

PART I

EXECUTIVE REPORT

**BUSINESS RETENTION AND EXPANSION
IN KANSAS MID-SIZE COMMUNITIES**

A Research Report

Prepared for

The Kansas Department of Commerce

Co-Principal Investigators:

**Dr. Charles E. Krider
Professor of Business Administration
and
Dr. Steven Maynard-Moody
Professor of Public Administration**

Project Director: Don Eskew

Survey Director: William Cheek

**Dr. Anthony L. Redwood
Executive Director
The Institute for Public Policy and Business Research
The University of Kansas**

February 1988

Report #137



PREFACE

Project Background

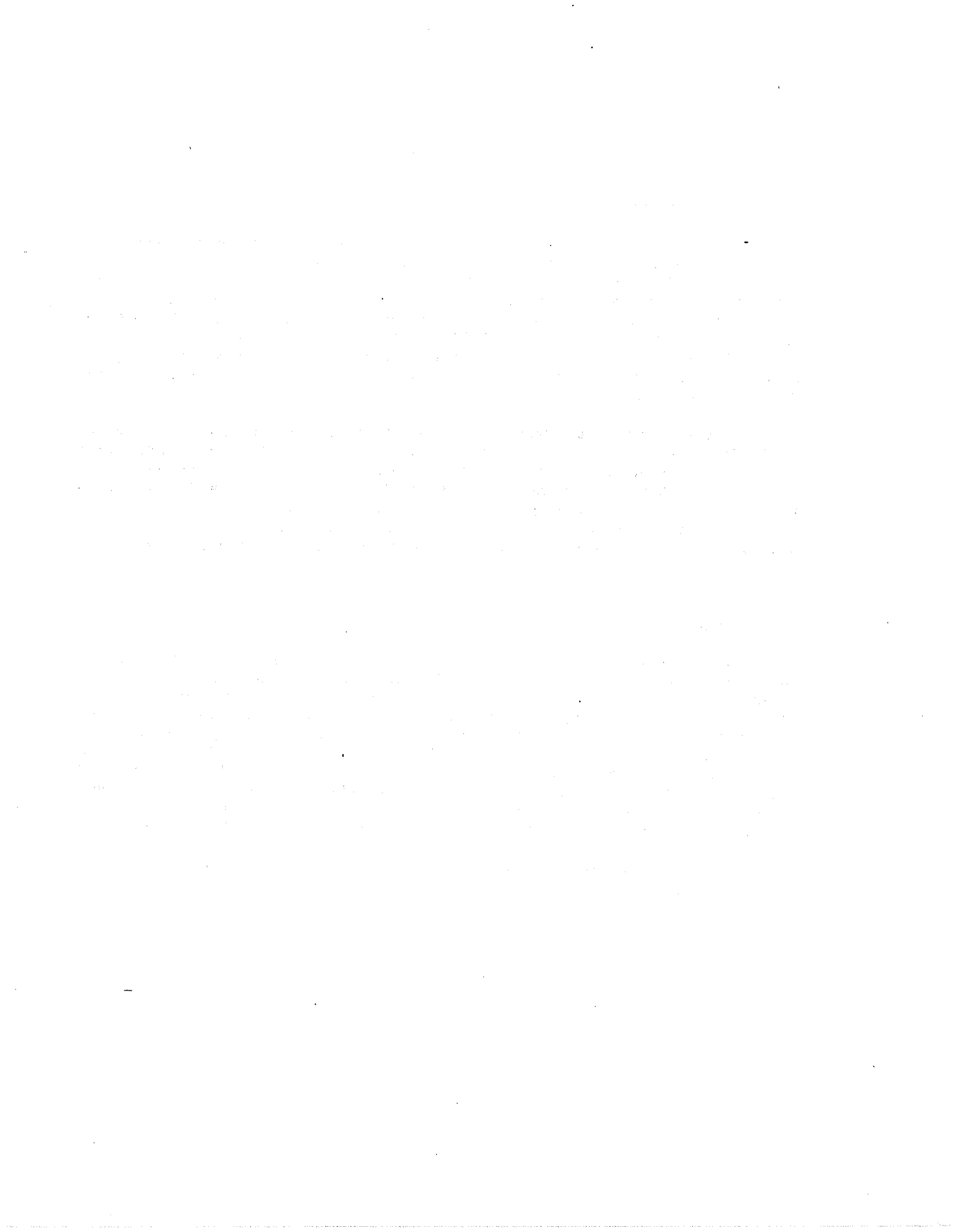
In the summer of 1987, Southwestern Bell Telephone offered an executive-in-residence to work with the Kansas Department of Commerce. This Southwestern Bell executive was Brad Parrott. In cooperation with Kansas Governor Mike Hayden, the Department of Commerce decided to conduct a study on business retention and expansion in the state, and enlisted the assistance of the Institute for Public Policy and Business Research at the University of Kansas to assist with the project. This project was a joint effort between Southwestern Bell, the Kansas Department of Commerce, and the University of Kansas.

The project used a telephone survey to study the retention and expansion of business firms in: Coffeyville, Emporia, Garden City, Goodland, Great Bend, Hays, Hutchinson, Lawrence, McPherson, and Salina. In each community, a local committee of business representatives and community leaders were responsible for conducting personal interviews that provided additional in-depth answers to survey questions. These committees will receive a report of the community they represent, and will be responsible for local action.

Acknowledgements

The Institute for Public Policy and Business Research would like to acknowledge the support and the assistance of Secretary of the Kansas Department of Commerce Harland Priddle; Brad Parrott, Southwestern Bell Telephone District Manager; Jack Montgomery, Director-Existing Industry Development Division, Kansas Department of Commerce; Mary Lou McPhail, Economic Development Representative, Kansas Department of Commerce; the Kansas Department of Commerce field representatives and the Southwestern Bell field representatives who helped to interview business representatives in the ten communities, and the Southwestern Bell Community Relations Managers. All had major roles in the eventual completion of this project.

The authors alone are responsible for the contents of this report.



PART I

LIST OF TABLES

	Page
Table A Total Employment - Counties, State, and the U.S.....	8
Table B Survey Companies by Number of Employees.....	11
Table C Total Annual Sales.....	11
Table D Percent of Total Firms that are a Single Company or Part of a Larger Corporation.....	12
Table E Mean Percents of Products Sold in the Local, State, National, and International Markets.....	13
Table F Percent of Total Firms that have Moved from Another City or State to Their Present Location.....	15
Table G Percent and Location of Where Firms are Moving.....	16
Table H Reasons for Moving Out of the Community.....	17
Table I Percent of Total Firms with a Negative Image of Rural Life and of Kansas.....	18
Table J Past Increases in Employment and Physical Plant Size.....	20
Table K Specific Problems with Expansion.....	21
Table L Factors that Helped Expansion.....	22
Table M Percent of Total Firms that are Planning an Expansion in the Next Year.....	23
Table N Percent of Total Firms that Feel They Have the Potential or the Desire to Expand Internationally.....	24
Table O Reasons Given for Not Exporting.....	25
Table P Problems Exporting.....	26
Table Q Financing Sources for Expansion.....	27
Table R Firms' Perceptions of the Attitude of Their Local Government.....	29
Table S All Firms' Perceptions of Services.....	30
Table T Government Regulations that Impede Operation.....	31
Table U Reasons to Forego Expansion.....	32

Table V		
	Suggestions Given for Improving the Local Business Climate.....	33
Table W		
	Suggestions Given for Improving the State Business Climate.....	34
Table X		
	Knowledge and Use of Economic Development Programs.....	36
Table Y		
	Percent of Total Firms that Need a Specialized Skill.....	37
Table Z		
	Percent of Total Firms that Have Used the Services of a State University, Community College, or Vocational School.....	38
Table AA		
	Services Used from State Universities, Community Colleges, or Vocational Schools.....	39
Table BB		
	Employees Sought from State Universities, Community Colleges, or Vocational Schools.....	40

PART I
EXECUTIVE REPORT

TABLE OF CONTENTS

BUSINESS RETENTION AND EXPANSION
IN KANSAS MID-SIZE COMMUNITIES

PART I

	Page
Executive Summary.....	1
Summary of Recommendations for Economic Development Policy in Kansas Mid-Size Communities.....	5
Business Retention and Expansion Executive Report.....	7
Economic Growth in Kansas.....	8
A. Employment Growth.....	8
B. Establishment Growth.....	9
C. Personal Income Growth.....	9
D. Summary.....	9
Description of Survey Population.....	10
A. Company Size.....	10
B. Annual Sales.....	11
C. Type of Establishment and Location of Headquarters.....	11
D. Markets for Firms' Products.....	12
E. Survey Description Summary Implications.....	13
Description and Determinants of Business Location and Retention.....	14
A. Location.....	14
B. Retention.....	15
1. Companies That are Moving.....	15
2. Reasons for Leaving the Community.....	16
3. Perceived Images of Rural Life and of Kansas.....	17
C. Location and Retention Summary Implications.....	18
Description and Determinants of Business Expansion.....	19
A. Past Expansion.....	20
1. Employment and Physical Plant Size.....	20
2. Problems With Expansion.....	20
3. Factors That Aided Expansion.....	21
B. Plans for Expansion.....	22

C. Expansion Into the International Market.....	23
1. Potential and Desire to Expand.....	23
2. Reasons for Not Expanding Into the International Market..	24
3. Problems With Exporting.....	25
4. Financing Sources for Expansion.....	26
D. Expansion Summary Implications.....	28
Local and State Business Climate.....	29
A. Local and State Business Climate.....	29
1. Attitude of the Local Government.....	29
2. Perception of Services.....	30
3. Government Regulations That Impede Business Operations...	31
4. Taxes That Influence Expansion Decisions.....	32
B. Business Climate Improvements.....	33
1. Improving the Local Business Climate.....	33
2. Improving the State Business Climate.....	34
C. Business Climate Summary Implications.....	35
Economic Development Assistance.....	35
A. Economic Development Programs.....	35
B. Firms That Need a Specialized Skill.....	37
C. Interaction with State Universities, Community Colleges, and Vocational Schools.....	38
1. Use of State Universities, Community Colleges, and Vocational Schools.....	38
2. Services Used from State Universities, Community Colleges, and Vocational Schools.....	38
3. Employees Sought from State Universities, Community Colleges, and Vocational Schools.....	39
D. Economic Development Assistance Summary.....	40
Summary.....	41
PART II: Business Retention and Expansion in Kansas Mid-Size Communities Survey Results.....	43-
	153

EXECUTIVE SUMMARY

A sample survey of 858 business firms in nine Kansas communities with populations of 10,000 to 100,000 (Coffeyville, Emporia, Garden City, Great Bend, Hays, Hutchinson, Lawrence, McPherson, and Salina) was completed to find determinants of business retention and expansion of existing industries in Kansas.

These firms, drawn from sectors constituting the economic base (retail firms and service firms that were entirely local were not included), were surveyed to identify factors that influence the retention and expansion of existing industries in Kansas, to identify the potential of Kansas firms to expand within their communities, to assist the establishment of local retention and expansion efforts, and to distinguish state level issues that influence retention and expansion.

The major findings of the study are:

1. Employment growth in Kansas mid-size communities has lagged behind employment growth in Kansas and the United States. Of the 9 counties that these communities are located in, 8 had employment growth that was less than the United States for the period 1978 to 1986. Only two counties, Finney and Douglas, had employment growth that was higher than Kansas for the same period. Montgomery and Reno counties had negative employment growth for the period 1978 to 1986.
2. Economic growth in Kansas mid-size communities is the result of expansions from existing companies and the formation of new firms within the community. In the last two years, 33% of all firms increased employment and 35% increased physical plant size. Of the total number of firms, 41% stated they are planning to increase employment next year and 22% stated they are planning to increase physical plant size next year.

3. Minimal economic growth is occurring as the result of recruiting outside firms to relocate in Kansas mid-size communities. Only 6% of the firms surveyed stated they moved to their present location from another city or state in the past 5 years.
4. Most firms are in a community because it is the owner's hometown. For all firms, 54% stated the reason for their location in the community was because it was the hometown.
5. Only a very small percentage of firms are planning to leave their community or the state. For the total number of firms, 3% stated they are planning to move out of the community and 2% stated they were moving out of the state. The majority of respondents also have a positive image of Kansas and rural life: 6% stated they had a negative image of rural life and 2% stated they had a negative image of Kansas.
6. The representatives of larger firms, those with 100 or more employees, express a higher level of dissatisfaction with their communities than do smaller companies, from an overall business perspective. Further, 21% stated they had a negative image of rural life, 9% stated they had a negative image of Kansas, and 43% stated they had trouble attracting or retaining professional and management personnel.
7. A major barrier to firm expansion is a lack of financing. Of the total number of firms, 24% stated lack of affordable financing as a problem associated with expansion, and 11% stated they have had to forego an expansion because of a lack of financing. Lack of financing is also a barrier for the export of goods and services. Of the firms that did not export their products, 20% gave lack of affordable financing as a reason. Of the firms that did export their products, 13% stated that a problem with exporting is a lack of financing.
8. Public services were generally perceived as good or at least adequate. Of the total number of firms, 76% rated fire protection as good, 74% rated the electric system as good, and 73% rated the public school system as good. The major exception is the quality of roads: only 35% rated the quality of roads as good and 18% rated the quality of roads as poor.

9. There is great dissatisfaction with (a) the cost of transportation and (b) the availability of air transportation. Of the total number of firms, 61% rated the cost of transportation as adequate or poor and 67% rated the availability of air transportation as adequate or poor.

10. Smaller firms, those with less than 100 employees, are primarily serving local and state markets. Firms with less than 20 employees sell a mean, or average, 61% of their products in the local market, 26% in the state market, 12% in the national market, and 1% in the international market. Firms with 20 to 99 employees sell a mean 38% in the local market, 30% in the state market, 29% in the national market, and 3% in the international market. Larger firms, those with 100 or more employees, are, however, more involved in markets beyond Kansas. These firms sell a mean, or average, 19% of their products or services in the local market, 18% in the state market, 61% in the national market, and 2% in the international market.
11. The great majority of firms do not participate in international trade: the total number of firms sell a mean 1% of their goods or services in the international market. Even firms which have the potential and desire to export are not doing so. Of the firms that do not export, 14% stated they have the potential to expand internationally and 13% stated they have the desire to expand internationally.
12. Taxes and tax incentives are not a significant factor in firm decisions concerning locating in Kansas mid-size communities. When asked for a reason for location in the community, only 1% stated tax incentives as a reason for location. State taxes are a consideration for a small minority of firms planning to leave their community: of the small number of firms that are planning to leave the community 13% stated that a reason for relocating was high state taxes.
13. The overall state tax burden is a significant reason for firms not to expand. Of the small number of firms that plan to expand outside of the community, 27% stated that a reason for doing so was city taxes; of the small number of firms that plan to expand outside of Kansas 50% stated tax costs in general as a reason for expanding out of state. Of the firms that stated they had had to forego an expansion, 61% gave property tax on inventories as a reason for foregoing an expansion, 32% gave the sales tax on machines and equipment as a reason, and 24% gave the overall state tax burden as a reason to forego expansion.

14. State economic development programs are virtually unknown to firms in Kansas mid-size communities: of the total number of firms, 88% had no knowledge of Certified Development Companies, 84% had no knowledge of Centers of Excellence, 64% had no knowledge of the Kansas Industrial Training Program, 42% had no knowledge of the Job Training Partnership Act, and 37% had no knowledge of Community Development Block Programs. Only a very small percentage of firms have actually used the programs. The program with the most use was the Job Training Partnership Act, with 11% of the total number of firms stating they had used the program. For all other programs, actual use was no higher than 2%.

SUMMARY OF RECOMMENDATIONS FOR ECONOMIC DEVELOPMENT POLICY
IN KANSAS MID-SIZE COMMUNITIES

1. State and local policies should be directed to encouraging local entrepreneurs who are starting new businesses and to facilitating expansion of existing businesses. Examples of such efforts include incubators and small business development centers.
2. Although the recruitment of firms from outside of Kansas should constitute one part of the state's and communities' economic development strategy, the major focus should be on the establishment of new firms and expansion of existing businesses. Industrial recruiting has generally not been a successful strategy for this size of Kansas community.
3. The state, in cooperation with communities, should have a targeted business retention program. These ongoing programs should identify dissatisfied firms and concentrate retention efforts upon them. Only a very small percentage of firms are planning to leave their community or state. The vast majority of firms are satisfied with their community and are not planning to leave. The majority of firms also have a positive image of rural life and of Kansas.
4. Larger firms and branch operations must be targeted as part of a business retention program. The loss of a large employer would have a devastating detrimental impact on a community and other firms that are suppliers to the large company. In addition, since the majority of larger firms are part of a larger corporation, the local chamber of commerce and the local government will need to be in contact with the parent organization of these firms.
5. Improved access to nonconventional sources of financing should be a top state and local priority. Included would be access to seed and venture capital to a greater extent than currently exists. Firms are primarily dependent on conventional sources of financing (local banks and internal funds) and do not have access to seed, medium, or high risk financing.
6. Improvements in state highways should be a high priority for the state. Such improvements, however, should be closely tied to economic development criteria with particular emphasis on the ability of firms in mid-size communities to transport raw materials in to their community and ship final products out to their customers.

7. A study should be conducted to determine how better transportation, particularly air transportation, can assist Kansas mid-size communities. Improved access to air transportation would significantly improve prospects for economic development in Kansas mid-size communities.
8. Firms in Kansas mid-size communities should be encouraged to participate more actively in markets outside of Kansas. Efforts to help firms realize their potential in larger markets is necessary. To do otherwise would seriously limit growth opportunities.
9. Efforts to assist firms to participate in international trade is necessary. Such assistance may include efforts to make firms aware of the potential of international trade. Specific barriers to international trade, such as financing, must be addressed. There is an unrealized opportunity to increase exports from Kansas mid-size communities.
10. Tax incentives should not be a major focus of business retention strategy.
11. The sales tax on business machinery and equipment should be eliminated.
12. A major effort is required to assure that firms know what state programs are available to assist them. Resources available for economic development programs have been sufficient to have only an impact on a marginal number of firms in these communities.
13. Funding for economic development programs should be sufficient to provide better assistance for Kansas mid-size community firms. The few firms using these programs are exhausting the state revenues allocated for state economic development programs. With increased knowledge will come increased competition for funds. The state needs to evaluate current programs to determine if funding is being used effectively, and to identify the most productive programs. Current funding is not sufficient to provide assistance to eligible firms.

BUSINESS RETENTION AND EXPANSION

EXECUTIVE REPORT

At the request of the Kansas Department of Commerce, the Institute for Public Policy and Business Research surveyed business retention and expansion in nine randomly selected Kansas communities with populations of 10,000 to 100,000 persons. This was accomplished through a survey questionnaire given to a random sample of business representatives. These communities, called Kansas mid-size communities or nonmetropolitan communities for the purpose of this study, were surveyed to identify factors that influence retention and expansion in existing industries in Kansas, to identify the potential of Kansas firms to expand within their communities, to assist the establishment of local retention and expansion efforts, and to distinguish state level issues that influence retention and expansion.

The randomly selected communities consisted of Coffeyville, Emporia, Garden City, Great Bend, Hays, Hutchinson, Lawrence, McPherson, and Salina. A total of 858 randomly selected firms participated in this study. This random selection and the very large sample size of firms points to the particular strength of this study: the results are generalizable to other communities of this size throughout the state.

This report focuses on five major areas: (1) the description of the survey population, (2) the description and determinants of business location and retention, (3) the expansion of businesses in Kansas mid-size communities, (4) the local and state business climates, and (5) economic development assistance. For a more detailed analysis of any subject covered in Part I, the reader is advised to study Part II of this report.

ECONOMIC GROWTH IN KANSAS

Before discussing the survey and the results provided by the communities, it is necessary to review several economic growth trends for Kansas. These trends and explanations will give a view of the total state and the counties of the communities eventually to be examined, and a background for consideration when the survey results are discussed. It is important to remember that the data collected for this project must be observed within the context of the state as a whole.

Employment Growth

Total employment in the state has risen 8% from 1978 to 1986. Although this statistic is positive, it is approximately half of the growth in total employment for the United States. This state percentage is also higher than 7 of the 9 counties in which this study's communities are located (see Table A).

TABLE A
TOTAL EMPLOYMENT - COUNTIES, STATE, AND THE U.S.
1978-1986 (in Thousands)

	1978	1980	1982	1984	1985	1986	1978-1982-	
							1986	1986
Barton County	13.5	14.4	14.9	14.9	14.6	13.5	0%	-9%
Douglas County	26.6	28.2	27.5	28.0	29.2	30.4	14%	11%
Ellis County	10.9	11.5	11.8	12.5	12.1	11.6	6%	-2%
Finney County	9.4	9.9	12.6	13.6	14.3	14.2	51%	13%
Lyon County	14.4	14.6	14.4	14.7	14.8	14.4	0%	0%
McPherson County	10.5	10.8	10.7	11.2	11.1	11.1	6%	4%
Montgomery County	17.3	17.4	15.8	14.8	14.6	14.7	-15%	-7%
Reno County	27.0	27.1	24.9	25.3	25.9	25.4	-6%	2%
Saline County	22.2	23.1	21.8	22.6	22.2	22.5	1%	3%
Kansas	912.5	944.7	921.4	960.7	967.9	983.1	8%	7%
United States	86697	90406	89566	94496	97519	99610	15%	11%

Source: Counties and Kansas - Kansas Department of Human Resources Research and Analysis Section; United States - Bureau of Labor Statistics, Industry Employment Data Section.

Establishment Growth

The total number of establishments has shown a positive growth of 21% from 1978 to 1985. Again, this is lower than the United States figure of 34%. However, growth in number of establishments since 1982 is 18%, a figure higher than the United States statistic of 13%. Rapid growth in establishments is also occurring for the nine counties (all figures from the Kansas County Business Patterns and the United States County Business Patterns).

