

— SEPTEMBER 2019 —

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fights poverty**

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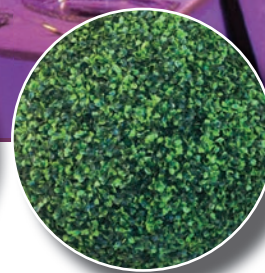
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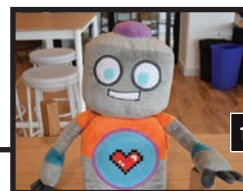
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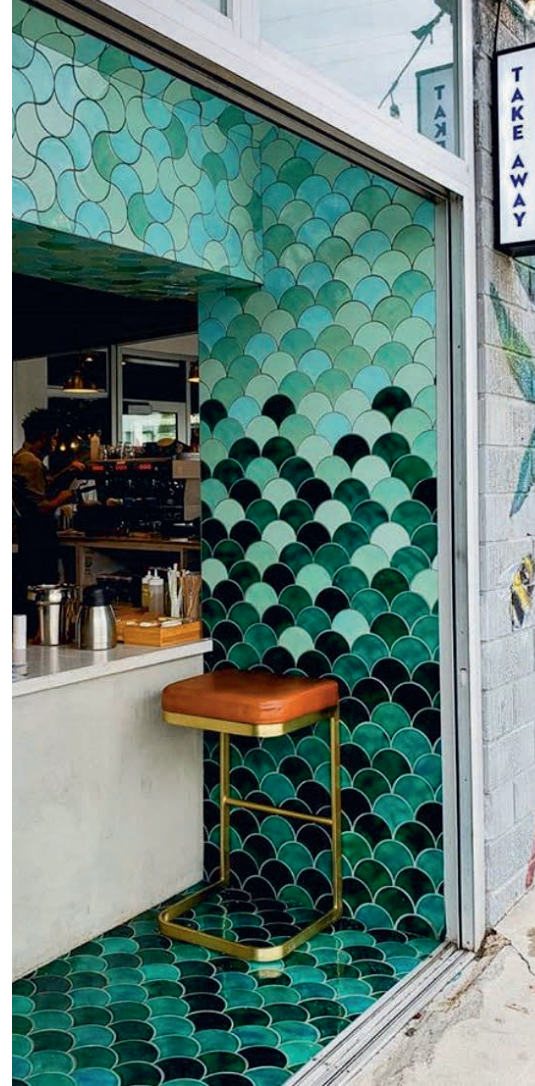
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**"The inspiration
equation is pretty
simple: Passion minus
reason is inspiration."**

—Michael Fanuele, former
General Mills chief creative
officer and author of *Stop
Making Sense: The Art of
Inspiring Anybody*, on
Episode 10 of By All Means



At TCB Talks: Manufacturing, leaders in the field discussed the importance of exposing high school students to great job opportunities in the field. From left: E.J. Daigle, dean of robotics and manufacturing, Dunwoody College of Technology; Tony Fisher, owner and president, K1 Sportswear; Angie Wordell, executive vice president of operations, Graco Inc.



Minnesota Business Hall of Fame

"All of us started companies or took companies and made them bigger and better. I think we can agree our state is better because of that," said Doran Cos. founder Kelly Doran (center) in his acceptance speech at the Minnesota Business Hall of Fame Awards in July. He was inducted along with (from left) Sara Gavin, president of Weber Shandwick North America; Rhoda Olsen, vice chair of the board at Great Clips; Bob Hageman, founder of J&B Group; and Pat Ryan, chairman of the board of Ryan Cos.

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What Makers and Manufacturers Can Learn From Each Other

Scaling is vital, and storytelling can help.

By Allison Kaplan



G

oogle pegs the birth of the maker movement as 2005, the year *Make* magazine launched with a DIY mindset for the digital era. Suddenly, artisans and crafters were calling themselves

“makers” and it was cool to create things by hand—a conscious reaction to mass-produced goods at a time when people were craving authenticity and connection. After a 14-year publishing run that included Maker Faire exhibitions around the world, the magazine folded in June. The founder of *Make* told TechCrunch, “It works for people, but it doesn’t necessarily work as a business.”

Popularity without prosperity has long been the plight of the maker, particularly in an age when it’s so easy to create a brand presence online and when pretty images of handmade objects like pottery or wooden tables are so highly appreciated. Scaling those sorts of businesses is another story.

Meanwhile, many of Minnesota’s major manufacturers seem to have the opposite challenge: more demand than they can find talent to fulfill. It’s a topic we reported on earlier this year. It came up at our *TCB Talks: Manufacturing* event in June with leaders of Graco, K1 Sportswear, and Dunwoody College of Technology, and we look at it again in this month’s cover story (page 47). Traditional manufacturing has an image problem. Perhaps the big guys should take a cue from the maker movement and share more stories; behind every giant plant with high-tech machinery, there’s an individual who had an idea to make something or invent a process that fulfills a need, be it temperature-controlled packaging or a carbon detector for chemical analysis.

For *TCB*’s first-ever Manufacturing Excellence Awards this month, we focused on the stories: the inspiration for Starkey Hearing Technologies’ smart hearing aid, which monitors the wearer’s health and translates 27 languages right in her ear; the strategy behind H.B. Fuller’s dramatic growth, doubling in size over the past decade and expanding into new sectors; and Mercury Mosaics & Tile’s transformation from maker to manufacturer. The ceramic tiles that founder Mercedes Austin started out making in her apartment are now produced by a team of 30 in a 15,000-square-foot Minneapolis space with a soaring glass top ceiling and work tables covered with perfectly painted tiles. It’s the consummate example of the opportunity and breadth of manufacturing in Minnesota. This is a place where medical devices are

invented and everything from plastics to metals are produced and an artist with talent and ambition can turn her craft into a thriving business—one that’s on the brink of a significant expansion.

With the encouragement of mentors from the Metropolitan Consortium of Community Developers and the Small Business Administration Mini MBA program, Austin began looking beyond the Twin Cities for a second location, anticipating extra capacity by 2020. She picked Wadena, 160 miles northwest of the Twin Cities.

And not just because she can buy a building for a fraction of what she currently pays in Minneapolis. The town has welcomed her with open arms and residents are ready to get to work. “It’s a huge wakeup call about how important this work is,” Austin says. “I want to be part of the restoration process to a country of manufacturers.”

Mercury Mosaics will create just six jobs in Wadena to start, but Austin is thinking ahead. She will soon need waterjet cutters to keep scaling the custom work her company does for Room & Board, and those large machines won’t fit in her Minneapolis factory.

“I like the intimacy of this space,” Austin says of her Minneapolis headquarters. “I see the magic our space has on the team. And I couldn’t picture the eight dogs that come to work here every day [with their owners] in a 100,000-square-foot facility.”

It’s a space and a process worth seeing, so join us at our Manufacturing Excellence Awards, which will be held at Mercury Mosaics & Tile on September 26 (see tcbmag.com/events). We’re not just handing out plaques; we’re going to talk to the winners, all featured in this issue, about the work they do and the opportunities ahead. As Austin says, “If you don’t change with the times and find ways to innovate, you’re going to be in one of those reports about businesses that have failed.”

Thanks go to industry leaders Mike Fiterman, CEO of Liberty Diversified International, and Bill Gray, president of Uponor North America, along with the Manufacturers Alliance and Minnesota Precision Manufacturing Association for encouraging us to do what we do best: bring business communities together and share their stories.

“I want to be part of the restoration process to a country of manufacturers.”

—Mercedes Austin,
founder, Mercury
Mosaics

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09•2019 Edited by Adam Platt

Wellness Buzz

Twin Cities first: A new spa centers on bee therapy.



The former management offices of the historic Schmidt Brewery in St. Paul are once again open for business after sitting dormant for nearly 20 years. From honey-based skin care brand Worker B, the new Worker B Wellness, next door to Keg & Case Market, is a national trailblazer. *Mad Men*-era office details have been replaced with a beeswax ceiling and concrete hexagonal floor tiles, in a space now dubbed the “beeswax meditation room.”

Its creators are aware of only a dozen other beeswax rooms in the world. Just about every treatment, from facials and massage to float-tank therapy, connects to bees. That includes products

used for skin treatments, the rooftop beehives coming in the spring, and air from the beehives that will then be pumped into the meditation room. (It’s said to reduce respiratory inflammation—one of the benefits of the alt-medicine branch known as apitherapy.)

For a small local company with no outside funding, the investment to build a spa in a historic building is “huge,” as co-founder Michael Sedlacek describes it—and so is the risk. But Worker B is prioritizing its “Support local bees” mission over easier paths to expansion.

Worker B got its start making skin creams and

balms that contain locally sourced raw honey, beeswax, and propolis—a resin-like material made by bees that is used in treating eczema. The line is sold online and through a few dozen stores nationwide. But Worker B hit its stride selling direct to consumer, first at farmers’ markets and pop-up shops, and now through its store at Mall of America as well as a booth at Keg & Case. Sedlacek says sales are

split almost evenly between skin care and honey, made locally by Worker B and other small-batch producers.

Worker B is eyeing retail expansion into a few tourist-heavy spots around the country. But rolling out 100 retail stores



Clockwise, from top left: Worker B Wellness co-owners Michael Sedlacek and Rachel Romanelli; its retail outpost at Keg & Case Market; Milk & Honey Cleanser

is not in the business plan. Instead, says Sedlacek, who founded Worker B in Minneapolis nine years ago with Liesa Helfen and Mike Helfen, “we want to be in a position to improve people’s quality of life and do it in big settings.”

—Allison Kaplan



■ Piper Jaffray

(Mpls.) announced a \$485 million merger with Sandler O’Neill (NYC). Piper CEO Chad Abraham will lead the combined company, which will remain in Minnesota.

■ BlueCross

BlueShield of MN (Eagan) was cited by the Minnesota Hospital Association for denying and delaying covered procedures. MHA asked the MN Commerce Department to investigate.

■ Vista Outdoor

(Anoka) announced a \$170 million sale of firearms brand Savage Arms to an undisclosed buyer. The sale will allow it to retire debt and focus on better-performing divisions.

Company Prime Therapeutics LLC | **Headquarters** Eagan | **Size** 400,000 square feet | **Designer** HGA

After having its more than 2,000 employees divided across four metro locations, Prime Therapeutics has brought everyone under one roof at its modern and airy new headquarters in Eagan. And they'll get plenty of face time. The pharmacy benefit manager asked design firm HGA to prioritize a variety of workspaces: outdoor seating areas, a game room, a fitness center, and relaxation rooms. Not on the list? Cubicles. Kim Gibson, Prime Therapeutics' assistant vice president of real estate and facilities, says workplaces are shifting away from individual assigned desks. Employees "don't care as much about [their] desks anymore," Gibson says. "What they really want are places to meet with their teams." In fact, half of Prime Therapeutics' employees won't have an individual workspace in the new building at all. Gibson says the new space "allows employees to pick what's best for them at the moment," adding, "employees love having that variety." —*Christopher Lemke*



■ A balcony overlooks Lake Shanahan and its walking trail. Too cold outside? There's also a walking path inside the building.

■ The cafeteria offers entrées and grab-and-go food items from chain restaurants and a Caribou Coffee shop.

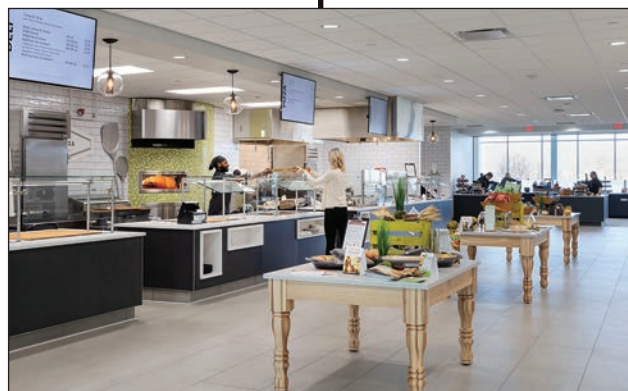
■ Work lounges, coffee machines, and copiers are positioned to encourage more interaction among employees. "There's space for us to just bump into each other," says Prime Therapeutics' Kim Gibson.

■ Placing large open rooms along the interior perimeter maximizes natural light; windows allow it to flood into the building.



■ Accent colors help influence behavior: Teal encourages energy and teamwork, while green fosters a sense of health and wellness, Gibson says.

■ The lounge's lighting and wood tones emulate a front porch, evoking feelings of home.



Mother of All Branding Problems

Madre rebrands as Mother to fend off cultural appropriation accusations.

Who would have thought a small shop selling cacti would thrive in Minnesota of all places? Minneapolis cacti purveyor Madre Co. was an instant hit when it opened in 2018, growing steadily since and prompting a move to a larger space in May.

But less than four weeks after re-opening just north of downtown, Madre Co. abruptly changed its name to Mother Co.—a response to an online accusation of cultural appropriation.

Owner Erik Hamline says he wanted to respond quickly. “Even if [our branding] upsets one person, or even if it’s just questionable to one person, in my mind that’s an error on my part that I need to correct to be as sensitive as possible.”

The original name, Hamline says, was intended as a nod to the Southwest U.S., where most of the shop’s plants are sourced and where Spanish names are common due to the region’s cultural and sociological history.

The idea of cultural appropriation is not universally accepted as a transgression, but in this case it’s not even clear that any culture was appropriated, says Aaron Keller, CEO of Minneapolis branding agency Capsule and a *TCB* columnist. “An entrepreneur, creative team, or someone coming up with a brand name isn’t usually looking to insult a culture or diminish. In fact, they are asking people to remember the story behind the name and all that is positive about the cultural nuance.”

The accusation is

based on a misconception, says University of St. Thomas Opus College of Business professor Dr. Mike Porter: “The company is not trying to say they’re Latino.”

His take is not universal, though, and others believe even a single word in a brand can cross a line, says Rico Vallejos, multi-cultural creative director and copywriter of Twin Cities marketing consultancy RicoLatino. “I think you can make a fair argument this is cultural appropriation.”



Cacti and fashion inside Mother Co.’s north Minneapolis store.

In the end, a business must be aware of the bottom line, and the path of least resistance is to rebrand, given the brand was rather loosely established

after just a year.

“I’m not seeing the culture that’s being damaged here. But if it’s perceived by people and that hurts your business, then it’s probably not a good business choice,”

Porter says.
—Tess Allen

For more on this story, visit tcbmag.com.

NETWORKED

September 13 and 14

Carlson School Centennial Celebration

Alumni and friends of the University of Minnesota’s Carlson School of Management are gathering to celebrate the school’s 100 years of impact and innovation. Two major events are expected to attract a range of people—from recent graduates to Fortune 500 business leaders. An on-field party is set for Friday night, followed by a Gopher tailgating party on Saturday. 6 p.m., Sept. 13, \$25 or

\$35, U.S. Bank Stadium; noon, Sept. 14, \$15, Mariucci Arena East Lawn; Minneapolis, 612-626-9752, carlsonschool.umn.edu



September 17

Diversity Career Fair for Professionals

The Professional Diversity Network will host a career fair to help connect job candidates with hiring managers. Some of the companies taking part in the fair are Post Consumer Brands, Xcel Energy, Prime Therapeutics, and BlueCross BlueShield of Minnesota. 11 a.m., free, U.S. Bank Stadium West Plaza Lobby, Minneapolis, 800-390-5561 ext. 107, prodivnet.com

September 19

Women’s New Reality After 50

Nancy Maxfield-Wilson of My Max Performance, LLC, will moderate the “Rising Strong After 50: Creating Your New Reality” panel discussion. Panelists will be Ruth Tongen, of think2perform; Kathryn Hoy, of UBS; and Barb Fordyce, of Oasis Senior Advisors. 6 p.m., \$35 to \$55, Minikahda Club, Minneapolis, 952-525-2236, teamwomenmn.org

September 24

Minnesota Marketing Summit

Representatives from more than 250 Minnesota brands—including Deluxe, Best Buy, and Land O’Lakes—are coming together to attend the Minnesota Marketing Summit. The event offers an opportunity to network and hear from marketing experts on topics that include the Minnesota brand, optimizing customer experience, and effective social media strategies. 8 a.m., \$250 to \$750, Hilton, Minneapolis, 917-426-1626, minnesotamarketingsummit.com



—Tess Allen

Harvest Plan B

There's always money in the corn maze.



After more than two decades on rented land, Sever's Fall Festival is moving to a permanent location. The Peterson family—who started out with Sever's Corn Maze in 1997—purchased two adjoining land parcels in Shakopee to permanently site the festival. The new 104-acre site is more than three times the size of the old rented location at Canterbury Park racetrack. It will give the Petersons room to expand entertainment offerings, says Nicola Peterson, who handles marketing, hiring, and more.

"Something that was very attractive to us is that the site is visible from [Highway] 169," she says. "The previous location was not."

The added visibility may help boost the family's earnings, too. For many years, fall festivals have been a supplementary stream of steady income for farm families across Minnesota. Peterson says her family began operating the corn maze as a way to withstand fluctuations in the grain market.

Over the last five years, for instance, grain prices have been pretty low, she notes. So the

festival has actually been performing better than traditional farming alone. "I think it's a great way for many farm families across the country to diversify," she says, "and have one other way to keep their family farm operation alive."

The Petersons plan to launch a holiday light show on the grounds post-Thanksgiving, along with a winter festival later on. They hope to use the site as an events space for groups and weddings.

Sever's isn't alone. The Joyer family, which operates the Waldoch Farm Garden Center in Lino Lakes, says fall events sustain revenues when there's been a less-than-ideal gardening season. (Their autumn offerings include a corn maze and pumpkin patch.)

"Our garden center is the largest part of our business, but if you have a cold spring, sometimes it doesn't do as well," says Doug Joyer, Waldoch field manager and beekeeper. "A fall event hopefully helps us manage some of the risk."

—Dan Niepow

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Down to the Hire

By Robert Half

Robert Half and HIRED: 50 Years of Serving the Twin Cities

By Jim Kwapick of Robert Half

At Robert Half, we're passionate about giving back, and one of the organizations that aligns with our company mission is HIRED. A Twin Cities-based nonprofit, HIRED assists more than 7,000 people with securing employment annually. HIRED's four program areas — Career Pathways, Family Stability, Rapid Re-Tool & Job Placement, Youth Achievement — offer opportunities that help achieve self-reliance by getting and keeping a job.



Veteran employee Chuck Squires, a Robert Half icon who has received the company's Lifetime Achievement Award, has been key to Robert Half's involvement with HIRED. For nearly 50 years, Chuck has been engaged in placing skilled financial professionals, and his passion for his work extends to volunteering with HIRED. Chuck served as the board chair of HIRED for 10 years and continues to lend his expertise on several committees. His enthusiasm for HIRED spread rapidly throughout Robert Half, with many employees volunteering their time and talent. Robert Half has been a sponsor of HIRED's annual Fundraising Breakfast, and employees regularly share their expertise with HIRED staff and clients.

This year, both Robert Half and HIRED are celebrating their 50th anniversary of serving job seekers in the Twin Cities. We at Robert Half are honored to share this significant milestone with such an honorable organization.

"By helping thousands of people with employment barriers navigate the job market, HIRED offers significant support to the economic viability of the Twin Cities in filling the employment gap," said Squires. "We are proud of our involvement and hope to partner with HIRED for years to come."

Jim Kwapick is a district president of Robert Half in Minneapolis. Robert Half is the world's first and largest specialized staffing firm. The company offers job search services at roberthalf.com. For more information on HIRED, visit www.hired.org.



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Newsprint Blues

Greater Minnesota's community newspapers are in trouble. Can anything save them?



It's been a rough year for Minnesota's community newspapers. The *Byron Review*, Dodge Center *Star Herald*, and the 121-year-old *Warroad Pioneer* have shut their doors in the last year. And the Kasson-based *Dodge County Independent* and Blooming Prairie-based *Steele County Times* say they are on life support.

In an effort to avoid a similar fate to that of the other three publications, the papers launched a GoFundMe campaign in late April. Advertising director Annie Anderson says the papers—both owned and published by journalist Rick Bussler—have long struggled financially.

"I think people forget newspapers are a business of the community. We're trying to make them understand if they don't support us, whether it's through advertising or subscriptions, they're not going to have a newspaper," says Anderson. "We're pleading, 'Help us help you.'"

Though more subscriptions would help, the papers do have a steady subscriber base—the closures of the nearby *Review* and *Herald* brought their count to about 4,000. The main source of financial woes, says Anderson, has been a loss in advertising dollars, citing the closure of regional discount big-boxer Shopko.

Then there's Facebook.

Ken Doctor, founder of news business analysis firm Newsonomics, says overall ad-

vertising dollars are down 65 percent from 20 years ago, but the way Google and Facebook have duopolized the remaining advertising represents the No. 1 source of the nationwide decline of newspapers. Still, Doctor says newspapers are not blameless.

"They're on a suicidal path where they're losing subscriptions, laying off staff, so the product is less, but they're raising prices," says Doctor. He suggests newspapers ramp up digital products and look at alternative financing structures, including private owners with deeper pockets or consolidations and nonprofit ownership.

Such options have been explored but are difficult to effect in the short term. For now the papers are hoping a GoFundMe campaign can help raise \$50,000, which Anderson says would keep the papers afloat another six months to a year. As of late July, the campaign had drawn \$1,740 from 22 donors.

But the campaign isn't just about saving the papers. It's also about generally calling attention to the issue: Community newspapers need more support. "We do believe in this paper, we do believe in this community, and we believe in what we're doing," says Anderson. "You have to do something bold to get people talking. Because once people start talking, then people start listening." —Amanda Ostuni

The Educated Sip

Matriculation has never been easier than at the school of drinks. Whether your subject is cocktails, wine, or beer, these local libation classes have homework you'll actually enjoy.

