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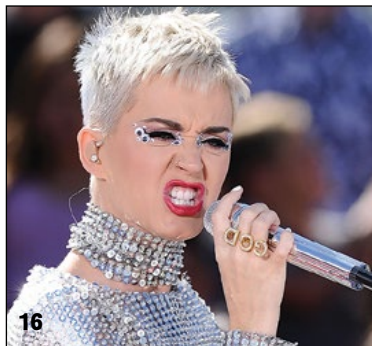
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### Corrections:

In our October Outstanding Directors feature (p. 46), TCB failed to note that Pamela Moret retired from Thrivent Financial in 2015.

In our October Hidden Addicts feature (p. 30), TCB misspelled the name of Bob Poznanovich, executive director of national outreach and business development for Hazelden Betty Ford Foundation.

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## WE KNEW IT ALL ALONG

Long before the Twin Cities Business Magazine named Marco's CEO, Jeff Gau, one of the 100 People to Know in 2018, we knew he was a great person to have on our team. Besides being a strong leader and mentor, Jeff builds relationships with businesses that want to work smarter, dream bigger and take their technology further. He knows it's not just about finding the right products...it's about providing the best service and the best partner experience. That's someone worth knowing.

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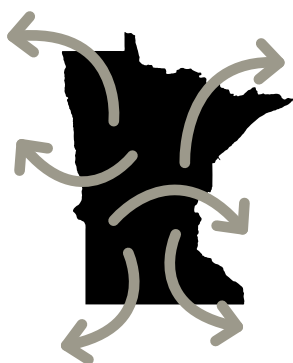
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## EDITOR'S NOTE

By Dale Kurschner



### 5 largest employers with headquarters located elsewhere

Company	MN jobs
Wells Fargo	20,000
Medtronic	9,000
Delta Air Lines	7,800
Boston Scientific	7,168
Thomson Reuters	7,000

## Beyond the Headquarters

Minnesota's fortunes are also due to businesses based elsewhere.

In recent months, I've discussed in these pages and elsewhere the business community's growing concern that Minnesota appears to be losing business headquarters faster than it's growing them—a reversal of fortune from the 20th century, and a huge factor in building the state into what it is today.

The state has for years touted that it leads the nation with the most Fortune 500 companies per capita. That number is slipping, though, from 21 in 2010 to 17 this year—hence our May cover story, “Taken,” on this subject. In just the past 12 months, we have lost five well-known headquarters: Fortune 500-level St. Jude Medical and Valspar, and smaller but still significant, Arctic Cat, Capella Education and G&K Services.

Headquarters operations are home to individuals who help to improve our economy by growing their businesses and, often, helping others to grow theirs, with advice, investment, board service or subcontracted work. They also help improve our communities through service on nonprofit boards, donations to charities and the arts, and, of course, treating their employees well, culturally and financially.

The concern is that as we continue to lose larger corporate headquarters, we also lose top-tier leaders in Minnesota. The question then becomes whether we're losing more headquarters—and publicly traded companies—than we're able to cultivate after a century of success.

We're going to try to answer that question in the coming year. But between now and then, I thought it would be good to note that we also still have plenty of company headquarters that are expanding, and, just as important, we have hundreds of significant employers that continue to invest here even though their headquarters are elsewhere.

In the 1980s and early 1990s, the media reported on M&A inflow and outflow—how many headquarters, and jobs connected to those headquarters, the state gained and lost within a year. Such data doesn't seem to exist anymore. But there are plenty of examples indicating that we're acquiring as many, if not more,

companies than we're spinning off or selling. Here are a few of the larger publicly known ones this year:

- UnitedHealth Group's Optum-Health unit completed acquisitions that increased its assets by more than \$7 billion; they now total \$25.3 billion.
- 3M Co. acquired Scott Safety from Johnson Controls for \$2 billion. Scott employs 1,500 people worldwide. 3M also spun off a few smaller businesses in recent years.
- H.B. Fuller agreed to acquire Royal Adhesives for \$1.85 billion.
- Hormel agreed to acquire Columbus Manufacturing, a deli meat and salami company, for \$850 million; Cidade do Sol, a value-added meats company in Brazil, for \$104 million; and Fontanini Italian Meats and Sausages from Capitol Wholesale Meats, for \$425 million. Those deals came after it spun off a few smaller business units last year.
- Entellus Medical agreed to acquire Spirox, a California-based maker of absorbable nasal implants, for \$81 million.
- CJK Group, Brainerd, announced plans to acquire Webcrafters, a 270-employee, family-owned book manufacturing company in Madison, Wis.
- Online restaurant-delivery service BiteSquad reported it had acquired and integrated 17 restaurant delivery companies across the country, expanding its reach to 30 metro areas including Austin, Texas; Gainesville, Fort Myers and Tampa, Fla.; Honolulu; and Phoenix.

Meanwhile, there are dozens of significant employers throughout the state that have their headquarters elsewhere. Here, too, data is scarce to measure how much they mean to our economy compared with companies that are based here.

But such businesses show up when looking at a city's “largest employers” list. In Rochester, for example, McNeilus Truck and Manufacturing is the area's largest non-government employer, with 1,300 workers, after Mayo Clinic and IBM. It does such a good job of

making the mixer units on cement trucks that it was purchased years ago by Oshkosh Corp. Charter Communications-owned Spectrum is next largest, with about 900 employees. Locally owned Kahler Hotels employs nearly 700, but right after it comes Crenlo Manufacturing, which was founded in 1951 and has been sold at least three times since. It employs about 600 people.

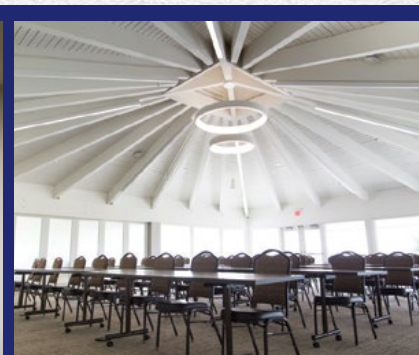
Yet Mayo Clinic, the Destination Medical Center project and IBM are what most of us think of in terms of the Rochester economy. These three are extremely important, but so, too, are all the smaller operations—and the fact that so many are not based in Minnesota.

We've talked with quite a few of the non-Minnesota-based businesses over the years; why keep operations here—why not consolidate in your home town, or with an operation in another state that is more business- and tax-friendly? Time and time again, the quality of our workforce is the No. 1 reason to operate here. Other reasons include the theater of seasons and unique mix of outstanding cultural amenities, restaurants, sports, entertainment and outdoor options.

I'm one of those who believes Minnesota still has a chance to land Amazon's second headquarters for the reasons just mentioned, as well as our central location, excellent airport, solid transportation infrastructure and the possibility to partner with Target and/or Best Buy to better compete with others, especially Wal-Mart.

But even if that doesn't happen, and businesses continue to locate their headquarters elsewhere, we still have everything that we have. And when you think about it, that's a lot. **tcbmag**

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## LETTERS

### Medical over-diagnosis is a major culprit in the nation's opioids problem.

**T**CB's article "Hidden Addicts" (October), was on point. However, to risk management professionals, it is reflective of focusing on the symptoms of the problem while the elephant in the room is quietly sitting in the corner observing the chaos.

Opioids, and now the emerging use of cannabis, to treat chronic pain are symptoms of a larger problem. With very few exceptions, there is no purpose for prescribing opioids to treat workplace injuries; nonsteroidal anti-inflammatory drugs and muscle relaxants for skeletal-muscle injuries and tricyclic antidepressants for chronic pain are just as effective.

The problem is medical over-diagnosis. This is when a physician labels a condition more serious than it truly is, attributing a usually benign condition to causes more serious than the situation warrants. Soft tissue strains are the best and most common example. When pain

is not relieved via short term anti-inflammatory meds combined with physical therapy, the physician will typically order an MRI, in nearly all cases contrary to recognized medical treatment guidelines. With workplace injuries, the MRI's findings are nearly always indicative of normal aging and not reflective of the source of pain. But these findings are interpreted otherwise, subjecting the unwary injured worker to invasive treatment and chronic opioid therapy. Medical literature suggests that in more than 90 percent of common situations, an alleged diagnosis based on MRI abnormalities represents medical over-diagnosis.

Here's the elephant in the room: Psychosocial factors—fear, anxiety, depression, psychiatric and personality disorders, childhood sexual or physical abuse—exaggerate and prolong pain, yet are being ignored by those treating patients. Psychologists call these yellow

flags when assessing patients' experience of unresolved chronic pain. The American Medical Association states that 73 percent of chronic-pain patients receiving workers' compensation have a personality disorder, and that patients on chronic opioid therapy are more likely than not to suffer from major depression or psychiatric disorders. International research has shown that psychosocial factors, rather than physical damage, often play a primary role in the manifestation of physical complaints, treatment seeking and outcomes. Failure by doctors to first assess potential psychosocial issues or order a full-scale

health and behavioral assessment when pain is not diminishing nor function improving is setting a patient up for failure.

Physicians continue to practice the outmoded biomedical approach to treating pain, which is to attribute a patient's pain to a physical cause. This



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Skadden congratulates our client Doug Baker, Chairman and CEO of Ecolab, on being named the *Twin Cities Business* 2017 Person of the Year.

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was recognized in the National Institute of Medicine's 2016 National Pain Strategy's conclusions, where it stated that "chronic pain is a bio-psychosocial condition and the responsibility lies with frontline clinicians [to address, but] who are not presently trained in pain assessment. Inadequate practices in tailoring pain therapies result in inappropriate prescribing of opioids. Most Americans who live with chronic pain do not receive appropriate care."

At Lockton, we were not willing to wait for physicians to catch up with medical science. When a claimant's pain is unresolved following the normal healing period, we have a formal plan that intervenes. From our perspective, we felt change must be driven by employers' demands on their claims adjudicators to take the lead and hold treating physicians to evidence-based medicine. We require all claims be monitored for key

yellow flags within the first few weeks of an injury to include the use of pain questionnaires and a thorough review of the injured worker's medical history. We review treatment plans for medical over-diagnosis and move physicians to consider the psychosocial nature of chronic pain when conditions warrant.

The unnecessary use of opioids to treat workplace injuries caused by medical over-diagnosis is fully controllable, but new employer strategies must be engaged by those who administer their claims. It's time to recognize the elephant.

**Keith E. Rosenblum**  
Kansas City, Missouri

*The writer is a senior strategist for workers' compensation risk control with Lockton Companies, which has offices in Minneapolis.*

## Don't make meds your first go-to for children with problems

**E**ditor Dale Kurschner's observations in "Drugging Little Johnny and Jane" (*TCB*, October) are accurate.

I've been in recovery for years and as a young adult have witnessed more sides to the employer/employee relationship dynamic around substance abuse than I'd care to count.

I'd do anything to prevent my own children from having to go through it if I'm blessed with kids. But because they'll make their own choices, we adults need to lead by example in not reaching for easy, short-term solutions. That's the *TCB* editor's point, not mine—and I applaud it.

In my case, I went back to school to obtain a teaching license in elementary education. After a long introspective period, I realized it's what I want to do. I share this with readers because on a recent assignment I found myself in

the nurse's office of a local elementary school. I was facing an entire cabinet filled with ADHD medication. I both could and could not believe it, just as I could and could not believe the statistics the editor shared on the increases in prescription rates for children under age 18.

I agree there are valid times when children and adults need medication. I also agree we have a shared responsibility to increase public awareness so that medication's easy answer is no longer a parent's first response.

Having spent nine years of my career thus far in some form of health care marketing or PR, I take this message to heart. I will continue to do my part in increasing public awareness now and in the future as a parent and educator.

**Callie Summers**  
St. Paul

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# STARTERS

NEWS | TRENDS | PERSONALITIES | EDITED BY ADAM PLATT

## Nicollet (Outlet) Mall Has Downtown got a discount for you.

W

hen Nordstrom Rack opened on Nicollet Mall in September, it filled a major gap in an otherwise lackluster retail presence at the street level of what remains downtown Minneapolis' main street.

The company had been searching for years to find the right spot downtown, according to Meliz Andiroglu, a Nordstrom spokeswoman, and eventually settled on the IDS Crystal Court for its proximity to retail competitors and entertainment and restaurant options. The company wants to ensure that each of its locations is as convenient and accessible to customers as possible, Andiroglu says.

The approximately 39,000-square-foot store offers many of the same brands sold in Nordstrom but at a typical savings up to 70 percent off the sticker price. In other words, it's an outlet.



And it's not the only discount store on the mall. It joins Target, Marshall's and Saks Off Fifth, all within a short distance of each other on Nicollet.

The trend is national, as retail bifurcates into discount (trendy or otherwise) on one end and high-end/high-touch on the other, and mid-tier stores like Macy's vanish. But it's also specific to the challenges facing downtown Minneapolis, according to Eric Sheaffer, a senior associate at commercial real estate/development firm CBRE.

Downtown was once home to a plethora of high-end retailers, but most national companies have abandoned the market (Neiman Marcus, Saks Fifth Avenue) or relocated to suburban shopping centers

like Galleria and Ridgedale.

Downtown's two levels of activity aren't helping. "When retailers come into town, we'll be standing at Seventh and Nicollet and they can't figure out if they want to be on the street or skyway," Sheaffer says. "It's really hard for traditional retail to figure out our downtown. More often than not, it ends up with them passing on the downtown market."

Sheaffer sees a future for Nicollet of online retailers looking for a unique brick-and-mortar presence, small-scale boutiques, and, yes, the continued dominance of discounters. "It will continue to attract stores more on the discount side," Sheaffer says. "That's the way it's trending." —Andre Eggert



## Big News

**Capella Education** announced a merger with Strayer Education of Virginia. Capella's brand will survive, but its Minneapolis HQ and a number of support jobs will not.

**MicroOptx** of Maple Grove won MN Cup, the statewide entrepreneurial competition, for an optical implant designed to treat glaucoma.

For the first time in 15 years, the number of job openings in Minnesota (123,000) surpassed the number of unemployed individuals available to work, according to the state Department of Employment and Economic Development.



# The Glut That Wasn't

Frustrated home buyers are keeping the overheated rental market from cooling.

Thousands of units have come online in the downtowns, Uptown, near the University of Minnesota and throughout the suburbs—and construction cranes are everywhere. There has been talk for months of an apartment bubble or glut. Despite that, it's getting harder to find an apartment.

The Twin Cities metro area's vacancy rate dropped from an already low 2.8 percent at the beginning of the year to 2.4 percent during the second quarter, according to a report by Marquette Advisors. A healthy apartment market has a vacancy rate around 5 percent. The low rate has given landlords more power to raise rents.

So what's behind this confounding trend? Simple supply and demand. Blame population growth and a good economy that's creating more jobs and changing the real estate market.

"There's been a bit of a shift in for-sale housing," says Mary Bujold, president of Maxfield Research & Consulting. "If somebody is looking for their first home at a modest price point, they'll find the market is quite tight."

That means a higher percentage of households remain in the rental market, jostling for inventory with newcomers to the metro and downsizing seniors. Developers are following the money and building for those who can afford new space in prime locations.

Given the relentless pace of so-called luxury developments—Marquette Advisors counts 3,800 units expected to come online in 2017 and another 6,000 in 2018—Bujold predicts a softening in the upper end of the market in the next few years. New developments clustered in high-price areas will likely become incentive-driven to stay competitive.

But don't expect such luck for those in the lower and middle tiers of the unsubsidized rental market; prices are going to keep rising, Bujold says. There's simply too much demand and not nearly enough new supply.

"The only way there's going to be a softening there is if we can deliver lower-priced housing without income restrictions to people in the middle of the market and deliver it in substantial numbers." —Andre Eggert

## STARTERS

### Party Off?

High-profile workplace holiday parties may be on the decline, but two of the region's most lavish events soldier on.

If your company doesn't hold a holiday party or offers only a modest office pizza buffet, then you clearly aren't working alongside Peter Wold or Stanley S. Hubbard. Both men relish hosting lavish December workplace parties, and they don't give a second thought to spending five figures on their annual celebrations.

Wold, a veteran lawyer, hosts an annual bash and shares the cost with defense attorneys from different firms: David Valentini, Faison Sessoms and Tom Shiah. "It is the largest legal holiday party in town," Wold tells *TCB*. "We have 1,200 to 1,500 people."

Hubbard, chairman and CEO of Hubbard Broadcasting, expects his party at the Minneapolis Hilton will attract more than 500 employees and guests. "It is a cocktail party, a wonderful meal and first class all the way."

At both parties, alcohol is

on the menu. "We have food, an open bar from 5 to 8," says Wold, who has hosted parties at the Muse Event Center and Fine Line Music Cafe. "We have music and Wally the Beer Man is always there carrying a tray of beer around." At the Hubbard party, "we hand out drink tickets," Hubbard says, "because we don't want people getting drunk."



Among those, only 59 percent intended to serve alcohol.

Hubbard, 84, is carrying on his father's tradition: "It's a chance

for us to tell everybody we really appreciate them." Hubbard makes party speeches, a combination of the serious and humorous. "I always try and find a couple of jokes," Hubbard says. "My wife Karen wants to crawl under the table."

When he was a young lawyer in the early 1980s, Wold says he hosted his first holiday party at McCready's Bar with law partner David Jacobs. While the annual party has grown, the approach is the same. "There is no program," Wold says. "It is just for fun." The event attracts prosecutors, defense lawyers, judges, politicians and athletes. The music is usually a mix of rock 'n' roll and reggae. "We've always expected the Stones would show up and join the party," Wold adds. "They haven't done it yet, but they are more than welcome."

—Liz Fedor

### Cashing in on the Super Bowl

Some homeowners are listing theirs despite restrictions forbidding it.

Can home and condo owners cash in on renting out their dwelling when the Super Bowl lands in Minneapolis in February? Maybe. Most homeowners associations (HOAs) typically have restrictions about short-term rentals in the property's declaration, a legal document that governs what an owner can and can't do with the real estate.

While some associations are loosening guidelines to allow for Super Bowl rentals, others are looking to make theirs more restrictive, says Nancy Polomis, an attorney with Edina-based Hellmuth & Johnson, who represents a number of local condo associations. "I have heard that some associations are considering hiring security," she says; she has heard concerns about excessive noise from visitors or potential damage to common areas such as vestibules.

But other associations want to allow owners the option of reaping the rewards from what many consider to be a once-in-a-lifetime financial opportunity. Downtown Minneapolis condo owners not far from U.S. Bank Stadium have been trying to rent units in the neighborhood of \$2,000 per night.

Condo restrictions can be changed, but Polomis says owners must vote on them, and often at least a two-thirds majority is required to change a policy. "It's not something that the board can do on its own." She says the same guidelines apply in the suburbs for condos, townhomes or suburban developments governed by homeowner associations. Polomis, notes that she has seen less interest in short-term Super Bowl rentals in the suburbs.

What if a property association bans rentals but an owner leases a unit under the radar?



Condo associations can levy fines against owners who violate policy, with fines ranging from \$500 to \$1,500, Polomis says. But some owners could be willing to take the risk if they're in line for something like \$10,000 or more for several nights' rental.

Ultimately the restrictions are set by the majority of owners.

"It really depends on the character of the community," says Polomis. "What it really comes down to is: What do the homeowners want?" —Burl Gilyard

## Apartment Appellation

How do they come up with building names, anyway?

Before the many local apartment buildings under construction open their doors, a name goes up. The tradition is as old as the city itself, given the monikers carved into the lintels of century-old buildings. How do developers choose names that will stand the test of time?

Minneapolis-based developer Greco LLC—which has built apartments called Lime, Blue and Flux—has tapped Minneapolis-based branding/advertising agency Fellow Inc. to devise new project names. A new North Loop project will be called Variant, while a Shoreview development has been dubbed Loden SV.

Greco wanted to convey that their project will be different, but how does “Loden SV” accomplish that? Eric Luoma, co-founder of Fellow, says that “SV” stands

for Shoreview; “loden” is a dark green. The name is meant to refer to the greenspace that will be on the site.

Luoma says the average person doesn’t have to know exactly what the name means. “To me it sounds almost like it’s somebody’s name,” says Luoma. “It will become familiar to people.”

Fellow also came up with the name for the Hewing Hotel in the North Loop. Luoma notes that the vintage building has lots of timber; “hewing” refers to the process of refining a log into lumber. “The name’s got to do a lot of work,” says Luoma. “You’ve got logos, you’ve got signage . . . URLs are important.”

Dallas-based Trammell Crow Co. developed a Golden Valley apartment building called Arcata, next to the Colonnade



office building. Mary Lucas, a Trammell Crow associate, notes that “colonnade” is a design term referring to a sequence of columns; “Arcata,” Italian for “arch,” evolved from “arcade,” a related term for a row of arches.

In a crowded field, Lucas says it’s important “to be able to differentiate yourself and be able to create a brand.”

Bloomington-based Doran Cos. just completed the Moline, a 239-unit apartment project in Hopkins. Millennials are likely unaware that the name is drawn from the former headquarters of the Minneapolis-

Moline Co. across the street, which made tractors into the 1970s.

“I now own seven Minneapolis-Moline tractors dating from 1936 to 1959 . . . we had to expand the building to accommodate them,” says Kelly Doran, founder and owner of Doran Cos. The “tractor gallery” in the building’s lobby will be open to the public.

Doran says that he taps his own staff to come up with project names and never hires an outside marketing company. “It’s no different in some ways than trying to name children.” —Burl Gilyard



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# BUSINESS LIVING

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## CONCIERGE

### Making Merry

Honor top clients with an exceptional holiday meal in an exquisite setting.



If you're still making your holiday gift list and checking it twice, consider the power of the grand gesture and indulge your best clients with a luxurious dinner party in their honor. For one memorable evening in December (or even January), close the door on the workaday world, rediscover the art of conversation and linger over an exceptional meal in an exquisite setting. To help you plan a lovely—and long-remembered—party, here are four unique private-dining experiences. —Melinda Nelson

#### 510 Lounge

Clients who appreciate old-school civility will be impressed by a stylish holiday soirée at the 510 Lounge (510mpls.com), discreetly located within the landmark 510 Groveland building near the Walker Art Center. Relax in the bar with frothy daiquiris and then move to the well-appointed Swift Room for just-shucked oysters with champagne mignonette, imperial Osetra caviar, seared scallops with sweet potato latkes and the signature 510 Groveland salmon. Conclude the evening with dark chocolate semifreddo and snifters of vintage cognac.

#### W.A. Frost

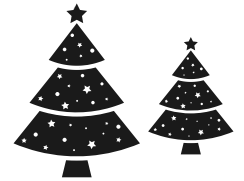
For a quintessentially Dickensian holiday experience, invite your clients to join you at W.A. Frost (wafrost.com) in St. Paul's picturesque Cathedral Hill neighborhood. If the ghosts of Christmas present are in a benevolent mood, snowflakes will be falling on the turn-of-the-century Victorian mansions, lending a frisson of magic to the evening. Warm up with hot French toddies in the bar and then gather in the Fireside Room for warm artichoke brandade, pan-roasted chicken and potato purée, followed by crème brûlée and port.

#### Murray's

For an evening infused with vintage Minneapolis glamour, take your guests to Murray's (murraysrestaurant.com), where the iconic midcentury red neon casts a Rudolph-style glow on the snowy street. Toast to the spirit of the season with martinis and Manhattans in the cocktail lounge and then move to the main dining room adorned with mirrored panels and elegant drapery. Begin with crab cakes and wedge salads, then enjoy Murray's signature Silver Butter Knife steaks with béarnaise and hash browns. For dessert, linger over lemon Pavlova and Champagne.

#### Butcher and the Boar

For a modern twist on a medieval holiday feast, invite your guests to take their places around a long chef's table in the rustic Butcher Room at Butcher and the Boar (butcherandtheboar.com). Kick off the evening with absinthe-laced Sazeracs and feast on elk terrine, wild boar sausage, smoked pork chops, fried green tomatoes and red-hot Brussels sprouts washed down with pints of Duvel Belgian Golden Ale. Cap off the evening with small pours of cask-strength, single-barrel, small-batch bourbon.



#### Festive Feast Days

Celebrate the season at these local restaurants.

##### Our Lady of Guadalupe Day

December 12,  
*Salsa a La Salsa,*  
*Minneapolis,*  
[salsaalasalsa.com](http://salsaalasalsa.com)

##### St. Lucia's Day

December 13,  
*Fika, American Swedish*  
*Institute, Minneapolis,*  
[fikacafe.net](http://fikacafe.net)

##### Hanukkah

December 12-20,  
*Cecil's, St. Paul,*  
[cecilsdeli.com](http://cecilsdeli.com)

##### Winter Solstice

December 21,  
*Moscow on the Hill,*  
*St. Paul,*  
[moscowonthehill.com](http://moscowonthehill.com)

##### Christmas Eve

December 24,  
*St. Paul Grill,*  
*St. Paul,* [stpaulgrill.com](http://stpaulgrill.com)

# cheers for peers

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Mr. Baker has contributed greatly to making the world cleaner, safer and healthier through innovative products and services and has enriched our community through his visionary leadership and work. We are delighted to see him honored for his achievements.



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## Katy Perry

■ All pop stars have to re-invent themselves every now and then, and Perry's latest album, *Witness*, is her attempt at turning that mandate into music. One of Perry's stated goals is to create so-called "woke" music, or "purposeful pop"—that is, music with a little less confection and a little more consciousness. Fans may or may not embrace this attempt at transformation, but this is for sure: They will show up to find out what all the fuss is about.

Dec. 1, Xcel Energy Center, St. Paul, 651-726-8240, [xcelenergycenter.com](http://xcelenergycenter.com)



## Rufus Wainwright with the Minnesota Orchestra

■ Twin Citians have plenty to look forward to when eclectic singer-songwriter Rufus Wainwright joins the Minnesota Orchestra this month. For one thing, Wainwright will undoubtedly please the locals with selections from his acclaimed tribute to Judy Garland, "Rufus Does Judy at Carnegie Hall," which he reprised last year. Like the Minnesota Orchestra, Wainwright has also done several concerts in Cuba, so expect a sizzling collaboration or two there as well. In any event, most of Wainwright's oeuvre lends itself to lush orchestration, so there is no shortage of material to choose from.

Dec. 2, Orchestra Hall, Mpls., 612-371-5600, [minnesotaorchestra.org](http://minnesotaorchestra.org)

## Brain Candy Live!

■ The brainchild of MythBusters' Adam Savage and YouTube star Michael Stevens (Vsauce), *Brain Candy Live!* has been described as many things: "a cross between TED talks and Blue Man Group," "a play date with Walt Disney, Willy Wonka and Albert Einstein," a stage extravaganza that "physicalizes understanding" of everyday science, and a show that stimulates "food for thought," if not thoughts of food. Whatever. Bring the kids, rev up your sense of wonder and let these guys astound you with the magic of goofily applied physics and chemistry.

Dec. 3, Orpheum Theatre, Mpls., 612-339-7007, [hennepintheatretrust.org](http://hennepintheatretrust.org)



## Dot

■ Well-reviewed in its off-Broadway premiere last year, playwright Colman Domingo's *Dot* is just the sort of work that Park Square Theatre has become expert at acquiring: the crowd-pleasing but relevant play that pushes a few envelopes but doesn't rip them. The title character, Dot, is an aging matriarch who is slipping in

and out of dementia, forcing her family to come to grips—and together—to deal with her deteriorating situation. Funny but heartfelt, the action takes place around the holidays, that cherished time of year when family tensions boil over into amusing entertainment.

Dec. 8-Jan.7, Park Square Theatre, St. Paul, 651-291-7005, [parksquaretheatre.org](http://parksquaretheatre.org)

—Tad Simons

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# Cargill congratulates Doug Baker of Ecolab for being named the 2017 Person of the Year.

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Doug's vision, leadership and enthusiasm change lives every day – both here and around the world. How lucky we are that he and Ecolab call Minnesota home.

Congratulations on this well-deserved recognition!

