

LEGISLATIVE REFERENCE LIBRARY
C107.M6 C64 1988
Coleman, Bill. - Business retention and expansion r
3 0307 00052 5751

3 copies

880731

This document is made available electronically by the Minnesota Legislative Reference Library
as part of an ongoing digital archiving project. <http://www.leg.state.mn.us/lrl/lrl.asp>

REPORT

Business Retention and Expansion Report: Overview 1987

May 1988

Minnesota Department of
Trade and Economic Development

HC
107
.M6
C64
1988

LEGISLATIVE REFERENCE LIBRARY
615 State Office Building
Saint Paul, Minnesota 55155

Business Retention and Expansion Report: Overview 1987

May 1988

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

BUSINESS RETENTION AND EXPANSION PROGRAM REPORT

BACKGROUND

In 1986, the Department of Trade and Economic Development (DTED) established the Business Retention and Expansion (BRE) Program. The purpose of the program is three-fold:

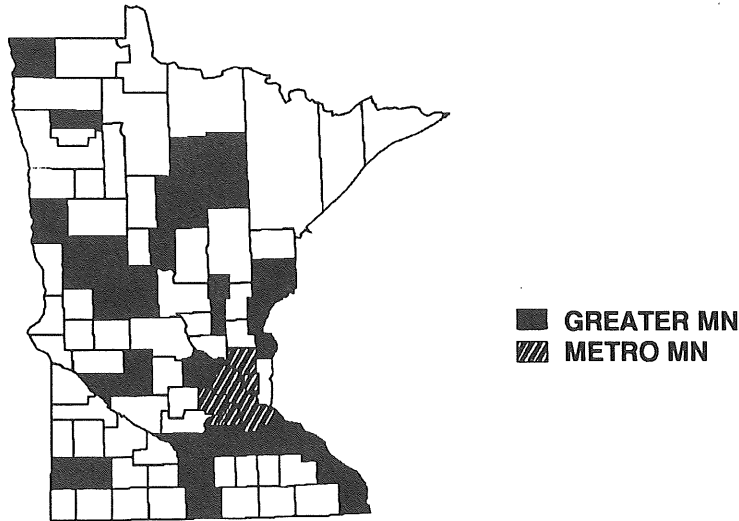
- Establish and strengthen relationships with existing businesses;
- Develop an "early warning" system for development opportunities such as a plant expansion or threats such as a plant closing, or;
- Identify community strengths and weaknesses for business development.

Implementation of the program, an extensive survey of selected businesses, relies on a partnership between DTED and the local community. The department provides a training manual, instructional videotapes and a brochure for use by the community coordinator and the volunteer interviewers. The department also provides a well tested survey instrument. The brochure and survey instrument are appended to this report. The community selects the businesses which are to be interviewed, however, Minnesota Star Cities are required to survey their manufacturing firms annually. DTED then provides data processing services to tabulate the results.

PROGRAM PARTICIPATION

In 1987, 38 cities from 32 counties participated in the BRE program. Map 1 displays the participation pattern. The community volunteers interviewed a total of 1,442 businesses, 372 in the metro area and 1,070 in Greater MN. These firms employ 53,382 persons; 14,822 in the metro area and 38,560 in Greater MN. Of the 1,442 businesses surveyed, 26 percent were manufacturers, 23 percent were retailers, and 45 percent classified themselves as service industries. Six percent did not indicate a business sector. While the interviewed businesses do not in any way represent a random sample, they do represent the largest and most important businesses in the participating communities.

Map 1
PATTERN OF PARTICIPATION
BUSINESS RETENTION SURVEY



SURVEY RESULTS

Businesses were asked questions on many topics, including: employment and salary levels; recruiting and training programs; locational factors; management assistance; infrastructure and public services; and future business plans.

This report will concentrate only on those questions that provide information not readily available from other sources. The report will deal with business perceptions of the following: the quality of infrastructure and services; the rated importance of various location factors and the ranking of those factors as either an asset or liability in their present location; and the businesses' planned changes in operations, including changes in employment, production, and location.