Spoon & Stable

Robb Jones is one of the best drinksmen in the city, and his classes regularly sell out. His biweekly Saturday cocktail classes range from discussing the historical influence of the old-fashioned to exploring the spirits of Mexico. \$125 per person, exploretock.com/spoonandstable



Tattersall Distilling Cocktail Academy

For these hands-on classes, participants sample award-winning spirits from Tattersall Distilling. Each two-hour session focuses on four seasonal cocktails, plus theories and techniques of mixing, and includes snacks from Surdyk's Cheese Shop. \$60 per person, eventbrite.com (search Tattersall Cocktail Academy)



Ace Spirits

This unassuming liquor store in the west metro is where to find all the best whiskey nerds. Owner Louis Dachis regularly holds events and classes. Fall options include Buffalo Trace Antique Collection, Laphroaig, and Pappy Van Winkle events. \$5-\$100 per person, acespirits.com

Twin Cities Wine

These guys have classes for all levels of wine drinkers. Novices might try Ultimate Intro to Wine: Winespeak so they can talk the talk at their next business dinner. The intermediate drinker might want to brush up on the Foundations of Wine to become more of an expert in acidity or terroir. And the expert will find new ways to explore the wines of Georgia or Burgundy with fresh insight. \$35-\$90 per person, twincitieswine.com

A Perfect Pint

Everyone knows beer, but no one knows beer quite like Michael Agnew. As a certified cicerone (like a sommelier for beer), he's pretty much a professor of suds. And he doesn't mind a bit of homeschooling, which is why bringing him to your event to conduct a private tasting class or a beer dinner pairing is one of the smartest things you can do. Prices based on size of event, aperfectpint.net. —Stephanie March

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Brewing Design

Local craft breweries use can art and imagery to define their brands and stand out.



Seventy percent of consumers go to the liquor store without a plan for which of the dozens of kinds of beer they're going to purchase; the average time spent from shelf to register is only a minute and a half, says Surly Brewing Co.'s vice president of marketing, Bill Manley.

That's where design comes in. "Obviously the beer has to taste good" or people won't buy it a second time, says Tony Buckland, Able Seedhouse + Brewery's commissioned can designer.

But each of these Twin Cities breweries has a slightly different way of doing it, a strategy they think communicates a brand message most quickly and effectively.

"Everyone's trying to cut

through the noise," confirms Indeed Brewing Company's creative director, Andy Kiekhafer.

Manley agrees. "You have to have a brand personality or some tiny little story that resonates with a consumer so quickly that they are instantly drawn to it—whether it's colors or text or the name of the beer, or something quirky on the side of the box or can."

Surly's cans are consistent with its brand image. "Most of our flavors are pretty bold and intense and kind of in-your-face, so we tend toward that more aggressive branding," Manley says. "Bold colors and big, bold designs."

For Modist Brewing Co., it's about being as "off-the-beaten-path" as possible, says director of

marketing Daniel Paul Wellendorf.

"We make alternative beers, so when it came time to give our beers a look, we wanted to go a very nontraditional route," he says. Modist commissioned graffiti artists-turned-graphic designers.

Indeed's designs started with local artist Chuck U. Today, the brewery considers the two brands almost inseparable in people's minds.

The continuous challenge is achieving the balance between standing out and maintaining brand recognition. Manley believes Surly could be better at it: "We're trying to pull it back a little so that there are some easier clues that give people a quicker read that, 'Yeah, that's a Surly.'" —Tess Allen

THE FINE PRINT

Rolling on the Riversedge

The former West Publishing site has been a longstanding redevelopment riddle for downtown St. Paul. Plans have come and gone, but now Los Angeles-based AECOM has won the nod from the Ramsey County Board as the site's preferred developer. AECOM has big plans for the project, dubbed Riversedge. In late July, it outlined just how big. One huge unknown: Will the entire project get financed and built? —Burl Gilyard



Riversedge total budget:
\$788 million

Requested public contribution:
\$80 million

Towers: 4

Hotel rooms: 168

Condos: 56

Apartments: 350

Office:
Approximately 950,000 square feet in two towers

Retail:
About 30,000 square feet

Parking:
Up to 1,600 spaces

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Sandwich | The Debris sandwich at Dipped and Debris

"It's a mess (roast beef with gravy on a crispy French loaf) but well worth it. A great addition to the neighborhood." 2422 Central Ave. NE, Mpls., dippedanddebris.com

—Jon Kreidler, chief officer, Tattersall Distilling

App | Starbucks

"I mean, I have four kids. This is by far the most important app I have!"

—Chad Greenway, former Minnesota Vikings linebacker and founder of Gray Duck Vodka



Restaurant | Italian Eatery

"A neighborhood gem near Lake Nokomis with amazing service and even better Italian eats. My go-to order is a dirty martini, the Calabrian cauliflower, chop salad, and the spaghetti pomodoro [seasonal]. The baked garganelli is also out of this world." 4724 Cedar Ave. S., Mpls., italianeatery.com

—Laura Roos, founder, Minny & Paul



DISCOUNT STEEL IS REBRANDING!

METALS — HARDWARE — FABRICATION

Discount Steel is a national supplier of metal products, processing services, and industrial hardware. Headquartered in Minneapolis, the company operates in-house production centers that specialize in laser cutting, machining, forming, welding, and more.



Since its inception in 1992, Discount Steel has continuously evolved through expanding product lines, setting quality standards, and developing customer service philosophies. After 27 years, the company is excited to announce rebranding efforts to achieve alignment with its mission and vision.



“In the beginning, our business model was vastly different and the name Discount Steel made sense”, explains CEO Diane Dormanen. “Now we carry prime materials and our expertise extends far beyond steel; we knew we needed a name and brand that would more accurately represent what we do.”



Discount Steel eagerly anticipates the launch of their new brand coming soon. “Our name and logo are changing, but the values that guide our business operations will remain at the core”, says Diane. “We place significant focus on building a brand that our customers and supply partners trust.”

The Newest Preschool Teacher Is a Robot

DeLonn Crosby is looking to make early education more accessible by way of a plush, voice-interactive robot.

Y

our child's new teacher participates in complex conversations but doesn't have a race, gender, or any noncognitive character skills.

That's because it's a robot.

This plush, voice-interactive tech tool is the brainchild of Twin Cities entrepreneur and early-childhood development researcher DeLonn Crosby. It runs on Crosby's educational software called SayKid and is designed to help children develop those difficult-to-teach skills like empathy, creativity, and persistence.

Operated on Amazon's Alexa Voice Service, the SayKid robot prompts the user to help it understand intangible concepts through games and conversation. By answering the robot's questions and helping identify its differences, kids are "teaching" the robot (which doesn't naturally have feelings and asks for help understanding what feelings are like) while thinking through what it means to be empathetic.

Kids don't even realize they're learning, Crosby says. As he points out, noncognitive skills—largely related to things like attitude and interpersonal communication—are some of the most important skills children can develop and are the biggest predictors of later behavior and success.

"I think empathy is the biggest challenge that we have in our country," Crosby says. "The root of empathy is perspective, and the best way to build it is by being around kids that are different from you." However, that can be difficult on a practical level, he says.

The foundation for these social and emotional skills



is often laid in preschool. Crosby is targeting kids who don't have access to early education. According to the National Center for Education Statistics, only 42 percent of 3-year-olds and 66 percent of 4-year-olds in the U.S. receive preprimary education.

The SayKid robot was tested in 15 local classrooms this year, as well as in a number of private homes and with teacher focus groups and education curriculum companies, and it's about to embark on a pilot program with national chain New Horizon Academy Child Care & Early Education.

Crosby plans to release the product publicly by the end of the year and sell it at a price that he says the average parent can afford. He is also toying with the idea of a "buy one, give one" program to help reach more kids. To learn more, visit saykid.com. —Tess Allen

Other Hot Ed-Tech Tools

Our back-to-school favorites:

Extempore

Extempore is an app that helps language teachers assign oral homework and proctor oral exams more efficiently. Instead of meeting with students individually, teachers can create an activity on Extempore, and students can record responses on their phones, tablets, or computers. Founded by former vice president and general manager of Thomson Reuters Carlos Seoane, University of St. Thomas linguistics professor Susana Perez-Castillejo, and Google developer relations lead Stephen Fluin, the company has quadrupled in revenue each year since its founding in 2016, and it counts Harvard, Temple University, and the University of Pittsburgh among its adopters. extemporeapp.com

Homi

Finding the right employees often comes down to networking. That's the main idea behind Homi, an online hiring marketplace founded in 2015 by Twin Cities entrepreneurs and Carleton College grads Philip Xiao and Jiatao Cheng. Homi helps companies leverage their employees' alumni networks to make finding new talent easier. Homi is currently being used by 22 colleges in six states. homi.io

3 Tips for Landing Big Clients in Fintech

ClickSWITCH CEO Cale Johnston shares his advice for running with the big dogs of finance.

Got an idea for a fintech application? Join the crowd. As consumers increasingly expect everything to be digital—banking and financial management included—the field of companies creating new fintech products is ballooning rapidly.

But Minneapolis-based startup ClickSWITCH found a way to stand out from the crowd in 2014. It developed a simplified process for switching financial institutions by easily moving over automated payments and direct deposits, and it began selling the product to other fintechs and financial institutions—a feat that helped the company

land a partnership with T-Mobile in April.

But the secret to success goes beyond the product, ClickSWITCH CEO Cale Johnston says. Here, he shares ClickSWITCH's top tips for landing big clients in an overcrowded industry (edited for length and clarity):

1 Have a simple business model.

"Your business model should be simple so that large banks can easily identify who you are, what you do, and how you're different. All of our deals at ClickSWITCH begin with an introduction call where we provide a company overview and a product demo.

Once the demo starts, a lot of questions start to flow from prospects, and they are able to make a quick decision about if they'd like to move forward."

2 Expect a long closing cycle when dealing with big banks.

"From initial demo to deal closed, the closing process typically takes about six to 12 months when working with banks with assets over \$20 billion. (To put that into perspective, a community bank usually takes one to three months for the entire closing process.) So it's important to enjoy the process. We always meet with a number of different departments

and help each strategize the ideal rollout plan of our product to their consumers.

Plus, each financial institution has a different strategy for how they want to utilize a product. It's been critically important for ClickSWITCH to be technically equipped to handle the different rollout strategy each client envisions."

3 It takes all of your resources to close a big bank.

"Deals with community banks and credit unions typically have a single sales representative who oversees the closing process from start to finish. When working with a big



bank, though, it will take your entire team. From the moment a big bank says it wants to move forward, it becomes all hands on deck. At ClickSWITCH, we pull in our CFO for pricing, our compliance officer for diligence requirements, developers for custom features, as well as software architects, project managers, account managers, and more. It takes the team." —Tess Allen

How Biased Is the News? There's a New App to Measure That

Gnomi tries to appeal to readers on both sides of the aisle by assigning a bias grade to news articles on a scale of 1 to 5.

A little over a year ago, when the new tax reform bill was announced, Minnesota entrepreneur John Long noticed that some news sources claimed the bill would affect 95 percent of people, while others pegged it at 5 percent. This discrepancy appalled him.

"The rhetoric—it just screamed at me about how much propaganda really is going on in the media today," says Long. "So, I was hungry for a way to have a B.S. meter."

Long created Gnomi, an app that aggregates news articles and gives each one a political skew

grade: Right 1-5 and Left 1-5, with 1 being the most moderate and 5 being the most extreme on each side.

Developed with the help of a professor at St. Olaf College, the app assigns bias grades based on feedback from both an artificial intelligence system and humans trained to rate the sources. Parameters for grading include the use of inflammatory words such as "plot" or "payback" instead of "strategize" and "in response."

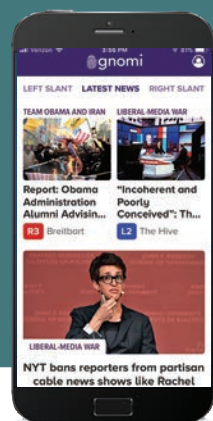
"We've gotten into a social justice atmosphere that has really created a rhetoric in mainstream media," Long says. "Media is being encouraged to be more provocative on either side."

The app also tracks reader habits and finds that 40 percent of users read articles on both sides of a debate. Long says readers seek wide-ranging sources to get the complete picture.

"We all have our crazy uncles who have these outlandish opinions," Long says, "but the vast majority of people ... are curious about [learning] and self-improvement."

Gnomi attracted 2,000 users in its first three months after launching. Long believes Gnomi will not only help media consumers, but could perhaps serve as a spot-check for news publications.

Long likes the idea that media outlets might even begin to check themselves and ask about their own bias. "How awesome would that be?" he says. —Amanda Ostuni



Lessons Learned

Michael Druskin

Two years after shuttering the last of the Len Druskin Inc. stores and declaring bankruptcy, the son of the local retail legend is starting over with a new men's shop.

For more than 40 years, Len Druskin was one of the best-known names in Twin Cities retail—women flocked to his eponymous Edina boutique for special occasion dresses and designer fashion. His son Michael Druskin took over in 1999. With an instinct for trends that were about to pop, the younger Druskin steered the store in a more trendy direction and began an aggressive expansion. At its peak six years ago, the company's portfolio included a dozen stores in the Twin Cities and Chicago, and they weren't all the same. Customers didn't necessarily know the difference between the Len Druskin Outlet and the "Len" stores where everything was always 50 percent off. Overextended, the business began to unravel. The last of the suburban locations went dark overnight in 2017, leaving many employees and vendors without their final paycheck. Len Druskin Inc. filed for Chapter 7 bankruptcy in early 2018. Michael Druskin updated the job title on his LinkedIn profile to "Lyft driver." It wasn't a joke.

But in August, Michael Druskin returned to retail with a menswear store called Jaxon Grey—a nod to another iconic local boutique of yesteryear, Jackson Graves, where his grandmother was a buyer. Jaxon Grey is Druskin's vision, but the money comes from a group of silent investors who he says "believe I have the ability to share something unique and cool." Located within North Loop collective D.Nolo, Jaxon Grey will focus on small up-and-coming brands. Calm and reflective after more than a year of therapy and a new workout routine, Druskin says he hopes people won't judge him on the final weeks of Len Druskin Inc. "We feel very badly that things didn't go as planned," Druskin says. "It's not about what happened, but how you deal with it." —Allison Kaplan

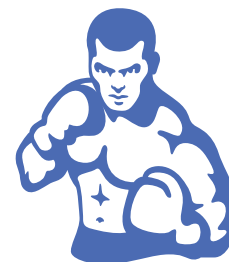


Don't sulk.

■ His instinct was to hide after closing abruptly, but friends urged Druskin to do something—anything. They didn't expect he'd become a Lyft driver, but Druskin says it was an amazing experience, and one that got him out of his own head to listen to others. "People share a lot," he says. "You're part concierge, part psychologist. There are so many people doing interesting things."

Throw a punch.

■ Druskin was always running—from store to store. But he never made time to work out, until last year. He says he was extremely intimidated to enter Uppercut Boxing, but now he goes several times a week. "The support and community has been life-changing."



Know your strengths ... and weaknesses.

■ "As a creative person, I have a natural tendency to keep moving and get bored. It's important for me to work with people who give me enough room in the sandbox to try things, but not so much space that I move in too many directions. Don't be fearful of being honest about your shortcomings."

Get out of your comfort zone.

■ "I didn't take enough chances (with Len Druskin Inc.). I didn't push for digital when my competitors did. You've got to think progressively and be willing to try new things."

Listen to your father.

■ "My dad really taught me about customer service. Make people feel comfortable. That's how you build a business."

Create a cohesive brand story.

■ "I picked things for Len Druskin that I thought would sell. But I didn't know why, and I wasn't necessarily true to the brand. This time, I am creating a brand that has its own distinct identity. I know the story behind it. Jaxon Grey is about being comfortable and approachable but pushed a little bit outside of the box."



Culture > Strategy

Innovative Office Solutions fosters culture to achieve strategy.

By Rajiv Tandon

Culture is often misunderstood and discounted as a touchy-feely component that is not as important as hard and solid strategy. But Peter Drucker, the father of modern management practice, is credited with saying, “Culture eats strategy for breakfast.”

Edgar Schein, MIT professor emeritus who has done groundbreaking work on organizational culture, describes culture as the rules, perceptions, language, history, and the like that set the values and beliefs of an organization. Workplace culture decides the way individuals interact with each other and behave with people outside the company. An enabling organizational culture touches employees on a deeper level and unites them to execute complex strategies.

Culture is at the core of Jennifer Smith’s tenure at Innovative Office Solutions, one of the largest companies in the Midwest in its niche, with \$141 million in 2018 sales and over 295 employees. She has achieved consistent double-digit growth, while the established office products industry, as a whole, is in decline.

It all started when she was 12, helping customers select the right ink cartridges at her father’s office products business in Northfield. After college, she worked her way into her dream job at Dayton’s as a shoe buyer. Six years later, when her mother got sick, she returned home to Northfield and purchased her father’s company. With the skills she learned at Dayton’s and the application of technology, the company grew from \$1 million to \$12 million in sales in 18 months. In under three years she sold the company to a big-box store in 1997. For a short period, she worked there, then she took

a break from the office products business for a few years.

During her tenure at the big-box store, she saw firsthand the woes caused by the lack of a defined culture; a sale was just another transaction. That lack not only depressed sales but was also demoralizing her former employees. She saw an opportunity to install a trusting, high-performing culture to provide exceptional customer service.

In June 2001, she jumped back in and founded Innovative.

Innovative’s distinguishing cultural design includes everything from the physical layout, to the manner in which customers are greeted, to how people communicate and the feel of the place. Other manifestations include offering a very broad range of products and support for going the extra mile to provide the customer with the right solution.

Innovative’s early years, selling undifferentiated commodity products, were trying. Smith recalibrated to a three-pronged strategy: customer service, technology, and diversified offerings. This meant providing a wide range of products—anything imaginable that goes into a workplace. It introduced greater complexity, but empowered and trained employees helped customers navigate the maze of options that served their personalized needs.

The company’s marketing budget was limited compared to bigger competitors, so Smith partnered with Min-



Jennifer Smith

nesota sports teams to build effective programs working closely with their charities, building a brand by linking marketing and charitable giving.

This strategy, with an empowered culture, has been a proven growth formula and earned Smith numerous honors, including the 2017 EY Entrepreneur of the Year award for the Upper Midwest, 2018 Most Admired CEO, Fast 50 Honoree, and the one she is most proud of, Minnesota Business magazine’s 100 Best Companies to Work For seven years running.

You can feel the culture as soon as you step into an Innovative showroom. Its “culture book,” originally meant for internal distribution, is routinely picked up by customers. Everyone on the team knows the business’s purpose and vision: “Inspire people to love what they do and who they do it with.” Hiring is focused on putting the right people in the right roles to-

ward a focused plan. Relationships are valued—with customers, vendors, and employees. Turnover is low; of 21 initial employees, 14 are still there.

The company last year completed a major acquisition of Brown & Sanger, another office products dealer. The most critical task was to mold the culture of the acquired business to fit the existing one.

This culture has been cultivated and maintained even with rapid growth. “We hire, fire, and make decisions daily to keep our culture alive,” Smith says. It can be challenging as the business grows in multiple locations.

Innovative recently added office space in downtown Minneapolis with up-to-the-minute design. However, it has reused the mismatched flooring from its past. It’s Smith’s reminder to her team that even the forward-looking concepts are built on age-old truisms.

Everyone on the team knows the business’s purpose and vision: “Inspire people to love what they do and who they do it with.”

Rajiv Tandon is executive director of the Institute for Innovators and Entrepreneurs and an advocate for the future of entrepreneurship in Minnesota. He facilitates peer groups of Minnesota CEOs. He can be reached at rajiv@mn-iiie.org.

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PERFORMING PHILANTHROPY



Charitable Contributions Fuel the Fair

Why and how does the Minnesota State Fair Foundation raise money?

By Sarah Lutman

You may have heard or seen the advertising that asks you to consider a charitable donation to support the Minnesota State Fair Foundation. That request seems at odds with the wildly popular admission-based event.

During its 12-day run, the Fair drew a record 2,046,533 visitors in 2018. My family institutes a strict all-cash budget at the Fair, lest dollars drain out of our wallets uncontrollably as we try new foods and take a spin around the rides. We spend most of our time checking out the chickens and the cows and, of course, people-watching. Why does the Fair need more money?

When I called Mary Chung, executive director of the Minnesota State Fair Foundation, she was not surprised by the question. She patiently explained that without charitable donations, many of the Fair's offerings would fade away and the aging infrastructure of the fairgrounds' historic buildings would crumble. Here's what I learned.

The annual Fair is operated by a quasi-state agency, the Minnesota State Agricultural Society, first organized in 1854 to "encourage agriculture, horticulture, stock breeding, manufacturing, and other industry." The society's board is composed of delegates representing the state's 87 county fairs as well as statewide associations involved in agriculture, horticulture, and education.

If you want to fall down a rabbit hole of Minnesota history, the society's annual reports dating back to 1887 are freely available online in its digital archives. (There is not a separate organization called the

Minnesota State Fair.) The society doesn't receive state funding. The last time it received any public funding was 70 years ago, Chung says.

During World War II, military aircraft propellers were manufactured in the Hippodrome, but the alterations made to house the operation ruined the building. It was torn down in 1945, and it took the federal government four years to pay the society for the damages.

The Fair's buildings and 322-acre grounds require significant upkeep; many of the buildings on the fairgrounds were built in the 1930s during the Works Progress Administration (WPA). But shoring up deteriorating infrastructure is not the only reason that local citizens formed the State Fair Foundation in 2002.

The foundation has broader objectives, including keeping the Fair affordable, enhancing its programming, and improving visitors' experiences. "If you think about it," Chung says, "the Fair is Minnesota's largest and most accessible cultural organization." She cites the Fair's exhibition of Minnesota artists, the hours of free music filling multiple venues, and educational programs on topics like animal husbandry, watershed protection, crafts and cooking, and many other subjects. While admission fees, rentals, and sponsorships cover much of the Fair's operating budget, the foundation's contributions of about \$1 million to \$1.5 million a year provide for some key enhancements. In 2018, the society's annual operating revenue was \$56 million, with 94 percent coming from the 12-day Fair.