# December

## 2



### Jewish Family and Children's Service Benefit

"Laugh on Their Behalf," the 29th annual benefit of JFCS, will feature comedian Ryan Hamilton. Attendees ages 21 to 40 are invited to a NextGen Pre-Party with craft beer tasting, photos and treats. Benefactor-level ticket holders will receive cocktails, hors d'oeuvres and dinner. Proceeds support programs to promote healthy relationships, ease suffering and serve people in need. *6 p.m., starting at \$50, Minneapolis Marriott City Center, 952-542-4803, [jfcsmpls.org](http://jfcsmpls.org)*



## 5

### Speaking of Business Panel

Four business executives will share strategies to communicate more effectively with senior management and boards of directors. Attendees also will be coached on words to use in crisis situations and how to avoid overwhelming your colleagues or audiences with too much information. Tips will be included on how to speak more confidently and in an engaging manner. *7:15 a.m., \$59 to \$69, Metropolitan Ballroom, Golden Valley, 952-697-3560, [spokenimpact.com](http://spokenimpact.com)*



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6

### Cybersecurity Program

An FBI agent, attorney and two university experts will speak at “Cybersecurity Threats and Trends: Best Practices for Small Businesses.” Learn how business owners can protect themselves and their customers from being breached and how to manage security risks when doing business. Other topics will include financial security, legal protections and cybersecurity policies. *8:30 a.m., \$25, Schulze Hall Auditorium, University of St. Thomas, Minneapolis, 651-962-4200, stthomas.edu*



7

### Workforce Engagement Program

Nichol Beckstrand, Sunrise Banks president, will discuss engaging your workforce to instill innovation and create a culture of leaders. She will emphasize how to support leadership among millennials. This St. Paul Area Chamber of Commerce event includes networking, a program and hot breakfast. *7:30 a.m., \$20 to \$30, Radisson Hotel, Roseville, 651-223-5000, saintpaulchamber.com*

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### TCB’s Person of the Year Reception

Join business and community leaders to honor Doug Baker, Ecolab chairman and CEO, who is TCB’s 2017 Person of the Year. Baker’s remarks begin about 6 p.m.; many of TCB’s 100 People to Know will be in attendance. *5 p.m., \$60, Radisson Blu, Minneapolis, 612-336-9288, tcbmag.com*  
—Emily Sweeney



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## BUSINESS LIVING | BEYOND THESE PAGES



ADAM BETTCHER PHOTOGRAPHY

### 2017 Veterans in the Workplace Forum

More than 130 professionals joined *Twin Cities Business* on November 1 at Cargill Excelsior Crossings for TCB's annual Veterans Forum. Business leaders from three leading Minnesota companies discussed what needs improvement and new approaches their organizations are taking to hire and retain vets. This year's panelists were **Chris Kondo**, veterans and military recruitment and global programs lead at 3M (second from left), **Rashad Hunt**, corporate reliability engineer at Hormel, and **Mike Ott**, president of U.S. Bank's Private Wealth Management.



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Statewide news and perspectives on business-related expansions, shakeups, successes, wrongdoings and more.

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Catch the latest business news—and explore what it means—every Tuesday and Thursday in *Briefcase*. Our monthly Minnesota small business e-newsletter, *Headway*, provides features, tips and insights for small businesses across the state.

To sign up, go online to: [tcbmag.com/Newsletter-sign-up](http://tcbmag.com/Newsletter-sign-up)



### On the Air

Tune in to 830 WCCO-AM every Monday at 10:35 a.m. to hear TCB's take on the week's top business and economic news and trends, and KARE 11 every Wednesday at 5 p.m. and Thursday at 11 a.m. for perspective on the state's most significant business developments.

Go online to: [kare11.tv/2gVzLvo](http://kare11.tv/2gVzLvo)



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# AMPED UP

THE INNOVATIVE, FAST-PACED WORLD OF EMERGING BUSINESSES. | BY KATE LERETTE

## Hats Off

How a local apparel company is using beanies to improve the lives of children battling cancer.

W

hen Zachary Quinn and Brian Keller were assigned to develop a business plan for their entrepreneurship class at the University of St. Thomas, there were two things they wanted their business to do: make a difference and serve a bigger purpose. Five years later, their idea has grown into a \$40 million company.

Known across the country for their stylish winter beanies, Quinn and Keller are the founders of Minneapolis-based apparel startup Love Your Melon.

"We wanted to do more than provide physical warmth," says Quinn, CEO. "We wanted our company to tell a story."

The pair found their mission when they heard about children who lost their hair from cancer treatment, coupled with the cold hospital rooms they stayed in. "It was a perfect connection," says Quinn.

Love Your Melon was initially modeled after TOMS Shoes' One for One program: for every beanie purchased, one beanie was donated to a child with cancer. After reaching their goal of giving 45,000 hats—one for every child battling cancer in the U.S.—Love Your Melon shifted to donating 50 percent of its profit to nonprofit organizations leading the fight against pediatric cancer.

The company continues to give hats to children battling cancer, but "we changed our model so that each child didn't have 20 hats," says Quinn. To date, Love Your Melon has donated 123,000 beanies and more than \$2.6 million to its nonprofit partners. The company's secret of success: social media.

Quinn attributes the company's high profit margin to low advertising and customer acquisition costs. "When we started, we didn't have a lot of money to spend on advertising," he says. "We had to do everything ourselves, we had to be guerrilla marketers." That meant setting up tables anywhere they could promote their product, creating social media pages and, eventually, two nationwide tours.

While on tour, Quinn and Keller developed the idea for its Campus Crew program. Today, the program has more than 13,000 students on 840 college campuses in all 50 states serving as ambassadors for Love Your Melon. "There are some schools where you can't get in because the crews are full," says Quinn. "You have to wait until someone graduates."

Sporting events are another way Love Your Melon is building awareness. The company partners with professional sports teams around the country to host Love Your Melon nights, where attendees can purchase a special ticket that includes a beanie. The Minnesota Twins were the first team to partner with the company. "We're working on getting everyone in those stadiums to wear our hat," says Quinn, "so that every ticket sold on those nights will include the price of a beanie."

One of the big draws for customers is the company's U.S.-made label, says Quinn. "We have manufacturing partners all around the country"; Mendota Heights-based Minnesota Knitting Mills is one of them. In addition to his team of 26, the company supports about 120 fulfillment and manufacturing jobs. This year, Quinn expects to sell anywhere from 750,000 to 1 million beanies.

While beanies remain the most popular item, the company has added baseball caps, shirts, scarves, headbands and other accessories. With sales spiking from October to



## Financing News

**The Big Know**, a Minneapolis-based education startup, raised **\$536,000** in convertible debt.

Minneapolis-based **Astro HQ** received **\$645,393** from more than 7,000 backers via a Kickstarter campaign for its latest product, Luna Display. The plug-in device wirelessly turns an iPad into a second screen for a Mac computer.

**Interrad Medical Inc.**, a Plymouth-based company that makes a catheter-stabilizing device, has secured **\$5.1 million** from 42 investors.

Plymouth-based **NimbeLink**, a cellular-based machine-to-machine and Internet of Things solutions provider, secured **more than \$1 million** in its latest funding round.

Maple Grove-based med-tech startup **MicroOptx** was awarded the **\$50,000 grand prize** at the 13th annual MN Cup awards celebration.

Roseville-based weight loss device maker **EnteroMedics** wrapped up its largest funding round to date, raising upwards of **\$61 million**. Thirteen investors contributed to the round, which will go toward covering the cost of the company's purchase of ReShape Medical.

**Minnesota companies** raised **\$85 million** in venture capital in the third quarter of 2017, according to data from PricewaterhouseCoopers and CB Insights.



Company:  
**Love Your Melon**

Founded:  
**2012**

Location:  
**Minneapolis**

Industry:  
**Retail**

## AMPED UP

March, Love Your Melon is launching an athletic line this spring to help balance its seasonality. "Our goal is to become a full apparel brand," says Quinn.

In October, Love Your Melon launched a vegan line of beanies, partnering with Red Wing Shoe Co. to create its famous leather patch from non-animal products—a frequent request from customers. Shortly thereafter, the company launched its first children's book.

Zachary Quinn



"We've always been about creating additional experiences when giving beanies away," says Quinn. About a year after launching, Quinn and his crew started delivering beanies to children dressed as superheroes. "The kids interacted with us a lot more. We realized how much of an ice-breaker it was. But as we got bigger, it became a licensing issue." So Love Your Melon created its own set of superheroes and wrote a book to highlight each character's strengths. "It embodies what the children go through, giving them something to relate to," says Quinn.

Last month, Love Your Melon launched one of its biggest efforts yet: giving hats internationally and donating money to nonprofits that work globally. While the company's growth has slowed in recent years, Quinn and Keller are confident that their new products and efforts will provide new areas of growth.

## Fixing the Auto Repair Industry



Company:  
**CheckNGN**

Founded:  
**2017**

Location:  
**Minneapolis**

Industry:  
**Automotive**

**A**uto repair shops have long had a bad reputation for overcharging customers. Determined to find a solution after witnessing such practice, Jake Koelln launched CheckNGN in February. The app's bidding system creates price transparency and connects drivers with trusted shops.

Still in its early stages, the app allows users to input a repair request by choosing from a list of basic repairs, uploading photos or describing their issue. Repair shops in CheckNGN's network then submit bids for the request. Based on prices offered, available appointment times, location and reviews from other users, the consumer chooses which shop to go with. Users can also chat with shops through the app or by phone before making their selection and they can pay for the repair using Apple Pay or PayPal.

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"We have a third-party merchant that processes the payment and instantly distributes it to the shop and CheckNGN,"

says Koelln, CEO.

CheckNGN receives 10 percent of every repair completed, but eventually Koelln

wants the percentage to be based on what each shop is willing to offer. He also plans to add a subscription fee for shops that want to join the network. CheckNGN is currently piloting its app in the Twin Cities with more than 200 users and 20 repair shops.

Going forward, Koelln and his team of five want to add basic services, such as oil changes and tire rotations, glass and body repairs, and potentially a roadside assistance feature. "We want to create an entire car care ecosystem," says Koelln.

Before adding new services and features, CheckNGN is looking to raise \$500,000 to continue developing its

software, ramp up marketing efforts and create an Android- and web-compatible app; right now the app is only available for iPhones.

The company is raising money through MNvest to accelerate product development. It's the first mobile tech and automotive company to raise money through MNvest, a relatively new law that allows Minnesota companies to raise capital through equity crowdfunding. "We feel we can enhance our product with every \$50,000 raised," says Koelln. "We have a lot of cool things in the pipeline."

One such gadget is a hardware device that plugs into the car and transmits repair needs to the app. "It will help us help consumers make a better decision about what repairs are needed," says Koelln. "Ultimately, our goal is to build and deliver a quality service app for the auto industry and expand it nationwide."

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## PLANTING SEEDS

by Rajiv Tandon



Early-stage entrepreneurs slip into and go overboard with the lexicon of their own specific expertise. It is a flawed approach when connecting with other team members, investors, customers, etc.

# Jargon for the Win

Part of getting ahead in the entrepreneurial space is speaking the language.

**J**uly 17, 1975, is a red-letter day in science. On this date, Soviet and American mission commanders of the Apollo-Soyuz Test Project accomplished the first joint space docking and exchanged the first international handshake in space. The world watched on television, in awe.

"We have capture," Apollo commander Air Force Brig. Gen. Thomas P. Stafford radioed to Soyuz commander Col. Aleksei A. Leonov—in Russian. "Well done, Tom, it was a good show," Leonov responded—in English. Peering through the opened hatches into the Apollo's connecting module, Col. Leonov welcomed Gen. Stafford, "Glad to see you." Stafford responded, "A, zdravstvuite, ochen rad vas videt." ("Ah, hello, very glad to see you.")

Among the myriad details required to make this historic linkage, astronauts and cosmonauts from both countries had to learn not only countless procedures but each other's language as well. The two crews, when speaking to each other, used the listener's language. Because of Stafford's pronounced drawl, Leonov later joked that there were three languages spoken on the mission: Russian, English and "Oklahomski." But they were understood!

These things don't happen by accident. They are well planned. The Soyuz anecdote is an outstanding example of effective communication: "I can understand you very well even if you speak my language poorly." It is ineffective to speak in French when your audience is listening in Chinese.

This truism applies just as much in different disciplines. Medical students spend the first two years primarily learning the language of medicine. They have to prove their proficiency through licensing exams before they can move ahead in becoming a doctor.

Early-stage entrepreneurs slip into and go overboard with the lexicon of their own specific expertise. It is a flawed approach when connecting with other team members, investors, customers, etc. By design they are from different disciplines and conversing with a common vocabulary should be a priority.

Learning a new vernacular is not easy for everyone. Fortunately, the Pareto principle works here. A 20 percent effort in acquiring new words could ultimately give you 80 percent command in that field. For instance, in English just 300 words make up 65 percent of all written material. Moreover, linguistic experts tell us that if we pick up just 50 words it is a credible start.

Slang often distorts existing words or invents new terms. They are not usually found in the dictionary and aren't taught in the classroom. In a profession, special terms and words are called "jargon." Either way, it is a private language that gets you inside the club. If you know the popular terms you appear cool or hip and are recognized as a member of the in-group. Otherwise you are forever relegated to the outsiders.

Many of the terms come from simply being exposed to business, such **gross margin**, **discounted cash flow**, **common stock**, etc. However, if you truly want to become part of the tribe, you also have to learn the more conversational phrases. "I am sorry I made a mistake" just does not have the same ring to it as "My bad." The vernacular separates the native speakers (or longtime transplants) from the recent immigrants.

In the dictionary, "unicorn" has a completely different meaning than a startup company valued at over \$1 billion (see "**three-comma club**"). Aiming to **disrupt** a **market vertical** with your **BHAG**? First **unpack** it into small component ideas to understand the **conceptual framework** of the **business model**. You must have **skin in the game** while you **bootstrap** in **stealth mode**.

A "**hockey stick**" is nothing to play with; it denotes non-linear growth. And an **MVP** is not Wayne Gretzky, it is the minimum viable product, with just enough features to satisfy early customers. Initially, the **revenue model** may offer it gratis as a **freemium** to **capture eyeballs**. If the **churn rate** (the percentage of subscribers who discontinue) is too high, you may have to **pivot** to **plan B**. Are you sure that you are a **B2B** or a **B2c** or maybe a **B2b**?

Financing adds more jargon. Keep your **burn rate**—the money spent over and above income—low. Get a **rockstar** in sales to get the **run rate** up or you're heading for the **deadpool** and may need to be **BK'd**. A **warrant** is not for your arrest; it's a security to buy the underlying stock.

If you don't fully understand the terminology, you are bound to be taken advantage of. In a trip to Pisa, Italy, I was sold insurance against the risk of the Leaning Tower falling down on my car. I thought I was paying a parking fee. What is presented as **boilerplate** in a **term sheet** may haunt you later, when the true impact becomes clear. Care must be taken for **senior secured**, **no-shop**, **break-up fees** and **anti-dilution** provisions, especially if they are **full-ratchet**.

In trouble? Cultivate a **stalking horse** to make the first bid, in case you get a nasty **exploding term sheet** with a short expiration date. If you accept the offer, **deal terms** with the **preferred shareholder** may wipe out your majority holding. The previous investors may have a **rofr** (right of first refusal) to take up the lowball offer and be certain to avoid any **cramdown**.

It is important for entrepreneurs, especially technical ones, to become conversant with the nuances of the subculture and become proficient in the chatty lingo of a startup. If you do so, in addition to your **slide deck**, you will impress the **angels**—not only in Anaheim but in your own hometown. [tcbmag](http://tcbmag.com)

*Rajiv Tandon is founder and executive director of the Institute for Innovators and Entrepreneurs and an advocate for the future of entrepreneurship in Minnesota. He can be reached at [rajiv@mn-iie.org](mailto:rajiv@mn-iie.org).*



**LAND O'LAKES PROUDLY CONGRATULATES**

**DOUG BAKER**  
ON BEING NAMED PERSON OF THE YEAR

**FEEDING HUMAN PROGRESS**

**LAND O'LAKES, INC.**



## PERFORMING PHILANTHROPY

By Sarah Lutman

# Game-changer?

GrantAdvisor aims to improve philanthropic practice through user feedback.

**T**he new website GrantAdvisor allows registered users to “review” foundations and corporate giving programs anonymously. Think TripAdvisor or Yelp, only for philanthropic practice. Initially focused on Minnesota and California, this website has been planned over many years.

The site is currently free to all users and the grantmakers being reviewed. Funder profiles become public when at least five user reviews are completed. Funders are invited to appoint a key contact who can respond to the reviews on the record. Community guidelines prohibit slander, abuse, overt advertising and other forms of disrespectful participation.

Founders of the project are Jon Pratt, executive director of the Minnesota Council of Nonprofits; Jan Masaoka, CEO of the California Association of Nonprofits and founder of *Blue Avocado*, the influential web-based magazine for nonprofits; and Perla Ni, executive director of GreatNonprofits, a nonprofit-organization review site created for individuals who have experienced a nonprofit’s work directly.

Is such an effort needed? In a word, yes. Many foundations operate with increasingly cumbersome application requirements that baffle applicants and eat up valuable time. These practices have spawned a small industry of consultants who specialize in navigating application requirements and writing prose that conforms to foundations’ expectations. Foundation trends—some would say fads—influence giving patterns so that certain nonprofit practice areas become “hot” and seem to receive disproportionate funding. Meanwhile, other important nonprofits lose favor, struggling to find new income sources while the new kids

prosper. On top of that, many innovative and grassroots organizations work in nontraditional ways. They don’t meet rigid foundation eligibility requirements and are shut out of the grants process entirely.

There’s also a communications challenge in the power dynamic between nonprofits and grantmakers. Most nonprofits choose their words carefully and avoid telling grantmakers exactly what they think of the application and decision-making process.

Take, for example, this comment that a reviewer left on GrantAdvisor:

“Our organization has applied four times to this funder, and never made it past the first round. Each proposal—prep/discussion/ideation, writing, reviewing, rewriting—takes at least 25 hours, and probably more when adding other people’s time. The staff there is very accessible, but the amount of human capital that goes into each application process, with low probability of return (although big return for a lucky few), raises many questions to me about meta cost-benefit to our sector.”

Or this more pointed comment:

“Be aware: If your organization is funded, this funder will likely push you to do a whole lot more work than they are paying you for and to adopt the strategies and tactics they want (rather than trusting you to make your own strategic decisions about how you do your work).”

During its first pilot year, GrantAdvisor is concentrating on Minnesota and California funders, and a small number of national funders who are active in these states. About 35 funders have been actively reviewed, including the best-known names in Minnesota philanthropy such as the McKnight Foundation, Bush Foundation, 3M Gives and Minneapolis Foundation. Organizers plan to expand GrantAdvisor to new regions in coming years, and have not ruled out membership or user fees as a long-term business model.

Each user survey asks specific questions that were developed by GrantAdvisors’ national volunteer board. Surveys request information about the reviewer’s relationship to the funder, their overall experience in the grantmaking process, the time needed to prepare the application and ask for feedback on “one thing this funder does really well” and “one piece of advice for this funder.”

Other organizations also are trying to strengthen applicant-funder relationships. After all, the two roles are interdependent for achieving the mission and goals of the nonprofit sector in areas such as health, education, human services and the arts. The Center for Effective Philanthropy has created a highly regarded survey process called the Grantee Perception Report, in use among 250 foundations nationwide. These reports function in the same manner as an employee engagement survey, asking nonprofits about aspects of their interaction with funders and reporting this data back to the grantmaking entity. The Foundation Center’s Glasspockets initiative encourages transparency among foundations and encourages the field to adopt best practices in reporting their strategies and results to the public.

The goal of GrantAdvisor is to put even more power into the hands of applicants and recipients. In describing the site’s benefits, organizers say that, over time, it will increase direct feedback, allow funders to benchmark their user reviews against peers, provide new feedback that is not solicited by the grantmaker and save time by improving knowledge in the applicant pipeline, so that more nonprofits understand a given foundation’s priorities and practices.

GrantAdvisor is an experiment for the nonprofit sector. Even with the protection of anonymity, it will be interesting to see whether grantseekers feel empowered to be more candid and whether we will see helpful shifts in philanthropic practice toward clearer communication and streamlined grant processes. [tcbmag](#)

*Sarah Lutman is a St. Paul-based independent consultant and writer for clients in the cultural, media and philanthropic sectors.*

There’s a communications challenge in the power dynamic between nonprofits and grantmakers.



## Celebrating business and community leadership

### Congratulations, Doug Baker!

U.S. Bank is pleased to congratulate Doug Baker on being named 2017 Person of the Year. This well-deserved recognition speaks to Baker's many years of impressive leadership and widespread community involvement.

We've been privileged to have Baker on the U.S. Bancorp board of directors since 2008. In his many roles, Baker continues to distinguish himself as a leader with true impact.

*Thank you, Doug, for your many contributions to the Twin Cities community.*



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# HEALTH BEAT

THE LATEST DISCOVERIES FROM PROVIDERS, PRODUCT DEVELOPERS AND PAYERS. | EDITED BY KATE LERETTE

## Little Falls Hospital Is Reducing Opioid Prescriptions

**23%**  
reduction in narcotic prescriptions



A team from CHI St. Gabriel's Health, a hospital in Little Falls, Minn., headed to Washington, D.C., in September to report to Congress its progress with a program to reduce the number of prescriptions for opioid painkillers.

Sen. Al Franken and Rep. Rick Nolan invited representatives of St. Gabriel's Health to talk to lawmakers about the program in both the U.S. Senate and the U.S. House of Representatives.

In 2014, the hospital's doctors and leaders had growing concerns about the high volume of patients arriving in its emergency room who were overdosing or seeking narcotics.

"The No. 1 diagnosis in our ER was people coming for pain or people coming for narcotics," says Lee Boyles, president of CHI St. Gabriel's Health. (St. Gabriel's is part of Colorado-based nonprofit Catholic Health Initiatives.) "We had a significant problem."

In January 2015, St. Gabriel's Health received a \$368,000 grant from the Minnesota Department of Health to address the issue. The grant money allowed St. Gabriel's to assemble a Controlled Substance Care Team and hire a nurse, a pharmacist and a social worker.

First, St. Gabriel's looked at patients who had eight or more refills in a year for prescription narcotics. For the patients dealing with chronic pain, clinicians at St. Gabriel's worked to find the root cause of the problem and then address it with other methods, such as alternative pain medications, surgery or therapy.

Since implementing the program, the hospital has been able to taper 324 patients off of opioids, according to Kathy Lange, director of the CHI St. Gabriel's Health Foundation. That translates into a 23 percent reduction in narcotic prescriptions, which represents 370,000 pills and \$2.6 million in hospital billing costs.

"We've done this in one of the poorest counties in Minnesota with [few] resources," says Boyles.

The Minnesota Department of Health (MDH) recently reported that there were 376 opioid-involved deaths in the state in 2016, a 12 percent increase from 2015. MDH's tally of opioid-involved deaths include prescription pain pills, heroin, fentanyl and fentanyl analogs—a drug designed to mimic the effects of the original drug.

"This is a significant problem that is not going to get resolved without dedicated resources and without funding," says Boyles. "I think we have a very solid program that will help communities. What we have is scalable and will get results." —Burl Gilyard

## Many Adults Don't Understand Basic Health Insurance Terms

It's open enrollment season for the 2018 health insurance year, yet most people don't fully understand the terms and conditions of the health plan coverage that they'll ultimately choose.

That's the important takeaway for employers from UnitedHealthcare's latest annual Consumer Sentiment Survey. The report by the Minnetonka-based health insurer is based on a survey of a representative sample of 1,006 adults age 18 or older.

Only 9 percent of respondents could correctly define all four common terms and conditions of their health:

■ **62 percent** correctly defined "health plan deductible."

# Medicare plans with Rx starting at less than \$50 a month.

[bluecrossmn.com/medicare2018](http://bluecrossmn.com/medicare2018)



Plans available in the service area. Blue Cross® and Blue Shield® of Minnesota and Blue Plus® are nonprofit independent licensees of the Blue Cross and Blue Shield Association.

- **61 percent** correctly defined "health plan premium."
- **39 percent** correctly defined "out-of-pocket maximum."
- **31 percent** correctly defined "co-insurance."

They did a little better on "co-pay" and "in-network health care provider," with 69



percent and 62 percent of the respondents, respectively, defining the two terms

accurately.

The results point to the continuing need for employers to educate their employees on health plan choices and how benefit levels in each plan can affect them medically and financially.

—David Burda

## Mayo Clinic Is Developing a Drug That Could Treat MS

The Mayo Clinic and corporate partner Acorda Therapeutics Inc., which has been working on a drug targeting an underlying cause of multiple sclerosis, was granted patent protection on their antibody known as rHlgM22, four years after beginning early-stage clinical trials.

The U.S. Patent and Trademark Office issued the patent to Mayo and New York-based Acorda on September 5, listing among its inventors Mayo multiple sclerosis researcher Dr. Moses Rodriguez.

Mayo and Acorda have been working together for more than 10 years to explore the potential use of rHlgM22 in multiple sclerosis (MS). The effort began in early 2013 when the U.S. Food and Drug Administration approved a Phase I clinical trial enrolling people with MS to assess the safety and tolerability of the antibody. The trial, which followed participants for up to six months after receiving a single dose of rHlgM22, found no dose-limiting toxicities at any of the dose levels studied.

RHlgM22 is a remyelinating antibody and is among just a handful of drug candidates seeking to attack the subcellular roots of MS, a progressive disease in which the immune system attacks and degrades the function of nerve fibers in the brain and spinal cord by destroying myelin, a process



known as demyelination.

Myelin is a fatty layer of membranes that insulates nerves and facilitates the transmission of electrical impulses through nerve pathways that control neurological functions. In people with MS, disruption in neurological function often leads to impairments in

movement, bowel/bladder function, vision and sexual function.

The cells that make myelin, called oligodendrocytes, can initially repair myelin damage, but as MS progresses, the cells cannot prevent permanent neurological injury.

In preclinical studies researchers found that the rHlgM22 antibody protected oligodendrocytes and stimulated them to repair areas of demyelination. The antibody also resulted in sustained improvements in motor activity.

Currently, there are no therapies that repair or restore myelin in demyelinating diseases such as MS. If the antibody is successful in the second Phase 1 study, it could be a breakthrough in the MS battle. —Don Jacobson

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## EXPLANATION OF BENEFITS

By David Burda

# The Gift that Keeps on Taking

Unwrap five stories to understand why your company is spending more than ever on health care.

I'm a sucker for holiday traditions. No matter how frenzied and unpredictable the year was, I know I can count on Chinese food on Christmas Eve and a new pair of gym shoes waiting for me under the tree. In keeping with that spirit, we'll end the year of Explanation of Benefits the same way we did last year—with a page full of updates.

### Employers rank the costliest chronic medical conditions

As I've said before, I don't mind being wrong, but I love being right. Last month, we warned employers to take diabetes more seriously. Well, guess what? Diabetes topped the list of the costliest chronic medical conditions for employers. That's according to a survey of 530 employers by the International Foundation of Employee Benefit Plans for the IFEBP's

2017 Workplace Wellness Trends report ([bit.ly/1QX4LEc](http://bit.ly/1QX4LEc)). Some 41 percent of the employers—431 from the U.S. and 99 from Canada—cited diabetes as the most expensive chronic medical condition their workers had (see chart). More than 90 percent said they offered wellness-related programs for their employees, but less than half—48.1 percent—said they included disease management services. Even less said they offered nutritional counseling or healthful food choices in cafeterias and vending machines, at 33.2 percent and 44 percent, respectively.

