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# Business Retention and Expansion Report: Overview 1988

*July 1989*

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# Business Retention and Expansion Report: Overview 1988

*July 1989*

*Minnesota Department of  
Trade and Economic Development  
Business Promotion Division  
Bill Coleman, Principal Author*

JUN 21 1990

# **Minnesota Department of Trade and Economic Development**

## **Business Retention and Expansion Program**

In a continuing effort to assist Minnesota communities in retaining and creating jobs, the Department of Trade and Economic Development (DTED) sponsors the Minnesota Business Retention and Expansion (BRE) Program.

The BRE program was established in 1986 with three goals:

- To establish and strengthen relationships with existing Minnesota businesses;
- To develop an early warning system for development opportunities such as plant expansion or development threats such as plant closures, and;
- To identify community strengths and/or weaknesses for future business development and attraction.

Implementation of the program relies on a partnership between DTED and the local community. The participating community selects which companies community volunteers will survey. Minnesota Star Cities are required to survey all of their manufacturers on an annual basis; smaller communities will usually survey a number of retail businesses as well.

The department provides a training manual, instructional videotapes and a brochure for use by the community coordinator and volunteer interviewers. The department provides a standardized survey instrument and data processing services, and also generates a report for the community.

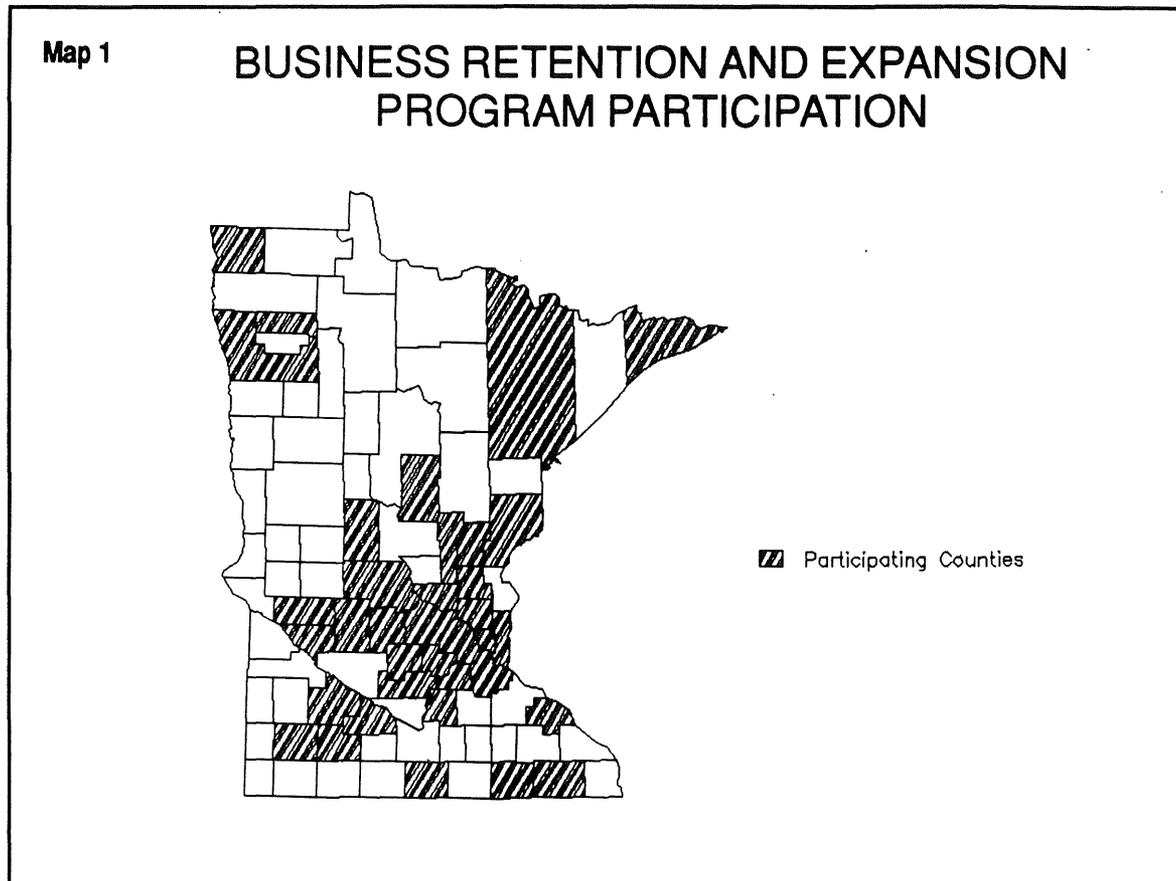
Each community was given a customized report that detailed the results of the community survey. The report explained comparisons between the community, its region and the state as a whole. Information is provided by business type, either manufacturing or service/retail and in aggregate.

The report contained an executive summary containing graphics, tables and text. Although the graphics and chart format are consistent from community to community, each report reflects local results. Each text varies according to local results.

The report contained appendixes providing detailed information on local, regional and state results.

## PROGRAM PARTICIPATION

Between August and December 1988, some 66 communities participated in the BRE program. Participating communities included the rapidly expanding City of Coon Rapids, a Twin City suburb of more than 40,000 people, and the small rural community of Wykoff, population 482. County-wide efforts were mounted in Cook, Mower and Sibley Counties. Broader efforts were implemented in the Brainerd Lakes area in Crow Wing County and the East Range area in St. Louis County. An additional 20 communities participated in the BRE program earlier in 1988; the data from these communities is not included in this report due to improvements made in the survey format in July. Map 1 displays counties that had participating communities from August through December 1988. A list of participating communities is included.



Community volunteers and city staff met with and interviewed company representatives, usually the owner or plant manager, from 1,258 firms across the state. This included 364 manufacturing firms, the balance included primarily retail/service businesses, and other business sectors. Data was collected on employment levels and wages, location factors, future plans, community services and business assistance needs.

While the list of interviewed businesses does not represent a random sample of businesses, they do represent the largest and most important businesses in the participating communities.

A data summary is included as Appendix 1.

## SURVEY RESULTS

This report focuses on the survey responses of the 364 manufacturing firms owners/plant managers. These are the firms that are most likely to create new jobs, cause expansion of the tax base and provide spin-off economic growth in a community. Loss of these companies might result in a rapid decline in the retail/service business sector, and other areas as well, including the housing market, populations and especially school populations.

The results will be displayed for the state as a whole and also by region. Eleven of 13 development regions had communities that participated in the BRE program during August through December 1988. As could be expected, metropolitan manufacturers comprise the largest regional share (36.8 percent) of the sample. Regions Nine (13.1 percent) and Six East (9.6 percent) were the next largest contributors to the sample. Regions Two and Four did not have any participants included in the sample, however, both regions had participating communities earlier in 1988.

Table 1 displays the distribution of firms by region.

