

The Big Business of Owatonna

The “Jewel of the Prairie” has been named a great place to live, and it’s a pretty good place to work as well.

BY DAVID GEE

OUR MORE ASTUTE READERS may remember a certain New Year’s resolution on the part of the magazine—or me to be more specific—to do a better job telling some of the business stories of outstate Minnesota. ¶ We want to take the temperature of the business climate in places such as Owatonna, the subject of our first foray, as well as others such as Rochester and Duluth. We want to find out what made these communities unique historically, where they are today and what the future might hold.

To begin our journey, I pointed the car due south on Interstate 35 and waited for the mileage indicator on the odometer to turn over 60 times.

Before I got to Owatonna proper, though, I passed Cabela’s Outfitters. I didn’t go in, but I must be the exception. On one of Owatonna’s official city websites they claim four million people visit Cabela’s every year. My guess is that would make it Owatonna’s top attraction.

I did, however, exit at the very next off ramp, not to purchase a new pair of waders or a hunting coat in the latest variation of camouflage, but rather to gaze at another popular attraction in Owatonna, this of a more serious variety.

On October 16, 2009, the new Owatonna Hospital, part of Allina Hospitals & Clinics, officially opened. The \$51 million facility includes a two-story, 38-bed hospital, located on 20 acres and physically connected to the Owatonna Clinic-Mayo Health System, whose physicians practice at the hospital. The hospital, designed with input from nurses, staff, physicians, patients and families, features an environment that enhances healing and an environmentally-sustainable design.

“In addition to using recycled building materials and energy efficient systems, we tried to bring the outside environment into the building using natural

light, and the exterior landscape provides a park-like setting of green space, trees and plantings,” said David Albrecht, president, Owatonna Hospital, at the time it opened.

On the chilly day I was there looking around, the parking lot was packed and there were plenty of people coming and going from the clinic. And what an asset to the community, given that access to quality health care tends to top the lists of what an area needs to thrive.

The Federated Insurance Companies have certainly thrived since its inception over 100 years ago.

It was formed in 1904 by a group of business people who were seeking better value for their insurance premium dollar. In those early years, equipment dealer Charles I. Buxton was virtually a one-man company. With a single assistant, he issued policies, handled correspondence, kept the books and paid claims. When he wasn’t in the office, he took to the road to sell.

Even then, the company says “safety standards were adopted” and only businesses that adhered to those practices were accepted as clients. This emphasis on safety resulted in fewer losses, which led to substantial savings, allowing the company to expand. The concept of insuring select businesses remains a part of Federated’s business strategy today.

Under the leadership of John A. Buxton, Federated later became one of the first insurers to provide coverage for property, liability and health insurance.

The company’s next president, Charles I. Buxton II, great-grandson of the co-founder, took the company from \$25 million in sales to \$1 billion, making it one of only seven property and casualty insurers in the nation to exceed a billion dollars in premiums. He started his 50-year career in the stockroom and worked his way up from there, and was still chairman emeritus of the board of directors at the time of his death in 2000.

Longevity and working your way up is a constant theme at Federated. Current Chairman and longtime CEO Al Annexstad earned his way through then-Mankato State University with multiple jobs, and in his senior year began his Federated Insurance career as a sales representative in his hometown of St. Peter. Since then, Annexstad has had an uninterrupted 45-year career with Federated.