Take the newly renovated Robert A. Christensen Pavilion, formerly



BLOOM HANSON

The Fair Foundation funds special projects.

known as the Swine Barn, that the foundation unveiled this year. Contributions to the foundation allowed the Fair to complete improvements to the 1936 building, making it safer and more comfortable for visitors. The building holds around 1,200 animals at a time during the Fair.

"We were able to strengthen the biosecurity of that building," Chung says, adding that biosecurity is a major concern when dealing with that many animals and people. The foundation also tackles smaller enhancements, like placing dozens of benches around the fairgrounds to offer more places to rest. The Fair's History and Heritage Center is a new building in the West End Market. The foundation has provided \$3.8 million to the West End project.

The foundation raises money in much the same way as other nonprofits; its staff and 21-member board actively seek contributions, hold benefit events, and sell merchandise at the Fair. The foundation targets specific projects for directed

contributions and also raises endowment funds from donors who want to ensure the Fair's programming with legacy gifts.

Foundation funding also allows the Fair to develop new programming. A few Fair favorites started as foundation-supported projects, including the Fair's Giant Sing Along. The foundation supported the large-scale kaleidoscope in the Horticulture Building that invites viewers to examine flowers and plants through its enormous lenses.

"There are so many people who are such experts who are here to educate people," Chung reflects. "You could never learn all that there is to learn at the fairgrounds in a single visit. This is such an important cultural institution and a place where many communities get together. We need to keep it as affordable and accessible as possible."

Personally, I'm hoping the foundation will work to make the Fair even more affordable and accessible and reach out to new communities who can help make the Fair even more representative of our state's diversity. The foundation can help ensure that the Great Minnesota Get-Together is relevant to and inclusive of all Minnesotans.

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

Mayo Clinic Q & A: Effectively treating a separated shoulder can get you back to your active life

Dear Mayo Clinic:

A few weeks ago, I was snowboarding and dislodged my collarbone. I was told I have anywhere from a grade 3 to grade 5 separation. I've had my arm in a sling for three weeks, as was recommended, but it's still painful. Does this type of injury ever heal on its own, or will I need surgery? I am 20 and don't want to have shoulder pain for the rest of my life.

Answer: The type of injury you have — commonly referred to as a separated shoulder — can be treated effectively. There's no need for you to suffer from ongoing pain, and you should be able to return to the level of activity you enjoyed before this injury. The key to effective treatment is to have the severity of your shoulder separation accurately identified. Then the appropriate treatment can be planned from there.

A separated shoulder involves injury to the ligaments that hold your collarbone to your shoulder blade. In a mild separated shoulder, the ligaments might just be stretched. In severe injuries, ligaments may be torn. The most common cause of a separated shoulder is a blow to the point of the shoulder or a fall directly on the shoulder. This injury often happens in sports that carry a risk of falls, such as snowboarding, downhill skiing and gymnastics, as well as in contact sports, such as hockey and football.

The severity of a shoulder separation is graded on a scale of 1–6, with 1 being the least severe and 6 being the most severe. Treatment for grades 1–2 includes rest, ice and immobilization with a sling, usually for several weeks. After that, physical therapy can help restore shoulder function. A separated shoulder determined to be grade 4–6 typically requires surgery to repair. Treatment for grade 3 is less clear-cut. Some grade 3 injuries require surgery, while others do not, depending on the patient and the type of activity she or he wants to return to after treatment.

Because successful treatment for a separated shoulder relies heavily on accurately identifying the grade of the injury, now would be a good time for you to seek a second opinion. Find a physician who specializes in sports medicine or an expert in a related



field, such as orthopedics, who is familiar with this type of injury. He or she can perform a comprehensive evaluation of your condition and should be able to definitively diagnose the grade of your injury.

If you do not require surgery, physical therapy likely is the next step in your treatment. Physical therapy will improve your shoulder's range of motion and strengthen the muscles around your shoulder. Over time, this can restore shoulder function and ease pain. If surgery is necessary, the procedure typically involves reconnecting or reconstructing the torn ligaments, which repositions or stabilizes the injured bones.

A separated shoulder should not lead to chronic pain or permanently limit your activities. After treatment, it's reasonable for you to expect to return to snowboarding and other active pursuits. But to receive the right treatment for your situation, you need a diagnosis that clearly identifies the grade of your injury. An expert in sports medicine can help make that diagnosis and plan a course of treatment to eliminate the pain and restore your shoulder function

—Nancy Cummings, M.D., Orthopedic Surgery



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Starting Out Versus Starting Up

Spinoffs are a smart way for large brands to shake off their baggage.

By Aaron Keller



The start-up community continues to garner attention and interest—new is always sexier than the old robe. The long-established corporations are certainly not blind to this—they're also drawn to the lure of a start-up team that could end up as a unicorn. This has led to some noteworthy behaviors in the world of innovation.

Startups, and the mindset that comes with those ventures, have been adopted as an innovation methodology among large brands. The older brands need the next widget, food concept, or 5G-ready business idea. The start-ups need capital, resources, scale, encouragement, advice, and

perhaps an acquirer on the five-year horizon.

So the innovation ecosystem has adopted another enterprise: the startup venture accelerator, incubator, or corporate venture fund. We see this in partnerships between Techstars and major corporations like Cargill and Ecolab here in town. We also see it with national organizations like MassChallenge, which has grown far beyond Massachusetts.

The underlying behavior comes from a need to be nimble, agile, and moving at a new-economy pace. This pace isn't natural for an organism designed for stability and deliberate behaviors, i.e., the major corporation. Such

These two new ventures have the cultural benefit of an upward trajectory, in contrast with the brands divesting them, which have the cultural equivalent of leftovers.

organizations can still find ways to adapt to the marketplace, with the benefits of size.

The recent wave of divestitures led by Pentair and Honeywell offers a peek inside the mindset. Both large corporations spun off portions of their business—what I call “starting out” instead of “starting up.” Honeywell’s Resideo Technologies spinoff last year instantly became a cash-flow-positive venture with \$5 billion in revenue and 14,500 employees globally.

Then there’s Resideo’s neighbor, nVent, which opened its own headquarters on the other side of I-394 from parent company Pentair. That means there are two \$2 billion ventures hanging out in St. Louis Park. Now that we have these two new living brands in the real world, we can watch them create something new from something old. The local history of this strategy has some baggage; has anyone seen Imation recently? (For the younger audience, Imation was spun out of 3M in 1996.)

Niccolo de Masi, the new Resideo president, frames the art of divestiture this way: “During that year-long process, we were laser-focused on what mattered most—our culture, our customers, and delivering shareholder value.” De Masi can keep using the Honeywell product brand in perpetuity, keeping the parent brand focused on people, culture, and customer and shareholder relationships. Building Resideo into a parent brand is not so easy, however—it still involves a fussy audience, stakeholders, perceptions, and all the anxieties of a community.

We certainly have high hopes for these two new ventures. They have the cultural benefit of an upward trajectory, in contrast to the brands divesting them, which have the cultural equivalent of leftovers. Yet Honeywell and Pentair both have

bragging rights for what they have “divested” into the world, although “divest” might not be the best word. Why not describe this as “extravest,” something outside of and beyond the original? The result of these new ventures should not be a clone of the original, but a genetic improvement and a bright new future.

Here are a few things this observer will be looking for from these ventures.

1 Winning culture signals to the outside world. Perhaps winning awards for employer of the year (but not the boondoggle versions out there), impressive Glassdoor ratings, and generally a reputation for an innovation-driven culture.

2 Authentic brand-building efforts. Not just the occasional ad spend, but a culture where brands are known for their asset value to the organization and built creatively from the inside out and vice versa.

3 Design thinking woven into the organizational structure. It doesn’t need to be a chief design officer, but design as a way of thinking should be a fundamental part of any organization with the hope to build a valuable brand.

We as a creative business community get to see these new brands come to life and grow up. Let’s give them the best chance of success in the modern global marketplace for ideas, products, and experiences.

Aaron Keller (aaronkeller@capsule.us) is co-founder and managing principal of Capsule (capsule.us), a Minneapolis branding agency. He co-authored The Physics of Brand, physicsofbrand.com.

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The Dilemma of Independent Contractors

Is this a staffing solution that employers need or are they creating a permanent labor underclass?

By Linda L. Holstein

Every workplace has one, and most have several. “Temps,” “self-employed workers,” “freelancers,” and “contingent laborers” all fall under the rubric of individuals hired on a temporary basis to presumably work on a specific or time-limited project.

Historically, employers’ biggest

legal worry about such staffing was how to carefully avoid misclassifying anyone as an independent contractor if she were, in fact, an employee. Tax withholding, immigration laws, unemployment compensation, workers’ compensation, and federal and state anti-discrimination laws all come into play when a company misclassifies a worker as “independent.”

Most chilling for employers is the power of the Wage and Hour Division of the U.S. Department of Labor, which administers the Fair Labor Standards Act. FedEx, for example, paid over \$400 million in multiple class-action lawsuits over the last five years to drivers who were owed overtime because they were actual employees as defined by the FLSA. They were not, as their written contract with FedEx called them, “independent contractors.”

Adding to the risk and frustration for employers playing the high-stakes classification game is the legal conundrum of the factor test. What factors, in other words, will a court or regulatory agency look at to determine whether a worker is truly independent? The IRS has a 20-factor test; the Minnesota Supreme Court uses a five-factor test. The Wage and Hour Division of the U.S. Department of Labor looks at whether a worker is economically dependent on an employer by using a six-factor test established by the U.S. Supreme Court. All of these legal constructs, however, start with

an examination of how much control the company has over the worker—where you work, when you work, how long you work, and whether you can work for anyone else at the same time.

Enter Google. As of March, Google worked with 121,000 temps and contractors around the world, compared with 102,000 full-time employees on its payroll. Those numbers come from a verified internal Google document obtained by the *New York Times*. People desperately want to work at Google even without paid vacation and health benefits, for less money than their colleagues are paid, and without a color-coded name badge that lets others know you’re a real full-time “Googler.”

How Google has seemingly avoided massive class-action lawsuits like those suffered by FedEx is best illustrated by examining another Silicon Valley company, OnContracting. The OnContracting website describes the company’s mission as providing “an online directory of U.S. staffing agencies

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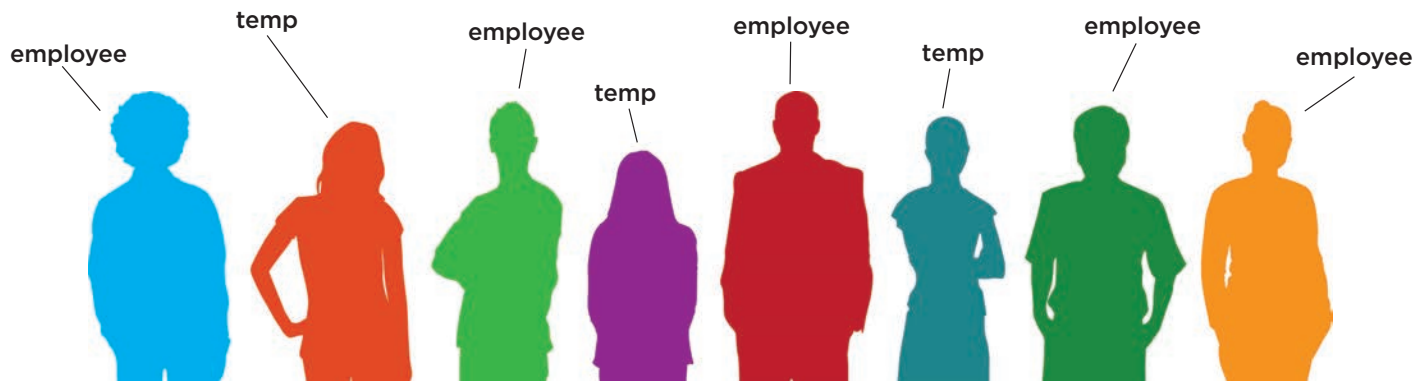


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that help job seekers find temporary contract jobs by giving them insider information about which staffing agencies place contractors at which Fortune 2000 companies.” Thus, should a highly skilled engineer who’s been shut out at Apple just allow himself to be connected to the right staffing agency that Apple depends on (and OnContracting knows about), he can get hired and call himself an “Apple engineer.”

Except that’s not his employer; the staffing agency is. And he’ll generally have the job for just 18 months. The layering tactic—putting a whole ecosystem of entities between you and your worker—is not new, but it has evolved

far beyond what the workplace thought of as a “temporary staffer” brought on during someone’s maternity leave.

OnContracting estimates that a technology company “can save \$100,000 a year on average per American job by using a contractor instead of a full-time employee.” That’s what the founder of the service told the *New York Times*, after which he rather wryly observed that overuse of contractors is “creating a caste system inside companies.”

Before FedEx used to be forced to change its classification scheme in 2011, it contracted directly with ground and home delivery drivers. The written contract

that FedEx used was harshly criticized (and struck down) by several courts, including the Kansas Supreme Court, which called it “brilliantly drafted ... to create the constraints of an employment relationship in the guise of an independent contract model—because FedEx not only has the right to control, but has close to absolute actual control over the drivers.”

The clever but deceptive contract was very valuable to FedEx, particularly because its main competitor, UPS, employed over 265,000 Teamsters union workers at the time the lawsuits were filed. While organized labor, now just barely 10 percent of the U.S. work-

force, offers a decreasingly less popular safeguard for American workers, the spread of the independent contractor “movement” has gone relatively unnoticed. FedEx, like Google, now contracts with several middleman companies, allowing it to, as lawyers like to say, “remain flexible.”

Linda L. Holstein is a Minneapolis writer, trial lawyer, and veteran employment law attorney with her own law firm, Holstein Law Group. She helps businesses and individuals with workplace issues, including MSP Communications.

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Bitter Pill

After four decades, Lunds & Byerlys exits the pharmacy business for good.

By Adam Platt

In 1980, legendary Twin Cities grocer Don Byerly built a pharmacy in his new St. Louis Park store—the one with the crystal chandeliers and carpeting that I showed off to my parents when I moved to the Twin Cities in 1981. (I lived in St. Paul, but it was a spectacle that I thought would convince my folks I wasn't living in a cow town.) It would be the beginning of a four-decade pharmacy flirtation between Byerlys and its successor company, Lund Food Holdings Inc.

That dalliance evolved into a full-fledged operating division, but despite the decades and effort involved, Lunds & Byerlys decided to get out of the pharmacy business in July at the dawn of its fifth decade, to the chagrin of the 1 percent of its customers (including my family) who relied on some of the last remaining pharmacies in the Twin Cities where you could speak to pharmacists without being vetted by gatekeepers.

"We gave it an honest try," says LFHI CEO Tres Lund, with typical understatement.

After Don Byerly opened his SLP pharmacy, Lunds entered the business in four stores via a 1999 partnership with Fairview that ran until 2004, when the founders

of PrairieStone Pharmacy rolled out what Lund calls the "most compact, technically forward pharmacies in the grocery space." They leased space in most of the L&B stores, but two years later PrairieStone was bought out and LFHI took over those pharmacies and has operated them for over a decade.

I've lived in the Twin Cities for 38 years and done business with three pharmacies: Bober Drug in St. Paul, Burch Pharmacy in Minneapolis, and Lunds & Byerlys. LFHI is leaving the business because it's notoriously difficult to make money in the prescription drug game. Independent pharmacies were hit first and hardest, but now it's a struggle even for diversified grocers that are less focused on scrip profits than on deeper relationships with existing customers and attracting new customers (who will purchase food and higher-margin health and beauty items along with their prescriptions).

Lund says industry estimates were that pharmacy customers spend an additional \$1,000 a year with a grocery store. But that didn't make up for the fact that L&B pharmacies were labor-intensive and dipped in and out of the red from year to year because

"We've loved being a community pharmacist.

We gave it an honest effort. If there was a magic bullet, we would have found it."

—Tres Lund, CEO, Lund Food Holdings Inc.



the business is so volatile.

LFHI purchased the prescription files of two Snyder Drug Stores in 2009 to try to bulk up, bringing Snyder executive Jodi Robinson along to manage the L&B pharmacies in 2010. Robinson places the hardship at the feet of pharmacy benefit manager (PBM) businesses. They decide which drugs insurers will pay for, how much they will pay, and even pioneered \$4 generics.

A \$4 generic has no margin for a pharmacy, particularly smaller-volume operations like L&B and the handful of remaining indies. PBMs can even “claw back” payments to pharmacies if doctors select drugs PBMs don’t approve of.

“We were trying to be care providers with services,” says Robinson, “but we’d been doing it for free.” Because of HIPAA regulations, LFHI kept its pharmacy and grocery databases separate, so it has rather paltry data on its pharmacy customers’ broader consumer behavior in stores. And when it came time to decide “where to put our strategic time and effort,” says Lund, “the trends in pharmacy were not positive.”

Lunds’ exit from the business appeared rather rushed. News showed up in the media five days before the outlets shuttered, and my family received a notice in the mail post-closure. Lund says LFHI sold L&B’s prescription database to Walgreens because it had the greatest number of local job openings to absorb the several dozen pharmacists and techs

working at L&B, and it agreed to interview them and honor their years of service. Walgreens also had locations proximate to many L&B pharmacies.

I decided instead to find an independent pharmacy or one that was small enough where it was simple to talk to a pharmacist without gatekeeping staff. We landed at HealthPartners’ pharmacy in St. Louis Park, figuring an integrated health insurer/care provider will have some staying power and leverage in the business and would lack the impetus to provide big-box-style staffing models that keep customers from pharmacists.

But I can’t say I’m optimistic that we won’t eventually be left with only the big boys, as they have the buying power and leverage to hold their own against the PBMs. CVS even owns one. Amazon and Berkshire Hathaway are also working on disruptive changes to the model, says Lund. It’s another harbinger of change in health care that seems, on its face, less than human-scale.

LFHI still hopes to serve customers interested in homeopathic remedies and “functional” foods, perhaps with an eye on keeping them healthier and off prescription drugs. “We’ve loved being a community pharmacist,” says Lund. “We gave it an honest effort. If there was a magic bullet, we would have found it.”

Adam Platt is TCB’s executive editor.

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Andrew Dayton The New Philanthropist

Instead of devoting his energy to growing businesses, the 35-year-old is pursuing his passion to build the **Constellation Fund**. His new foundation is using data and evidence-based approaches to tackle poverty in the Twin Cities.

By Liz Fedor

Photography by David Bowman

framed by a constellation of stars on the walls of the Capri Theater in Minneapolis, Andrew Dayton took the stage on May Day for the public launch of the private foundation he's created.

"We live in one of the most philanthropic regions in the country," said the 35-year-old son of former Gov. Mark Dayton and Alida Rockefeller Messinger, speaking to an affluent audience of movers and shakers from the business, civic, and nonprofit communities. Yet, Dayton stressed, one in five residents of the Twin Cities lives in poverty.

Dayton has spent his life in the public eye, without feeling he earned that attention. His father was involved in politics throughout most of his childhood. Any mention of his last name sends Minnesotans down memory lane, sharing a story about their favorite department store of yesteryear. On his mother's side is one of America's most storied families, synonymous with wealth and philanthropy. When he and his older brother, Eric, opened the Minneapolis restaurant Bachelor Farmer and Marvel Bar, and then the neighboring retail store Askov Finlayson, the media attention came quickly, as did the references to "Dayton's 2.0."

But Andrew Dayton stepped away from it all five years ago and moved to San Francisco—first for his business, and then to embrace the anonymity and find his true passion: poverty alleviation. He came home to Minnesota to create a new breed of evidence-based philanthropy that he calls the Constellation Fund. Clad in a perfectly tailored navy suit and crisp white dress shirt while forgoing a tie, the young Dayton told his much older audience at the Capri that Minnesotans are living in a "broken philanthropy marketplace."

The grandson of a Dayton and a Rockefeller who were prominent

arts patrons, Andrew Dayton was raised to give back to his community. But he's taking a risk by building a foundation from the ground up that will employ a new approach to battling poverty, an economic and social problem against which government and philanthropic leaders have struggled for decades to gain traction.

On this early spring night, Dayton thanks his foundation's financial backers for supporting nonprofits that aim to help low-income people climb out of poverty. He remarks on the incongruity of 80 percent of U.S. philanthropic dollars going to universities, the arts, building projects, and other mainstream institutions, while there is such a gigantic need to help the poor.

The big picture

The Constellation Fund isn't focused on helping low-income people with their immediate needs, but rather addressing housing, education, and other larger issues that will move people into the middle class. He tells his supporters that instead of measuring "outputs," such as the number of people getting temporary assistance, he wants his new foundation to emphasize "outcomes," in which lives are transformed.

He says later that he recognizes there will be "some natural skepticism from nonprofits." Many will be watching who gets grants from his foundation and whether his use of analytics is successful in making a greater impact than more traditional philanthropy has made.

Melvin Carter, the first black mayor of St. Paul, is an ally in Dayton's





Andrew Dayton (left) learned about the importance of giving from his mother, Alida Rockefeller Messinger (upper right). Using one's wealth and talent for the public good was reinforced by his father, former Minnesota Gov. Mark Dayton (lower left). Eric Dayton, Andrew's older brother (lower right), joined him at a Constellation Fund launch event at the Capri Theater in Minneapolis.



nascent effort. “This work has to be a team sport,” Carter says, emphasizing the importance of leveraging resources to alleviate poverty. During his turn on the Capri stage, Carter noted Prince’s connection to the landmark venue in north Minneapolis: Forty years ago, Prince performed at the Capri on Broadway Avenue for his first solo show.

Prince was a rising star in 1979 and his talent took him to the top of the entertainment industry.

The music, fashion, and sports scenes have undergone big changes since Prince became a national phenomenon. But if one contrasts economic life in the Twin Cities in 1979 to 2019, it’s clear there has not been a dramatic improvement in racial disparities. Children raised in low-income households still struggle to do better than their parents.

Dayton’s vision for the Constellation Fund started to take shape in late 2017. By the end of June this year, he’d raised \$1.65 million for making grants. He’s recruited a high-powered board that’s embraced his argument that a foundation can be more effective through strategic grantmaking. Specifically, he advocates providing large, unrestricted grants to nonprofit organizations that are “best in class” in fighting poverty.