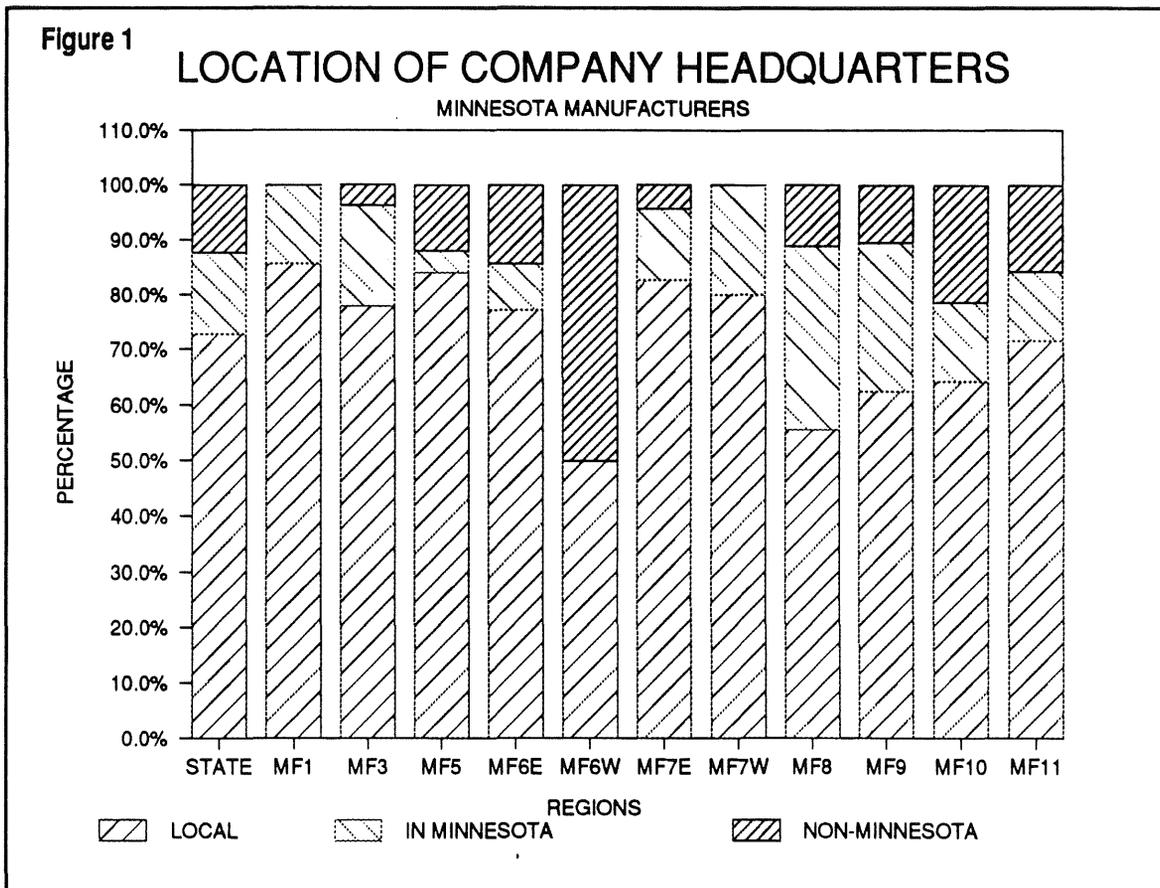
<i>Region</i>	<i>Firms</i>
Minnesota	364
1 - Northwest	14
3 - Northeast	27
5 - Headwaters	25
6E - Mid-Minnesota	35
6W - Upper MN Valley	10
7E - East Central	23
7W - West Central	25
8 - Southwest	9
9 - South Central	48
10 - Southeast	14
11 - Metropolitan	134

## Company Headquarters and Market Areas

Corporate loyalty and participation in a community is often correlated with the proximity of the company headquarters. Many times, it is the branch plants that are the first to suffer cutbacks and layoffs when business is poor. Company decisions regarding branch plants, that directly impact the community, are made in another city, state or even country.

Almost 90 percent of the manufacturing firms indicated that their headquarters were located in Minnesota; over 70 percent of the surveyed firms were interviewed in their headquarters location. While no data was gathered on this question, it could be assumed that most of the firms have only a single location. Still, it is very encouraging to see such a high level of control here in Minnesota.

Figure 1 displays the regional comparison of corporate headquarters location. It is apparent that all of the Region One and Seven West businesses have Minnesota headquarters. Equally interesting is that 50 percent of the surveyed firms in Six West have headquarters outside of Minnesota and none have headquarters elsewhere in Minnesota. Region Eight shows the highest level of non-local Minnesota headquarters location on a percentage basis.

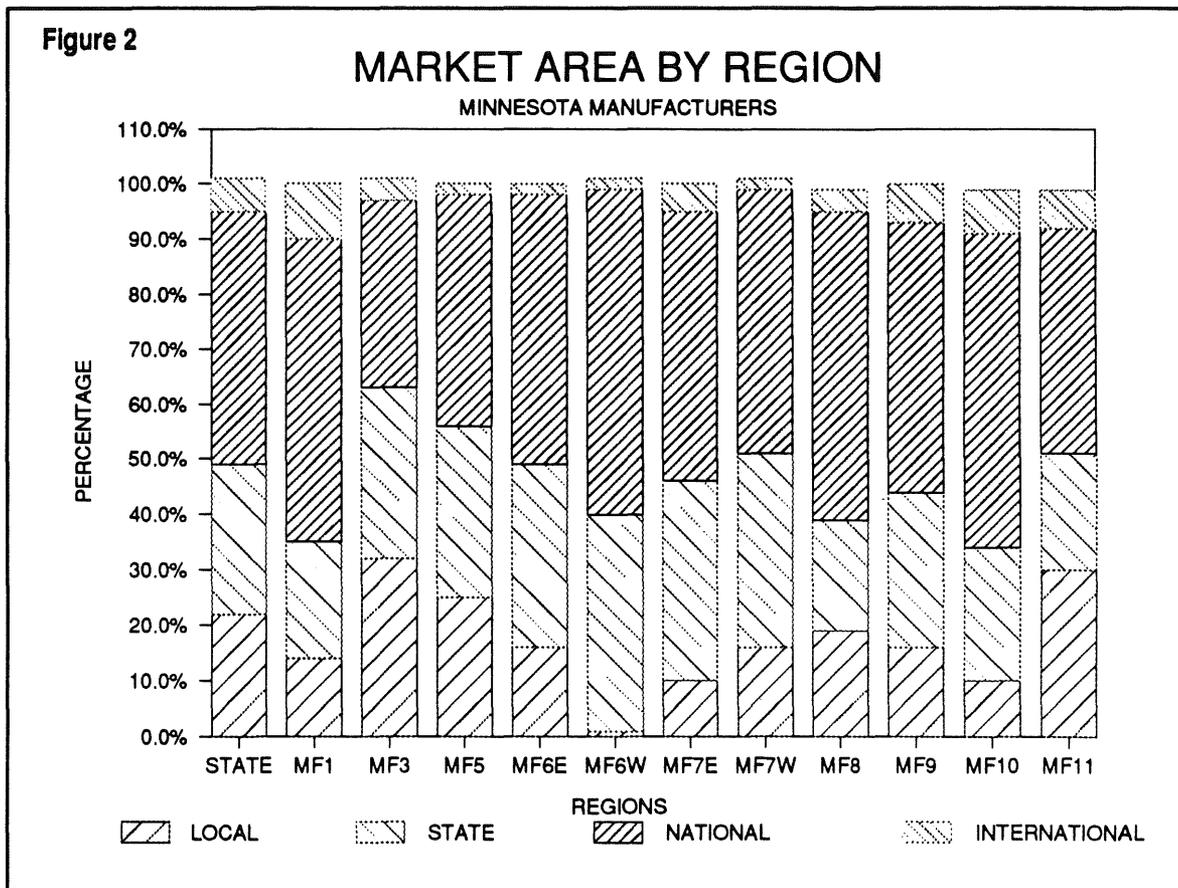


## Market Area

Firms were asked to estimate the percentage of sales to local, state, national or international markets. These market shares were then averaged to arrive at a typical Minnesota manufacturer. Figure 2 displays the average market areas for the state and by region.

The average respondent sells almost half of his/her goods within Minnesota, with 22 percent of his/her goods being sold locally and another 27 percent elsewhere within the state. The national market provides 45 percent of sales, with only 6 percent of goods being exported.

Region Three manufacturing firms showed the greatest dependence on local and Minnesota sales. Over 60 percent of their sales were generated within the state. An agriculturally base economy and distance from Twin Cities markets may have influenced the lack of dependence on Minnesota markets in Regions One, Six West and Eight. The high-technology based companies in Region Ten may have influenced their high levels of national and international sales. Region Eleven had a very balanced market area.



## Location Factors

Firms were asked questions regarding location factors in two different ways. First, they were asked to list the four leading advantages of doing business in their present location. Second, they were asked to list the four leading disadvantages. Finally, they were asked to rate a series of location factors as being either very important, important, of some importance or not important. From these questions, a community can see what factors are most vital to businesses and how their community rates on these factors.