### Doctors say much medical care is unneeded, but blame patients for making them do it

In September, we talked about the use of unnecessary medical treatments and overspending on necessary medical

treatments that could be provided for less ([bit.ly/2hIqoB5](http://bit.ly/2hIqoB5)). Both drive up health care costs for employers. As it turns out, most doctors agree with me. Researchers from the Harvard Medical School and the Johns Hopkins University School of Medicine asked 2,106 physicians about their views on wasted medical treatment, its causes and possible solutions. The consensus, published in the journal *PLOS One*, was that 25 percent of diagnostic lab tests are unnecessary, as are 22 percent of prescription medications, 21 percent of overall medical care and 11 percent of medical procedures ([bit.ly/2xCIB6H](http://bit.ly/2xCIB6H)). They cited fear of malpractice lawsuits (85 percent), pressure from patients (59 percent) and difficulty accessing patients' previous medical records (38 percent) as the top three causes of overtreatment. Their top three solutions were: training

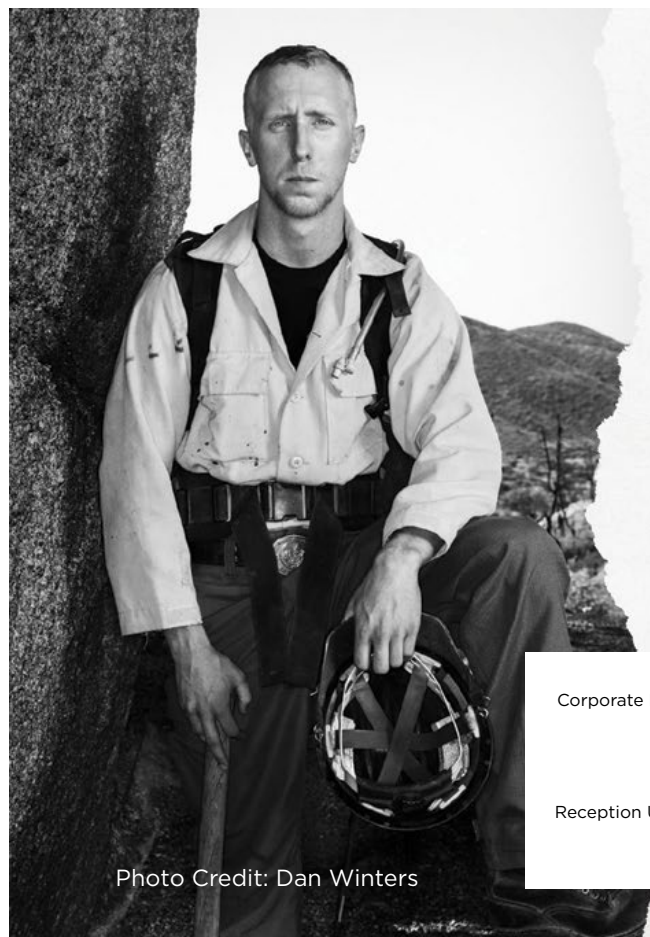


Photo Credit: Dan Winters

# HEROES AMONG US

AN EVENING WITH BRENDAN MCDONOUGH

DECEMBER 7, 2017 • 7 PM | BETH EL SYNAGOGUE

The sole survivor of the Yarnell Hill Fire offers his take on the spirit of service and whose story of struggle and redemption encourages people to become their best selves, and to seek out support when struggling. His story is highlighted in the movie about the Granite Mountain Hotshots in *Only the Brave*.

[BESYN.ORG/ONLYTHEBRAVE](http://BESYN.ORG/ONLYTHEBRAVE)



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<b>Costly Condition</b> Top 10 Chronic Medical Conditions Driving Up Employers' Health Care Costs	
Medical Condition	Percentage*
Diabetes	41.3%
Cancer	33.2%
Arthritis	32.4%
Obesity	29.0%
Heart disease	26.5%
Hypertension	26.1%
Depression	20.0%
High cholesterol	11.3%
Smoking	9.0%
High-risk pregnancy	4.0%
<small>* Cited by surveyed employers as one of top three chronic medical conditions affecting health plan costs</small>	

residents on appropriate treatment criteria (55 percent); easy access to previous patient medical records (52 percent); and more practice guidelines (52 percent). Here's another one: employers and their health plans refusing to pay for care that's clearly unnecessary. "Physician engagement is

needed to address the problem of overtreatment in health care," the researchers concluded. Talk to your doctor.

### State lauded for EHR use, dinged for price transparency

Here's another one for your "it's always good to know where you stand" file. A Washington-based think tank called the Center for Data Innovation ranked Minnesota 11th out of 50 states for data innovation (bit.ly/2vt8ecj). The group used 25 metrics in three broad categories—ensuring data is available to use, enabling key technology platforms, and developing human and business capital—to calculate an overall data innovation score for each state. Massachusetts was first; Mississippi

was last. Of the 25 measures, three were specific to health care: e-prescribing, health care price transparency and electronic health record adoption. Minnesota ranked 14th, last (along with 42 other states) and fourth, respectively. The most valuable part of the 85-page report is the list of 25 data innovation measures. It's a to-do list to make the data we're all swimming in more useful.

### We don't need no stinking health care price transparency tools

Way back in April 2014, this column advocated for health care quality and price transparency and recommended that employers give workers tools to let them comparison-shop for their own medical care (bit.ly/2vOJvi2). A study in *Health Affairs* looked at the impact of a transparency tool on spending on three "shoppable" services: lab tests, physician office visits and advanced imaging services (bit.ly/2uG6omM). The California Public Employees Retirement System gave more than 200,000 state employees access to a website and a mobile app that let them compare prices for the three services among in-network and out-of-network providers. After 15 months, only 12.3 percent of employees used the tool to do a price search. Spending on lab tests and office visits by employees who did a search and those who didn't was the same. Spending on advanced imaging services was a little lower. "Simply increasing deductibles and introducing price transparency tools will not induce consumers to price-shop and thus lead to declines in spending," the study said.

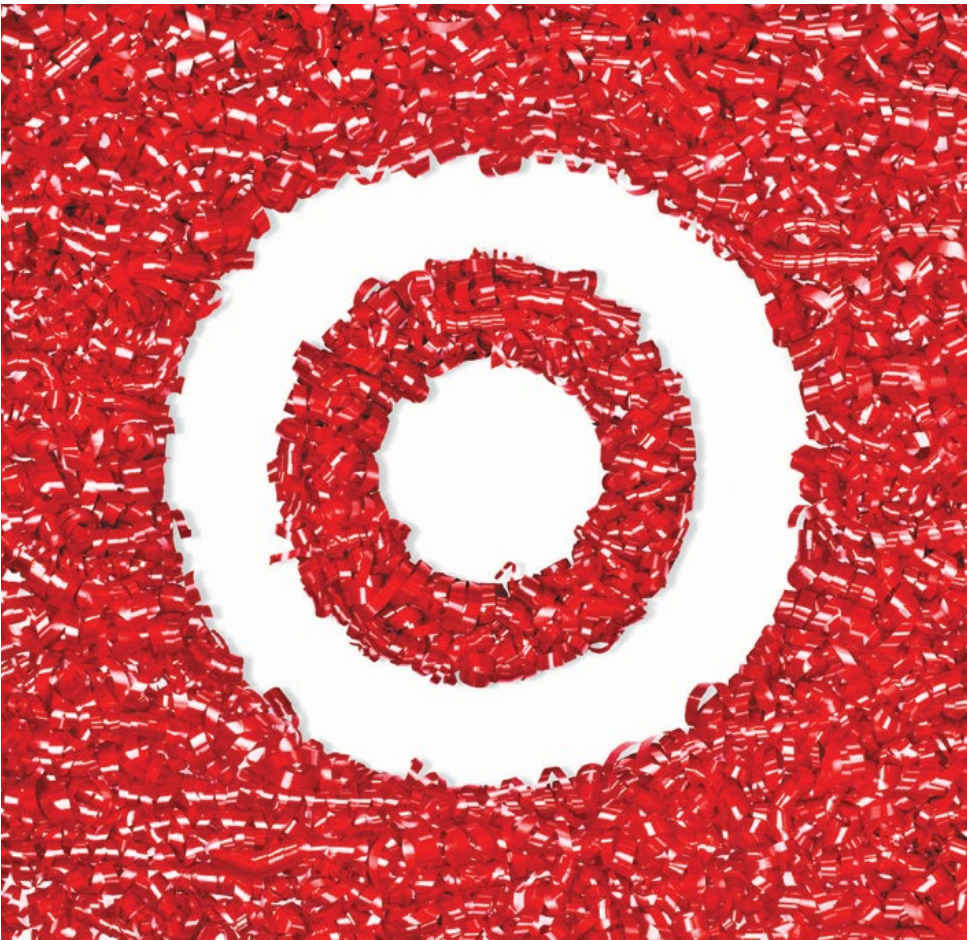
### Minnesotans' opioid use lower than U.S. rate, Blues study says

Put this in your "it could be worse" file. The Blue Cross Blue Shield Association analyzed medical and pharmacy claims filed from 2010 through 2016 by more than 30 million Blues-insured enrollees under the age of 65, looking to measure the extent of the opioid problem in its commercially insured patient base. Its analysis, released in a 12-page report, found that things are a little better in Minnesota than across the nation (bit.ly/2t6diiy):

- 13.5 percent of Blues enrollees here filled at least one opioid prescription in 2015, compared with 21.4 percent nationally
- 1.8 percent of Blues enrollees here were on a long duration opioid regimen in 2015, compared with 3.8 percent nationally.
- The opioid use disorder diagnosis rate per 1,000 Blues enrollees here was 3.5 in 2016, compared with 8.3 nationally.

For an in-depth look at how the opioid crisis is affecting Minnesota employers, read "The Workforce's Hidden Addicts" by Burl Gilyard in the October issue of *Twin Cities Business* (bit.ly/2fEou0d). [tcbmag](#)

David Burda ([twitter.com/@davidrburda](#), [dburda@msp-c.com](#)) is editorial director, health care strategies, for MSP-C, where he serves as the chief health care content strategist and health care subject matter expert.



## Hats off!

A hearty congratulations, Doug Baker, on being named 2017 Person of the Year by Twin Cities Business. Thank you for your continued leadership in the Twin Cities community. We are lucky to have your bold and passionate vision on our Board of Directors and honored to count you as part of the Target family.



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# The Joe DiMaggio of CEOs

Person of the Year  
**Doug Baker Jr.**

For some, it might be enough of an achievement to grow a business from \$3.8 billion to \$13.2 billion in revenue, lead an enterprise that employs 48,000 people in more than 170 countries, and outrank all other Minnesota CEOs by coming in 39th on *Harvard Business Review's* 2017 ranking of Best Performing CEOs in the World.

Not to Doug Baker Jr., chairman and CEO of St. Paul-based Ecolab Inc.

For him, the company's financial success also needed to include improving its mission and culture. Ecolab now ranks 10th on *Corporate Responsibility Magazine's* 100 Best Corporate Citizens list, and high on other similar lists due to its culture, benefits, success in increasing the number of women in high-ranking positions and helping to reduce water consumption globally.

During his 13 years as CEO and 11 as chairman, Baker has also leveraged his day job to become one of the pillars of corporate society that work to make the Twin Cities a better place in which to work, live and visit, with a particular focus on St. Paul. He recently chose to keep Ecolab's headquarters—and its 1,550 jobs—in downtown even though the company has land in Eagan where it could expand. And he made sure that in moving Ecolab to another building, its former 19-story office tower would quickly be used for other purposes.

It's also in St. Paul where, literally across the street, he recently co-chaired the \$40 million capital campaign for a new, two-building Dorothy Day Place campus—a homeless shelter and social service nexus in the city. And after being tapped by Mayor Chris Coleman, he co-led a task force on the empty Macy's department store, advocating for a solid redevelopment plan.

Why care so much about that city, especially when considering he lives in Edina? "I am a loyalist; this is Ecolab's neighborhood," Baker says. "I am also a realist; we need each other. St. Paul is weaker without us, and we are weaker with an unhealthy St. Paul."

It's this loyalty and realism that have served Baker, other organizations and the Twin Cities community so well, especially in the past 10 years. As a member of the Itasca Project, Baker helped launch and then became chairman of Greater MSP. He's a member of the Minnesota Business Partnership and sits on the boards of two other major Minnesota businesses, U.S. Bancorp and Target. He and his wife, Julie, led United Way's fundraising in 2012. He was part of a trio of local corporate leaders who quarterbacked the effort to land Super Bowl LII in Minneapolis this February. The list goes on.

It's not clear when exactly he finds time to sleep, or how he balances everything so well. "I don't always," he says. "The secret is having strong people around you. It starts with my fantastic wife, Julie, and my great team at Ecolab. I have also had the great pleasure of partnering with many talented leaders in the community, particularly Richard Davis [chairman of U.S. Bank and TCB 2016 Person of the Year]."

by  
**BURL GILYARD**

photo by  
**TRAVIS ANDERSON**

**Douglas M. Baker Jr.**  
**Curriculum vitae**

**1981**

Graduated from Holy Cross College with a degree in English.

**1982**

Joins Minneapolis office of Procter & Gamble in brand management.

**1984**

Moves to Cincinnati, P&G's corporate headquarters.

**1989**

Hired by Ecolab. Starts as an institutional channel marketing manager in St. Paul.

**1992**

Assigned to Germany to work with German joint-venture partner Henkel.



Baker touring Ecolab's European Innovation Center in Monheim, Germany (left). Baker in 2012 at the opening of a new building on Ecolab's Schuman Campus in Eagan. The building includes a training center and research and development space (above).

## Personable and quick-thinking

According to others, it's Baker's personality as well as his business abilities that make people want to work with him and help out when he asks.

He clearly has shown that he can get results, both for Ecolab and the community at large. But deeper than that, people are drawn to him and respect Baker because he's down to earth and leads by example. He doesn't brag about his resume. He rolls up his sleeves and gets to work.

Community is important to him because he grew up in the community: at the end of the day, he's a guy who went to West High School in South Minneapolis.

"It's unanimous: everybody who works with him says this is a strong, focused guy who gets things done. But he's self-effacing and doesn't take himself too seriously, which I think is part of his success," says Charlie Weaver, executive director of the Minnesota Business Partnership. "'Grounded' is a great word for Doug; he's very grounded."

Weaver says that Baker has a knack for tackling challenging issues without ruffling feathers in the process.

"He has a way of cutting through the B.S. and getting to the heart of the issue and dealing with it in a non-confrontational way. No one comes out of a meeting with Doug feeling bad or feeling that they've been run over," says Weaver. "That's an art."

"Doug is the epitome of the authentic leader," says Barbara Beck, CEO of the Michigan-based Learning Care Group Inc., a for-profit provider of early-childhood education and child care. Baker recruited her to join

Ecolab's board in 2008. "The Doug Baker that we see in the boardroom is the exact same Doug Baker that his employees see in the cafeteria. He is consistent, highly engaging and is also a risk-taker, and that has led to tremendous growth and innovation within Ecolab."

Beck says that Baker's commitment to diversity on the board has been an asset for the company because it brings a wider range of experience and ideas to the boardroom.

"He solicits input from his board members, he listens carefully, he adapts as appropriate and, quite frankly, he stands his ground when necessary," says Beck. "Doug encourages the leaders of his organization to be risk-takers. [The risks] are data-driven risks and they are calculated risks, but they lead to significant growth because they are very innovative."

Baker's strengths show up in his community involvement as well, such as when he co-chaired the two-year, \$40 million capital campaign for Catholic Charities of St. Paul and Minneapolis with Mary Brainerd, then CEO of Bloomington-based HealthPartners, and Andy Cecere, now CEO of U.S. Bancorp. The vision called for replacing the former Dorothy Day Center in downtown St. Paul with the two-building Dorothy Day Place which will include the Higher Ground St. Paul homeless shelter and the St. Paul Opportunity Center and Dorothy Day Residence, which will offer services and permanent housing units. Higher Ground opened in January 2017; the second building will be complete in 2019.

"Doug's role and affinity and tenacity was one of the key factors that helped launch the entire effort and

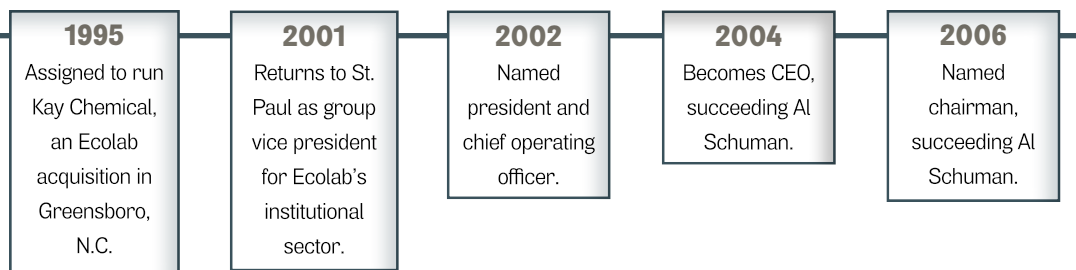
helped make sure that the campaign was successful," says Tim Marx, president and CEO of Catholic Charities. "Not just the private campaign, which raised \$40 million of private dollars from over 500 donors; but this was a public/private partnership—the largest in housing and social services in state history where an additional significant amount, about \$60 million, was raised from the public sector."

Marx says one of Baker's strengths is that he does more than just give speeches. "He shows up. He shows up at Higher Ground. His team has volunteered there, Doug has volunteered there."

"He took this on as a personal issue, as something that he and his family invested in, as well as a business issue, because Doug understands and articulates well that a strong community, a strong region, needs a healthy and growing and vital economy. But if we're really going to be successful we also need to pay attention to the needs of those most in need," says Marx. "The prominence of Dorothy Day Place right in the shadow of Ecolab headquarters also means that Ecolab is a key partner of Dorothy Day Place under Doug's leadership, to make sure that it's successful for Ecolab and the business community, and also successful for the residents, guests and clients of Dorothy Day Place."

Baker is the same person whether he's at the office, volunteering at Dorothy Day Place or helping with major community initiatives. He's approachable and fun to be around, but is also a fast thinker.

"He's like my business brother," says Richard Davis, the



chairman and now-retired CEO of U.S. Bancorp. Baker is a long-term member of the U.S. Bank board and has worked with Davis on a range of projects including Greater MSP and the Super Bowl bid.

Davis says Baker has a gift for reading situations quickly and assessing how an issue or position will be seen by a wide range of interests: shareholders, board members, employees and government agencies, among others.

“He’s an expert on moving parts. He can identify and recognize all the constituents in a question or in an issue and quickly synthesize the right answer,” says Davis. “He can collect all the moving parts, move swiftly and come to a conclusion. He’s a very fast thinker; he’s quick on his feet, but he’s also very thoughtful.”

Baker recalls that his role in the Super Bowl bid began with a somewhat mysterious phone call to Davis’ assistant, Di Marx.

“I think it was a Friday, and Di said, ‘Governor Dayton called. He’s going to call you at 10 o’clock on Monday.’ I just said, ‘I wonder what this is about?’” recalls Baker. “So I called Richard. I said, ‘Hey, did you get this call?’”

Davis had gotten the same call. Dayton was drafting business leaders to make the pitch for landing a Super Bowl at the new U.S. Bank Stadium. Davis, Baker and Marilyn Carlson Nelson agreed to lead the effort.

“If we knew what we were saying yes to, we might have given a different answer,” says Baker with a laugh. “It’s a lot of work.”

Once again, the biggest part of the job is raising money: corporate contributions to pay for many game-related events and attractions. For companies, the pitch is not making a profit, but kicking in for the greater good of the region.

“We’re raising over \$50 million,” says Baker. “Other states actually give state money. Here there’s no state money. There’s no government money at all. So all of the money is being raised by, basically, companies, donated if you will, to put on this event. And then all of the receipts go to restaurants, bars, hotels, venue owners and in turn municipalities, cities, counties and states. The 50 companies that end up donating, making the contribution, will be net in the hole; everybody else will be net ahead. There’s kind of a perverse economic model. We all understand it, we all agreed to it, we’re all in with our eyes wide open.”

## Meanwhile, back in St. Paul

While St. Paul is not considered a prominent city for international business, it remains home to Ecolab, which began there in 1923 as the Evaporato Co., named for a carpet-cleaning product. The company was renamed Economics Laboratory in 1924.

Ecolab is St. Paul’s only Fortune 500 company. 3M Co. may list St. Paul as its headquarters on corporate filings, but locals know that the company’s campus is several miles east in Maplewood along Interstate 94. Other companies that were once important anchors in downtown St. Paul, such as the St. Paul Companies and Lawson Software, still have a presence there, but are now just outposts for companies with new names that are based elsewhere.

A few years ago, Ecolab executives began to weigh real estate options for its headquarters, then a three-building campus in downtown St. Paul. Did the company ever seriously consider leaving downtown St. Paul? “We’ve looked at it only because we have 90 acres and a

half-million square feet in Eagan. It’s a site that was originally designed for a million square feet,” recalls Baker. But from his viewpoint, a company’s headquarters is about more than just the bottom line.

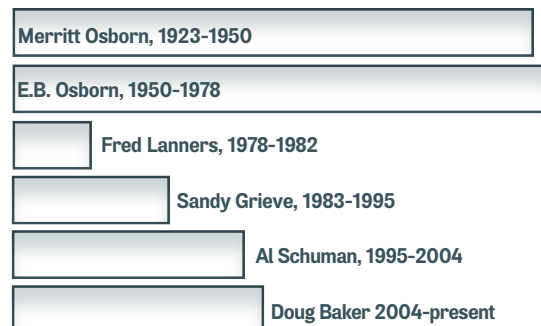
“Our bias was to make it work in St. Paul,” he recalls. “If we pull out, we do permanent damage to St. Paul. We may get temporary advantage as a company, but in the end, we rely on strong communities, and if you do things that are a detriment to the community, ultimately they’re going to come back to you. I’ve got to recruit people here. We need a healthy community.”

Ecolab purchased and moved to the Travelers North building, part of what was once the St. Paul Companies campus. The company paid \$47 million in 2015 for the property. Bob Pounds, senior vice president with the Minneapolis office of Toronto-based Colliers International, says the price was good for both parties because it was cheaper than the cost of new construction for Ecolab and it’s unlikely that Travelers could have found someone else to pay as much for a building that they were vacating.

As Ecolab moved out of its space on Wabasha Street in downtown St. Paul, known as Ecolab Corporate Center, it left behind an empty 19-story office tower. Ecolab didn’t own the building, which it had occupied for 49

## The Short List of Ecolab CEOs since 1923

Baker has now served as Ecolab’s CEO for 13 years, a long tenure by modern public company standards. Yet he’s nowhere close to the company record—long-serving CEOs are something of a tradition at Ecolab. After 94 years in business, Baker is only the sixth CEO in company history. Ecolab had only two CEOs for its first 55 years, founder Merritt Osborn and his son, E.B. Osborn.



Doug and Julie Baker with children Doug III, Will and Laura (left to right).

**Baker on Board:  
Business and Community  
Work Outside of Ecolab**

Board member,  
U.S. Bancorp:  
2008-present

Board member,  
Target Corp.:  
2013-present

Board of  
trustees,  
College of the  
Holy Cross  
(Worcester,  
Mass.):  
2014-present

Campaign co-  
chair, Higher  
Ground St.  
Paul, Catholic  
Charities of  
St. Paul and  
Minneapolis:  
2015-2017

Trustee  
emeritus,  
the National  
Restaurant  
Association  
Educational  
Foundation  
(Washington,  
D.C.):  
Philanthropic  
foundation  
dedicated to  
improving  
industry training  
and education.

years. The property was owned by Florida-based Haddington Associates. But even though Ecolab did not own the property, Baker helped steer the building to a group of new local, entrepreneurial investors who are recasting the building as Osborn370. The name is a nod to Ecolab founder Merritt Osborn.

But how can you sell a building you don't own?

Ecolab was able to control the fate of the property because it had an option to buy the building and an option, under certain conditions, to transfer that option. That allowed Ecolab to solicit offers for the property, according to real estate veteran Russ Nelson, whose firm, Minneapolis-based NTH Inc., represented Ecolab in the deal.

"It was complicated as hell," says Nelson.

"I give first and foremost credit to our long-term client and friend Doug Baker who said, 'I don't want this to end up in the wrong hands. I want the legacy to be a good legacy for Ecolab,'" recalls Nelson. "You look at Ecolab, they didn't need to do this. They could walk from it; they could say, 'good luck.'"

The new ownership group includes St. Paul-based PAK Properties, led by developer Rich Pakonen; Minneapolis-based Schafer Richardson; Bloomington-based Halverson and Blaiser Group; and investor trio Scott Burns, Tanya Bell and John Bergstrom. Burns is best known as co-founder and CEO of St. Paul-based GovDelivery, a government information technology firm that sold for \$153 million in 2016.

"The way that project came about is actually a group of us starting to look at the paradox of real estate in St. Paul, where there's a lot of vacancy but there's also a lot of people looking and saying they can't find space," says Burns. "There's a lack of innovative commercial space in town."

Burns is now co-founder and CEO of Structural Inc., another startup tech company. He says that he and others were concerned that empty St. Paul office buildings are often converted into hotels or residential units, reducing options for businesses. Burns and partners brought some data to Baker about the lack of space for startups and emerging companies in St. Paul.

"To say I 'worked with him' on it is generous. We brought him a proposal and he acted very quickly and decisively," says Burns. "He very quickly proposed that he would look into whether there was a way to take ownership of the former Ecolab tower." Ultimately, Ecolab had several competing offers for the building.

Burns says that's the way that Baker is wired, pointing to Baker's leadership on the Macy's task force. The renovated building, now Treasure Island Center, will include practice space for the Minnesota Wild, new retail tenants (Stacked Deck Brewing, Walgreens, Tim Hortons) and medical office space (TRIA Orthopedic).

"Doug was instrumental in putting the group together," says Burns. "But for Doug Baker's leadership, that

would be a Burlington Coat Factory and a parking ramp in that building."

Osborn370, with 170,000 square feet of office space, is already starting to fill up. Tenants who have signed on to lease space include Reeher, OppSource, Bridgewater Bank, Lighthouse Software, Structural, KLJ Engineering and Paul Davis Co. Bell, co-founder and partner with St. Paul-based Grand Real Estate Partners, who says that by Thanksgiving the building will be 40 percent leased.

"I did not want to leave behind a hole in downtown St. Paul," says Baker. "This, to us, was the most impactful in terms of what it could mean for downtown St. Paul. We knew the folks, we were comfortable with them and that's why we decided to award it to Rich [Pakonen] and team."

## Transforming Ecolab

The community's faith in Baker stems from his leadership of Ecolab, where he began to shine back in 1995. The company purchased Kay Chemical, a maker of janitorial products aimed at the fast-food industry, based in Greensboro, N.C. While the \$94 million deal price is small by today's standards, it was an important acquisition for Ecolab and, as it turned out, Baker's career.

Former Hormel Foods Corp. CEO Joel Johnson, who served from 1996 to 2016 on the Ecolab board, recalls that Baker's leadership of the Kay division was a key factor when the board tapped Baker in 2004 to succeed Al Schuman as CEO.

"Doug had demonstrated great confidence in running the Kay acquisition, which was a major acquisition and which was run in a separate location from St. Paul. He not only generated excellent results, but he [ran] them with some more degree of autonomy than you'd have if you were operating or running a unit out of headquarters," says Johnson. "That was a great opportunity for him to demonstrate his skill and aptitude."

Johnson says that Baker could execute, posting strong results, but notes that "he also demonstrated a lot of strategic foresight." That's the combination that the best leaders need, says Johnson. "Not everybody can do that, and we were convinced Doug could."

The decision to promote Baker to CEO clearly paid off for Ecolab, as he led some major transforming acquisitions, Johnson says. "At the same time, we continued to grow the core business. Doug's a very competitive guy," Johnson says.

The company's sales have more than tripled under Baker—growth that's been driven in large part through more than 100 acquisitions since he took the helm. In 2003, the year before Baker moved into the corner office, Ecolab posted \$3.76 billion in revenue and was known primarily as a producer of chemical supplies for

industrial cleaning needs. By 2016, the company reported \$13.15 billion in revenue from an extensive range of products and services that include water treatment, cleaning products and energy technologies.

The defining deal of Baker's tenure as CEO was the 2011 acquisition of Illinois-based Nalco Holding Co. It was a big bet: Nalco had revenue of approximately \$4 billion for 2010. The deal was valued at \$8.1 billion, including assumed debt. Before the deal, Nalco was the world's largest water treatment and management company serving industrial, energy and institutional clients. Looking to the future, Baker and other Ecolab leaders saw water management as a key future growth segment for the company. Given industry trends, the deal looks smart in retrospect.

## Bumps along the way, and the road forward

It hasn't been all smooth sailing, however. Baker made one acquisition that quickly turned out to be ill-timed. In 2013, Ecolab purchased Houston-based Champion Technologies for \$2.3 billion, including debt. Champion was a specialty chemical company serving the oil and gas industries, further expanding Ecolab's business into new markets. Immediately thereafter, oil prices plunged and, with them, sales related to Champion's product line.

As a result, Ecolab's revenue peaked at \$14.28 billion for 2014, then dropped 5.1 percent to \$13.55 billion in 2015 and declined another 2.9 percent in 2016 to \$13.15 billion. If this is a growth company, how did it lose \$1.1 billion in sales over two years? Baker says that the company's core business remained solid, but was hit by two short-term economic headwinds.

"The biggest challenge that we had the last couple of years was foreign exchange. When you converted our sales in, say, Europe, in euro back into the dollar, the euro was declining in value. So even if you're growing there, it looks like shrinking," says Baker. "The other was the oil market. We do a lot of water remediation and other treatment work in oil and gas. The oil market itself was in free-fall, not our business. But that headwind has also abated. I would say we have a more normalized environment and we're starting to see more normal, Ecolab-like results as a consequence."