San Francisco immersion

Dayton did not wake up one day and decide to create a foundation to address persistent poverty. But he’s had more exposure to giving and philanthropy than most people in their 30s. Throughout his adult life, he has regularly been asked to make charitable donations.

“When you have the names Rockefeller and Dayton, you end up on a lot of fundraising lists,” Dayton says.

Dayton says he often felt overwhelmed about how to evaluate the avalanche of charitable funding requests. He gave money to organizations he believed in, such as Habitat for Humanity. He also met with nonprofit executive directors, who asked him for money to support a host of programs. But, he concedes, “I just didn’t feel like I was being a really thoughtful steward of my resources.”

His conception of “smart philanthropy” evolved after he left his hometown of Minneapolis for San Francisco in 2014. He moved to California to oversee Askov Finlayson’s pants manufacturing. Dayton, who earned an undergraduate degree in history from Yale and a law degree from the University of Michigan, says he enjoys being in business with his brother. But, he acknowledges, “I wasn’t tapping into part of my passion”—public policy.

As his company’s manufacturing operations got underway, he accepted a part-time position in the San Francisco city administrator’s office. Businesses received tax breaks to remain in San Francisco, and it was Dayton’s job to administer a community benefit program. He was charged with making sure business-provided benefits—in exchange for the tax breaks—were put to good use.

His work got noticed. He was offered a full-time job as the deputy director of legislative and government affairs for then-Mayor Ed Lee. In turn, he decided he needed to exit the day-to-day business operations of the company he still co-owns with

his brother to concentrate on his job in San Francisco.

While he dealt with lawmakers and staff in Sacramento and Washington, D.C., he also crossed paths with people outside of government who were tackling social and economic problems in the city. “Homelessness and housing affordability

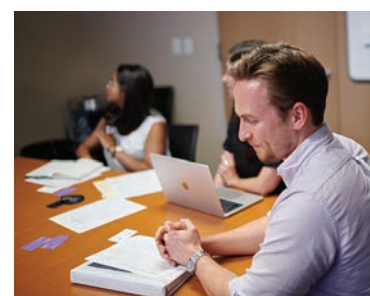
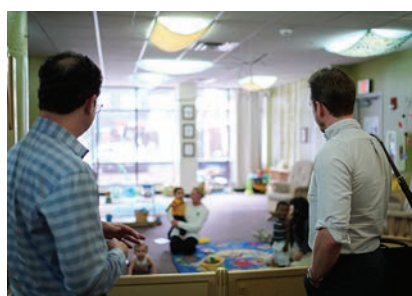
“I feel happy and grateful that my children value philanthropy and don’t think of inherited money as their money.”

—Alida Rockefeller Messinger, Andrew Dayton’s mother

are at the top of the list of priorities in San Francisco,” says Dayton, who was particularly impressed with the nonprofit Tipping Point’s work to reduce the chronic homeless population by 50 percent.

He got to know Tipping Point founder Daniel Lurie, who worked for the Robin Hood Foundation in New York City. Founded in 1988, Robin Hood says it provides “200 of the best nonprofits with financial, real estate, and management support.” It spent \$116.1 million on poverty-fighting efforts in 2017, according to its annual report.

As he was learning more about the work of Robin Hood and Tipping Point, he was still connected to family, friends, and community issues back home in Minneapolis. “I was reading these articles in the *Star Tribune*, when I was in the mayor’s



Andrew Dayton toured People Serving People (center left) with the Minneapolis nonprofit’s CEO, Daniel Gumnit, and met with the organization’s staff (center right). Dayton checked his phone (bottom) before speaking to Constellation Fund supporters. He visited informally with people (top) at the Capri.



Andrew Dayton (above) read the classroom rules during a People Serving People tour. He spoke with Susan Bass Roberts (below), a Constellation Fund board member who serves as the executive director of the Pohlاد Family Foundation.

office, about rising inequities and a lack of affordable housing and homelessness spikes,” Dayton recalls. In San Francisco, he was coming face-to-face with homeless people and saw residents with jobs who couldn’t find housing they could afford. He didn’t want Minneapolis to become San Francisco. But he worried that might happen in Minneapolis if public and private leaders failed to make the hard policy decisions and wage interventions to better address housing and poverty issues.

It was time for Dayton to go home.

Building a new foundation

He moved back to Minneapolis in 2017, driven to launch a foundation in the Twin Cities patterned after Robin Hood and Tipping Point.

Even though he was operating as a one-man band when he started to build the foundation, he didn’t consider it a lonely pursuit. “There was definitely some uncertainty at the outset,” he says. “I had seen the power of this model in San Francisco and knew that it was needed in the Twin Cities, but also wasn’t

sure what the reception would be.”

The Robin Hood Foundation was constructed with four pillars: rigorous metrics, accountability, partnership, and 100 percent charity. The organization places an emphasis on metrics “to determine how much each dollar lifts the well-being of struggling New Yorkers,” according to its website.

That value on precise impact resonated with Dayton. His late grandfather Bruce Dayton, a longtime arts patron, was results-oriented and would often say: “You get what you inspect, not what you expect.”

Andrew says that he and Eric have used the inspect vs. expect credo in their businesses, but it also applies to an intelligent approach to philanthropy. “If you just expect to get great

results but then don’t really dive into those details, chances are you are not going to get what you expect out of it,” he says.

His approach contrasts with some foundations that do high-volume grantmaking. “The goal here isn’t to be spray and pray—give lots of little grants to a thousand organizations—but taking time to identify who are the organizations that need and deserve support and then funding them at a really deep level,” he says.

“When it comes to poverty alleviation, we’re living in a data tsunami but an analytics desert,” Dayton says. Just as the Oakland A’s baseball operation gained a competitive edge through analytics, popularized in the movie and book *Moneyball*, Dayton wants to use analytics to break through with new insights in philanthropy.

To help identify the “best in class” nonprofits, Dayton sought the expertise of economists and program evaluators. He initially asked for help from Richard Chase of the Wilder Foundation, who had been doing data analyses for nonprofits. He contacted Aaron Sojourner, a University of Minnesota professor who had recently served as a senior economist with the President’s Council of Economic Advisers. He recruited two other experts, Judy Temple of the University of Minnesota and Mark Wright of the Federal Reserve Bank of Minneapolis, to join him in his foundation quest. All four were intrigued by Dayton’s vision and volunteered to help.

“All of a sudden, I had this group of really amazing thinkers and researchers and economists who were interested in helping me bring this to life,” Dayton says. The quartet constitutes what Dayton calls the Constellation Impact Council. They started meeting in January 2018 to create an extensive metrics framework that will allow Constellation staff to take



a grant request and make an “evidence-based assessment of how much it is going to raise the well-being of families.” The metrics allow them to weight similar and dissimilar programs.

Sojourner, who chairs the Impact Council, uses employment programs to explain how it works. One nonprofit may provide computers and other assistance to help people search for jobs. A second nonprofit may directly run employment training programs so unemployed people can acquire marketable skills. The latter would be more expensive but likely would have better outcomes when measuring the number of people who secured jobs and raised their standard of living, he says.

The Impact Council met in April at the Humphrey School of Public Affairs with Dayton and Jose Diaz, a Ph.D. in applied economics who serves as Constellation’s chief impact officer. Their discussions sound wonky to non-economists, including their observations about “counterfactuals.”

Dayton is making efforts to translate some of the technical analysis into terms that grant applicants can understand. During a site visit at People Serving People in July, Dayton distributed a “quantitative analysis overview” to leaders of the downtown Minneapolis nonprofit. The foundation wants to know how nonprofit programs will affect individuals’ lifetime improvements to health and income.

Outside of that meeting, Dayton stresses that “while we take the metrics seriously, we don’t blindly follow them.” A full Constellation Fund evaluation takes about six months. “We spend a lot of time getting to know the leadership and the organization, and we balance qualitative observations co-equally alongside our quantitative findings as part of the decision-making process.”

Like the Robin Hood Foundation, board members of Constellation are personally funding operational costs so that 100 percent of the money raised from donors can go directly to nonprofits. Andrew’s brother, Eric, became his first board member, and then Stephen Hemsley, executive chairman of UnitedHealth Group, made a commitment. Currently, a nine-member board and two leadership funders are paying for administrative expenses. Just about everyone Dayton invited to join the board said yes, but not without due diligence.

“These are smart, sophisticated people who ask pointed questions, do their homework, and make careful decisions,” says Dayton, who pledged \$1 million of his own money. More than half of Dayton’s contribution has been invested in building the infrastructure, metrics, team, and grantmaking capacity of the organization, he says.

Marcia Page, co-founder and executive chair of the Varde investment firm, didn’t know Dayton before meeting with him about serving as a board member. Her family has a small foundation, and she was concerned about reducing poverty. “I have been thinking about the education and housing



pieces [of the problem], and it is daunting and systemic,” she says. Before learning about Constellation, she says, “I found myself looping between organizations but not able to anchor my thinking.”

She agreed to be a board member because she likes the rigor of the evidence-based analysis of nonprofits. Further, she emphasized that Constellation’s model recognizes that alleviating poverty is a complex undertaking, because many low-income people are

struggling with several financial challenges that intersect in their lives. The foundation will be funding grants to address education, housing, health, and employment needs.

Dayton’s philanthropic lineage

Andrew Dayton never met his famous grandfather, John D. Rockefeller III, who died in a car accident in New York in 1978 before Andrew was born. But the work that Dayton is doing now stems from the philanthropic values he shares with his mother, who was taught the responsibility of giving by her father, the chairman of the Rockefeller Foundation.

When Andrew and Eric were young, Alida Messinger says she would give them small allowances and tell them they needed to put half the money for themselves in a cash box and half in a philanthropy box.

“Once a year, as I had done with my father, we decided at Christmastime what to do with the money that had accumulated,” she says. When Andrew was 10 or 11, she recalls, “we went to Target and bought a cart full of toys and took it to a children’s shelter. He carried the bags in himself. The person at the desk was very surprised that a little boy wanted to give away some basketballs and games.”

Now she’s watching Andrew develop his giving ethic into a new foundation that has the potential to have a major impact on the lives of low-income people. “I feel happy and grateful that my children value philanthropy and don’t think of inherited money as their money,” Messinger says. “It was entrusted to us to try and make the world a better place and to do good things, not to be spent on frivolous things or only on ourselves.”

When she served on the board of the Rockefeller Family Fund, she says, members placed a premium on funding new models “that deal with the root causes of social problems rather than the symptoms.” She sees Andrew taking a problem-solving approach to address the root causes, but with the added benefit of sophisticated data analysis.

“I hope so much that he is successful in his endeavor,”

“What Constellation is going to be doing will help everybody up their game on the analytical part of philanthropy.” —R.T. Rybak, Minneapolis Foundation CEO



R.T. Rybak (upper left), president and CEO of the Minneapolis Foundation, was at the reception to support Dayton’s creation of a new foundation. St. Paul Mayor Melvin Carter (center right) visited with former Gov. Mark Dayton before the Constellation kickoff event. At the Capri, Andrew Dayton spoke with Marcia Page (lower center), a Constellation Fund board member and co-founder and executive chair of the Varde investment firm.

Messenger says. “It takes a lot of courage to do something like this and do it all on your own—to put yourself forward and take the risk.”

Mark Dayton, Andrew’s father, says he’s seen how a combination of forces “are keeping people down,” which is one key reason that major progress on poverty reduction has been elusive. So he’s encouraged to see his son pursuing an innovative path, one that takes into account multiple economic barriers.

“When he was young, he had real sensitivity to other people in need,” Mark Dayton says. Between Andrew’s sophomore and junior years at Breck School, Mark Dayton was running for the U.S. Senate and his son was volunteering for a health care helpline. “Andrew got a call from an elderly lady who was isolated in a nursing home and distraught,” Mark Dayton says. “He gave me her phone number and was adamant I call her right away, get involved and do what I could. It’s an example of how other people’s plights really mattered to him.”

Asked whether he’s given Andrew advice on Constellation fundraising, Dayton laughs. “I’m a poor example for anybody who wants to raise money for a purpose,” he says. “He knows that I’ve never enjoyed fundraising. It’s a sign of his real commitment that he is making a lot of contacts and pitching the Constellation Fund.”

Partnership with nonprofits

Dayton estimates the Constellation Fund will award \$1.65 million in grants by June 2020. Under a pilot program in the first half of this year, Constellation made its first four grants totaling nearly \$300,000. St. Paul-based Neighborhood House was one of the grantees, receiving a \$70,000 award.

Founded in 1897 by women from Mount Zion Temple, Neighborhood House is known for programming that helps immigrants and refugees. Today, president Nancy Brady says the staff and volunteers are happy to aid “everyone who is trying to improve their social and economic well-being.” Neighborhood House provides food support to about 10,000 people a year and offers many other programs such as parent and early childhood education.

Dayton says Neighborhood House was funded because it’s doing a good job of delivering various services that families need to make quality-of-life improvements. In particular, he says, the analysis showed key benefits from the nonprofit’s educational programs, including early education, parenting, and low-literacy programs.

Brady has found her interactions with Constellation staff to be refreshing. “There are a lot of foundations that talk about partnerships,” Brady says. “There is something about their approach that really

feels like a partnership.” Constellation, which has seven full-time staff, helped Neighborhood House access McKinsey & Co. pro bono services to examine the organization’s service design.

In the world of philanthropy, public discourse over intervention strategies and funding priorities is mostly civil. But

as the Constellation Fund moves beyond the pilot grantmaking phase, it will face more scrutiny.

Trista Harris, former president of the Minnesota Council on Foundations, is among those watching as Constellation enters the Minnesota philanthropic sector. “Poverty is a wicked problem,” Harris says. “Foundations have invested a lot of dollars, and a lot of the problems are getting worse.”

Harris, who leads national consulting practice Future-Good, cautions, however, that “not everything that matters can be measured.” The bedrock of strong nonprofits, she says, is securing general operating support and long-term funding commitments. Dayton intends to provide the unrestricted funding that nonprofits want and he plans to work with effective nonprofits over a period of years. But Constellation also will spend some time each year raising the money it will give away to grantees.

In communities of color, Harris says, “there is a lot of talk about participatory grantmaking.” She recommends that Constellation staff spend some of their time connecting directly with people living in poverty to inform their grantmaking decisions.

Chanda Smith Baker served as CEO of Pillsbury United Communities before taking a leadership role with the Minneapolis Foundation in 2017. “I hope as Andrew leads this new work that he is willing to share his learning broadly with us,” she says.

As an African American woman, she emphasizes that “not all communities organize and operate the same way.” It’s important to “stay in a listening stance,” so program staff get a clearer picture of differences among racial and ethnic groups. “Some approaches may look different than others to get to the same result,” she says.

Former Minneapolis Mayor R.T. Rybak supports Andrew Dayton’s work. Dayton sits on the board of the Minneapolis Foundation, where Rybak has been president and CEO since 2016. “What Constellation is going to be doing will help everybody up their game on the analytical part of philanthropy,” Rybak says.

By offering a new set of ways to measure impact, Rybak says, Constellation becomes “an important part of the ecosystem.” Still, he favors philanthropy in a variety of forms.

“We take a number of approaches that are deeply grounded in data and analytics, and in other cases have issues emerge from the community whose support may come instead from trusted voices out there doing emerging work on the ground,” Rybak says.

Dayton has talked to countless people about poverty alleviation, and he’s enlisted many leaders to financially support the Constellation Fund. But as he seeks to better the lives of low-income people, the life lessons he learned from his parents and grandparents are paramount in his mind. His family, he says, expects him to go beyond “giving back in terms of giving out dollars.” He also was taught to be a “contributing member of society in some way.”

Since returning to Minnesota, Dayton hasn’t looked back. “This is where I felt like I had the biggest opportunity to contribute something,” Dayton says. “It just felt like I had to come back and take this on.”

Liz Fedor is the Trending editor of TCB and has worked as a program officer for two Minnesota-based foundations.



“The goal here isn’t to be spray and pray—give lots of little grants to a thousand organizations—but taking time to identify who are the organizations that need and deserve support and then funding them at a really deep level.” —Andrew Dayton



Appetite for Risk

Inside the world of investors who put up the cash to create the Twin Cities' most precarious businesses—restaurants.

By Adam Platt

● You're seated in a buzzy new restaurant, grateful to have a table. There's a 90-minute wait at the door, and the bar is struggling to keep up with patrons packed three deep. All the talismans of contemporary dining are present, from ice shaped to suit your cocktail's specific characteristics to \$14 heads of roasted cauliflower with Indian spices to pickled onion garnishing every dish. You can barely hear your server as you ask about gluten content.

Your dining companion mentions this place is the "next Young Joni" and you can't disagree. The \$1.5 million buildout looks like less of a

gamble with every platter of burrata that passes by. Chef Matt is expediting on the line. A few more nights like this, and he's going to be a very rich man, you think.

Think again.

More likely, in three years, Chef Matt will find himself with little to show for the experience other than media links and pay stubs revealing a lower take-home than his top bartender. He's sweating this evening on the line—not just from the heat, but because he only owns 5 percent of the restaurant, and even if it lasts a decade, all it will get him is another opportunity to earn a five-figure salary and 5 percent of meager profits.

Chefs may be the faces of Twin Cities restaurants, but only in the rarest of cases do they own the places where they work. That privilege is reserved for a small group of moneyed individuals able to front six or even seven figures to take a vanilla shell to high style, or even just renovate a hovel. They are the often secretive and almost always anonymous force that drives a trade even they regard as a bad investment. They do it for all sorts of reasons, but making a lot of money is rarely on the list.

The chef only brings knives

In most businesses, the person with the concept, who's also the CEO/COO, is the big dog. But that's not how the restaurant business works. It's hard to say why, other than that the business is extremely capital intensive, and with capital comes control. Most chefs never accumulate enough capital to have control beyond the food on the plate.

"Another chef in town approached me; he wanted an inves-

tor," says Jon Salveson, a Piper Jaffray investment banker who was part of the investor consortium that bankrolled chef Gavin Kaysen's return to the Twin Cities (Spoon & Stable, Demi, Bellecour). "But he had lots of investors and a large equity partner. I said I'd be his sole investor or nothing, because [he had given so much equity away that] he'd be in a position where he'd have to open another restaurant just to make ends meet."

Chefs would have more influence if they could borrow from banks to open restaurants, but in general, they can't. "Twenty years ago you could get bank money, but now it's considered a high-risk loan by banking regulators," says local restaurateur and investor Bob Kinsella. "[Banks] want every dollar collateralized. They will only loan on land or a building."

"So we all go to private investors," says Patti Soskin, a veteran local restaurateur who operates Yum! in St. Louis Park and Minnetonka. (Her initial investor was Bob Pohlada.) "They all do it for different reasons, but you have to keep them happy."

The best investor is someone who loves your food, of course. "The archetype is wealthy men who are fans of your work," says Russell Klein, co-founder and chef of Meritage in St. Paul, who does not use investors.



Their motivations are generally not financial. “People get their wealth, they get a little bored, and they dabble,” says Jim Woldford, founder of Atomic Data in Minneapolis and now majority partner of Bark and the Bite barbecue in St. Paul.

It’s also a ticket into a desirable world. “If you’re older, there are a lot of young people in the business, and it’s fun to be around them, get involved in their problems,” says Kinsella. “It’s extremely social. Restaurant employees are typically interesting people.

“There’s also an ego element,” he continues. “‘This is my place.’ They get to hang out and use their gift cards.”

Here are a few of their stories:

Diversified

Ali Alizadeh / Hemisphere Cos.

Hemisphere is an investment company that “incubates, owns, operates, and makes investments in promising private business in a wide variety of industries,” says principal Ali Alizadeh.

“[We’re] not private equity, not pure operators, but active investors and strategists. We know what’s happening on a daily basis and help with things we are good at.”

Hemisphere earns more in other niches, but Alizadeh has a soft spot for restaurants. “The fast pace is exciting,” he explains. “Food is primal. It attracts people. [There are] infinite permutations of what you can do with it. Everybody likes to feed someone. It requires such a disciplined symphony, and when you find that groove, it’s

“I’ve found that people good at this business are good at any business.”

—Ali Alizadeh

almost mystical.”

Strategically, he tries to remain cognizant of Hemisphere’s core competencies. “Our strategy is to invest in [a concept] that transcends time. We also know the downtown [Minneapolis] market really well.” (Hemisphere operates Mission, Good to Go, and Atlas Grill downtown, as well as the Tavern restaurants in suburban locations.)

He also distills his focus to something that effective restaurant investors of all stripes echo: “We’re in the people business. We genuinely care about our people and customers. We have to because we may not make a whole lot of money in this business.”

Hobbyist

Jim Wolford / Bark and the Bite

Wolford grew up working in restaurants. It put him through high school and college. Though now firmly situated in the world of tech, he was a home barbecue maven—“I would make half a pig, fill the freezer.” He began to host monthly barbecues for clients of Atomic Data. A staffer from Texas persuaded him to buy a barbecue trailer.

Bark and the Bite founding chef Noah Miller approached Wolford about an investment in his food truck. “What made me interested in these guys was a wave that I call expensive food,” says Wolford. “Restaurants aren’t accessible anymore. Our average ticket is \$20-\$22; that’s accessible.” Wolford started out as minority capital, but he has gradually invested more as the truck added a brick-and-mortar presence.

“Noah is creative. [Business manager] Mark [Myers] is an operator. I didn’t want to be a passive investor or run the place,” Wolford explains. He started with 40 percent but is now majority owner; “I’m involved weekly,” he says. He describes his total investment as a bit below \$400,000.

An October fire at the bar Bark was using as its brick-and-mortar base cost 75 percent of revenue, says Wolford, and the partners were at a crossroads. “Do we bottle sauces? Do we get our own space? We decided we

wanted a space that was already built out with a bar. I preached patience.” When Heirloom in Merriam Park closed, an opportunity presented itself.