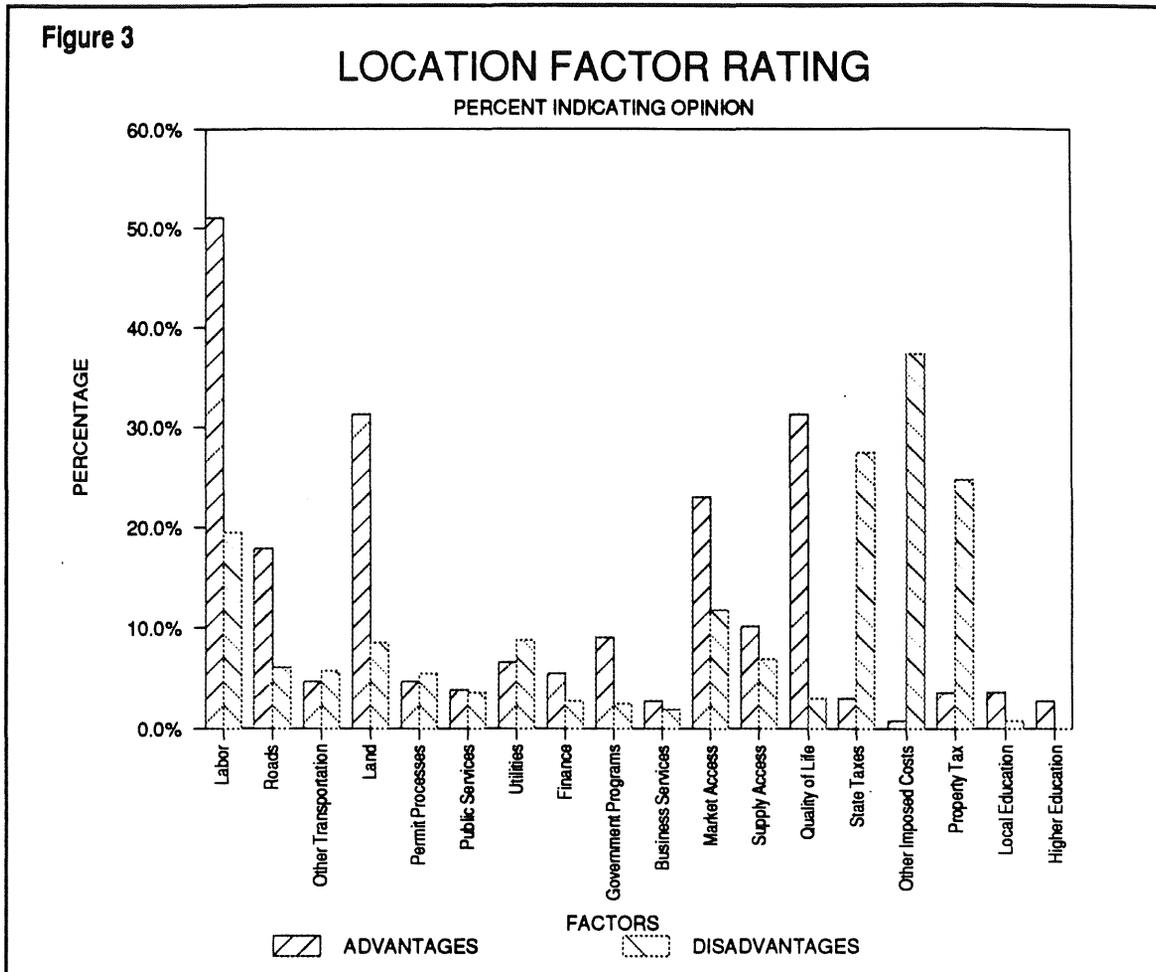
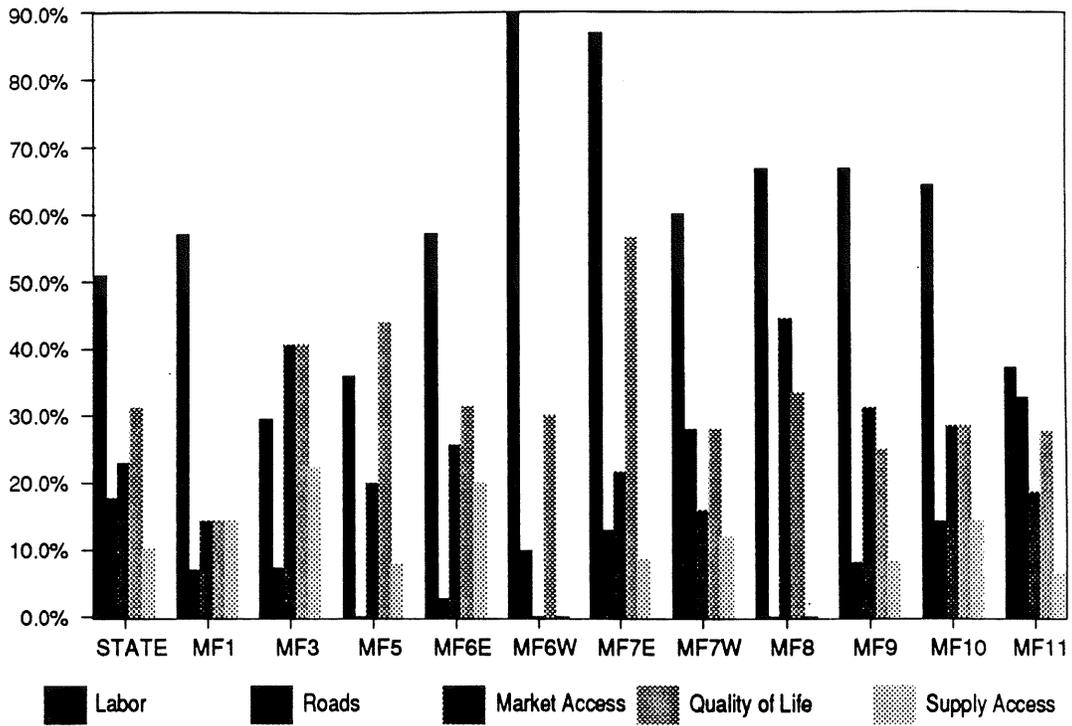


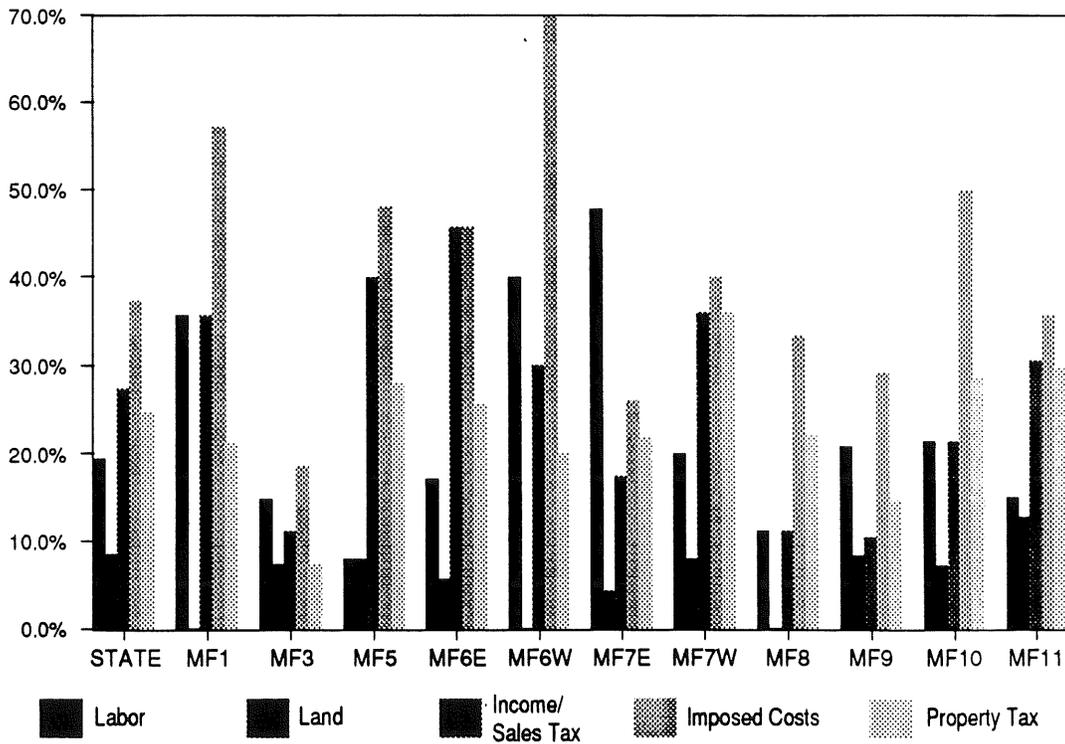
Figure 3 displays the statewide responses to the question of location advantages and disadvantages in a business's present location. Figures 4 and 5 show responses for selected factors by region. Firms were limited to listing four factors in each category. It is the net difference between advantages and disadvantages that should be examined in this chart as well as the absolute percentage of firms citing a factor. Businesses may cite a factor as both an advantage and disadvantage. For example, an area may have an excellent quality work force as an advantage that may be tempered by the cost/availability of workers.