The company's quarterly results so far in 2017 back up Baker's point. First quarter sales were up 2.1 percent to \$3.16 billion with net income up 9.8% to \$253.5 million. For the second quarter, the top line climbed a more robust 4.4 percent to \$3.46 billion with net income up 14.8% to \$296.6 million. In late October, Ecolab reported its third quarter results with sales of \$3.56 billion,

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philanthropist  
Paul Newman.



Baker speaking to employees in China in 2016.

## Baker Off the Clock

Where the heck does he find time to do everything? What does he do in his spare time?

What's he reading? What did he learn playing college hockey?



Baker rappelling down Ecolab Corporate Center at a 2012 event.

**TCB: What time do you get up in the morning?**

Doug Baker: No set time, depends on schedule and jet lag . . . [I] would be guilty of not enough sleep, so I grab it when I can.

**Favorite pastimes?**

I love to ski (downhill), I love to read, I like to exercise (can't believe I just [said] that), and I have been a wine guy for 25-plus years.

**What are things about yourself that would surprise people?**

I collect art. I still love and see the guys I hung with in high school, though only one lives here (he just moved back, yeah!). I love playing games, but hate to lose, which I am still learning to manage.

**You mentioned that you love to read.**

**Can you mention some favorites or what you are reading now?**

A random sample: *Team of Rivals*, one of the great leadership books; *Just Mercy*, an eye-opening story of how the justice system too often works in the U.S.; *Guns, Germs and Steel*, fascinating read on human history; *Undaunted Courage*, fantastic story of a grand adventure. I'm currently reading *Long Walk to Freedom*. I'm a huge admirer of Nelson Mandela, and it will be the 100th anniversary of his birth next year, so: timely.

**You're a serious hockey fan. Did you play? Are there any business lessons from hockey?**

I played hockey through sophomore year at Holy Cross College. Got mono and hepatitis and had to quit, but the timing was good anyway as I had no chance of playing beyond college. Lots of learning—how to play on a team, how to learn to both lead and follow, how to deal with ability limits. And, based on my grades while playing, how not to manage time well!

**People describe you as even-keeled,**

**approachable, down-to-earth. A few said that they have never seen you get rattled or raise your voice.**

**Where does that come from?**

Well . . . not sure all my teammates would say they have never heard me raise my voice. But my experience is mostly that what teams need in challenging moments is clarity and decisiveness. Occasionally, they need emotion, too, which I am happy to provide, but emotion runs deep at Ecolab, so it's not a frequent need.

Humility comes from experience. I have certainly worked hard, made plenty of sacrifices and made a difference. But much of what I have can also be attributed to good luck: I was born in a great country. I had great parents and friends. I fell in love with [my wife] Julie and fortunately she fell in love with me. I am healthy, as is my family. I was also lucky to join Ecolab, and all CEOs who are honest with themselves know how much luck goes into their attainment of the position.

**If you weren't running Ecolab, what would you be doing instead?**

I do not have any idea, but I will have to figure that out someday because nothing lasts forever.



Baker, in 2012, visiting one of Ecolab's steel customers in India.

volatile. But I think he's managed through that and I characterized it more as a dent than a car accident," says John Roberts, an executive director at Zurich-based UBS, who follows Ecolab as an analyst. "I think really, other than that, people still view this as one of the best-run companies in U.S. industry."

Ecolab's WellChem Technologies unit, which pro-

up 5 percent, and net profit of \$392.4 million, an increase of 5 percent.

Wall Street gives Baker high marks for his ongoing acquisition strategy. From the end of September 2010 to the end of the third quarter in 2017, Ecolab's stock is up 153 percent from \$50.74 per share to \$128.61 per share.

"I think the Nalco acquisition actually proved successful. The chink in his armor, if you will, was the doubling down on it with the Champion acquisition. He wasn't alone in thinking oil prices would be stable-high rather than massively

vides services for oil exploration, was stung by the downturn in oil prices. Roberts gives Baker credit for keeping the troubles isolated to that division, while deploying resources elsewhere.

Baker didn't let the oil crash become a distraction from growing the rest of the businesses, says Roberts. "I believe [Ecolab] has minimized the investment in WellChem, directing investment to the rest of the company."

Roberts also says that Baker was decisive in dealing with oil-related operations in South America, taking a charge against its earnings and moving on.

"[Ecolab] also reduced exposure to areas of collateral damage from lower oil prices. The investment in Venezuela was written down as the [country's] oil-driven economy collapsed," says Roberts. "Treatment chemicals for the utility water used by steel producers was deemphasized, as steel sales to the energy sector declined. I believe costs were tightly controlled in all of those affected areas. The company isn't waiting for oil prices to turn around."

There are other areas for possible growth. Roberts says that the company is talking about the Internet of things. How would that work?

"Having the dishwasher in the restaurant networked to Ecolab, the same way ADT services your alarm system. They can have that kind of intimacy with their cleaning customers by monitoring the operation of the cleaning systems," says Roberts. "We don't know how to scope it yet, but they're talking about it as something that could

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be a game-changer for them.”

Ecolab’s fans include Bill Gates, the billionaire co-founder of Microsoft Corp., who is Ecolab’s largest shareholder, with an 11.3 percent stake. Gates’ Cascade Investment Corp. and the Bill & Melinda Gates Foundation started buying Ecolab stock in 2010. Roberts says that Ecolab is the type of company that appeals to Gates’ apparent investment philosophy.

“The trends that drive Ecolab—need for sanitation and cleanliness and doing it with less water—are probably consistent with the kinds of things you see Bill Gates and his wife doing in many other areas of their lives,” says Roberts. “I would say they are investing in companies that have very good, sustainable business models.”

Indeed, Baker isn’t slowing down. In February of this year, Ecolab closed on an \$800 million deal to buy Laboratoires Anios, a French maker of hygiene and disinfection products for the health care industry.

As many business leaders know, it’s one thing to consummate an acquisition, and something else entirely to successfully merge two organizations’ cultures, systems and sales and marketing efforts. Part of Baker’s success on this front has been in bringing the cultures together without making the assumption that one has all the answers because it is the acquirer.

“When you buy a company, you’re buying know-how, talent, knowledge. To bring that on you’ve got to create an environment where people feel they’re wanted,

they have a future, [they’re] treated with respect. You’ve got to get rid of this conqueror’s mentality which often kind of pervades deals. You know: ‘I buy you. I win. You lose.’ And then this whole mentality kind of infects the integration process...it gets really in the way of moving forward and creating an environment where you learn,” he says. “Our expectation when we buy a company is we’re going to learn as much from the company we buy as they’re going to learn from us, and we seek to find out what it is they do that’s better than us and how do we leverage that? It’s OK to teach, but be willing to be a student as well.”

## Secret sauce?

Today, Baker is widely regarded as one of the best in the business.

“Broadly, our view is that he’s obviously one of the top CEOs in our space that we cover, and he has a very solid team below him as well. I think from a leadership perspective they’re in good shape. It doesn’t sound like Doug is looking to leave anytime soon,” says Manav Patnaik, director of equity research in the New York office of London-based Barclays. “When you go around talking to the investment community about Ecolab, there is not a single person out there who wouldn’t at least put Doug as a top CEO.”

But what seems to set Baker apart from other

leaders? Does he have a “secret sauce” as a CEO?

Patnaik speculates that part of the answer comes down to Baker’s down-to-earth personality and business fundamentals rather than flash. The analyst points to Baker’s consistency and discipline as a leader, but notes that he’s not an intimidating big-company CEO.

“He keeps it simple and he executes it well,” says Patnaik. “Even though he’s the CEO of a pretty sizable company, he’s still very easy to talk to. He’s still humble.”

Back in Minnesota, many feel the same way. “He’s the most extraordinary regular guy I think I’ve ever met,” says Norm Coleman, former St. Paul mayor who was serving in the U.S. Senate when Baker was tapped to lead Ecolab.

As a result, as busy as he may be, business, nonprofit and civic leaders keep turning to Baker for his ideas, energy and advice.

“He’s been pretty important to downtown St. Paul. He’s been very clear that our fates are intertwined,” says St. Paul Mayor Chris Coleman, who has tapped Baker’s business expertise on many city issues and initiatives.

“He is the most level-headed, no-B.S. guy that I think I’ve ever worked with. He’s very straightforward, but not in any kind of a mean-spirited way,” says Coleman. “He’s extremely even-keeled. Just kind of the Joe DiMaggio of CEOs.” [tcbmag](#)

*Burl Gilyard is TCB’s senior writer.*


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# People To Know

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Every year at this time, *TCB*'s editors and correspondents sit around a big table and ponder who will have the biggest impact on the region's economy and corporate community in the coming year. Then we whittle the list down to roughly 100 names and group them into categories with an eye to creating a timely "Who's Who" of Minnesota business and public policy that also serves as a "little black book" of the influencers, thought leaders and key players likely to be making news or driving change in the year ahead.

## Pioneers

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Christian Benson  
Matt Briggs  
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Dale Klapmeier  
Nate Kranz  
Thad Levine  
Tim Niver  
Dean Phillips  
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Inge Thulin  
Laysha Ward  
Penny Wheeler  
David Wilson

# Emerging



*Brenda  
Kyle*

**President/CEO,  
St. Paul Area  
Chamber  
of Commerce**

■ When the chamber was looking for a new CEO, its board chose someone who knew St. Paul well and had good working relationships with businesspeople and public officials. Brenda Kyle, with 11 years of experience at the St. Paul Port Authority, is now in a position to leverage her knowledge and contacts to expand St. Paul's economy. Named to her new job in the summer, she was involved in efforts to redevelop the former Macy's and is working with city leaders on a strategy to add 2,000 tech jobs by 2020.

JOHN MOWERS PHOTOGRAPHY



*Tim Dixon*

**Owner, Fe Equus Development**

■ Developer Tim Dixon has literally changed the face of downtown Milwaukee over the last decade and now has his sights set on Minneapolis. If you were wowed by the stunning Hewing Hotel, which rose from an empty North Loop warehouse, or have dined at Milwaukee's

Wolf Peach or stayed at the award-winning Iron Horse Hotel, you already know Dixon's capacity to revive derelict structures. Fe Equus has been acquiring property on the 400 block of East Hennepin for its next project, an "approachably priced" condominium development. The city will be well served if it can keep Dixon busy.

*Elizabeth Ross*

**President/CEO, Periscope**

■ Back in the 1980s, Minneapolis built a reputation for world-class advertising agencies; today none of those firms are still locally owned. Minneapolis-based Periscope, however, now ranks among the five largest independent agencies in the U.S. Periscope tapped Liz Ross, with 20 years of industry experience, to succeed long-standing CEO Greg Kurowski. Ross is bringing in best-in-class talent from across the U.S. to build what Periscope calls the "agency of the future." Periscope grew again with its June deal to buy Chicago-based Anthem Marketing Solutions, its first acquisition.



LEADERS OR INFLUENCERS NEW TO A ROLE,  
WHOSE EARLY EFFORTS WILL BE CLOSELY WATCHED BY THE BUSINESS COMMUNITY.



## P.J. Fleck

Head Football Coach, University of Minnesota

■ P.J. Fleck shocked Minnesota's reticent culture when he came on the scene last winter to run the Gophers football program. Fresh from a 13-1 record and a Cotton Bowl berth at Western Michigan, the high-energy coach arrived in Minnesota with an abundance of motivational slogans and a commitment to make Minnesota an "elite" program. Though the team's 2016 record was credible, several players were accused of sexual misconduct during the season. Now Fleck will be judged on his ability to lead on and off the field. Expectations are high—fans want Big Ten titles and major bowl games.

## Anudeep Parhar



CIO,  
Entrust Datacard Corp.

■ Anudeep Parhar was brought on as Entrust Datacard's CIO in 2016 to lead the company's expansion to the cloud, as well as lead global IT and customer operations teams. This year, Parhar has helped oversee the launch of Entrust's IntelliTrust authentication, a cloud service with mobile-smart credential technology, plus the introduction of its internet of things (IoT) security technology, ioTrust. It delivers a secure digital infrastructure that safeguards data between devices, sensors and platforms connected within an IoT ecosystem. In 2018, Parhar will lead Entrust's Office of the Chief Technology Officer, a recently formed incubator-like internal organization developed to drive innovation and growth.

## Brandon Sawalich

President,  
Starkey Hearing Technologies

■ It was a long road to Starkey's No. 2 spot for Brandon Sawalich. As a lifer at the Eden Prairie-based hearing aid manufacturer—he joined in 1994 at just 19—Sawalich has been in the eye of the storm. Legal filings have revealed that, with others, it was Sawalich who tipped off Starkey CEO (and Sawalich's stepfather) Bill Austin about certain Starkey C-suiters' alleged plot against the company, which included a multimillion-dollar embezzlement scheme. Now, as president, he hopes to right Starkey's ship.



## Jacob Frey

Mayor-elect, Minneapolis

■ In the City Council, 36-year-old attorney Jacob Frey presided over

four years of meteoric growth in the third ward, which encompasses part of downtown, but more notably the North Loop and lower Northeast. He parlayed that success into

a dynamic campaign for mayor—taking down an incumbent, while successfully thwarting efforts to define his liberal policies as "right-wing" and "conservative" due to an occasional propensity for consultation and moderation. He is avowedly pro-development/density and wants to tackle downtown safety/perception issues. The business community backed him, but also complained at times about what they saw as a malleability in his positions. Still, merely an open mind on business topics would separate him from the incumbent.



## Marcus Lemonis

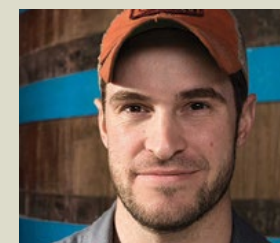
CEO,  
Camping World Holdings Inc.

■ In the early spring of 2017, Marcus Lemonis, best known as the struggling small-business reviver from his CNBC show *The Profit*, purchased one of Minnesota's largest brick-and-mortar brands, Gander Mountain. Only a few months later, he double-dipped in the state's retail scene, scooping up TheHouse.com, another all-things-outdoors company based in St. Paul. With a name change (to Gander Outdoors) and store count a fraction of the size (from 162 to about 60), Lemonis is set to spend more time in Minnesota in 2018 engineering Gander for long-term profitability.

## Jace Marti

Brewmaster, August Schell Brewing Co.

■ Jace Marti represents the sixth generation of the iconic August Schell Brewing, and, like his father, he's taking the brewery to new levels. Marti is the mastermind behind Schell's Noble Star collection of Berliner Weisse sour beers, which he learned to brew while studying techniques in Berlin. In March, Marti's sour series got its own taproom in New Ulm with the opening of Starkeller Brewing Co., a subsidiary of Schell's. It's the first sour-only brewery in Minnesota, but it likely won't remain so, with sours quickly gaining popularity. In the long run, it will be Schell's traditional German-style beers that will set it apart.



# Emerging

## Lisa Bender

**City Councilmember (10th Ward), Minneapolis**

■ Arguably the most influential and aggressive of the Minneapolis City Council's progressive caucus, in her first term Lisa Bender has aligned with Mayor Betsy Hodges to pursue a pro-density, pro-bike, social justice-driven agenda. She even openly advocated for the electoral ouster of non-likeminded colleagues in last month's city election. If one or two nemeses lost their races (results unavailable at press time), Bender could find herself council president—or merely the most influential city pol, thanks to Minneapolis's weak mayor system.



## Neel Kashkari

**President, Minneapolis Federal Reserve Bank**

■ Even though his office is in downtown Minneapolis, Neel Kashkari gets national attention from media such as the *Wall Street Journal* and CNBC. Since he started as president of the Federal Reserve Bank of Minneapolis in January 2016, he's drawn notice because he's been a consistent contrarian on big-picture economic issues. He cast the lone dissenting vote against raising interest rates in both March and June, pointing to weak inflation and other factors. A WSJ story in July said that Kashkari has "emerged as a surprisingly prescient voice on monetary policy this year."

## Sarah Spiegel

**CEO, Coffee and Bagel Brands**

■ It was a quick trip to the top for Sarah Spiegel. After less than a year as chief operating officer and president of U.S. retail for Caribou Coffee and Einstein Bros. Bagels, Spiegel took over the helm in mid-summer, leading the nation's second-largest retail coffee chain. Within weeks of her entry, Spiegel expanded the Brooklyn Center-based coffeehouse's footprint by acquiring the 270-unit Bruegger's Bagels. Given Caribou and Bruegger's familiarity—the two first operated a co-branded space more than 20 years ago—Spiegel is well situated to bring about a new era of co-

habited shops for Caribou, a subsidiary of Luxembourg-based JAB Holding Co.



## James Hereford

**President/CEO, Fairview Health Services**

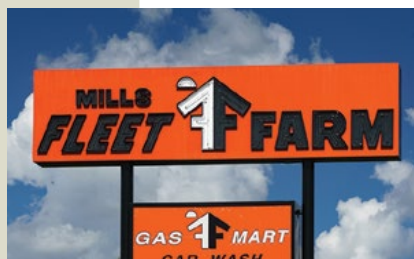
■ The health care landscape continues to change. James Hereford, who had been chief operations officer for California-based Stanford Health Care, started as the new president and CEO of Minneapolis-based nonprofit Fairview Health Services in late 2016. It's been a busy first year on the job. In March, Fairview announced its merger with St. Paul-based HealthEast Care System; the combined operation is now the largest health care provider in the Twin Cities. Hereford has brought a new chief operating officer, chief nursing executive and chief medical officer to Fairview's senior leadership team. He also brings a reputation as a strategic and collaborative leader, as providers everywhere look to improve care while trimming costs.



## Derick Prelle

**President/CEO, Mills Fleet Farm**

■ Derick Prelle was appointed CEO of Mills Fleet Farm in June by KKR & Co., the private equity firm that purchased the retailer last year. Prelle is leading efforts to double the company's footprint over the next six years and expand into



new markets; he's already helped open a long-awaited location in Monticello. (Mills had added only six stores in the last 10 years.) To position the company for growth, Mills is building a 1.1 million-square-foot distribution center in Chippewa Falls, Wis., slated to open in 2018.

## Pascha Apter

**CEO, Giant Voices Inc.**

■ This summer, Duluth marketing firm Giant Voices moved from cramped offices on Canal Park to a stylish, high-profile storefront on Superior Street. It's another sign that the city's marketing industry is coming into its own. Apter, who co-founded Giant Voices in 2012 following marketing stints at clothier Maurices and other Duluth companies, saw that regional businesses were seeking the kind of integrated marketing firepower that Twin Cities agencies are known for. While Giant Voices provides integrated marketing in its home region, it also has been soliciting clients in New York.



## Ari Silkey

**GM Transportation Technology, Amazon.com**

■ In June 2016, e-commerce giant Amazon.com announced plans for a "technology development center" in downtown Minneapolis. The office is led by Ari Silkey, who keeps a low media profile but is clearly a person to know as Amazon expands its Twin Cities presence and considers local proposals for its second headquarters. Silkey's team includes software development engineers and managers who are developing applications for Amazon's growing logistics network. The Gustavus Adolphus graduate brings more than 15 years of tech industry work, including a stint at Best Buy. The work that he and his team are doing will ultimately be deployed nationally and globally by Amazon.



# Emerging



## Erik Forsberg

Owner, Dan Kelly's Pub, Erik the Red

■ Restaurateur Erik Forsberg is becoming a force in downtown Minneapolis hospitality. This year he moved his Devil's Advocate bar into the old Dan Kelly's space while refining Erik the Red, his "barbarian" barbecue bar across from U.S. Bank Stadium. Forsberg has shown a knack for fresh concepts that feel authentic—and just work. Look for more from him as downtown landlords continue their search for food concepts that pay the ground-level rent.

## Tom Clarke

Chief investor, Chippewa Capital Partners

■ Clarke is a curious, intriguing new player on the Iron Range. In the past year, this billionaire from Virginia (the state)—who made his money in health care, nursing homes and coal—has acquired the shuttered Magnetation taconite production complex near Grand Rapids and the former Essar Steel taconite facility in Nashwauk. His vision? Creating an ore powerhouse that makes traditional pellets for blast furnaces as well as specialized pellets for the electric-arc mini-mills that produce about two-thirds of American steel.



## Kyu-Young Kim

Artistic Director and Principal Violin, Saint Paul Chamber Orchestra

■ Very few accomplished orchestral musicians raise their hands to take on leadership duties that constitute a formidable day job. But that's exactly what Kyu-Young Kim did. As of 2016 he's artistic director of the Saint Paul Chamber Orchestra. In his staff role he works with his colleagues and guest artists to seek out and develop concert programming and the ensemble's innovative artistic partnerships. Then he puts on concert attire, picks up a violin and performs at the level demanded of a world-class ensemble player. The energetic Kim is worth keeping an eye on as his influence and vision take root.



## Mike Ryan

**Senior Vice President/North Region Market Leader, Ryan Companies U.S. Inc.**

■ Next year will mark 80 years in business for Minneapolis-based Ryan Cos., which ranks among the largest development and construction firms in Minnesota. But it remains, at heart, a family business, and Mike Ryan represents the fourth generation at the company. (Mike's father, Pat, is president and CEO.) Mike Ryan's background as an architect gives him perspective and attention to detail for a wide range of projects. He led the design for Ryan's expansive Downtown East redevelopment, and he's also deeply involved in the community, including serving on the Minneapolis Downtown Council.

## Emily Larson

**Mayor, City of Duluth**

■ With the third year of her first term on the horizon, Larson is demonstrating a mix of DFL progressivism and Arne Carlson-style financial discipline. The 2018 budget she proposed in August includes property- and sales-tax increases, largely to help repair some of Duluth's famously bone-rattling streets. Larson also wants to spend nearly \$1 million on a community solar garden. At the same time, she also is seeking more than \$2 million worth of staff cuts to keep the city's expenses manageable. It helps that Duluth continues to lure more and more visitors—in 2016, tourist-paid tax revenue hit a record \$11.34 million.



GETTY

## Mark Nerenhausen

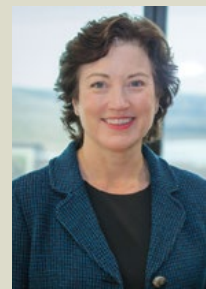
**President/CEO, Hennepin Theatre Trust**

■ Tom Hoch ran the nonprofit Hennepin Theatre Trust for more than 20 years, then stepped down earlier this year to run for Minneapolis mayor. In April, the trust tapped Mark Nerenhausen as its new president and CEO. The trust is an important anchor in downtown Minneapolis as operator of the State, Orpheum and Pantages theaters. Nerenhausen lands in his new role with new competition from venues like the Palace Theatre in downtown St. Paul. He also brings extensive arts administration experience and a fresh eye. The challenge will be finding a strategy to grow the trust's programming, revenue and mission.

## Andrea Walsh

**President/CEO, HealthPartners**

■ As health care policy battles rage in Washington, Andrea Walsh is preparing for her first full year as chief executive at HealthPartners. An attorney who joined the company in 1994, Walsh accepted the leadership handoff from longtime CEO Mary Brainerd. But Walsh may face more difficult financial challenges. Politicians, employers and consumers are decrying the high cost of health care and insurance premiums. HealthPartners plays a dual role as an operator of hospitals and clinics and as an insurance provider. The nonprofit serves more than 1.8 million people through its health plan.



# Make or Break

## Executive Director, Minnesota Film and TV Board

While the state agency responsible for drawing television, film and commercial shoots has had some success in the past, most recently with the Woody Harrelson vehicle *Wilson*, 2017 wasn't as kind. Legislators dedicated only \$1 million to the non-profit's Snowbake fund, which offers up to a 25 percent reimbursement to approved film projects. Given the large budget of a feature film, Hollywood will be less inclined to shoot in Minnesota, at least compared with previous years when Snowbake's budget was multiple millions. Now Bahan must convince filmmakers that Minnesota has more to offer than incentive money or face the possible irrelevancy of the organization she runs.

## Melodie Bahan

JOHN MOVERS PHOTOGRAPHY



## Mick McGuire

### Investor and Board Member, Buffalo Wild Wings

In the first half of 2017, Mick McGuire, a principal of investment firm Marcato Capital Management, led a proxy war against the leadership team of Buffalo Wild Wings, particularly its leader, chief executive Sally Smith. McGuire got his way, as Smith announced her retirement in June, following a company shareholder vote to replace BWW's leadership team. The same vote also saw McGuire take over a board position. Now, the Golden Valley-based company says it is shifting its business model to one advocated by McGuire. Rather than operate as an even mix of roughly 600 franchised and 620 company-owned locations, BWW will become almost entirely franchised—a model that the company has said "simply does not pencil out."



## Brian Cornell

### Chairman/CEO, Target Corp.

Brian Cornell's tenure at Target has seen the retailer muddling through a half-decade of tepidly optimistic quarterly earnings reports followed by disappointing ones. Now, Cornell is betting the farm on a \$7 billion investment that includes store facelifts and an expansion of the small-format stores Target is opening in urban centers and near college campuses. Can he improve the cheap-chic retailer's image and bottom line, while fending off behemoth Amazon? It's too soon to tell, but 2018 may be the year he figures it out, or gets his walking papers because he didn't.



LEADERS WHOSE ORGANIZATIONS ARE AT A CRITICAL JUNCTURE AND WHOSE CHOICES IN THE COMING YEAR WILL HAVE A DECISIVE ROLE IN FUTURE SUCCESS.



## Medaria Arradondo

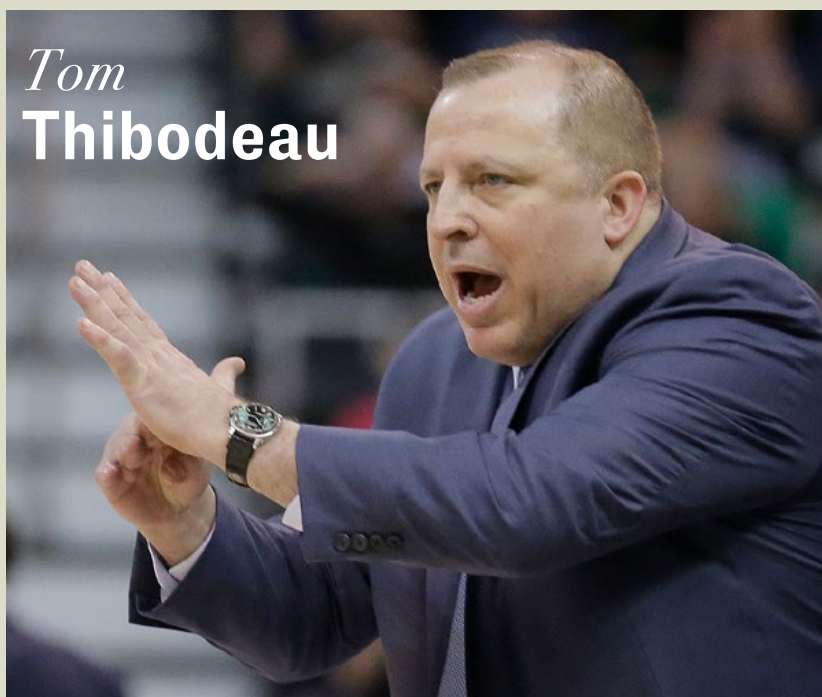
**Chief, Minneapolis Police Department**

Medaria Arradondo took the reins of the Minneapolis Police Department following the ouster of Janeé Harteau following the disastrous fatal shooting of Justine Damond in the Fulton neighborhood by a Minneapolis cop. Arradondo faces a difficult year, including possible criminal charges against that officer, a mayoral election that may bring in someone who did not choose him and an atmosphere of extreme tension between residents and the police force. He will not have much time to reduce tension while stemming a spike in downtown crime.

## Kelly Osborne

**CEO, Twin Metals Minnesota LLC**

Like PolyMet, St. Paul-based Twin Metals Minnesota has long sought to develop a copper-nickel mine in northern Minnesota. Osborne has been leading this effort since becoming CEO in mid-2014. Before that, he'd been CEO of Duluth Metals Ltd., Twin Metals' majority owner. Osborne's global mining-company experience allows him to play the long game; at Twin Metals, he has needed that vision. In December, the federal government did not renew Twin Metals' mineral exploration leases. The company, now a subsidiary of Chilean mining giant Antofagasta plc, has filed suit.



## Tom Thibodeau

**President of Basketball Operations/Head Coach, Minnesota Timberwolves**

Tom Thibodeau ("Thibs") is the chief decider (after Glen Taylor) for the region's long-suffering NBA franchise. His first year on the job produced rather disappointing results, prompting questions about his misanthropic demeanor, roster choices and heavy use of players. After a summer that produced a wholesale roster renewal, Thibs is going to be expected to produce a playoff-caliber team with playoff-caliber results, lest he be asked to return to the ranks of former coaches.