Wolford sees his role as providing a foundation for the operators. “There’s a stability that can be brought by the money side,” he says. “That’s what I do.”

Benefactor

Jon Salvesson / Soigné Holdings

Like many successful investment bankers, Piper Jaffray’s Jon Salvesson is regularly pitched restaurant deals, and, he says, “I was dedicated to the idea of not investing in restaurants.”

But he ended up in New York City with a consortium of colleagues to meet Twin Cities-bred Gavin Kaysen at Café Boulud, where Kaysen had made a national mark as a chef. Kaysen supervised their meal and then came out and sat with them, says Salvesson. “He talked about coming to Minneapolis to do his own thing.”

One of the first people Kaysen pitched was UnitedHealth Group CEO Stephen Hemsley. “Steve offered him all the capital, but Gavin didn’t want a [sole] investor,” says Tanya Spaulding, principal at Shea Architects, which has designed Kaysen’s local projects. “It’s a problem for a chef when an investor could misconstrue they are the operating partner too.”

Instead, Hemsley, his son Matt (also at Piper Jaffray), and several others built a consortium of five investors and five global chefs (including Minnesota’s Andrew Zimmern) who would also invest, though on a more modest level. (Salvesson says all investments were six figures.) This was not a typical restaurant deal where the investors reap dividends while the chef slowly burns out. Instead, the plan was that “once investors were paid back, we re-split the baby,” says Salvesson. “Gavin is now majority owner.”

Unlike most restaurant deals, “our intent was never to maximize return. We would have put up a cement-floored brewery if we wanted to maximize return. This was designed

to put Gavin in a position to do what he wanted to do, so he could find a way to owning a majority over time. He’s a special guy. There are only three to four people in the U.S. who can do what he does.”

Ali Alizadeh



Steele Smiley



“People get their wealth, they get a little bored, and they dabble.”

—Jim Wolford

Russell Klein



Many Hats

Bob Kinsella / HRM Mgmt. Co.

HRM Management Co. operates suburban restaurants Wooley’s, Tamarack Tap, and Barley & Vine. Partner Bob Kinsella is also an investor in Jester Concepts’ PS Steak and holds restaurant management contracts for local owners in Jordan and Chaska. Kinsella understands the business from the rare per-



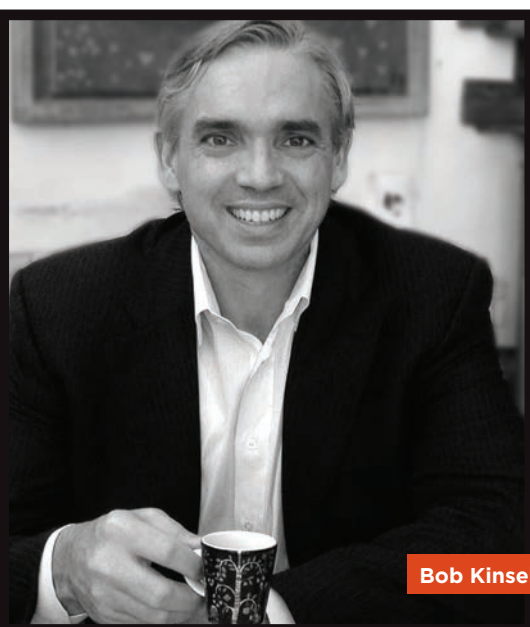
John Gross



Jim Wolford

“Our intent was never to maximize return. We would have put up a cement-floored brewery if we wanted to maximize return.”

—Jon Salvesson



Bob Kinsella

income stream,” he says. “It’s really hard with one restaurant.”

Creative

John Gross / Kado No Mise, Martina, Colita

Like many investors, John Gross worked in restaurants in his teens. His background is niche adaptive reuse real estate development and design. He entered the restaurant game when he renovated 4312 Upton in Linden Hills for chef Erik

Harcey and his real estate partner Tony Johannes, and thus became a passive investor in Upton 43, a temple of Nordic cuisine that did not survive its second birthday.

But Gross liked what he saw of the business and decided to become a more active partner with two distinctive and talented chefs working in buildings he owns: Martina’s Daniel del Prado and Kado’s Shigeyuki Furukawa. “There’s an incredibly strong artistic vision that has a commercial expression, and you build a business around that,” Gross says. “It’s a passionate enterprise that, when done well, serves people and brings joy. The payoff is immediate.”

He also realized that pairing his real estate background with hospitality economics could pay dividends. That’s because restaurants have few fixed or marketable assets, and when they close, the principals are often left with nothing but a lease obligation.

ing but a lease obligation.

“You [install] \$1 million to \$2 million in equipment and fixtures, and it stays with the building and landlord,” Gross marvels. “But if you control the real estate, you can sell the business and keep the building. Or if the restaurant fails, you can lease or sell the building to recoup your losses.”

Empire Builder

Steele Smiley / Crisp & Green

Steele Smiley was a fitness entrepreneur (Steele Fitness) turned fitness executive who saw an opening in healthy eating. “I had never invested [in restaurants]. I was solicited all the time—once a quarter, probably,” he says. “I just believed the risk/reward didn’t work for me [as an investor] because the margins weren’t high enough.”

So instead he helped birth franchise-based quick-serve salad concept Crisp & Green with local restaurant developer Ryan Burnet. “I seeded a concept I would own or buy. I knew I was always going to operate it,” Smiley says. During the interregnum when he was phasing out of fitness management, he studied the food business.

“I had a learning curve, so this way de-risked it for me. I also overcapitalized the business, which makes it less complicated.”

Smiley has learned that not all businesses have equal degrees of difficulty. “[Food] is really challenging,” he explains. “It’s largely operator driven, and attention to detail is at a premium.

The health and wellness business is not nearly as sophisticated.”

Uninvested

Russell Klein / Meritage

Longtime St. Paul chef and restaurateur Russell Klein has a rule: “I insisted on the absolute freedom of not having investors. I had heard enough horror stories. You worry about the overbearing person who thinks they know more than you because they host the best dinner parties.”

So he opened Meritage in St. Paul and later Brasserie Zentral in Minneapolis with personal debt (though Zentral’s landlord paid for the space’s buildout). “When Zentral failed,” he recalls, “I owned the failure. Zentral left me with substantial debt. I paid vendors; I’m still paying my bank.”

Klein’s mantra is “Less than 51 percent and it’s a job.” Yet he has seen both sides of it, success and failure, and recognizes how encumbering personal guarantees are. An investor’s influence might have kept Meritage from becoming the exacting favorite it is, but it also might have saved Klein from an expensive mistake, or years of obligations, at Zentral.

“Next time ’round,” he’s decided, “I’m open to an investor.”

Hard Financial Truths

One of the common restaurant investor mantras is that it’s a terrible business (that they just happen to love). Here are some reasons they cite:

spective of an owner, an operator, and a passive investor, as well as an urban, suburban, and exurban restaurateur.

He says it is rarely difficult to find investors for projects. “Usually by word of mouth you can get six to 15 people to a business opportunity meeting. Someone always has an uncle, cousin, somebody in the business who is interested.” His tendency is to overcommunicate with investors. “Every week I email a quick financial summary to [them], but that’s more than is typical, from what I understand.”

Kinsella’s goal is to stay diversified and distribute risk. He says he’d rather have 20 percent of a bunch of restaurants than all of one. The return is typically better as well. “If you build multiple units, you can develop an

It's marginal: Restaurants are a lot of effort for relatively low return. "It's a business of pennies," says Alizadeh (Hemisphere Cos.).

"The margins are terrible relative to the risk," says Gross (Kado No Mise, Martina, Colita). "Comical, really."

How rugged are they? "My pro formas are best case [7-10% profit margin], most likely [3-6%], and worse," says Kinsella (HRM Management). "I always know it's going to be a fight."

Even at the price-insensitive high end, "15-20 percent is a best-case scenario," says Salveson (Soigné Holdings).

And so complex: who get into restaurants after time in other industries note the astonishing complexity of the business and the array of daily problems restaurants face. "They are possibly the most complex and engaged businesses out there," says Gross. "They're an amazing circus. Real estate development is comparatively simple."

Part of the challenge is the sheer variety of external factors that buffet restaurants. "You continually think you're getting there," says Alizadeh, "but then weather, commodity prices, wages get in the way." Wage inflation is especially a concern in the core Twin Cities, heading toward \$15 minimum wage. "Capital will move where the return is higher," says Alizadeh. "We [opened in] Fargo and our numbers are a lot better."

Yet there is an alternate take: "Consumer and employee expectations are higher in our niche [wellness]. [At Crisp & Green] a \$15 wage is baked in. We want to provide

opportunity for lifetime employment," says Smiley. "You can't pay nothing and expect performance."

You have to like people: The common wisdom is this is a market where hospitality and only hospitality wins. The Soup Nazi would never make it in Minnesota.

"If you can't be genuine with service you can't succeed here," says

"There's an incredibly strong artistic vision that has a commercial expression, and you build a business around that. It's a passionate enterprise that, when done well, serves people and brings joy."

—John Gross

Alizadeh. "Authenticity beats sophistication in [MSP]. People view the experience holistically, not as a bunch of components."

Many chefs lack key skill sets: Most chefs have a creative orientation. They are creators. This has its limitations. "[When] chefs try to run the

business you don't really have left and right brain sides covered," says Wolford (Bark and the Bite). "You need a business mind in your team."

"Being an artist just doesn't cut it" at this level, says Salveson, "when you think about the skills you need to master and constituencies you need to serve."

Leases can be deadly: Recipes are not monetizable assets, and used kitchen equipment is only worth so much. So when restaurants fail, they mostly are left with obligations. Landlords often encourage restaurateurs to overinvest in fixed costs and sign leases they can't afford. "Landlords need to see a few restaurants fail before they come to understand

[what] a restaurant can and can't handle," says Kinsella. "I like percentage rent, because the landlord becomes your partner. I'd walk away from a deal that involves a landlord who doesn't understand the business."

Land is still relatively cheap in the Twin Cities, which can work to

Twin Cities Restaurant Investor Checklist

- \$1 million-plus buildouts are the quickest path to disaster.
- Most chefs can't be entrusted with business operations.
- Expect a lot of mental health and chemical dependency challenges. There's alcohol everywhere, and youthful staff lifestyles lead to a lot of burnout.
- Don't expect return on investment for two to three years, because capital needs to be reinvested.
- Try to buy your real estate. It's a tangible asset that can help recoup losses if the restaurant fails. Or at least find a landlord experienced with restaurants and their fickle economics.
- Have an operating agreement that defines chef and investor roles to minimize power struggles.

restaurants' advantage. "That's why Minneapolis is a fantastic place to have a restaurant," says Salveson. "Real estate costs are killing restaurants in San Francisco and New York City. Even the best there only see single-digit operating returns."

The restaurant business is challenging, but it seasons people like a cast-iron skillet. "I've found that people good at this business are good at any business," says Alizadeh. It's a mentality. Proficient restaurateurs are nimble, can manage people, and can deal with an array of unexpected challenges. They've inevitably been a part of failed enterprises and see what it takes to bounce back. Because even the best business plans can be wrong.

"We put together pro formas at one, three, five, and 10 years, but we tell them it's a guess," says Spaulding. "We also tell chefs you can't plan on two-and-a-half covers on a weeknight in Minneapolis. But you'd be amazed at how many business plans rely on it."

Adam Platt is TCB's executive editor.

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John Butcher

**THE HOMETOWN CHAIN'S NEW LEADER BREWS UP
A FRESH RECIPE TO STAND OUT IN A CROWDED FIELD.**

By Allison Kaplan | Photography by Jake Armour

CARIBOU COFFEE

Founded:

1992

Headquarters:

Brooklyn Center

Ownership:

Luxembourg-based

JAB Holdings Co.

Employees:

More than 6,000

Stores:

300 company-owned

locations, 120 domestic

license locations in 22 states,

more than 270 international

franchise stores in 11 countries

Distribution:

Caribou products are also sold

through grocery stores and

mass retailers, food service

providers, hotels,

entertainment venues,

and online

■ “Hi, what are you having? I’ll get your coffee,” John Butcher says to the woman in line behind him at Caribou Coffee in Edina. She raises an eyebrow at the unexpected generosity of a stranger and takes a suspicious step back. “No, no,” she protests. When he offers again, she inquires, “Do you work here?” The president and CEO of Caribou Coffee is enthusiastically vague. “Oh yeah,” he says, “I work at the home office. I just always like to get the next person in line.”

Since he added the CEO job title earlier this year to his position as president of the nation’s second-largest premium coffee chain, Butcher, 44, is going to great lengths to be “guest-focused.” That includes bringing back doughnuts, because customers said they loved them, and adding fresh sandwiches to the menu, because customers asked for lunch. Caribou will open 15 new stores this year, and like the new one on Vernon Avenue in Edina (across the street from a Starbucks), they are a brighter and more modern take on cabin styling with a variety of seating areas to, as Butcher describes, “encourage lingering.” But not all guests want to stick around, so for commuters on the go, especially from outlying areas like Jordan, this fall Caribou will begin testing the “Caribou Cabin”—a smaller, drive-through-only footprint.

Stores are the fastest-growing segment of Caribou’s business, says Butcher, who declines to release sales figures for the privately held company. But sales of its packaged coffee in grocery stores are growing as well, he says, and Amazon sales are “thriving.” Caribou sells its beans in all 50 states, and the top five markets include California, where Caribou does not have a large store presence, and Texas and Florida, where the Midwestern coffee company has no stores at all. “We know the brand has power outside of our home market,” Butcher says. “We want to focus first

and foremost on the home market, but we will continue to expand over time.”

To that end, Caribou is testing canned cold-brew coffee at its stores and plans to broaden distribution next year. The motivation, Butcher says, is younger consumers who say they want cold beverages on the go.

“It’s fun for us to think about how we’re going to combat someone that’s 100 times our size,” Butcher says, without uttering the S-word. JAB Holdings Co. acquired Caribou in 2013 for \$340 million. The Luxembourg-based conglomerate’s extensive portfolio also includes Peet’s Coffee, Intelligentsia, Panera, Einstein Bros. Bagels, and Bruegger’s Bagels. Caribou continues to operate as an independent company based in Brooklyn Center, where all of its beans are roasted.

You can smell the work in progress even before you pull into the headquarters parking lot off of Highway 100. The corporate lobby is decorated in Caribou’s signature northwoods lodge style. A photo of Caribou founders John and Kim Puckett hangs on the wall. Butcher radiates that same hometown pride, from handshakes and high-fives with regulars who recognize him at the Caribou shop on the corporate campus down to his custom print socks, which feature photos of his executive team members. An Indianapolis native who spent 20 years in merchandising and marketing with Target Corp. before he got recruited by Caribou in 2017, Butcher says his true hometown is Chanhassen. “It’s hard for me to think of myself as anything but Minnesotan.”

Over a nitro cold press—one of several new drinks he pushed to add to the menu—Butcher talked about how he is positioning Caribou to compete in an increasingly competitive and segmented coffee market.



Q | You joined Caribou as president and took on the additional role of CEO in January. What's the biggest difference?

A | What changed the most was this feeling that we have absolutely no barrier to be the best coffee house in country. We have a very healthy business, amazing team members, and great guests. There are moments where we're sitting around the table as a team saying we wish we could do XYZ, and then we look at each other and say, what would prevent us? Nothing! We can just go do that. It's very liberating. It's so fun to be part of a brand that has the potential to be whatever our guests think that it should be and whatever our team can imagine it to be.

Q | What did you know about coffee before joining Caribou?

A | I was definitely not a coffee connoisseur. I loved Caribou, so I was a Caribou Coffee connoisseur. I drank regular coffee. Every once in a while, I went out and experimented with a seasonal coffee. I had K-Cups for the office.

Q | So how'd you learn?

A | My first six months [after joining as president in 2017] were all about learning, starting with the store teams. Ask them—I'm sure they'll tell you I'm not the best barista. Then I came back and did the same sort of fact-finding with the home team. I went down to the roastery. All Caribou Coffee comes from Brooklyn Center—I was blown away by it. It's a best-kept secret. We have people come from all around the world who want to learn to roast because we have a pretty unique process. There's a cupping lab, and every day at 10 a.m. and 2 p.m. the experts cup coffee they've roasted to decide if it's acceptable. It's like wine tasting. I was able to go down and pretend that what I'd learned about the wine industry could apply to coffee. That helped to be dialed in, understand all the different varietals.

Q | Where did you see room for improvement?

A | The company was focusing on core business metrics, not people. That's super boring. I want the team focused on making people's day better—being a day brightener, a force of good. And that's not what we were doing. I asked [employees]: What's important around here? What would you do if you were president for a day? What's one thing you love and one thing your customers are asking for? Most didn't have that many complaints, but they had this desire to make things better for guests—a product, pricing. They felt a lack of empowerment, and headquarters wasn't giving them a modern suite of tools.

We intentionally created empathy by asking every support center team member to go work shifts in stores. I did mine in July 2017 and I got to see the best and worst of Caribou. It's so fun to watch the impact we have when we have an experience that's working properly. We are day-makers for people. I worked the drive-through, and 29 cars in a row paid for the person behind them! I was so mad when the 30th didn't do it—I was like, come on,

keep it going! I was just the guy slowing down service in the drive-through lane, but the team says [paying for the next guest] happens almost every Friday at Caribou. It speaks to who the guests are that we attract and how the team interacts with people.

Q | Your home office is here, Caribou's roots are here, but ownership is overseas. Is that limiting?

A | Being part of JAB is a huge blessing for us. We are a Minnesota company, but it gives us access and visibility to trends around the world. This new Edina store, for example—the design partner was Espresso House, one of our Swedish brands. We felt like the Scandinavian influence was a good fit.

Q | Is there pressure from ownership to meet certain metrics or change your focus?

A | There's no mandate. Our primary objective is "How are we going to do what we do better?" We're not focused on being the biggest. We just want to be the best. That's really our primary objective.

Q | How do you quantify "best?"

A | We recently rewrote our mission statement. Previously, the mission was: Be the community place I love. Well, what if you're not loving it every day and you can't articulate why? We wanted to make more impact. Make people's days. The new mission is: Create day-making experiences that spark a chain of good.

Q | Can you give an example?

A | We relaunched our Perks program.



"The company was focusing on core business metrics, not people. That's super boring. I want the team focused on making people's day better."

CARIBOU CEO JOHN BUTCHER'S DAILY DRINK ORDER

FIRST CUP OF THE DAY:

Hot- or cold-brewed coffee (favorites include single-origin Brazil, Obsidian, and Mahogany), brewed at home or picked up at Caribou on the way to the office.

9 A.M. JOLT:

Crafted press, "moosed" with a shot of espresso

LUNCHTIME SAMPLING:

"This is when I'm a little more adventurous. Sometimes I get a nitro or a seasonal drink, and sometimes I sneak into our innovation lab and try a drink that's still under development to be released."

AVERAGE NIGHT'S SLEEP:

6-7 hours. "Caffeine doesn't seem to impact my sleep at all."



We had rolled out Perks in 2014 because that's what every company was doing at the time, loyalty programs. But we weren't asking people if they liked it or how we could improve it. Originally, it was a surprise and delight program, so if you're a latte drinker and we gave you a reward for a mocha, you might not use it. People were confused as to why and how they were being rewarded. They said, "Give me points and let me decide how I use them." So we did; we designed and executed the entire program

in three months. Membership is up 25 percent in the last six months. This won't be where we end. It's been very successful; it's driving traffic. But it could get better. And it's giving us access to informa-

tion about our guests. What we know: The guests now enrolling in Perks are 11 years younger than the guests already enrolled.

Q | So how young is that, exactly? I think of Caribou as the "family" coffee house—more suburban and somewhat older than some of your newer urban competitors. Who is your core customer?

A | She's a female in her 20s and 30s. That's who we design a lot of our products for. Not to say that guys aren't important—obviously we want as many guys here as possible. But we're a brand that, over time, has continued to skew younger and more premium.

Q | Is that what's driving the introduction of trendy drinks like nitro coffee and infused cold press?



A | It's a coffee-obsessed culture. We look at trends in the marketplace. We knew that cold coffee was really the growing segment. Cold is easier to consume throughout the day. It's more portable. You can have a little more fun with cold—it can be colorful, it's easier to infuse. It's the whole experience. I looked at what 20-somethings were drinking, and they had cans of coffee and bottles of coffee and they were asking for a nitro coffee. ["Nitro"—short for nitrogen—is an odorless, colorless gas that creates small bubbles that make coffee frothier and give a perception of added flavor without adding calories.] Our own guest research really matched the observations that many on our product development and research and development teams had. We just said, "How can we be unique?" We don't want to be a "me too"—our brand is too special for that. So we started to lay out a

multiyear innovation pipeline based on cold coffee.

Q | What sort of innovation is required, and where do you begin?

A | A lot of nitro equipment requires tanks, which you have to switch out. Ours pulls natural nitrogen from the air and infuses drinks. It's safer for team members. Nitro is currently in 150 stores and we'll be adding more this fall. We want to make sure the home market has the best innovation and then take it to the coasts.

Q | The lid on your nitro coffee

“We're a brand that, over time, has continued to skew younger and more premium.”

cup curves up and doesn't require a straw. Was that an environmental decision?

A | Our straws have been recyclable for years, long before I came to the company. But the innovation really came through nitro coffee. You don't want to drink nitro through a straw. You want to experience—this is going to sound gross—the mouthfeel of nitro. It's so creamy, you don't want to suck it up through a straw. We started to think about how to create the best nitrogenated coffee experience and we realized if you're going to have an iced latte, you could probably have the exact same packaging.

Q | Food seems to be taking on more importance at Caribou. You used to have joint stores with Bruegger's; now you're serving Einstein bagels, but it's all the same company. What's the strategy?