INFRASTRUCTURE AND SERVICES

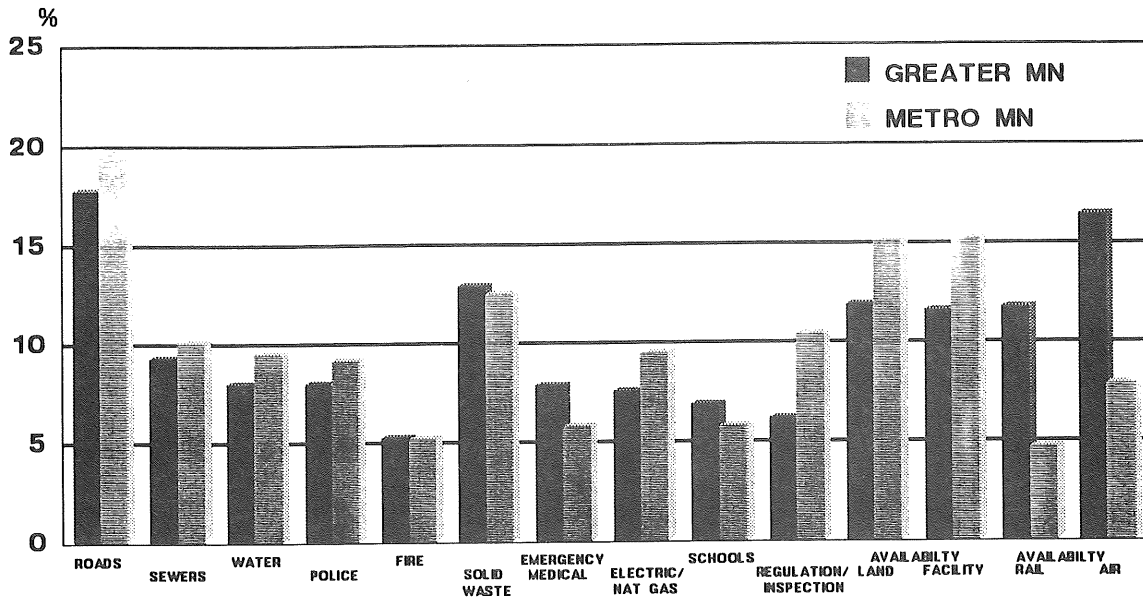
Figure 1 displays the perceptions of the respondents to the quality and availability of infrastructure (roads, sewers, etc.) and services (police, schools, etc.). See Appendix 2, Question IV.B. for a complete list of infrastructure/service issues. While overall satisfaction is high, the quality of the road system was a problem cited by almost one-fifth of the respondents. Other identified concerns were land and facility availability, especially in the metro area. Solid waste disposal was cited by firms statewide.

Other transportation modes (rail and air) were also of concern, especially in Greater Minnesota. Lack of air service was the second most cited infrastructure/service problem in

Figure 1

RATING OF INFRASTRUCTURE AND SERVICES

(PERCENT OF FIRMS INDICATING A PROBLEM)

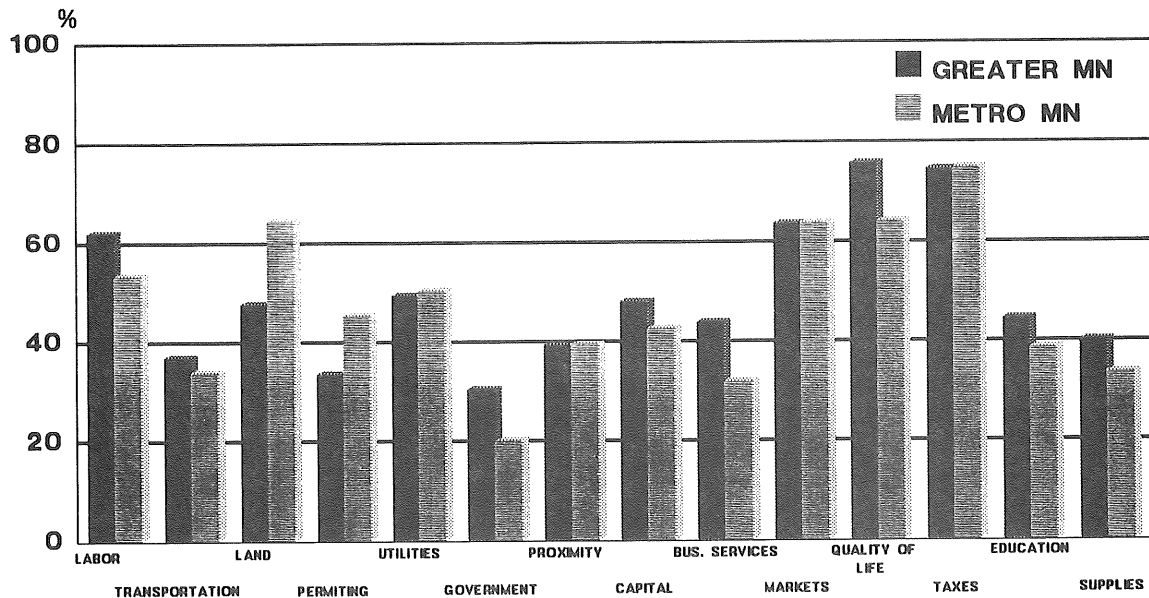


Source: Business Retention and Expansion Survey

Figure 2

LOCATIONAL FACTOR IMPORTANCE RATING

(PERCENT OF FIRMS RATING FACTOR VERY IMPORTANT OR IMPORTANT)