Personal Income Growth

Increases in personal income have been rapid in Kansas, and these changes have occurred in the nine counties as well as the state. From 1978 to 1984, personal income has increased 75%, which is higher than the United States change of 71%. All nine counties have increased at least 56% in personal income between 1978 to 1984 (all figures are from the Bureau of Economic Analysis, Regional Economic Information System, U.S. Bureau of Economic Analysis, and the National Income and Product Accounts of the U.S.).

Summary

Employment growth in Kansas mid-size communities has lagged behind employment growth in Kansas and the United States. This suggests weaknesses in the economies of such communities and the importance of designing and implementing appropriate economic development strategies. These communities are particularly important for the future of Kansas since they serve as regional centers for their parts of the state. In recent years the economies of Kansas mid-size communities have been underperforming the Kansas economy.

DESCRIPTION OF SURVEY POPULATION

In this section firms are described in terms of (1) their size, (2) industry, (3) annual sales, (4) type of establishment, (5) location of headquarters, and (6) markets for firms' products. It is crucial to understand the nature of the firms that make up the economic base in order to discuss business retention and expansion. For the total sample, the size of companies ranged from 1 to 1,471 employees, and companies represented the agriculture, mining, construction, manufacturing, transportation-communications, wholesale, finance, and services industries.

The survey focused on firms that were part of the economic base of their particular communities. Companies that were entirely local in their offering of goods and services were not surveyed. Because of this, retail businesses and some service organizations were not included in this study.

Company Size

The businesses in these mid-size communities are small: over 75% have less than 20 employees (see Table B). This is not industry specific data, all industries have a majority of firms with less than 20 employees. An implication here is that state strategy that focuses exclusively on the large firm will miss a great area of potential growth. In these communities small firms are a major presence and should receive a high priority in economic growth efforts.

TABLE B
SURVEY COMPANIES BY NUMBER OF EMPLOYEES

Number of Employees		
1-19	20-99	100 Or More
78%	18%	4%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Annual Sales

Annual sales by Kansas mid-size community firms are not large: 85% of all firms have annual sales of less than \$5 million dollars (see Table C). Only 5% of all firms had annual sales greater than \$20 million dollars. This data emphasizes the type of firm that is prevalent in Kansas mid-size communities: they are small, low revenue companies.

TABLE C
TOTAL ANNUAL SALES

Annual Sales (X 1,000)			
0 To 4,999 Dollars	5,000 To 9,999 Dollars	10,000 To 19,999 Dollars	20,000 Or More Dollars
85%	5%	5%	5%

n = 625

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Type of Establishment and Location of Headquarters

The majority of companies are single establishment firms and are not part of a larger corporation (see Table D). For the total number of firms, 65% described themselves as a single establishment. Decisions concerning

retention and expansion, then, will likely be made within the community, not through corporate headquarters in other areas or states, implying that economic development policies should address the single establishment company as well as large corporations that have branches in the state. Since these single establishment firms are for the most part rather distant from major population centers, they are less likely to receive timely information concerning technology, means for financing, and state assistance programs. The costs and efforts for contacting these firms will require greater attempts from the state.

TABLE D
 PERCENT OF TOTAL FIRMS THAT ARE A SINGLE COMPANY
 OR PART OF A LARGER CORPORATION

Single Company	Part of A Larger Corporation
65%	35%

n = 854

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Markets for Firms' Products

The firms in Kansas mid-size communities generally sell their products or services in the local and state markets, with very few firms using the international market for products or services (see Table E). Firms sold a mean, or average, 1% of their goods in the international market. This is a critical finding because a state's competitiveness and economic future depend upon the ability to export and to participate in many markets. In

Kansas mid-size communities this is not happening: the distribution of products is oriented to the local and state markets.

TABLE E
MEAN PERCENTS OF PRODUCTS SOLD IN THE
LOCAL, STATE, NATIONAL, AND INTERNATIONAL MARKETS

Mean Percent Sold In The Local Market	Mean Percent Sold In The State Market	Mean Percent Sold In The National Market	Mean Percent Sold In The International Market
55%	27%	17%	1%

n = 852

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Survey Description Summary Implications

1. The large majority (over 75%) of companies are small, regardless of industry. To concentrate assistance or specific state policy solely on the large company or corporation would be to overlook a major source for increased economic growth.
2. For the majority of firms, annual sales are less than \$5 million dollars.
3. The majority of firms are single establishments, with no connection to a larger corporation. For the most part, retention and expansion decisions will be made within the community, not by the parent organization in other areas.
4. Increased efforts must be made to make sure that small companies are receiving the information necessary to increase the likelihood of expansion.

5. Smaller firms, those with less than 100 employees, are primarily serving local and state markets. Larger firms, those with 100 or more employees, are, however, more involved in markets beyond Kansas. In general, firms in Kansas mid-size communities should be encouraged to participate more actively in markets outside of Kansas. To do otherwise would seriously limit growth opportunities.

DESCRIPTION AND DETERMINANTS OF BUSINESS

LOCATION AND RETENTION

In this section, firms are described in terms of (1) their location, (2) reasons for location, (3) retention, (4) reasons for relocation, and (5) their perceived images of rural life and of Kansas. The reasons for locating in the community and for why firms may be leaving will be very important for forming strategies concerning the retention of Kansas mid-size communities.

Location

Regardless of size or industry, there has not been a major influx of companies from other cities or states; 94% of all firms have not moved to their present location from another city or state in the last five years (see Table F). Only 6% have moved to their present location from another city or state in the past five years¹. Evidently, most companies are home grown and see their communities as providing the market and location they need. Of the total number of firms, 54% stated that being the hometown was a reason for location in the community, and 46% stated that they located to fill a product or service need. Only 1% stated that tax incentives or public financing were a reason for location. These firms are locally oriented, with

¹These statements refer only to firms that were previously described in the Survey Population section. These are firms that comprise the economic base, and do not include retail companies or entirely local service companies.

few bringing experience from other markets or regions with them, and with a desire to stay locally focused with their products and services. A positive implication is that with so many small hometown firms, the atmosphere for entrepreneurship seems to be good.

TABLE F
PERCENT OF TOTAL FIRMS THAT HAVE MOVED FROM ANOTHER
CITY OR STATE TO THEIR PRESENT LOCATION

Has your firm moved to its present location from another city or state in the last five years?	
NO	YES
94%	6%

n = 856

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Retention

Companies that are moving. The number of companies that are going to move is quite small, and the majority of those firms are staying within the area (see Table G). Only 5% of all firms stated they planned to move, and 2% of these companies are moving within their city. Major advantages given for location within the community were that the community provided a central location, the community provided a small-town, rural life, and the community provided a hometown atmosphere.

TABLE G
PERCENT AND LOCATION OF WHERE FIRMS ARE MOVING

	Moving Within the Community	Moving Within the State	Moving Out of State	Total Percent Moving
Firms That Are Planning to Move Present Location	2% of Total Firms	1% of Total Firms	2% of Total Firms	5% of Total Firms

n = 856

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Most Kansas mid-size community businesses are home grown, locally oriented, are satisfied with their location, and they desire to stay where they are. Because of this local focus, the perception of being in a central location may only be relevant to the community the business is located in. Overall, because few firms are moving, retention strategies will be more successful if they focus on the small percentage of firms most likely to move. An additional implication is that the major focus for state and local economic development programs will be on expansion rather than retention.

Reasons for leaving the community. For those few firms that are planning to leave the community, 47% said a reason for doing so was a difficulty in serving customers, 20% stated the high cost of utilities, and 20% stated they were moving to gain access to a new market (see Table H). Dependence upon local customers and access to those customers severely limits how much a firm can expand. If markets shrink in these communities, more firms will leave.

TABLE H
REASONS FOR MOVING OUT OF THE COMMUNITY*

High State Taxes	High Local Taxes	High Cost of Labor	High Cost of Utilities	Access To New Market	Sales Decline	Poor Transportation Facilities	Lack of Adequate Training Resources	Lack of Adequate Space to Expand	Restrictive Zoning Regs.	Unfavorable Lease Conditions	Difficulty In Finding Labor	Difficulty in Serving Customers	Inadequate City Services	Difficulty In Obtaining Financing
13%	13%	13%	20%	20%	7%	13%	7%	7%	7%	7%	13%	47%	13%	13%

n = 15

*Since firms could give more than one reason, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: This question was answered only by firms that stated they were planning to move out of the community in the next year.

Perceived images of rural life and of Kansas. For all firms, there does not seem to be a problem with perceived images of rural life or with Kansas. Of the total number of firms, 94% stated they do not have a negative image of rural life, and 98% stated they do not have a negative image of Kansas (see Table I). This points out that policies stressing the quality of Kansas mid-size communities or the state itself will probably not be very helpful in retaining or encouraging expansion. These companies already have positive images of Kansas and rural life.

TABLE I
 PERCENT OF TOTAL FIRMS WITH A NEGATIVE
 IMAGE OF RURAL LIFE AND OF KANSAS

Do you have a negative image of rural life?		Do you have a negative image of Kansas?	
NO	YES	NO	YES
94%	6%	98%	2%

n = 856

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Closer examination of these firms revealed that larger firms, those with more than 100 employees, expressed a higher level of dissatisfaction with their communities than did smaller companies. Since the relocation out of the community by a major employer would have a devastating detrimental impact on the community and other firms that are the suppliers to that firm, these larger companies must be targeted for particular attention as part of a retention program.

Location and Retention Summary Implications

1. Firms in Kansas mid-size communities are predominantly home grown and locally oriented.
2. Minimal economic growth is occurring as the result of recruiting outside firms to relocate in Kansas mid-size communities. Industrial recruiting has generally not been a successful strategy for this size of Kansas community. Although the recruitment of firms from outside of Kansas should constitute one part of the state's and communities' economic development strategy, the major focus should be on the establishment of new firms and expansion of existing businesses.
3. Most firms are in a community because it is the owner's hometown. Once started, firms are very likely to stay in the community. This suggests that state and local support for entrepreneurs starting new firms would have a long-term, positive impact on a community.

4. Only a very small percentage of firms are planning to leave their community or the state. The vast majority of firms are satisfied with their community and are not planning to leave. Firms also have a positive image of Kansas and rural life. The state, in cooperation with communities, should have a targeted business retention program. However, ongoing programs should identify dissatisfied firms and concentrate retention efforts upon them.
5. Larger firms, those with 100 or more employees, express a higher level of dissatisfaction with their communities than do smaller companies. Such firms should be targeted for particular attention as part of a retention program. The loss of a large employer would have a devastating detrimental impact on a community and other firms that are suppliers to the large company. In addition, since the majority of larger firms are part of a larger corporation, the local chamber of commerce and the local government will need to be in contact with the parent organizations of these firms.
6. Taxes and tax incentives are not a significant factor in firm decisions concerning locating in Kansas mid-size communities. State taxes are a consideration only for a small minority of firms planning to leave their community.

DESCRIPTION AND DETERMINANTS OF BUSINESS EXPANSION

In this section firms are described in terms of (1) expansion they have experienced in the past two years, (2) planned expansion for the next year, (3) the ability to expand into the international market, and (4) the sources for financing. It is important to understand why firms do or do not expand, the barriers that may inhibit growth, and where companies go for financial assistance when expansion decisions are made. A main finding is that firms are optimistic about expansion opportunities in Kansas mid-size communities, but significant barriers to expansion remain.

Past Expansion

Employment and physical plant size. In the past two years, the majority of firms have remained constant in employment and physical plant size (see Table J). Larger firms increased employment and physical plant size more than smaller firms, and finance and services companies had the highest within-industry increases, indicating their growing importance to the economic base. If smaller firms stay predominantly oriented towards the local market, their employment and plant-size gains will continue to be lower than those for larger firms.

TABLE J
PAST INCREASES IN EMPLOYMENT AND PHYSICAL PLANT SIZE

In the last two years, has your firm increased or decreased its employment and/or its physical plant size?

	Decreased	Remained Constant	Increased
Employment	22%	45%	33%
Physical Plant Size	9%	56%	35%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Problems with expansion. When firms were asked for problems with expansion, 42% stated that a static or declining market was a problem, while 24% stated that lack of financing was a problem (see Table K). A decline of the local market and a lack of financing will continue to impede expansion. Information must be given to firms concerning alternative forms of financing and how these methods can be accessed.

TABLE K
SPECIFIC PROBLEMS WITH EXPANSION*

Zoning Regu- lations	Avail- ability of Labor	Static or Declin- ing Market	Lack of Afford- Finan- cing	Lack of Raw Mat- erials	Util- ity Costs	Trans- por- tation Diffi- culties	Avail- abil- ity of Space	Lack of Train- ing Re- sources	Tax Laws	Strong Compe- tition	Decline in Oil Prices
11%	10%	42%	24%	1%	3%	1%	7%	4%	3%	8%	12%

n = 239

*Since firms could give more than one problem, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas
Mid-Size Communities with Populations of 10,000 to 100,000,
Institute for Public Policy and Business Research, The
University of Kansas, 1987.

Factors that aided expansion. Firms were also asked for factors that helped expansion. Of those firms that experienced an expansion, 69% stated that an expanding market was a helping factor (see Table L). Small firms in particular gave this reason. This again highlights the need for many companies to broaden the scope of their products or services and reach broader markets. This statement takes on added significance when considering the top reason for contraction: 72% of those firms that experienced a contraction in the past two years stated that a reason for contraction was a declining or static market.

TABLE L
FACTORS THAT HELPED EXPANSION*

Ex- panding Market	Avail- abil- ity of Tax In- centives	Avail- abil- ity of Public Assist.	Avail- abil- ity of Tech. In- novation	Avail- abil- ity of Space	Desire To Ex- pand Market	Improved In- Fin- ancing	More Efficient Oper- ations	
	69%	1%	4%	4%	20%	26%	4%	28%

*Since firms could give more than one factor, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: This question was answered only by those firms that had previously stated they had increased plant size and/or employment.

Plans for Expansion

Companies are optimistic about their ability to retain or increase employment and physical plant size. The majority of firms will remain constant, but 41% of the total number of firms stated they planned to increase employment in the next year, and 22% stated they would expand plant size (see Table M). Only 3% plan to decrease employment, and 1% plan to experience a contraction in size. There is new growth occurring, even for those who previously had no growth or even reduced employment: 21% of the firms who reduced or remained constant in employment the past two years will increase employment next year. The same is true for physical plant size: 10% of the firms who remained constant or who decreased physical plant size the past two years will have an expansion next year. There is opportunity for new growth in the state, and efforts to ensure such growth will aid development.

TABLE M
 PERCENT OF TOTAL FIRMS THAT ARE PLANNING
 AN EXPANSION IN THE NEXT YEAR

In the next year, is your firm planning to increase
 or decrease your employment? Are you planning an
 expansion or contraction in the physical size of your plant?

	Decrease or Contraction	Remain Constant	Increase or Expansion
Employment	3%	56%	41%
Physical Plant Size	1%	77%	22%

n = 857

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Expansion Into the International Market

Potential and desire to expand. There are firms that can and want to expand into the international market. Out of the total number of firms, 14% stated that they had the potential to expand internationally, and 13% stated they had the desire to expand internationally (see Table N). These firms included small as well as large firms. State policy must assure that all firms know what is needed to export, where they might receive assistance, and how they can initiate this venture. If export potential is not realized or encouraged, the scope of products will not include the international market. For the state, this means being less competitive.

TABLE N
 PERCENT OF TOTAL FIRMS THAT FEEL THEY HAVE THE
 POTENTIAL OR THE DESIRE TO EXPAND INTERNATIONALLY

Do you feel your business has the potential to expand into
 the international market? Does your firm have the desire
 to expand into the international market?

	NO	YES
Potential to Expand	86%	14%
Desire to Expand	87%	13%

n = 776

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Reasons for not expanding into the international market. For those firms that gave reasons for not expanding into the international market, 24% stated that they did not expand because the business was too small. Other reasons given were lack of affordable financing (20%) and that the business serves a specific area (20%) (see Table O). It is important to note here that firms with less than 100 employees gave reasons for not exporting, not very large firms. As mentioned, small companies do have the potential and the desire to export, so the fear that the company is too small may be based on mistaken views of exporting, not on facts. Information about exporting and affordable ways to finance exporting must be given to small companies.

TABLE O
REASONS GIVEN FOR NOT EXPORTING*

Business Too Small	Doesn't Serve Specific Area	Lack of Knowledge About Foreign Markets	Lack of Knowledge About Exporting	Lack of Federal or State Assistance	Unfavorable Exchange Rates	High Tariffs and-or Trade Barriers	Restrictive Export Regs.	Lack of Affordable Financing	Costs Are Too High	Never Considered It	Currently Engaged in Exporting	Tough Competition
2%	20%	10%	12%	5%	3%	10%	7%	20%	12%	5%	5%	5%

n = 74

*Since firms could give more than one reason, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: This question was answered only by those firms that did not export internationally but expressed a desire to export internationally.

Problems with exporting. For those firms that do export, the greatest problem associated with expansion was high tariffs and other trade barriers (given by 31% of those that gave a problem) (See Table P). Other problems given were an inadequate knowledge of foreign markets (given by 25%), unfavorable exchange rates (25%), an inadequate knowledge of export know-how (13%), and lack of financing (13%). Companies need to know more about where they can export their products and knowledge about those markets. Important for Kansas to consider is that without assistance, firms that are already exporting may decide the costs outweigh the gains, and expansion growth will be lost.

TABLE P
PROBLEMS EXPORTING*

Unfav- orable Ex- change Rates	High Tariffs and-or Trade Barriers	Lack of Fin- ancing	Restric- tive State and-or Federal Regs.	In- adequate Know- ledge of Countries Markets	In- adequate Know- ledge of Export Know-how
25%	31%	13%	13%	25%	13%

n = 16

*Since firms could give more than one problem, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: This question was answered only by those firms that stated they exported their products.

Financing Sources for Expansion. Sources for financing expansion in Kansas mid-size communities are traditional in nature. For the total number of firms, 54% stated that a bank was a source for financing, while 52% stated that internal financing was used (see Table Q). Very few companies used the small business administration, certified development companies, or industrial revenue bonds.

TABLE Q
FINANCING SOURCES FOR EXPANSION*

Bank	Credit Union	Savings and Loan	Internal Financing	Private Sources	Small Business Administration	Certified Development Comp.	Industrial Revenue Bonds
54%	2%	3%	52%	7%	3%	1%	4%

n = 828

*Since firms could give more than one source, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

New forms of financing for expansion are not reaching these firms, either because of an unwillingness to use them or because of a lack of knowledge. Banks and internal financing may be what companies are most comfortable with, but because of insufficient financing available from these sources, increased efforts to assist expansion will need to focus on alternative financing sources. Financing is a problem that is already affecting these communities: 11% of the total number of firms stated that they have had to forego an expansion because of lack of financing.

Expansion Summary Implications

1. There is optimism about expansion opportunities in Kansas mid-size communities, and this is an opportune time to concentrate on expansion efforts.
2. In the past two years, larger firms have increased employment and physical plant size more than smaller firms.
3. Economic growth in Kansas mid-size communities is the result of expansions from existing companies and the formation of new firms within the community. State and local policies should be directed to encouraging local entrepreneurs who are starting new businesses and to facilitating expansion of existing businesses.
4. A static or declining market is the major problem associated with not expanding. Firms that sell primarily or exclusively in local product markets will have difficulty expanding when their communities experience no, or low, growth.
5. The great majority of firms do not participate in international trade. Even firms which have the potential and the desire to export are not doing so. There is an unrealized opportunity to increase exports from Kansas mid-size communities.
6. To disregard smaller companies as a source for exports would be a mistake: there are small companies with the potential and the desire to export.
7. A major barrier to firm expansion is a lack of financing. Firms are primarily dependent on conventional sources of financing (local banks and internal funds) and do not have access to seed, medium or high risk financing. Improved access to nonconventional sources of financing should be a top state and local priority.
8. The overall state tax burden is a significant reason for firms not to expand. The property tax on inventories was a major reason for firms not to expand. The sales tax on business machinery and equipment was a major impediment to firm expansion.

LOCAL AND STATE BUSINESS CLIMATE

This section describes firms perceptions of the local and state business climates. (1) The attitude of the local government, (2) public and private services, (3) laws and regulations that may impede operation, (4) taxes that influence expansion decisions, and (5) suggestions for ways to improve the business climate are all discussed. For firms contemplating staying or expanding in their community, the business climate plays an important part in the decision process.

Local and State Business Climate

Attitude of the local government. The attitude of the local government towards Kansas mid-size community firms is viewed by the majority to be positive to very positive (see Table R). It is important to note, however, there was a relatively high percentage of firms that thought the attitude of the local government was neutral to their businesses, indicating a belief that the local government did not have an effect upon business practices in the community. This relatively positive climate is conducive to expansion efforts.

TABLE R
FIRMS' PERCEPTIONS OF THE
ATTITUDE OF THEIR LOCAL GOVERNMENT

Attitude of Local Government		
Positive To Very Positive	Neutral	Negative To Very Negative
54%	36%	10%

n = 856

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Perception of services. In general, firms are satisfied with the services that are provided to them. High percentages of firms give police protection (69%), fire protection (76%), the electric systems (74%), the public school systems (73%), and the telephone systems (63%) good ratings. However, relatively high percentages of poor ratings were given to the availability of air transportation (38%), the quality of public transportation (35%), and the quality of roads² (18%) (see Table S). For the majority of services, however, firms gave a good rating.