**Figure 4 LOCATION ADVANTAGES BY REGION**

MINNESOTA MANUFACTURERS



**Figure 5 LOCATIONAL DISADVANTAGES BY REGION**



Labor is clearly the factor cited most frequently as a locational advantage with over 50 percent response. Nineteen percent cited labor as a disadvantage. Regionally, labor was most frequently cited as both an advantage and disadvantage in Regions Six West and Seven East. In each region, the percentage citing labor as an advantage was significantly higher than as a disadvantage.

Quality of life was mentioned as an advantage by over 30 percent of the respondents. Only 3 percent cited quality of life as a disadvantage. Region Seven East was the only region where a majority cited quality of life as one of the four leading advantages. Land availability and cost was cited as an advantage by over 30 percent of the respondents, but was also cited by 8.5 percent as a disadvantage. Only in the metropolitan area did more than 10 percent cite land as a disadvantage.

Statewide, roads were cited by 18 percent of businesses as an advantage, however, only Regions Eleven and Seven West has ratings higher than 15 percent. Six percent of the respondents statewide cited roads as a disadvantage with Regions One and Eight having 14 and 11 percent, respectively.

The only factors that respondents mentioned significantly more often as disadvantages than advantages relate to taxation (income, sales and property) and imposed business costs (workers compensation and unemployment insurance). Imposed costs were cited by 37 percent, income and sales taxes by 27.5 percent and property tax by almost 25 percent. Labor, at 19 percent, was the next most frequently cited negative factor.