## Jay Debertin

**President/CEO, CHS Inc.**

In May, Jay Debertin was elevated to the top job at CHS Inc., a huge farmer-owned cooperative with \$30.3 billion in revenue for fiscal 2016. Debertin, who has worked for CHS since 1984, faces major challenges. Net income at CHS dropped 46 percent in the last fiscal year, primarily because of struggles in the energy and agriculture segments of the business. Debertin, an East Grand Forks native, is now in the hot seat to turn around the co-op's financial performance. He reported a quarterly net loss of \$45.2 million in July, partly because a grain-trading partner in Brazil entered bankruptcy.

## Mark Walchirk

**Incoming CEO, Patterson Companies Inc.**

Patterson Cos., a Mendota Heights-based maker of dental and veterinary supplies, was a surprise addition to Minnesota's list of Fortune 500 companies in 2017. A phenomenal fiscal 2016 saw sales of Patterson's veterinary products roughly doubled, but 2017's result was by no means as positive. In June 2017, Patterson lost two of its top leaders: CEO Scott Anderson and John Adent, the CEO of Patterson Animal Health. Mark Walchirk takes the reins as this issue goes to press, charged with stabilizing the company and, ideally, retaining its place in the Fortune 500.



# Make or Break

## Kurt Daudt

**Speaker,  
Minnesota House of Representatives**

■ First elected to the House in 2010, Kurt Daudt skyrocketed from obscurity to Speaker in just four years. His Greater Minnesota-focused strategy has boosted Republicans' fortunes, but he's clashed with Gov. Mark Dayton on everything from transportation policy to the defunding of the legislative branch through a line-item veto. With his sights potentially set on the governor's mansion in 2018, Daudt faces perhaps his greatest challenge: using the next legislative session to highlight his conservative bona fides as a springboard for his candidacy, even as Dayton has no reason to play along. In a state that hasn't elected a Republican to statewide office in over a decade, can Daudt get to the finish line?

## Arthur Valdez

**EVP Supply Chain and Logistics,  
Target Corp.**

■ Considering Target's retailing prowess, its deep and intractable supply-chain problems strike many observers as a puzzlement. Those problems took down its ambitious Canadian expansion and continue to bedevil the company, evidenced by the still-substantial empty shelves in its troubled grocery business. Both were initiatives of former CEO Gregg Steinhafel; Valdez is the man brought in to clean up the logistics mess. If 2018 is to be the year of Target's turnaround, Valdez will need to be at the top of his game.

## Maureen Bausch

**CEO,  
Minnesota Super Bowl Host Committee**

■ Maureen Bausch has been getting ready for Minnesota's close-up in the national spotlight for three years. Super Bowl LII finally arrives February 4, which will be her make-or-break moment. Even if Minneapolis gets a snowstorm or 15-below weather, people will be counting on Bausch to pull off a 10-day downtown festival that is entertaining to throngs of visitors. Bausch knows crowds: She was executive vice president of business development at Mall of America when she was chosen to lead Minnesota's Super Bowl Host Committee.



## Jude Bricker

**CEO,  
Sun Country Airlines**

■ Plucked by owner Marty Davis from Allegiant Air, Sun Country's new CEO is the first pilot of the airline with industry experience in many years. He is charged with improving the airline's modest profitability to help it better withstand the next industry downturn. He plans to move the airline to an a la carte pricing model with fewer free frills. There are also stated plans to reduce the airline's reliance on MSP-based flying, though that's been tried before with limited success. Sun Country is rather singular in the aviation industry in size and market position and many wonder how it continues to exist. Marty Davis expects Jude Bricker to make that case on the balance sheet more emphatically.



## Jeff Harmening

**CEO, General Mills**

■ Within weeks of taking over as General Mills' chief executive in June, Jeff Harmening laid out a five-point plan that he believes will turn around the Golden Valley-based food company, which, for the two years before his promotion, had failed to improve year-over-year sales. A top priority of Harmening's turnaround plan is better pricing of the company's products. "We have to have our pricing in the zone, because a lot of media spending—if your pricing isn't in the right place—it really doesn't work," he told analysts last summer. By focusing more on innovation, building e-commerce capabilities and re-shaping its yogurt business, Harmening believes General Mills could experience a global resurgence.



## Lori Melbostad

President, Premier Marine Inc.

■ This will truly be a make-or-break year for Lori Melbostad of Wyoming, Minn.-based luxury pontoon maker. Four years after Premier co-founder Bob Menne acquired the Weeres and Palm Beach brands, Premier revealed in court filings that the move resulted in a debt load of \$10 million to \$50 million and is the reason it sought Chapter 11 bankruptcy protection in June. Melbostad's task will be to keep the boatbuilder afloat in choppy waters, maintaining the supply of product to its dealer network.



## Chuck Fletcher

General Manager, Minnesota Wild

■ "This is a great day in the history of the Minnesota Wild," Chuck Fletcher said July 4, 2012, when the Wild rocked the hockey world. The team signed the NHL's top two free agents, Zach Parise and Ryan Suter. Since then, the Wild have had strong seasons that qualified them for the playoffs, but they've failed to make it very far. When owner Craig Leipold agreed to the big contracts for Parise and Suter, no doubt he was thinking about winning a Stanley Cup one day. The cup arrived in Minnesota in July—carried by Jake Guentzel, a Woodbury native and Pittsburgh Penguin. Pressure is mounting on Fletcher to produce.



## George Goldfarb

President/CEO, Maurices; CEO Dressbarn

■ In April 2016, Duluth-based women's clothing retailer Maurices moved its corporate offices into a new \$80 million building. Goldfarb, Maurices' genial longtime CEO, had led the company through a remarkable expansion—it now has more than 1,000 stores in 45 states and Canada. But since the move, Goldfarb and Maurices' parent, New Jersey-based Ascena Retail Group Inc. (which also owns Ann Taylor and Lane Bryant), have been battling the decline in mall-based retail. In late September, Maurices reported an 8 percent drop in sales for the quarter ending July 29, consistent with the slide it has experienced all year.

# McKinsey & Company

proudly congratulates

**Doug Baker**

*on being named Person of the Year*

&

**Kweilin Ellingrud**

*on being named 100 People to Know in 2018*

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# Overachievers

## Hector Ruiz

**Chef/Owner,  
La Fresca, Costa Blanca Bistro,  
Café Ena, Rincon 38**

■ Not all of our Twin Cities chef/restaurant owners are publicity hungry, tweeting and Instagramming to the world. Take Hector Ruiz, whose creative energy and culinary talent are the quiet force behind four Minneapolis restaurants that each has a unique identity and menu.

Ruiz's star is rising as he continues to satisfy customers with his well-crafted cuisine and amiable spaces. Born in Mexico and formally trained in France, Ruiz's fourth spot, Costa Blanca, a tapas restaurant on Central Avenue in Northeast Minneapolis, is a lovely space for a memorable and tasty evening out.



## Jimmy Butler

**Shooting Guard/Small Forward,  
Minnesota Timberwolves**

■ NBA fans and analysts across the board were astonished this summer when the Timberwolves upstaged the league's draft day, trading away two of its lesser guards for Jimmy Butler, arguably one of the greatest players in the game today. Factoring in the Target Center's recent \$140 million renovation and a team rebrand (which included a new logo and jerseys), the Timberwolves organization is betting big on a turnaround—and its first trip to the playoffs in 13 seasons.



## Jennifer Smith

**President/CEO,  
Innovative Office Solutions**

■ Jennifer Smith has grown Innovative Office Solutions into one of the largest independent office supply companies in the nation since she co-founded it in 2001, growing it to more than \$100 million in annual revenue. Despite the industry's 5 to 7 percent annual contraction, Smith has achieved a 94 percent growth rate over three consecutive years, and has secured partnerships with the University of Minnesota and many Minnesota sports teams. This growth placed Innovative on the 2017's Inc. 5000 fastest-growing privately held companies list for the past nine years. To maintain such a pace, Smith will need to keep thinking outside the box.





## Scott Ward

**Chairman/President/CEO, Cardiovascular Systems Inc.**

■ Scott Ward spent nearly three decades working for med-tech giant Medtronic, holding several senior leadership positions. Since 2013, he's been a managing director with Bloomington-based SightLine Partners, a venture capital and private equity firm investing in med-tech and health care companies. In 2015 he was tapped as interim CEO for New Brighton-based Cardiovascular Systems Inc.; the job became permanent in 2016 after longtime CEO David Martin died of cancer. Ward has been leading a turnaround of CSI, getting the company into better financial shape by growing revenue and cutting losses. For fiscal 2017, revenue was up 15 percent, to \$204.9 million.

## Kweilin Ellingrud

**Partner/Minneapolis Office Leader, McKinsey & Co.**

■ Kweilin Ellingrud, leader of McKinsey's Minneapolis office, is known around the country and the world as the business consulting firm's preeminent voice and researcher on gender equality. Indeed, her work for the McKinsey Global Institute found that 40 of the 95 countries analyzed have high or extremely high levels of gender inequality on at least half of 15 indicators, both economic and social. In 2018, she'll be focusing on her newest challenge as a co-leader of the firm's lean-management practice in North America.



## Fiona McCrae

**Publisher, Graywolf Press**

■ Long before 2017, Graywolf Press had established itself as one of the world's pre-eminent publishers. Yet in guiding the nonprofit, which has amassed a seemingly endless series of awards and accolades, Fiona McCrae has clearly reached a new level. Graywolf author Claudia Rankine won the National Book Critics' Circle award for poetry, Diane Seuss' volume was a Pulitzer Prize finalist, Maggie Nelson won the National Book Critics' Circle award for criticism, Tracy K. Smith was named U.S. Poet Laureate, and three Graywolf books are among those competing for the 2017 Man Booker Prize. Pick up a Graywolf book—you can't go wrong.



## Tim Walz

**Representative, U.S. House (MN-1)**

■ When Lt. Gov. Tina Smith and Sen. Amy Klobuchar both announced they wouldn't run for governor in 2018, the doors were blown wide open for other DFL candidates. Among the early frontrunners was Rep. Tim Walz. The teacher-turned-congressman is a quiet consensus-builder from a purplish district in southern Minnesota—a weak spot for the DFL in recent years. His success in Congressional District 1, where Donald Trump bested Hillary Clinton by 15 points, is no doubt why he's received a number of high-profile endorsements in his gubernatorial bid—from fellow congressman Collin Peterson to former Minneapolis Mayor R.T. Rybak to the son of progressive icon Paul Wellstone.



## Dan Oberpriller

**President, North Bay Cos.**

■ To say Daniel Oberpriller is busy would be an understatement. He co-founded (2005) and co-owned Minneapolis-based CPM Companies, which emerged in recent years as one of the busiest apartment developers in town. Now Oberpriller has started a new firm: Minneapolis-based North Bay Companies, focused on development and property management. (CPM is unwinding, but will continue projects under construction and in the pipeline.) At North Bay, Oberpriller will be looking to develop "boutique" multifamily, mixed-use and hotel properties.

# Overachievers

## James Dayton

Principal, James Dayton Design Ltd.

■ James Dayton started his career working in the office of Frank Gehry, the Los Angeles-based “starchitect,” before founding his own Minneapolis-based firm in 1997. Dayton has done a wide range of projects including condos (Bookmen Lofts, Bookmen Stacks) and commercial work (headquarters and warehouse for The Creative Company, based in Mankato), but he’s perhaps best known for his acumen for arts-related projects. The local list includes the MacPhail Center for Music, the Highpoint Center for Printmaking and the Minnetonka Center for the Arts. Dayton has a gift for iconic, modernist-inspired work, attention to interiors and public spaces.



## Gary Cunningham

President/CEO,  
Metropolitan Economic  
Development Association (MEDA)

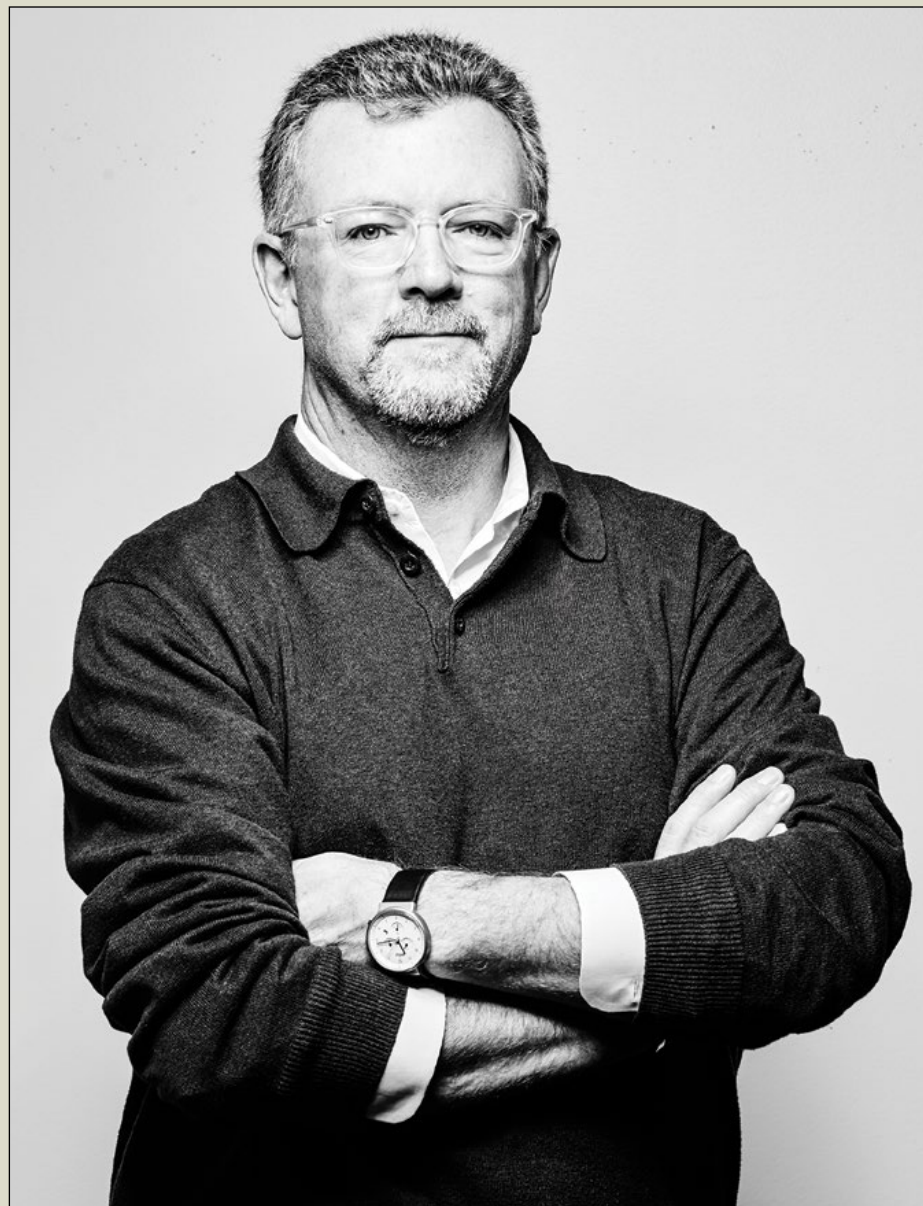
■ 2018 will be a big year for Gary Cunningham and the nonprofit he leads: MEDA, the venerable Minneapolis nonprofit that acts as a counselor and lender to minority-

owned businesses. It’s using a \$2 million donation from Target Corp. to move its offices into a building that symbolizes economic growth on the North Side—Thor Construction’s new headquarters at Penn and Plymouth avenues. From that spot, Cunningham will spearhead MEDA’s five-year goal to triple the number of successful minority-owned businesses in Minnesota.

## Jeff Bolton

Vice-President/CEO, Mayo Clinic;  
President, Rochester Destination Medical Center  
Economic Development Agency Board

■ Jeff Bolton wears two very big hats in Rochester: that of the Mayo Clinic’s chief administrative officer, and president of the Destination Medical Center board in charge of economic development. That means he’s not only steering the clinic’s own efforts at business development, but also the massive multibillion DMC project. Bolton announced in March that \$298 million in private investment had been landed for the DMC effort—a level triggering state funding. That total will grow in 2018 with the groundbreaking of a new Discovery Square medical office building.



## Nick Espinosa

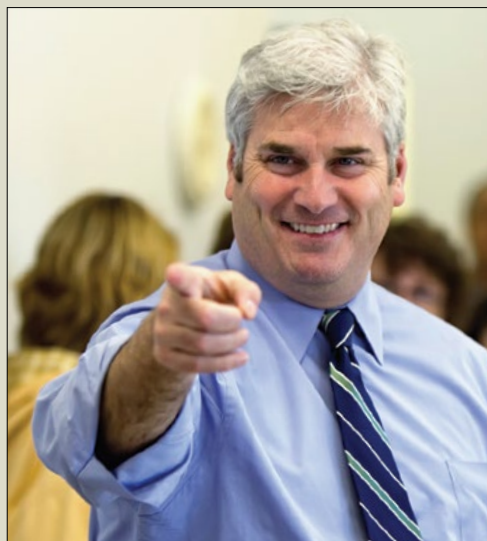
Co-Founder, Occupy MN, Occupy Homes MN

■ Espinosa is one of several individuals to emerge from the Bernie Sanders movement locally to become prominent in city and state politics. His activist history dates back to helping to organize the Black Lives Matter demonstrations at Mall of America and Occupy Minneapolis. Though Our Revolution is more of a collective and prefers not to hand out titles, Espinosa was one of several figures to take on a decisive role locally and advocate for candidates who adhere to a rather inflexible progressive mantra. Expect the coming year to include efforts at holding down rising housing costs and reducing corporate influence in Minneapolis city government, an area where Espinosa has some history.

## Tom Emmer

U.S. Congressman, (MN-6)

■ Rep. Tom Emmer, who lost a close race to Gov. Mark Dayton in 2010, is hitting his political stride in the U.S. House. A second-term congressman representing central Minnesota, Emmer holds a safe Republican seat, yet he's demonstrating political independence. He joined Dayton on a trade mission to Mexico and worked with Democratic Sen. Amy Klobuchar on expanding commerce with Cuba. A big Trump supporter, he sat in candidate Trump's box at the national nominating convention in 2016. Emmer's ties to Trump and the House GOP caucus, along with his willingness to work with Democrats, position him for major influence on tax and budget issues.

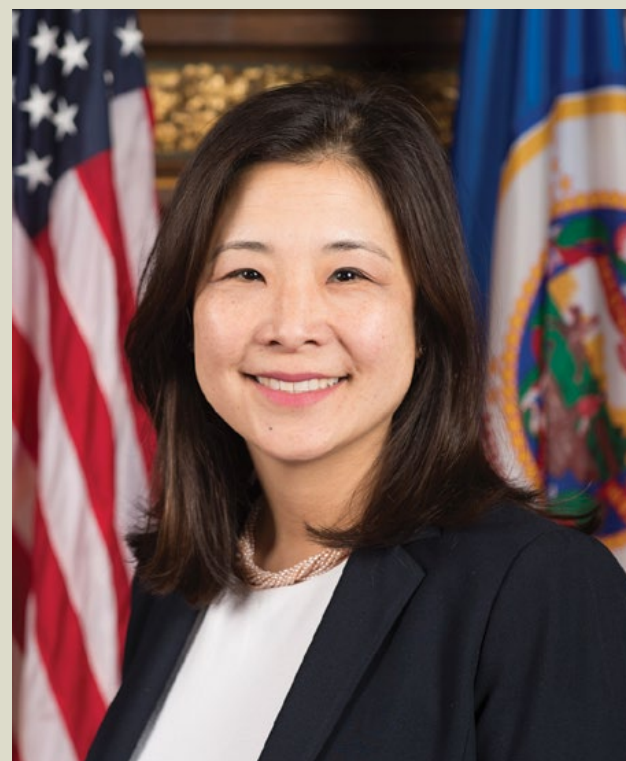


## Dale Nitschke

Founder/CEO, Ovative/group



■ Dale Nitschke knows the digital world; he spent eight years as president of Target.com. He founded Ovative/group during the Great Recession in 2009 because he saw a hole in the market for data and analytics to help clients improve digital marketing. His client list includes companies such as General Mills and Select Comfort. Today the company is recognized for both its strong growth and workplace culture. Based in Minneapolis' North Loop, the company has been growing quickly. Ovative had revenue of \$16.2 million in 2016, a 53 percent increase from the year before.



## Alene Tchourumoff

Chair, Metropolitan Council

■ As just the second full-time chair of the Met Council, Alene Tchourumoff has a lot on her hands. She took over in June after Adam Duininck stepped down to move into a government affairs role for a labor union. In the last year of the Dayton administration, she'll need to deftly manage construction of Southwest LRT—which she already sent back for rebidding this fall—and navigate the tricky politics of an organization frequently under fire by the GOP and one that will surely again be threatened with "reform" in the upcoming legislative session.

## John McCarthy

Senior Managing Director,  
Newmark Knight Frank (Minneapolis)

■ Local commercial real estate pros have long recognized John McCarthy as one of the top office brokers in the Twin Cities. In April, McCarthy and Jim Damiani (named to this group of 100 two years ago) opened a Minneapolis office for New York-based Newmark Knight Frank, one of the largest commercial real estate firms in the U.S. McCarthy brings more than three decades of experience, a deep reservoir of contacts and a knack for negotiating to NKF. With McCarthy sharing the helm, NKF brings new, formidable competition to the market.

## Nick Walton

Co-Founder, Reuter Walton Development

■ Nick Walton co-founded (2005) and co-owned Minneapolis-based CPM Companies, which became one of the region's busiest developers of new apartments. Now Walton will lead Reuter Walton Development, a new division of Minneapolis-based Reuter Walton Companies. (CPM is unwinding, but will continue projects under construction and in the pipeline.) The company offers commercial and residential construction and restoration services; the new division will focus on development. Walton is seeing strong growth in the construction business by tackling third-party work for other developers. Given his track record, the future looks bright for Nick Walton.



# Overachievers

## Mary Dana Hinton

**Chair, Minnesota Private College Council**

■ Mary Dana Hinton, who is president of the College of St. Benedict, took on an extra role in July when she was elected board chair of the Minnesota Private College Council. She's now speaking out on issues that affect Minnesota's 17 nonprofit colleges and universities. She will be addressing affordability and access, which are challenges at schools that charge higher tuitions than public schools do. As president of St. Ben's, a Catholic women's college in St. Joseph, Hinton is focused on strengthening women's leadership opportunities and supporting campus inclusion for all.

## Corie Barry

**CFO, Best Buy Co Inc.**

■ After arriving at Best Buy 18 years ago, Corie Barry steadily climbed the corporate ladder and is now CFO of a company with \$39.4 billion in revenue for fiscal 2017. Best Buy faces challenges from online competitors and shifting consumer preferences; Barry has played a key role in the Renew Blue turnaround strategy. Now she's working closely with CEO Hubert Joly on Best Buy 2020. That strategy includes accelerating growth in Canada and Mexico and ensuring that Best Buy can excel in a multi-channel retail environment. In her early 40s, Barry is well positioned to become CEO of Best Buy or another corporation.



## Patrick Talty

**General Manager, U.S. Bank Stadium**

■ If not for Patrick Talty, the Vikings' \$1.1 billion stadium would largely sit empty when the football club is not in residence. Since his early 2015 hire, Talty has worked feverishly—about 18 hours a day early on, he says—to grow U.S. Bank Stadium's event lineup from solely football to international soccer friendlies, motorsports and concerts featuring some of today's (U2)—and yesterday's (Metallica, Guns N' Roses)—top artists. With years of experience booking events for World Wrestling Entertainment and stadiums in Arizona and the United Arab Emirates, the Minnesota Sports Facilities Authority, which manages U.S. Bank Stadium, has invested Talty with the job of keeping the region's world-class arena buzzing beyond the Super Bowl.



## Jonathan Sage-Martinson

**Planning and Economic Development Director, City of St. Paul**

Two major developments in St. Paul are just a few of the challenges facing Jonathan Sage-Martinson. Charged with leading smart planning and economic growth, the Highland Park and Midway neighborhoods will be on Sage-Martinson's mind. Highland residents have been fighting over development of the Ford plant site, while the new professional soccer stadium in Midway will affect the surrounding neighborhoods. Beyond those big projects, Sage-Martinson is also evaluating how to get more low-income residents into good jobs and which transportation options will best serve residents and the local economy.



## David Frank

**Interim Director,  
Minneapolis Community Planning and  
Economic Development (CPED)**

■ When CPED director D. Craig Taylor announced plans to depart in late June, Mayor Betsy Hodges promptly nominated David Frank to step in as interim director. Frank has deep development experience and is passionate about the city. He came to the public sector from Minneapolis-based developer Schafer Richardson in 2011 with a focus on transit-oriented development. In 2015 Frank was appointed as the agency's director of economic policy and development. As *TCB* went to press, the outcome of the Minneapolis mayor's election was not known, but Frank stands a strong chance of continuing to lead the agency, no matter who's elected.



## Margaret Anderson Kelliher

**President/CEO,  
Minnesota High Tech Association**

■ Since leaving her position as Speaker of the Minnesota House of Representatives, Margaret Anderson Kelliher has honed her skills promoting the state's STEM industry. A champion of the state's Angel Investment Tax Credit, she'll no doubt be fighting tooth and nail with the Legislature to revive it, a year after it was killed at the 11th hour.

## Lori Swanson

**Attorney General, State of Minnesota**

■ Serving as the state's attorney general might seem like a thankless job, but Lori Swanson does not back down from a fight. As a watchdog and advocate for Minnesota consumers, she's consistently proven willing to tackle big companies and big issues. In July, Swanson sued phone/Internet/cable provider CenturyLink, a Fortune 500 company, alleging that it was charging Minnesotans higher rates for services than its sales representatives had quoted. In 2016 Swanson's office issued an extensive report on the abuse of opioid painkillers, with policy and legislative recommendations to address the issue. There's speculation that Swanson will run for governor in 2018.



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# Pioneers



## Abir Sen

CEO, Gravie

■ After closing a \$14 million funding round in mid-2017 and, before that, its purchase of Breitenfeldt Group, one of the largest Medicare brokerages in Minnesota, serial entrepreneur Abir Sen sees nothing but potential for his latest startup, Gravie. “We don’t want to have an expiry date where, if you’re 65, we can’t help you anymore,” Sen told *TCB*, about the Minneapolis-based company, which helps individuals and businesses comparison-shop for health care plans. With a wider net of people now able to take advantage of Gravie, Sen believes the startup’s customer count—over 900 employers and 62,000 individuals in 34 states—is bound to grow.

## Christian Benson

Owner, Frost River

■ Benson bought and revived a moribund Duluth-based outdoor gear manufacturer; Frost River is now one of the Zenith City’s many flourishing cut-and-sew businesses. In the past few years, Benson has helped launch a “craft-business district” in the city’s Lincoln Park neighborhood, where Frost River is located. Lincoln Park has been in decline for a couple of decades, but Benson could help turn it around, just as he did Frost River. He’s been joined by Bent Paddle Brewing and the OMC Smokehouse, as well as other local businesses, new and established.

## Dean Phillips

Founder, Penny’s Coffee

■ From his time as an executive at his family’s Phillips Distilling empire, where he modernized and upscaled the product line, to his time as chairman of Talenti Gelato (sold to Unilever after accumulating 5 percent of the U.S. ice cream market from scratch) to his distinctive new coffeehouse/lunch emporia Penny’s, Dean Phillips seems to have a knack for where the marketplace’s sensibility and desires reside. Philanthropic and cause-oriented, Phillips agreed to take on Republican U.S. Rep. Erik Paulsen from the DFL side with a pragmatic but empathetic agenda. The DFL son of privilege-turned-entrepreneur and potential public servant could set the right moderate tone for a very purple district.



## Dale Klapmeier

CEO, Cirrus Aircraft

■ Cirrus cofounder Dale Klapmeier helped revolutionize the aviation industry with his company’s unique parachute safety device, the Cirrus Airframe Parachute System. It’s paid off for Cirrus, which now makes more piston aircraft than any manufacturer in the world. It’s paid off for Duluth as well, which has turned into something of an aviation hub and in 2016 landed a \$12.7 million, 150-job expansion of Cirrus’ HQ. Now, Klapmeier has his sights set higher: the Vision Jet, a personal jet introduced last year with a pricetag starting at \$2 million. The wait list stretches into the hundreds, so no doubt Klapmeier—and the city his company calls home—will continue to prosper.



