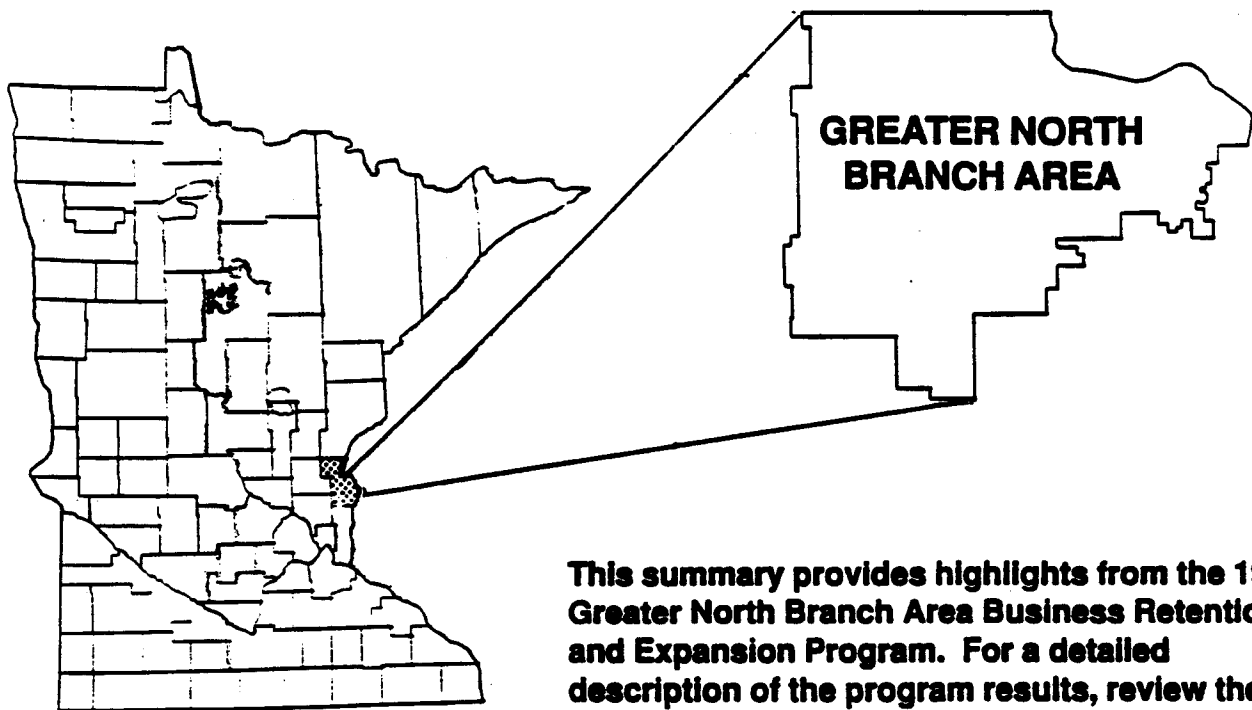


BUSINESS RETENTION AND EXPANSION FOLLOW-UP PROGRAM SUMMARY



This summary provides highlights from the 1990 Greater North Branch Area Business Retention and Expansion Program. For a detailed description of the program results, review the Final Report which is available at the Chisago County Office of the Minnesota Extension Service.

State Sponsors are:

**University of Minnesota/Minnesota Extension Service
and the Department of Trade and Economic Development**

Local Sponsors are:

**Greater North Branch Area Chamber of Commerce
and the Chisago County Office of the Minnesota Extension Service**

SUMMARY
for
Greater North Branch Area's
BUSINESS RETENTION AND
EXPANSION FOLLOW-UP PROGRAM

The retention and expansion of existing businesses is now receiving as much attention in many areas as the attraction of new firms. This stems from a new awareness of the importance of existing firms to the net growth of local economies. The Business Retention and Expansion Follow-up Program, sponsored locally by the Chisago Office of the Minnesota Extension Service and the Greater North Branch Area Chamber of Commerce, had three primary objectives:

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

The success of this program is a result of the leadership and hard work of many local leaders in the county. The leadership team included:

Rodney Elmstrand, Chisago County Extension Agent;
Swede Nelson, Chamber of Commerce President;
David Ohnstad, Chisago County Highway Superintendent;
Jeanne Leland, Director of Community Education.

