIO
Bob Dybvig	
Don Egert	KDIO
Shirley Finberg	City Office
Tom Gronseth	CENBANK
John Haukos	Big Stone County Sheriff
Mary Hillman	Big Stone Area Chamber
Ruth Hoffman	Hoffman Implements
Brett Jacobsen	Larson Funeral Home
Blair Johnson	Ortonville Economic
Sue Kaercher	Ortonville Independent
Mary Kampmeyer	
Aaron Knutson	Minnesota Extension Committee
Georgia Kolb	Big Stone Lake Area Tourism
Jeanne Krueger	Big Stone County
Mary Lane	City of Graceville
Arlo Lindahl	Ortonville Post Office
Scott Maas	Minnwest Bank
Loren Pattison	Ortonville Area Health Services
Chris Peterson	Clinton/Graceville School
Greg Peterson	Ortonville Economic
Darryl Pettis	Big Stone County Hwy Garage
Audrey Rahrlien	City of Graceville
Dalen Roe	Minnwest Bank
Steve Roggenbuck	Progressive Collision & Glass
Bob Rothi	Big Stone County EDA
Deb Sandberg	
Roman Taffe	Marquette State Bank
Ron Thomas	Thomas Johnson Accounting
Elwood Thronrud	SW MN Foundation
Lois Torgerson	City of Clinton
Mary Ann Ulrich	Big Stone Lake Area Tourism
Brent Zahrbock	American Express Financial

Firms Visited

Seventy-three firms were visited by the Big Stone BR&E project. The community wishes to thank these firms for their willingness to help the community understand the needs of the County's existing firms. A list of the firms that participated is included at the end of this report.

Campus Review Team

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

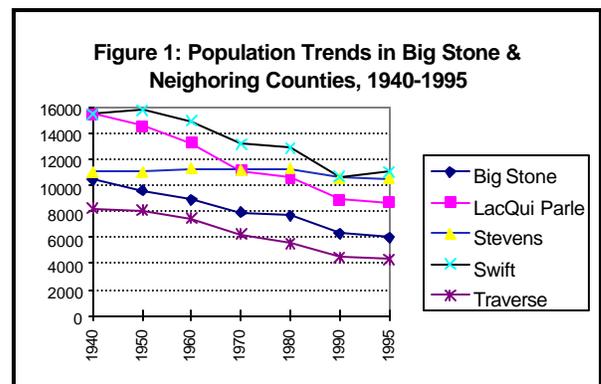
- *Local leaders:* John Cunningham, Bob Dybvig, Jeanette Knip, Dorothy Rosemeier.
- *State Agency Personnel:* David Gaffaney, USDA Rural Development; Jason Nord, MN Department of Revenue; Libby Starling, Department of Economic Security.
- *University of Minnesota:* Marilyn Grantham, Patricia Love, George Morse.

Big Stone County's Economic Profile

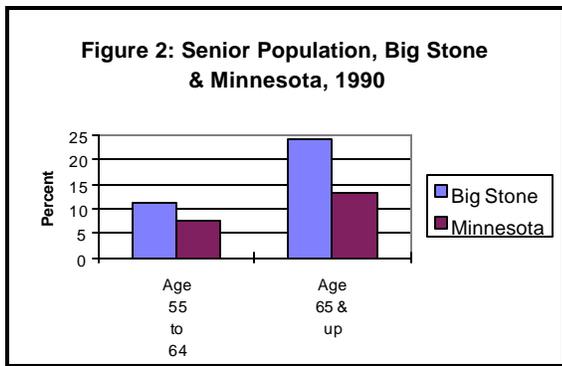
To provide context for the survey results, this section gives an overview of population and economic trends in the County.

Population Trends

Big Stone County's population declined steadily from 10,477 in 1940 to 6,026 in 1995 (figure 1). Big Stone has lost population more rapidly than its neighboring counties since 1970. During the 1970s and 1980s, out-migration accounted for almost all of the population change. However, in the early 1990s, deaths accounted for 45 percent of the total decline.