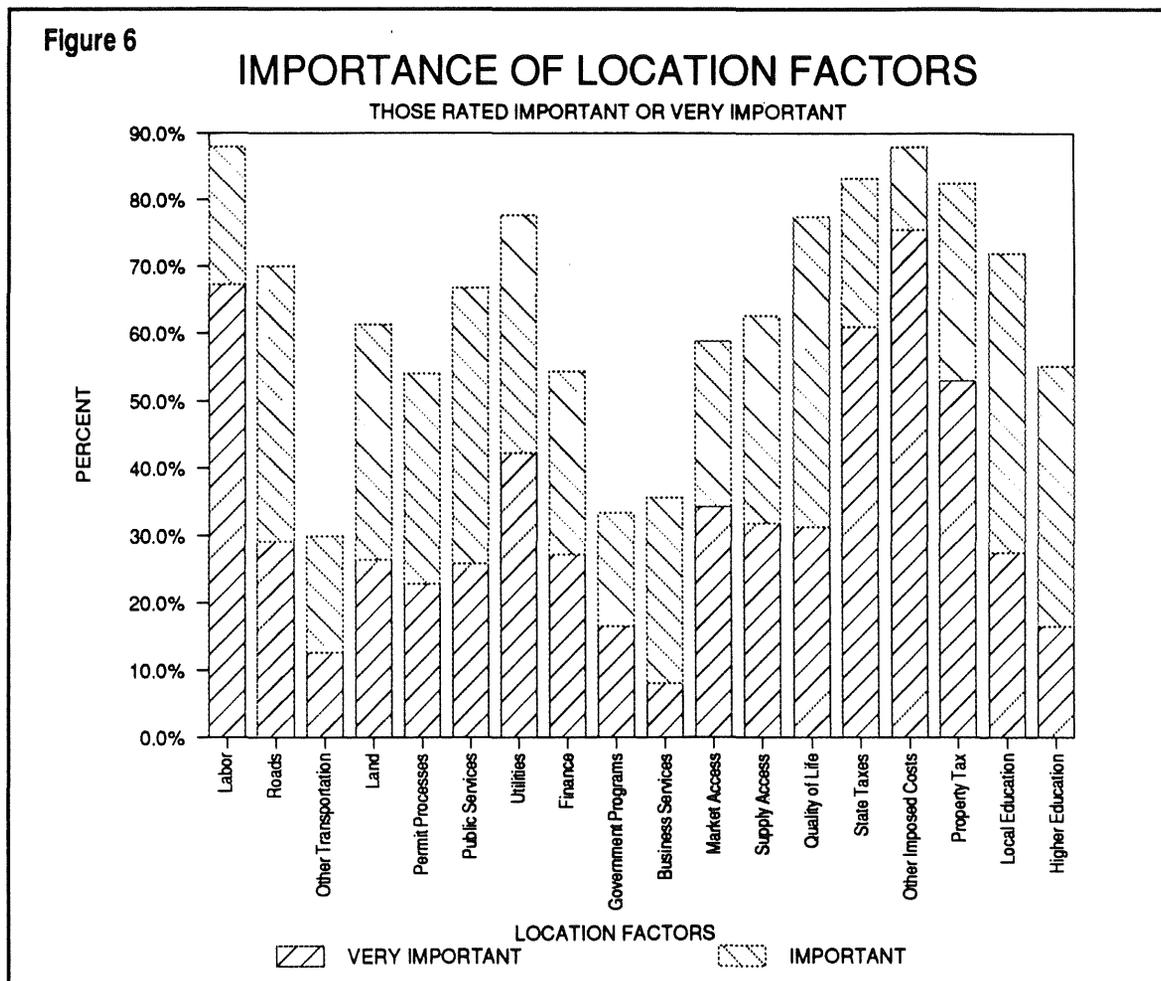


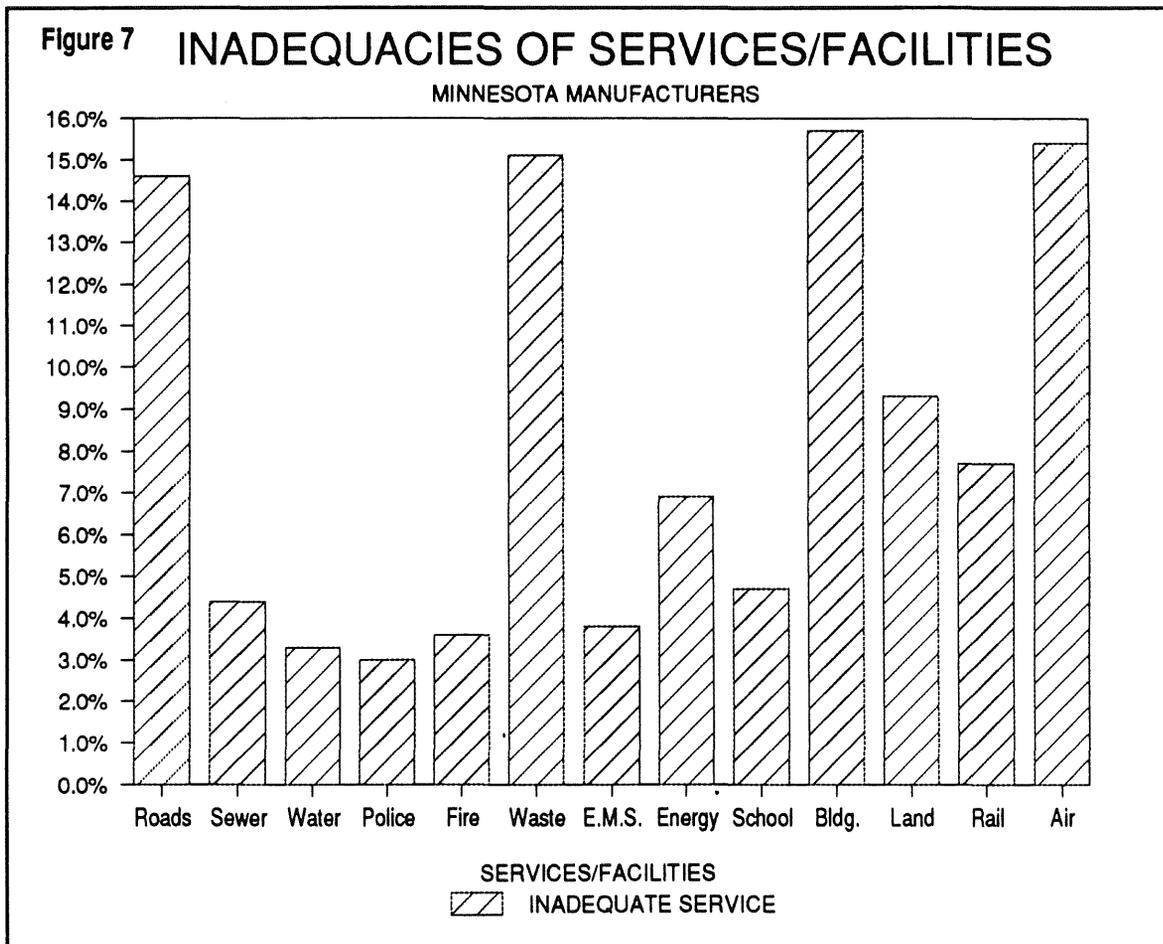
Figure 6 displays how respondents rated the importance of individual location factors without regard to their present location. An ideal location would be highly rated in the areas that business considers to be most important. It is of little value to be highly rated in areas that have little influence in business location decisions.

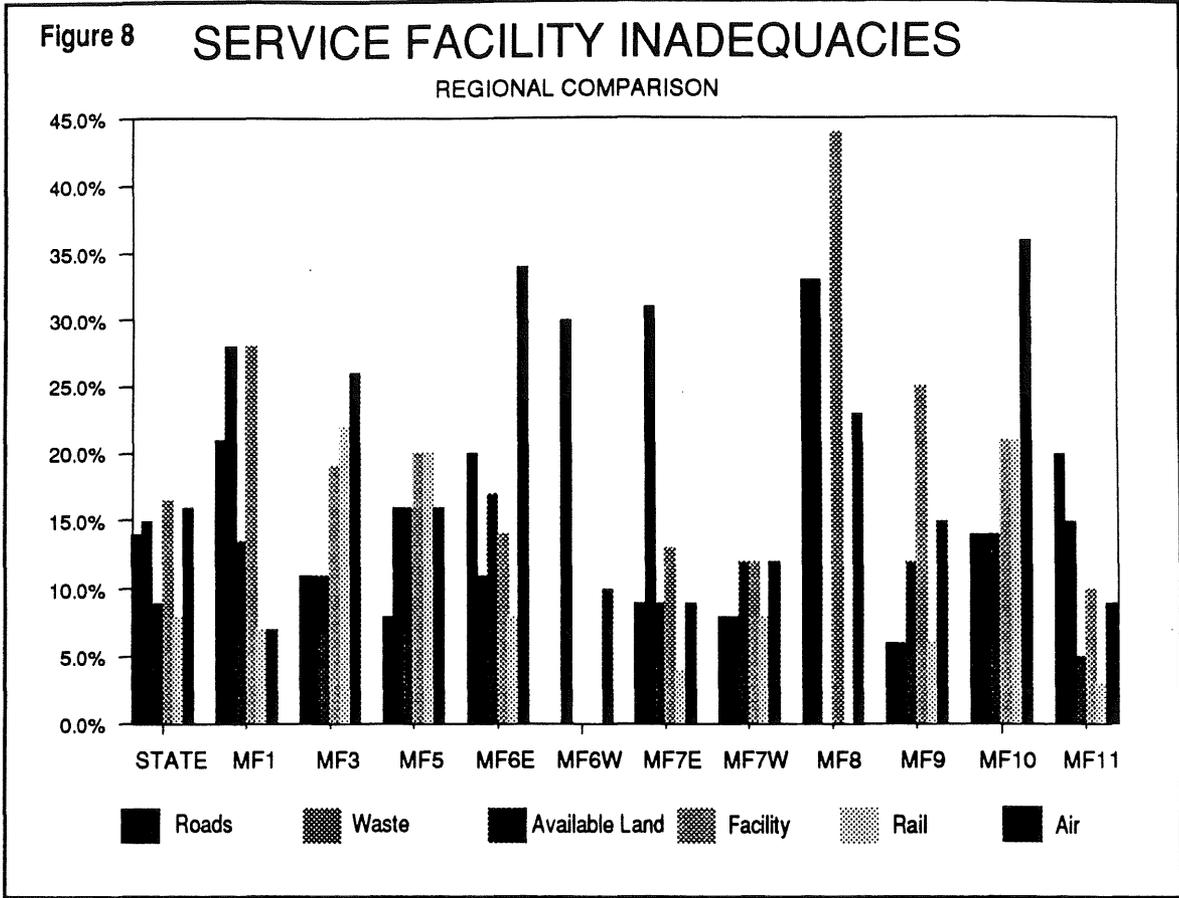
The graphic displays the percentage of respondents who rated a factor as being either very important or important. Labor and imposed business costs (both 87%) were rated as being the two most important factors. State income and sales taxes (83%) and property taxes (82%) were ranked closely behind. Other important factors include utilities and quality of life (both 77%), local education (72%) and roads (70%).

Comparing Figure 6 to the preceding figures can provide information on the relative value of strengths and weaknesses. While Minnesota seems to be clearly meeting the needs of business on issues such as labor force, quality of life, local education and roads, it is certain that there is dissatisfaction with the levels of taxation and imposed business costs.

### Services and Facilities

The key areas of concern for the respondents regarding local services and facilities centers on roads, solid waste disposal, availability of building space and air service. Each of these factors was cited by approximately 15 percent of the sample. Figure 7 shows that no other factor was cited by more than 10 percent of the firms.





Concerns over traditional municipal services, including water, sewers and public safety issues were especially low with less than a 5 percent inadequacy response for any of these services.