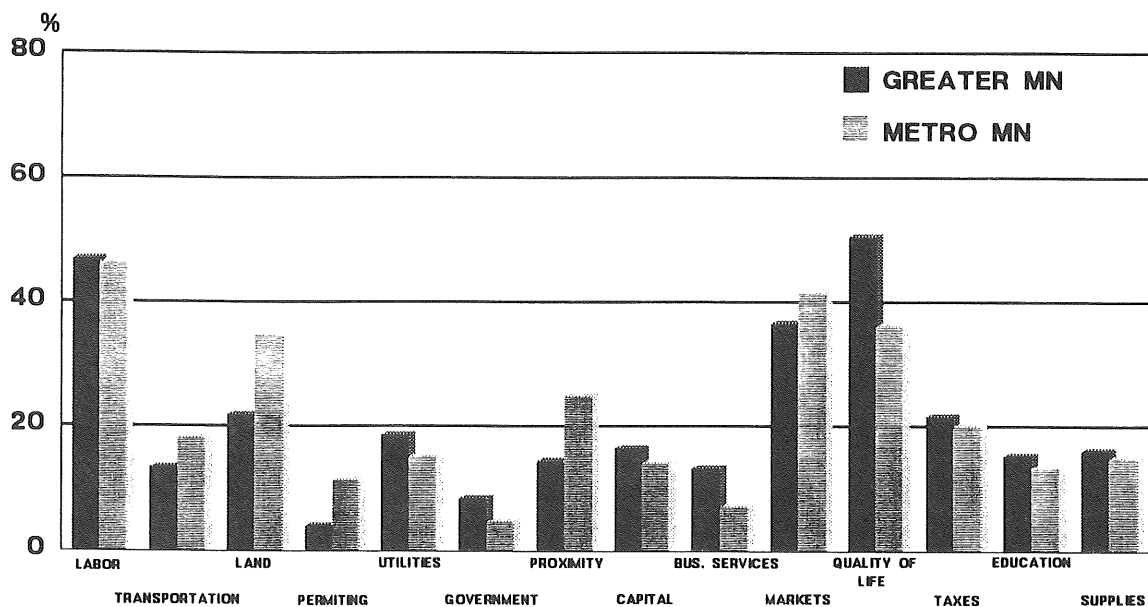
Source: Business Retention and Expansion Survey

Greater MN. Non-metro businesses were more than twice as likely (16 percent to eight percent) to name air service as a problem than metro firms. Lack of rail service was also recognized as a more severe problem in Greater MN than in the metro area. While less than five percent of metro firms cited rail service as a problem, it was cited by almost twelve percent of non-metro firms.

Relative importance of locational factors is displayed in Figure 2. See Appendix 2, Question III. A. for a detailed list of locational factors. State and local taxes were rated either very important or important by 70 percent of firms. Quality of life was rated as important as state and local taxes by Greater MN firms, but rated somewhat lower (60 percent) by metro area firms. Other highly rated factors were market access, labor and land. Government programs had the lowest rating.

Businesses were asked, with respect to their present location, to rank the locational factor as either an advantage or disadvantage. Figure 3 displays the locational advantages. Quality of life was the highest ranking factor in Greater MN and placed third in the metro area. Metro area firms ranked labor as their location's best advantage while Greater MN firms ranked labor second. Market access was ranked second by metro and third by Greater MN businesses.

Figure 3
LOCATIONAL ADVANTAGES
(PERCENT OF RATING FACTOR AS ONE OF TOP FOUR ASSESTS)

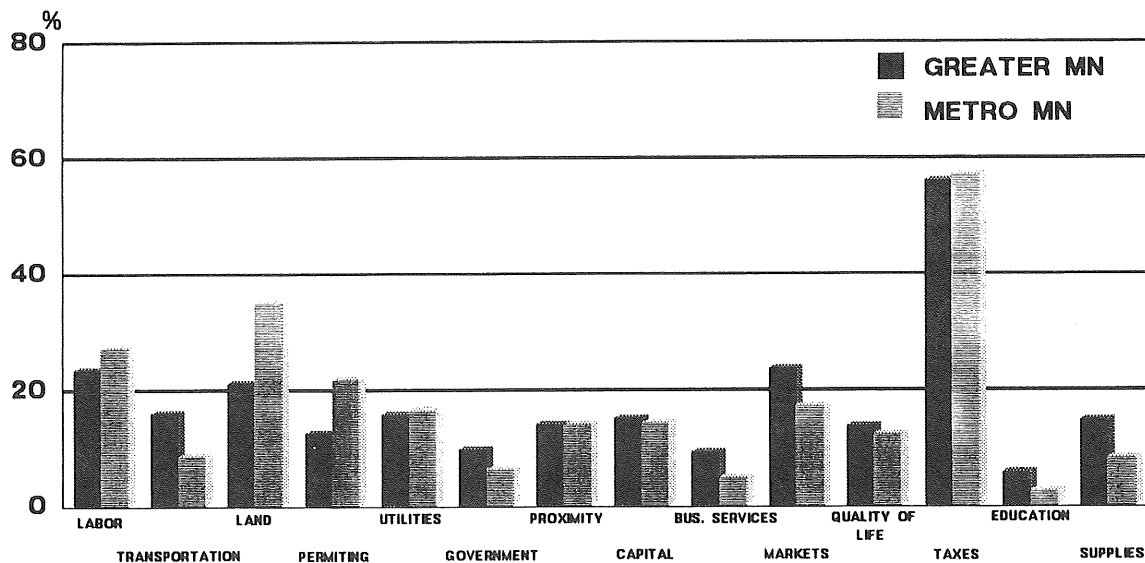


Source: Business Retention and Expansion Survey

Figure 4 displays locational disadvantages as perceived by the respondents. State and local taxes were cited by over 50 percent of the firms, almost double the number of any other factor. The availability and cost of land was the second ranked factor. While labor was more often cited as a locational advantage, many firms also ranked it as a disadvantage.