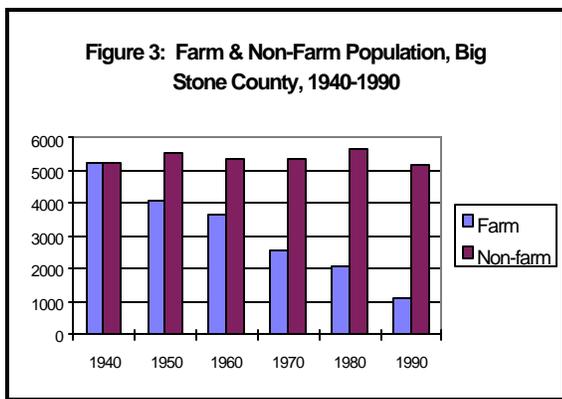
The middle-aged (55-64) and senior (65 and up) segments account for nearly 34 percent of the County's population compared with only 20 percent of the State's population (figure 2).



Farming Population and Income

The decline in the farming population is likely the major trend causing the decline in the County's population. In 1940, the farm population was 50 percent of the total population. This fell to 18 percent in 1990. The non-farm population has remained relatively stable over this period (figure 3).

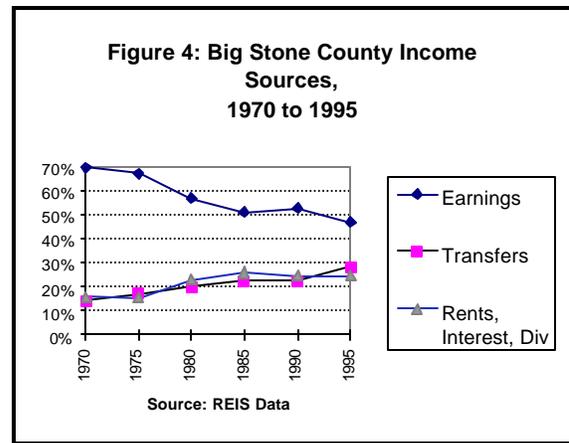
While farming is still one of the County's most important sectors, the loss in farm employment over the past several decades has not been replaced by other sectors.



Sources of Income

The income in any region can be divided into three major sources: 1) earnings from wages and salaries, 2) transfer payments (welfare, unemployment and retirement), and 3) returns to capital (dividends, interest, and rent).

Transfer payments accounted for over 28 percent of total personal income in Big Stone County in 1995. This is nearly double the statewide average (14.5 percent). The welfare and unemployment payments per capita were almost identical, and most of the transfers were retirement income. As shown in figure 4, transfer payments nearly doubled between 1970 and 1995, going from 14 percent to 28 percent of total personal income in the County.



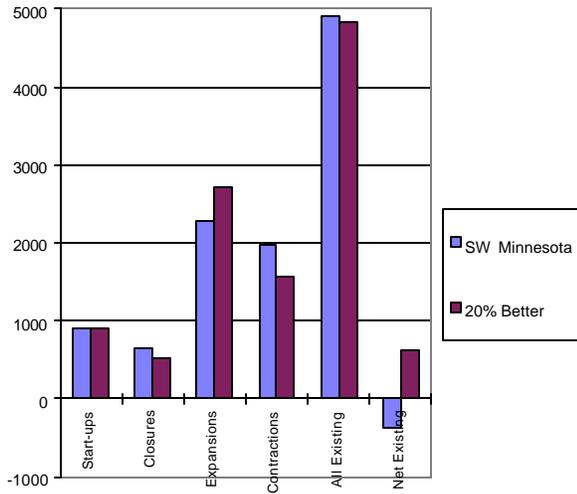
Average Weekly Wages

The average weekly wage in Big Stone County was \$318 in 1996, or only 57 percent of the statewide average. Retail wages in Big Stone are in line with those of neighboring Minnesota counties. However, the retail trade sector pays the lowest wages of the major sectors. Yet, this is the sector with the most employment in Big Stone County, except for government.