TABLE S
ALL FIRMS' PERCEPTIONS OF SERVICES

	No Opinion	Good	Adequate	Poor
Quality of Roads	1%	35%	46%	18%
Quality of Railroads	34%	28%	27%	11%
Cost of Transportation	10%	29%	47%	14%
Availability of Air Transp.	21%	12%	29%	38%
Quality of Public Transp.	28%	13%	24%	35%
Freight Delivery Time	12%	53%	31%	4%
Quality of Training	18%	37%	31%	14%
Fire Protection	4%	76%	19%	1%
Police Protection	1%	69%	27%	3%
Telephone System	1%	63%	30%	6%
Electrical System	1%	74%	21%	4%
Public School System	7%	73%	17%	3%
Quality of Garbage Collection	6%	65%	25%	4%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

²At the time when this survey was conducted, the highway system was a much debated topic in the state capitol and between Kansas citizens. Statements about the highway system made here may be different from opinions made if the survey were given in another time period, and this should be considered when reading any discussion of roads or highways.

Government regulations that impede business operations. Regulations that may impede the successful operation of a business were seen to be mainly city or state regulations. Based on the total number of firms, 98% stated that hampering city and/or state regulations impede operation (see Table T). Many of these were given by firms, with no regulation standing out more than any other. Specific hampering city and/or state regulations mentioned were zoning changes, restrictions on city or highway signs for advertising, property tax on inventory, bankruptcy laws, the controlling of wholesale prices, and shipping regulations. The second highest percentages of factors were EPA regulations (19%) and general government over regulation (19%).

TABLE T
GOVERNMENT REGULATIONS THAT IMPEDE OPERATION

Hamp- ering City- State Regs.	KCC Over Reg- ula- tion	EPA Regs.	OSHA Regs.	Zoning	KS Dept. of Health	Gvt. Over Reg- ula- tion
98%	6%	19%	5%	16%	6%	19%

n = 202

*Since firms could give more than one regulation, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Taxes that influence expansion decisions. Of those firms not going to expand, 61% of all firms gave the property tax on inventories as a tax reason to forego expansion. Other taxes that received high percentages of the total number of firms were workers compensation (given by 47%), the unemployment insurance tax (46%), and the sales tax on machines and equipment (32%) (see Table U).

TABLE U
REASONS TO FOREGO EXPANSION*

Over- all State Tax Burden	Over- all City Tax Burden	Corp- orate In- come Tax	Prop- erty Tax on Inven- tories	Sales Tax on Mach- ines and Equip- ment	Unem- ploy- ment Insur- ance Tax	Work- ers Compen- sation	Sev- erance Tax	Gas Tax
24%	13%	20%	61%	32%	46%	47%	8%	2%

n = 367

*Since firms could give more than one reason, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Firms feel a variety of taxes are reasons to forego expansion. Companies with less than 20 employees in particular feel the property tax on inventories, unemployment insurance tax, and workers compensation are major burdens. Although taxes affect large as well as small firms, it is important to remember the strain certain taxes place on the small firm, and how that inhibits expansion.

Business Climate Improvements

Improving the local business climate. When asked for suggestions to improve the local business climate, a high percentage of firms (60%) stated economic development as a way for improvement (see Table V). Economic development is seen to increase employment and to bring more customers to a firm. This underscores the at least peripheral knowledge companies have of economic development, and how it is considered to be a cure-all for local business problems. Businesses seem to be responsive to development efforts, especially through local agencies or government. An implication here is that increased information and assistance will have greater effects on development efforts.

TABLE V
SUGGESTIONS GIVEN FOR IMPROVING THE LOCAL BUSINESS CLIMATE*

Econ- omic Devel- opment	Improve- ment Between State Local	Increase and Im- prove Local Image	Improve Local Fin- ancing	Tax Incen- tives, Abate- ments	Local Govt. More Respon- sive	Help Entre- preneurs	Spend Muni- cipal Funds
60%	2%	12%	13%	14%	23%	12%	8%

n = 353

*Since firms could give more than one suggestion, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Improving the state business climate. Suggested by the highest percentage of firms as a way to improve the state business climate was to improve the highway system (31% of all firms made this suggestion), while other suggestions included economic development (29%), to change or lower taxes (26%), and tax incentives (16%) (See Table W). Transportation is once again a factor that is of consequence to these firms, and will gain more importance if companies are to expand into broader product markets. Taxes are also on the mind of Kansas mid-size community businesses, underlying the growth restrictions certain taxes may be making, especially for firms with less than 20 employees.

TABLE W
SUGGESTIONS GIVEN FOR IMPROVING THE STATE BUSINESS CLIMATE*

Economic Development	More Cooperation Between State & Local	Increase and Improve State & State Image	Better Financing Opportunities	Financial Tax Incentives	Better Commerce and Communication	Eliminate Severance Tax	Improve Highway System	Seek High-Diversification	Change Or Lower Taxes
29%	1%	15%	7%	16%	6%	4%	31%	2%	26%

n = 548

*Since firms could give more than one suggestion, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Business Climate Summary Implications

1. Public services were generally perceived as good or at least adequate. The major exception is the quality of roads. Improvements in state highways should be a high priority for the state.
2. There is great dissatisfaction with (a) the cost of transportation and (b) the availability of air transportation. Transportation issues are crucial to the economic future of Kansas mid-size communities, and to the competitiveness of industries in nonmetropolitan communities.
3. Regulations that are perceived as harmful to these firms come from both the city and the state. It would be a mistake to think that operations are impeded solely by federal regulations.
4. Economic development is very much on the mind of Kansas firms, and better knowledge of existing programs or the creation of new assistance will be accepted as efforts to increase development opportunities.
5. Small firms in particular are looking for assistance, indicating that now is a good time to focus on the considerable growth potential of the small firm in the state.

ECONOMIC DEVELOPMENT ASSISTANCE

In this section (1) economic development programs designed to assist businesses in the state, (2) firms that utilize special employment skills for their operations, (3) services used from state schools, and (4) employees sought from state schools will be examined. It is important that policy makers know that programs designed for firms are being used, and that the state is assisting companies to be more competitive.

Economic Development Programs

For the total number of firms, 88% had no knowledge of Certified Development Companies, 84% had no knowledge of Centers of Excellence Program, 64% had no knowledge of the Kansas Industrial Training Program

(KIT), 42% had no knowledge of the Job Training Partnership Act (JTPA), and 37% had no knowledge of Community Development Block Programs. The most highly used assistance was JTPA, with 11% of the firms stating they had actually used the program. For the other four types of assistance, no higher than 2% actually used the programs (see Table X).

TABLE X
KNOWLEDGE AND USE OF ECONOMIC DEVELOPMENT PROGRAMS

	No Knowledge	Knowledge, No Use	Used Program
Certified Development Companies	88%	10%	2%
Centers of Excellence	84%	15%	1%
Community Development Block Programs	37%	61%	2%
Kansas Industrial Training Program	64%	34%	2%
Job Training Partnership Act	42%	47%	11%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

It is clear that programs designed to assist economic development are not well known to firms in these Kansas mid-size communities. There was a very large majority of firms that had no knowledge of the existence of some economic development programs, and a very small proportion of firms actually used the programs for their benefit. Smaller companies had a greater proportion of firms that had no knowledge of these programs. Firms in Kansas mid-size communities cannot participate in state economic development programs if they do not have information about the program. An implication for the state is that a greater effort is needed to make sure information

about these programs reaches the business community with emphasis on what the assistance was designed for and how it can be used.

However, the few firms using these services are exhausting state revenues allocated for state economic development programs. With increased knowledge will come increased competition for funds. The state needs to evaluate current programs to determine if funding is being used effectively, and to identify the most productive programs. Current funding is not sufficient to provide assistance to most eligible firms. Funding needs to be increased, or reallocated, to provide better access for Kansas mid-size community firms.

Firms That Need A Specialized Skill

For the total number of firms, 97% stated that they did not need a specialized skill for employment in their company (see Table Y). Companies have relatively low-skill workers, making their ability to compete in more advanced future operations heavily dependent on training and access to training programs. To remain competitive, companies will have to adapt to changing technologies and business processes that require more specialized skills. This training and retraining of workers will affect the resources available for expansion. JTPA and KIT can both assist firms with training requirements.

TABLE Y
PERCENT OF TOTAL FIRMS THAT NEED A SPECIALIZED SKILL

Does your firm need a specialized skill for employment in your company?	
NO	YES
97%	3%

n = 856
Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Interaction with State Universities, Community Colleges,
and Vocational Schools

Use of state universities, community colleges, and vocational schools.

For the total number of firms, 61% have not used the services of any state university, community college, or vocational school the past two years (see Table Z). Larger firms generally used these schools' services more than did small firms. Assistance from these institutions can be extremely helpful to develop the innovation and ideas prevalent in Kansas mid-size community firms. An implication here is efforts must be made to maintain and increase contacts between firms and these schools.

TABLE Z
PERCENT OF TOTAL FIRMS THAT HAVE USED THE SERVICES OF
A STATE UNIVERSITY, COMMUNITY COLLEGE, OR VOCATIONAL SCHOOL

In the past two years, has your company ever used the
services of any state university, community college,
or vocational school?

NO	YES
61%	39%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Services used from state universities, community colleges, and vocational schools. Firms that use the services of these institutions mentioned training as a particular service used (given by 41% of the firms that have used services), with technical courses (25%), consulting in business planning (23%), and business courses (22%) being other highly used services mentioned (see Table AA). The continued use of all of these services should be continued and encouraged.

TABLE AA
SERVICES USED FROM STATE UNIVERSITIES, COMMUNITY COLLEGES,
OR VOCATIONAL SCHOOLS*

Training of Presently Employed Personnel	Tech- nical Courses	Busi- ness Courses	Con- sulting In Product Devel- opment	Con- sulting In Process Inno- vation	Con- sulting In Busi- ness Planning	Con- sulting In Con- struc- tion	Agri- cul- ture- Vet. Services
41%	25%	22%	9%	11%	23%	2%	9%

n = 401

*Since firms could state more than one service, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Employees sought from state universities, community colleges, and vocational schools. Of the total number of firms that sought employees from these institutions, 31% stated that they sought management personnel and 25% stated they sought entry level clerical workers (see Table BB). The variety of employees hired reflects the relatively low-skill nature of these firms, with few percentages given of seeking to hire technicians, engineers, and drafters. The future competitiveness of these companies will depend on the recruitment and use of these latter types of employees.

TABLE DD
EMPLOYEES SOUGHT FROM STATE UNIVERSITIES, COMMUNITY COLLEGES,
OR VOCATIONAL SCHOOLS*

Entry- Level Clerical	Mech- anics, Data Mach- inists	Proc- essors	Elec- tronics, Elec- trical Techs.	Draf- tors	Chem- ical Pro- cess, Techs.	Lab Engi- neers	Bus- iness Manage- ment Pers- onnel	Agri- cul- tural, Vet. Pers- onnel	Heavy Equip- ment Oper- ators	General Labor
25%	20%	8%	8%	3%	5%	11%	31%	8%	6%	13%

n = 486

*Since firms could state more than one type of employees sought, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Economic Development Assistance Summary

1. State economic development programs are virtually unknown to firms in Kansas mid-size communities. Only a very small percentage of firms have knowledge of the programs and a small number of companies have actually used the programs. A major effort is required to assure that firms know what state programs are available to assist them. Resources available for economic development programs have been sufficient to have only a marginal impact on firms in these communities.
2. The few firms using the services are exhausting the state revenues allocated for state economic development programs. With increased knowledge will come increased competition for funds. The state needs to evaluate current programs to determine if funding is being used effectively, and to identify the most productive

programs. Current funding is not sufficient to provide assistance to eligible firms. Funding needs to be increased, or reallocated to provide better access for Kansas mid-size communities.

3. Firms in Kansas mid-size communities have requirements for general, nonspecialized skills.
4. Companies have relatively low-skill workers, making their ability to compete in more advanced future operations heavily dependent on training and access to training programs.
5. Larger firms use the services of a state university, community college, or vocational school more than smaller firms, indicating possible difficulties for small firms to find, make, and/or afford contacts with these institutions.

SUMMARY

Companies in Kansas mid-size communities are small, home grown, and relatively pleased with the services being given and the quality of their community and their state. For the retention and expansion of these companies, it may be in the state's best interests to foster the home grown firm and the development of more like them. Firms with less than 20 employees should not be ignored. These companies form the foundation of these communities and are a vast source for future growth. The apparent receptiveness of these communities to economic development assistance can be used for advantage by the state.

From the survey results gathered here, it looks as if now is an excellent time to facilitate the expansion of Kansas mid-size communities business environment. Optimism is high, and many firms state that they are planning employment and physical plant size increases. A major reason given in this survey for not expanding was lack of affordable financing; the implication here is to find ways to assist the financing of businesses thinking of expansion and to make them more readily accessible to communities.

Information concerning state assisted programs that will expediate expansion need to be communicated to these cities: ways to increase financing for expansion, ways to open up doors to new financial sources, and ways to train or retrain additional labor.

The market scope of company products and services in these communities is limited. Most do not use the international market. For Kansas to grow economically, international trade is a priority, especially since the state competes daily in not only a national market but in an international market as well. Kansas needs to not only tell its firms how to enter the international market, but ways to do this. According to the survey data, a basic barrier to exporting a product was the feeling that the company was too small. State agencies should explore methods to give information on how small firms may export, thereby easing the fear of entering a business venture that is unknown.

One of the most important findings was the general lack of knowledge about economic development programs. As shown, a great many companies had no idea that certain assistance was available, and it is logical to conclude that state intended benefits from these programs are not being realized in Kansas mid-size communities.

State agencies must make better use of its information networks and provide information concerning economic development assistance. Not only should information be given concerning the general offerings of the programs, but how programs can be of benefit to a particular company, how they have been used in the past, and what the use of these programs may accomplish. With increased knowledge and funding will come increased use of the programs.

PART II

**BUSINESS RETENTION AND EXPANSION
IN KANSAS MID-SIZE COMMUNITIES**

**BUSINESS RETENTION AND EXPANSION IN MID-SIZE KANSAS
COMMUNITIES SURVEY RESULTS**

PART II

TABLE OF CONTENTS

	Page
Business Retention and Expansion in Kansas Mid-Size Communities.....	43
Introduction.....	43
I. Economic Growth in Kansas.....	44
A. Employment Growth.....	44
B. Establishment Growth.....	45
C. Personal Income Growth.....	47
D. Summary.....	47
II. Survey Methodology for Business Retention and Expansion.....	49
A. Sample.....	49
B. Confidence Interval.....	50
III. Description of Survey Population.....	52
A. Firm Size and Industry.....	52
B. Annual Sales.....	53
1. Type of Establishment.....	55
C. Location of Headquarters.....	58
1. Regional/Corporate Headquarters.....	59
2. Scope of Products Sold.....	60
3. Developing Additional Products.....	62
D. Survey Description Summary.....	65
IV. Description and Determinants of Business Location and Retention	66
A. Location.....	66
1. Attraction of Firms from Outside the Community.....	66
2. Reasons for Location.....	69
B. Retention.....	70
1. Retention of Firms in the Community.....	70
2. Advantages of the Community.....	71
3. Reasons for Relocation.....	73

4.	Additional Manufacturers or Service Providers that Would be of Benefit Existing Companies.....	74
5.	Retaining and Attracting Management and Professional Personnel.....	78
6.	Perceived Images of Rural Life and Kansas.....	80
C.	Location and Retention Summary.....	83
V.	Description and Determinants of Business Expansion.....	85
A.	Past Expansion.....	85
1.	Employment Expansion.....	85
2.	Physical Plant Expansion.....	87
3.	Problems with Past Expansion.....	89
4.	Factors Helping Expansion.....	91
5.	Reasons for Contraction.....	93
B.	Plans for Expansion.....	94
1.	Employment Expansion.....	94
2.	Physical Plant Size Expansion.....	97
3.	Location of Expansion.....	100
4.	Local Advantages that Influenced Expansion.....	102
5.	Expansion Outside of the Community.....	104
6.	Expansion Outside of Kansas.....	105
7.	Additional Products and Expansion.....	107
8.	Expanding into the International Market.....	109
9.	Reasons for Not Expanding Into the International Market..	112
10.	Problems Associated with Exporting.....	114
C.	Financing for Expansion.....	116
1.	Financing Sources.....	116
2.	Financing Sources Outside of Kansas.....	118
3.	Foregoing Expansion Because of a Lack of Financing.....	120
D.	Expansion Summary.....	122
VI.	Business Climate.....	124
A.	Local and State Business Climate.....	124
1.	Quality of Life.....	124
2.	Attitude of the Local Government.....	126
3.	Perception of Services.....	127
4.	Government Regulations That Impede Business Operations...	129
5.	Taxes That Influenced Expansion Decisions.....	131
B.	Business Climate Improvements.....	132
1.	Suggestions for Improving the Local Quality of Life.....	132
2.	Improving the Local Business Climate.....	134
3.	Improving the State Business Climate.....	135

C. Business Climate Summary.....	137
VII. Economic Development Programs.....	138
A. Economic Development Assistance.....	138
1. Certified Development Companies (CDCs).....	138
2. The Community Development Block Program.....	140
3. Centers of Excellence Programs.....	141
4. The Job Training Partnership Act.....	143
5. The Kansas Industrial Training Program.....	144
B. Firms That Need a Specialized Skill.....	147
1. Using State Universities, Community Colleges, or Vocational Schools.....	148
2. Services Used from State Universities, Community Colleges, or Vocational Schools.....	150
3. Employees Sought from State Universities, Community Colleges, or Vocational Schools.....	152
C. Economic Development Assistance Summary.....	153



PART II

LIST OF TABLES

	Page
Table 1	
Total Employment - Counties, State, and the U.S.	44
Table 2	
Total Number of Establishments: Counties, Kansas, U.S.....	46
Table 3	
Personal Income: Counties, Kansas, U.S.	47
Table 4	
Survey Companies by Number of Employees and Industry.....	53
Table 5	
Total Annual Sales by Size of Firm.....	54
Table 6	
Total Annual Sales by Industry.....	55
Table 7	
Percent of Total Firms That are a Single Company or Part of a Larger Corporation, by Size of Firm.....	56
Table 8	
Percent of Total Firms That are a Single Company or Part of a Larger Corporation, by Industry.....	57
Table 9	
Location of Firm Headquarters by Kansas/Non Kansas Location.....	58
Table 10	
Percent of Total Firms That Are Corporate/Regional Headquarters or a Distributor, by Size of Firm.....	59
Table 11	
Percent of Total Firms That Are Corporate/Regional Headquarters or a Distributor, by Industry.....	60
Table 12	
Mean Percents of Products Sold in the Local, State, National, and International Markets, by Size of Firm.....	61
Table 13	
Mean Percents of Products Sold in the Local, State, National, and International Markets, by Industry.....	62
Table 14	
Percent of Total Firms That Can Offer Additional Products or Services, by Size of Firm.....	63
Table 15	
Percent of Total Firms That Can Offer Additional Products or Services, by Industry.....	64
Table 16	
Percent of Total Firms That Have Moved From Another City or State to Their Present Location, by Size of Firm.....	67
Table 17	
Percent of Total Firms That Have Moved From Another City or State to Their Present Location, by Industry.....	68
Table 18	
Reasons for Location in the Community, by Size of Firm.....	69
Table 19	
Reasons for Location in the Community, by Industry.....	70

Table 20	Percent and Location of Where Firms are Planning to Move.....	71
Table 21	Local Advantages of the Community, by Size of Firm.....	72
Table 22	Local Advantages of the Community, by Industry.....	72
Table 23	Reasons for Moving Out of the Community, by Size of Firm.....	73
Table 24	Reasons for Moving out of the Community, by Industry.....	74
Table 25	Additional Manufacturers or Service Providers That Would be of Benefit for Firms, by Size of Firm.....	76
Table 26	Additional Manufacturers or Service Providers That Would be of Benefit for Firms, by Industry.....	76
Table 27	Additional Companies That Would be of Benefit by Size of Firm.....	77
Table 28	Additional Companies That Would be of Benefit by Industry.....	77
Table 29	Percent of Total Firms That Have Trouble Attracting or Retaining Professional and Management Personnel, by Size of Firm.....	79
Table 30	Percent of Total Firms That Have Trouble Attracting or Retaining Professional and Management Personnel, by Industry.....	79
Table 31	Percent of Total Firms with a Negative Image of Rural Life, by Size of Firm.....	81
Table 32	Percent of Total Firms with a Negative Image of Rural Life, by Industry.....	81
Table 33	Percent of Total Firms with a Negative Image of Kansas, by Size of Firm.....	82
Table 34	Percent of Total Firms with a Negative Image of Kansas, by Industry.....	82
Table 35	Past Increases in Employment, by Size of Firm.....	86
Table 36	Past Increases in Employment, by Industry.....	87
Table 37	Past Increases in Physical Plant Size, by Size of Firm.....	88
Table 38	Past Increases in Physical Plant Size, by Industry.....	89
Table 39	Specific Problems with Expansion, by Size of Firm.....	90
Table 40	Specific Problems with Expansion, by Industry.....	90
Table 41	Factors That Helped Expansion, by Size of Firm.....	92
Table 42	Factors That Helped Expansion, by Industry.....	92