**TRAILBLAZERS AND INNOVATORS WITH  
A REVOLUTIONARY ROLE IN A COMPANY OR INDUSTRY.**

## John Sturgess

**CEO, Adogo Pet Hotels**

■ After more than two decades in the “human hotel” business,” former Carlson Hotels Worldwide executive John Sturgess shifted his focus to a new clientele: dogs. Now with four Adogo pet hotels—in Minnetonka, Hopkins, Maple Grove and, as of last year, near the MSP International Airport in Richfield—Sturgess is broadening his portfolio with a consultancy aimed at pet-based businesses. Now, on top of watching over your dog, Sturgess and his agency, RetrieveOne, offer training to bring that pet furniture or salon business to a corner near you.



## Federico Tripodi

**CEO, Calyxt Inc.**

■ In 2017, the New Brighton-based ag company Calyxt accomplished something few Minnesota companies have done in recent years: It went public. Shortly after a successful \$64 million raise from its IPO, CEO Tripodi kicked off construction of what his company’s calling “the only ‘concept-to-fork’ facility of its kind,” set to open next spring aside its Roseville headquarters. The facility will not only provide Calyxt with research labs and a test kitchen to demo its foods, which it creates using cutting-edge gene-editing technology, but will also nearly quadruple its staff.

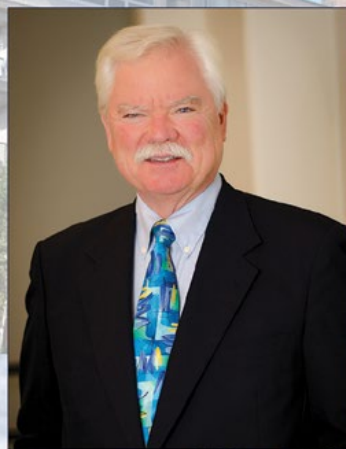
## Matt Briggs

**Founder/CEO, RentTrack LLC**

■ In 2014, Matt Briggs launched RentTrack, an online payment platform to help renters build credit through rent payments. Since then, new users’ credit scores increased by an average of 29 points in two months and 132 points within two years. RentTrack is the first and only company to report rent payments to all three major credit bureaus. This year, the company will process more than \$500 million in rent payments, with a goal of \$1 billion next year. To keep up with the double-digit growth, Briggs plans to double his staff in the Twin Cities to 40 employees in the next year.



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magazine’s 100 People to Know.**



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# Pioneers



## Tim Niver

**Proprietor, Mucci's, Saint Dinette**

■ One of the best-liked people in the often snarky local restaurant community, Tim Niver operates two vastly different restaurants: cozy neighborhood Italian eatery Mucci's and downtown St. Paul's sleek Saint Dinette. They are modern versions of familiar and loved dining models, with hospitality at the center. Niver likes to innovate rather than replicate. He is searching for sites in Minneapolis for a Jewish deli concept that he hopes to open by early next year.



## Derek Falvey and Thad Levine

**Chief Baseball Officer; General Manager, Minnesota Twins**

■ The Twins appear to have hit a home run with their new baseball leadership, acquired from the Cleveland Indians and Texas Rangers, respectively, late in 2016. They engineered a playoff appearance with a lightly changed roster from the previous 103-loss season, and are now embarking on a more wholesale multiyear remake of the Twins' baseball operations. Pitching savant Falvey and the loquacious Levine are taking advantage of the analytics revolution in sports to move the Twins Way in line with the game's cutting edge rather than its old school.



## Nate Kranz

**General Manager, First Avenue**

■ As Nate Kranz enters his 20th year at the "Downtown Danceteria," the man at the center of Minnesota's live-music industry continues to expand his empire. Under Kranz's leadership, First Avenue has grown beyond solely booking acts for its Minneapolis stage and smaller clubs, like St. Paul's Turf Club, to promoting over 1,000 shows annually at venues across the state, including the historic Hennepin Theaters and the University of Minnesota Northrop Auditorium. After reviving St. Paul's Palace Theatre, which last year opened its doors for the first show in 40 years, Kranz and local developers have their sights set on a riverfront amphitheater in North Minneapolis, which would create a venue featuring nearly seven times the 1,500-person capacity of First Avenue.

## Mahamed Cali

**Executive Director,  
KALY Radio (Somali community radio)**

■ Mahamed Cali is the energetic and enterprising leader of the first Somali-American licensed radio station in the U.S. Broadcasting a mix of Somali-language news, Somali music and community information, the station is available over the airwaves in Minneapolis, or via the Internet or mobile app, where the station has listeners across the country. KALY (107.1 FM) allows local schools, health care providers and emergency service providers to reach local residents with civic information and gives new immigrants a pathway to engagement in their new home.



## Kari Rihm

**President/CEO,  
Rihm Family Cos.**

■ Kari Rihm is a pioneer in the truest sense of word: Her company, doing business as Rihm Kenworth, is the only fully woman-owned Kenworth truck dealership in the U.S., making her one of the most influential women in the trucking industry. Rihm took over after the 2010 death of her husband and has since boosted the workforce by 50 percent. In 2018, the company will move to a brand-new headquarters building in South St. Paul.

## Kit Richardson

Principal, Schafer Richardson

■ Minneapolis' North Loop was once a no-man's land of parking lots and aging warehouses. Kit Richardson saw the future of the neighborhood, now bustling with residents, restaurants and creative companies. Minneapolis-based Schafer Richardson, co-founded by Richardson in 1995, was among the busiest developers during the pre-recession Great Condo Boom, with North Loop projects such as 710 Lofts, 720 Lofts, 730 Lofts and Bassett Creek Lofts. Like all developers, it was stung by the recession, but the firm is busy again with projects such as Red 20, a market-rate apartment project in Northeast Minneapolis.



## Kian Salehi

Cofounder/CEO, Bite Squad

■ These days there are no shortage of companies (including Amazon and Uber) that want to deliver food from your favorite restaurant to your door. But when Minneapolis-based Bite Squad launched in 2012, it was still a new concept. Under the leadership of Kian Salehi, Bite Squad remains the dominant player in the Twin Cities due to the size of its network, the strength of its brand and its reputation for service among customers and restaurants alike. What local stay-at-home diners might not know is that Salehi is expanding nationally at a strong clip: it's now in 30 markets across the U.S. and hungry for more.

## Bob Sheehy, Kyle Roling and Tom Valdivia

Cofounders, Bright Health

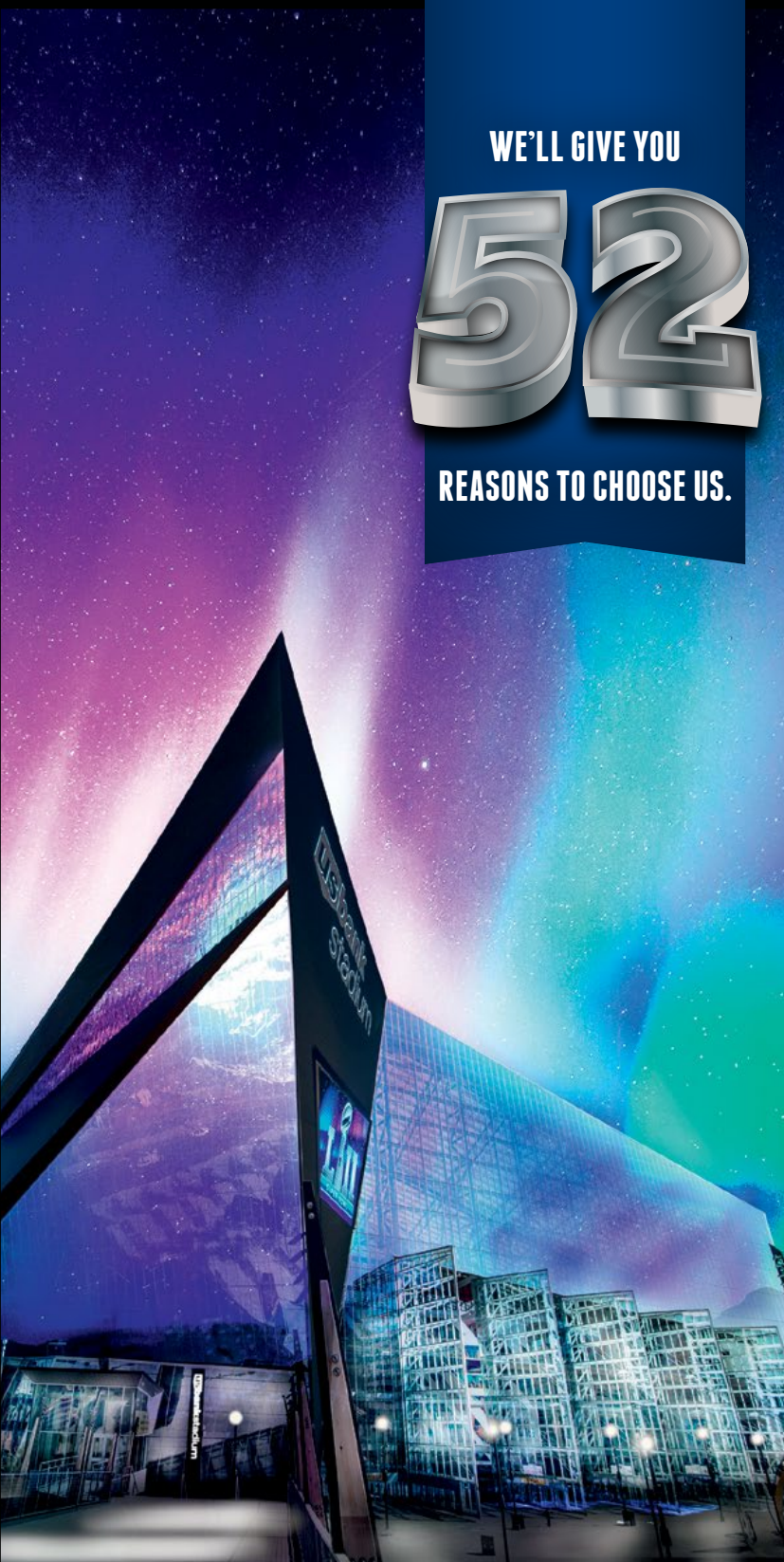
■ What happens when three of the sharpest minds in Minnesota's health care industry decide to tackle the individual market? The answer is Bright Health, a startup that reduces costs by partnering with health providers in a given metro. Though currently only offering plans in Denver and Birmingham, Ala., the trio's credentials (Sheehy is former CEO of UnitedHealthcare, Roling is a former CEO of Definity Health and RedBrick Health, and Valdivia is a serial health care entrepreneur) helped the organization raise hundreds of millions of dollars. Expect further investment and new markets—Bright Health will expand to Arizona in 2018—as the new year begins.



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# Titans



## Dan Oskey

**Founder/Chief Operator,  
Tattersall Distilling**

■ Dan Oskey knows how to make a good cocktail. From bitters and tonics to spirits and liqueurs, Oskey has made them all. During his time bartending at the late, great Strip Club Meat & Fish, Oskey was repeatedly recognized for his alchemy. Since he opened Tattersall Distilling in Northeast Minneapolis in 2015, business has taken off. The distillery makes 23 spirits and liqueurs, ranging from barreled gin to an Americano liqueur. Last year, Tattersall completed a 6,000-square-foot expansion to keep up with demand from out-of-state distributors, and in 2018 Tattersall will open a cocktail room at the Minneapolis-St. Paul Airport.



## Laysha Ward

**Executive VP/  
Chief External  
Engagement Officer,  
Target Corp.**

■ In her longtime role as Target's chief corporate social responsibility officer, Laysha Ward has made a major impact on the country's philanthropic agenda. The retailing giant is renowned for donating 5 percent of its profits to charity, so when Ward announced a shift in focus to children's health and wellness causes, it gave the national movement against youth obesity a powerful new ally. Expect more efforts focusing on healthy foods and physical activity for kids in 2018.



JOHN MOWERS PHOTOGRAPHY

## Inge Thulin

**CEO, 3M**

■ Maplewood-based 3M continued toward a leaner operation in 2017, completing the sale of several business units and simplifying its structure. Since Thulin took over in 2012, the industrial supplies manufacturer has seen business sectors shrink from six to five, and business units downsize from 40 to just over 20. The condensing—all by Thulin's design and part of his now-complete five-year growth plan—was meant to make 3M “more relevant to customers, more agile and more competitive,” the company says. With Thulin at the helm, 3M sees further payoff on the horizon, particularly for shareholders, as the company expects shares to experience double-digit percentage growth by the end of the decade.

## Alan McLenaghan

**CEO, SageGlass**

■ Since becoming CEO in 2013, Alan McLenaghan has continued to build on the growth pace set by SageGlass founder John Van Dine. To date, SageGlass has installed its electrochromic (electronically tintable) glass in more than 700 projects and buildings worldwide, including Mall of America and the Warwick Geneva Hotel in Switzerland. In his four years as CEO, McLenaghan has grown headcount from 150 to more than 230. In October, the Faribault-based manufacturer added teams in Denmark, Norway and Sweden to continue expanding its market reach.



## Kelly Doran

Founder and Principal, Doran Cos.

■ After a career mostly spent in shopping center development, Doran switched gears when he started Bloomington-based Doran Cos. in 2007. Over the last decade he has become one of the top multifamily residential developers in the Twin Cities. After starting in Minneapolis with student and market-rate apartment projects, Doran branched out to the suburbs with projects in Brooklyn Park, Hopkins and Maple Grove. The company's Doran Construction division has a growing book of business and has built numerous apartment projects for other developers. Now the company is reaching beyond the Twin Cities, expanding to Denver.



## Lourenco Goncalves

Chairman/CEO/President, Cleveland-Cliffs Inc.

■ Goncalves' Cleveland-based company has major taconite operations in Hibbing, Silver Bay and Eveleth. In the past year, iron mining has been coming back, and Cleveland-Cliffs' fortunes have also improved. That's due partly to the economy, and partly to Goncalves shrinking the company's debt load, allowing it to pursue new projects. Goncalves had hoped to produce direct-reduced iron pellets at the former Essar Steel facility in Nashwauk. Chippewa Capital Partners triumphed for ownership of the site. Goncalves has announced a \$75 million upgrade of its Northshore mine to produce a specialty type of iron ore pellet.

## David Kvamme

Upper Midwest Lead Region President/Minnesota CEO, Wells Fargo & Co.

■ Wells Fargo's David Kvamme has distinguished himself as one of the Twin Cities' top business leaders since his elevation to regional CEO in 2011. He played a key role in the bank's decision to locate its new corporate campus in downtown Minneapolis, and last year was re-elected to serve on the board of the Minnesota Chamber of Commerce. His stature at the bank will likely only grow in the coming year after emerging as head of its Midwest/East region following a leadership shake-up.



## Jonathan Lamb

President, Lake Superior Warehousing Co.

■ The Duluth-Superior port has always been known for ships, of course. Now Lamb is leading the effort to make it an intermodal hub as well, transferring container cargo between trains and trucks—no boats involved. Lamb's company, which manages and markets the port's physical operations for the Duluth Seaway Port Authority, launched its intermodal service this past March. If successful, it will provide the port income during the winter months, when the docks are closed. Lamb, whose career includes executive positions at Texas-based BNSF Railway, is directing the service, which is off to a promising start.



## Penny Wheeler

President/CEO, Allina Health System

■ After a rough 2016, during which her leadership was tested by a lengthy nurses' strike, 2017 has been a bounce-back year for Penny Wheeler, during which she has reestablished her credentials as a key corporate leader. The financial markets gave her a vote of confidence by granting favorable ratings to Allina's \$231 million bond issue, which will mainly be used for facility improvements throughout its extensive system. Look for Wheeler to maintain a high profile in the national health insurance debate in the coming year.



## Jeff Gau

CEO, Marco Technologies LLC

■ Jeff Gau started with Marco Technologies as a sales rep in 1984 and worked his way up to CEO, forging a reputation as one of the most honored leaders in the Upper Midwest as he built the St. Cloud data networking company into a powerhouse, with estimated revenues of \$275 million. When the firm was sold to Norwest Equity Partners in 2015, Gau agreed to stay on for five more years, saying he will continue Marco's aggressive acquisition strategy into the future.





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# Titans

## Tim Murnane

**President/CEO, Opus Holding LLC**

Like many developers, the former Opus Corp. was stung by the Great Recession. Opus veteran Tim Murnane took the helm of the company in 2010 and rolled up his sleeves. Under Murnane’s leadership, business is booming again. The company has struck gold in the Twin Cities and around the country with market-rate and student apartments, spec industrial projects and build-to-suit office deals. Opus and Murnane are bullish on the future; in downtown Minneapolis, a 30-story, 370-unit apartment tower at the north end of Nicollet Mall is set to open in summer 2018.



## Gene Munster

**Managing Partner, Loup Ventures**

Wall Street considers Gene Munster one sharp guy. During more than two decades at Minneapolis-based Piper Jaffray Cos., he drew national attention for his analyst coverage of Apple and other tech companies. At the outset of the year, Munster launched Loup Ventures, a research-driven, early-stage venture capital firm with offices in Minneapolis and New York. With an initial goal of raising \$20 million for its fund, the future-focused firm is looking to invest in artificial intelligence, robotics, virtual reality and augmented reality. Given his history of tracking tech trends, it’s tough to bet against Munster.

## David Wilson

**Senior Managing Director,  
Accenture (Minneapolis)**

Business services giant Accenture Holdings is based in Ireland, but David Wilson’s desk is in downtown Minneapolis. Wilson has long been a key booster for downtown Minneapolis businesses, residents and culture. He’s active on the Minneapolis Downtown Council, where he chairs its Greening and Public Realm Committee. In the same spirit, Wilson chairs the board at nonprofit Green Minneapolis, which seeks to bring more green space to the cityscape. Wilson regularly rolls up his sleeves to help make downtown better for workers, residents and visitors.





## Mark Stutrud

Founder/CEO,  
Summit Brewing Co.

■ After 31 years and an increasingly crowded market, Summit Brewing remains Minnesota's second-largest brewer and is ranked by the Brewer's Association as the 26th-largest brewer in the U.S. based on 2016 sales volume. But with Summit's announcement earlier this year that it will cease distribution in six states, it will be interesting to see what changes, if any, Stutrud makes in 2018. One that's already occurring is a remodel of Summit's beer hall.

## David Burley and Stephanie Shimp

Co-owners, Blue Plate Restaurant Co.

■ It's hard to understate how difficult it is to do what Burley and Shimp do—concept restaurants more for customers than critics, while moving from success to success with nary a clunker in the bunch. Whether it's the State Fair's wildly popular Blue Barn or taking a failed restaurant location in downtown Minneapolis' financial district and turning it into the jumping Mercury, these two know their customers and what the Twin Cities customer is looking for. The common denominator is a customer-centric approach and concepts that feel right for where they are.



## Jim Hovland

Mayor, City of Edina

■ Edina residents clearly like Mayor Jim Hovland's leadership. He was reelected to his fourth term as Edina mayor in November 2016 with 97 percent of the vote. He had no opponent. There has been a fair amount of new development in Edina during Hovland's tenure, and there's more to come: a hotel is under construction and a major makeover of the 50th and France retail area is in the works. Hovland has been a key player encouraging new investment in the first-ring suburb and advocates for its NIMBY-inclined officials to aspire to a higher vision. He's also working on larger, regional issues; in 2015 the Met Council tapped Hovland to chair its Transportation Advisory Board.

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# Titans

## John Tedesco

CEO, Leadpages

■ When Leadpages founder Clay Collins stepped down as chief executive earlier this year, he cited the need for a leader who could scale the company. "It's time to have the scaling dude in the seat to take us to \$100 million-plus. And that dude is John Tedesco," he said. Colloquially expressed, but not wrong. Tedesco has worked at several fast-growing companies, including When I Work, SportsEngine (acquired by NBC last year) and Ovative/group. He joined Leadpages as COO and mentor to Collins. Now it's his time to prove he can take one of Minneapolis' most-successful startups and bring it into the big leagues.

## Andy Cecere

CEO, U.S. Bancorp

■ Andy Cecere leads the parent company of U.S. Bank, the fifth-largest commercial bank in the United States. High-profile CEO Richard Davis passed a very weighty baton to him on April 18. Cecere, promoted from president and COO, now heads a company of about 73,000 employees well-positioned locally against a Wells Fargo struggling to emerge from a year of scandal. Cecere, a U.S. Bank employee since 1985, is now in charge of dealing with a slow-growth economy that has stressed the banking industry. He serves on the board of trustees at the University of St. Thomas and on the board of overseers of the Carlson School of Management at the University of Minnesota.



## Chuck Runyon and Dave Mortensen

CEO; President,  
Self Esteem Brands LLC

■ Chuck Runyon and Dave Mortensen moved the headquarters of Self Esteem, the parent of Anytime Fitness and Waxing the City, from Hastings to Woodbury in 2016 to better position the company for growth and attracting talent. Earlier this year, Anytime became the first U.S.-based fitness franchise to be granted a franchising license in China. Today, there are more than 3,600 locations in all 50 states and nearly 30 countries, and Runyon and Mortensen have plans to open 400 annually for the next five years.



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# Lou Nanne

**Chairman,  
Nothing Short of Greatness Campaign**

■ Lou Nanne is the consummate insider in the sports, business and media worlds, which is why he's chairing the University of Minnesota's \$200 million fundraising campaign to upgrade its athletic facilities. (About \$130 million has been raised to date.) A former Gopher and North Stars hockey player, Nanne raised money for the Athletes Village that's set to open in early 2018. Naming rights are part of the fundraising strategy, with the hockey arena becoming 3M Arena at Mariucci. Nanne is also senior managing director of institutional sales at RBC Global Asset Management and a blunt hockey analyst on radio and TV.

# Jon Cherry

**President/CEO/Director, PolyMet Mining Inc.**

■ In March 2016, PolyMet's proposal for an open-pit copper-nickel mine and metals processing plant near Hoyt Lakes cleared Minnesota's environmental review. Now the Toronto-based company, part-owned by Swiss commodities giant Glencore, awaits approval on over 20 state and federal permits. It's been a long slog for Cherry, who's been PolyMet's top exec since 2012. If the company can obtain the permits, raise \$550 million to start construction and overcome any lawsuits, he'll finally be able to build PolyMet's first mine.

# Cathy Connett

**CEO, Sofia Fund**

■ An engineer with a Harvard MBA, Cathy Connett is a force in the Twin Cities, supporting and advising businesses. She heads the Sofia Fund, which provides investment capital for women-led companies, particularly with a technology focus. It has deployed about a third of its funds in a \$5.5 million investment pool, and is looking for early-stage companies for strategic investments. Connett is a connector who has deep relationships with businesspeople in every kind of organization, from giant public companies to small startups. She also works on new business initiatives and ownership transitions as president of her consulting company, CorConnections LLC.



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# Building Tourism

Minnesota’s hospitality industry is leveraging the Super Bowl, new hotel capacity and public investments to expand economic activity.

By Liz Fedor



The pinnacle of the National Football League season will be showcased in U.S. Bank Stadium in February when conference champions battle for a Super Bowl title.

Nobody knows whether Super Bowl LII will offer the come-from-behind drama that the Patriots produced in the last Super Bowl, but it will be a watershed moment for Minnesota’s hospitality industry.

The throngs of people coming to Minnesota for the Super Bowl need to be housed, fed, transported and enter-

tained—all in the heart of winter. “Being able to pull off a successful event like that allows you to stand out from the pack,” says Brent Foerster, senior vice president of destination sales for Meet Minneapolis, the city’s convention and visitors association.

Foerster and his hospitality peers from around the country don’t risk torn ACLs or broken collarbones in their day jobs, but they are fighting over the same national business.

“This industry is very competitive,” Foerster says. “Meeting and event planners have got a lot of choices. There aren’t a lot of cities staying status quo.”

The Twin Cities metropolitan area is wrapping up another strong year in the hospitality sector, and leaders are forecasting growth in 2018 based on major events that already have been booked.

In addition to the Super Bowl, Minneapolis is set to host the 2018 Summer X Games (36,700 attendees), the National Baptist Convention (20,000 attendees), National Education Association annual meeting (16,000 attendees) and NCAA Women’s Volleyball championship (15,000 attendees). These large events are on the docket for U.S. Bank Stadium, the

Target Center and Minneapolis Convention Center.

The city of St. Paul is getting in on the Super Bowl action by hosting an NFL opening night event on January 29 that is expected to attract 10,000 people to Xcel Energy Center. The NCAA Men’s Frozen Four hockey tournament is estimated to draw about 18,000 daily in April. The Minnesota Dental Association is convening at the RiverCentre for a Star

of the North convention that’s set for 9,000 people. SuperValu will be using the same venue for a national sales expo for 5,000 people.

## Hotel demand rising

There are about 41,600 hotel rooms in the Minneapolis-St. Paul metropolitan area, and the supply of rooms is expected to grow by 2 to 5 percent during 2018, according to a September report by CBRE

## VISITOR NUMBERS AND SPENDING KEEP RISING

The number of people visiting the Minneapolis-St. Paul area on an annual basis has risen by 28 percent between 2010 and 2016. The money these visitors spend has exceeded \$7 billion since 2013.

Year	MSP Visitors (In Millions)	MSP Visitor Spending
2010	25.3	\$5.9 billion
2011	26.8	\$6.5 billion
2012	27.9	\$6.9 billion
2013	29.4	\$7.1 billion
2014	30.9	\$7.4 billion
2015	31.6	\$7.5 billion
2016	32.5	\$7.6 billion

SOURCE: DK SHIFFLET



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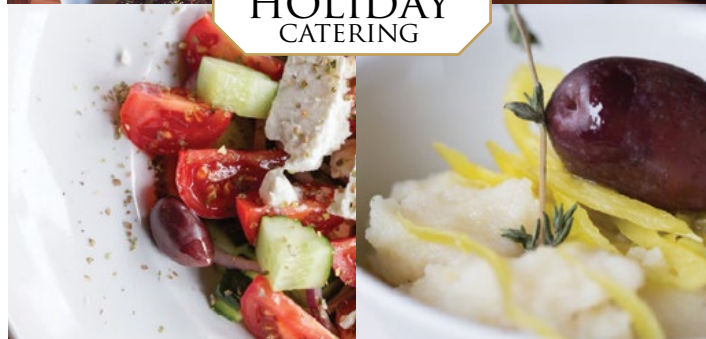


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## TRENDING | MEETINGS



The Como Park Conservatory in St. Paul is an attraction for tourists as well as Twin Cities residents.

### 2018 MAJOR EVENTS AND CONVENTIONS IN MINNEAPOLIS

Date	Group or Association	Attendees
1/19-1/26	World Masters Cross-Country Ski Association 2018 Masters World Cup	3,100
2/4	NFL Super Bowl LII	125,000
2/25-2/28	Society for Mining, Metallurgy & Exploration Annual Meeting and Exhibit	3,000
3/13-3/15	Midwest Poultry Federation Annual Convention	2,200
5/6-5/9	American Oil Chemists Society Annual Meeting	1,800
5/29-6/2	American College of Sports Medicine Annual Meeting	1,900
6/13-6/15	Association for Professionals in Infection Control & Epidemiology Annual Conference	3,500
6/23-6/26	National Association of College & University Attorneys Annual Meeting	1,500
7/1-7/7	National Education Association Annual Meeting	16,000
7/19-7/22	ESPN Original Entertainment Summer X Games	36,700
7/26-7/28	Women's National Basketball Association All Star Game	12,000
8/3-8/7	American Correctional Association Congress of Correction	2,000
8/23-8/29	American Legion National Convention	9,500
9/2-9/7	National Baptist Convention Annual Session	20,000
9/21-9/22	Delta Vacations Delta University	2,500
9/22-9/27	International Association of Assessing Officers Annual Conference	1,100
10/17-10/20	Society of Women Engineers Conference	6,000
11/14-11/17	National Association for Gifted Children Annual Convention & Exhibition	2,500
12/13-12/15	NCAA Women's Volleyball Division I Championship	15,000

Hotels' America Research.

The rate for adding hotel rooms in the Twin Cities area falls within the same forecasted range as Chicago, Houston, Atlanta and Los Angeles.

In the Twin Cities metro, CBRE estimates that revenue per available room will increase 0.3 percent in 2018, reversing the downward trend of 2017.