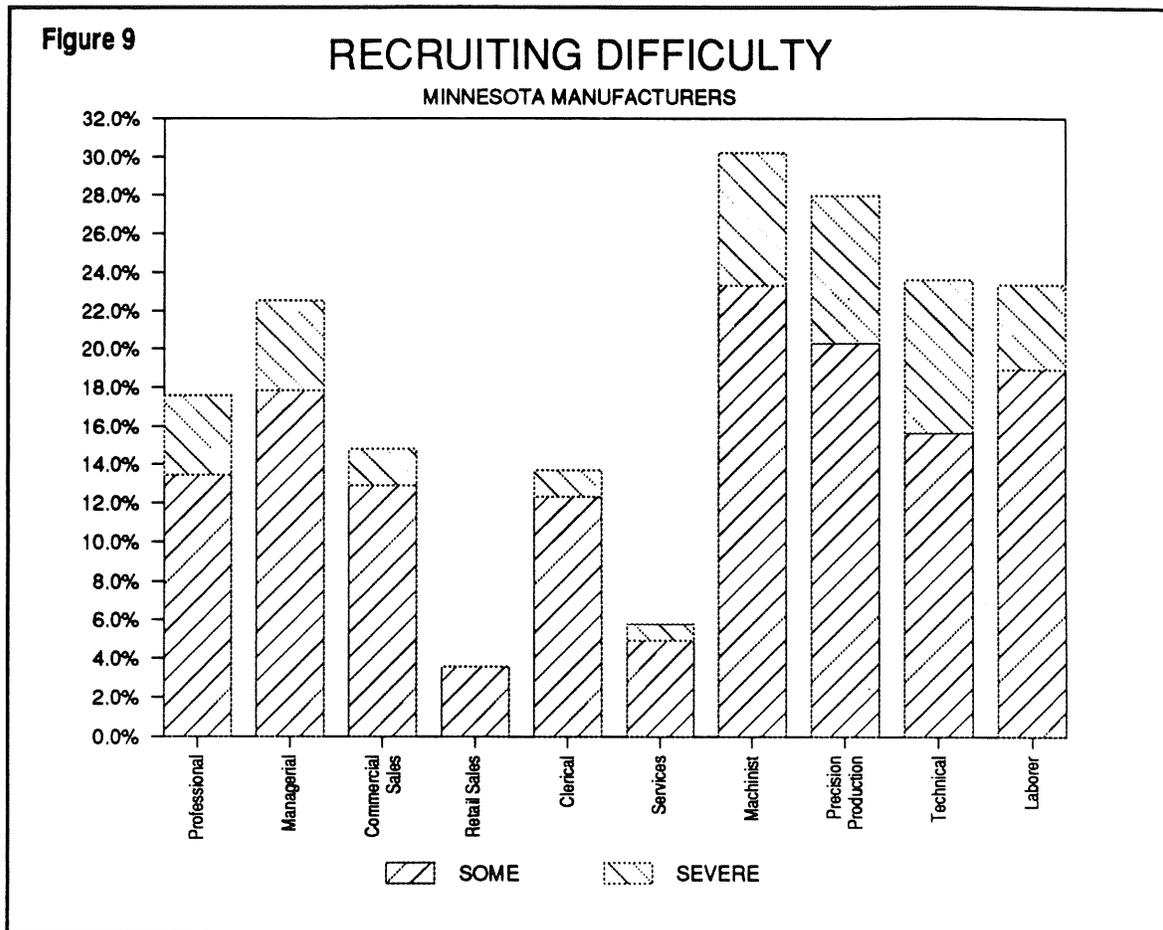
There were wide variations between regional responses to this question as displayed in Figure 8. General dissatisfaction with services was highest in Region 8. Regions Seven West and Nine had no factors rated as inadequate by more than 15 percent of the respondents.

Where respondents indicated a problem with services and facilities, they were then asked if they had contacted the city and to rate the city's response. Only 91 leaders (25 percent) of firms had contacted the city to indicate a problem. Although only 16.7 percent of the problems were solved, a more encouraging 55 percent of the respondents were satisfied that the city had made a satisfactory effort to alleviate the concern.

## EMPLOYEE RECRUITMENT

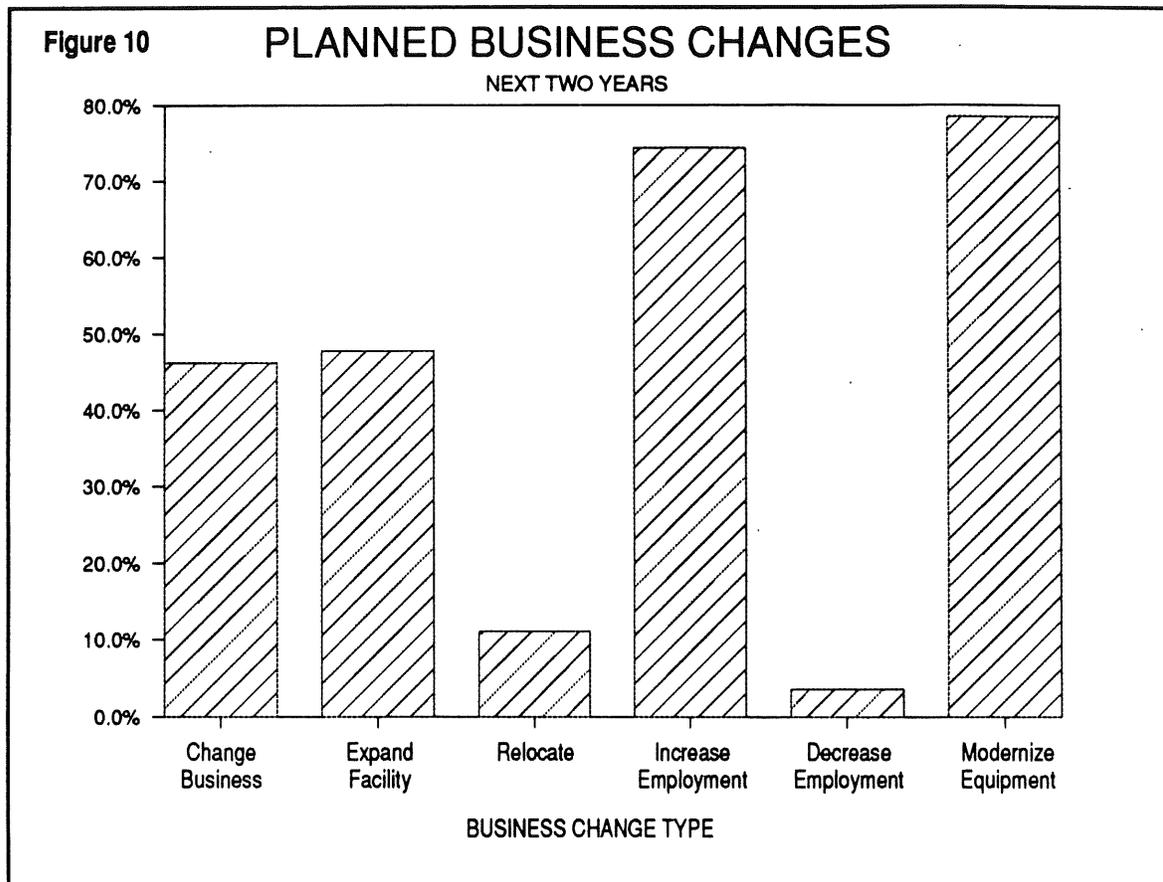
The availability and quality of labor force is a key locational issue for business firms. As was shown in Figure 6, almost 90 percent of the respondents indicated that labor was either important or very important in determining a good location. Figure 9 displays the level of difficulty the respondent had in recruiting qualified workers for their firms.

Machinists and precision production workers were the most difficult to recruit, closely followed by workers with technical skills, laborers and managers.



## BUSINESS PLANS

Respondents were asked to list the changes that were planned for the next two years. Most manufacturers were very optimistic regarding their expectations for their firm's operations. Figure 10 shows that more than 70 percent of the respondents indicated they would modernize their equipment; slightly fewer planned to increase employment levels and almost half indicated that they would expand their buildings to accommodate business growth. An equal number planned to change the mix of goods and services that they provide to meet changing demands and markets.



Only three percent of the respondents indicated that they planned to reduce employment in the next two years, while approximately 10 percent of the firms planned to relocate their business to a new location. Figure 11 shows where businesses planned to relocate with over half of those planning to move will choose a site within their city or county. Another 20 percent will choose another Minnesota location. Less than three percent of the respondents will move out of state for their new location.

Incentives from other states/communities were the most often cited reason for choosing a new location; this was noted by almost half of the respondents as shown in Figure 12. Availability of land and/or facilities, business climate and "other" reasons were factors cited by approximately 30 percent of the 37 firms indicating plans to relocate.