Table 43	Reasons for Contraction, by Size of Firm.....	93
Table 44	Reasons for Contraction, by Industry.....	94
Table 45	Percent of Total Firms Planning to Increase Employment, by Size of Firm.....	95
Table 46	Percent of Total Firms Planning to Increase Employment, by Industry.....	96
Table 47	Percent of Total Firms That Have Increased Employment the Last Two Years and are Planning Future Increases in Employment.....	97
Table 48	Percent of Total Firms That are Planning an Expansion, by Size of Firm.....	98
Table 49	Percent of Total Firms That are Planning an Expansion, by Industry.....	99
Table 50	Percent of Total Firms That Have Increased Physical Plant Size the Last Two Years and are Planning Future Increases in Physical Plant Size.....	100
Table 51	Location of Where Expansion Will Take Place for Firms That are Planning Expansion, by Size of Firm.....	101
Table 52	Location of Where Expansion Will Take Place for Firms That are Planning Expansion, by Industry.....	102
Table 53	Local Advantages That Influenced Expansion by Size of Firm.....	103
Table 54	Local Advantages That Influenced Expansion, by Industry.....	103
Table 55	Problems That Led to Expansion Outside of the Community, by Size of Firm.....	104
Table 56	Problems That Led to Expansion Outside of the Community, by Industry.....	105
Table 57	Problems With Kansas That Influenced Expansion Out-of-State, by Size of Firm.....	106
Table 58	Problems With Kansas That Influenced Expansion Out-of-State, by Industry.....	106
Table 59	Reasons for Not Offering an Additional Product or Service, by Size of Firm.....	108
Table 60	Reasons for Not Offering an Additional Product or Service, by Industry.....	108
Table 61	Percent of Total Firms That Feel They Have the Potential to Expand Internationally, by Size of Firm.....	110

Table 62	Percent of Total Firms That Feel They Have the Potential to Expand Internationally, by Industry.....	110
Table 63	Percent of Total Firms That Feel They Have the Desire to Expand Internationally, by Size of Firm.....	111
Table 64	Percent of Total Firms That Feel They Have the Desire to Expand Internationally, by Industry.....	111
Table 65	Reasons Given for Not Exporting, by Size of Firm.....	113
Table 66	Reasons Given for Not Exporting, by Industry.....	113
Table 67	Problems Exporting, by Size of Firm.....	115
Table 68	Problems Exporting, by Industry.....	115
Table 69	Financing Sources for Expansion, by Size of Firm.....	117
Table 70	Financing Sources for Expansion, by Industry.....	117
Table 71	Percent of Total Firms That Have Gone Outside of Kansas to Finance an Expansion, by Size of Firm.....	119
Table 72	Percent of Total Firms That Have Gone Outside of Kansas to Finance an Expansion, by Industry.....	119
Table 73	Percent of Total Firms Forced to Forego or Postpone an Expansion Because of Lack of Financing, by Size of Firm.....	121
Table 74	Percent of Total Firms Forced to Forego or Postpone an Expansion Because of Lack of Financing, by Industry.....	121
Table 75	Firms' Perceptions of the Quality of Life in Their Community, by Size of Firm.....	125
Table 76	Firms' Perceptions of the Quality of Life in Their Community, by Industry.....	125
Table 77	Firms' Perceptions of the Attitude of Their Local Government, by Size of Firm.....	126
Table 78	Firms' Perceptions of the Attitude of Their Local Government, by Industry.....	127
Table 79	All Firms' Perceptions of Services.....	128
Table 80	Government Regulations That Impede Operation, by Size of Firm.....	130
Table 81	Government Regulations That Impede Operation, by Industry.....	130
Table 82	Reasons to Forego Expansion, by Size of Firm.....	131

Table 83	Reasons to Forego Expansion, by Industry.....	131
Table 84	Ways to Improve the Local Quality of Life, by Size of Firm.....	133
Table 85	Ways to Improve the Local Quality of Life, by Industry.....	133
Table 86	Suggestions Given for Improving the Local Business Climate, by Size of Firm.....	134
Table 87	Suggestions Given for Improving the Local Business Climate, by Industry.....	135
Table 88	Suggestions Given for Improving the State Business Climate, by Size of Firm.....	136
Table 89	Suggestions Given for Improving the State Business Climate, by Industry.....	136
Table 90	Percent of the Total Number of Firms That Have Knowledge and Have Used Certified Development Companies, by Size of Firm.....	139
Table 91	Percent of the Total Number of Firms That Have Knowledge and Have Used Certified Development Companies, by Industry.....	139
Table 92	Percent of the Total Number of Firms That Have Knowledge and Have Used The Community Development Block Program, by Size of Firm.....	140
Table 93	Percent of the Total Number of Firms That Have Knowledge and Have Used The Community Development Block Program, by Industry.....	141
Table 94	Percent of the Total Number of Firms That Have Knowledge and Have Used The Centers of Excellence Programs, by Size of Firm.....	142
Table 95	Percent of the Total Number of Firms That Have Knowledge and Have Used The Centers of Excellence Programs, by Industry.....	142
Table 96	Percent of the Total Number of Firms That Have Knowledge and Have Used The Job Training Partnership Act, by Size of Firm.....	143
Table 97	Percent of the Total Number of Firms That Have Knowledge and Have Used The Job Training Partnership Act, by Industry.....	144
Table 98	Percent of the Total Number of Firms That Have Knowledge and Have Used The Kansas Industrial Training Program, by Size of Firm.....	145
Table 99	Percent of the Total Number of Firms That Have Knowledge and Have Used The Kansas Industrial Training Program, by Industry.....	145
Table 100	Summary Table for Economic Development Programs.....	146
Table 101	Percent of Total Firms That Need a Specialized Skill, By Size of Firm.....	147

Table 102	Percent of Total Firms That Need a Specialized Skill, By Industry..	148
Table 103	Percent of Total Firms That Have Used the Services of a State University, Community College, or Vocational School, by size of Firm.....	149
Table 104	Percent of Total Firms That Have Used the Services of a State University, Community College, or Vocational School, by Industry.....	150
Table 105	Services Used from State Universities, Community Colleges, or Vocational Schools, by Size of Firm.....	151
Table 106	Services Used from State Universities, Community Colleges, or Vocational Schools, by Industry.....	151
Table 107	Employees Sought from State Universities, Community Colleges, or Vocational Schools, by Size of Firm.....	152
Table 108	Employees Sought from State Universities, Community Colleges, or Vocational Schools, by Industry.....	152

BUSINESS RETENTION AND EXPANSION IN KANSAS MID-SIZE COMMUNITIES

Introduction

A major component of state economic development is the retention and expansion of existing firms. Identification of problems that may cause a firm to relocate or forego expansion problems is critical to state economic efforts. Knowledge of factors favoring business expansion and retention also helps authorities at state and local levels capitalize on development opportunities.

At the request of the Kansas Department of Commerce, the Institute of Public Policy and Business Research analyzed business retention and expansion in representative Kansas communities of 10,000 to 100,000 persons, with the goal of identifying local and state issues that could influence this type of economic growth. Data was collected through a survey questionnaire given by phone to a randomly selected sample of firms. Specifically, the purpose of the study is to identify factors that influence retention and expansion of existing industries in Kansas mid-size communities, to identify the potential of Kansas firms to expand within their existing communities, establish local efforts of retention/expansion, and distinguish state level issues that influence retention/expansion.

It is hoped that this project will be used to open communications between the business sector and state and local economic development specialists concerning business retention and expansion. By discussing the findings and suggestions issued in this report, Kansas and its individual communities can take the first step needed towards keeping and encouraging economic growth from their existing firms.

I.

ECONOMIC GROWTH IN KANSAS

Before discussing the survey and the results provided by the nine Kansas communities, it is necessary to review several economic growth trends for Kansas. These trends and explanations will give a view of the total state and the counties of the communities eventually to be examined, and a background for consideration when the survey results are discussed. It is important to remember that the data collected for this project must be observed within the context of the state as a whole.

Employment Growth

Total employment in the state has risen 8% from 1978 to 1986. Although this statistic is positive, it is approximately half of the growth in total employment for the United States. This percentage is also higher than 7 of the 9 counties in which this study's communities are located (see Table 1).

TABLE 1
TOTAL EMPLOYMENT - COUNTIES, STATE, AND U.S.
1978-1986 (in Thousands)

	1978	1980	1982	1984	1985	1986	% Change	
							1978-1986	1982-1986
Barton Co.	13.5	14.4	14.9	14.9	14.6	13.5	0%	-9%
Douglas Co.	26.6	28.2	27.5	28.0	29.2	30.4	14%	11%
Ellis Co.	10.9	11.5	11.8	12.5	12.1	11.6	6%	-2%
Finney Co.	9.4	9.9	12.6	13.6	14.3	14.2	51%	13%
Lyon Co.	14.4	14.6	14.4	14.7	14.8	14.4	0%	0%
McPherson Co.	10.5	10.8	10.7	11.2	11.1	11.1	6%	4%
Montgomery Co.	17.3	17.4	15.8	14.8	14.6	14.7	-15%	-7%
Reno Co.	27.0	27.1	24.9	25.3	25.9	25.4	-6%	2%
Saline Co.	22.2	23.1	21.8	22.6	22.2	22.5	1%	3%
Kansas	912.5	944.7	921.4	960.7	967.9	983.1	8%	7%
United States	86697	90406	89566	94496	97519	99610	15%	11%

Sources: Counties and Kansas - Kansas Department of Human Resources Research and Analysis Section; United States - Bureau of Labor Statistics, Industry Employment Data Section.

With the exception of Finney county, employment increases have not been as great as the U.S. average, indeed, in some counties employment has decreased. The slow employment growth will eventually affect out-migration, population losses, retention of companies, and the ability to expand operations. From 1982 to 1986, employment growth has been negative for three counties, indicating a loss of revenue and support for service industries. Even Douglas county, which has above average growth prospects, did not match the growth rate of the United States. When these county figures are examined, and when comparisons are made between Kansas and the U.S., it is apparent that economic development strategies are still very important to the state, and efforts should be continued to enhance economic growth.

Establishment Growth

The total number of establishments has shown a positive growth of 21% since 1978. Again, this is lower than the United States figure. However, growth in number of establishments since 1982 is 18%, a figure that is higher than the same statistic for the United States. Rapid growth in establishments is also occurring for the nine counties (see Table 2).

TABLE 2
TOTAL NUMBER OF ESTABLISHMENTS: COUNTIES, KANSAS, U.S.
1978-1985

	1978	1980	1982	1984	1985	% Change	
						1978-1985	1982-1985
Barton Co.	1042	1079	1117	1248	1189	14%	6%
Douglas Co.	1205	1246	1283	1574	1635	36%	27%
Ellis Co.	810	771	822	970	986	22%	20%
Finney Co.	728	744	751	900	953	31%	27%
Lyon Co.	724	725	731	901	881	22%	21%
McPherson Co.	754	731	716	825	832	10%	16%
Montgomery Co.	969	977	953	1069	1053	9%	10%
Reno Co.	1524	1489	1482	1736	1740	14%	17%
Saline Co.	1431	1458	1399	1618	1596	11%	14%
Kansas	54299	55021	55476	65015	65510	21%	18%
United States	4409223		5246737		5902453	34%	12%
			4543167		5517715		

Sources: Kansas County Business Patterns, United States County Business Patterns.

A combination of the low growth in employment and large growth in number of establishments indicates that Kansas' industrial climate has turned increasingly toward development of the smaller business rather than relying on big companies to strengthen the economy. This also points to the need communities have to establish growth in their small developing companies.

To further illustrate this point, between 1980 and 1985 in Kansas, establishments with less than 50 employees increased their number of employees by 6%, while establishments with over 50 employees decreased their employment by 1%. A total of 21,486 net new jobs were created in Kansas in companies with less than 50 employees between 1980 and 1985, not including proprietors themselves. Small businesses are also a more important factor in the Kansas economy than in the national economy: as of 1985, firms in Kansas with less than 50 employees made up a higher percentage of companies, jobs, and payroll than they did for the nation as a whole (all figures are from the U.S. Bureau of the Census).

Personal Income Growth

Increases in personal income have been rapid in Kansas, and these changes have occurred in the nine counties as well as the state. From 1978 to 1984, personal income has increased 75%, which is higher than the United States change (see Table 3). All nine counties have increased at least 57% in personal income between 1978 and 1984.

TABLE 3
PERSONAL INCOME: COUNTIES, KANSAS, U.S.
1978-1984 (Millions of Dollars)

	1978	1980	1982	1984	% Change 1978- 1984
Barton Co.	.252	.328	.435	.483	92%
Douglas Co.	.420	.521	.604	.708	69%
Ellis Co.	.175	.224	.288	.338	93%
Finney Co.	.177	.219	.349	.383	116%
Lyon Co.	.242	.306	.374	.415	71%
McPherson Co.	.203	.255	.310	.352	73%
Montgomery Co.	.297	.384	.442	.466	57%
Reno Co.	.488	.599	.705	.804	65%
Saline Co.	.377	.482	.556	.647	72%
Kansas	18.529	23.198	28.247	32.454	75%
United States	1812.4	2258.5	2670.8	3110.2	71%

Sources: Bureau of Economic Analysis, Regional Economic Information System, U.S. Bureau of Economic Analysis, The National Income and Product Accounts of the U.S.

The rapid growth of personal income is a positive sign for the state. It will be important to maintain these income levels, placing an emphasis on keeping and creating jobs that have provided such growth.

Summary

Employment growth in Kansas mid-size communities has lagged behind employment growth in Kansas and the United States. This suggests weaknesses in the economies of such communities and the importance of designing and implementing appropriate economic development strategies. These communities

are particularly important for the future of Kansas since they serve as regional centers for their parts of the state. In recent years the economies of Kansas mid-size communities have been underperforming the Kansas economy.

II.

SURVEY METHODOLOGY FOR BUSINESS RETENTION AND EXPANSION

The primary data used in this research was collected by a telephone survey of businesses across the state. The questionnaire was collaboratively developed by the Institute for Public Policy and Business Research and the Department of Commerce.

Sample

The findings are based on a disproportionate stratified probability sample of businesses in small to mid-size Kansas communities. These communities were restricted to those with populations between 10,000 and 100,000 individuals. In addition, towns such as Overland Park or Prairie Village were excluded as part of the greater Kansas City metropolitan area.

To assure coverage of the entire state, these communities were then divided into six geographical regions corresponding to the Department of Commerce districts. Nine communities were randomly selected from these six regions. They were: Emporia, Great Bend, Garden City, Coffeyville, Hays, Hutchinson, Lawrence, McPherson, and Salina.

In addition, Goodland was added to the sample. Kansas has a number of towns with less than 10,000 residents. Although small towns have few businesses, they may have unique problems creating and retaining businesses. Goodland was included in this study to test the research methodology in a small community. Goodland was also added to increase the representation of western Kansas. Goodland data are not included when making statistical generalizations about the state. Their inclusion would violate proper sampling and reduce the validity of the overall results.

Once the communities were selected, individual businesses were sampled in each community. This research examines only businesses that buy or sell in a region larger than the specific community. All retail businesses are excluded unless the business is a regional headquarters, distribution center, or manufacturer. For example, a local shoe store would not be included, but a distributor for a line of shoes would be. These determinations were based on the examination of the Standard Industrial Codes (SIC) for all businesses in the community.

Manufacturing firms were over sampled. They are a primary focus of state economic policy and therefore warrant special attention. For example, 23 percent of the businesses in Salina are manufacturers. This over sampling allows greater accuracy in the analysis of manufacturing firms. Any biasing effect is eliminated from the overall findings through the use of weight factors.

Once selected for the sample, letters were sent to the highest administrative official at the local firm. These were followed by a telephone call to initiate the interview. Of those contacted, 92 percent agreed to participate in the study. This is a very high response rate.

Confidence Interval

The findings are based on 858 completed interviews. (The number of responses may vary with each question.) This large sample provides a solid basis for generalizing to all non-retail businesses in Kansas mid-size communities. At the 95 percent level of confidence, the actual characteristics in the population of non-retail businesses should vary less than 3.5 percent from the figures in the sample. The sampling error in the individual communities is much larger, plus or minus 10 percent.

As in all sample surveys, other sources of error may affect the results. The data were collected by trained and closely supervised interviewers thus reducing measurement error to a minimum. Interviews were conducted between mid-August and mid-October 1987.

III.

DESCRIPTION OF SURVEY POPULATION

In this section firms are described in terms of their size, industry, annual sales, type of establishment, and location of headquarters. It is crucial to understand the nature of the firms that make up the economic base in order to discuss business retention and expansion. The major findings are: (1) firms in the economic base of Kansas mid-size communities are overwhelmingly small (most with less than 20 employees), (2) the majority of firms have less than \$5 million dollars in total annual sales, and (3) most companies are single establishments with headquarters located within the state.

Firm Size and Industry

For the nine communities, 858 firms participated in the survey. Size of companies ranged from 1 employee to 1,471 employees and companies represented the agricultural, mining, construction, manufacturing, transportation-communications, wholesale, finance, and services industries.

These businesses are small: over 75% have less than 20 employees (see Table 4). This is not industry specific data; all industries have a majority of firms with less than 20 employees. Firms with 100 or more employees make up 4% of the sample. Although it is obviously true to say that the retention and expansion of large size firms is important, state strategy that exclusively emphasizes the large firm will miss a large area of potential growth. In these communities the small firm is a major presence, implying that they should not be left out of developmental efforts.

In the past, Kansas has always regarded the manufacturing and agriculture industries as the main foundations of the economic base. This is still true, but the random sampling done in this study shows that other industries,

especially services, have an important representation in Kansas mid-size communities (see Table 4). The data suggests that for development strategies to truly have an impact in these cities policy efforts must recognize a broader economic base for future growth.

TABLE 4
SURVEY COMPANIES BY NUMBER OF EMPLOYEES AND INDUSTRY

Industry	Number of Employees			Percent of Total Firms That are In This Industry
	1-19	20-99	100 Or More	
Agriculture	90%	12%	0%	5%
Mining	85%	15%	0%	9%
Construction	64%	29%	7%	4%
Manufacturing	71%	19%	10%	21%
Transportation- Communication	78%	19%	3%	13%
Wholesale	79%	21%	0%	19%
Finance	71%	27%	2%	8%
Services	83%	12%	5%	21%
Percent of Total Firms That are in This Size Category	78%	18%	4%	100.0%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Annual Sales

Annual sales by mid-size community firms are not large, with 85% of all firms having annual sales of less than \$5 million (see Tables 5 and 6). Of no surprise is the distribution of sales by size of firm: for the most part, the larger the firm the larger the annual sales (see Table 5). Gradual increases in size, however, do not guarantee higher sales. The 20-99

employee category still had a majority of its firms with sales less than \$5 million, just as in the 1-19 employee category. Most industries had a large majority of their firms that made under \$5 million in annual sales, although the finance industry had a higher representation of large firms, with 12% of all finance firms having \$20 million or more in annual sales (see Table 6).

TABLE 5
TOTAL ANNUAL SALES
BY SIZE OF FIRM

Number of Employees	Annual Sales (X 1,000)			
	0 To 4,999 Dollars	5,000 To 9,999 Dollars	10,000 To 19,999 Dollars	20,000 Or More Dollars
1-19	95%	2%	2%	1%
20-99	60%	19%	12%	9%
100+	2%	5%	37%	56%
TOTAL PERCENTS	85%	5%	5%	5%

n = 625

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 6
TOTAL ANNUAL SALES
BY INDUSTRY

Industry	Annual Sales (X 1,000)			
	0 To 4,999 Dollars	5,000 To 9,999 Dollars	10,000 To 19,999 Dollars	20,000 Or More Dollars
Agriculture	94%	0%	0%	6%
Mining	92%	3%	5%	0%
Construction	82%	4%	14%	0%
Manufacturing	81%	5%	5%	9%
Transportation- Communications	95%	0%	3%	2%
Wholesale	81%	11%	4%	4%
Finance	56%	14%	18%	12%
Services	94%	1%	3%	2%
TOTAL PERCENTS	85%	5%	5%	5%

n = 625

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

For the total number of firms, 85% of all firms have annual sales that are less than \$5 million dollars a year, and only 5% of all firms had annual sales greater than \$20 million dollars a year. This data emphasizes the type of firm that is prevalent in Kansas mid-size communities: small, low revenue companies.

Type of establishment. As might be expected with such a large number of small firms, the majority of companies are single establishment firms and are not part of a larger corporation. However, companies with over 100 employees were part of a larger corporation more often than smaller companies (see Table 7). Two-thirds of the firms with 100 or more employees were part of a larger corporation. The transportation-communications, wholesale, and finance industries all have a high proportion of firms that

are part of a larger corporation (see Table 8). The agriculture, construction, and services industries all have a high percentage of firms that are single establishment companies. For the majority of firms in these communities, decisions concerning retention and expansion will be made within the community itself, not through corporate headquarters in other areas.

TABLE 7
 PERCENT OF TOTAL FIRMS THAT ARE A SINGLE COMPANY OR PART
 OF A LARGER CORPORATION, BY SIZE OF FIRM

Number of Em- ployees	Part of a	
	Single Company	Larger Corpor- ation
1-19	70%	30%
20-99	52%	48%
100+	33%	67%
TOTAL % OF FIRMS	65%	35%

n = 854

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 8
PERCENT OF TOTAL FIRMS THAT ARE A SINGLE COMPANY OR PART
OF A LARGER CORPORATION, BY INDUSTRY

Industry	Single Company	Part of a Larger Corporation
Agriculture	89%	11%
Mining	67%	33%
Construction	82%	18%
Manufacturing	68%	32%
Transportation- Communications	53%	47%
Wholesale	55%	45%
Finance	41%	59%
Services	71%	29%
TOTAL % OF FIRMS	65%	35%

n = 854

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

The large number of single establishment companies has many implications for the state. Attention must be paid to policy that addresses the single establishment as well as the large corporations that have operations in Kansas. For Kansas mid-size communities, much of their economic future is dependent upon their small, single establishment company. To design policy that ignores these firms, or that provides little assistance for growth, will reduce retention and expansion.

Information about assistance must reach these companies, also. Since small, single establishment companies have less resources to obtain information, efforts need to be made to ensure that these companies are receiving the knowledge necessary for expansion and growth into broader markets. A complicative factor is that most of these companies are rather

distant from major population centers, which makes it more difficult to obtain timely information. Assistance would encompass information on such issues as financing, adaptations to new technologies, and access to international trade. The costs and efforts for contacting these firms will require greater attempts than those occurring at the present time.