New Manufacturing Firms

Since one means of increasing employment in the County is to attract new manufacturing plants, it is useful to see what the history is on attraction of new plants in the State and in this region. Figure 5 shows the number of jobs created in various sectors in the State of Minnesota during 1994 and 1995. The "births" are new firms attracted to the State or brand new firms. Births of manufacturing jobs are only about 10 percent of the total change in jobs in that sector. Manufacturing jobs also experienced the smallest change. In the Southwest Region of Minnesota the "birth" of new manufacturing jobs in the first quarter of 1997 accounted for only one percent of the total changes in jobs.

Figure 5: Sources of Job Changes vs 20% Better BR&E, SW Minnesota, 1997



Source: Business Tracking System, 3/98 (Qtr.1 & 2, 1997)

Characteristics of Firms Visited

Firms were visited in the communities of Ortonville, Graceville, Clinton, Big Stone City (South Dakota), Beardsley, Otrey, Toqua, and Waters Township. Big Stone City firms were included since so many Big Stone County residents commute to work in Big Stone City. (Details are in the research report)

The firms visited employ 648 full-time people and another 548 people part-time. However, these firms are quite small. Almost two-thirds of those visited (63%) employ three or fewer people. Almost 90 percent employ 15 or fewer people. Thirty-five percent of those visited started in the last ten years.

Nearly 40 percent of the firms are in retail or wholesale trade. This was followed by services and then manufacturing. It appears that the firms visited, while not exactly reflecting the distribution of the County, are likely to be representative.

New Tourism Jobs

A potential source of jobs for many communities is tourism. One means of assessing this is to look at the current number of jobs by county. Big Stone County had less than 1 percent of the tourism jobs in the State in 1995. Of the State's regions, the southwest area has the fewest number of tourism jobs. During 1994-1995, there were only eight new businesses and ten new jobs in Big Stone County in the tourism sector. As might be expected, most of the additional jobs came in the parts of the state that already have a lot of tourism businesses and jobs.

BR&E Survey Results

This section presents the survey results from the 73 firms visited by Big Stone community leaders in late-1997 and early-1998. The characteristics of the firms visited are described first. Then the strategies and priority projects selected by the Task Force are presented. The survey results related to these projects are included in this summary. Additional survey results are in the full research report available at the County Extension Office, the Ortonville Economic Development Authority, and the Ortonville library, or from members of the Task Force.

BR&E Strategies for Higher Profits

The strategies adopted by the Task Force assume a primary requirement for the retention and expansion of local businesses, that they make a profit. Even business owners who are motivated to provide local employment or to produce a product in an environmentally friendly manner must pay attention to their profits. If the businesses cannot at least cover their costs, they cannot survive.

Since profits are simply the difference between revenues per unit sold and costs per unit, the options adopted focus on increasing revenues and reducing costs.

None of the strategies or the projects is a magic bullet that will solve all the problems in Big Stone County or bring rapid rates of growth. All are feasible options that are likely to help move the County in the right direction.