A | Right, we're all the same family. But we are a coffee company. What we were finding [with the full bagel menu] is sometimes the wait times were too long. A fully customizable food menu and a fully customizable handcrafted beverage menu was just too much. You can't be all things to all people. What we realized is guests want a limited assortment of bagels. And they also want croissants, focaccia, other bread carriers. They want really good egg sandwiches, something good for lunch, and a snack in the afternoon. There's a balance between what our store teams can execute versus what all our product team can imagine. We just have to keep walking the fine line of making sure the ultimate experience for the guest is exactly what they want: fast, efficient, and premium. You can't do that if the menu is the wrong size. We're always looking at what needs to go away, what we should have seasonally, and what new things customers are asking for that we can

fulfill better than the competition.

Q | Is price a factor?

A | Guests are asking for more innovation. That's going to cost more. You can go a lot of places to get an egg sandwich for a couple of bucks. We introduced cage-free eggs and [we] raised prices. We sold more, and people are happier.

Q | Do customers come back for the coffee, the service, or the environment?

A | We need to be really good on all three. You have to have a superior product that's delivered in a way that's unique and differentiated, convenient and frictionless. Only when you get it right on all three of those primary objectives will you actually win repeat business. The coffee space is overloaded. You can get coffee anywhere; you can't get great coffee anywhere. It's a matter of "Are you a force of good and are you actually designing a cool experience?"

Q | Did your years at Target influence the way you lead at Caribou?

A | What I got to learn quickly at Target was how important it is to have a mission and a vision that's bigger than just making money. How important it is to do the right thing for your community and your team, and how important it is to be guest-focused. I loved Target. I never could have imagined leaving. Now, I could never imagine myself not being part of Caribou.

Q | Now how are you going to kick Starbucks out of Target stores to make room for Caribou counters?

A | That's a great question. Will you talk to [chairman and CEO] Brian Cornell for me? Luckily, we see lots of Caribou cups around Target stores, and that's equally satisfying. It means those people went out of their way to get their 'Bou before going to Target.

Allison Kaplan is TCB's editor in chief.

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Manufacturing EXCELLENCE

THE WINNERS OF TCB'S MANUFACTURING EXCELLENCE AWARDS PROVE THAT THEIR SECTOR ALSO KNOWS HOW TO "THINK DIFFERENT."



By Gene Rebeck

■ **What's your idea of manufacturing?** For many, it's a noisy, greasy plant where people do the same tasks over and over again—more brawn than brains. Or perhaps it's a clean-room space populated more by robots than people. In any case, it's not as cool as building an app or brewing an IPA.

"Manufacturing has gotten a bad rap," says E.J. Daigle, dean of robotics and manufacturing technology at Minneapolis-based Dunwoody College of Technology. Why? "The thought was, we offshored most of it to China." Yes, overseas labor is cheaper. But that low cost isn't necessarily a huge advantage. "Because of automation—CNC, robotics, automated inspection—the productivity of an American worker is about 10 times what it was 20 years ago," Daigle says. "We don't need to offshore for labor anymore," he says, because manufacturing is not as labor-intensive as it used to be.

Manufacturing may be Minnesota's most overlooked major industry. The sector includes some of the state's most innovative and best-known companies, notably 3M and medical technology giants such as Medtronic. But most manufacturers are smaller operations, and they're struggling to attract labor, even though the work is not nearly as physically taxing as it once was.

Demand for the manufacturing-skills students who come out of Dunwoody and other technical colleges far exceeds the number of graduates. According to Steve Kalina, president and CEO of the Minnesota Precision Manufacturing Association, most of his organization's membership has been doing strong business the last couple of years. "Many have hit record sales," he adds. And they need to hire more people to meet their own customers' demands.

MANUFACTURING EXCELLENCE AWARDS 2019 WINNERS

Agricultural Innovation
Smude Enterprises

Artisan Manufacturing
Mercury Mosaics

Supply Chain Advances
Pelican BioThermal

Global Impact
H.B. Fuller Co.

Health-Tech Breakthrough
Starkey Hearing Technologies

When: Thursday, September 26,
5- 7:30 p.m.

Where: Mercury Mosaics & Tile

Event tickets: tcbmag.com/events

GOLD SPONSORS:



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Manufacturers Alliance | Minnesota Precision Manufacturing Association

Agricultural Innovation Smude Enterprises

Headquarters: Pierz

Products: Bulk and retail sunflower oil, livestock protein pellets, popcorn

Employees: 10

■ The need for a new crop transformed a family farm into a craft food manufacturer whose chemical-free cold-pressed oil is sold regionally in supermarkets and nationally on the web. The Smude family still has a livestock operation; it also sells grain-handling equipment.



With no bottling experience, Tom and Jenni Smude started Minnesota's first cold-press sunflower oil company.



TRAVIS ANDERSON

What they need are *skilled* hires. The work is still hands-on, but it also involves more intellectual as well as physical skills, Kalina says, with a lot more automation and a lot more technology to understand and use.

All this means that manufacturers must innovate to succeed. The five winners of the first-ever *Twin Cities Business* Manufacturing Excellence Awards demonstrate that creative thinking is just as fundamental to Minnesota's manufacturers as it is to the state's tech sector.

Leading edge

High-tech and hands-on came together in a very distinctive way for one Minnesota manufacturer in August 2018. That's when Eden Prairie-based

Starkey Hearing Technologies introduced the Livio AI, a hearing aid that is, well, much more than a hearing aid. It's a wellness device that incorporates artificial intelligence (thus the AI in its name), Bluetooth, and other technology to help monitor the wearer's body and brain health.

In addition, Livio AI's electronic configuration includes an app called Thrive, whose capabilities allow the device to "save" (via geotagging) hearing aid settings for familiar locations and lets hearing-care professionals make adjustments remotely. Earlier this year, the Livio AI added even more features, one of which alerts caregivers and loved ones remotely if the wearer has a fall.

But manufacturing the Livio AI still requires the human touch.

"You have a lot of components and you're putting it inside a very tiny device," Starkey president Brandon Sawalich notes. At the same time, "these devices are handmade. There isn't automation where we're just spitting them out every 10 seconds." Outside of the aid's injection-molded case and automated application of the paint and the water-resistant coating, everything is wired and assembled by hand. With all the flex circuitry and sensors that go into the device, Sawalich says it takes 29 minutes to make a Livio AI hearing aid. That's about twice as long as it takes to produce a traditional hearing aid—which, after all, has just a single function

(namely, hearing).

Starkey developed Livio AI for two years before it was released. The preparation included special training for production employees at the company's facilities in Mexico, China, and Eden Prairie. It also made sure it met FDA requirements—this is a medical device, after all, not a smartphone or other consumer item. There was one hitch in the planning, though not a bad one: "We oversold our forecast by 63 percent," Sawalich says. That required Starkey to quickly ramp up production capacity.

The Livio AI demonstrates the kind of ongoing creativity that's common in the manufacturing space, even, or perhaps especially, among long-



Artisan Manufacturing Mercury Mosaics

Headquarters: Minneapolis

Products: Decorative tile for businesses and residences

Employees: 30

■ Mercury Mosaics has grown by combining handcrafted creativity and volume production. It incorporates production-team ideas and innovations as well as best practices in workflow design and lean inventory management.



Mercedes Austin got her start producing tiles by hand from cut to glaze, and that's still the process today. Mercury Mosaics clients now include Room & Board and P.F. Chang's in the Middle East.

established companies. One of Minnesota's oldest manufacturers, Vadnais Heights-based industrial adhesives maker H.B. Fuller Co., has continuously been adding new products as it adds manufacturer customers in new sectors. Case in point: a new hot-melt adhesive designed to provide a strong bond on cases and cartons that have to withstand both heat and freezer conditions. Now with 72 production facilities worldwide, H.B. Fuller has more than doubled in size from a decade ago, reaching \$3 billion in revenue last year.

Along with those new adhesives, the company has added improvements to its production processes. "The concept of zero defects has grown dramatically," notes H.B. Fuller president

and CEO Jim Owens. For instance, one of its customers makes diapers. "One problem with a baby diaper can become a major liability over the internet," Owens says. "So for us, every dot of adhesive is critical to our customer."

To meet those requirements, H.B. Fuller does not do random batch inspection, particularly in the hygiene and electronics spaces. Instead, "we have a 100 percent inspection regimen—both automated and manual, in some cases," Owens says.

The customers that Plymouth-based Pelican BioThermal supplies also require failure-free performance. A subsidiary of California-based case and travel-gear maker Pelican Products, Pelican BioThermal manufactures

temperature-controlled packaging used by major pharmaceutical companies around the world, company president Dave Williams says. These customers are shipping medications and tissue worldwide. (The company has production facilities in the U.K. and France as well as in Minnesota.)

"We have very high-quality products that perform 100 percent of the time," Williams says. "Our customers know they can sleep at night if they use our products." These containers, which are generally transported by truck or plane and occasionally by rail or ship, need to "stand up to the thermal rigors of being shipped around the world 10, 15, 20 times a year," he adds. The length of use typically ranges from

70 to 140 hours; the containers range from a couple of liters to the size of a full pallet. Some are single use, which the customer discards when done.

But Pelican BioThermal offers more than reliable packaging—it also provides customers the option of making their logistics operations more efficient. The bulk of the company's recent growth has been in rental of reusable containers. In 2018, Pelican BioThermal increased its rental container "fleet"—and the revenue that fleet brought in—by 90 percent. Reusable containers, whether purchased or rented, now make up 60 percent of the company's U.S. revenue.

A customer may need to ship their product to Europe from

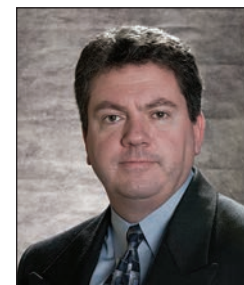
Supply Chain Advances Pelican BioThermal

Headquarters: Plymouth

Products: Temperature-controlled packaging for life sciences industries

Employees: 500

■ This manufacturer of temperature-controlled packaging has introduced a highly successful and profitable transport-container program that allows its customers shipping life-saving drugs, tissue, and blood to use rented containers. Pelican BioThermal manages the container logistics so that customers can focus on the delivered items.



Dave Williams became president of Pelican BioThermal in 2015 after several years as vice president at the company's California-based parent, Pelican Products Inc.

Southern California, for example, Williams says. “At that point, we offer the customer the option to return our boxes to one of our service centers in Europe. Or the customer can reuse it on a return flight, shipping a different product back to the U.S.”

To serve this growing cohort of customers, Pelican BioThermal has set up 50 rental service centers around the globe. “When a customer receives a container on their dock, they want to be able to put the product in it, have their shipping company take it away—they don’t want to deal with it again,” Williams says. “They’re worried about the next life-saving or life-changing drug. They don’t want to worry about the packaging they have to ship it in. We try to make it as seamless as possible for them.”

New approaches for ‘old school’ makers

While the manufacturing sector has embraced technology, there also are companies that follow more of a “craft” approach. (Craft breweries, for example, are actually craft manufacturers.) For this type of manufacturer, production excellence often takes different forms.

Mercury Mosaics produces ceramic tile for both commercial and

residential clients. Founder and CEO Mercedes Austin launched the company in 2002, making tile out of her small apartment. Today, her company is located in the Thorp Building in Northeast, which General Mills used for manufacturing during World War II. The 15,000-square-foot building, with its open flow and abundance of natural light, provides “a return to what manufacturing looked like at the turn of the 1900s, when manufacturing was rooted in humans,” Austin says. Her team of 30 has plenty of space to produce tile by hand, from cut to glaze, in 125 colors and 49 shapes.

Accordingly, she strives to balance volume production and individual creativity. Indeed, creativity means improved production. Once a new employee learns a skill, “we allow them to contribute to process refine-

ment,” Austin says. “Especially at the front end, when we’re helping clients, we allow them to have their own input on what something could look like if we planned it out like this or that. We very much include much of our staff on those kinds of things.”

Mercury Mosaics has continually incorporated process improvements, including lean manufacturing approaches you’re more likely to find at a much larger company such as Toyota. In 2015, Austin and her colleagues saw a pattern in the company’s sales history: Three shapes were particularly popular. So the company began spotlighting those shapes in its sales and marketing efforts. This has allowed Mercury to control demand “so that we can make parts and pieces before they’re ordered,” Austin says. If a customer orders, say, green

“fish scales” (one of those top-selling

shapes), employees produce inventory to replace them. This approach helps make production more efficient, instead of having to make every order from scratch, she adds. That’s important, as Mercury Mosaics now produces products for large clients including Room & Board and P.F. Chang’s.

A nimble inventiveness is something farmers are particularly known for. That’s been the case with Tom and Jenni Smude. In 2010, a drought hit their farm near Pierz, Minn.; that sent them searching for a less moisture-dependent crop. The Smudes turned to sunflowers. This allowed them to produce high-protein feed pellets for their livestock operation and sell the byproduct oil to the processed-food industry. But not long afterwards, Asian sunflower-oil producers flooded the market, making the Smudes’ bulk oil unsellable.

“So, I said, ‘Let’s start retailing,’” Tom Smude says. He converted his facility to food grade, thus launching Minnesota’s first cold-press sunflower oil company. He had no experience in bottling. “We started slow,” filling a bottle at a time, Smude recalls. Still, he had enough oil to sell to area farmers’ markets. To his surprise, he was selling out the family’s inventory.

What’s more, “we went into Pierz

Manufacturing in Minnesota:

BY THE NUMBERS

Second largest economic sector in the state (only finance, insurance, and real estate—dubbed FIRE—is larger)

Generates 14 percent of Minnesota’s **\$331 billion** GDP.

Pays an average annual wage that’s 15 percent higher than the state average (**\$67,098 versus \$54,446**).

Employed nearly **320,000** Minnesotans in 2018 while supporting another **721,000**.

ALL STATISTICS FOR 2018. SOURCE: MINNESOTA DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT



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Manufacturing Excellence

Global Impact H.B. Fuller Co.

Headquarters: Vadnais Heights

Products: Industrial adhesives

Employees: 6,290
(512 in Minnesota)

■ This 132-year-old adhesives maker continues to vigorously innovate, averaging 15 to 20 new patents annually. With 72 production facilities worldwide (its newest is in Vietnam), H.B. Fuller works directly with its global customer base to develop fail-safe solutions. In the past decade, the company has more than doubled in size, reaching \$3 billion in annual revenue for 2018.



Jim Owens became president and CEO in 2010 after serving as H.B. Fuller's senior vice president, North America.

Health-Tech Breakthrough Starkey Hearing Technologies

Headquarters: Eden Prairie

Products: Hearing aids and related technology

Employees: 6,000 worldwide

■ The global hearing technology company recently released Livio AI, the world's first hearing aid with integrated sensors and artificial intelligence. It enables the wearer to instantly translate 27 languages, track brain and body health, and alert loved ones via their smartphones in the case of falls.



Brandon Sawalich, president since 2017, started with the company in 1994 in the repair and ear mold lab.

and put it on a supermarket shelf and everybody thought it was completely nuts," he says. "All of a sudden, it got into a couple more stores." Soon, St. Cloud-based supermarket chain Coborn's began stocking Smude oil on the shelves of its stores. Smude sunflower oils now are sold in all 50 states, in

stores and online.

Why the success? Smude says his family's sunflower oil is heart-healthy and chemical-free; it's also something of a handmade product, the type of item many consumers seek out. He also cites its "buttery" taste—a flavor characteristic that has led him into yet

another food product.

In 2011, the highly entrepreneurial Smude started Midwest Sales and Construction, which sells and installs equipment for handling and processing grain. A few years ago, he discovered that a customer was supplying to a microwave popcorn maker. Smude suggested using his oil for the popcorn; the popcorn company was delighted with the result. But standard popcorn packages can't hold liquid oil—they fall apart (which is why companies typically use solidified oil). So he hunted around and found a highly refined paper that can keep the oil from dripping out. Two years later, the Smude brand of popcorn is sold nearly everywhere where its oil can be purchased.

Whether process-driven or craftily creative (or both), this year's Manufacturing Excellence Awards honorees prove that innovative thinking isn't solely the preserve of retailers or tech firms. Minnesota manufacturers of all kinds are building on that kind of thinking.

FINALISTS

Twin Cities Business recognizes these notable manufacturers as finalists in this year's Manufacturing Excellence Awards:

Activated Research Co. (ARC) *Eden Prairie*

ARC's chemical analysis products are used by customers in the oil and gas, pharmaceuticals, and fragrance industries, among others, to test and improve their products and processes. Its Polyarc system is designed to integrate seamlessly into customers' production equipment.

BTD *Lakeville*

BTD fabricates metal components for some of Minnesota's largest manufacturers, including Polaris, Toro, and Graco. Its Advanced Manufacturing group (whose expertise includes engineering, prototyping, and

tooling) works directly with customers to design products before production begins.

Boker's Inc. *Minneapolis*

Celebrating 100 years in business in 2019, this metal-stamping company stays up to date to serve a global customer base in industries including aerospace, electronics, and telecom. It partners with these clients to develop customized stamping tools and product prototyping.

Dalsin Industries *Bloomington*

Dalsin produces precision metal products for local, national, and global customers in numerous sectors, among them medical

technology, electronics, and retail. In addition to prototypes and components, Dalsin manufactures complete products such as the Memphis Wood Fire Grill, which incorporates techniques including metal bending, laser cutting, and electro-mechanical assembly.

Maud Borup *Plymouth and Le Center*

Besides assembling and marketing gift baskets and candy assortments, the company manufactures the Eco-Egg, a compostable plastic Easter egg for holding candy, made from 100 percent recycled material. Its Le Center production facility uses geothermal heating and wind-driven electricity.

TWIN CITIES BUSINESS MAGAZINE'S 2019 MANUFACTURING EXCELLENCE AWARD FINALIST



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When it's time to host an event or hire a new professional services provider, why go it alone? Hundreds of Minnesota businesses have already blazed a trail for you. Tap into that collective knowledge to find a top-notch lawyer, data security expert, or commercial real estate broker—you'll save time and get excellent results from the best of the best.

Earlier this year we asked executives and decision-makers for recommendations in common business service categories. *TCB's* annual subscriber survey is based on the opinions of people like you who make key vendor decisions. Thanks again to all those who shared their expertise.

—Adam Platt,
executive editor



CONSTRUCTION/DEVELOPMENT

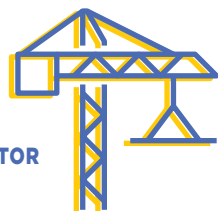
COMMERCIAL REAL ESTATE GENERAL CONTRACTOR

Ryan Cos. US

Ryan Cos. US builds on its 81-year history of creating the structures customers need to grow their businesses. The family-owned company offers broad commercial real estate services that take projects from concept to completion. With an ethos of responsive communication, transparency, and teamwork, Ryan focuses on the “why” behind projects to match clients’ objectives. It is currently developing the \$1 billion, 40-block Ford site in St. Paul with housing, retail, office, and public space. A national builder with 16 offices from Florida to Washington State, Ryan has 1,284 employees—537 of them in Minnesota—and \$2 billion in revenue.

Finalists

Doran Cos. | Kraus-Anderson | M.A. Mortenson



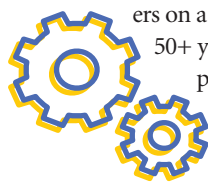
ENGINEERING FIRM

BKBM Engineers

BKBM Engineers adheres to its core principle of collaborating with all players on a construction team. It has been an integral team player for 50+ years on complex structural, civil, and restoration engineering projects across the Midwest. From offices in Brooklyn Center and Denver, BKBM handles the evolving challenges of design, build, and renovation with creativity and responsiveness. Its industry partners think the world of BKBM, awarding the firm the Minnesota Construction Association 2019 Design Professional of the Year award. Recent work includes structural engineering at the Moline apartment complex in Hopkins and civil engineering for the Amazon fulfillment center in Shakopee.

Finalists

Michaud Cooley Erickson | WS



CREATIVE SERVICES

ADVERTISING AND MARKETING FIRM

Unrestricted MKTG

As many advertising and marketing firms move toward specialization, Unrestricted MKTG of Eden Prairie stays wide-ranging. It provides a full menu of brand and marketing services to Minnesota-based companies. Founded in 2004 as the Capture Group, Unrestricted offers integrated services. The seven-employee shop—which flexes to add specialized pros when needed—calls itself an untraditional marketing warehouse, developing cost-effective campaigns and services for varied clients. The firm favors unconventional approaches for strategic planning, branding, production, content, analytics, and creative in print, online, and for merchandise.

Finalists

Antenna | Fast Horse



PUBLIC RELATIONS FIRM

Lola Red PR

With hustle and spirit, Lola Red has made a name for itself in public relations by working as an extension of clients’ teams. A hallmark is its focus on measurable results, demonstrating to clients that it moves the needle. Lola Red specializes in numerous sectors, including food and beverage, consumer package goods, wellness, and franchise development, with a clientele that includes Life Time, Smashburger, and Shinola. Launched in 2000, it has 20 employees and offices in Minneapolis and Denver. Lola Red is definitely having its moment.

Finalists

Fast Horse | Padilla



DINING/ENTERTAINMENT

CATERING COMPANY

Chowgirls Killer Catering

Heidi Andermack and Amy Brown founded Chowgirls Killer Catering in 2004 to offer organic, sustainable, and delicious food for any event. They’ve since grown Chowgirls into a 120-employee-strong, \$5 million business. It’s known for creating outstanding food for off-premise events and at its own venues, Solar Arts in Northeast Minneapolis and Soo Visual Arts Center in Lyn-Lake. In 2019, the company was named an “outstanding caterer” at the Charlie Awards, a coveted Twin Cities food and beverage industry honor. A recent move to new headquarters fueled growth as Chowgirls works to continue wowing customers with delectable food, seamless events, and superb service.

Finalists

CRAVE Catering | D’Amico Catering



EDUCATION

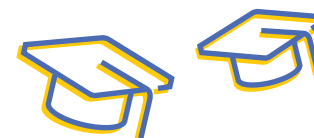
COLLEGE/UNIVERSITY

University of Minnesota Twin Cities

The University of Minnesota has long been ingrained in Minnesota’s culture, educating and improving lives through innovative research, outreach, and public service. The comprehensive university offers 150 majors in seven undergraduate-admitting colleges and 200 graduate and professional degrees. The campus offers a diversity of options—organizations, athletics, arts, and activities—keeping its 51,000 students engaged, educated, and entertained. Students know that leaders in business, government, nonprofit, and education circles share their love for the maroon and gold, giving them a world of opportunity to apply their education and passion for contributing.