Location of Headquarters

Table 9 shows the percentage of firms with headquarters in Kansas and out of Kansas. All of the single company firms (65%) are obviously headquartered in Kansas. An additional 17% of the firms that are part of a larger corporation also have Kansas headquarters. Of the total number of firms, 17% are headquartered outside of the state. Of all the firms that are part of a larger corporation, 50% are headquartered in Kansas and 50% are headquartered out of state.

TABLE 9
LOCATION OF FIRM HEADQUARTERS BY
KANSAS/NON KANSAS LOCATION

Kansas Headquarters	Non Kansas Headquarters	Unknown Headquarters	Single Company Firm	Total
17%	17%	1%	65%	100%

n = 854

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Overall, 82% of the firms in Kansas mid-size communities are headquartered in the state. The major implication is that decisions concerning firm retention and expansion will be made in Kansas for the great majority of firms. Community and state officials have the opportunity to work directly with the company's decision-makers.

Regional/Corporate Headquarters. The companies that are part of a larger corporation are an important part of their organization. For those firms that are part of a larger corporation, 65% are either a regional/corporate headquarters for their corporation or a distributor (see Tables 10 and 11). Mining, manufacturing, and wholesale have large percentages of firms that are headquarters or distributors (see Table 11). Since these firms are vital to their organizations, and to their community, the retention and expansion of such firms are key to sustained economic growth.

TABLE 10
 PERCENT OF TOTAL FIRMS THAT ARE CORPORATE/REGIONAL
 HEADQUARTERS OR A DISTRIBUTOR, BY SIZE OF FIRM

Number of Em- ployees	Is your firm a corporate/regional headquarters or a distributor?		
	NO	YES	Part of a Larger Corporation
1-19	11%	19%	30%
20-99	18%	30%	48%
100+	19%	48%	67%
TOTAL PERCENT	13%	23%	35%

n = 296

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 11
 PERCENT OF TOTAL FIRMS THAT ARE CORPORATE/REGIONAL
 HEADQUARTERS OR A DISTRIBUTOR, BY INDUSTRY

Is your firm a corporate/regional
 headquarters or a distributor?

Industry	NO	YES
Agriculture	50%	50%
Mining	32%	68%
Construction	60%	40%
Manufacturing	34%	66%
Transportation- Communications	45%	55%
Wholesale	22%	78%
Finance	45%	55%
Services	40%	60%
TOTAL PERCENT	35%	65%

n = 296

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Scope of Products Sold. It is obvious that the firms in this survey sample have a fairly narrow scope of where they sell their products and services. Firms sold a mean, or average, 55% of their products and/or services in the local market, while they sold only a mean 1% in the international market (see Tables 12 and 13). Moreover, 18% of sales were outside of Kansas. However, as a whole, larger firms are accessing more markets than smaller firms. The overall low mean percentage of selling outside of the local and state markets is a critical finding because a state's competitiveness and economic future depends upon the ability to export and to participate in many markets, especially the international market.

TABLE 12
 MEAN PERCENTS OF PRODUCTS SOLD IN THE
 LOCAL, STATE, NATIONAL, AND INTERNATIONAL MARKETS
 BY SIZE OF FIRM

Number of Employees	Mean Percent Sold In The Local Market	Mean Percent Sold In The State Market	Mean Percent Sold In The National Market	Mean Percent Sold In The International Market
1-19	61%	26%	12%	1%
20-99	38%	30%	29%	3%
100+	19%	18%	61%	2%
GRAND MEANS	55%	27%	17%	1%

n = 852

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Larger companies are more orientated to national markets. Firms with 100 or more employees sold 61% of their products in national markets in contrast to 29% for mid-size firms and 12% for small firms.

TABLE 13
 MEAN PERCENTS OF PRODUCTS SOLD IN THE
 LOCAL, STATE, NATIONAL, AND INTERNATIONAL MARKETS
 BY INDUSTRY

Industry	Mean Percent Sold In The Local Market	Mean Percent Sold In The State Market	Mean Percent Sold In The National Market	Mean Percent Sold In The International Market
Agriculture	68%	18%	12%	1%
Mining	32%	56%	12%	0%
Construction	53%	37%	9%	1%
Manufacturing	43%	25%	29%	3%
Transportation-	52%	26%	21%	1%
Communications				
Wholesale	56%	29%	13%	1%
Finance	72%	16%	12%	0%
Services	67%	19%	13%	1%
GRAND MEANS	55%	27%	17%	1%

n = 852

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Smaller firms, those with less than 100 employees, are primarily serving local and state markets. Larger firms, those with 100 or more employees, are, however, more involved in markets beyond Kansas. In general, firms in Kansas mid-size communities should be encouraged to participate more actively in markets outside of Kansas. To do otherwise would seriously limit growth opportunities.

Developing additional products. Developing new products is one way for firms to participate in different and wider markets, and a good deal of Kansas mid-size community firms believe they can offer additional products. For all firms, 34% stated that they could offer additional products or services to the ones that are being offered presently (see Tables 14 and

15). Small firms perceive the same opportunities as large firms, indicating a source for innovation that could lead to significant expansion.

TABLE 14
 PERCENT OF TOTAL FIRMS THAT CAN OFFER
 ADDITIONAL PRODUCTS OR SERVICES
 BY SIZE OF FIRM

Are there any additional products or services that
 you feel your company could offer that it is not
 now offering?

Number of Employees	NO	YES
1-19	66%	34%
20-99	68%	32%
100+	64%	36%
TOTAL PERCENT	66%	34%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 15
 PERCENT OF TOTAL FIRMS THAT CAN OFFER
 ADDITIONAL PRODUCTS OR SERVICES
 BY INDUSTRY

Are there any additional products or services that
 you feel your company could offer that it is not
 now offering?

Industry	NO	YES
Agriculture	76%	24%
Mining	70%	30%
Construction	71%	29%
Manufacturing	66%	34%
Transportation- Communications	78%	22%
Wholesale	70%	30%
Finance	53%	47%
Services	57%	43%
TOTAL PERCENT	66%	34%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

The firms that were most optimistic about expansion opportunities were in finance and services (see Table 15). Over 40% of these firms believed that there were additional products or services they could offer. In manufacturing, 34% of the firms believed they had expansion opportunities. These responses indicate that a high proportion of firms in the economic base of Kansas mid-size communities are optimistic about opportunities for introducing new products or services. The potential obviously exists for growth.

Survey Description Summary

After examining the descriptions of mid-size Kansas firms, it is possible to make the following summary implications:

1. The large majority (over 75%) of companies are small, regardless of industry. To concentrate assistance or specific state policy solely on the large company or corporation would be to overlook a major source for increased economic growth.
2. Increased efforts must be made to make sure that small companies are receiving the information necessary to increase the likelihood of expansion.
3. For the majority of firms, annual sales are less than \$5 million dollars.
4. The majority of firms are single establishments, with no connection to a larger corporation. For the most part, retention and expansion decisions will be made within the community, not from the parent organization in other areas.
5. Smaller firms, those with less than 100 employees, are primarily serving local and state markets. Larger firms, those with 100 or more employees, are, however, more involved in markets beyond Kansas. In general, firms in Kansas mid-size communities should be encouraged to participate more actively in markets outside of Kansas. To do otherwise would seriously limit growth opportunities.

IV.

DESCRIPTION AND DETERMINANTS OF BUSINESS

LOCATION AND RETENTION

In this section we describe the attraction of firms from outside of the community, the reasons for location, the retention of firms in the community, the advantages of the community, reasons for relocation, additional manufacturers or service providers that may help existing firms, retaining or attracting management and professional personnel, and the perceived images of rural life and Kansas in general. Of particular importance are factors that influence the decision to locate in the community. The major findings are (1) the vast majority of firms are in the community because they are homegrown, (2) the hometown is the major reason for location, and (3) most firms are satisfied with their home community and do not plan to leave. Because of the large numbers that do not plan to leave, the state's or community's retention strategy will be most successful if aimed at small numbers of firms which are dissatisfied with their community.

Location

Attraction of firms from outside the community. Regardless of size or industry, there has not been a major influx of companies from other cities or states. For the total number of firms, 94% stated they had not moved to their present location from another city or state in the past five years (see Tables 16 and 17)¹. Only 6% have moved to their present location from another city or state in the past five years. This adds to the local

¹These statements refer only to firms as previously described in the methodology section of this report, which are firms that make up the economic base. This survey did not include retail or service firms that were entirely local in their operations.

orientation of these communities, as well as implying that a first hand recent knowledge exists only of the community they are located in, not other areas or regions.

TABLE 16
 PERCENT OF TOTAL FIRMS THAT HAVE MOVED FROM ANOTHER
 CITY OR STATE TO THEIR PRESENT LOCATION
 BY SIZE OF FIRM

Has your firm moved to its present location from
 another city or state in the last five years?

Number of Employees	NO	YES
1-19	93%	7%
20-99	97%	3%
100+	98%	2%
TOTAL PERCENT	94%	6%

n = 856

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 17
 PERCENT OF TOTAL FIRMS THAT HAVE MOVED FROM ANOTHER
 CITY OR STATE TO THEIR PRESENT LOCATION
 BY INDUSTRY

Has your firm moved to its present location from
 another city or state in the last five years?

Industry	NO	YES
Agriculture	100%	0%
Mining	97%	3%
Construction	93%	7%
Manufacturing	94%	6%
Transportation- Communications	94%	6%
Wholesale	96%	4%
Finance	90%	10%
Services	91%	9%
TOTAL PERCENT	94%	6%

n = 856

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

These tables point out that businesses in Kansas mid-size communities are locally oriented, with few companies bringing experience from other markets or regions with them. Firms in the finance and service industries have the most firms that moved to a community in the past five years. However, no agriculture firms relocated to its present community in the last five years. Communities have also not been successful in attracting new companies to their area; approximately 1% of all companies are attracted each year. This suggests that industrial recruiting has generally not been a successful strategy for this size of Kansas community. Although the recruitment of firms from outside of Kansas should constitute one part of the state's and communities' economic development strategy, the major focus should be on the establishment of new firms and the expansion of existing businesses.

Reasons for location. Companies are home grown and see their communities as providing the market and location they need. For the total number of firms, 54% stated that being the hometown was a reason for location in the community (see Tables 18 and 19). Business representatives gave many explanations for locating in their hometown, some of which included "this business has been in the family since World War II", "we stay here to fill the local need for our product", and "I have worked here for many years and I took over for the previous owner. This company was available." Other major reasons for location were the community provided a central location, the community provided a good access to their market, and the community filled a product or service need.

TABLE 18
REASONS FOR LOCATION IN THE COMMUNITY*
BY SIZE OF FIRM

Number of Employees	Home-town	Strong Local Economy	More Receptive Local Govt.	Tax Incentives and-or Public Financing	Suitable Zoning	Affordable Lease, Purchase Prices	Good Labor Pool	Adequate Space for Expansion	Good Access to Market	Good Access to Materials	Central Location	Good Transportation Facilities	Proximity To Educ.- Tech. Facilities	Filled A Prod.- Service Need	Small Town, Rural Life
1-19	57%	8%	1%	1%	1%	8%	8%	5%	28%	7%	42%	7%	3%	48%	1%
20-99	47%	13%	2%	1%	0%	12%	12%	4%	27%	9%	52%	9%	3%	39%	1%
100+	36%	6%	6%	6%	0%	6%	21%	6%	9%	9%	39%	15%	0%	39%	0%
PERCENT OF TOTAL	54%	9%	2%	1%	1%	9%	7%	5%	26%	8%	44%	7%	3%	46%	1%

n = 851

*Since firms could give more than one reason, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 19
REASONS FOR LOCATION IN THE COMMUNITY*
BY INDUSTRY

Industry	Home- town	Strong Local Economy	More Recap- tive Local Govt.	Tax In- centives and-or Public Fin- ancing	Suit- able Zoning	Afford- able Lease, Pur- chase Prices	Good Local Labor Pool	Ade- quate Space for Expan- sion	Good Access to Market	Good Access to Raw Mat- erials	Con- tral Loc- ation	Good Trans- por- tation Fac- ilities	Proximit- To Educ.- Tech. Fac- ilities	Filled A Prod.- Service Need	Small Town, Rural Life
Agriculture	72%	0%	0%	0%	0%	4%	0%	0%	24%	15%	40%	2%	4%	50%	4%
Mining	48%	8%	0%	0%	0%	6%	6%	0%	32%	26%	62%	7%	1%	26%	0%
Construction	79%	6%	0%	0%	0%	6%	15%	3%	15%	3%	32%	12%	3%	50%	3%
Manufacturing	53%	7%	2%	2%	1%	11%	11%	5%	27%	9%	44%	9%	3%	41%	0%
Trans.-Comm.	49%	7%	2%	1%	0%	12%	4%	5%	31%	4%	44%	12%	1%	55%	0%
Wholesale	47%	8%	3%	1%	1%	7%	9%	7%	37%	9%	52%	8%	1%	42%	1%
Finance	35%	19%	3%	0%	0%	7%	3%	6%	17%	1%	33%	1%	7%	45%	0%
Services	38%	10%	1%	1%	0%	9%	6%	4%	16%	0%	33%	4%	2%	55%	0%
PERCENT OF TOTAL	54%	9%	2%	1%	1%	9%	7%	5%	26%	8%	44%	7%	3%	46%	1%

n = 851
*since firms could give more than one reason, total percentages may not add to 100%.
Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

The major conclusion is that firms are homegrown and locally oriented. Both Tables 18 and 19 underscore this fact: 54% stated that a reason for location was because the community was the hometown and 46% stated that they located to fill a product or service need. Reasons that one might expect to figure prominently in a firm's decision to locate, such as tax incentives, a good local labor pool, and good access to raw materials, did not receive high percentages. A positive sign here is that with so many small hometown firms, the atmosphere for entrepreneurship seems to be good. Any efforts to assist new entrepreneurial enterprise may foster additional business start-ups and additional expansion growth. Indeed, the economic growth of Kansas mid-size community firms is primarily dependent on the ability to encourage entrepreneurship, rather than recruiting from outside of the community.

Retention

Retention of firms in the community. The number of companies that are going to move is quite small, and the majority of those firms that are moving are staying within the area. Only 5% of the total number of firms

stated that they will move, 2% of these companies are moving to locations that are within their community (see Table 20).

TABLE 20
PERCENT AND LOCATION OF WHERE FIRMS ARE PLANNING TO MOVE

	Moving Within the Community	Moving Within the State	Moving Out of State	Total % Moving
Firms That Are Planning to Move From Their Present Location In The Next Year	2% of Total Firms	1% of Total Firms	2% of Total Firms	5% of Total Firms

n = 856

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Only a very small percentage of firms are planning to leave their community or the state. The vast majority of firms are satisfied with their community and are not planning to leave. Retention programs should be continued but are most likely to be successful if highly focused on the small number of dissatisfied firms who are planning to relocate out of state.

Advantages of the community. Several advantages were given for locating within the community. A central, good location was the greatest advantage, followed by the community provided a small town, rural life; the hometown atmosphere of the community; the community filled a need for the company; and the quality of the work force (see Tables 21 and 22). One business representative stated: "This town had a need to fill. We are the only business of this kind in town." Another said: "We're all familiar with the area. There is lots of community support and our customers are nearby." The focus of the majority of these firms is definitely local.

TABLE 21
LOCAL ADVANTAGES OF THE COMMUNITY*
BY SIZE OF FIRM

Number of Em- ployees	No Ad- vantage	Home- town Atmos- phere	Small Town- Rural Life	Qual- ity of Work Force	Central, Good Loc- ation	Filling A Need
1-19	8%	21%	25%	5%	50%	15%
20-99	6%	14%	28%	19%	57%	10%
100+	0%	7%	43%	40%	37%	10%
PERCENT OF TOTAL	7%	19%	26%	9%	51%	14%

n = 792

*Since firms could give more than one advantage, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 22
LOCAL ADVANTAGES OF THE COMMUNITY*
BY INDUSTRY

Industry	No Ad- vantage	Home- town Atmos- phere	Small Town- Rural Life	Qual- ity of Work Force	Central, Good Loc- ation	Filling A Need
Agriculture	4%	13%	33%	2%	51%	13%
Mining	7%	10%	10%	6%	71%	15%
Construction	3%	36%	20%	6%	55%	3%
Manufacturing	6%	17%	27%	18%	52%	10%
Trans.-Comm.	4%	19%	17%	4%	62%	16%
Wholesale	10%	17%	20%	4%	52%	12%
Finance	6%	13%	52%	16%	30%	11%
Services	9%	25%	31%	7%	35%	23%
PERCENT OF TOTAL	7%	19%	26%	9%	51%	14%

n = 792

*Since firms could give more than one advantage, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

The advantages given in Tables 21 and 22, along with the statements made by business representatives, again emphasize the fact that firms are homegrown and locally oriented. The greatest advantage given by all companies was a central, good location. It must be remembered, however, that the majority of these firms are locally oriented, and their central location

may only be relevant to their community. This also suggests that if the local market shrinks because of out-migration or increased competition, there is a good chance for business contractions in the community.

Reasons for relocation. That focusing mainly on the local market could be detrimental to a firm gains more credence when examining why firms have left the community. For those few firms that are planning to move from their community, 47% said a reason for moving was a difficulty in serving their customers, 20% stated as a reason the high cost of utilities, and 20% stated that a reason for moving was to gain access to a new market (see Tables 23 and 24). Dependence upon local customers and access to those customers severely limits how much a firm can expand, implying that if markets shrink in these communities, more firms will leave in search of other customers.

TABLE 23
REASONS FOR MOVING OUT OF THE COMMUNITY*
BY SIZE OF FIRM

Number of Employees	High State Taxes	High Local Taxes	High Cost of Labor	High Cost of Utilities	Access To New Market	Sales Decline	Poor Transportation Facilities	Lack of Adequate Training Sources	Lack of Adequate Space to Expand	Restrictive Zoning Regs.	Unfavorable Lease Conditions	Difficulty In Finding Labor	Difficulty in Serving Customers	Inadequate Services	Difficulty In Obtaining Financing
1-19	14%	14%	14%	14%	21%	7%	14%	7%	7%	7%	7%	14%	36%	14%	14%
20-99	0%	0%	0%	7%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%
100+	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
PERCENT OF TOTAL	13%	13%	13%	20%	20%	7%	13%	7%	7%	7%	7%	13%	47%	13%	13%

n = 15

*Since firms could give more than one reason, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: This question was answered only by firms that stated they were planning to move out of the community in the next year.

TABLE 24
REASONS FOR MOVING OUT OF THE COMMUNITY*
BY INDUSTRY

Industry	High State Taxes	High Local Taxes	High Cost of Labor	High Cost of Utilities	Access To New Market	Sales Decline	Poor Transportation Facilities	Lack of Adequate Training Resources	Lack of Adequate Space to Expand	Restrictive Zoning Regs.	Unfavorable Lease Conditions	Difficulty In Finding Labor	Difficulty In Serving Customers	Inadequate City Services	Difficulty In Obtaining Financing
Agriculture	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Mining	25%	25%	0%	25%	0%	0%	0%	0%	0%	25%	0%	0%	0%	25%	50%
Construction	0%	0%	0%	0%	7%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Manufacturing	33%	33%	33%	0%	33%	33%	33%	0%	33%	0%	33%	33%	67%	33%	0%
Trans.-Comm.	0%	0%	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%
Wholesale	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Finance	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Services	0%	0%	20%	20%	0%	0%	20%	20%	0%	0%	0%	20%	80%	0%	0%
PERCENT OF TOTAL	13%	13%	13%	20%	20%	7%	13%	7%	7%	7%	7%	13%	47%	13%	13%

n = 15
*Since firms could give more than one reason, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: This question was answered only by firms that stated they were planning to move out of the community in the next year.

The major reason given by small firms (less than 20 employees) for moving out of the community was a difficulty in serving customers, which reflects the narrow scope of the markets many companies are used to serving. If firms are fixed in selling exclusively to the local market, these same problems will affect relocation decisions. As Table 24 shows, manufacturing, transportation-communications, and service companies are most likely to have difficulty in serving customers from their present location. These are important industries for the economic base and their failure to expand will mean a deterioration of the base. Finally, it is important to note that the reasons given for leaving the community were given by small firms, not large firms (see Table 23). This makes expanding markets for small firms critical, and assistance given to small firms for expansion very important.

Additional manufacturers or service providers that would be of benefit existing companies. Firms do not have everything they need within their

community, as 36% of the total number of firms stated that were additional manufacturers or service providers that would benefit their company (see Tables 25 and 26). When asked what those companies might be, 59% stated that raw materials suppliers would be of benefit (see Tables 27 and 28). For smaller firms, the most often expressed need was also for more raw materials suppliers (see Table 27).

The large number of companies that would benefit from additional manufacturers or service firms presents opportunities for mid-size communities. Such companies should be targets for industrial recruitment and for targeting support for new firms or expansions. New firms, for example, that provide needed products or services for existing firms in the economic base could be given priority in economic development programs. New firms in their area have the added benefit of strengthening existing companies and their ties to the community.

TABLE 25
 ADDITIONAL MANUFACTURERS OR SERVICE PROVIDERS
 THAT WOULD BE OF BENEFIT FOR FIRMS
 BY SIZE OF FIRM

Are there any manufacturers or service providers that
 would be of benefit to your company if they
 were located in your community?

Number of Employees	NO	YES
1-19	66%	34%
20-99	56%	44%
100+	49%	51%
TOTAL PERCENT	64%	36%

n = 850

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 26
 ADDITIONAL MANUFACTURERS OR SERVICE PROVIDERS
 THAT WOULD BE OF BENEFIT FOR FIRMS
 BY INDUSTRY

Are there any manufacturers or service providers that
 would be of benefit to your company if they
 were located in your community?