There has been some discounting of hotel rates in downtown Minneapolis and downtown St. Paul as new hotel rooms have been added.

In downtown Minneapolis and the University of Minnesota area, the count for hotel rooms was 8,551 at the end of September. "We've seen a significant supply increase," Foerster says, noting that the number of hotel rooms has spiked 14.2 percent within a year. Year-to-date through

SOURCE: MEET MINNEAPOLIS



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Many convention visitors are using the light rail to travel around Minneapolis.

September, the occupancy rate in this area was 70.3 percent, which is down 5.2 points from the prior year, Foerster says. When there is such a dramatic increase in the supply of rooms, the occupancy rate tends to fall as the marketplace adjusts to the new economics. “It generally takes a while for the demand to catch up,” Foerster says. But he’s pleased with what he’s been seeing. “We have generated an 8.2 percent increase in demand,” he says.

Terry Mattson is encouraged by what he’s seeing in the hotel market in St. Paul. “We’ve had a 20 percent increase in lodging inventory in St. Paul,” says Mattson, president and CEO of Visit Saint Paul/RiverCentre. “It definitely improves the quantity and quality of offerings for St. Paul,” Mattson says. “It also creates some turbulence because of increased capacity and competition.”

2018 Major Events and Conventions in St. Paul

Date	Group or Association	Attendees
1/18-1/20	Red Bull Crashed Ice	100,000
1/29	NFL Opening Night for the Super Bowl	10,000
2/3	Taste of the NFL	2,500
2/5-2/9	LeadingAge of Minnesota Institute	1,500
2/20-2/24	MN Girls State Hockey Tournament	18,000
2/28-3/3	MN Boys State Wrestling Tournament	18,000
3/10-3/12	MN Boys State Hockey Tournament	18,000
3/10-3/12	National Youth Leadership Council	500
3/15-3/17	National Collegiate Hockey Conference	12,000
4/5-4/7	NCAA Men’s Frozen Four Hockey Tournament	18,000
4/9-4/11	Upper Midwest Convenience Store and Energy Convention	1,500
4/18-4/22	Society of Architectural Historians	350
4/26-4/28	Minnesota Dental Association Star of the North Convention	9,000
5/26-5/31	Hmong District of the Christian and Missionary Alliance’s Convention	9,000
6/11-6/13	Pizza Ranch Annual Sales Meeting	1,000
7/22-7/26	SuperValu’s National Sales Expo	5,000
10/5-10/7	Twin Cities Marathon	20,000
10/22-10/24	CliftonLarsonAllen Private Sector Industry Conference	975
11/8-11/10	MN Girls State Volleyball Tournament	18,000

SOURCE: VISIT SAINT PAUL

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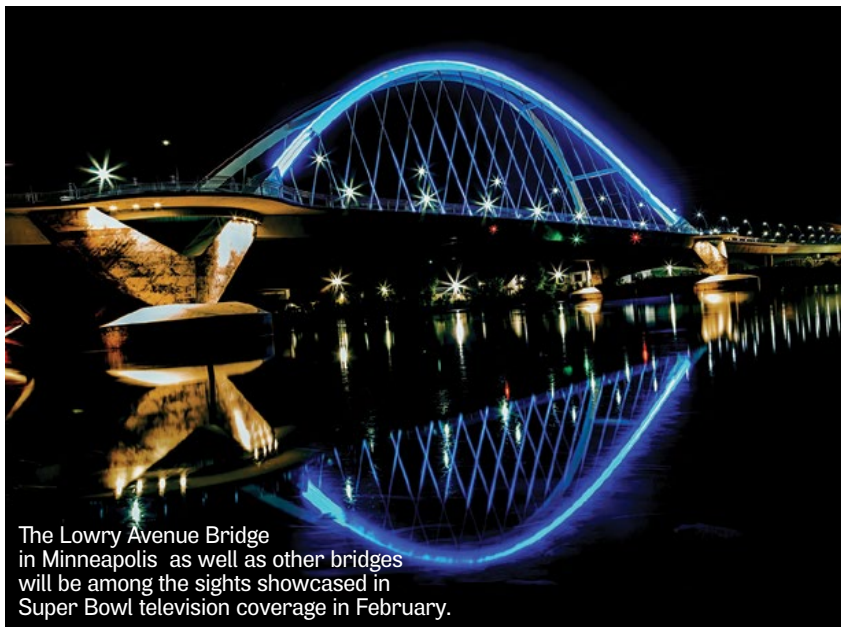
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The Lowry Avenue Bridge in Minneapolis as well as other bridges will be among the sights showcased in Super Bowl television coverage in February.

The hotel room inventory in downtown St. Paul is now 1,808, up from 1,499 a year earlier. Hyatt Place opened in St. Paul in September 2016 followed by the Hampton Inn in November 2016. An Extended Stay Marriott is under construction and set to open in 2018.

“2016 was a record year for hotel

revenues in St. Paul,” Mattson says. And despite the added inventory in St. Paul and the metro area, he notes that room “rates are coming back up.”

#### New facilities drive traffic

About 32.5 million people visited the Minneapolis-St. Paul metro area in 2016,

according to research by Virginia-based DK Shifflet. “We have been trending up at a steady pace,” says Foerster, who points to the fact that there has been annual visitor growth since 2010 when the visitor count was 25.3 million.

In 2016, those visitors spent about \$7.6 billion, and that number is expected to rise in 2017 and 2018.

Foerster reports that multiple tourism categories are experiencing growth—leisure travelers, business travelers and meeting, event and convention attendees.

“The city itself is growing,” he says. “The existing corporations are growing.” He describes Minneapolis as a “robust city,” where there has been substantial investment in sports facilities such as U.S. Bank Stadium, TCF Bank Stadium and the newly renovated Target Center.

He also argues that the local hospitality sector is getting a boost from expansions at the Mall of America and Minneapolis-St. Paul International Airport, investments in light rail and the renovation of Nicollet Mall.

In 2018, Foerster says, “I see the leisure market continuing to grow. Our ef-

forts there are producing results. Business travel both nationally and for the city will also grow.” The business travel market, he says, represents about 40 to 50 percent of the hotel room nights in the city.

While meeting and event planners want gatherings of all sizes to be held in the Twin Cities metro, one event is dwarfing them all for the moment.

“The Super Bowl is our focus right now,” Foerster says. “My sales team is really trying to use it as leverage to get attention for future events.”

He explains: “Our slower period for tourism and national events is in the winter. Being able to produce the Super Bowl in the dead of winter makes people stand up and say, ‘Hold it. If the Super Bowl will go there and they do a successful event, maybe my winter event could rotate through Minneapolis.’”

#### St. Paul’s image makeover

While St. Paul has a smaller downtown commercial district and fewer hotel rooms than Minneapolis, the state’s second-largest city has been increasing its attractions, population and lodging capacity.



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“There is definitely a very cool rising vibe about St. Paul,” Mattson says. “CHS Field has been a catalyst to not only direct business in the Lowertown area, but has done a lot to enhance the image and population of St. Paul in general.”

CHS Field is the home of the St. Paul Saints minor league baseball team, which has drawn more than 400,000 fans during each of its first three years in the new ballpark.

“It stimulated development in that part of the city, and you have a soccer stadium coming in on the other side of St. Paul,” Mattson says. Bill McGuire, principal owner of a Major League Soccer team, is moving forward with construction of a soccer stadium in the Midway neighborhood of St. Paul, which is off of I-94 and near the Minnesota State Fairgrounds.

Mattson predicts that the soccer stadium’s associated development will include a new hotel.

“For many years, St. Paul was underserved in the quantity of hotel rooms,” Mattson says. But he sees that changing as new hotel rooms come on line and



The number of hotel rooms in the downtown Minneapolis area has spiked by 14.2 percent within a year.

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St. Paul community leaders want to replace the RiverCentre parking ramp, and a private developer might build a convention hotel on top of the ramp.

historic buildings are renovated.

In St. Paul, the former U.S. Post Office and Custom House on Kellogg Boulevard was redeveloped into a 149-room Hyatt Place hotel and 202 luxury apartments.

The former Macy's building in downtown St. Paul is being renovated into a practice rink for the Minnesota Wild, a health care clinic and retail and office space.

Mattson argues that all of this economic activity has a positive effect on the tourism and hospitality industry. "I still see a lot more opportunities in the future," Mattson says. "Right now we are putting those pieces together that will lead to more success for St. Paul."

### Proximity to Minneapolis Convention Center

When the 2018 Summer X Games are held in the Twin Cities, the attendees are expected to need a peak of 7,060 hotel rooms. "They are using two venues—U.S. Bank Stadium and the Mall of America," Foerster says. The athletes, their families, fans and sponsors will be staying in hotel rooms across Minneapo-



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lis and the metro area.

"That type of group fits very well with the hotel supply that we've added," he says, noting that the X Games visitors are receptive to taking the light rail between the venues.

In Minneapolis, he notes, "We are walkable. We have great light rail." But he emphasizes that a lot of the new hotels "are kind of spread out and not near the convention center."

While some conference and event planners will entertain using multiple hotels for their attendees, Foerster says that is not the case with some associations.

For example, he says, if there is an event at the Minneapolis Convention Center with about 3,000 attendees, they could require 1,500 to 2,000 hotel rooms. In some cases, he says, "They want as many people in as few hotels and as close to the convention center as possible."

Minneapolis hotels that have about 150 rooms and minimal meeting spaces primarily are being used by business and leisure travelers, Foerster says, as opposed to convention attendees.

One national organization that will

be convening at the Minneapolis Convention Center in 2018 is the Society of Women Engineers. About 6,000 people are expected to attend the annual conference in October.

The all-star game for the Women's National Basketball Association will be at Target Center in 2018, and that same venue will be used for the NCAA Women's Volleyball Championship tournament.

Foerster says Minneapolis event planners aren't only targeting women's events. "We have a diversity initiative as a whole," he says.

### Convention hotel in St. Paul?

Minneapolis has had a surge of new hotel construction in the past few years. St. Paul is a smaller marketplace. Yet, Mattson says, "There is really a lot of interest for hoteliers to develop properties. We still have our eye on building a convention hotel connected to the RiverCentre."

He is hopeful that a hotel will be constructed on top of a new RiverCentre parking ramp. "The city owns the convention center, parking ramp and Xcel



Embracing winter is common among Minnesotans, and that spirit will be on display in February when Minneapolis hosts the Super Bowl. Activities will be held around the Twin Cities days before the big game is played in U.S. Bank Stadium.

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Energy Center,” Mattson says. “Visit Saint Paul manages the parking ramp.”

The RiverCentre parking ramp was constructed in 1970. St. Paul city leaders have developed a RiverCentre and Kellogg Boulevard infrastructure project with a price tag of \$116 million.

“Reconstruction of a new ramp will need a partnership with the state of Minnesota,” Mattson says. The city is requesting \$58 million from the state to cover half the cost of designing, constructing, furnishing and equipping a new RiverCentre parking ramp and adjacent eastbound Kellogg Boulevard bridge.

Under this proposal, the city of St. Paul would split the project cost with the state.

The proposal summary states: “A 2015 engineering study deemed the ramp structurally deficient due to outdated design, condition of the ramp and age. Engineers have deemed a complete rebuild by the year 2020 is necessary for its continued operation.”

In addition, the proposal says, “The most recent [Minnesota Department of Transportation] structural inventory report deems the eastbound Kellogg Bridge

as structurally deficient and after 81 years has reached the end of its useful life.”

While St. Paul leaders want to build a replacement ramp with public funds, Mattson says they are strictly looking for private development of a hotel atop the ramp or a combination hotel/retail/residential project.

Common Sense Collaborative, a travel industry consulting firm, conducted a study for Visit Saint Paul and prepared a report called “2017 Saint Paul Convention Center Hotel Analysis.”

The consultants argue that the RiverCentre ramp replacement “presents a unique opportunity to develop an iconic convention center headquarters hotel.”

They wrote: “The meeting planning customers with whom we spoke are favorable to Saint Paul, and would put more business in the city if a room block of 500 plus rooms could consistently be secured and if there was more breakout meeting space at RiverCentre.”

Overall they concluded: “Currently, the downtown Saint Paul occupancy is supported by strong business travel, a large number of special events, the suc-

cessful Minnesota Wild season and the St. Paul Saints at the new CHS Field. Yet, the current growing occupancy is vulnerable to a proliferation of limited service hotels, a downturn in the economy, reduced business travel, or a weak concert and event season.”

### Statewide perspective

Tourism businesses employ about 260,000 people in Minnesota, and the leisure and hospitality sector is a \$14.4 billion industry, according to Explore Minnesota, the state’s tourism promotion office.

A lodging survey conducted in late August by Explore Minnesota showed a “modestly positive assessment of business expectations” for the 2017 fall season.

The online survey was emailed to 1,753 lodging properties and campgrounds across Minnesota, and survey results were tabulated from 284 businesses. Responses for summer lodging occupancy were a mixed bag, with about one-third reporting an increase, one-third a decline and one-third the same as the 2016 summer.

Regarding revenue for the summer

season, a weighted average 42 percent of businesses indicated that revenue was up, 28 percent said it was the same and 30 percent indicated it was down.

In a statement, Explore Minnesota says, “Demand for hotel rooms has not kept up with Minnesota’s substantial recent growth in room supply, which has been concentrated in the Minneapolis-St. Paul metro region.” It reports, “Each of Minnesota’s other four tourism regions had positive or same level occupancy and revenue results.”

Some other key insights emerged from the Explore Minnesota survey. “Metro region businesses noted in comments that they would not be able to replicate fall 2016 business levels, which received big boosts compliments of the Ryder Cup and the nurses’ strike a year ago,” Explore Minnesota said in a statement.

Finally, the organization indicates, “Respondents cited the continuation of a strong economy and low gas prices as positives for business.” **tcbmag**

*Liz Fedor is the Trending editor for Twin Cities Business.*



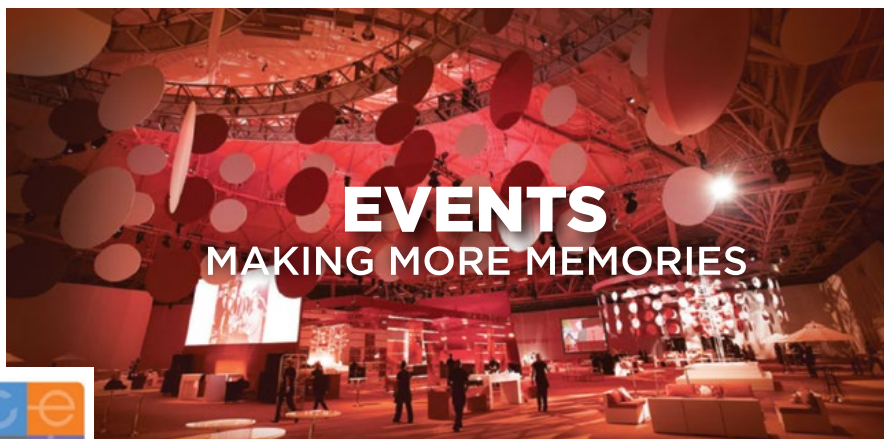
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# Healthy Workplaces

**On-site and near-site clinics, along with wellness programs, are producing good results for employees of Minnesota companies.**

**By Nancy Crotti**

**Lynette Kluver** didn't realize it at the time, but a joke she made during a business meeting would change people's lives and her employer's bottom line.

Kluver and her colleagues at Alexandria Industries were discussing employee health and wellness with the company's insurance broker. A wellness consulting firm had been advising employees on health issues and lifestyle changes for 12 years, based on annual biometric measurements. Employee health was improving, leaving those at the meeting pondering next steps.

"I sort of flippantly said, 'Well, I think it's time to open a clinic,' and we all sat back and looked at each other and said, 'Well, let's talk about that,'" recalls Kluver, director of organizational development for Alexandria Industries. "It wasn't that we didn't have very good health care facilities nearby. There were just some things about the accessibility, the delivery, and we just decided that we really wanted to deliver health care differently to our employees and their family members; and I believed

we could save some dollars as well."

She was right. The aluminum extrusion and precision engineering manufacturer commissioned its wellness provider, Achieve Wellness of Eau Claire, Wis., to start operating a clinic in September 2016 near three of its Alexandria facilities. The 1,963-square-foot "near-site" clinic's location in a shopping center saved the company precious manufacturing space and gives its mostly Minnesota-based 475 employees and their families some privacy, too.

## No extra charges

A nurse practitioner and a licensed practical nurse provide care for minor illnesses and injuries, dispensing common prescription medication. They also administer preventive care such as flu shots, physicals and well-baby visits. All services and prescriptions filled on-site are free to those covered by the company health insurance plan.

Each employee who improves the majority of their biometric scores year over year gets a \$100 company bonus. After

the clinic had been open 10 months, 70 percent of eligible employees were using it. Company officials haven't measured time off for medical appointments, but they know it has dropped.

"We don't have people taking an hour or two to go to the doctor," Kluver says. "You run over there and 10 minutes later you're on your way."

Beyond saving employee time, one of those visits may have been a lifesaver. "We had an individual who thought they had an allergy and [nurse practitioner] Sarah [Breitzman] diagnosed a coronary issue," Kluver says.

Alexandria Industries expected to break even 18 months after the clinic opened, but may do so sooner. "We're almost funding it by the cost savings we see from lab expenses and prescription expenses," Kluver says. "That is really where we're seeing our return on investment."

In its 2016 Strategic Benefits Survey, the Society for Human Resource Management found that 65 percent of organiza-



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tions with a wellness program said it was somewhat or very effective in reducing health care costs; 72 percent rated their wellness initiatives as somewhat or very effective in improving employee health.

On-site and near-site clinics, once limited to large corporations, are gaining popularity with mid-size employers, according to Rey Balcazar, Minneapolis office business leader for health and benefits broker Mercer. The Midwest is leading the way. Mercer research shows clinics popping up in Indiana and Ohio, and the phenomenon is spreading across the country.

### Workplace clinics gaining momentum

Bloomington-based HealthPartners reports increased interest in virtual and on-site clinics from Minnesota employers, according to Laurie Hurtgen, senior manager of Worksite Health.

HealthPartners is the largest worksite clinic provider in Minnesota, with 16 Well@Work on-site clinics serving more than 65,000 patients, Hurtgen notes.

HealthPartners' first worksite clinic opened in 2006.

"We are seeing a strong interest in [workplace clinics]," Balcazar says. "It's just aligning resources, aligning the collaboration between individual employer groups and, of course, with the proper vendor."

Some disparate employers are even banding together to share the services of a near-site clinic, particularly in industrial parks, he adds. It's no wonder, given that the average per-employee health benefit cost is predicted to rise by 4.3 percent on average in 2018, the highest since 2011, according to Mercer's 2017 National Survey of Employer-Sponsored Health Plans. Previous surveys have found average annual increases of about 3 percent.

Survey respondents estimated that 4.3 percent as the cost increase after they take steps to lower benefit expenses. Without those measures, they expected health benefit costs would rise by 6 percent.

### General Mills expanding wellness services

Even companies with longstanding workplace clinics are changing them to improve employee health and the bottom line. General Mills has had a

clinic at its Golden Valley headquarters for more than 40 years, according to Erin Dunn, director of global business and employee services.

The clinic was company-run until February 2016, when General Mills brought in a third-party provider to broaden clinic services and respond to changing health care regulations.

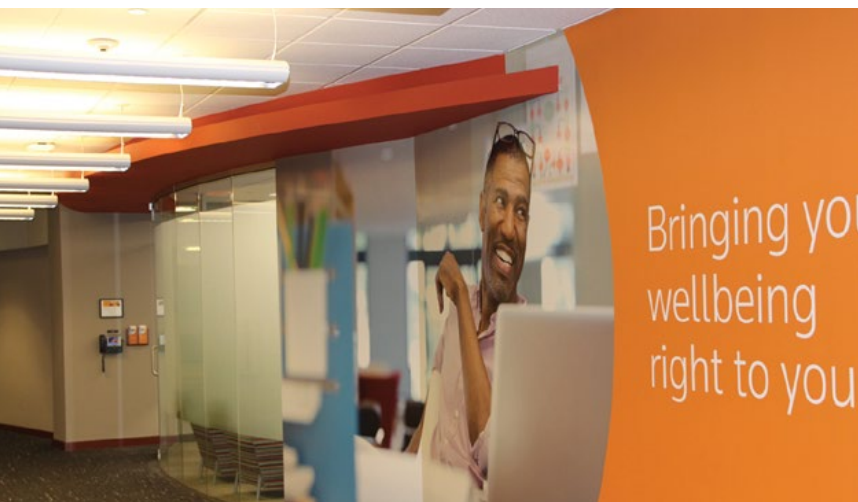
Milwaukee-based QuadMed runs the clinic, taking appointments online, by phone or in person. Employees are seen for acute care, primary care and preventive health services. Preventive care is free; acute care and special visit costs must be submitted to the employee's insurance plan. The clinic does not dispense prescriptions, but does provide physical therapy and optician services. In partnership with GMI Global Health, it provides acupuncture services.

"People are being seen earlier, and a lot of their illnesses are not escalating to where they have to have an ER visit or have to go to an urgent care over the weekend," Dunn says. "Because the clinic is very convenient and it's easily accessible, employees are using it well, and we are seeing a decrease in costs for outside clinics. That helps to contribute to a positive return on investment for the clinic."

Having an outside organization run a company clinic boosts employee trust that their employer won't have direct access to their health information, according to these companies.

That kind of knowledge, even among workers known for trust in their employer, can lift wellness program participation and, consequently, productivity, according to a small recent study of workers in five Midwestern industrial laundry plants. "Doing Well by Making Well: The Impact of Corporate Wellness Programs on Employee Productivity," is slated to be published in the journal *Management Science*.

The unidentified company in the study provided free annual biometric screenings for all full-time employees in four of the plants. The fifth plant had a different insurance plan and did not participate, but acted as a control. Each employee received their biometric results and recommendations for improvement. Average worker productivity improved by more than 4 percent, or approximately one extra day of work per month per employee. Productivity



among sick employees whose health improved increased by 10 percent, and healthy employees whose health improved had an 11 percent productivity increase.

### Productivity gains

“We conservatively estimate a return on investment of 76 percent, purely based on productivity gains, with a much higher return if the company were able to reduce non-participation in the program and reduce turnover,” write the researchers from the University of California Riverside and Los Angeles, and Washington University in St. Louis. Participation was voluntary; it reached a surprising 85 percent among the Midwestern white and African American workers. Many of the workers were making about \$30,000 a year.

“A huge number of these people have never been to the doctor,” says study co-author Lamar Pierce, a professor of organization and strategy at Olin Business School at Washington University. “They may have known something wasn’t right [with their health], but

Thomson Reuters opened an on-site health center on its Eagan campus more than two years ago, which is operated by Premise Health.

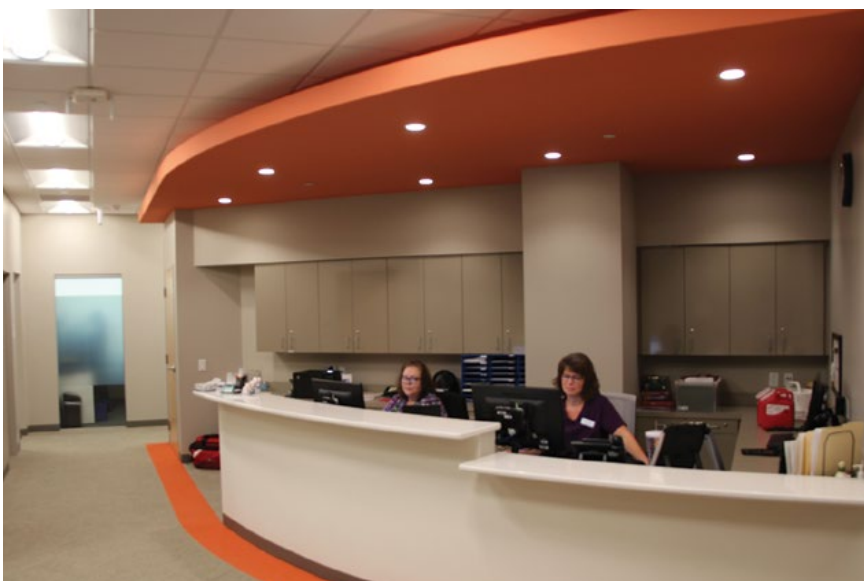
they just didn’t go to the doctor.”

The workers were aging, and two-thirds had an identifiable health problem. Twenty-eight percent improved their health in the year between the blood draws, according to Pierce.

“A large number of the people got better because of this,” Pierce says. “We think it’s because the company made it simple for them to identify that they had a problem and to figure out how to solve it.”

It also helped that the company provided good health insurance and paid sick time. The problem is the size of the study, which required two blood draws, one year apart, to be included in the study analysis. Attrition reduced participation but still allowed the researchers to compare similarly sized groups—56 people among the four participating plants and 55 in the control plant.

“There are lots of reasons why these things might be valuable,



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A fitness center is one aspect of the wellness offerings at General Mills in Golden Valley.

but companies don't have a good measurement on them," Pierce says. "They ignore the productivity effects, but we know that healthier employees are likely to be more productive."

The researchers want to scale their next study by examining productivity in a large corporation that offers a robust wellness program. Pierce says the ideal company would have several sites to allow for comparisons.

## Separating employer, clinic

They might consider Thomson Reuters, which opened its first on-site health center on its Eagan campus two and a half years ago. Eagan is the news and legal information company's largest global office location, with about 6,000 employees and contractors.

Situated in a high-traffic area, the 5,500-square-foot health center is operated by Tennessee-based Premise Health. It employs a practice administrator, nurse practitioners, registered nurse, medical assistants, physical therapist and health coach.

To emphasize the separation between employer and the health care provider, Thomson Reuters designed the health center to provide an experience similar to a traditional doctor's office, according to Joell Gray, vice president for Global Wellbeing.

This employee-only facility offers traditional corporate health center services and more. For example, if an employee comes in for a blood pressure check, a nurse may discover through conversation that the employee is under a lot of stress because of a financial issue. That nurse can connect the employee to

a clinic-based health coach and to the company's employee assistance program, Gray explains.

"We're able to track through our on-site clinical team, but also through our medical provider and also through the health coaching," she adds. "We worked with the team to allow us to quantify that, based on risk reduction."

Word-of-mouth about the health center among employees has been "tremendous," and 90 percent of those who make appointments (largely online) keep them, Gray says.

"Definitely health is improving, not just from a physical health [perspective], but a mental health perspective; from an employee engagement perspective," she says. "We absolutely see it as an attraction and retention tool. It helps support our mission and goal to be an employer of choice."

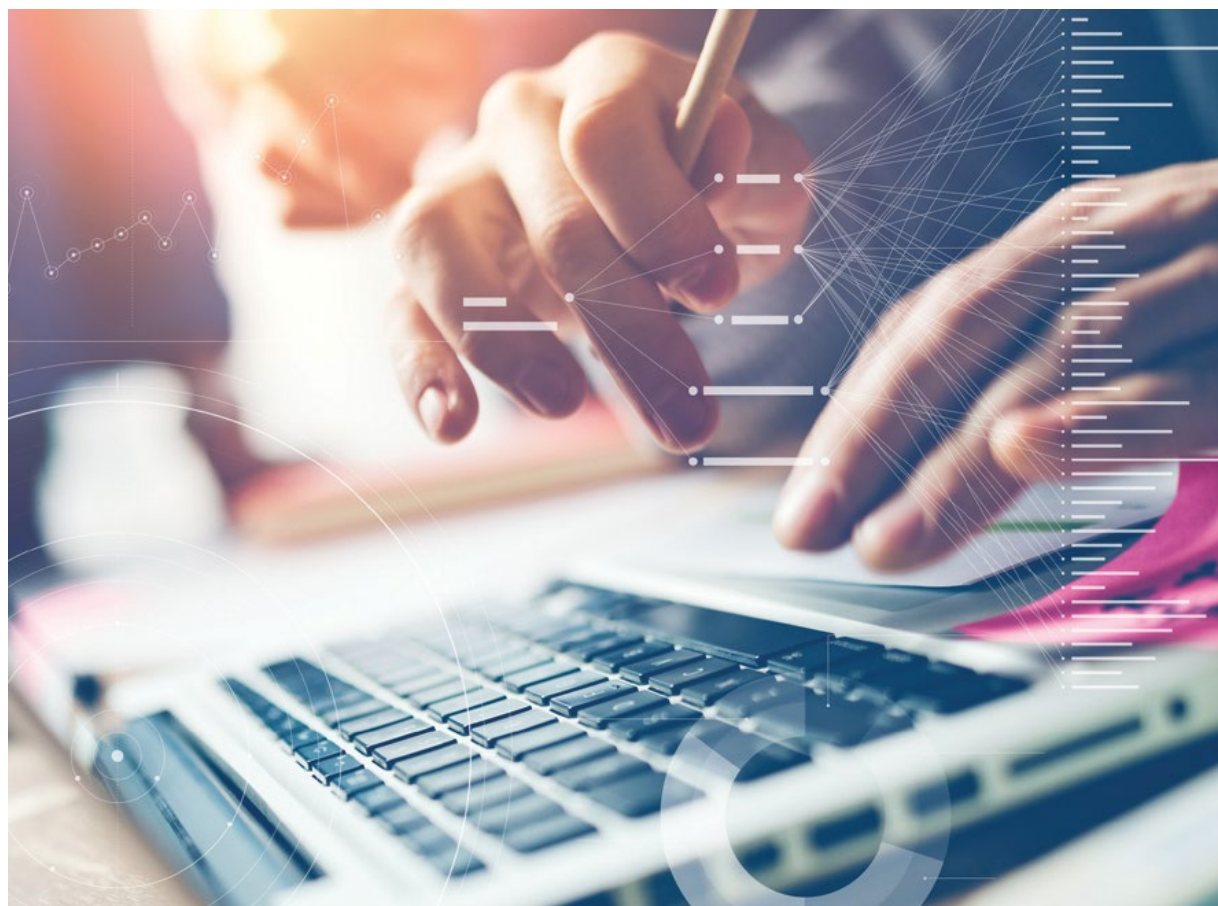
"To be able to offer these things and help support their work/life balance—anything we can do to make life easier, we want to do that," Gray adds.