Figure 4 LOCATIONAL DISADVANTAGES

(PERCENT OF FIRMS RATING FACTOR AS ONE OF TOP FOUR LIABILITIES)



Source: Business Retention and Expansion Survey

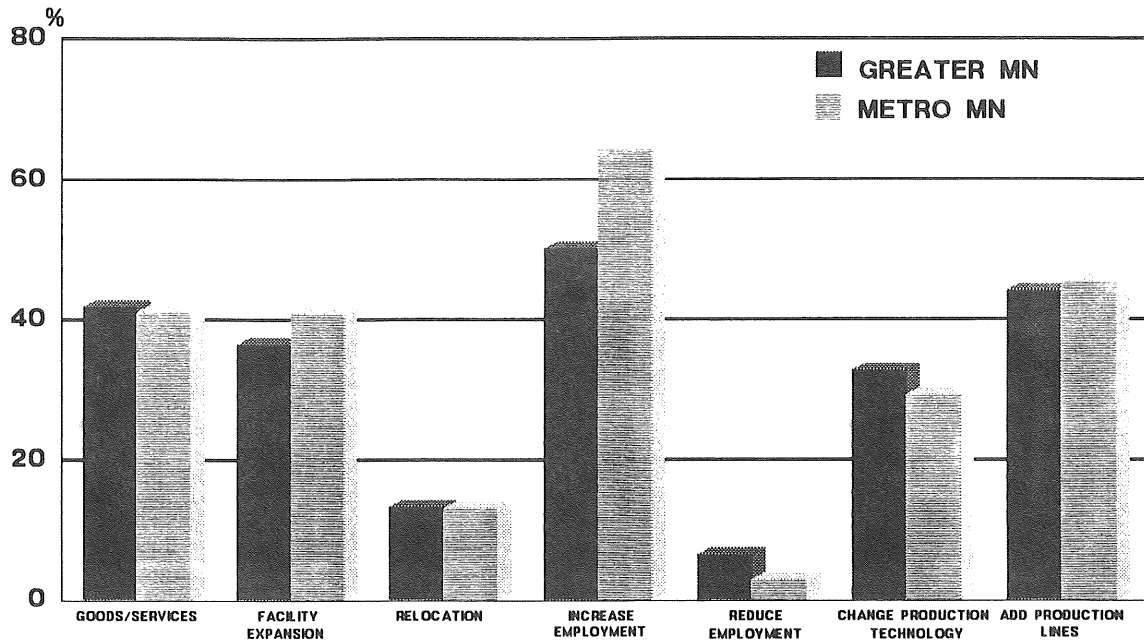
PLANNED BUSINESS CHANGES

Minnesota businesses are generally optimistic about the future. Figure 5 shows that a majority of non-metro and 60 percent of metro businesses plan to increase employment levels within three years. Approximately 40 percent plan to expand their facilities and add production lines. Between thirty and forty percent will respond to changing markets and technology by expanding their lines of goods and services and/or changing production technology. A smaller percent, between five and fifteen percent, will either relocate their operation, not necessarily outside of Minnesota, or reduce employment levels. A more detailed analysis of relocation patterns will follow.

Figure 6 indicates that Minnesota manufacturing firms are even more optimistic. Seventy percent plan to increase employment. Half plan to expand their facilities and add production lines. Greater MN manufacturers are generally more optimistic than metro area businesses. This optimism must again be tempered by the fifteen percent which indicated relocation plans, once again, not necessarily outside of Minnesota.

Figure 5

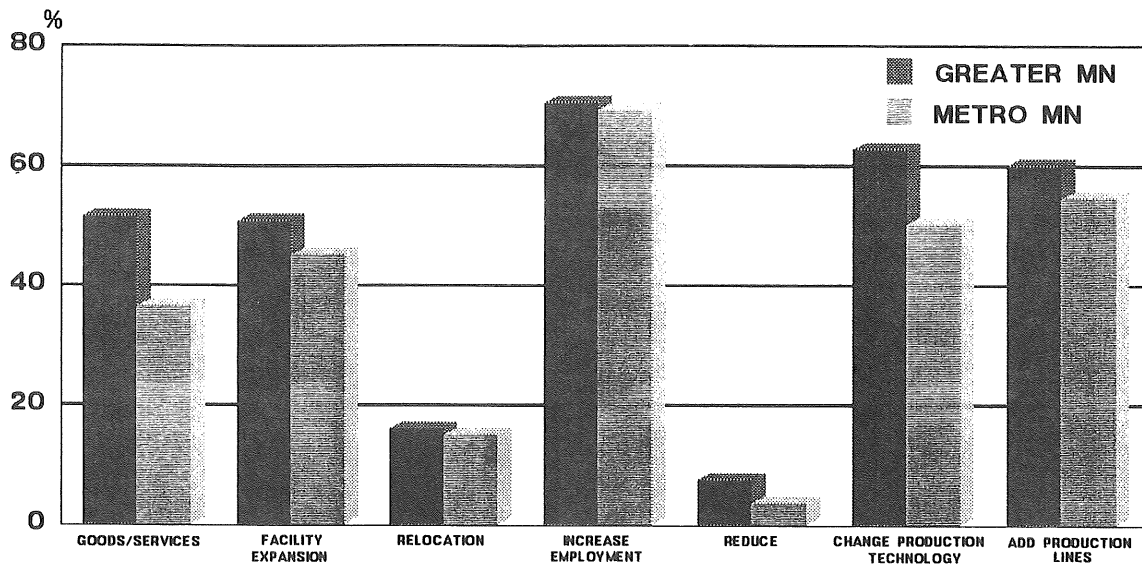
FUTURE PLANS OF ALL MN BUSINESSES (PERCENT OF FIRMS THAT ANTICIPATE CHANGES)