Industry	NO	YES
Agriculture	79%	21%
Mining	68%	32%
Construction	57%	43%
Manufacturing	61%	39%
Transportation- Communications	64%	36%
Wholesale	67%	33%
Finance	60%	40%
Services	60%	40%
TOTAL PERCENT	64%	36%

n = 850

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 27
 ADDITIONAL COMPANIES THAT WOULD BE OF BENEFIT
 BY SIZE OF FIRM

Number of Employees	More Customers For Products	Repair Main-tenance	Business Services	Raw Materials Suppliers
1-19	26%	4%	19%	56%
20-99	34%	4%	18%	60%
100+	18%	0%	9%	82%
PERCENT OF TOTAL	28%	4%	19%	59%

n = 220

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 28
 ADDITIONAL COMPANIES THAT WOULD BE OF BENEFIT
 BY INDUSTRY

<u>Industry</u>	More Customers For Products	Repair Main-tenance	Business Services	Raw Materials Suppliers
Agriculture	17%	0%	0%	83%
Mining	13%	7%	13%	5%
Construction	36%	0%	0%	73%
Manufacturing	19%	6%	15%	70%
Transportation-Communications	65%	0%	9%	30%
Wholesale	18%	3%	26%	61%
Finance	33%	10%	48%	29%
Services	25%	0%	15%	64%
PERCENT OF TOTAL	28%	4%	19%	59%

n = 220

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

However, since it will be particularly difficult to attract raw materials suppliers close to all of these communities, the issues of cost of transportation, freight time delivery, and the speed of all types of transportation will take on added significance in the future. The future retention and expansion will depend heavily on where vital manufacturers and service companies are located, and how the products and services of those firms can be efficiently brought to Kansas mid-size communities.

Retaining and attracting management and professional personnel. There is a slight problem in attracting and retaining management or professional personnel to Kansas mid-size communities, which could affect future competitiveness of these firms. For the total number of firms, 17% stated they had this trouble, with larger companies having a greater problem than smaller companies (see Table 29). Over 40% of firms with 100 or more employees indicated a problem with recruiting or with retention of managerial employees. This is probably because larger firms have a greater need for professional and managerial employees.

Finance and services companies had the most trouble retaining or attracting management or professionals (see Table 30). As companies expand and outside recruitment becomes necessary, this problem will become more pronounced. Attention to quality of life issues in a community, particularly the arts, will be important in attracting professional/management employees to Kansas mid-size communities.

TABLE 29
PERCENT OF TOTAL FIRMS THAT HAVE TROUBLE ATTRACTING
OR RETAINING PROFESSIONAL AND MANAGEMENT PERSONNEL
BY SIZE OF FIRM

Do you have any trouble attracting and/or
retaining professional and management level
personnel to your business?

Number of Employees	NO	YES
1-19	86%	14%
20-99	79%	21%
100+	57%	43%
TOTAL PERCENT	83%	17%

n = 856

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 30
PERCENT OF TOTAL FIRMS THAT HAVE TROUBLE ATTRACTING
OR RETAINING PROFESSIONAL AND MANAGEMENT PERSONNEL
BY INDUSTRY

Do you have any trouble attracting and/or
retaining professional and management level
personnel to your business?

Industry	NO	YES
Agriculture	92%	8%
Mining	85%	15%
Construction	82%	18%
Manufacturing	82%	18%
Transportation- Communications	87%	13%
Wholesale	84%	16%
Finance	81%	19%
Services	79%	21%
TOTAL PERCENT	83%	17%

n = 856

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

That larger firms have more trouble retaining and attracting management and professional personnel than do smaller firms (see Table 29) indicates a future problem for expansion. As smaller firms expand, they may have more difficulty keeping and hiring this type of employee. Table 30 points out that except for agriculture, all industries have about the same trouble attracting and retaining managers and professionals. This implies that it is the community or area that causes difficulty, not a particular type of firm.

Perceived images of rural life and Kansas. For all firms, there does not seem to be a problem with perceived images of the rural life these communities project or of the state of Kansas. For all firms, 94% stated they do not have a negative image of rural life (see Tables 31 and 32), and 98% stated they did not have a negative image of Kansas (see Tables 33 and 34). However, Tables 31 and 33 show that larger firms have a more negative view of rural life and of Kansas. Of most concern is that 21% of larger firms have a negative image of rural life. Tables 32 and 34 suggest the only real industry difference: finance firms perceive a more negative view of rural life and of Kansas.

TABLE 31
 PERCENT OF TOTAL FIRMS WITH A NEGATIVE
 IMAGE OF RURAL LIFE
 BY SIZE OF FIRM

Do you have a negative image of rural life?		
Number of Employees	NO	YES
1-19	96%	4%
20-99	91%	9%
100+	79%	21%
TOTAL PERCENT	94%	6%

n = 856

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 32
 PERCENT OF TOTAL FIRMS WITH A NEGATIVE
 IMAGE OF RURAL LIFE
 BY INDUSTRY

Do you have a negative image of rural life?		
Industry	NO	YES
Agriculture	97%	3%
Mining	98%	2%
Construction	96%	4%
Manufacturing	93%	7%
Transportation- Communications	96%	4%
Wholesale	96%	4%
Finance	88%	12%
Services	92%	8%
TOTAL PERCENT	94%	6%

n = 856

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 33
 PERCENT OF TOTAL FIRMS WITH A NEGATIVE
 IMAGE OF KANSAS
 BY SIZE OF FIRM

Do you have a negative image of Kansas?		
Number of Employees	NO	YES
1-19	99%	1%
20-99	97%	3%
100+	91%	9%
TOTAL PERCENT	98%	2%

n = 856

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 34
 PERCENT OF TOTAL FIRMS WITH A NEGATIVE
 IMAGE OF KANSAS
 BY INDUSTRY

Do you have a negative image of Kansas?		
Industry	NO	YES
Agriculture	100%	0%
Mining	100%	0%
Construction	100%	0%
Manufacturing	98%	2%
Transportation- Communications	99%	1%
Wholesale	98%	2%
Finance	97%	3%
Services	98%	2%
TOTAL PERCENT	98%	2%

n = 856

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

This data must be recognized as stemming from the hometown nature of the firms, and the dependence upon local and statewide customers. It also points out that any state policies stressing the quality of Kansas mid-size communities or of the state will probably not be very helpful in retaining or encouraging expansion within most firms. At the present time, the majority of firms are very much pleased with rural life and their state, and this is another good sign to be considered when discussing retention of Kansas mid-size community businesses.

However, there are indications that larger firms are more likely to have negative images of rural life and Kansas. Communities need to address the concerns of larger companies or risk the possibility of losing companies as they succeed and grow. The loss of a large employer would have a detrimental impact on a community and other firms that are suppliers to that large company. In addition, since the majority of these large firms are part of a larger corporation, the local chamber of commerce and the local government will need to be in contact with the parent organizations of these firms.

Location and Retention Summary

After examining the data on location and retention, it is possible to make the following summary implications:

1. Firms in Kansas mid-size communities are predominantly home grown and locally oriented.
2. Minimal economic growth is occurring as the result of recruiting firms to relocate in Kansas mid-size communities. Industrial recruiting has generally not been a successful strategy for this size of Kansas community. Although the recruitment of firms from outside of Kansas should constitute one part of the state's and communities' economic development strategy, the major focus should be on the establishment of new firms and expansion of existing businesses.

3. Most firms are in a community because it is the owner's hometown. Once started, firms are very likely to stay in the community. This suggests that state and local support for entrepreneurs starting new firms would have a long-term, positive impact on a community.
4. Only a very small percentage of firms are planning to leave their community or the state. The vast majority of firms are satisfied with their community and are not planning to leave. Firms also have a positive image of Kansas and rural life. The state, in cooperation with communities, should have a targeted business retention program. However, ongoing programs should identify dissatisfied firms and concentrate efforts upon them.
5. Larger firms, those with 100 or more employees, express a higher level of dissatisfaction with their communities than do smaller companies. Such firms should be targeted for particular attention as part of a retention program. The loss of a large employer would have a devastating detrimental impact on a community and other firms that are suppliers to the large company. In addition, since the majority of these larger firms are part of a larger corporation, the local chamber of commerce and the local government will need to be in contact with the parent organizations of these firms.
6. Taxes and tax incentives are not a significant factor in firm decisions concerning locating in Kansas mid-size communities. State taxes are a consideration only for a small minority of firms planning to leave their community.
7. Raw materials suppliers and business services are additional companies that would be of benefit to existing firms, location and expansion decisions will be made upon the proximity and the delivery of supporting materials and services.
8. As companies expand and grow larger, there will be greater difficulty in attracting and maintaining management and professional personnel.

DESCRIPTION AND DETERMINANTS OF BUSINESS EXPANSION

This section examines (1) past expansion and plans for future expansion, which include employment changes, physical plant size changes, factors that help expansion, factors that lead to contraction, location of where expansion will take place, and problems that lead to expansion out of the community and out of state. Also described are findings that focus on (2) additional products that may be offered, (3) the potential and desire to expand internationally, (4) factors that assist or impede exporting a product or service, and (5) financing for expansion.

The majority of firms are optimistic about growth in their community. Most expansion will take place within the city limits, primarily because space is available for expansion. Financing for expansion is mainly from traditional sources such as banks and internal financing, with little assistance coming from state programs. Finally, there are firms that have the potential and desire to expand internationally, but many factors, the greatest being that the firm is too small, keep them from doing so.

Past Expansion

Employment expansion. In the past two years, the majority of firms have held employment constant. However, 33% of all firms increased employment the past two years (see Tables 35 and 36). Firms with more than 19 employees increased employment more than smaller firms. Approximately one-half of firms with 20 or more employees increased employment in the past two years. Yet a sizable minority of firms, 22%, decreased employment during a period when employment was increasing in Kansas.

TABLE 35
PAST INCREASES IN EMPLOYMENT
BY SIZE OF FIRM

In the last two years, has your firm increased
or decreased its employment?

Number of Employees	Decreased Employment	Employment Remained Constant	Increased Employment
1-19	22%	50%	28%
20-99	21%	28%	51%
100+	29%	24%	47%
TOTAL PERCENT	22%	45%	33%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Finance and services had the highest within industry employment increases while mining had the fewest percentage of firms with employment increases (see Table 36). There were also notable contractions in mining and construction. The contractions in mining were undoubtedly due to slow downs in the oil and gas industry.

TABLE 36
PAST INCREASES IN EMPLOYMENT
BY INDUSTRY

In the last two years, has your firm increased or decreased its employment?			
Industry	Decreased Employment	Employment	
		Remained Constant	Increased Employment
Agriculture	13%	66%	21%
Mining	55%	32%	13%
Construction	36%	39%	25%
Manufacturing	23%	42%	35%
Transportation- Communications	15%	49%	36%
Wholesale	22%	48%	30%
Finance	14%	40%	46%
Services	14%	47%	39%
TOTAL PERCENT	22%	45%	33%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

If most smaller firms remain predominantly oriented towards the local market, their employment gains will continue to be lower than those for larger firms. This again points out the importance of firms being able to expand their markets and orientation. Table 36 shows the large employment increases in the finance and services industries. This emphasizes the growing importance of these firms to their community, and the gradual decline of employment growth from the mining and agriculture industries.

Physical plant expansion. In the past two years, the majority of firms have held physical plant size constant. Only 9% decreased plant size the last two years, and 35% increased size (see Tables 37 and 38). Firms with less than 20 employees decreased their physical size more than larger firms, and their were notable contractions in the mining and construction

industries. A large majority of firms, then, either remained constant or expanded their physical plant size.

TABLE 37
PAST INCREASES IN PHYSICAL PLANT SIZE
BY SIZE OF FIRM

In the last two years, has your firm increased or decreased the size of its physical plant?			
Number of Employees	Decreased Size	Size Remained Constant	Increased Size
1-19	10%	59%	31%
20-99	7%	44%	49%
100+	5%	52%	43%
TOTAL PERCENT	9%	56%	35%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 38
PAST INCREASES IN PHYSICAL PLANT SIZE
BY INDUSTRY

In the last two years, has your firm increased
or decreased the size of its physical plant?

Industry	Decreased Size	Size Remained Constant	Increased Size
Agriculture	0%	68%	32%
Mining	40%	45%	15%
Construction	18%	50%	32%
Manufacturing	8%	56%	37%
Transportation- Communications	6%	56%	38%
Wholesale	9%	61%	30%
Finance	2%	52%	47%
Services	5%	56%	39%
TOTAL PERCENT	9%	56%	35%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

As with past employment, changes in physical plant have consisted either of remaining the same or increasing. Smaller firms did decrease plant size more than larger firms (see Table 37), indicating the difficulties some small firms may have had with maintaining markets in their communities. Expansion in the finance and services again point out the influence these firms are having on their community's total expansion efforts.

Problems with past expansion. The market for products and financing are major problems for expansion in Kansas mid-size communities. Of the total number of firms, 42% stated that a static or declining market was a problem while 24% said a lack of affordable financing was an expansion problem (see Tables 39 and 40). One business representative stated: "Interest rates are too high now to expand. We just can't afford it." Other major problems

included zoning regulations, the availability of labor, and the decline in oil prices. Ways are needed to assist companies to obtain financing for their expansions, and for many companies to increase their markets for products.

TABLE 39
SPECIFIC PROBLEMS WITH EXPANSION*
BY SIZE OF FIRM

Number of Employees	Zoning Regulations	Availability of Labor	Static or Declining Market	Lack of Financing	Lack of Raw Materials	Utility Costs	Transportation Difficulties	Availability of Space	Lack of Training Resources	Tax Laws	Strong Competition	Decline in Oil Prices
1-19	7%	8%	46%	24%	1%	3%	1%	6%	4%	3%	7%	12%
20-99	26%	17%	29%	23%	3%	3%	0%	9%	9%	0%	11%	6%
100+	29%	29%	14%	29%	0%	14%	14%	14%	0%	0%	14%	14%
PERCENT OF TOTAL	11%	10%	42%	24%	1%	3%	1%	7%	4%	3%	8%	12%

n = 239

*Since firms could give more than one problem, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 40
SPECIFIC PROBLEMS WITH EXPANSION*
BY INDUSTRY

Industry	Zoning Regulations	Availability of Labor	Static or Declining Market	Lack of Financing	Lack of Raw Materials	Utility Costs	Transportation Difficulties	Availability of Space	Lack of Training Resources	Tax Laws	Strong Competition	Decline in Oil Prices
Agriculture	17%	8%	42%	8%	0%	0%	0%	0%	0%	0%	33%	8%
Mining	15%	6%	35%	18%	0%	3%	0%	0%	12%	6%	3%	44%
Construction	8%	0%	33%	58%	0%	0%	0%	0%	8%	1%	17%	8%
Manufacturing	12%	14%	40%	28%	2%	5%	5%	14%	2%	2%	2%	5%
Trans.-Comm.	19%	5%	33%	19%	0%	5%	0%	0%	0%	5%	29%	0%
Wholesale	9%	0%	61%	24%	0%	0%	2%	4%	0%	0%	4%	13%
Finance	6%	6%	56%	11%	0%	0%	0%	11%	0%	0%	0%	6%
Services	4%	23%	34%	28%	0%	2%	0%	9%	9%	2%	4%	2%
PERCENT OF TOTAL	11%	10%	42%	24%	1%	3%	1%	7%	4%	3%	8%	12%

n = 239

*Since firms could give more than one problem, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

A static or declining market is the major problem associated with not expanding, once again indicating that for some firms the locally centered scope of products is deterring expansion. The problem of finding affordable financing may also deter expansion, indicating a need at the state level to make known additional ways to finance an expansion. Lack of financing may come from lack of knowledge, not a lack of desire to use available programs. It should also be noted that problems logically associated with expansion, such as tax laws, lack of training resources, transportation difficulties, and utility costs, were not given by a high percentage of firms.

Factors helping expansion. For those firms that have expanded, an expanding market played a significant role. Of those firms that have experienced an expansion, 69% stated that an expanding market was a helping factor (see Tables 41 and 42). Of the firms that gave this reason, 70% had less than 20 employees (see Table 41). The desire to expand their market has also helped expansion, 26% stated this as a factor that helped expansion. For small firms especially, new customers to purchase products has been a great expansion factor. Information and assistance that will help firms reach new markets is crucial to the future expansion of Kansas mid-size community firms.

The availability of tax incentives was not a significant factor in firm expansion decisions. Only 1% of the firms cited such incentives as helping expansion.

TABLE 41
FACTORS THAT HELPED EXPANSION*
BY SIZE OF FIRM

Number of Em- ployees	Ex- panding Market	Avail- abil- ity of Tax In- centives	Avail- abil- ity of Public Assist.	Avail- abil- ity of Tech. In- novation	Avail- abil- ity of Space	Desire To Ex- pand Market	Improved In- ternal Fin- ancing	More Efficient Oper- ations
1-19	70%	1%	4%	2%	21%	25%	4%	26%
20-99	64%	0%	2%	4%	18%	29%	1%	34%
100+	67%	6%	6%	17%	17%	22%	17%	28%
PERCENT OF TOTAL	69%	1%	4%	4%	20%	26%	4%	28%

n = 371

*Since firms could give more than one factor, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: This question was answered only by those firms that had previously stated they had increased plant size and/or employment.

TABLE 42
FACTORS THAT HELPED EXPANSION*
BY INDUSTRY

Industry	Ex- panding Market	Avail- abil- ity of Tax In- centives	Avail- abil- ity of Public Assist.	Avail- abil- ity of Tech. In- novation	Avail- abil- ity of Space	Desire To Ex- pand Market	Improved In- ternal Fin- ancing	More Efficient Oper- ations
Agriculture	85%	0%	0%	0%	15%	8%	0%	39%
Mining	46%	0%	31%	0%	8%	39%	0%	8%
Construction	53%	0%	7%	0%	13%	0%	0%	44%
Manufacturing	69%	1%	4%	5%	23%	30%	6%	29%
Trans.-Comm.	75%	0%	0%	0%	8%	31%	2%	25%
Wholesale	66%	0%	3%	7%	16%	27%	0%	28%
Finance	63%	0%	3%	0%	29%	32%	5%	21%
Services	73%	0%	2%	7%	27%	23%	5%	30%
PERCENT OF TOTAL	69%	1%	4%	4%	20%	26%	4%	28%

n = 371

*Since firms could give more than one factor, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: This question was answered only by those firms that had previously stated they had increased plant size and/or employment.

An expanding market or a desire to expand their market were reasons for expansion given by a high percentage of firms, indicating the need for many companies to broaden the scope of their products or services and to reach other markets. Focusing on tax incentives alone for increased expansion would probably not help growth that much, firms here did not see incentives as a major factor leading to expansion. Policy will have to consider a variety of assistance and problems, not single issues.

Reasons for contraction. Just as expansion is affected by an expanding market for products, contraction is affected by a declining or static market. Over 70% of those firms that stated they had experienced a contraction gave a declining or static market as a reason for decreases (see Tables 43 and 44). A high percentage of firms that gave this reason were those with less than 100 employees, and those in the agriculture, manufacturing, and wholesale industries. Other major reasons for contraction were the decline in oil prices and to increase efficiency.

TABLE 43
REASONS FOR CONTRACTION*
BY SIZE OF FIRM

Number of Employees	De- clining or Static Market	Con- trac- ting Labor Pool	Rising Labor Costs	Rising Mat- erials Costs	Rising Plant- Office Space Costs	Lack of Afford- able Fin- ancing	De- cline in Oil Prices	In- crease Effic- iency	Taxes- Regu- latory Costs
1-19	72%	4%	1%	2%	0%	5%	20%	10%	1%
20-99	82%	0%	6%	3%	0%	3%	27%	27%	0%
100+	50%	0%	0%	0%	10%	10%	0%	50%	0%
PERCENT OF TOTAL	72%	3%	2%	2%	1%	5%	20%	15%	1%

n = 187

*Since firms could give more than one reason, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: this question was only answered by firms that previously stated they had experienced a contraction in physical plant size and/or employment.

TABLE 44
REASONS FOR CONTRACTION*
BY INDUSTRY

Industry	De- clining or Static Market	Con- tracting Labor Pool	Rising Labor Costs	Rising Mat- erials Costs	Rising Plant- Office Space Costs	Lack of Afford- able Fin- ancing	De- cline in Oil Prices	In- crease Effic- iency	Taxes- Regu- latory Costs
Agriculture	83%	0%	0%	0%	0%	0%	0%	17%	0%
Mining	69%	5%	0%	5%	0%	5%	55%	0%	2%
Construction	64%	0%	9%	0%	0%	9%	9%	18%	0%
Manufacturing	76%	5%	2%	2%	0%	5%	17%	12%	0%
Trans.-Comm.	59%	0%	6%	0%	6%	0%	0%	41%	6%
Wholesale	81%	3%	0%	3%	0%	3%	11%	17%	0%
Finance	70%	0%	0%	0%	0%	1%	10%	40%	0%
Services	67%	4%	0%	0%	0%	11%	11%	17%	0%
PERCENT OF TOTAL	72%	3%	2%	2%	1%	5%	20%	15%	1%

n = 187

*Since firms could give more than one reason, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: this question was only answered by firms that previously stated they had experienced a contraction in physical plant size and/or employment.

The continuing practice by some firms of centering on the local market, especially by small companies, will eventually lead to more contraction. Firms need to know how to expand from the local market, and how this will affect their chances for growth. If demographic changes remain the same, and if more business start-ups continue that bring even more locally oriented firms to these communities, contraction because of a declining or static market will persist.