Strategy One. Improve the Availability and Productivity of Labor

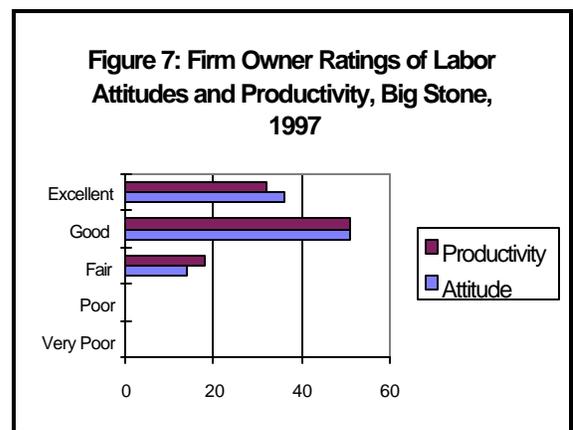
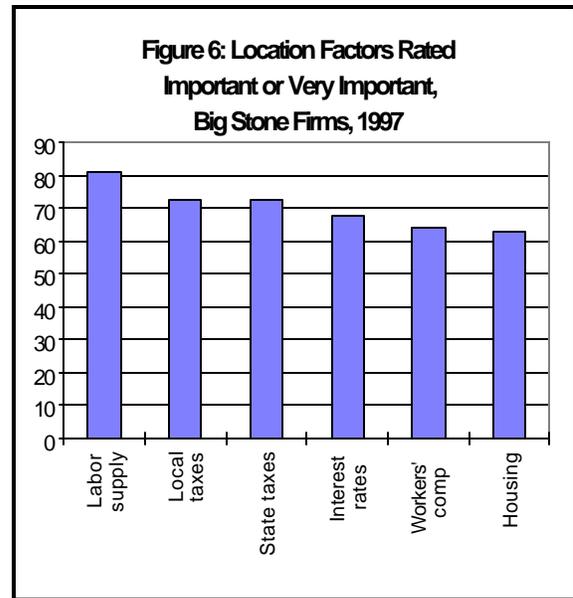
Labor is the major cost in most businesses. As labor becomes more productive, the cost per unit of output declines. This gives the firm greater profit potential. When labor is in short supply it is likely to put upward pressures on wages or make it difficult to find employees with appropriate skills. Programs and projects that can help firms improve the productivity of their current employees or can attract additional supplies of labor will help firms become more profitable.

Survey Results Related to Labor

Earlier, the small size of the firms was noted. Over the next three years, over 70 percent expect to increase sales while about one-fifth expect to hire more sales people. Some expansion in hiring is expected in all the other categories. Twenty-two percent of the firms report problems recruiting general labor. Wages in Big Stone County are low compared to other counties in the region, reflecting narrow profit margins for local firms. The most common means of locating new employees is through referrals from existing employees.

When firms were asked how important various location factors would be to them, the most important factor was availability of labor, followed by local and state taxes. Over 80 percent of the firms cited the availability of labor as important or very important (figure 6).

Owners, operators, and managers rated their employees' attitudes toward work and their productivity high. As figure 7 shows, nearly nine of ten (87%) firms rate their workers' attitudes as either excellent or good. This question also suggests that labor and management have reasonably good working relationships. When these relationships are poor, management tends to rate the workers' attitudes as poor. Fourteen percent of firms rated workers' attitudes as fair with over four of five (83%) rating their workers' productivity as excellent or good. While none rated them poor or very poor, 18 percent rated them as fair. This suggests some opportunities for additional training.



Priority Project: Student-Business Partnering

While attitudes and productivity were rated excellent by about one-third of the firms, there is room for improvement. School/business partnerships offer one option for introducing work experiences and ethics during high school.

The schools and Chamber of Commerce are already moving to establish a school/business partnership program. The Task Force will explore ways to support these efforts. It will also explore the nature of Minnesota's School-to-Work initiative and then invite representatives of one of the sponsoring agencies to describe how this program

has been used in communities of a size similar to those in Big Stone County.

The nature of school/business partnerships varies from community to community. In some places, the schools have several small “businesses” within the school, which are run by students. Examples include school stores, alternative lunch stands, small engine repair service, and computer design work. Students do the accounting, inventory control, personnel management, scheduling, clerking, and planning in these businesses. In some cases, teachers use examples from these small businesses in their classes (e.g., accounting for the school store in accounting class). In other schools, businesses have provided speakers for classes on employment opportunities in the community and how mathematics, language, and other topics are essential to success in the workplace. In other schools, committees of local business people and teachers have explored curriculum changes that better prepare local students for jobs within the community.