Source: Business Retention and Expansion Survey

Figure 6

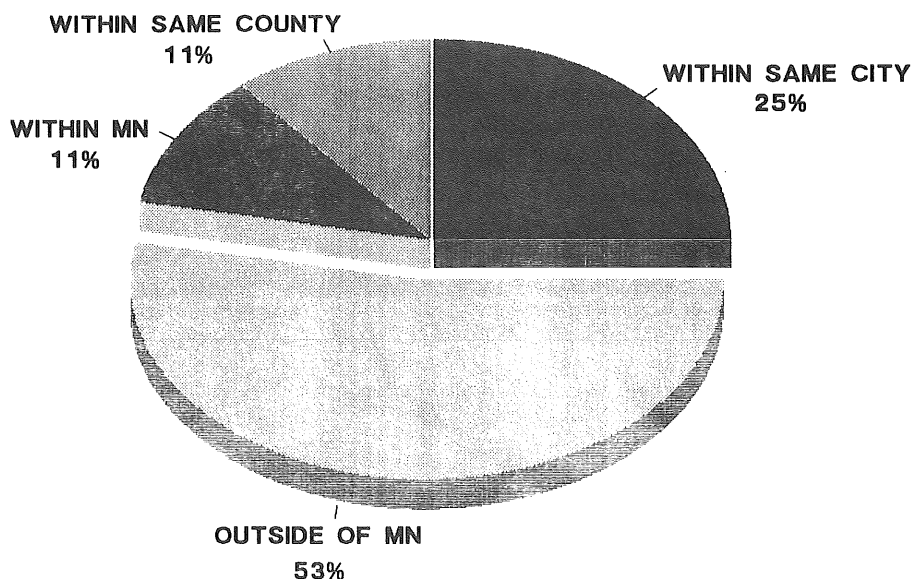
FUTURE PLANS OF MINNESOTA MANUFACTURING BUSINESSES (PERCENT OF FIRMS THAT ANTICIPATE CHANGES)



Source: Business Retention and Expansion Survey

Figures 7 and 8 display the planned relocation patterns of manufacturing firms. Generally, because manufacturers tend to serve a broader market area, they are more mobile than retail or service industries. Eighty-three firms in Greater MN indicated plans to relocate. Thirty-seven percent anticipated moving somewhere within their present city or county and ten percent indicated plans to move elsewhere in the state. The majority of firms planning a relocation (53 percent) stated that they had plans to move outside the state.

Figure 7
LOCATION PLANS FOR GREATER MINNESOTA MANUFACTURING FIRMS
(83 FIRMS PLANNING TO RELOCATE)

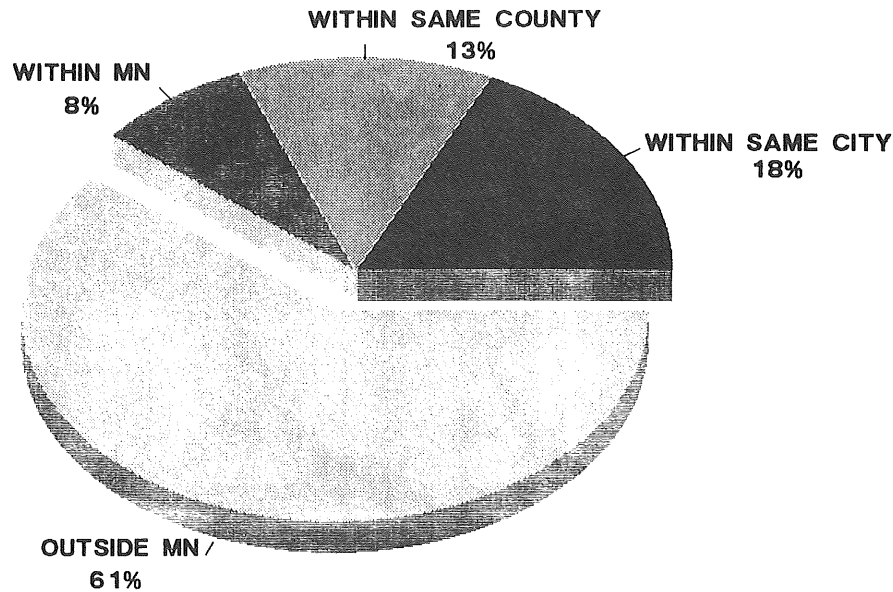


Source: Business Retention and Expansion Survey

Figure 8 displays the responses of the 38 metro area manufacturers who indicated they were planning to relocate. Sixty percent indicated that they had plans to move outside the state. Thirty-two percent indicated plans to find a new location within their present city or county. Only eight percent had plans to move elsewhere in Minnesota.

Data for all Minnesota businesses was not as dramatic. Thirty-one percent of 301 Greater MN and 116 metro firms with relocation plans indicated they would locate outside of Minnesota. Readers should be reminded that those firms planning to relocate constitute approximately fifteen percent of all firms interviewed.

Figure 8
LOCATION PLANS OF METRO MANUFACTURING FIRMS
(38 FIRMS PLANNING TO RELOCATE)



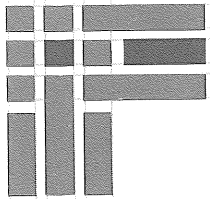
Source: Business Retention and Expansion Survey

CONCLUSION

It appears that Minnesota businesses are well satisfied with most facets of their Minnesota business location. Satisfaction is most evident in the high ratings for quality of life and the quality and availability of labor force. Businesses are generally optimistic regarding their future plans.