Task Force members included:

Roger Ames, Director, EC Regional Development Commission
Leon Becker, Merchants State Bank, North Branch
Gary Beecher, Lamperts Building Center
Beth Honadle, Ex-officio Member, University of Minnesota
John James, Farmers State Bank, Almelund
Tom Levig, Dean of Cambridge Community College
Rosemary Masloski, Financial Consultant
Bob Morgan, City Administrator, Branch
Jerry Peterson, Petersons North Branch Mill
Twyla Ring, Editor of Post Review
Joe Rudberg, City Administrator, North Branch
Bill Sandison, Community National Bank, Branch
Wally Soderman, PR Director, East-Central Electric
Tom Tappini, Wyoming Machine
Mark Vahlsing, East-Central Regional Development Commission
Bob VandeKamp, Chisago County Commissioner
Jim Walker, Superintendent of North Branch Public Schools

Forty six individuals served as volunteer visitors, including:

Tom Alvin, Dick Anderson, Debbie Aulich, Dennis Aulich, Leon Becker, Mary Berkeland, Lyn Brums, Judy Collins, Marilyn Eastep, Doris Eastland, Rod Elmstrand, Kevin Engel, John Grossmann, Pete Grundhoeter, Carol Gustafson, Julie

Gustafson, Tom Johnson, Karen Klenk, Dianne Klund, Sue Larson, Bill Lewis, Paul Lind, Dick Lucivansky, Laird Mork, Steve Mork, Karen Nelson, Carol Nelson, Swede Nelson, Mike Ohnstad, Roger Olson, Sue Olson, Butch Olson, Barb Piehl, Rosie Schild, Elaine Sjoquist, Wally Soderman, Joanne Tell, Ellen Walker, and Eunice Whipps

The volunteers visited 36 firms in the Greater North Branch Area starting in April 1990, using the Star City's Business Retention and Expansion survey form. Once the data was collected the Task Force met several times in order to handle the follow-up for individual firms. George Morse, an Extension Economist from the University of Minnesota, analyzed the data and developed suggested recommendations for the Task Force. The Task Force then met three times to review these and discuss which ones they felt were most practical. After making the necessary modifications the Task Force adopted the recommendations that follow.

The analysis in this report is based upon 36 surveys from the 1990 Retention and Expansion Visitation Program in the Greater North Branch Area. Over half (61.7%) of the firms were in services sectors while over a third (35.2%) were in manufacturing and construction. Employment ranged from one person to 140 people, averaging 19 jobs. Fifty percent of the firms employed less than ten full time people.

STRATEGY ONE: IMPROVE THE COMPETITIVENESS OF LOCAL FIRMS BY HELPING THEM USE FEDERAL, STATE AND LOCAL DEVELOPMENT PROGRAMS

Chairperson: Jeanne Leland

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

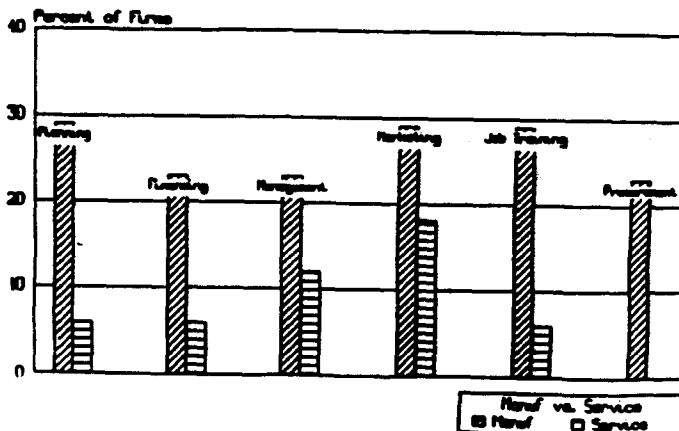
Results on Competitiveness Strategy

Past and Future Changes: Firms in the Greater North Branch Area have been actively changing their operations to become more competitive. In the manufacturing survey, 36 percent of the firms reported changing their mix of goods and services while 40% plan to make these changes in the future. Firms in the retail/service sector survey reflected similar changes. (See full report for further details.)

Information Needs by the Greater North Branch Area Firms: There were 35 information requests, with 3/4 of the requests coming from the manufacturing firms. For manufacturing firms the most frequently requested items were marketing, business planning, and job training. (See Figure 1.) Retail firms reported considerable interest in joint community marketing.

Figure 1

Information Requests by Firms
State and Federal Programs



Task Force Recommendation # 1:
Sponsor Local Programs on Marketing, Business Planning, Management, and Joint Community Marketing

Since the needs of each firm varies considerably and it is difficult to get small firms to participate in workshops, the Task Force will solicit proposals from institutions offering assistance in these areas.

To facilitate the task of developing relevant and effective programs, the Minnesota Extension Service will do a computer sort of the retention and

expansion survey data to provide these institutions with a description of the characteristics of the firms requesting this type of assistance.