Audrey Rahlien, Ruth Hoffman, Mary Lane, and Shirly Finberg are coordinating this effort for the BR&E Task Force. If you would like to participate in this project or want more information, please contact one of these people.

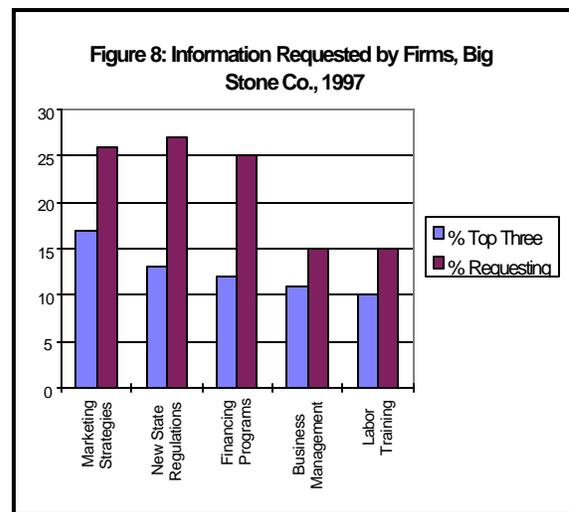
Strategy Two. Help Firms Reduce Their Business Costs

In addition to increasing labor productivity, there are many other ways to cut costs per unit. A variety of regional and state agencies offer programs that can help firms make their operations more efficient. Many of these are educational programs that help the firm’s management learn about new options for running their firms or marketing their products. While even large firms find it difficult to keep track of these programs and evaluate how useful they are to their operations, this is particularly difficult for small firms. BR&E programs can 1) help firms learn about these programs and evaluate them, 2) serve as an ombudsman for the local firms in dealing with state agencies, and 3) sponsor workshops on those programs that are most relevant to local needs.

Survey Results Related to Helping Firms Reduce Costs

As shown in Figure 8, relatively high numbers of firms rated the following topics among the top three on which they wanted information: marketing strategies, new state regulations, financing programs, and business management. The number of firms requesting this type of information ranged from 15 percent for business management to 26 percent for marketing strategies. There was some interest in all of the topics listed in the survey, but after these four, the other topics were rated in the top three by fewer than 10 percent of firms. Although they did not rate some topics as a top priority, several firms were interested in getting information on a variety of topics. For example, on the Border City Enterprise Zone Tax Credit, only 10 percent of the firms ranked this as one of the three most important topics. However, 22 percent wanted additional information on the program.

At the time of the survey, one-third of the firms had used some State or Federal program during the past three years. Almost half (48%) of the firms using these programs would recommend them to other firms in this area.



Priority Project: Proactive Outreach Program to Inform Expanding Firms of State and Federal Programs

About half of the firms that had used State and Federal programs indicated that they would recommend these to other firms. The University of Minnesota agreed to provide the BR&E Task Force with a list of the firms that agreed to provide recommendations. The BR&E Task Force will ask these firms to describe how they used the programs and then will prepare a series of news articles on these programs. The articles will describe the good, the bad, and the ugly of the programs so that other firms can evaluate fairly the merits of using a specific program. Information on the Internet homepages of State and Federal programs will be included for those firms connected to the Internet. Other firms will be encouraged to go to the library to use the Internet.

The Task Force members felt that firms would likely be most receptive to information during the early phases of potential expansions and that firm owners would favor personal contacts. Given the limited number of professional staff in economic development in Big Stone County, a sub-committee of the BR&E Task Force will study the various programs and be prepared to visit with expanding firms.

Blair Johnson, Greg Peterson, Steve Heiress, Mark Botker, and Jeanne Krueger of the BR&E Task Force will coordinate this project. If you would like to participate in this effort or would like more information, please contact one of these people.

Other projects nominated but receiving lower priority included:

- Developing an inventory of available space and land in the County
- Investigating the difference in tax rates between Minnesota and South Dakota.