Figure 11

## COMPANIES WITH RELOCATION PLANS

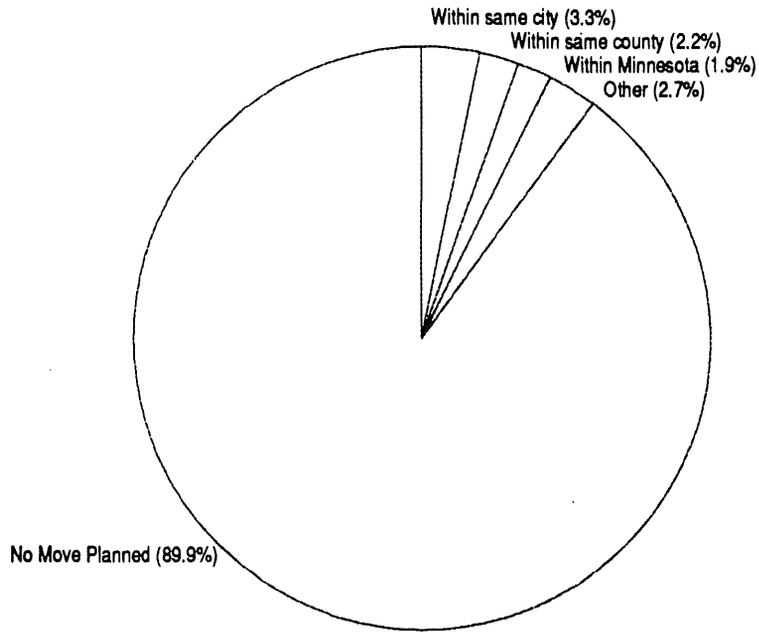
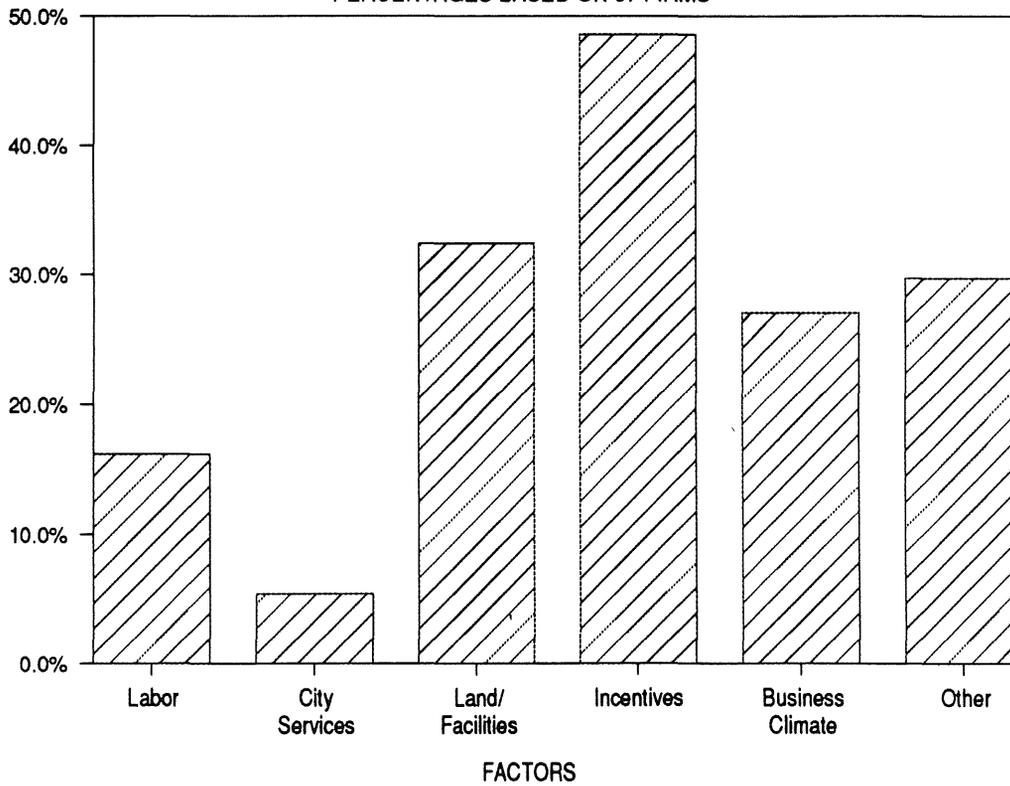


Figure 12

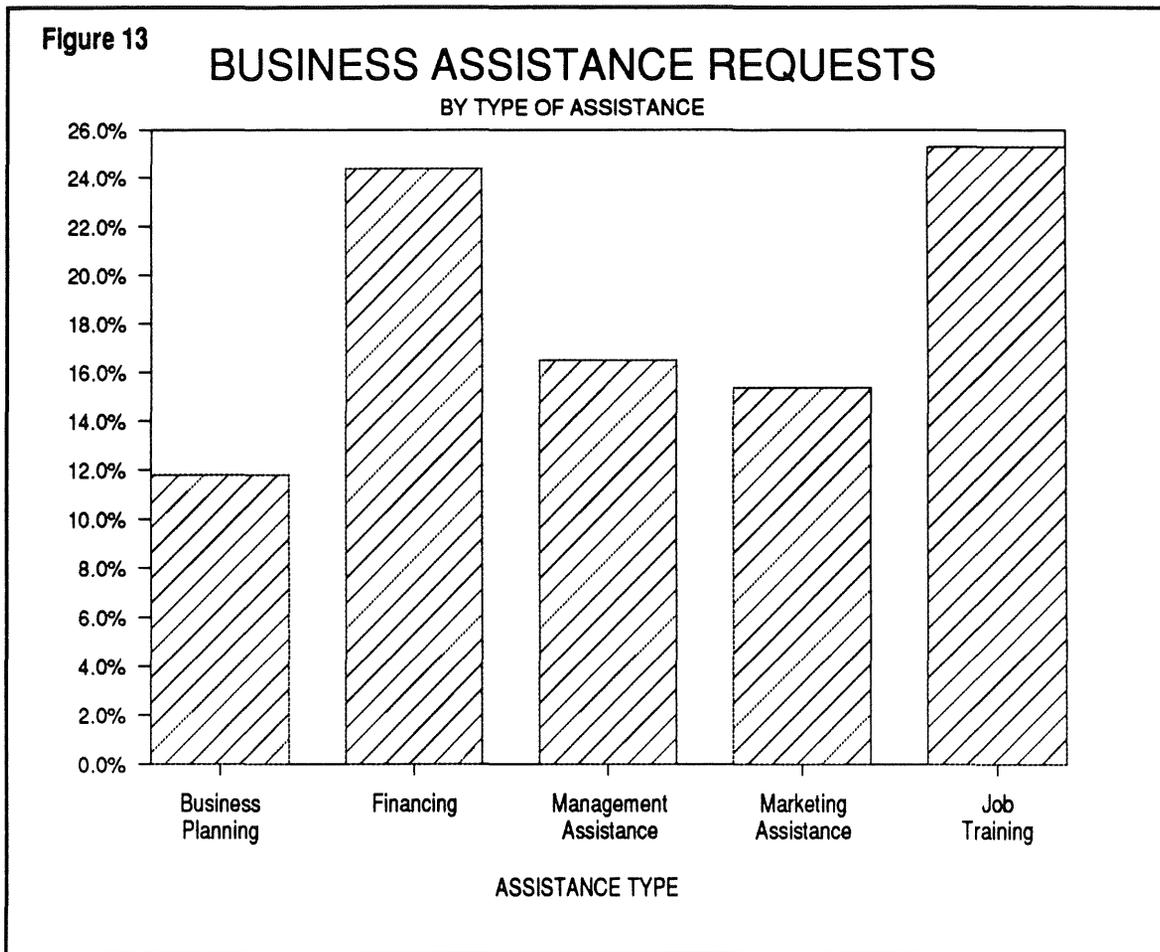
## REASONS FOR RELOCATION

PERCENTAGES BASED ON 37 FIRMS



## Business Assistance Requests

A most important part of the Business Retention and Expansion Program is the use of the survey to identify opportunities for a community government or organization to directly assist local businesses. Firms were asked if they were interested in receiving information on various government programs, including management assistance, financing and job training programs. Figure 13 shows that almost one quarter of the firms were interested in hearing more about job training and finance programs. Management, marketing and business planning assistance was requested by significant numbers of firms.