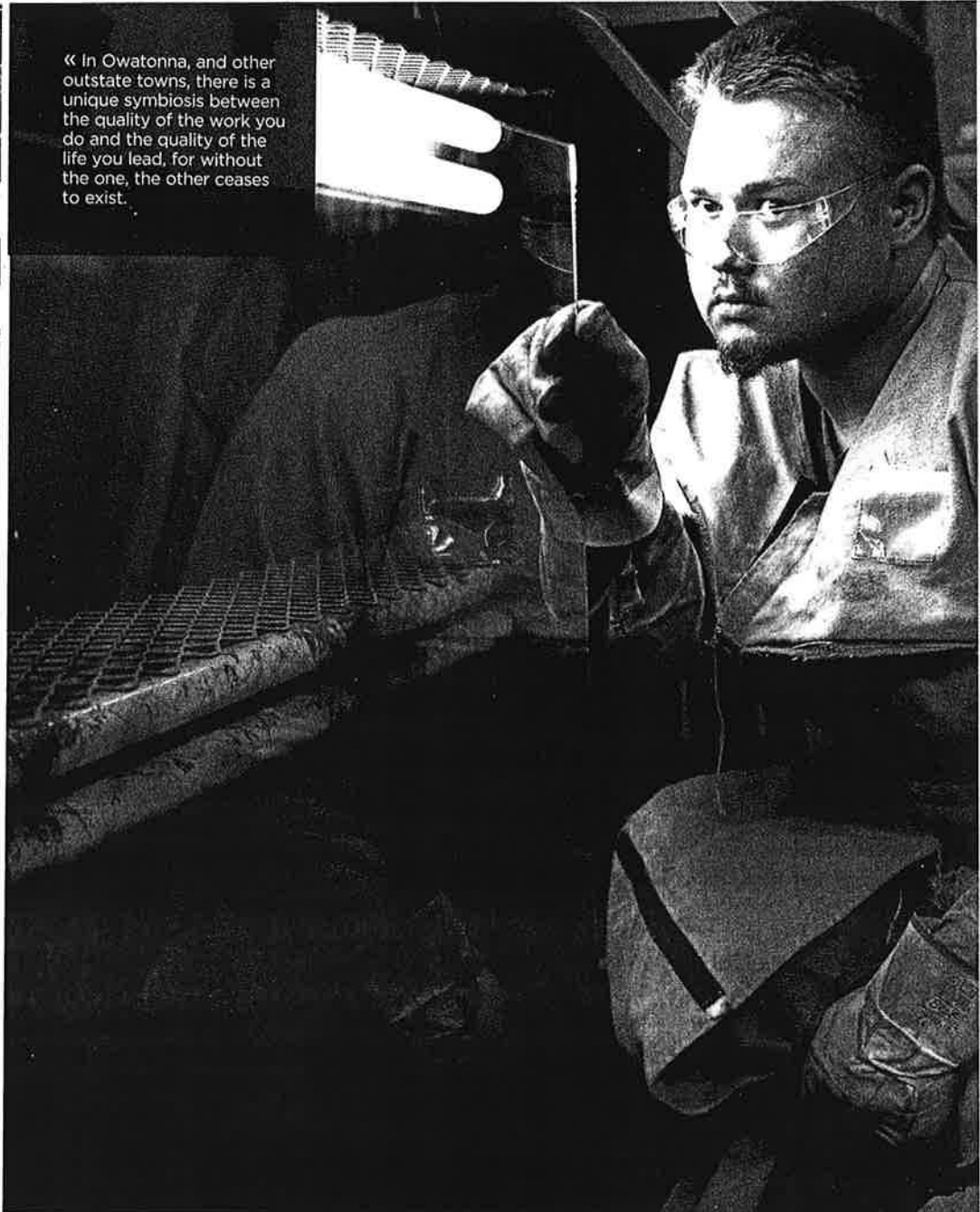
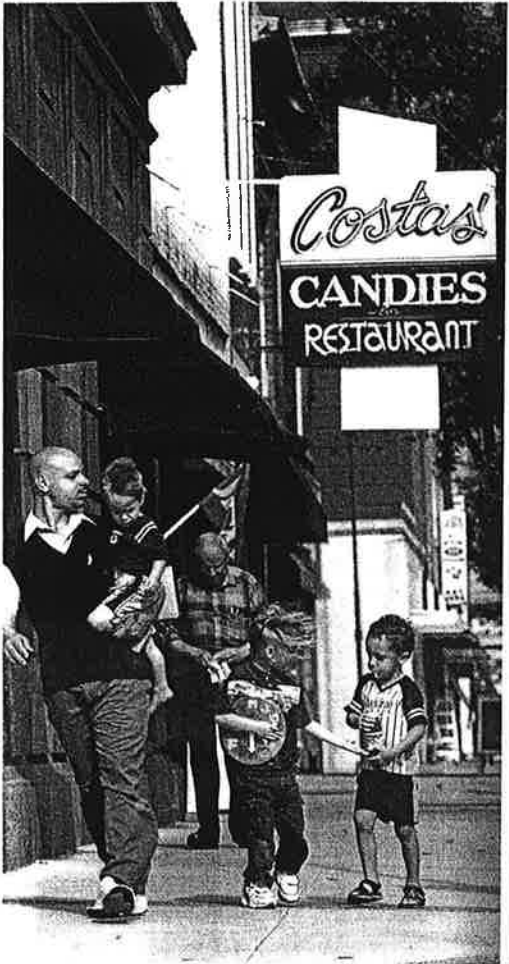
During his leadership tenure, he has positioned Federated as one of the nation’s largest and most financially secure mutual, multiple-line insurance companies. The company greatly enhanced its focus on state trade associations and national industry organizations who, in turn, recommend Federated’s products and services to their members.

For his efforts, next month the Horatio Alger Association of Distinguished Americans will honor Annexstad as one of 11 recipients of the 2010 Horatio Alger Award. It’s given annually “to persons who have overcome great adversity and humble beginnings to achieve the American Dream and to offer their time and resources to help others in need.”

“I am deeply humbled by this honor,” Annexstad



« In Owatonna, and other outstate towns, there is a unique symbiosis between the quality of the work you do and the quality of the life you lead, for without the one, the other ceases to exist.



said of the award in a press release. "The Horatio Alger Association's longstanding belief in the American Dream is reflected in the inspiring life stories of some very special Americans who have given much to preserve our cherished way of life. I share this award with my hometown of St. Peter whose town folk looked after me in my youth. I share this honor with my family and friends and the good people in Owatonna. And I share this honor with Federated employees, past and present, who embrace my belief that our country is truly one of unlimited opportunity for those who wish to grasp it."