See the full research report for details on these.

Strategy Three: Explore Focus of Development Efforts in Big Stone County

Farming appears to have been and continues to be the primary industry in Big Stone County. However, advances in agricultural technology and other factors have reduced farm employment considerably since the 1940s. While a number of firms sell outside Big Stone County, there has not been sufficient economic development to make up for the losses from agriculture.

Survey Results Related to Strategy Three

Big Stone County's decline in population since 1940 has paralleled the decline in farm population and the number of farms. The small labor pool means the County is not likely to attract new manufacturing plants. The current tourism employment is very small and the local festivals, while bringing in additional people, are not seen as very beneficial by most firms.

Priority Project: Explore Possibilities of Becoming a Retirement-Related Tourism Center

Big Stone County is already a retirement center, possibly by default. The number of senior citizens in the County is much higher than the State average. Trips to the County for family reunions, including funerals, are already a major component of the tourism business. The Task Force felt that additional tourism focused on middle-aged and senior citizens might be an area in which Big Stone County has a comparative advantage. Some of those who visit Big Stone County as tourists might be encouraged to retire there.

As part of this project, the BR&E Task Force plans to conduct an inventory of the attraction strengths of the community and identify what might be needed.

Both the Tourism Center at the University of Minnesota and specialists in aging could provide assistance in this endeavor. The Minnesota Senior Federation (www.mnseniors.org) might also be able to provide some useful input on this project.

The following BR&E Task Force members are coordinating this project: Judy Drewicke, Bob Dybvig, Bob Rothi, Tom Dew, Dalen Roe, Deb Barnhart, Arlo Lindahl. If you would like to participate in this project or would like more information, please contact one of these people.

Firms Visited

City	Firm
Barry	Barry Farmers Coop Elevator
Beardsley	Bobbi Jo's Café Deutsch Country Market
Bellingham	Henrick & Sons
Big Stone City, SD	Fehr Land, Ltd. Stella Foods Wee Grocery You's Greenhouse
Clinton	Arrow Drug Big Stone Coop/Cenex Clinton Ag Service Clinton State Bank Gustafson Construction
Correll	Tom's Bar
Graceville	Carlson Oil Graceville Cabinet Company Graceville Feed & Seed Fertilizer Graceville Health Center Griffiths Hardware Imp. Inc. Hoffman Implement Lakeside Bed & Breakfast Larson Pharmacy Pullis Oil R & A Supply
Odessa	Club 7-75 DDD Wax Rendering Ellingson Inc. Fatheads Hillman Bros.
Ortonville	American Express Barr's Ortonville Electric Shop Inc. Big Stone Bait Big Stone Physical Therapy Bill's Super Valu Bituminous Paving Bud's Bait Cartwright Drug Cashtown Service Inc. CenBank Dick's Cycle Shop II Econolodge

Ortonville (con't)

H & H Car Care Clinic
Heritage Plumbing Jim & Sons Lumber Co.
KDIO
KJ's Cove
Korolls
Lakeshore RV Park & Fruit Farm
Larson Funeral Homes, Inc.
Dr. Ronn McDaniel, PA
Northside Medical Center
Ortonville Flower Shop
Pamida, Inc.
Pizza Ranch
Pleasant Valley Farms
Ortonville Area Health Services
Ortonville Independent
Ortonville Plumbing & Heating Co.
Otrey Lake Gallery
Pepsi Cola Co.
Rausch Bros. Monument Co., Inc.
Rensberger TV
Sunrise Motel
Thomas & Johnson, PA
Too Mad Café
Valley View Antiques
Vertical Solutions



This summary report was prepared by George Morse, Professor, Department of Applied Economics, University of Minnesota and Patricia Love, Director, Business Retention and Expansion Strategies Program, University of Minnesota Extension Service and edited by Michael Darger and Ellen Carlson.



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