Dissatisfaction with state and local taxes is evident. Concern over transportation is probably understated due to the small number of natural resource base companies which were interviewed. Costs and availability of land, especially in the metro area, and the issue of solid waste, on a statewide basis are also problems that were identified.

Appendix 1



Business Retention & Expansion Program

Fact Sheet

The Minnesota **Business Retention and Expansion Program** is designed to help communities increase employment, maintain a stable tax base and attract new industry and other businesses.

The program facilitates cooperation and coordination between local government and the business, industrial and retail community.

“What we really need is some upfront knowledge of changes a company is making. Will the changes affect traffic systems? . . . Are the products going to affect the environment?”

— Mayor

“If our business is going to grow and expand the city will have to provide a better sewer and water system.”

— Business Person

This partnership works toward a common goal:

A stronger business climate in both the community and the state.

In most communities the majority of new jobs created come from expansion of existing businesses. This program helps achieve this by:

- Identifying strengths within the community so they can be capitalized on to encourage the retention and expansion of existing businesses and perhaps the influx of new industry, and,
- Discovering problems or potential problems with the community and helping to provide the necessary information to solve them.

A program that works.

This program will help your community gather the information necessary to retain and expand your area businesses. Following a detailed, step-by-step procedure, you'll learn how to:

- Visit and obtain the support of your local government officials.
- Form a Business Retention and Expansion Task Force; and select a sponsoring organization, corporate sponsor, and a chairperson.
- Identify all businesses (industrial, commercial/retail, service, tourist) in the community and their "chief executive officers."
- Recruit and train volunteers to interview each firm's chief executive using surveys adapted specifically for your area.
- Analyse the data to take action in order to help keep area industries healthy and happy.

The materials to help your community through the project are:

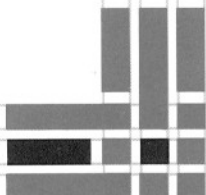
- Slide program — describes and promotes the Business Retention and Expansion Program for local government, service organizations, industry, and business.
- Videotape for coordinators — outlines the specific steps involved in setting up the program.
- Videotape for volunteer interviewers — covers the survey format, appointment setting, interviewing techniques, handling objections, confidentiality, etc.
- Training manual — explains the entire Business Retention and Expansion Program, to be used in conjunction with the videotapes. Complete with exercises, group training sessions, role-playing, sample letters, survey result forms, etc.

Results from the survey can help local government address the immediate concerns of the business community, such as zoning changes or traffic routings. The survey results are useful planning tools for long-term development planning.

For further information about your Business Retention and Expansion Program, please call or write:

The Minnesota Department of
Trade and Economic Development
Development Resources Office
900 American Center Building
150 East Kellogg Boulevard
St. Paul, Minnesota 55101
(612) 296-5022

Business Retention & Expansion Program



Appendix 2

BUSINESS RETENTION AND EXPANSION SURVEY

Coding Only

City _____

1 _ _ _

Survey Number _____

4 _ _ _

Interviewer's Name _____

Date Interviewed _____

7 _ _ _ _ _

I. GENERAL INFORMATION

Name of the Business _____

Address _____

Zip Code _____

13 _ _ _ _ _

Telephone _____

CEO or Manager's Name _____

Title _____

Identification Codes:

Legislative district _____

Region _____

County _____

18 _ _ _

21 _ _ _

24 _ _ _

Primary Business Type: (1) Manufacturing (2) Retail (3) Service

27 _

Principal Market Area: (Enter this as a percentage for each of the following categories. The total of all categories will be 100%.)

City _____

28 _ _ _

Trade area (more than city _____

31 _ _ _

but less than state)

State (MN) _____

34 _ _ _

National _____

37 _ _ _

International _____

40 _ _ _

SIC Code or Major Commodity or Service _____
(SIC Codes may have to be assigned by the survey coordinator.)

43 _ _ _ _

II. LABOR

A. What was your average employment at this facility last year?

Coding Only

Total average employment	_____	47	_ _ _
Estimate the number of full-time	_____	50	_ _ _
Estimate the number of part-time	_____	53	_ _ _
How many are permanent (year-round)	_____	56	_ _ _
How many are seasonal (6 mos. or less)	_____	59	_ _ _

B. How many of your employees (full-time equivalent) are in each of the following occupational categories ?

Professional	engineer, lawyer, architect	_____	62	_ _ _
Managerial	executive, plant managers	_____	65	_ _ _
Sales	parts person, salesperson	_____	68	_ _ _
Clerical	typist, bookkeeper, clerk	_____	71	_ _ _
Services	dry cleaner, guard, cooks	_____	74	_ _ _
Agriculture	groundskeepers, gardeners	_____	77	_ _ _
Machine operatives	machinist, lathe operators	_____	80	_ _ _
Precision prod.	plumber, appliance repair	_____	83	_ _ _
Technical	dental hygienist, drafters	_____	86	_ _ _
Handler/laborer	drivers, packager, handlers	_____	89	_ _ _

C. What are the average wages for each of the following categories?
Please fill out your annual wage, but do not include fringe benefits.