The youngest of four children, Annexstad was born on a small dairy farm near St. Peter in 1940. When he was five years old, his father died, and through sacrifice and fortitude his mother raised the family alone, he said, and he attributes much of his success to her. He will become just the 10th Minne-

Cybox International, a manufacturer of exercise equipment, recently renewed their commitment to the community, as the mayor explains.

"They have a factory in Owatonna and a factory at their corporate headquarters in Medway, Massachusetts. They were going to build a new factory in one of those locations or another. To help that process here, we were able to find somebody in our community to purchase their previ-

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—OWATONNA MAYOR TOM KUNTZ

sotan to be given the honor in the Horatio Alger Association's 62-year history.

To this day, one-tenth of Federated Insurance's 2,600 employees nationwide are from towns around southern Minnesota, and graduates of places such as Gustavus Adolphus College and Minnesota State University Mankato. The mayor of Owatonna thinks he knows why.

"The Midwestern work force, and work ethic, is still head and shoulders above anyone else, and anywhere else, in the country," says Tom Kuntz, who grew up in Owatonna, and has been mayor since 2004.

Though a strong work ethic has been a constant, and Owatonna is home to some long-standing businesses, he has seen change.

"Owatonna has been very privileged because it's been historically made up of home-grown businesses. We are, however, transitioning from those types of businesses to larger corporations. Even as that happens though, we have been fortunate that as they grow or change ownership or what have you, the commitment to Owatonna remains."

ous plant, and then also find some financing for their new facility?"

That new facility in Owatonna is located on 36 acres and measures 340,000 square feet—eight football fields—under one roof. That includes 275,000 square feet of manufacturing space, 35,000 square feet of office space and 30,000 square feet of warehouse space.

In February 2009 the company reduced its total workforce by five percent, including 20 people in Owatonna, but the mayor says "they still employ more people in Owatonna than they did before they had the new building."

"The entrepreneurial spirit is what has created so much business success for this community," echoes Brad Meier, president of the Owatonna Chamber of Commerce. "We hope that the bright spot from the recession will be an increase in people starting

Owatonna's Top Employers

Viracon/Curvlite Inc.,
architectural glass &
glass products

1,700

Federated Insurance Co.,
business insurance
carrier

1,500
in Owatonna

Total
2,700

Truth Hardware,
window hardware

901

SPX Corp- OTC Division, auto
electrical equipment

800

Owatonna Public School District

750

Wenger Corp.,
musical equipment
manufacturing

460

Josten's, school
rings, recognition
and printing

376

Cybox Corp.,
exercise equipment
manufacturing

358

Cabela's,
sporting goods

353

Owatonna Clinic,
multi-specialty
medical clinic

350

Steele County Government

317

SOURCE: OWATONNA
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new businesses. The Owatonna Business Incubator for example is set up to assist with those great ideas through small business development services as well as physical space to start up in."

"Currently there is much talk about entrepreneurs," writes former Congressman Tim Penny, in an article for Southern Minnesota Initiative Foundation, a 501(c)(3) organization he now heads. "We strongly believe small business entrepreneurs are the key to growing our communities in the 21st century. Studies show that 80 percent of all new jobs are created by small businesses. So growing small business entrepreneurs is a vital economic development strategy."

SMIF was one of six Minnesota regional foundations established by the Minneapolis-based McKnight Foundation and others in 1986. The organization has provided \$19.5 million to support over 350 businesses in the 20-county area around southern Minnesota. That includes helping grow small business entrepreneurs as a micro enterprise lender. Under contract with the Small Business Administration (SBA), they distribute roughly \$230,000 in loans annually within their region.

Even though the city of Owatonna is ranked 37th in the state in terms of population, it ranks 10th among Minnesota's top industrial cities in industrial payroll.

CNNMoney.com named it one of their Top 100 Places to Live, calling it a "Jewel of the Prairie." I asked the head of the chamber and the mayor if they think the jewel is going to continue to shine in the coming years, in stark opposition to many similar-sized communities whose best times might be behind them.

"MNSCU recently purchased the Owatonna College & University Center, along with 18 acres of land, to secure Owatonna as a current and future hub for higher education," says Meier. "In addition, classroom space was created in the new hospital built by Allina for Allied Health courses. And the completion in 2012 of a four-lane Highway 14 from Mankato to Owatonna opens up additional industrial development opportunities and strengthens us as a transportation hub for this region. We are very optimistic about the future economic development for Owatonna."

"The first thing you need for a strong business community is the right people to get it started initially, and we had those people, and the second, is to have the right location and infrastructure and support to keep it going. We have that as well," says Mayor Kuntz. "This recession hasn't helped any of us obviously, but by no means has it devastated us. We will continue to look for opportunities to grow." ❁