Plans for Expansion

Employment expansion. Firms are optimistic about their ability to retain or increase employment. Only 3% of the total number of firms stated that they would decrease employment in the next year (see Tables 45 and 46). Employment in small firms will remain constant more than in larger firms, and the manufacturing, finance, and services industries will increase employment more than other industries. This again highlights the gradual

shifts in the economic base, suggesting more of a reliance on jobs away from solely manufacturing or agriculture related employment. State strategy must ensure assistance that will build upon this optimistic attitude towards employment expansion.

TABLE 45
 PERCENT OF TOTAL FIRMS PLANNING TO
 INCREASE EMPLOYMENT
 BY SIZE OF FIRM

In the next year, is your firm planning to
 increase or decrease employment?

Number of Employees	Employment		
	Will Decrease Employment	Will Remain Constant	Will Increase Employment
1-19	3%	58%	39%
20-99	4%	50%	46%
100+	5%	48%	47%
TOTAL PERCENT	3%	56%	41%

n = 856

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 46
 PERCENT OF TOTAL FIRMS PLANNING TO
 INCREASE EMPLOYMENT
 BY INDUSTRY

In the next year, is your firm planning to
 increase or decrease employment?

Industry	Employment		
	Will Decrease Employment	Will Remain Constant	Will Increase Employment
Agriculture	2%	74%	24%
Mining	5%	58%	37%
Construction	0%	68%	32%
Manufacturing	2%	56%	42%
Transportation-	3%	61%	36%
Communications			
Wholesale	5%	58%	37%
Finance	5%	48%	47%
Services	2%	50%	48%
TOTAL PERCENT	3%	56%	41%

n = 856

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Regardless of size or industry, firms are optimistic and will be receptive to efforts that will increase employment expansion. Only 3% of all firms stated they will decrease employment in the next year. The state must make sure that these companies realize their expectations for growth, giving Kansas mid-size communities the opportunity to retain their local population and to add new jobs in their cities.

There will also be new employment growth, not just increases from firms that have expanded in the past: 21% of the total number of firms that will increase employment in the next year had uniform or decreased employment the past two years (see Table 47). Only 1% of the total firms that decreased employment the past two years will decrease employment next year. However,

regardless of what firms have done in the past two years, the majority plan to keep employment constant over the next year. State policy that can aid expansion could sway some of these firms into expansion decisions, providing even more growth from existing firms in Kansas mid-size communities.

TABLE 47
 PERCENT OF TOTAL FIRMS THAT HAVE
 INCREASED EMPLOYMENT THE LAST TWO YEARS
 AND ARE PLANNING FUTURE INCREASES IN EMPLOYMENT

Changes In Employment The Last Two Years	Employment In The Next Year		
	Will Decrease Employment	Will Remain Constant	Will Increase Employment
Decreased Employment	1%	12%	8%
Employment Remained Constant	1%	32%	13%
Increased Employment	1%	13%	20%

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Physical plant size expansion. As with employment, firms are optimistic about plant size expansion. Only 1% of the total number of firms stated they would experience a contraction in physical plant size in the next year (see Tables 48 and 49). Although the greatest percent of firms will neither contract nor expand plant size, 22% did say they would experience an expansion. Again, firms in Kansas mid-size communities feel they are in a good position to expand. State efforts must make sure that this growth is realized to the extent possible.

TABLE 48
 PERCENT OF TOTAL FIRMS THAT
 ARE PLANNING AN EXPANSION
 BY SIZE OF FIRM

In the next year, is your firm planning on an
 expansion or a contraction in the size
 of your physical plant?

Number of Employees	Size Will Remain		
	Contraction	Constant	Expansion
1-19	1%	79%	20%
20-99	3%	74%	23%
100+	0%	64%	36%
TOTAL PERCENT	1%	77%	22%

n = 857

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 49
 PERCENT OF TOTAL FIRMS THAT
 ARE PLANNING AN EXPANSION
 BY INDUSTRY

In the next year, is your firm planning on an
 expansion or a contraction in the size
 of your physical plant?

Industry	Contraction	Size Will Remain Constant	Expansion
Agriculture	5%	74%	21%
Mining	3%	77%	20%
Construction	0%	82%	18%
Manufacturing	1%	78%	21%
Transportation- Communications	2%	79%	19%
Wholesale	2%	84%	14%
Finance	0%	67%	33%
Services	1%	71%	28%
TOTAL PERCENT	1%	77%	22%

n = 857

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Regardless of size or industry, firms are optimistic about expansion capabilities. Now is an excellent time to assist Kansas mid-size community firms through policies aimed at the expansion of physical plant size. Along with the employment expansion opportunities perceived by these firms, growth in these communities can be significant and sustained.

There is opportunity for new expansion in physical plant size: 9% of the firms that either decreased plant size or experienced no changes the last two years stated they will expand in the next year (see Table 50). Only 1% of the firms that decreased plant size the last two years will experience another contraction next year. Although not as much as with employment

expansion, there are opportunities for new growth in physical plant size in Kansas mid-size communities.

TABLE 50
 PERCENT OF TOTAL FIRMS THAT HAVE
 INCREASED PHYSICAL PLANT SIZE THE LAST TWO YEARS
 AND ARE PLANNING FUTURE INCREASES IN PHYSICAL PLANT SIZE

Changes In Physical Plant Size The Last Two Years	Physical Plant Size In The Next Year		
	Will Have A Contraction	Will Remain Constant	Will Have An Expansion
Decreased Plant Size	1%	8%	1%
Plant Size Remained Constant	1%	47%	8%
Increased Plant Size	1%	22%	12%

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Location of expansion. Expansion for most firms will be within the city limits, although a high percentage of expansion, 35%, will occur outside of the city limits (see Tables 51 and 52). The second highest percentage of where expansion will be was within the same county of the firm, so expanding within the city limits may have been impossible because of lack of space or other physical plant restrictions. Firms with less than 100 employees in particular are expanding outside the city limits, as are firms in the agriculture and mining industries.

TABLE 51
LOCATION OF WHERE EXPANSION WILL TAKE PLACE
FOR FIRMS THAT ARE PLANNING EXPANSION, BY SIZE OF FIRM

Where Expansion Will Be				
Number of Em- ployees	Within The City Limits	Within The Same County	Within The State	Out of State
1-19	64%	21%	11%	4%
20-99	62%	14%	13%	11%
100+	80%	7%	7%	6%
TOTAL PERCENT	65%	18%	11%	6%

n = 184

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: This question was asked only to firms that previously stated they were planning an expansion.

TABLE 52
LOCATION OF WHERE EXPANSION WILL TAKE PLACE
FOR FIRMS THAT ARE PLANNING EXPANSION, BY INDUSTRY

Industry	Where Expansion Will Be			
	Within The City Limits	Within The Same County	Within The State	Out of State
Agriculture	13%	62%	13%	12%
Mining	17%	17%	50%	16%
Construction	50%	25%	0%	25%
Manufacturing	73%	16%	5%	6%
Transportation- Communications	53%	35%	12%	0%
Wholesale	74%	11%	5%	10%
Finance	78%	11%	11%	0%
Services	72%	12%	14%	2%
TOTAL PERCENT	65%	18%	11%	6%

n = 184

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: This question was asked only to firms that previously stated they were planning an expansion.

Expansion for the majority of these firms will be in the community, which is a positive sign for these cities. At the present time, there does not seem to be any major factors that are forcing firms to expand outside of the community or the state, and efforts that focus on keeping expansion within the state will involve a small percentage of companies.

Local advantages that influenced expansion. At the present time, it is physical space availability that is a major advantage for firm expansion in a community. Over 60% of those firms that are planning an expansion stated that a local advantage was because space was available (see Tables 53 and 54). The second highest local advantage percentage was a strong local economy.

TABLE 53
LOCAL ADVANTAGES THAT INFLUENCED EXPANSION
BY SIZE OF FIRM

Number of Employees	Good Local Labor Pool	Space Was Available	Tax Incentives Public Assistance	Strong Local Economy
1-19	8%	63%	4%	29%
20-99	40%	60%	0%	40%
100+	0%	100%	0%	0%
TOTAL PERCENT	13%	65%	3%	29%

n = 121

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: This question was answered by only those firms that stated they were planning an expansion within their community.

TABLE 54
LOCAL ADVANTAGES THAT INFLUENCED EXPANSION
BY INDUSTRY

Industry	Good Local Labor Pool	Space Was Available	Tax Incentives Public Assistance	Strong Local Economy
Agriculture	0%	0%	0%	0%
Mining	0%	100%	0%	0%
Construction	0%	0%	0%	0%
Manufacturing	25%	50%	13%	38%
Transportation- Communications	0%	100%	0%	0%
Wholesale	20%	40%	0%	20%
Finance	17%	67%	0%	33%
Services	0%	75%	0%	25%
TOTAL PERCENT	13%	65%	3%	29%

n = 121

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: This question was answered by only those firms that stated they were planning an expansion within their community.

Expansion outside of the community. Problems that led to expansion outside of the city were community based. Every firm that stated they were expanding out of the city said that "specific problems in the community" were the major factor (see Tables 55 and 56). Examples of these specific problems given by business representatives were the property tax, the unavailability of facilities within the city, and the desire to expand closer to their customers. City taxes and zoning regulations were the only other problems associated with expanding outside of the city.

TABLE 55
 PROBLEMS THAT LED TO EXPANSION OUTSIDE OF
 THE COMMUNITY
 BY SIZE OF FIRM

Number of Employees	Specific Problems In The Community	City Taxes	Zoning Regulations
1-19	100%	25%	17%
20-99	100%	0%	0%
100+	0%	0%	0%
TOTAL PERCENT	100%	27%	7%

n = 15

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: This question was answered only by those firms that stated they were planning an expansion outside of their community.

TABLE 56
 PROBLEMS THAT LED TO EXPANSION OUTSIDE OF
 THE COMMUNITY
 BY INDUSTRY

Industry	Specific Problems In The Community	City Taxes	Zoning Regulations
Agriculture	100%	0%	0%
Mining	100%	0%	0%
Construction	100%	100%	0%
Manufacturing	50%	50%	50%
Transportation- Communications	100%	0%	0%
Wholesale	100%	0%	0%
Finance	0%	0%	0%
Services	100%	17%	0%
TOTAL PERCENT	100%	27%	7%

n = 15

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: This question was answered only by those firms that stated they were planning an expansion outside of their community.

Expansion outside of Kansas. The problems that are leading firms to expand outside of Kansas are market and tax based (see Tables 57 and 58). For those few firms that are expanding outside of the state, 100% stated that they were doing so because of "specific problems with Kansas". One business representative summed up these specific problems by stating "There's no customers here for our products. There is no customer base. It is just better for our business to expand outside of the state." Other reasons given for expanding outside of Kansas were tax costs in general and the severance tax specifically.

TABLE 57
 PROBLEMS WITH KANSAS THAT INFLUENCED
 EXPANSION OUT-OF-STATE
 BY SIZE OF FIRM

Number of Employees	Specific Problems With Kansas	Tax Costs In General	Severance Tax
1-19	100%	100%	0%
20-99	100%	0%	100%
100+	100%	0%	0%
TOTAL PERCENT	100%	50%	25%

n = 4

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: This question was answered only by those firms that are planning an expansion out-of-state.

TABLE 58
 PROBLEMS WITH KANSAS THAT INFLUENCED
 EXPANSION OUT-OF-STATE
 BY INDUSTRY

Industry	Specific Problems With Kansas	Tax Costs In General	Severance Tax
Agriculture	0%	0%	0%
Mining	100%	100%	100%
Construction	100%	0%	0%
Manufacturing	100%	100%	100%
Transportation- Communications	0%	0%	0%
Wholesale	0%	0%	0%
Finance	0%	0%	0%
Services	0%	0%	0%
TOTAL PERCENT	100%	50%	25%

n = 4

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: This question was answered only by those firms that are planning an expansion out-of-state.

The advantages offered by communities at the present time center on the availability of space. State or local economic development programs administered through the community are not now seen as advantages to be used for expansion. This may come from a lack of knowledge about programs that assist expansion. A shrinking market and some taxes are the main problems associated with expansion out of the city and expansion out of the state. It is important to make sure taxes do not unfairly inhibit expansion, and that efforts are made to encourage the expansion of product or service markets.

Additional Products and Expansion. Whether it is financial, informational, or regulatory, firms need assistance in tackling problems of offering new products. Financing a new product is the major reason firms are not offering an additional product or service (see Tables 59 and 60). Other problems include a low cash flow and the belief that the business is sufficiently complex without adding any new products (see Table 59). Financing was a particular problem for the manufacturing, agriculture, and mining industries (see Table 60). Restrictive laws and regulations was another problem; one business representative stated: "Introducing a new product would mean we would be vulnerable to product liability. The necessary insurance and its costs would be too much."

TABLE 59
REASONS FOR NOT OFFERING AN ADDITIONAL PRODUCT OR SERVICES*
BY SIZE OF FIRM

Number of Employees	Restrictive Laws or Regulations	Lack of Affordable Financing	Lack of Specific Knowledge How	No Desire To Expand	Static or Declining Market	Low Cash Flow	Business Complex Enough Now	Lack of Skilled Labor	Lack of Equipment, Tech.	Introducing Product or Service Now
1-19	12%	16%	4%	10%	15%	15%	14%	10%	9%	20%
20-99	13%	19%	8%	2%	8%	6%	13%	13%	19%	25%
100+	0%	15%	15%	15%	8%	0%	15%	8%	8%	46%
PERCENT OF TOTAL	11%	15%	6%	9%	14%	12%	14%	10%	11%	22%

n = 267

*Since firms could give more than one reason, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 60
REASONS FOR NOT OFFERING AN ADDITIONAL PRODUCT OR SERVICES*
BY INDUSTRY

Industry	Restrictive Laws or Regulations	Lack of Affordable Financing	Lack of Specific Knowledge How	No Desire To Expand	Static or Declining Market	Low Cash Flow	Business Complex Enough Now	Lack of Skilled Labor	Lack of Equipment, Tech.	Introducing Product or Service Now
Agriculture	0%	18%	0%	9%	9%	0%	36%	0%	18%	18%
Mining	9%	18%	5%	5%	50%	23%	18%	0%	0%	5%
Construction	0%	10%	10%	10%	10%	10%	10%	10%	0%	20%
Manufacturing	3%	19%	7%	16%	11%	11%	18%	7%	11%	21%
Trans.-Comm.	21%	5%	0%	11%	5%	21%	5%	21%	5%	21%
Wholesale	1%	2%	2%	0%	2%	3%	16%	11%	13%	26%
Finance	28%	7%	3%	7%	7%	14%	14%	7%	3%	24%
Services	10%	17%	5%	7%	8%	16%	8%	16%	17%	23%
PERCENT OF TOTAL	11%	15%	6%	9%	14%	12%	14%	10%	11%	22%

n = 267

*Since firms could give more than one reason, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Companies, especially small firms, may not have the resources or knowledge necessary to introduce a new product. Added to this are the restrictions centered upon offering a new product, which most firms cannot overcome. Financing and information which are designed to assist firms creating new products must be considered a priority, especially since new products will help companies reach new markets and increase their chances for expansion.

Expanding into the international market. Offering new or existing products internationally will help Kansas mid-size communities economically, and there are firms that can and want to expand into the international market. Out of the total number of firms currently not exporting, 14% stated that they had the potential to expand internationally (see Tables 61 and 62), and 13% stated they had the desire to expand internationally (see Tables 63 and 64). Manufacturing and finance companies in particular have the potential and desire to expand. Because of the importance of the international market, it is imperative that these firms be encouraged to meet their potential and desire.

TABLE 61
 PERCENT OF TOTAL FIRMS THAT FEEL THEY HAVE
 THE POTENTIAL TO EXPAND INTERNATIONALLY, BY SIZE OF FIRM

Do you feel your business has the potential
 to expand into the international market?

Number of Employees	NO	YES
1-19	86%	14%
20-99	84%	16%
100+	86%	14%

TOTAL PERCENT	86%	14%

n = 776

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 62
 PERCENT OF TOTAL FIRMS THAT FEEL THEY HAVE
 THE POTENTIAL TO EXPAND INTERNATIONALLY, BY INDUSTRY

Do you feel your business has the potential
 to expand into the international market?

Industry	NO	YES
Agriculture	92%	8%
Mining	85%	15%
Construction	92%	8%
Manufacturing	82%	18%
Transportation- Communications	93%	7%
Wholesale	89%	11%
Finance	80%	20%
Services	86%	14%

TOTAL PERCENT	86%	14%

n = 776

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 63
 PERCENT OF TOTAL FIRMS THAT HAVE THE
 DESIRE TO EXPAND INTERNATIONALLY, BY SIZE OF FIRM

Does your firm have the desire to
 expand into the international market?

Number of Employees	NO	YES
1-19	87%	13%
20-99	86%	14%
100+	89%	11%

TOTAL PERCENT	87%	13%

n = 775

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 64
 PERCENT OF TOTAL FIRMS THAT HAVE THE
 DESIRE TO EXPAND INTERNATIONALLY, BY INDUSTRY

Does your firm have the desire to
 expand into the international market?

Industry	NO	YES
Agriculture	95%	5%
Mining	86%	14%
Construction	88%	12%
Manufacturing	84%	16%
Transportation- Communications	85%	15%
Wholesale	89%	11%
Finance	84%	16%
Services	91%	9%

TOTAL PERCENT	87%	13%

n = 775

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

There are firms in Kansas mid-size communities with the potential and desire to expand into the international market. Making sure all firms know what is needed to export, where they might get assistance, and how they can initiate such a venture will encourage more companies to export their products. As Tables 61 and 63 demonstrate, to disregard smaller companies as a source for exports in favor of larger companies would be a mistake: there are small firms with both the potential and the desire to expand internationally. The ability of Kansas firms to trade internationally cannot be emphasized enough. If the potential for firms is not realized, and the desire to expand not encouraged, the scope of products for many companies will remain narrow and locally oriented.

Reasons for not expanding into the international market. The size of the firm, the lack of affordable financing, and the current market for products all are major reasons that keep firms with a desire to export from actually expanding into the international market (see Tables 65 and 66). It is important to note that it is the smaller firms, not the larger firms, that give many reasons for not exporting (see Table 65). As was shown earlier, small firms do perceive the ability and the desire to export, so the fear that the company is too small may be based on perceived problems concerning exporting, not on facts.

TABLE 65
REASONS GIVEN FOR NOT EXPORTING*
BY SIZE OF FIRM

Number of Employees	Business Too Small	Business Serves Specific Area	Lack of Knowledge About Foreign Markets Exporting	Lack of Knowledge About Exporting	Lack of Federal or State Assistance	Unfavorable Exchange Rates	High Tariffs and-or Trade Barriers	Restrictive Export Regs.	Lack of Affordable Financing	Costs Are Too High	Never Considered It	Currently Engaged in Exporting	Tough Competition
1-19	26%	23%	10%	15%	6%	3%	9%	8%	22%	9%	5%	5%	5%
20-99	18%	9%	9%	0%	0%	0%	9%	0%	18%	18%	0%	9%	9%
100+	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%	0%
PERCENT OF TOTAL	24%	20%	10%	12%	5%	3%	10%	7%	20%	12%	5%	5%	5%

n = 74

*Since firms could give more than one reason, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: This question was answered only by those firms that did not export internationally but expressed a desire to export internationally.

TABLE 66
REASONS GIVEN FOR NOT EXPORTING*
BY INDUSTRY

Industry	Business Too Small	Business Serves Specific Area	Lack of Knowledge About Foreign Markets Exporting	Lack of Knowledge About Exporting	Lack of Federal or State Assistance	Unfavorable Exchange Rates	High Tariffs and-or Trade Barriers	Restrictive Export Regs.	Lack of Affordable Financing	Costs Are Too High	Never Considered It	Currently Engaged in Exporting	Tough Competition
Agriculture	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%
Mining	17%	17%	0%	0%	17%	0%	17%	33%	33%	0%	0%	0%	0%
Construction	50%	50%	0%	0%	0%	0%	0%	0%	50%	0%	0%	0%	0%
Manufacturing	22%	17%	6%	11%	0%	6%	6%	0%	22%	33%	0%	6%	6%
Trans.-Comm.	17%	50%	0%	0%	0%	0%	0%	8%	8%	0%	0%	8%	8%
Wholesale	27%	7%	13%	33%	13%	0%	27%	7%	7%	0%	7%	7%	7%
Finance	14%	14%	29%	14%	0%	0%	0%	0%	29%	0%	14%	0%	0%
Services	33%	8%	8%	8%	0%	8%	8%	0%	17%	8%	8%	8%	8%
PERCENT OF TOTAL	24%	20%	10%	12%	5%	3%	10%	7%	20%	12%	5%	5%	5%

n = 74

*Since firms could give more than one reason, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: This question was answered only by those firms that did not export internationally but expressed a desire to export internationally.

It is important that information be made available to small firms about expansion into international markets. Companies that do not now export need more general knowledge about how they can expand into the international market. Larger firms may not have as severe a difficulty obtaining financing for ventures such as this, and the data shows that lack of financing is a reason that prevents small firms from exporting. Because of their number, substantial growth can come from the small firm. Financial assistance for exporting would be particularly important to smaller businesses.

Problems associated with exporting. Of equal importance to initiating expansion into larger markets is maintaining exports by firms already competing in the international market. At present, firms that are exporting do have problems. Those that are significant for the state are the inadequate knowledge of other countries' markets, inadequate knowledge of export know-how, and lack of financing (see Tables 67 and 68). Smaller firms (see Table 67) in particular have problems with financing, and manufacturing firms report more problems than other industry firms (see Table 68). Companies that are already exporting should not automatically be considered successes: they will need to be assisted to stay competitive.