## **CONCLUSION**

Through the Minnesota Business Retention and Expansion Program, community leaders are able to develop stronger and more effective relationships with the businesses in their city. The program provides a vehicle for identifying opportunities to assist existing businesses. Each community's economic development organization must apply its own resources, as well as other agencies' programs and resources, to exploit these opportunities.

As the number of participating cities and interviewed businesses rises, the value of the aggregated data will increase. Participation in the program is expected to increase from the 66 cities represented in this report to approximately 100 cities in the fall of 1989.

There seems to be no question that the vast majority of Minnesota's new jobs will be created by businesses already located within the state. Implementation of the Business Retention and Expansion Program by local communities helps to ensure that those jobs are created in Minnesota. This program — a partnership between communities and the department and a part of the total Star City process — has the broadest chance for success in creating and retaining jobs in a community than any other effort that community may make towards economic development.

# BUSINESS RETENTION AND EXPANSION SURVEY

## Survey Results Summary

-----

City : All in State - Manuf  
County : All in State - Manuf  
Region : All in State - Manuf  
Legislative District : All in State - Manuf

Date of Report : 7/5/89  
Number of Companies : 364

-----

Number with headquarters location in this community: 260

### Headquarters elsewhere:

In Minnesota: 54  
Outside Minnesota: 45

### Legal Entity Type:

Corporation	321	Non-Profit Corporation	3
Partnership	8	Cooperative	5
Sole Proprietor	25	Other	1

### Primary Business Type:

Agriculture/Forestry		Transportation/Utilities	0
/Fishing	0	Wholesale Trade	0
Mining	0	Retail Trade	0
Construction	0	F.I.R.E.	0
Manufacturing	364	Services	0
		No Response	0

### Principal Market Area: Avg. Percent

Local	22
State	27
National	46
International	6

## EMPLOYMENT

Average number of persons employed at facility: 60

Average number of persons working --

full-time	58	permanent (year round)	57
part-time	7	seasonal peak	57

Average number of employees one year ago: 58

Full-time equivalent employment by occupation:

	Number	Average Salary
	-----	-----
Professional	2846	\$ 36,152
Managerial	3179	35,502
Commercial Sales	1063	33,180
Retail Sales	128	22,436
Clerical	2660	15,358
Services	741	19,316
Machine Operatives	7531	17,974
Precision Production	4988	19,142
Technical	2657	22,536
Handler/Laborer	9642	14,744

Difficulty in recruiting and retaining employees:

	RECRUITING			RETAINING		
	None	Some	Severe	None	Some	Severe
	-----	-----	-----	-----	-----	-----
Professional	118	49	15	141	26	5
Managerial	204	65	17	244	28	1
Commercial Sales	105	47	7	126	23	2
Retail Sales	57	13	0	58	10	0
Clerical	217	45	5	212	39	2
Services	88	18	3	94	12	1
Machine Operatives	127	85	25	152	58	10
Precision Production	95	74	28	130	51	6
Technical	108	57	29	139	42	7
Handler/Laborer	182	69	16	160	74	10

Participation in job training programs:

Yes: 171  
No: 186

Involvement with job training programs:

	Successful	Not Successful
	-----	-----
MEEDA-MN Program	46	14
Job Training OJT	23	5
Job Skills Partnership	7	0
Community College/VOTECH	11	2
Targeted Jobs Tax Credit	2	0
Veterans OJT	3	2
Other	45	8

## LOCATIONAL FACTORS

Locational factors viewed as favorable or unfavorable for remaining, expanding or relocation in this community:

	Viewed as	
	Favorable	Unfavorable
	-----	-----
Labor	186	71
Roads	65	22
Other Transport	17	21
Land	114	31
Permit Processes	17	20
Public Services	14	13
Utilities	24	32
Finance	20	10
Government Programs	33	9
Business Services	10	7
Market Access	84	43
Supply Access	37	25
Quality of Life	114	11
State Income/Sales Taxes	11	100
Other Imposed State Costs	3	136
Property Taxes	13	90
Local Education	13	3
Higher Education	10	0

Overall importance of the factors in remaining, expanding or relocating:

	Very		Somewhat		Not
	Import.		Import.		Import.
	-----	-----	-----	-----	-----
Labor	245	75	21	9	
Roads	106	149	70	25	
Other Transport	46	63	101	138	
Land	96	127	80	48	
Permit Processes	83	114	99	53	
Public Services	94	149	83	25	
Utilities	154	129	48	19	
Finance	99	99	71	78	
Government Programs	60	62	113	116	
Business Services	29	101	128	90	
Market Access	125	89	71	64	
Supply Access	116	112	66	55	
Quality of Life	114	168	53	15	
State Income/Sales Taxes	222	81	24	25	
Other Imposed State Costs	275	45	15	17	
Property Taxes	193	107	35	16	
Local Education	100	162	58	29	
Higher Education	60	141	102	46	

## PUBLIC SERVICES

Rating of services and facilities in the community for current and future business needs:

	Adequate	Inadequate	Do not know
Roads	297	53	1
Sewers	313	16	18
Water	325	12	11
Police Protection	330	11	10
Fire Protection	319	13	19
Solid Waste Disposal	245	55	49
Emergency Medical Services	314	14	22
Electric/Natural Gas Services	323	25	3
School System	308	17	26
Facility Space Availability	265	57	27
Land Availability	291	34	23
Rail Service	177	28	125
Air Service	202	56	76

Contacts with city concerning inadequacies:

Made contact:	91
Did not contact city:	96

Satisfactory efforts made to solve the problem:

Yes:	50
No:	25

Outcome of the effort to solve the problem:

Problem solved:	15
Problem not solved:	58

## BUSINESS CHANGES

Past and projected changes:

	Number reporting actions in	
	Last 3 Years	Next 2 Years
Change in mix of goods/services	152	168
Expansion of plant facilities	194	174
Relocation	97	41
Increase employees	239	271
Reduce employees	69	13
Addition of product lines	202	209
Modernization of production technology	278	286
Other capital improvements	268	274

Those planning relocation:

Plan to Move . . .		and plan to do so . . .	
Within this city	12	Within six months	8
Within this county	8	Six months to one year	12
Within Minnesota	7	One to three years	17
Other	10	Other	0

Reasons for relocation furnished by those planning to relocate outside the city:

Labor supply/cost	6
City services	2
Inadequacy of land/facilities	12
Incentives from other cities/states	18
Minnesota business climate	10
Other	11

Number of companies expressing a need for help or information regarding:

Business plan assistance	43
Financing assistance	89
Management assistance	36
Marketing assistance	56
Job training assistance	92

BUSINESS RETENTION AND  
EXPANSION PROGRAM PARTICIPANTS

City of Anoka  
City of Arlington  
City of Babbitt  
City of Benson  
City of Big Lake  
City of Blue Earth  
City of Cambridge  
City of Chaska  
City of Champlin  
City of Coon Rapids  
City of Cottage Grove  
City of Eagan  
City of East Grand Forks  
City of Elk River  
City of Eveleth  
City of Fertile  
City of Gaylord  
City of Hallock  
City of Hutchinson  
City of Lakeville  
City of Le Sueur  
City of Litchfield  
City of Long Prairie  
City of Maple Grove  
City of Melrose  
City of Milaca  
City of Montevideo  
City of Monticello  
City of Mora  
City of New Brighton  
Mower County  
East Range Area  
Cook County  
City of New Prague  
City of New Ulm  
City of Osakis  
City of Pine City  
City of Plainview  
City of Redwood Falls  
City of Roseville  
City of Sauk Centre  
City of Shakopee  
City of Shoreview  
City of Slayton  
City of Sleepy Eye  
City of Spring Valley  
City of Thief River Falls  
City of Vadnais Heights  
City of West St. Paul  
City of Virginia  
City of Willmar  
City of Windom  
City of Winnebago  
City of Woodbury  
City of Wykoff  
Brainerd Lakes Area Development Corporation  
Cities of Norwood/Young America