Task Force Recommendation # 2: Hold "Eggs-N-Issues" Meetings for Businesses

On a quarterly basis, a Chamber of Commerce breakfast program will be held for both businesses and Chamber of Commerce members on issues of importance to local businesses. These meetings will feature economic development practitioners from other communities and from state and federal development programs. Presenters from agencies will be asked to invite a business person from a firm that has used the program. This will permit local businesses to ask questions from another firm that has already used the program.

Task Force Recommendation #3: Run Feature Articles in Media on Programs

News stories on the benefits and costs of federal, state and local developmental assistance programs, new state regulations, the economic outlook of key industries in the region can be placed in local papers. Success stories by local firms in using the assistance programs will stimulate additional use of the programs.

Task Force Recommendation #4: Establish Newsletter on Economic Development

The newsletter will summarize the information available on the various

state and federal programs. Rather than trying to duplicate the materials available from the agencies, it will focus on the reactions of local firms to these programs. This will encourage firms to use those programs that are most worthwhile while alerting them to the problems of using other programs. City governments will be encouraged to use their newsletters for this purpose, working in collaboration with the Greater North Branch Area Chamber of Commerce.

STRATEGY TWO: EXPAND THE SUPPLY AND QUALITY OF GREATER NORTH BRANCH AREAS LABOR FORCE

Co-Chairpersons: Jim Walker and Rodney Elmstrand

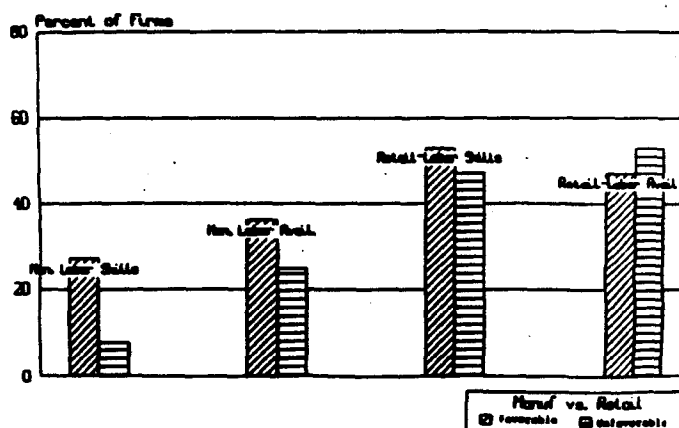
With many individuals commuting to the Twin Cities, it could seem that the Greater North Branch Area has an excess of labor and lacks an adequate supply of jobs to employ them locally. Yet, this ignores the fact that the Greater North Branch Area is part of the labor market area of the Twin Cities. This means that the supply and demand for labor in this entire labor market area is relevant and needs to be better understood.

Results on Labor to Strategy

Labor skills and availability were seen as important or very important location factors by 75% and 81% respectively of the manufacturing firms. Generally, more manufacturing firms feel labor skills are a favorable factor (27%) than an unfavorable one (8%) for the area. The same is true for labor availability but by a smaller margin

Further, there were 25 cases where respondents mentioned problems in either recruiting or retaining employees (Figure 2).

Figure 2
Labor Skills and Availability
For Manufacturing and Retail Firms



Retail firms, however, were not as satisfied with the skills and availability of labor. Forty-seven percent of the firms reported labor skills as only fair or poor. Over 53% reported labor availability was only fair to poor.

In addition, six firms (18%) requested information on job training.

Task Force Recommendation # 1: Study Ways to Improve Business/Education Communications and Cooperation

Educational institutions are important to existing firms in three ways. First, firms in communities with high quality schools have an easier time recruiting new employees

to the area. Second, the changing technical and managerial requirements in today's global market require firm management to constantly up-date their skills. Educational institutions can facilitate these programs. Third, new entrants to the labor force need a solid foundation in basic skills. Likewise, existing firms are important to the local educational institutions. In addition to contributing to the tax base, these firms often provide assistance in specific courses.

Given the mutual dependence between educational institutions and existing firms, it would be desirable to increase the communications and cooperation between the local businesses and educational institutions.

This partnership would help educational institutions communicate the steps which they are taking to improve the quality of their programs and give local firms an opportunity to make suggestions for improvement and provide assistance in these steps.

A special committee will explore what other communities have done in school-business partnerships. This committee will include representatives from both educational institutions and the business community.

Task Force Recommendation # 2:
Provide Customer Service Training

Eighty-one percent of the retail businesses indicated that they plan to attend training sessions. While

the survey data does not provide details on the type of training desired, the Task Force recommends offering customer service training. The Greater North Branch Area Chamber of Commerce will sponsor these programs. One option which will be explored is a video collection in these topics.

Task Force Recommendation #3:
Develop a Labor Survey with
Neighboring Counties

Contacts will be made with the Department of Jobs and Training and the Department of Trade and Economic Development to determine the assistance they can provide in this effort and what information is already available. The Greater North Branch Area Chamber of Commerce will explore collaboration with the Economic Development Commission in studying the labor supply.