Finalists

St. Cloud State University | University of St. Thomas



MBA PROGRAM

University of St. Thomas

Customization is the watchword when it comes to University of St. Thomas’ MBA programs. Students find the business education they need, at the pace and format that best suits them. From an executive MBA for seasoned professionals to full-time and health care MBAs, the Opus College of Business meets students where they are. This year, Opus launched an online version of its part-time program. Most programs offer extras like a short-term study travel experience, graduate certificates in strategic growth, and more. Graduates enjoy connections with the Tommie network, members of which are seeded throughout many Minnesota Fortune 500 companies and beyond.

Finalists

Augsburg University | University of Minnesota Twin Cities

BEST of BUSINESS

EVENTS/MEETINGS

AUDIOVISUAL PROVIDER

AVEX

Nearly a decade in the audiovisual industry showed David Throldahl multiple ways he could improve the customer experience. He started Avex in 2002 and set the firm apart with a high bar for service, transparency, flexibility, and doing the right thing. A full-service event and design company with offices in Fridley and North Carolina, Avex works with clients on live event design and production for every budget, while it serves as venues' in-house audio-video partner. Avex launched with a bedrock foundation of investing in employees and treating them right. In turn, staff members enthusiastically earn customers' trust with every interaction while contributing to events that shine.

Finalists

AV For You | metroConnections



MEETING AND EVENT VENUE: HOTEL

Hilton Minneapolis

For 27 years, Hilton Minneapolis has helped customers execute memorable events. As one of the largest hotels close to the Minneapolis Convention Center, Hilton Minneapolis certainly could rest on its laurels. But it doesn't, to the delight of its many business customers. The 821-room hotel recently redesigned and renovated its lobby, function spaces, and menus, providing versatile options for every kind of event. It has 77,000 square feet of function space that works for groups from 10 to 2,800 people. Small meetings don't get small attention, thanks to dedicated event managers, while large conferences, parties, and weddings utilize expert in-house coordinators and caterers.

Finalists

JW Marriott Mall of America | Radisson Blu Mall of America



MEETING AND EVENT VENUE: NONHOTEL

Aria Event Center

Steeped in Minneapolis Warehouse District history, Aria Event Center offers a distinctive space for diverse gatherings. Its storied past as a theater works to its advantage, with an open, versatile floor plan, pristine acoustics, and myriad architectural details. From its exposed-brick walls to 30-foot ceilings, Aria contrasts its historic vibe with contemporary art and furnishings. Since 2012, it has hosted varied functions including weddings, parties, corporate events, and concerts. Aria's clients appreciate that its staff operate as industry experts, not just venue managers. Aria's netted *Minnesota Bride's* Best Venue award for five consecutive years.

Finalists

The Hutton House | Machine Shop



MEETING AND EVENT PLANNER/COMPANY - TIE

Amy Zaroff Events + Design

For 15 years, Minneapolis-based Zaroff has partnered with corporations, brands, nonprofits, and others on meetings, events, and weddings, guided by the mantra "Because all you have is your name. Use it wisely." The firm creates memorable experiences for any and all life celebrations, impressing clients and guests with event planning, design, and experiential marketing. Some of the biggest brands in Minnesota, including Target, Mall of America, and the Minnesota Twins, turn to Zaroff for their most important gatherings. The firm recently garnered International Live Events Association (ILEA) awards for its work on Super Bowl LII's Big Game Big Give.

Events by Melody

Events by Melody creates one-of-a-kind weddings, celebrations, and corporate events that will be remembered for years. The Savage-based company handles everything for wedding clients, from planning and design to day-of coordination. Such high-pressure settings are not for everyone, but Events by Melody thrives in stressful situations with creativity, a hands-on approach, and a focus on communication. The firm recently won an ILEA award for best wedding with a budget over \$75,000. Events by Melody works with clients big and small, whether a couple, nonprofit, or small business.

Finalists

Event Lab | metroConnections

MEETING AND EVENT RESORT: GREATER MINNESOTA

Grand View Lodge

Grand View Lodge has called families, couples, and groups to the shores of Gull Lake in Nisswa for relaxation and recreation for 100 years plus. This summer, it opened North, a boutique hotel and conference center, to welcome groups for events, team building, and meetings. North offers 60 hotel rooms and four meeting spaces, along with all of the other revered Grand View amenities. Guests enjoy championship golf, fine dining, spa services, boating, and year-round entertainment in the NorthPark recreation center. At Grand View, generations of families, friends, and co-workers build memories and connections amid the beauty of Minnesota.

Finalists

Madden's on Gull Lake | Ruttger's Bay Lake Lodge



FINANCIAL SERVICES

ACCOUNTING FIRM

CliftonLarsonAllen

The eighth-largest accountancy firm in the country, CliftonLarsonAllen attracts and retains its customers by creating opportunities in their personal and professional lives. It lives by its mantra "We promise to know you and help you," with robust integrated services. Clients rely on CLA for audit, tax, and consulting, as well as outsourcing and wealth advisory—all with a firm grounding in public accounting. This approach fuels growth at CLA, which now has 120 locations, 6,100 employees, and revenue of \$1.1 billion. Its advice covers evolving issues like tax reform and tariffs, helping clients adjust their operations as needed.

Finalists

Froehling Anderson | Lurie, LLP

BANK FOR BUSINESS

U.S. Bank

As the fifth-largest bank in the country, Minneapolis-based U.S. Bank has the bandwidth to provide business customers with all of the financial services they need. For most companies, that's table stakes; what distinguishes U.S. Bank is strong operations and ethics. Ethisphere Institute has recognized U.S. Bank annually since 2015 as one of the world's most ethical companies, and major credit rating agencies consistently name it one of the highest-rated banks because of its consistent returns and conservative risk management. U.S. Bank's strategy to simplify banking and innovate has delivered record net income and earnings per share for the eighth consecutive year.

Finalists

TCF National Bank | Wells Fargo





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You are the heart of what we do, and we work hard to be your bank every day. On behalf of the 74,000 people who partner with you, our customers, during the moments that matter most – and the small steps in between – *thank you.*

Your loyalty is the reason we are the top Consumer Bank and the top Business Bank in Twin Cities Business magazine's 2019 Minnesota Best of Business Readers' Choice Awards. We couldn't have gotten here without you.

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BEST of BUSINESS

CONSUMER BANKING

U.S. Bank

Life can be complicated, but U.S. Bank has a mission to make banking easy. Last year it introduced several new fully digital products that provide customers with seamless, quick tools for their needs. They include a digital mortgage portal to provide instant borrower credit approval and “simple loans” for unexpected expenses, with real-time approval and quick access to funds. Customers also like that U.S. Bank stays responsive to financial services innovations, such as offering the Zelle digital app for moving money, geolocation for fraud prevention, tools for preventing cyber-attacks, and automated investor services to help customers meet their financial goals.

Finalists

TCF National Bank | Wells Fargo

CREDIT UNION - TIE

SPIRE Credit Union

In the spirit of self-help during the Depression, the founders of Spire Credit Union pooled their resources and loaned money to each other. This Midwestern spirit and values are still embedded in the Falcon Heights credit union, which is rooted in integrity, giving back, and improving members’ lives. Spire meets these objectives through traditional financial services for individuals and businesses, plus programs like merchant services and health savings accounts. Spire’s Visa card allows members to direct 0.25 percent of purchases to a Spire partner charity, which is expected to generate about \$225,000 in contributions in its first year.

TopLine Federal Credit Union

With the philosophy of “people helping people,” TopLine Federal Credit Union provides financial services and banking to more than 40,000 members. It started as a credit union for Bell System employees in 1935, expanding to additional employee groups and becoming a federal credit union in the 1990s. Today, it serves the seven-county metro area. Maple Grove-based TopLine, with \$400 million in assets, says it works to improve the lives of neighbors and area businesses with diverse financial products, advisory services, and insurance. In 2015 it started the TopLine Credit Union Foundation to contribute to its communities with financial education, scholarships, and support for local nonprofits.

Finalists

Affinity Plus Federal Credit Union | Wings Financial Credit Union

MORTGAGE COMPANY

Bell Bank Mortgage

Bell Bank Mortgage is well versed in mortgages, having been in the business since 1880. Minnesota’s oldest and largest independent mortgage company, Bell joined North Dakota’s State Bank & Trust in 2011, bringing to the company its expertise and name. Bell is one of the country’s largest privately owned banks, with more than \$2 billion in annual mortgage originations, about 1,250 employees (400 bank and mortgage staff in Minnesota), and 47 mortgage offices in the Midwest and Southwest. Its emphasis is on a smooth mortgage process and motivated employees. It landed eighth on *Fortune*’s 2019 list of the best financial services and insurance workplaces.

Finalists

U.S. Bank | Wells Fargo





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YOUR CASTLE,
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DORAN

At Doran, enhancing lives and building community is our core mission. We are honored to be selected by our business community peers as the 2019 Best of Business for **Real Estate Development** and **Commercial Property Management**, and to be selected as a finalist for **Commercial General Contractor**.



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BEST of BUSINESS



WEALTH MANAGEMENT FIRM

RBC Wealth Management

For 90 years, RBC Wealth Management has provided financial advice to Minnesotans, first as J.M. Dain & Co. and now in its current form after acquisition by the Royal Bank of Canada. RBC is now the fifth-largest wealth management firm in the world, with \$908 billion in assets under control and nearly 5,000 financial consultants, advisors, and bankers. It helps high-net-worth individuals, families, and retirees meet financial goals throughout their lives. The firm also partners with business owners, corporations, and institutions on diverse investment options. In 2018, Private Banker International honored RBC as an outstanding global private bank and outstanding wealth planning and trust provider.

Finalists

Accredited Investors Wealth Management | Ameriprise Financial

HUMAN RESOURCES

STAFFING, RECRUITING, EXECUTIVE SEARCH

Salo

For the third year in a row, Salo is *TCB* readers' top choice for help in hiring accounting, finance, and human resources professionals. The Minneapolis firm specializes in placing senior-level leaders in interim, project-based, or permanent placements. Salo differentiates itself by deploying business development directors to partner with clients throughout a project cycle, tackling needs ranging from mergers and acquisitions to risk management. It focuses on the Twin Cities and Chicago regions, with 584 total employees and consultants, including 75 local employees, and reports revenues of \$65 million to \$75 million annually. The company has fresh leadership in president Lisa Brezonik after founders Amy Langer and John Folkestad stepped away from day-to-day operations.

Finalists

Oggi Professional Services | Versique Consulting & Search

LEGAL SERVICES

LAW FIRM - TIE



Fox Rothschild

Fox Rothschild made its mark in the Twin Cities when it merged with Oppenheimer Wolff & Donnelly in 2016. That firm had a 130-year legacy in Minnesota, with strengths in commercial litigation, mergers and acquisitions, and financial services. After combining with Fox Rothschild, the firm offers clients a national footprint and expertise in 70 practice areas. Its 80-strong roster of lawyers in Minneapolis helps businesses from startups to Fortune 500 companies with all manner of legal advice, including litigation and transactional matters. Fox Rothschild boasts a nimble and entrepreneurial approach to legal work, providing the resources and expertise clients need to grow.

Messerli Kramer

For more than 50 years, businesses and individuals have turned to Messerli Kramer for comprehensive legal advice. Its attorneys take the time to fully understand companies' legal issues in the context of their business model, developing sound, reasoned, and pragmatic solutions that help clients navigate complex issues. The firm represents a diverse roster of clients, including large corporations, banks, and closely held businesses. Its lawyers also counsel individuals who need help with divorce, family law, and estate planning. The firm's 65 attorneys are regularly honored for excellence on Best Lawyers and Super Lawyers lists, winning respect and recognition from their peers and clients.

Finalists

Briggs and Morgan | Faegre Baker Daniels



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BEST of BUSINESS

PROPERTY SERVICES

COMMERCIAL PROPERTY MANAGEMENT

Doran Cos.

By building lasting relationships with tenants and partners, Doran Cos. has grown to manage nearly 2 million square feet of commercial property. Whether managing retail, office, or mixed-use properties, Doran deploys sharp attention to detail that clients recognize. Property owners and retailers benefit from Doran's operational knowledge and market expertise gained from managing properties such as Tamarack Village in Woodbury. More than 200 employees engage in development, design, architecture, construction, and property management from offices in Bloomington and Denver. Recently, founder Kelly Doran sold partial ownership to new CEO Anne Behrendt and CFO Ryan Johnson.

Finalists

CBRE Group | Cushman & Wakefield

COMMERCIAL REAL ESTATE BROKERAGE - TIE

CBRE Group

The world's largest commercial real estate services and investment firm, CBRE knows how to make real estate work for businesses. The Los Angeles-based company has operated locally since 1974, giving it deep market expertise. Clients gain from the firm's synergies in brokerage, land sales, corporate services, and property management, plus its 1,000 local employees. Working across geographies and industries, CBRE brokers partner with clients to overcome

challenges and maximize opportunities, such as securing sustainable environments or analyzing locations. From financial consulting to portfolio optimization, with more than 12 million square feet under management, CBRE helps turn clients' real estate into an advantage.

Cushman & Wakefield

Chicago-based Cushman & Wakefield is a global name in commercial real estate. Its local office has a strong, established presence in the Twin Cities market with a deep bench of experienced brokers, property managers, and capital markets pros. Its local roots stretch back to 1916 under various names. Today the firm manages more than 30 million square feet of Twin Cities commercial property and completes deals valued at more than \$2.3 billion annually.

Finalist

Edina Realty

COMMERCIAL REAL ESTATE DEVELOPER

Doran Cos.

A relatively new kid on the block—opening for business in 2007—Doran Cos. has established itself as a prolific and growing commercial real estate developer. In the past decade it developed more than \$1 billion in real estate, no small feat considering the Great Recession's drastic construction slowdown. Doran got its first big break as a student apartment builder near the University of Minnesota, eventually completing more than 35 multifamily, commercial, and mixed-use developments in the greater Twin Cities, North Dakota, and Colorado. Recent projects include a 25-story apartment building near St. Anthony Main in Minneapolis and Aria, a 184-unit apartment building in Edina.

Finalists

Ryan Cos. US | United Properties

Murphy Warehouse
is honored to be voted
Best of Business
in 2019

We're also excited to
announce our new name:
Murphy Logistics Solutions



TECHNOLOGY SERVICES

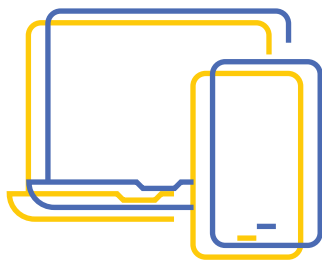
DATA AND SECURITY

Ascent Solutions

CEO J.D. Harris retooled a web hosting firm into Ascent Solutions, buying out its founders and focusing the Minneapolis company on solving clients' IT and cybersecurity problems. Since 2015, the firm has grown to 55 employees (35 in Minnesota) and a territory that stretches nationwide. Ascent assists clients with data problems, software architecture, Microsoft infrastructure technologies, and more via its knowledgeable consultants. Ascent partners closely with Microsoft, creating services that complement its products by drawing on Ascent executives' background at Microsoft. This year, Ascent's revenue and sales doubled again, and it added a minority investor to power even more growth.

Finalists

Atomic Data | SUCCESS Computer Consulting



nationwide, Marco works with more than 35,000 customers on their business IT, copiers and printers, telecommunications, document management, and audiovisual systems. Through acquisition and organic growth, Marco has maintained a 20 percent compound annual growth rate for a decade. Though that brings challenges to its gold-standard service, Marco's leadership is committed to providing responsive, expert consulting that keeps business flowing.

Finalists

Loffler Cos. | Metro Sales

SOFTWARE COMPANY

Code42

Code42 helps companies big and small protect the data essential to their business. The software-as-a-service company provides IT security and backup to the cloud by collecting, indexing, and analyzing files and file activities. This helps security teams seamlessly monitor, preserve, and recover data when necessary. Code42 recently shifted from its origins in IT infrastructure and individual endpoint protection to offer enterprise-level security with its Next-Gen Data Loss Protection service. It's primed to continue growing rapidly beyond its 50,000 customers worldwide. This year, Code42 netted two Cybersecurity Excellence Awards: a gold for its security product and silver for best cybersecurity company.

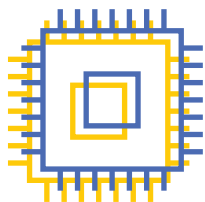
Finalists

Calabrio | ClickSWITCH

DOCUMENT MANAGEMENT, PRINTERS, AND COPIERS

Marco Technologies

When essential office equipment stops working, it's exasperating for everyone. Marco Technologies' customers know that its dispatchers and support representatives keep downtime—and frustration—to a minimum by quickly resolving issues remotely more than 97 percent of the time. From 64 locations



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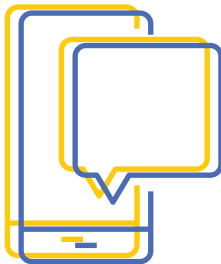
BEST of BUSINESS

WEB DEVELOPMENT FIRM

Aktion Interactive

Aktion Interactive is a small-but-mighty web development firm that wins clients by tackling all of their digital marketing needs. Businesses seeking a comprehensive strategy for their online presence have provided steady, double-digit growth. Two digital marketing veterans, Tony Tellijohn and Matt Wangness, started the Burnsville company. They set out to offer a team approach to developing online marketing platforms that can suit everyone from one-person shops to large organizations. Aktion specializes in web development, apps, search engine and Internet marketing, and more. The firm continues to grow and innovate, including developing new software applications to help businesses quantify their digital marketing investments.

Finalists
Leighton Interactive | Rocket55



TELECOM

MOBILE PHONE SERVICE PROVIDER

Verizon Wireless

It's hard to argue with professional evaluators who consistently rank Verizon as the best overall mobile network carrier. The company also snagged first-place ratings in five categories from independent evaluator RootMetrics, including reliability, data connections, and calling. For two years running, J.D. Power ranked

Verizon at or tied for No. 1 in network quality. Verizon continually strives to stay on top of service and technology, building out its 5G home internet network and a 5G wideband network to eventually power self-driving cars and smart cities while providing customers with consistently excellent wireless service.

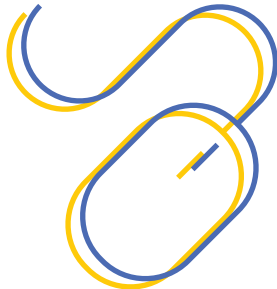
Finalists
AT&T | T-Mobile USA

TELECOM AND INTERNET SERVICE PROVIDER

Marco Technologies

From its beginnings in St. Cloud 46 years ago, Marco Technologies has grown into a top-five technology provider nationally. Customers rely on Marco to stay current with ever-changing technology, designing and implementing the systems that match their needs. It's a one-stop shop of 750 experts and dedicated account teams who plan, design, install, and support vital IT and telecommunications systems. Companies depend on Marco for cloud and managed IT systems that power operations, plus maintenance and support. It's a model that has served Marco well, helping it grow to a reported \$358 million in revenue. Marco recently powered its East Coast expansion by acquiring Phillips Office Solutions.

Finalists
CenturyLink | Comcast Business



For over 135 Years, BRIGGS has represented great Minnesota companies.
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ICONS, CULTURE and COMPANIES forward for the
NEXT CENTURY and BEYOND.**

**CONGRATULATIONS TO THE
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HONOREES AND FINALISTS.**



TRANSPORT/LOGISTICS

AUTO DEALERSHIP

Walser Automotive Group

Walser Automotive Group turned the typical haggling model on its head 18 years ago by transforming into a one-price sales structure with a salaried, no-commission sales force. Customers benefit from the Walser Upfront Price model that shows exactly what they would pay for a vehicle. A 10-week training program guides Walser employees in this transparent, no-negotiation approach and how to make a transaction all about the customer. Walser has grown to 1,800 employees and \$1.33 billion in sales as it continues to innovate. Walser recently launched a line of branded reinsurance called Autoguard and acquired Ace Rent-a-Car, an Illinois company.

Finalists

Lupient Automotive Group | Poquet Auto Sales

LOGISTICS COMPANY - TIE

C.H. Robinson Worldwide

For 115 years, C.H. Robinson has made business happen around the world. The third-party logistics company—the biggest in North America—provides transportation, logistics, and supply-chain services. About 124,000 customers worldwide take advantage of the company's robust technology and logistics, including eight service lines that generate \$16.6 billion in revenue. C.H. Robinson transforms data from its 18 million shipments and \$20 billion in freight annually into actionable insights for customers. This information helps them operate efficiently and effectively. Under new CEO Bob Biesterfeld, C.H. Robinson will continue delivering its expertise to customers on five continents.

Murphy Logistics Solutions

Edward L. Murphy Sr. bought two horses and a wagon in 1904, founding the current Minneapolis-based Murphy Logistics Solutions (previously Murphy Warehouse). With operations in Minnesota and Missouri, Murphy is recognized as a savvy, reliable third-party logistics (3PL) provider for clients from startups to Fortune 500 companies. Murphy's many sustainability initiatives include installing solar panels on warehouse roofs. Sadly, president/CEO Richard T. Murphy Jr., the company's fourth-generation leader, passed away in July.

Finalist

Granite Logistics

WELLNESS

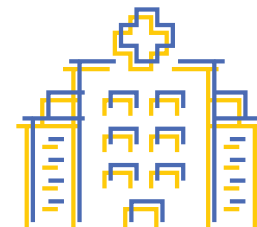
EXECUTIVE HEALTH PROGRAM

Mayo Clinic Executive Health

Mayo Executive Health patients love that they get comprehensive medical exams and preventive screenings in one thorough visit. They know they're patients for life, forming tight bonds with Mayo clinicians and connections to its network of world-class physicians and services. Providers aren't focused solely on tests and metrics; Mayo's whole-person approach means executives can use extras like stress management, wellness counseling, sports medicine, and cosmetic treatments. Mayo offers a hub for busy executives to take care of all their health care needs. Then they can get back to doing the work they love—hale, healthy, and ready to roll.