\$/YR in 000s

Professional	_____	1	_ _ _ _ _
Managerial	_____	6	_ _ _ _ _
Sales	_____	11	_ _ _ _ _
Clerical	_____	16	_ _ _ _ _
Services	_____	21	_ _ _ _ _
Agriculture	_____	26	_ _ _ _ _
Machine oper.	_____	31	_ _ _ _ _
Precision prod.	_____	36	_ _ _ _ _
Technical	_____	41	_ _ _ _ _
Handler/Laborer	_____	46	_ _ _ _ _

D. Have you had difficulty recruiting or retaining employees in the following skills categories? (Enter appropriate number and only answer occupations answered above.)

Coding Only

1=No problem 2=Moderate problem 3=Severe problem

	<u>Recruiting</u>	<u>Retaining</u>	
Professional	_____	_____	51 __ __
Managerial	_____	_____	53 __ __
Clerical	_____	_____	55 __ __
Sales	_____	_____	57 __ __
Services	_____	_____	59 __ __
Agriculture	_____	_____	61 __ __
Machine operatives	_____	_____	63 __ __
Precision production	_____	_____	65 __ __
Technical	_____	_____	67 __ __
Handler/laborer	_____	_____	69 __ __

E. Rate all of the following factors as they relate to the recruitment or retention of employees. (Enter the correct number.)

1=Not Significant 2=Somewhat Significant 3=Significant

	<u>Recruiting</u>	<u>Retaining</u>	
Remoteness of the area	_____	_____	71 __ __
Area skill and labor supply shortages	_____	_____	73 __ __
Local training programs for needed skills unavailable	_____	_____	75 __ __
Seasonal nature of the work	_____	_____	77 __ __
Lack of educational facilities	_____	_____	79 __ __
Wage rates	_____	_____	81 __ __

Other/please note other problems relating to recruitment or retention of necessary manpower: (Enter a 1 if problems are noted.) _____

83 __

return

F. What are your major sources of recruitment? (Estimate the percentage you use each source and enter that number in the column. The total of all categories should equal 100%.)

Coding Only

	<u>Rating</u>	
Newspaper	_____	1 ____
Area vocational schools	_____	3 ____
Word of mouth	_____	5 ____
Job Service	_____	7 ____
Job Training	_____	9 ____
Other employees	_____	11 ____
College	_____	13 ____
Other	_____	15 ____

G. Has your business ever participated in any training programs?

1=Yes 2=No 17 ____

H. If yes, indicate which program(s) they were and if they were successful?

1=Never used 2= Successful 3=Not successful

MEEDA-MN Employment & Economic Development Act	1	2	3	18 ____
Job Training OJT	1	2	3	19 ____
Job Skills Partnership Act	1	2	3	20 ____
Community College/Area Vocational schools	1	2	3	21 ____
Targeted Jobs Tax Credit	1	2	3	22 ____
Veterans On the Job Training (VA)	1	2	3	23 ____
Private Agency	1	2	3	24 ____

III. BUSINESS SERVICES

A. What importance do you give the following factors in considering remaining, expanding or relocating?

Coding Only

Rating Key

1-Very Important

2-Important

3-Somewhat Important

4-Not important

Remaining, Expanding or Relocating Factors
(circle appropriate numbers)

(01) Labor (cost, skill, etc.)	1 2 3 4	25	__
(02) Transportation (air, rail, water, port, foreign trade zones, etc.)	1 2 3 4	26	__
(03) Land (zoning, cost, lease space, etc.)	1 2 3 4	27	__
(04) Permit processes	1 2 3 4	28	__
(05) Utilities and services	1 2 3 4	29	__
(06) Government programs (assistance, incentives)	1 2 3 4	30	__
(07) Location to other companies	1 2 3 4	31	__
(08) Capital (conventional, venture, industrial development bonds, etc.)	1 2 3 4	32	__
(09) Business service (financial, legal, research)	1 2 3 4	33	__
(10) Market access(local,regional,international)	1 2 3 4	34	__
(11) Quality of life (environment, recreation, cultural, housing, etc.)	1 2 3 4	35	__
(12) State/local taxes	1 2 3 4	36	__
(13) Education (university,colleges, AVTI)	1 2 3 4	37	__
(14) Supply access (raw materials, components)	1 2 3 4	38	__
(15) Other (please specify) _____	1 2 3 4	39	__

B. What factors listed above do you regard as most advantageous or favorable to remaining,expanding or relocating within this community? (Specify up to four corresponding factors from the above list.)

(1) _____	40	__	__
(2) _____	42	__	__
(3) _____	44	__	__
(4) _____	46	__	__

C. What factors listed above could discourage you from expanding or remaining? (Specify up to four corresponding factors from the above list.)