The perspective is the same with Alexandria Industries, Kluver says. When an employee's family adopted a boy who needed tube-feeding, LPN Connie Svec bought them a book to explain different types of feeding to the family's older children.

"It's like that," Kluver says. "You don't expect those kinds of relationships to develop with your health care provider, but they're only seeing our family." [tcbmag](http://tcbmag)

Nancy Crotti is a St. Paul-based writer and editor.

# Q&A → WHAT BUSINESS THINKS FORECASTS AND HIGHLIGHTS FROM LOCAL EXPERTS ON THE COMING YEAR



Most business leaders know that being as productive and efficient as possible is key to their company's success. But how do they put those principles into action?

Often it means focusing on the core of their operations and bringing in resources for functions outside their wheelhouse. Whether they outsource help desk support so IT employees can focus on strategic projects or hire an accounting firm

to ensure that retirement programs are operating correctly, companies benefit from others' expertise and a fresh ability to keep their operations lean.

Then employees can work to their highest and best use, allowing businesses to focus their energies on what they do best.



**TREVOR AKERVIK**  
Senior Director of  
Managed Services  
Marco

Trevor started with Marco as a territory sales representative in 2001. During his 16 years with the company, he has held various leadership roles including his most recent role as Senior Sales Director of Managed Services.

Akervik was instrumental in the creation and growth of Marco's nationally recognized Managed Services Program and is now responsible for the creation, implementation and oversight of all Managed Service offerings. Since Akervik became Director of Managed Services in 2009, Marco's annual Managed Service revenue has increased to over \$25 million.

Marco is one of the largest technology providers in the country with over 32,500 clients throughout the Midwest and nationwide. The company specializes in business IT services, copier/printer solutions and managed and cloud services. Marco's technology experts break down complex solutions into simple terms to position businesses for success.

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**STEVE SCHURHAMER**  
CPA  
Senior Manager  
CBIZ MHM

Steve is responsible for the overall engagement and will see the process through from beginning to end. He is a senior manager in the Minneapolis office, who has 11 plus years of experience in auditing employee benefit plans including defined contribution, defined benefit, and employee stock ownership plans. Steve manages approximately 15 - 20 employee benefit plans each year and serves as a concurring reviewer on all other employee benefit plan engagements in the Minneapolis office.

As business advisory, tax and financial consulting services providers, CBIZ MHM knows that talking and strategically planning with clients is the best way to advise and serve them. Working as a key resource and advocate, CBIZ MHM can help clients respond to changing economic environments and adapt their plans and strategies to meet changing needs and goals from month-to-month and year-to-year.

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101WHAT YOUR COMPANY  
NEEDS TO KNOW TO  
PREPARE FOR AN ERISA  
AUDIT

**STEVE SCHURHAMER**  
CPA  
Senior Manager  
CBIZ MHM

**Q: What exactly is ERISA?**

**SS:** ERISA stands for Employee Retirement Income Security Act (ERISA). It is a federal law that protects the assets of millions of Americans so that funds placed in retirement plans during their working lives will be there when they retire. ERISA covers pensions, 401(k)s, 403(b)s for nonprofits, and health and welfare plans like dental and medical insurance.

**Q: What is an ERISA audit?**

**SS:** When companies have more than 120 eligible participants, the U.S. Department of Labor requires an annual audit of their plan.

**Q: What is the purpose?**

**SS:** ERISA audits establish whether or not the plan is running in accordance with its plan document and IRS and Department of Labor rules. Audits are done to protect participants' assets. Auditors help to ensure the accounting is accurate for plan assets, liabilities, investment income or losses, contributions, distributions, loans, and expenses. It's to help participants ensure their account balances are accurate with appropriate allocation of their contributions, employer contributions, investments earnings and losses, distributions, and expenses.

**Q: How does the audit process work?**

**SS:** Typically, an auditor will send the client a planning questionnaire, asking about the controls they have in place for areas like plan participation, contributions, and distributions. They look at documentation and key controls to make sure systems are in place to help prevent errors. They do this for loans, distributions, rollovers, contributions, payroll, and general governance. Auditors also will look at the client's record keeper and asset custodian's reports on internal controls.

Auditors will do testing at the client's site, typically in one to five days based upon the size of the plan. Often, they will send confirmations to participants to verify their selection of funds. For example, if participants wanted 25 percent

to go to one fund, 40 percent to another fund, and 35 percent to another, the auditor will vouch that those are the funds their contributions were invested in. Another example of audit testing relates to loans. If there are loans, auditors look to make sure participants pay them back on time and at the right interest rate.

**Q: What can companies do to prepare for their audit?**

**SS:** Auditors will send a prepared-by-client list asking for specific items that will be tested. For example, auditors may ask clients to fill out a contribution testing worksheet. If someone changes their deferral from 5 percent to 8 percent, the auditors will have the company break out wages for each deferral percentage used during the year to ensure contributions were computed correctly. Having the client assist with this ahead of time and having it lined up for the audit makes the entire process much smoother.

**Q: What kinds of problems might you discover during an audit?**

**SS:** Contribution errors are very common where the company is not following the definition of eligible compensation. For example, if a plan document states that bonuses are eligible for 401k deferral contributions, auditors will look at bonuses and sometimes find that 401(k) contributions were not being computed. When a participants' 401(k) contributions are not withheld, they have a shortage in their 401k deferrals. When this happens, the company should 'true-up' the missed employee contributions, lost earnings, and employer match, if applicable.

There are also withholding errors where an employee puts in a change to withhold 5 percent of their salary for their 401(k), but someone at the company puts in 4 percent instead, or they didn't enter the change in a timely fashion. If auditors find it's not right, then the company should go back and make up the missed contributions and lost earnings.

**Q: What do you recommend in those situations?**

**SS:** If errors are being found, then typically the company needs more checks and balances. Whoever is in charge of the overall plan should be reviewing payroll and making sure eligible compensation is in compliance with the plan document. The company should ensure that someone is doing a review on a quarterly basis to make sure compensation is calculated correctly and their 401(k) total for the quarter is correct.

**Q: What else happens if there are errors?**

**SS:** If auditors find contribution errors, they will validate whether or not the same error affects anyone else in the company and make sure they all get fixed as well. The company should apply the missed contributions plus lost earnings. And then the auditors make recommendations on how to prevent similar mistakes in the future.

**Q: What steps can companies take to prevent errors?**

**SS:** Companies should have a segregation of duties with good controls. Have 2 to 3 people in charge of the plan and have them do checks and balances. If one person is in charge of payroll, a different person should take a sample of 5 to 10 participants and make sure contributions are calculating correctly and being put into the participants' accounts correctly.

**Q: Anything else?**

**SS:** The company should also have a plan advisory committee with 2 to 5 people, depending on the size of the company. They should ensure the plan is running in accordance with their plan document or add any necessary amendments. Whenever there are significant decisions made that impact the plan and its participants, they should take minutes of their meetings and document these decisions. The company's overall job is to make sure they meet their fiduciary duty with checks and balances. The company should also hire a quality accounting firm that specializes in ERISA.



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# MANAGED IT Managing Your IT

OUTSOURCING YOUR IT TROUBLE-SHOOTING TO AN EXTERNAL PROVIDER CAN REDUCE DOWNTIME AND BOOST EMPLOYEES' PRODUCTIVITY



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**TREVOR AKERVIK**  
Senior Director of  
Managed Services  
Marco

**Q: What exactly is managed IT?**

**TA:** Managed IT is providing outsourced technical help for companies' end users. Employees have varying degrees of comfort with technology, and the technology the company provides its team often gets interrupted. That's why companies choose managed IT. When an employee experiences an interruption, there is a single source to call for technology-related needs. It's a safety net of technical resources to help end users through their technology snafus so they can manage, grow, and sustain company revenue.

**Q: How is this different than calling your company's internal IT department?**

**TA:** Outsourced IT people are dedicated to solving these kinds of issues, and internal IT staff are often tasked with both day-to-day help desk issues and strategic projects. A company invests in a technical professional for its IT department to do strategic projects, which presumably lead to greater revenue production for the company.

When they are tasked with help desk requests, they are getting pulled away from the strategic IT things they need to do. We're trying to give the company's IT department time to do this part of their work. It's different from the standpoint that there are key processes and procedures in place to solve the problem and deliver a quality experience. End users interact with us, and when we fix the technical problem quickly, they've had a pleasant experience.

**Q: How can companies tell if they need managed IT?**

**TA:** You know you need managed IT if you see IT as an integral part to grow your business. If you have a growing population of end users and potentially if those end users are at different locations, managed IT would be a benefit. You also know you need managed IT services if you have IT staff that can't focus on strategic projects because they are stuck doing help desk requests.

**Q: What is the value of managed IT for companies?**

**TA:** If companies are better able to focus on their revenue-generating activities, then they've made a good decision. Not every organization has an IT staff, so often somebody like the finance manager becomes the de facto person for all IT questions. If the finance manager is getting consumed with IT problems and requests, then that person isn't focused on the job of managing the company's finances.

**Q: How does it work when a company hires a managed IT firm?**

**TA:** Companies pay a fee for a team of trained IT professionals to handle their technical problems. We provide an all-you-can-eat service so that we cover all users and all of the technology they are using. We serve them whether they have a problem with their iPhone, iPad, laptop, or desktop. Their company provides them with all of these assets because that's what they need to do their job, and we're supporting everything for that user. They call us, they get a live person 98 percent of the time, and they get a solution to their problem and go back to work.

**Q: What should companies consider if they are shopping for a managed IT provider?**

**TA:** They should look at size and competency. Competency usually comes with education and how long the provider has been offering managed IT services. The firm should have processes and procedures for solving technical problems. They should have a depth of technical aptitude on their staff and tenure and time as a managed IT provider. It's important that when someone is having a bad day and calls with a technical problem, that they provide a personal touch.

**Q: What are next steps after a company hires a managed IT provider?**

**TA:** There is typically an onboarding process. We take four to six weeks where we do detailed,

onsite documentation of their network, applications, and the decision-maker tree. In the event of an outage, who is getting notified at midnight? It also includes network diagrams, photos of server rooms, key equipment, their connectivity diagram, and third-party application providers. Then we have a go-live date and turn the service on.

**Q: How can companies make the switch a success?**

**TA:** It is a culture change. Oftentimes the biggest challenge is adjusting the company culture from internal IT help to outsourced IT help. They really need executive sponsorship for the change. We can be the best provider out there, but if managed IT doesn't have internal executive sponsorship, it has a high degree of failure. Leadership has to be bought into it and be confident in the vendor they choose, making sure they have the people, processes, and procedures in place to handle users' needs.

**Q: What do companies notice after the switch to managed IT?**

**TA:** Many providers give clients metric data such as the number of requests and the categories of issues. They evaluate whether these are systemic issues in the environment and find out the root causes. Knowing what kind of issues are recurring can help them inform their future IT budgets and infrastructure improvements. For example, if they get multiple end users submitting help desk requests for certain applications, they might need greater bandwidth to help applications function more cleanly.

**Q: Do companies usually save money with managed IT?**

**TA:** Many save money from not having the human resources burden of trying to hire, train, and retain competent IT employees. Also, they are increasing their end users' productivity by having a more process-driven way to solve their issues with technology. They call, get a solution, and get back to work.

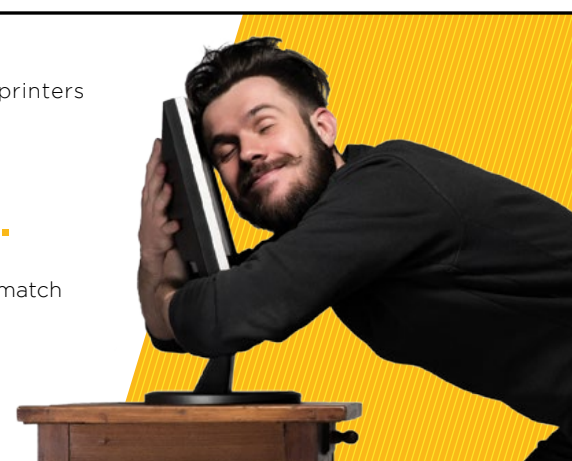


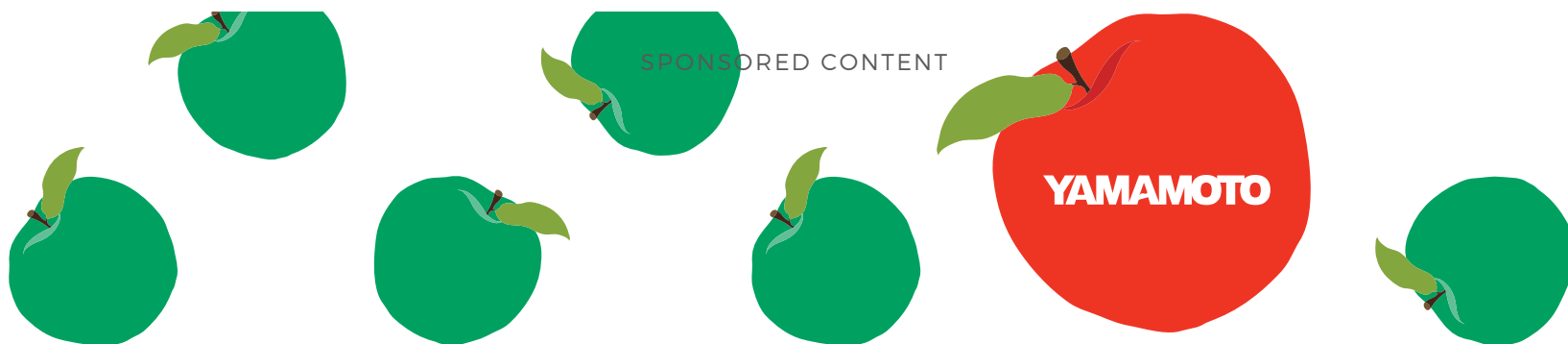
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## BEFORE YOU HIRE AN AD AGENCY

Hiring an ad agency for your company can be simultaneously fun and overwhelming. Done right, it can be the beginning of an enduring, successful partnership. Done wrong, it can be nothing more than a failed experiment resulting in unachieved goals, burnt bridges and wasted budgets.

I've observed many companies that have done it right and, sadly, many that have done it very, very wrong. Doing it wrong can hurt you and your company even more than the agencies involved, so I've developed a checklist of things to consider before you involve agencies in a review.

### KNOW WHAT YOU NEED

Some factors to consider during initial screening are agency size, geography, relevant category experience, creative results and in-house capabilities that align with your needs and agency type.

- If you have six agencies in the mix and one of them has 300 people and another has 12, you're doing it wrong.
- If one agency is full service and another is a PR specialty firm or digital-only shop, you may not have a clear view of what you need.
- If you want to reposition your brand and have visions of Apple dancing in your head, you may need to be a bit more realistic.

Be clear about what you truly need and stay committed to your criteria.

### DO YOUR HOMEWORK

Don't simply get recommendations from friends, call agencies whose names you recognize or use a Google search. Research websites, review client case studies and work samples, and scour industry press and

agency profiles. Do they have other clients in your industry? Do they have a strong team of people who've done relevant work and solved similar marketing challenges?

Try to contact only those agencies that best align with the search criteria you've developed internally. Including agencies for any other reason is likely a waste of their time and yours.

### HAVE A PROCESS

Don't begin contacting agencies until you know exactly what each step in the process will look like. Know things like timing, the number of agencies you'll include, the desired outcome at the end of each round, and any assignments along the way.

### START WITH A THOROUGH BRIEFING DOCUMENT

Before you go looking for a horse, make sure the cart is in order. Be prepared with a briefing document that includes:

#### Company Overview.

This may already be on the internet, but the more insights you can add, the better, as this gets everyone on the same page.

#### Situation Analysis.

Trends, competitive landscapes, any current or past agency issues, and opportunities and challenges you're facing—that you believe marketing can realistically solve.

#### Scope of Work.

Agencies can't tell you what it'll take to fix your problem if the problem isn't clearly defined. And if you've already got an inkling of what you think it's really going to take to get results and win your business, put it all out there.

#### Agency Selection Criteria.

Make sure you and the agencies understand exactly what criteria they will be evaluated against, and stick with it. It eliminates chaos, keeps everyone honest and helps you in every part of the decision-making process.

#### Budget.

It's unfair to agencies, and to you, to start a review process without all of your cards on the table regarding your marketing investment. This will get you more realistic proposals and allow you to make a real apples-to-apples comparison of service levels and deliverables.

#### Process Timeline.

Providing a well-planned timeline of events will ensure an efficient process and give agencies a heads-up for potential timing issues or travel conflicts—just like it does in any client-agency relationship.

#### BE RESPECTFUL.

Give agencies enough time and information to put their best foot forward, and don't make them jump through unnecessary hoops. It's in your best interest to plan ahead, be accessible, responsive and have as much direct contact with the agencies as possible in order to make a thoughtful, informed selection.

Every agency will show you great work, compelling case studies and offer their best client references. In the end, however, this is a relationship no different from any other relationship in your life. When you hire an agency, you're really hiring its people—and they're human beings, too. Make sure you like them, make sure you trust them and make sure you're the type of client they'll always go the extra mile for—and not just because they're paid to.

Trust me. We truly want you to succeed. That's what these guidelines are all about.



**LORI SHARBONO**  
Director of Business  
Development  
Yamamoto



## IT'S ALL RELATIVE

By Tom Hubler

# Priceless Gifts

Give your most precious gift this holiday season: Yourself.

**F**or many, if not most, of us the holiday season is a time to celebrate and express joy by giving gifts and going to family get-togethers. This year the season feels especially poignant in light of all the tragedies and hardships people all over the world are experiencing—record-breaking hurricanes, earthquakes and forest fires, unrest, saber-rattling and war.

It seems particularly important to me that this year we should more specifically think about gifts like compassion, acceptance, acknowledging a higher power, gratitude and forgiveness. Add these gifts to the list of what we give to

each other. These are the presents that can nurture healing in our own lives, our families' lives, our community and throughout the world. This is not merely some "Kum Ba Ya" hope, but a significant state of mind that can be a force to oppose the troubles around us. And this is particularly important for people engaged in family businesses.

Let me explain.

It is not unusual for business and financial differences to disrupt family

holiday gatherings. These frictions can be the elephant in the room, stomping around without being acknowledged because family members are determined to "get along" for the holidays.

It's a good idea to separate business matters from family events—especially parties—so business differences don't overwhelm family intimacy. It's also a great opportunity for family members to give each other gifts of compassion and forgiveness. This can dramatically improve the tone of family holiday celebrations. These gifts acknowledge that other members of the family are not perfect. Offering compassion and forgiveness helps us recognize that we, too, are not perfect—we are all human beings, which means we make mistakes. Out of gratitude for blessings bestowed on us, we can forgive members of our family who have hurt us, whether they meant to or not. This promotes healing and greater closeness within the family.

We can also extend our gratitude by reaching out to those less fortunate than us by offering that same set of gifts. Families who unite around these gifts of gratitude, compas-

sion and forgiveness forge a strong sense of closeness and resiliency. The family as a business can stand together to support a charity, an event, a special need.

The Sweeney family (not their real name) comes to mind. They provide gifts and sponsor activities at St. Joseph's Home for Children. Their generosity makes the holidays happier for the children and their families and brings the Sweeney family together as they recognize their own blessings in life.

So how can you help generate these good feelings? Can people simply "make" themselves more compassionate, more forgiving, more accepting or grateful? That's a lot to ask, since we already said that people aren't perfect.

I would suggest this: Give yourself a gift first. Give yourself moments of vulnerability.

Does that sound strange, maybe even risky? Most people think that being vulnerable with someone—being "open"—can leave you open to being shamed, judged or taken advantage of. I contend that when someone is vulnerable and open with me, they are being strong and honest. I trust them. And that's why I suggest that we each try to be a bit more vulnerable with each other as we enjoy the holiday season. When we are vulnerable, even for just a moment in a specific situation, we are showing that we trust the other person to be fair and open with us. It's a powerful message that often helps the other person be honest in return. The goodness spirals: vulnerability produces trust, which encourages vulnerability in an ever-stronger relationship between two people.

Give yourself permission to be vulnerable with each other. Make it a priority this holiday season to create an experience where your family reaches out to your friends and your community with gifts of kindness, care and compassion. Your own acceptance and recognition are often what many people need in their lives.

Gather your family together. Plan activities that bring healing to your community, your family and the world at large. There are many, many opportunities to volunteer and bring joy to others. If you have a family foundation, have everyone discuss the family's values on service and philanthropy. Then create a plan on how you can bring kindness, care and respect to people around you—and beyond, to people you don't know.

Let your holiday season, whatever your faith, truly reflect the carol that proclaims a universal hope: "Joy to the world!" [tcbmag](#)

*Tom Hubler (tomh@thehublergroup.com) is president of Hubler for Business Families, a family business consulting firm.*





## OPEN LETTER

by Vance K. Opperman

# Five Turkeys! One Pardon!

To: Mr. Joel Brandenberger  
President, National Turkey Federation  
1225 New York Ave. NW  
Washington, D.C. 20005

### Dear Mr. Brandenberger:

You may have seen turkeys, but you have not seen anything like these Turkeys of the Year!

**Non-existent customer Turkey.** Wells Fargo recently uncovered an additional 1.4 million fake accounts, bringing the grand total to over 3.5 million fake bank and credit card accounts. Thousands of unsuspecting Wells Fargo customers were slapped with unnecessary fees. The Turkey here is former CEO John Stumpf. While the sales culture may have started before Stumpf became CEO, it clearly accelerated and went undiscovered during his tenure. The vast majority of Wells Fargo employees are decent and hardworking. The board of directors was overwhelmingly reelected by the bank's shareholders. In this case, the Turkey is John Stumpf.

**Unprotected Turkey.** Equifax will meticulously record whether or not you had three months of late charges on your credit card nine years ago. Apparently those standards of meticulous attention to detail do not apply to the company's internal standards. Equifax admitted a security breach that affects over 143 million customers. This was not the "usual" massive data breach (see Yahoo). The yahoos at Equifax lost control of highly sensitive personal data, including Social Security numbers, drivers' license data, dates of birth and credit card numbers. Equifax had been warned by index provider MSCI about security shortcomings, but waited months before warning the public. Turkey and former CEO Richard Smith should receive a lifetime credit score of zero, and his personal data should be posted on a public website.

**Cross your fingers behind your back Turkey.** In May, a document about claims of sexual harassment involving a top University of Minnesota athletic department official ended up at KSTP. The reporter credited a regent.

A Trumpian witch hunt then ensued to find the "leaker." All members of the Board of Regents were required (sternly asked?) to sign an affidavit that they had not leaked this information to KSTP. Gov. Dayton criticized the U for paying more attention to leakers than lechers. By late summer it was announced that even though all the regents had signed the affidavit, and even though the university had hired a very expensive outside law firm, no leaker could be identified.

Without naming names, whoever thought it was a good idea to require the regents to sign an affidavit is the real Turkey here. Taxpayer money, always in short supply when it comes to the University of Minnesota, has been expended on this quest. Turkeys all around.

**Twin Turkeys.** Minnesota became major league when the Minnesota Twins moved here in 1961. The team lost 103 games last year, but this season was different. A Hall of Fame-savvy manager, Paul Molitor, made brilliant day-to-day, inning-to-inning substitutions attempting to give the appearance of having an actual bullpen. Joe—our hometown Joe!—returned to form, hitting over .300 and fielding with a Golden Glove. But!

The new front office decided to trade pitcher Jaime Garcia, whom the Twins had acquired six days before, for two young pitching prospects. The Twins would continue to pay \$4+ million of the Garcia salary to the Yankees. Not content with that, the next day the front office traded away the Twins' All-Star closer Brandon Kintzler. In essence, the front office pulled the plug and gave up on the team at the end of July. But a funny thing happened.

The fans didn't give up on the team. The team didn't give up on the team, and particularly not on Brian Dozier (whom the front office had unsuccessfully tried to trade during the winter). The team rallied and had the most successful August in franchise history. Baseball is played within the same calendar year, and each season is all its own. Perhaps the front office moves will be successful in some other season. After all, the front office decided to bring back Paul Molitor. There is hope for the future, but they still deserve Turkeys for trying to pull the plug on this team in July.

**High-flying Turkey.** Health and Human Services Secretary Tom Price was a loud critic of what he considered government waste during his 14 years in Congress. As HHS secretary, and again to save taxpayer money, he slashed funding for the Affordable Care Act.

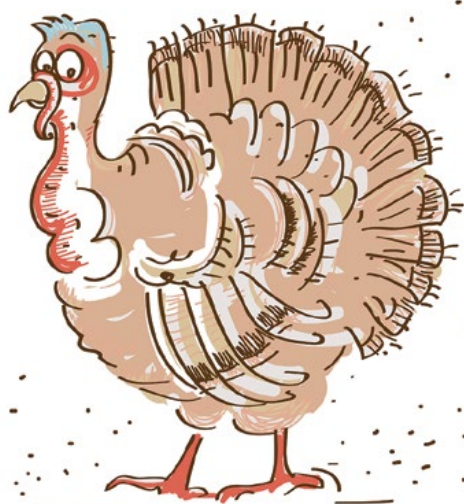
Turkeys are cumbersome in flight, but not this one. The media, led by Politico, Vanity Fair, Bloomberg News and NBC News, all chronicled Secretary Price's use of private and military aircraft for travel at a total cost to taxpayers of \$1.1 million. Price offered to pay back \$56,000 of the total tab to taxpayers, once again showing his skill at cost-cutting (his). Thankfully, this Turkey has flown the coop, probably on Delta back to Atlanta.

**Presidential Turkey Pardon.** According to the National Turkey Foundation, the turkey presented to the president is usually of the broad-breasted white variety (... ahem). No president, regardless of party, would grant a turkey pardon to John Stumpf of Wells Fargo nor to Richard Smith of Equifax. Some presidents might be justified in giving a pardon to the University of Minnesota athletic department because it has now installed a competent and principled athletic director, Mark Coyle. Certainly former MLB team owner George W. Bush would pardon the Minnesota Twins front office because it re-signed Paul Molitor. But the current president is without precedent, and so to get practice in the granting of pardons, this president should pardon all the turkeys. Thanksgiving cancelled! You read it here first.

Sincerely,

Vance K. Opperman  
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Vance K. Opperman ([vopperman@keyinvestment.com](mailto:vopperman@keyinvestment.com)) is owner and CEO of MSP Communications, which publishes Twin Cities Business.



Turkey and former Equifax CEO Richard Smith should receive a lifetime credit score of zero, and his personal data should be posted on a public website.

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A man in a dark pinstripe suit and patterned tie sits in a leather chair in a law office. Behind him are shelves filled with legal binders and two framed 'Super Lawyers' certificates for Mark J. Briol, Minnesota Super Lawyers 2008 and 2010.

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