Finalist

Park Nicollet Executive Health



- Cybersecurity
- Productivity Solutions
- Microsoft Cloud
- Innovation
- Managed Services



REACH THE PEAK of IT performance.

Ascent Solutions would like to thank all Ascent Stewards and their families for all of the hard work and sacrifice that led to this Best of Business award. We are so proud of all of you! -The Ascent Solutions Leadership Team

Ascent Solutions is the premier provider of Secure Cloud Solutions for Microsoft. Contact us today to find out how our team can help your organization on-board and adopt Microsoft productivity and cloud solutions to improve risk, governance, compliance, performance and scalability.

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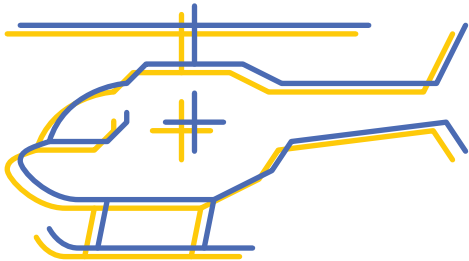
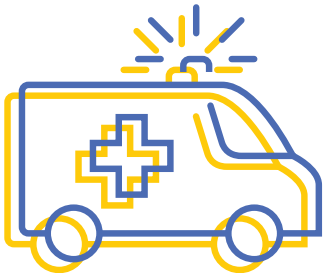
BEST of BUSINESS

HEALTH INSURER

Blue Cross and Blue Shield of Minnesota

Since 1933, Blue Cross and Blue Shield of Minnesota has developed novel ways to improve health. The company began as a prepaid medical plan offered by a consortium of St. Paul hospitals—the first in the country—and evolved into Blue Cross to offer health plans that now cover one-third of Minnesotans. It is still innovating today. New retail locations allow consumers to learn more about plans and take wellness classes. Blue Cross also developed online care and created employer services like maternity coaches. Evolving to meet changing health care needs and environments is a company trademark and a key reason it remains the state’s largest insurer.

Finalists
HealthPartners | Medica



HOSPITAL

North Memorial Health Hospital

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Navigating Intellectual Property Thickets

Twin Cities attorneys analyze the impact of the Defend Trade Secrets Act as well as how evolving IP law applies to videos and software.

Technological advancements have made trade secret theft an even more compelling topic for businesses. When it comes to safeguarding a company's intellectual property, it's helpful for executives to have a working knowledge of how the courts and U.S. Patent and Trademark Office are deciding major IP issues.

To get a handle on pending IP legislation in Congress and the rulings of a U.S. Supreme Court with two new justices, *Twin Cities Business* contacted prominent IP attorneys for their perspectives. We asked them to weigh in on several topics, including the effects of the three-year-old Defend Trade Secrets Act.

—Liz Fedor, Trending Editor





Securing Software Patents

Eric Chad
Partner
Merchant & Gould

Q In 2019, many innovations involve the creation of new software. In several instances, the innovation may be an improvement to software that already exists. How does patent and copyright law apply to software? Is software an area that is prone to intellectual property disputes?

IP disputes involving software are common. Developers have several avenues available to them to protect their investment, including, but not limited to, copyrights and patents. Often, developers will elect to protect their innovation in multiple ways. Copyright law protects original works of authorship, not concepts or ideas, so developers that elect to use copyright protection for their software generally claim rights in the source code, specific user-interface design, or some other particular expression.

Many developers also seek patent protection for the functionality of their software. Over the past decade or so, courts have adjusted the criteria for obtaining software patents that cover abstract ideas or laws of nature as opposed to concrete inventions. This adjustment, combined with procedures created by legislation earlier this decade to permit parties to challenge granted patents at the Patent and Trademark Office, has modified the manner in which software patents are viewed by the Patent Office.

It has become critical to bring in an experienced patent attorney who understands the intricacies of this evolving landscape when applying for software patents. While the path to software patents has adjusted, some

of the biggest patent filers are software companies, and there are still thousands upon thousands of patent applications covering software filed every year.

The issue of software innovation often being incremental improvements on software that already exists does not mean that that innovation is not independently protectable. The novel concepts or portions of code are still protectable provided they meet other criteria for protection.

Q The Defend Trade Secrets Act was signed into law by President Obama in 2016. What was it designed to do? What have been the major impacts of the act in the three years that it has been in effect?

Prior to the Defend Trade Secrets Act (DTSA), trade secrets were primarily protected under state law. Though all but two states adopted some version of the Uniform Trade Secrets Act (UTSA), adoption of the UTSA was not uniform. As one example, the length of the statute of limitations varied by state. Even where states enacted the same provisions, different states interpreted those provisions differently. The DTSA was designed primarily to create a uniform body of trade secret law throughout the nation and ensure that trade secret owners could enforce their rights in federal court. If the DTSA was interpreted differently by different federal courts, these differences can be resolved by the Supreme Court, which was not the case when trade secrets were protected primarily under state laws. The DTSA included some other key provisions, like special remedies for the seizure of products improperly incorporating trade secrets and whistleblower protection.

The impact of the DTSA has been somewhat limited. Because the DTSA did not preempt state trade secret laws and is similar to those laws in states that have adopted the UTSA, plaintiffs will often file suit under the DTSA while also pleading state law claims. The fact that these cases are more frequently heard in federal court has not meaningfully changed these cases. Though the DTSA's provisions for product seizures were a popular talking point when the DTSA became law, courts have been reluctant to

grant requests for such seizures. The whistleblower protections have also rarely been employed.



Increasing Patent Liability

John Dragseth
Senior Principal
Fish & Richardson

Q With the addition of Justices Gorsuch and Kavanaugh to the U.S. Supreme Court, are we seeing any significant changes in how the high court rules on intellectual property cases? On IP cases, are we regularly seeing a 5-4 split? In the past year or so, was there a major IP Supreme Court decision that is resulting in a big impact on a particular business sector?

With one exception, I don't expect any real changes. Conservative judges used to be pro-IP because they were protectors of private property, but that's pretty much gone away. Also, the Supreme Court has to be looking for places where the justices can agree—to undercut the narrative that it is a political body—and IP cases are a great place for that.

The one exception is administrative law. Justice Gorsuch is known to have concerns that Congress hands too much power to administrative agencies. Half of IP appeals now are from an agency—the Patent and Trademark Office—and smart players know to frame their cases there for the coming changes in administrative law.

The biggest recent Supreme Court IP decision is *WesternGeco v. ION Geophysical Corp.* (June 22, 2018), because it has the possibility to really increase liability in patent cases where manufacturing and shipments occurred outside the United States (which were previously believed to be immune from patent liability).

Q The Defend Trade Secrets Act was signed into law by President Obama in 2016. What was it designed to do? What have been the major impacts of the act in the three years that it has been in effect?

The law doesn't do a whole lot for the most part. It allows you to bring a federal trade secret action in the same way you always could (and still can) bring a state trade secret action in almost every state.

In extremely rare cases, you can get a seizure order and go grab the stolen stuff with the cops; this can be incredibly powerful (and a little exciting) when it applies, but it seldom applies.

Bottom line, if you are a businessperson, you are better off leaving these fine points to your attorneys and focusing your mental energy and day-to-day management efforts on making sure you have:

- a) good employment agreements,
- b) good processing of departing employees,
- c) a solid IP strategy that guides what you patent and what you keep secret,
- d) good security for your labs and plants so as to prevent trade secrets from walking out the door.



Reforming the Patent Act

Kirsten Donaldson
Special Counsel
Gray Plant Mooty

Q In recent years, the U.S. Supreme Court has dramatically restricted the patent eligibility guidelines, particularly for patents in the biology and software industries. Do you think Congress will address the issue

before the end of the year? If so, what substantive changes do you expect?

Since a trio of Supreme Court cases beginning in 2012, the law on patent eligibility has been anything but clear. The Supreme Court's so-called "tests" are based on loose definitions and have been applied inconsistently by the lower courts, which has created tremendous uncertainty in the patent eligibility laws and regulations.

In practice, for many U.S. companies, particularly in the life sciences and software industries, lack of clarity over what is patent-eligible has prevented companies from having the stability and predictability needed to invest in new technologies. This is especially true for companies utilizing artificial intelligence or those investing in personalized treatments for diseases.

In addition to stakeholders urging change, the director of the U.S. Patent and Trademark Office, Andrei Iancu, has called for clarification of Sec. 101 of the Patent Law (the patent eligibility

law) by Congress, as have several judges of the Federal Circuit (the court that hears all patent appeals).

In response, U.S. Sens. Chris Coons, D-Del., and Thom Tillis, R-N.C., as well as U.S. Reps. Hank Johnson, D-Ga., Doug Collins, R-Ga., and Steve Stivers, R-Ohio, have taken the lead on bipartisan legislation that would reform Sec. 101 of the Patent Act. This follows a series of roundtable meetings held last spring and a trilogy of hearings in the Senate Judiciary Committee's Intellectual Property Subcommittee, where senators heard testimony from 45 diverse witnesses.

The legislation is likely to undo such narrowing by the Supreme Court and return Sec. 101 to what it once was—a coarse filter designed to promote innovation. Although certain things like mathematical equations or leaves plucked from a tree were never intended to be eligible for patent protection, the original goal of Sec. 101 was to act like the top of a funnel that welcomes a variety of innovation and

then leaves it to the other requirements of the Patent Act (novelty, non-obviousness, written description) to substantially narrow the scope of what can be patented.

It is unclear whether the legislation will be acted upon by the end of 2019. What is clear is that innovators, large and small, need clarity over what is patent-eligible as they invest now in the future of technology and medicine that is 20 years down the road.

Q The Defend Trade Secrets Act was signed into law by President Obama in 2016. What was it designed to do? What have been the major impacts of the act in the three years that it has been in effect?

American businesses own an estimated \$5 trillion worth of trade secrets, which people usually think of as the Coca-Cola formula or the recipe for Sweet Martha's Cookies. But trade secrets include all types of information (business, scientific, financial) as well

as methods of production, designs, techniques, processes, programs, or codes that derive economic value because of their secrecy. Owners are required to take reasonable measures to keep trade secrets secret. Once a trade secret is disclosed, it loses protection forever.

Years ago, trade secret theft meant stealing physical documents. Today, with the sophistication of data storage technology, it is possible to contain billions of dollars' worth of trade secrets on a flash drive.

Prior to the DTSA, trade secret owners had two avenues for enforcement: federal criminal law or a patchwork of state civil laws. However, the frequency and sophistication of trade secret theft across state and country lines made both options untenable.

The DTSA created a federal civil cause of action for companies to directly combat trade secret misappropriation in federal court. It also created an *ex parte* (one party) seizure provision so that owners could request

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TRENDING LAW

seizure of stolen trade secrets from a federal judge in certain, limited circumstances (such as when U.S. trade secrets were leaving the U.S. expeditiously).

Over the last three years, the DTSA has filled a specific gap by making it easier for trade secret owners to utilize the federal courts, especially for companies that would have otherwise relied on already-strained federal criminal resources. Despite criticism when enacted, the DTSA does not appear to have overburdened the federal courts or created a dramatic change in trade secret laws overall. Instead, it seems to have had the positive effect of rounding out the tools available for U.S. businesses facing trade secret theft—a necessary update to combat the technological sophistication of trade secret theft of today.



Are Diagnostic Tests Patent-Eligible?

Warren Woessner
Principal
Schwegman Lundberg Woessner

Q The U.S. Supreme Court ruled on *Mayo Collaborative Services v. Prometheus Laboratories, Inc.* several years ago, giving guidance on patent eligibility for biotech and life sciences technologies. What have been the effects of that ruling, and what other court or dispute resolution responses has it triggered?

Patent subject matter eligibility has been one of my primary concerns since *Prometheus v. Mayo* was decided. A majority of the judges

on the Federal Circuit read *Mayo* expansively and have consistently ruled that simple diagnostic tests based on naturally occurring correlations, like high PSA, high risk of prostate cancer, are not patent-eligible but are natural phenomena like lightning or the fact that blood contains hemoglobin.

These judges read the *Mayo* and later *Alice* decisions as requiring that the diagnostic claim have an additional “inventive concept.” As a result, the Federal Circuit has invalidated every “If A, then B” diagnostic test claim that has come before it and also has refused rehearing *en banc* (full court). The Supreme Court has been called upon to clarify the scope of *Mayo* but has refused to grant *cert* (review by the high court) on every Federal Circuit decision.

So there are only two paths out of this thicket—the Supreme Court must clarify and hopefully limit the *Mayo* decision or Congress must pass a bill that makes it clear that diagnostic tests are patent-eligible subject matter as inventive and practical applications of “natural laws.” The Senate subcommittee on intellectual property recently held two days of hearings on such a bill but, to date, no bill has been introduced.



Steven Lundberg
Principal and
Chief Innovation Officer
Schwegman Lundberg Woessner

Q The Defend Trade Secrets Act was signed into law by President Obama in 2016. What was it designed to do? What have been the major

impacts of the act in the three years that it has been in effect?

The Defend Trade Secrets Act federalized trade secret law. DTSA authorizes a trade secret owner to bring a civil action in federal court for 1) misappropriation of a trade secret related to a product or service used in interstate or foreign commerce or 2) a violation of the Economic Espionage Act, which criminalizes some trade secret misappropriation.

Prior to DTSA, each state had its own civil trade secret law. This caused venue and choice-of-law disputes. DTSA has provided more uniform trade secret protection. In particular, DTSA allows for courts to issue *ex parte* orders in these proceedings for the preservation of evidence or seizure of property involved. This remedy is new and unique with DTSA, enforceable by federal law.

An uptick in trade secret litigation has occurred since DTSA. Courts have more often ruled in favor of claimants on injunctions. While defendants tend to win on summary judgment and the pleadings, claimants have more often shown both they had a trade secret and it was misappropriated when the case goes to trial. Defenses have included independent development and equitable defenses.

Some DTSA cases have resulted in damages ranging from \$60,000 to \$2.4 million. See, for example, a fig spread recipe dispute in *Dalmatia Import Group, Inc. v. FoodMatch, Inc.* or *Steves and Sons, Inc. v. Jeld-Wen, Inc.*, involving an interior molded door skin. Damages have been calculated under lost profits, willfulness damages, and/or reasonable royalty. Claims under DTSA have yet to reach the Federal Circuit.

Violating Copyright Law with Videos

David P. Swenson
Shareholder
Larkin Hoffman

Q Every day, videos are posted on social media

for marketing a product, advancing a political position, or simply for defining an individual's digital public profile. How does fair use come into play with videos? Are there particular IP law concerns that businesses should be aware of in the use of videos?

Frankly, much or even most of the video sharing that people engage in on social media quite probably does not qualify for the "fair use" exception under copyright law. If you like someone else's video and merely slap it on your own social media page for your friends or business contacts to enjoy too, that is not fair use. This is especially true if the video is itself a marketable commodity—or incorporates one (like a song) or a substantial part of one (like a film or show)—that the creator would normally otherwise seek royalties for its use.

Although, admittedly, oftentimes videos are made in the first place for the purpose of promoting the original creator or their products or services. Thus, the creator may indeed be perfectly happy that you posted their copyrighted video. But to qualify legally as a fair use is an entirely different issue. A few rough guidelines include that purely non-commercial uses are more likely to qualify as fair use. Additionally, if you "transform" a video in some fashion, that becomes a fair use. Examples comprise posting a video to comment on or critique it, or the use of a factual clip to comment on an event, or as part of a larger discussion or illustration of a point. Unfortunately, the edges



of the fair use doctrine are fuzzy, and a business in particular should consult with an attorney if it has any concerns about how it wishes to use someone else's video.

Q The Defend Trade Secrets Act was signed into law by President Obama in 2016. What was it designed to do? What have been the major impacts of the act in the three years that it has been in effect?

The Defend Trade Secrets Act created a private federal cause of action for trade secret misappropriation and harmonized it with the Uniform Trade Secrets Act (UTSA), adopted in most states. It expanded the 1996 Economic Espionage Act, which criminalized trade secret theft, and defined trade secrets to include information technology, but had not created a private cause of action. Like the Lanham Act for trademarks (and unlike patent law), the DTSA does not preempt state law and maintains a similar dual system. Like the UTSA, the DTSA imposes a three-year statute of limitations. Other key provisions include heightened protection for employees' right to work in the context of trade secrets in job transitions and protection for whistleblowers from liability for disclosures when reporting violations of law in the workplace.

On the other hand, the DTSA allows misappropriation plaintiffs to seek an *ex parte* seizure order, without advance notice to the defendant. Procedurally, the DTSA obligates plaintiffs up front to define the trade secret at issue with particularity, which was often a sticking point in pre-DTSA litigation where plaintiffs resisted providing the definition until obtaining discovery on the defendant's technology.

While the DTSA has shifted trade secret cases into federal court, and there have been federal jury verdicts under the DTSA, commentators generally do not see a large impact yet.

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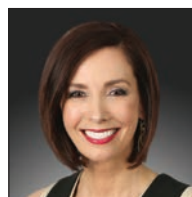
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The Debates: 23 and He

To: **Mr. Tom Perez**, Chair
Democratic National Committee
430 S. Capitol St. SE
Washington, D.C. 20003



Vance Opperman

In private conversations, elected (and female) Democratic officeholders have expressed concern about the electability of any female candidate in the current Trump era.



Dear Chair Perez:

Will Rogers once said, “I don’t belong to any organized party. I’m a Democrat.” More recently, a Democratic presidential candidate suggested that it took a village to raise a child. Apparently in today’s Democratic party, anyone can run for president, and it takes at least 23 to make a candidate. So far, the Democratic National Committee has been able to limit its “debates” to 20 candidates from the initial 23, with former Vice President Joe Biden remaining the frontrunner. Indeed, this village can be described as 23 and he.

That brings us to the candidates themselves. There are too many. Paring down the second debate sequence to 20 of 23 candidates does not dispel the gnawing concern that this village, instead of raising a child, might be birthing the village idiot. Serious policy cannot be described, let alone debated, between 20 candidates; Lincoln-Douglas this is not. This is particularly true when every candidate is grabbing for a sound bite that will enhance their online fundraising.

And, in fact, the problem this crew has, besides numerosity, is its fatal lurch to the left. This radicalization of the Democratic Party is a sort of Thermidorian reaction to the hard right, white nationalist policies of the current administration. As with the French Revolution, that reaction did not work out too well. So you should first narrow the field, then later eliminate losing policy proposals. Here’s how to limit the field:

Every political campaign will have that earnest, early-announcing, and totally unelectable candidate, such as former Rep. John Delaney. As a native Iowan, I appreciate his pledge to visit each Iowa county (there are 99). Jet-tison Mayor Wayne Messam, Rep. Seth Moulton, and former Rep. Joe Sestak. Ditto Sen. Michael Bennett, Gov. Steve Bullock, Mayor Bill de Blasio, ex-Gov. John Hickenlooper, Gov. Jay Inslee, Sen.

Cory Booker, former Cabinet Secretary Julián Castro, and businessman Andrew Yang—all good men, earnest and unelectable. Former cult guru Marianne Williamson was notable for suggesting that she would combat President Trump with love. Back to the Crystal Healing Dome for her!

Quickly, the rest of the field should be narrowed to six: former Vice President Joe Biden, Sen. Bernie Sanders, Mayor Pete Buttigieg, and Sens. Elizabeth Warren, Kamala Harris, and Amy Klobuchar. This lineup will consist of three men and three women and cover the most experienced public officeholder (Biden) and the least (Buttigieg). It would feature candidates from all parts of the U.S., West Coast to East, and Midwest in between. Such a candidate grouping would test our country’s tolerance for firsts: the first biracial female candidate (Harris) and the first high-profile married, openly gay male (Buttigieg). The age span from 37 to 77 would also be a first.

The six would present a philosophy of governing from the center (Biden/Klobuchar) to the far left (Sanders/Warren); candidates Buttigieg and Harris would have the opportunity to articulate their own political position. And perhaps more importantly, it would address questions about the tolerance of the American electorate.

The country will confront whether a mid-to-late septuagenarian can be elected (or re-elected). President Trump is 73, Biden is 76, and Sanders is 77. Are men who collect Social Security benefits and are beyond commonly accepted mandatory retirement ages up to the demands of the modern presidency? In administrations past, media types would frequently comment about how the pressures of the job had noticeably aged Jimmy Carter or Barack Obama. Perhaps after one has noticeably aged, the additional pressures of the job make no difference. Having four septuagenar-

ians actively running (walking?) will answer these questions.

And more generally, can any female be elected commander in chief? Left-leaning columnists like Frank Bruni of *The New York Times* have raised questions about whether white male swing voters will choose a woman over Trump. In private conversations I’m privy to, elected (and female) Democratic officeholders have expressed concern about the electability of any female candidate in the current Trump era. But by including three experienced and outspoken female candidates, the country will have the opportunity to test this before the endorsing convention.

Let me end with a special note about Sen. Klobuchar.

She was a hard-nosed prosecutor with a reputation for fairness. Sen. Klobuchar has not had to “walk back” any of her earlier positions because she has been a solidly common-sense, pragmatic, problem-solving senator from a state that shares those same characteristics. Nor has she pandered to Democratic bases. She does not support Medicare for all, and she has been opposed to mass forgiveness of student debt. Most impressively, she has taken these positions in front of those very same interest groups and on national TV. She talks straight, the same way to everyone, and makes sense. Having her in the mix of presidential candidates will have a firm and moderating influence on the presidential campaign itself. Include her.

Sincerely yours,

Vance K. Opperman
Anxious for real debate

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



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A man with grey hair, wearing a dark suit, white shirt, and a red patterned tie, is sitting in a wooden chair. He has his hands clasped in his lap and is looking directly at the camera with a serious expression. He is wearing a gold watch on his left wrist. The background is a large, dark wooden bookshelf filled with many books, creating a professional and scholarly atmosphere.

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