



## WEEKEND EDITION

### Minnesota nice

## Minneapolis is No. 1 in MarketWatch study of best metro centers for business

By Russ Britt, MarketWatch

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**LOS ANGELES (MarketWatch) -- Forget the bone-chilling winters, the Buick-sized summer mosquitoes and the “Minnesota Nice” demeanor mocked in the film “Fargo.”**

Minneapolis-St. Paul is where it's at when it comes to business, much more so than any other of the nation's major urban areas. The Twin Cities ranked at the top of a MarketWatch study on the nation's best metro centers for business, winning by a wide margin. Minneapolis-St. Paul got 329 points, 38 points ahead of second-place Denver.

A healthy collection of companies -- old and new, small and large, public and private -- put the greater Twin Cities near the top in many categories in the study, which measured the concentration of businesses in the nation's 50 most populous markets, as well as the job picture in each city. Minneapolis-St. Paul proved resilient in keeping its jobless rate low in a check of unemployment statistics.

How could this northern outpost with extreme weather rank at the top? The high concentration of businesses is due to a living environment that makes it hard to leave, locals and executives say.

“When you get here, you realize it's kind of a unique combination of manageable size and rich and diverse lifestyle offerings,” said Steve Sanger, chairman and chief executive of food-making giant General Mills Inc., a Minneapolis mainstay. Sanger came to the area from Cincinnati 33 years ago and never left.

“You can live on a lake and get to the office in 15 minutes,” he said.

This MarketWatch special report looked at eight different metrics. While companies have many different reasons for locating in a given region, the study did not focus on subjective qualities. Do businesses really locate in a particular city because of weather, perceived quality of life or even taxes? Anecdotally, some do. But we decided to look at data that indicate where businesses are and find out the reasons why.

### **Big, diverse firms**

The Twin Cities region has a high concentration of massive and diverse Fortune 1000 and S&P 500 companies. It also has a significant number of Forbes 400 private companies. Further, Minneapolis-St. Paul has a healthy array of up-and-coming companies on the Russell 2000 index. And it has more small businesses per capita than just about any other city.

The Twin Cities area was the only one of 50 metro regions examined by MarketWatch that placed in the top 12 in all five of those categories, giving it what proved to be an insurmountable lead. It also placed fourth in a check of unemployment statistics.

Predictably, though, it ranked in the middle of the pack in a check of job growth and population growth statistics. Locals say there's a good reason for that.

“It's a city that once people come to it, they don't want to leave again. But they don't want to come in the first place because the national perception is that it's frigid and there's nothing to do,” said Todd Klingel, chief executive of the Minneapolis Regional Chamber of Commerce.

Actually, businesses have some other reasons to dislike about Minneapolis-St. Paul. Along with harsh winters and humid summers, Minnesota's taxes on business are among the highest in the U.S. At one point, the state led the nation in taxes charged to businesses and individuals.

"I could never sell someone on coming to Minnesota because of the taxes, personal or corporate," Klingel said. "People are not coming here because of the taxes."

Still, companies located there aren't arguing with the results, including a well-educated work force. The region boasts one of the nation's highest graduation rates for high school and college. Plus, the Twin Cities' heavy Scandinavian influence gets much of the credit for creating a strong work ethic.

The University of Minnesota regularly churns out a supply of ready-made executives and researchers, and alumni from the school's health department are helping to build such local companies as medical-device maker Medtronic Inc. (MDT) and its cross-town rival St. Jude Medical Inc. (STJ).

### **Rankings**

Here's how Minneapolis-St. Paul got to the top spot:

-- It ranked second in both the concentration of Fortune 1000 and S&P 500 companies. There are 32 Fortune 1000 companies and 15 S&P 500 firms in the metropolitan area.

The companies on those lists are a who's who of corporate America, including No. 2 discount retailer Target Corp. (TGT), health insurance giant UnitedHealth Group (UNH), industrial conglomerate 3M (MMM), General Mills (GIS), electronics retailer Best Buy Co. Inc. (BBY), insurer Travelers Cos. Inc. (TRV), Northwest Airlines Corp. (NWA), Ameriprise Financial Inc. (AMP), and PepsiAmericas Inc. (PAS).

-- A total of 31 Russell 2000 companies are located there, enough to put the Twin Cities in 12th place in that category. Included on the area's Russell list is the brokerage Piper Jaffray Cos. (PJC), an offshoot of Fortune 1000 and S&P alumnus U.S. Bancorp. (USB). Other Russell companies are CD publisher Rimage Corp. (RIMG) and food distributor Nash-Finch Co. (NAFC).

-- Minneapolis-St. Paul ranked sixth in the Forbes 400 private companies category. The Twin Cities is home to travel giant Carlson Cos. and building materials maker Andersen. Farm-products maker Cargill, second on the Forbes list with \$70 billion in annual sales, is also based there.

-- Finally, the region was fourth in concentration of small businesses, measured here as companies with fewer than 500 employees.

Its accumulation of consistently high marks in those five business categories put Minneapolis-St. Paul well ahead of the pack. Its closest competitor was New York, followed by San Francisco.