Coding Only

(1) _____	48	__	__
(2) _____	50	__	__
(3) _____	52	__	__
(4) _____	54	__	__

D. Have you ever sought or received *management assistance* from:

	<u>Sought</u>		<u>Received</u>		
	1=Yes		2=No		
Bank					56
Higher education institution	1	2	1	2	58
Local economic development group	1	2	1	2	60
State agency	1	2	1	2	62
Federal agency	1	2	1	2	64
Attorney	1	2	1	2	66
Accountant	1	2	1	2	68
Professional consultant	1	2	1	2	70
Other _____	1	2	1	2	72

E. Have you sought or received *management assistance* from any public agency or organization listed below?

	<u>Sought</u>		<u>Received</u>		
	1=Yes		2=No		
Housing Redevelopment Authority					74
Small Business Development Center	1	2	1	2	76
Regional Development Commission	1	2	1	2	78
Small Business Administration	1	2	1	2	80
Area Vocational Tech. Institutes	1	2	1	2	82
Community College	1	2	1	2	84
MN Small Business Assistance Office	1	2	1	2	86

F. Have you sought or received *business financing* assistance within the last five years from:

Coding Only

return

	<u>Sought</u>		<u>Received</u>		
	1=Yes		2=No		
Bank/Savings & Loan					1 ___
Accountant	1	2	1	2	3 ___
Venture capital company	1	2	1	2	5 ___
Private investor	1	2	1	2	7 ___
Local economic development group	1	2	1	2	9 ___
State agency	1	2	1	2	11 ___
Federal agency	1	2	1	2	13 ___
Family or personal savings	1	2	1	2	15 ___

G. Have you ever sought or received *marketing assistance* from:

	<u>Sought</u>		<u>Received</u>		
	1=Yes		2=No		
Bank					17 ___
Private consultant	1	2	1	2	19 ___
Local economic development group	1	2	1	2	21 ___
State agency	1	2	1	2	23 ___
Marketing club or group	1	2	1	2	25 ___
Corporate franchise or affiliate	1	2	1	2	27 ___
Trade associations	1	2	1	2	29 ___

H. Have you ever sought or received *marketing assistance* from any public agency or organization listed below?

	<u>Sought</u>		<u>Received</u>		
	1=Yes		2=No		
Small Business Development Center					31 ___
Small Business Administration	1	2	1	2	33 ___
AVTI	1	2	1	2	35 ___
Community College	1	2	1	2	37 ___
MN Small Business Assistance Office	1	2	1	2	39 ___

I. Would you like to receive assistance in developing a business plan?

1=Yes 2=No

Coding Only

41 _ _

J. Would you like assistance from a Business Finance Specialist to develop expansion plans?

1=Yes 2=No

42 _ _

IV. LOCATION

A. What were your primary reasons for locating your business here? (Rank top four reasons, 1 being the most important and 4 the least important.)

Family ties	_____	43	__
Proximity to other businesses	_____	44	__
Area labor costs	_____	45	__
Labor supply	_____	46	__
Quality of life	_____	47	__
Proximity to market	_____	48	__
Financial incentives (loans or tax abatement)	_____	49	__
Availability of land	_____	50	__
Availability of raw materials	_____	51	__
Educational resources	_____	52	__
Profit potential of area	_____	53	__

B. Are the services provided in our community, as listed below, adequate for your current or future business needs?

Rating key: 1=Major problem

2=Somewhat of a problem

3=Potential problem

4=No problem

Roads	1	2	3	4	54	__
Sewers	1	2	3	4	55	__
Water	1	2	3	4	56	__
Police protection	1	2	3	4	57	__
Fire protection	1	2	3	4	58	__
Solid waste disposal	1	2	3	4	59	__

Coding Only

Emergency medical services	1	2	3	4	60	__
Electric/gas utilities	1	2	3	4	61	__
School system	1	2	3	4	62	__
Regulator inspection	1	2	3	4	63	__
Availability of facility space	1	2	3	4	64	__
Availability of land	1	2	3	4	65	__
Rail	1	2	3	4	66	__
Air	1	2	3	4	67	__

C. If you indicated a problem above, have you contacted the city or county about this problem?
1=Yes 2=No 68 __

D. If yes, was the problem solved?
1=Yes 2=No 69 __

E. What suggestions do you have to improve the services to businesses in our community? (Enter a 1 to note suggestions.) 70 __

V. HISTORY

A. What year did you begin operating your firm?

Year _____ 71 __ __

B. What year was the business established?

Year _____ 73 __ __ __

C. What form of organization is your business? 77 __

- (1) Corporation
- (2) Partnership
- (3) Sole proprietor
- (4) Non-profit corporation
- (5) Other

D. Have you expanded your business facilities within the past 3 years?

1=Yes 2=No 78 __

E. If yes, was it 79 __

- (1) At the same location
- (2) At a new location within our community

F. If the expansion was at a new location, did the old location remain an operative part of your business?

1=Yes 2=No 80 __

G. Have you reduced your business operation in the last 3 years?

1=Yes 2=No 81 __

H. What was the reason for the reduction? 82 __

- (1) Market decline return
- (2) Increased competition
- (3) Increased cost of production
- (4) Other _____

I. What changes is your business planning for the next 2-3 years?

	No change	Change	
Mix of goods and services	1	2	1 __
Expand facility	1	2	2 __
Relocate	1	2	3 __
Add employees	1	2	4 __
Reduce number of employees	1	2	5 __
Change production technology	1	2	6 __
Add product line	1	2	7 __
Other _____	1	2	8 __

J. If you plan to relocate, where would you move?

Coding Only

(1) Within city

9 __

(2) Within county

(3) Within state

(4) Other _____

K. When do you expect this relocation to take place?

(1) Within the next 6 months

10 __

(2) 6 months to 1 year

(3) 1 year to 3 years

L. What is your principal reason for relocating
outside the city? (Enter 1 to indicate a response.)

11 __

M. Would you be interested in the results of this survey?

1=Yes

2=No

12 __