STRATEGY THREE: DEVELOPMENT
STRATEGIC PLANS FOR LOCAL
ECONOMIC DEVELOPMENT

Chairperson: John James

Strategic planning and contingency planning are essential elements of a strong local economic development program. Contingency plans outline reactions that would be taken to react to a major economic problem, such as the closing of a local firm. Strategic planning is forward looking, attempting to outline major steps which can be taken to improve the local economy.

Quality of Life is one of the major factors in the location decisions of

firms and their decisions about reinvesting in a community. A community's quality of life is defined as those factors that make the community a better place to live. This includes schools, vocational training, recreational opportunities, cultural events, health services and public services. A community's strategic plans for economic development must include a careful consideration of these quality of life factors

Results Related to Strategic Planning and Quality of Life:

Strategic Planning:

Seven of the 14 manufacturing firms in Greater North Branch Area reported plans to expand their current plant facilities while seven plan to add new production lines. Frequently, it is at the time of such expansions that firms find it necessary to relocate due to inadequate space for the expansion. (Details in full report.)

Quality of life aspects are important location factors for Greater North Branch Area manufacturing firms. When asked "What importance do you give the following factors in considering remaining, expanding or relocating?", over two-thirds of the firms rated quality of life factors as either very important or important.

The importance given to education (93%) is probably also related to the importance given to labor availability (81%) and skills (75%). While 93 percent of those responding

reported the school system as "adequate", only one firm cited it as a reason for remaining in the Greater North Branch Area. This suggests that while the firms are not unhappy with the schools they might not be as strong advocates for them as would be expected given the importance they ascribe to local education.

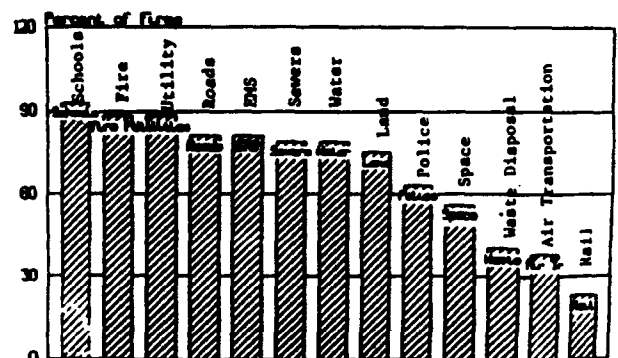
The two services considered least adequate, air and rail transportation, were considered important by only one firm. Solid waste and police protection, however, were considered inadequate by 60 percent and 37 percent of the firms respectively.

Task Force Recommendation #1: Market the Greater North Branch Area High Quality of Life

Many of the quality of life factors (schools, fire protection, roads, emergency medical services, sewer and water) rated very high. These results can be used in community and industrial marketing efforts. (See Figure 3.)

Figure 3

Adequacy of Local Public Services
Percent Rating as Adequate



Task Force Recommendation #2:
Continue the Retention and Expansion
Task Force

The Business Retention and Expansion Task Force recognizes that many other groups are addressing the other quality of life issues and does not recommend additional steps for improving the quality of life in the county. To facilitate the work of these other groups, the Task Force will share the findings of this study with them.

The Task Force sees a need, however, for continued interaction between local governments, the business community, and educational institutions. Meetings of the Task Force will only be called as needed.

Task Force Recommendation # 3:
Develop "Feeder Companies"

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

The first step would be to identify those parts and supplies that existing firms in this region are currently purchasing outside the region. Then feasibility studies would need to be done on the top candidates to ensure that the county is an economically viable location for this type of industry.

A sub-committee will request assistance from the University of Minnesota on this item.

Firms Participating in Business
Retention and Expansion Program

Action Chromate Inc.
Almelund Feed and Grain
Branch Manufacturing Co.
Caryl and Company
Colonial Cabinet Shop
Dave's Custom Trailer Service
Design II Interiors
Edgewood Machining
E.F. Halls and Sons
Enron Gas Pipeline Operating Co.
Farmers State Bank
Green Acres Country Care
Folz Systems
Higley Cabinets
Jae's Pre-Cast
Kaffe Stuga
Main Street Hardware
North Branch Chiropractic
North Branch Dairy
North Branch Post Review
North Branch Video
Peterson's North Branch Mill, Inc.
Pace's Tavern
Product Fabricators
Reider Machine Inc.
Richard Johnson, Dental Clinic
Rod's Country Corner
RSR Construction
Rustic Inn
Stacy Our Own Hardware
Stark Country Store
Sub-Tronics, Inc.
Sunrise Pottery
Swed-O-Universal
Tim's Country Cupboard
Wayside Implement