The Twin Cities ranked 28th in population growth and 21st in job growth, according to stats dating back to 2000. Including those stats weighed down New York and San Francisco even more, though, and others like Denver, Boston, Richmond, Va., and Charlotte, N.C., moved up in the rankings.

Other regions may favor a certain type of industry; the San Francisco Bay Area's strong technology influence put it first in both the S&P and Russell categories. But a lack of industrial diversity wreaked havoc on the region in the early part of the decade, so it placed poorly in job growth and unemployment statistics used for the survey. San Francisco also didn't excel in the Forbes and small-business metrics.

Minneapolis-St. Paul, meanwhile, seems to have the most diverse business mix, helping it to weather economic downturns better. Much of the U.S. was caught in a recession in the early 1990s, for example, but the Twin Cit-

ies kept adding jobs, says Toby Madden, regional economist for the Federal Reserve Bank's Minnesota branch. "It looked like Minneapolis just kept going on through that," Madden said.

### **What about the weather?**

While Minneapolis-St. Paul's winter weather may repel someone thinking of moving there, it's a way of life for those who call it home. Most residents say they are willing to match their quality of life with any other region. Sure, there's nothing like sub-zero temperatures to keep workers at their desks and off the golf course. Locals say, though, there are things to do, even in winter. While snowmobiling is popular, a big draw is ice fishing on the state's thousands of lakes.

But don't judge the region by that image alone, residents say. They point out the Twin Cities area also has a cosmopolitan flair, and they consider Minneapolis' Hennepin theater district one of the best in the country outside of Broadway.

"It gives you something to do when it's 40 below," said Charlie Weaver, executive director of the Minnesota Business Partnership.

And lest anyone say the city has no sense of humor, among its formidable collection of museums is "The Museum of Questionable Medical Devices," also known as the "Quackery Hall of Fame." It features such ill-fated inventions as weight-reduction glasses, bloodletting devices and a machine that jolts patients with a few volts of electricity to increase virility.

On a more serious note, the wholesome lifestyle and good family environment keep many businesses from fleeing Minneapolis-St. Paul. Transplants get used to the weather in relatively short order, says General Mills' Sanger.

"It's an adjustment, but people make it," Sanger said. "Ultimately, people are much more interested in the opportunities from their jobs."

### **Hard to copy**

Much of Minneapolis-St. Paul's success can't be duplicated. The lion's share of the city's companies is home-grown.

One of the region's biggest companies, Target, had its roots as the Dayton Hudson Corp., with origins tracing back to 1902. It now produces nearly \$60 billion in annual revenue. General Mills' lineage traces back to the mid-1800s as the Minneapolis Milling Co, and then the Washburn-Crosby Co. It now has more than \$11 billion in sales each year.

Smaller companies have endured there as well. Bob Senkler is chairman and chief executive of privately held Securian Financial Group, a 127-year-old mutual holding company with \$3 billion in revenue. He says the key to any business' success is personnel, and workers in the region are well trained.

But the area also has spawned much younger industries, like medical devices. Medtronic and St. Jude Medical comprise two-thirds of a troika of major producers of cardiac devices. The third leg is Boston-based Boston Scientific (BSX).

Medtronic was conceived in 1949, and St. Jude didn't get its start until 1976. The two companies now make a combined \$14 billion in annual revenue.

Minneapolis-St. Paul has taken part in the tech boom as well, though not to the same degree as other cities. A little more than a decade ago, data-storage firm Imation Corp. (IMN) was born in a suburb east of St. Paul. It's now a billion-dollar company. Electronic commerce company Digital River Inc. (DRIV) was born two years earlier in the suburb of Eden Prairie.

Some say there's still room for improvement. Eric Wieffering, business editor for the Minneapolis Star-Tribune, points out that the state's jobless rate this year is near that of the national average. Normally it's well below the U.S. rate.

While Minneapolis-St. Paul has seen a few dot-com companies start there, some business leaders are concerned the region isn't getting its fair share.

"There's this sense of anxiety that we're not doing as well as we could be," Wieffering said. Still, the barriers to getting started in business are minimal even if taxes are high, said the Federal Reserve's Madden. The licensing process is far from onerous, he says.

"You can (license) a business here in an hour," he said. "In essence, you could be up and running in a few hours."

### **The \$10 billion club**

Companies in the Twin Cities with at least \$10 billion in annual sales

<b>FIRM</b>	<b>SYMBOL</b>	<b>SALES (in billions)</b>
United Health Group	UNH	\$ 71.6
Cargill Cos.	Private	\$ 69.9
Target Corp.	TGT	\$ 59.5
Supervalu	SVU	\$ 37.4
Best Buy Co.	BBY	\$ 30.8
Travelers Cos.	TRV	\$ 25.1
3M	MMM	\$ 22.9
U.S. Bancorp	USB	\$ 19.1
CHS	Private	\$ 14.4
Northwest Airlines	NWA	\$ 12.6
General Mills	GIS	\$ 12.4
Medtronic	MDT	\$ 12.3

*Editor's note: While MarketWatch, the publisher of this report, is headquartered in San Francisco (in the Top 10) and the reporter on this project is located in Los Angeles (in the Bottom 10), MarketWatch's product development and technology team has a major office in downtown Minneapolis (No. 1). Russ Britt is the Los Angeles bureau chief for MarketWatch.*