TABLE 67
PROBLEMS EXPORTING*
BY SIZE OF FIRM

Number of Employees	Unfavorable Exchange Rates	High Tariffs and-or Trade Barriers	Lack of Financing	Restrictive State and-or Federal Regs.	In-adequate Knowledge of Countries Markets	In-adequate Knowledge of Export Know-how
1-19	33%	22%	11%	22%	22%	11%
20-99	0%	25%	0%	0%	0%	50%
100+	33%	67%	0%	0%	33%	0%
PERCENT OF TOTAL	25%	31%	13%	13%	25%	13%

n = 16

*Since firms could give more than one problem, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: This question was answered only by those firms that stated they exported their products.

TABLE 68
PROBLEMS EXPORTING*
BY INDUSTRY

Industry	Unfavorable Exchange Rates	High Tariffs and-or Trade Barriers	Lack of Financing	Restrictive State and-or Federal Regs.	In-adequate Knowledge of Countries Markets	In-adequate Knowledge of Export Know-how
Agriculture	0%	0%	0%	100%	0%	0%
Mining	0%	0%	100%	0%	0%	0%
Construction	0%	0%	0%	0%	0%	0%
Manufacturing	29%	29%	14%	0%	29%	29%
Trans.-Comm.	0%	0%	0%	0%	0%	0%
Wholesale	0%	50%	0%	0%	25%	0%
Finance	100%	0%	0%	0%	0%	0%
Services	0%	50%	0%	50%	50%	0%
PERCENT OF TOTAL	25%	31%	13%	13%	25%	13%

n = 16

*Since firms could give more than one problem, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: This question was answered only by those firms that stated they exported their products.

Companies need to know more about where they can export their products and knowledge about those markets. Important for Kansas is that without assistance, either through information or financing, firms that are already exporting may decide that the costs outweigh the gains, and expansion will be lost.

It is important to identify the companies that want to expand and to make sure that the reasons preventing them from doing so are addressed. There are a substantial number of companies in this sample that want to export, and the state could assist by providing information and know-how that will ease the transition into a venture where little is known. If companies can know more about how to export, how to obtain financing, and the realistic costs of providing goods and services, they will be more likely to compete in the international market, and more companies will want to follow the example.

Financing for Expansion

Financing Sources. Sources for financing expansion in Kansas mid-size communities are traditional in nature. For the total number of firms, 54% stated that a bank was a source for financing expansion and 52% stated that internal financing was used (see Tables 69 and 70). Companies with less than 20 employees and firms in the construction and agriculture industries had high percentages that used banks for financing.

TABLE 69
FINANCING SOURCES FOR EXPANSION*
BY SIZE OF FIRM

Number of Em- ployees	Bank	Credit Union	Sav- ings and Loan	Inter- nal Fin- ancing	Private Sources	Small	Cert- ified Devel- opment Comp.	Indust- rial Revenue Bonds
						Bus- iness Admin- istra- tion		
1-19	56%	2%	3%	51%	7%	3%	0%	1%
20-99	47%	1%	2%	57%	8%	4%	1%	10%
100+	41%	0%	3%	53%	3%	3%	0%	53%
PERCENT OF TOTAL	54%	2%	3%	52%	7%	3%	1%	4%

n = 828

*Since firms could give more than one source, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas
Mid-Size Communities with Populations of 10,000 to 100,000,
Institute for Public Policy and Business Research, The
University of Kansas, 1987.

TABLE 70
FINANCING SOURCES FOR EXPANSION*
BY INDUSTRY

Industry	Bank	Credit Union	Sav- ings and Loan	Inter- nal Fin- ancing	Private Sources	Small	Cert- ified Devel- opment Comp.	Indust- rial Revenue Bonds
						Bus- iness Admin- istra- tion		
Agriculture	67%	4%	0%	39%	4%	2%	0%	0%
Mining	57%	3%	3%	49%	11%	0%	0%	0%
Construction	68%	0%	3%	44%	3%	0%	0%	6%
Manufacturing	55%	1%	4%	54%	8%	6%	0%	8%
Trans.-Comm.	56%	1%	2%	53%	2%	2%	0%	1%
Wholesale	51%	3%	1%	52%	6%	3%	1%	3%
Finance	38%	0%	2%	64%	8%	3%	0%	8%
Services	53%	1%	3%	50%	6%	3%	0%	5%
PERCENT OF TOTAL	54%	2%	3%	52%	7%	3%	1%	4%

n = 828

*Since firms could give more than one source, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas
Mid-Size Communities with Populations of 10,000 to 100,000,
Institute for Public Policy and Business Research, The
University of Kansas, 1987.

Firms are primarily dependent on conventional sources of financing (local banks and internal funds) and do not have access to seed, medium or high risk financing. A first step in assisting firms to expand would be to make sure that firms know there are other forms of financing for expansion besides traditional sources. Banks and internal financing may be what firms are comfortable with, but increased efforts to assist expansion will need to come from alternative sources. Improved access to nonconventional sources of financing should be a high priority for the state.

Financing sources outside of Kansas. The majority of firms do not go outside of Kansas to receive financing. For the total number of firms, 91% stated that in the past five years they have not gone outside the state to receive financing for expansion (see Tables 71 and 72). Larger firms did go outside of the state more than smaller firms, however, and mining industry businesses had a fairly high percentage of firms that went to other states. Other industries that had a relatively high percentage of their firms go outside of the state for financing were manufacturing and transportation-communications. If companies know more about alternative financing, even these few firms that go outside of Kansas for assistance may find what they need from the state.

TABLE 71
PERCENT OF TOTAL FIRMS THAT HAVE GONE OUTSIDE OF
KANSAS TO FINANCE AN EXPANSION, BY SIZE OF FIRM

In the last five years, have you had to
go outside of Kansas to finance an expansion
because of a lack of affordable financing?

Number of Employees	NO	YES
1-19	94%	6%
20-99	84%	16%
100+	64%	36%
TOTAL PERCENT	91%	9%

n = 847

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 72
PERCENT OF TOTAL FIRMS THAT HAVE GONE OUTSIDE OF
KANSAS TO FINANCE AN EXPANSION, BY INDUSTRY

In the last five years, have you had to
go outside of Kansas to finance an expansion
because of a lack of affordable financing?

Industry	NO	YES
Agriculture	95%	5%
Mining	81%	19%
Construction	93%	7%
Manufacturing	89%	11%
Transportation- Communications	88%	12%
Wholesale	93%	7%
Finance	91%	9%
Services	95%	5%
TOTAL PERCENT	91%	9%

n = 847

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

If companies know more about alternative financing, even the few firms that go outside of Kansas for assistance may find what they need within the state. Table 71 shows that larger firms go outside of the state more for financing than do smaller firms; given the nature of financial sources in the state this may indicate a reliance on out of state parent companies for internal financing or an inability of state financial institutions to provide the capital needed for expansion. It must be determined whether companies are going out of state because of choice or necessity.

Foregoing expansion because of a lack of financing. Although the total percentage is relatively small, there are Kansas mid-size community firms that have had to forego expansion because of lack of financing. For the total number of firms, 11% stated that they had foregone an expansion because of lack of financing (see Tables 73 and 74). There were no great size differences here, but 22% of all mining firms had this problem, reflecting the effect oil and gas prices have had on expansion risks in this industry. The state could assist expansion by making sure that information about alternative methods for financing is available to firms, and that these firms know how to access and implement those sources.

TABLE 73
PERCENT OF TOTAL FIRMS FORCED TO FOREGO OR POSTPONE
AN EXPANSION BECAUSE OF LACK OF FINANCING, BY SIZE

In the last five years, has your firm ever been forced to forego or postpone a planned expansion because of a lack of affordable financing?

Number of Employees	NO	YES
1-19	89%	11%
20-99	91%	9%
100+	88%	12%
TOTAL PERCENT	89%	11%

n = 849

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 74
PERCENT OF TOTAL FIRMS FORCED TO FOREGO OR POSTPONE
AN EXPANSION BECAUSE OF LACK OF FINANCING, BY INDUSTRY

In the last five years, has your firm ever been forced to forego or postpone a planned expansion because of a lack of affordable financing?

Industry	NO	YES
Agriculture	95%	5%
Mining	78%	22%
Construction	89%	11%
Manufacturing	88%	12%
Transportation-Communications	91%	9%
Wholesale	92%	8%
Finance	95%	5%
Services	88%	12%
TOTAL PERCENT	89%	11%

n = 849

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

As previous data has shown, financing is a major problem when expansion is considered. Tables 73 and 74 support this, demonstrating that there are firms that have not experienced a chance for growth because financing was unavailable. When expansion comes down to a question of obtaining financing, the state must make sure that its mid-size communities are receiving the information necessary to access and use nontraditional sources for financing expansion.

Expansion Summary

After examining the data regarding expansion, it is possible to make the following summary implications:

1. There is optimism about expansion opportunities in these communities with a population of 10,000 to 100,000, and now is an opportune time to concentrate on expansion efforts.
2. Economic growth in Kansas mid-size communities is the result of expansions from existing companies and the formation of new firms within the community. State and local policies should be directed to encouraging local entrepreneurs who are starting new businesses and to facilitating expansion of existing businesses.
3. A static or declining market is the major problem associated with not expanding. Firms that sell primarily or exclusively in local product markets will have difficulty expanding when their communities experience no, or low, growth.
4. The overall state tax burden is a significant reason for firms not to expand. The property tax on inventories was a major reason for firms not to expand. The sales tax on business machinery and equipment was a major impediment to firm expansion.
5. The advantages offered by communities at the present time center on the availability of space. State or local policy administered through the community are not now seen as advantages to be used for expansion.
6. The introduction of new products heightens the prospects for expansion. At present, companies, especially small firms, may not have the resources or knowledge necessary to introduce a new product.

7. The great majority of firms do not participate in international trade. Even firms which have the potential and the desire to export are not doing so. There is an unrealized opportunity to increase exports from Kansas mid-size communities.
8. To disregard smaller companies as a source for exports would be a mistake: there are small companies with the potential and the desire to export.
9. A major barrier to firm expansion is a lack of financing. Firms are primarily dependent on conventional sources of financing (local banks and internal funds) and do not have access to seed, medium, or high risk financing. Improved access to nonconventional sources of financing should be a top state and local priority.
10. Affordable financing is a problem, and there are companies that have foregone expansion because of lack of financing. This indicates that there are firms which want to expand but have not found the right financing methods for them to make expansion possible.
11. State policy that can make known forms of financing that already exist and that can create other innovative methods of financing will further increase chances for growth through expansion. This should be a major priority for the state.

VI.

wich

BUSINESS CLIMATE

This section describes firm perceptions of local government attitudes, perception of local services, laws and regulations that may impede business operation, taxes that affect business operation, and business climate improvements. The major findings here include (1) the majority of companies find the attitude of their local government to be positive to very positive, (2) firms are generally satisfied with the services provided them, (3) city and state regulations were seen to impede business operation the most, (4) the property tax on inventory was seen to impede operations the most of all taxes, and (5) the preferred way to improve the local and state business climate is through economic development.

Local And State Business Climate

Quality of Life. A very high percentage of firms believe the quality of life in their communities is good. Of the total number of firms, 82% stated the quality of life was good, 16% stated adequate, and only 1% stated that the quality of life was poor (see Tables 75 and 76). There were no real size differences, and the only industry difference was small: 5% of all service firms gave a poor rating for quality of life.

TABLE 75
FIRMS' PERCEPTIONS OF THE QUALITY OF
LIFE IN THEIR COMMUNITY
BY SIZE OF FIRM

Number of Employees	No Opinion	Good	Adequate	Poor
1-19	1%	81%	17%	1%
20-99	0%	84%	14%	2%
100+	0%	86%	14%	0%
TOTAL PERCENT	1%	82%	16%	1%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 76
FIRMS' PERCEPTIONS OF THE QUALITY OF
LIFE IN THEIR COMMUNITY
BY INDUSTRY

Industry	No Opinion	Good	Adequate	Poor
Agriculture	0%	71%	29%	0%
Mining	2%	73%	22%	3%
Construction	0%	96%	4%	0%
Manufacturing	1%	84%	15%	0%
Transportation-Communications	1%	80%	16%	3%
Wholesale	0%	78%	21%	1%
Finance	0%	83%	17%	0%
Services	0%	85%	10%	5%
TOTAL PERCENT	1%	82%	16%	1%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

The majority of firms, then, do not have a problem with the quality of life they experience in their community. This implies that Kansas mid-size communities can build upon this positive for future retention and expansion.

Attitude of the local government. The attitude of the local government towards Kansas mid-size community firms is viewed by the majority of firms to be positive to very positive (see Tables 77 and 78). Only 10% of all firms believed the local government has a negative or very negative attitude towards their business. Firms with 100 or more employees had a higher percentage of respondents that thought their local government had a negative to very negative attitude, as did firms in the mining, wholesale and construction industries.

TABLE 77
FIRMS' PERCEPTIONS OF THE
ATTITUDE OF THEIR LOCAL GOVERNMENT
BY SIZE OF FIRM

Number of Employees	Attitude of Local Government		
	Positive To Very Positive	Neutral	Negative To Very Negative
1-19	51%	39%	10%
20-99	62%	28%	10%
100+	69%	17%	14%
TOTAL PERCENT	54%	36%	10%

n = 856

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 78
FIRMS' PERCEPTIONS OF THE
ATTITUDE OF THEIR LOCAL GOVERNMENT
BY INDUSTRY

Attitude of Local Government			
Industry	Positive To Very Positive	Neutral	Negative To Very Negative
Agriculture	51%	42%	7%
Mining	52%	33%	15%
Construction	56%	32%	12%
Manufacturing	52%	38%	10%
Transportation-	49%	42%	9%
Communications			
Wholesale	56%	31%	13%
Finance	60%	33%	7%
Services	59%	36%	5%
TOTAL PERCENT	54%	36%	10%

n = 856

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

It is important to note the relatively high percentage of companies that stated local government's attitude was neutral, indicating a belief that the local government really did not have an effect upon business practices in the community. The low percentages of firms that stated negative or very negative and the high percentages of firms that believe the local government does not have a negative attitude indicate that this could be a good time for the local government to actively involve itself in finding means to assist their companies with growth strategies.

Perception of services. In general, firms are satisfied with the services that are provided to them. High percentages of firms evaluate fire protection, the electric systems, the public school systems, police protection, the telephone systems, and the quality of garbage collection as

good, while relatively high percentages of poor ratings are given for the availability of air transportation, the quality of public transportation, and the quality of roads² (see Table 79). The availability of air transportation received the highest poor rating of 38% and only a 12% good rating. The perception of public transportation was similar: 35% said poor while 13% said good. Obviously, air transportation and public transportation are perceived as major problems by Kansas mid-size community companies.

TABLE 79
ALL FIRMS' PERCEPTIONS OF SERVICES

	No Opinion	Good	Adequate	Poor
Quality of Roads	1%	35%	46%	18%
Quality of Railroads	34%	28%	27%	11%
Cost of Transportation	10%	29%	47%	14%
Availability of Air Transp.	21%	12%	29%	38%
Quality of Public Transp.	28%	13%	24%	35%
Freight Delivery Time	12%	53%	31%	4%
Quality of Training	18%	37%	31%	14%
Fire Protection	4%	76%	19%	1%
Police Protection	1%	69%	27%	3%
Telephone System	1%	63%	30%	6%
Electrical System	1%	74%	21%	4%
Public School System	7%	73%	17%	3%
Quality of Garbage Collection	6%	65%	25%	4%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

²At the time when this survey was conducted, the highway system was a much debated topic in the state capitol and between Kansas citizens. Statements about the highway system made here may be different from opinions made if the survey were given in another time period, and this should be considered when reading any discussion of roads or highways.

The poor ratings given to transportation issues will be important as firms expand or decide to expand. Firms that want to grow will look to see if they can adequately move products to and from their destination, and at this time the quality of such issues are in question. This will become increasingly important if firms are to broaden their markets and try to increase the scope of their products. Important for the local business climate, however, is the perceived good quality of local services. These are positives for the communities and will help in decisions of location and expansion.

Government regulations that impede business operations. Regulations that may impede the successful operation of a business were seen to be mainly city or state regulations. Based on the total number of respondents, 98% stated that hampering city and/or state regulations impede operation (see Tables 80 and 81). Specific hampering city and/or state regulations mentioned by business representatives were zoning changes, restrictions on city or highway signs for advertising, property tax on inventory, bankruptcy laws, the controlling of wholesale prices, and shipping regulations. One business representative stated: "We need to advertise on signs to reach more customers. The restrictions on signs, though, is such that it hurts us more than it helps." The second highest percentages of factors were EPA regulations (19%) and government over regulation (19%).

TABLE 80
GOVERNMENT REGULATIONS THAT IMPEDE OPERATION*
BY SIZE OF FIRM

Number of Em- ployees	Hamp- ering City- State Regs.	KCC Over Reg- ula- tion	EPA Regs.	OSHA Regs.	Zoning	KS Dept. of Health	Gvt. Over Reg- ula- tion
1-19	98%	6%	14%	5%	15%	6%	19%
20-99	100%	5%	35%	3%	25%	8%	18%
100+	92%	0%	17%	8%	8%	8%	17%
PERCENT OF TOTAL	98%	6%	19%	5%	16%	6%	19%

n = 202

*Since firms could give more than one regulation, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas
Mid-Size Communities with Populations of 10,000 to 100,000,
Institute for Public Policy and Business Research, The
University of Kansas, 1987.

TABLE 81
GOVERNMENT REGULATIONS THAT IMPEDE OPERATION*
BY INDUSTRY

Industry	Hamp- ering City- State Regs.	KCC Over Reg- ula- tion	EPA Regs.	OSHA Regs.	Zoning	KS Dept. of Health	Gvt. Over Reg- ula- tion
Agriculture	100%	0%	50%	25%	13%	0%	50%
Mining	100%	21%	21%	0%	21%	25%	8%
Construction	100%	10%	10%	0%	20%	0%	40%
Manufacturing	92%	3%	24%	8%	18%	5%	5%
Trans.-Comm.	100%	14%	14%	0%	14%	0%	14%
Wholesale	95%	0%	32%	5%	11%	11%	16%
Finance	100%	0%	0%	0%	0%	0%	55%
Services	100%	0%	9%	2%	22%	2%	22%
PERCENT OF TOTAL	98%	6%	19%	5%	16%	6%	19%

n = 202

*Since firms could give more than one regulation, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas
Mid-Size Communities with Populations of 10,000 to 100,000,
Institute for Public Policy and Business Research, The
University of Kansas, 1987.

There are state regulations that are impeding operation, and these will be factors in future expansion. It would be a mistake to think that operations are impeded solely by federal regulations. Developing a better understanding of what laws and regulations are hurting businesses, and seeking to correct unnecessary restrictions, will improve the local and state business climates.

Taxes that influence expansion decisions. Taxes also have a negative effect on expansion. Property tax on inventories was the greatest tax reason to forego expansion, with 61% of all respondents giving this reason (see Tables 82 and 83). This reason was also given by high percentages of manufacturing, finance, and wholesale firms. Other reasons that had high percentages of the total number of respondents were workers compensation (47%), the unemployment insurance tax (46%), and the sales tax on machines and equipment (32%). The state should be aware of the business taxes that limit expansion, and, to the extent possible, find ways to reduce the burden of particular taxes on companies.

TABLE 82
REASONS TO FOREGO EXPANSION*
BY SIZE OF FIRM

Number of Employees	Over-all State Tax Burden	Over-all City Tax Burden	Corporate Income Tax	Property Tax on Inventories	Sales Tax on Machines and Equipment	Unemployment Insurance Tax	Workers Compensation	Severance Tax	Gas Tax
1-19	26%	14%	21%	63%	31%	46%	44%	10%	1%
20-99	14%	13%	17%	53%	33%	48%	58%	3%	5%
100+	16%	5%	11%	53%	26%	32%	63%	5%	0%
PERCENT OF TOTAL	24%	13%	20%	61%	32%	46%	47%	8%	2%

n = 367

*Since firms could give more than one reason, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 83
REASONS TO FOREGO EXPANSION*
BY INDUSTRY

Industry	Over- all State Tax Burden	Over- all City Tax Burden	Corp- orate In- come Tax	Prop- erty Tax on Inven- tories	Sales Tax on Equip- ment	Unem- ploy- ment Insur- ance Tax	Work- ers Compen- sation	Sev- erance Tax	Gas Tax
Agriculture	25%	6%	25%	38%	13%	50%	44%	0%	6%
Mining	32%	23%	15%	45%	30%	42%	43%	43%	2%
Construction	33%	7%	13%	40%	47%	73%	80%	0%	0%
Manufacturing	26%	16%	17%	75%	36%	43%	40%	3%	1%
Trans.-Comm.	37%	12%	20%	39%	37%	46%	54%	2%	5%
Wholesale	11%	8%	16%	79%	32%	33%	39%	1%	0%
Finance	31%	25%	38%	75%	50%	69%	50%	6%	0%
Services	19%	9%	28%	55%	17%	55%	54%	0%	0%
PERCENT OF TOTAL	24%	13%	20%	61%	32%	46%	47%	8%	2%

n = 367

*Since firms could give more than one reason, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Firms believe that a variety of taxes cause them to forego expansion. Table 82 shows that small firms in particular feel the property tax on inventory is a major burden, as well as the unemployment insurance tax and workers compensation. Although taxes affect large as well as small firms, it is important to remember the strain certain taxes place on the small firm, and how that inhibits expansion.

Business Climate Improvements

Suggestions for improving the local quality of life. Suggestions for improving the local quality of life centered mainly on economic development efforts (see Tables 84 and 85). Firms stated that the creation of new jobs and increases in potential customers would be the best way to improve the local quality of life, and they looked for economic development strategies as the best ways to make this happen. A high percentage of the total number of respondents that gave this suggestion for improvement were firms with 100 or more employees and companies in the construction and mining industries.

TABLE 84
WAYS TO IMPROVE THE LOCAL QUALITY OF LIFE*
BY SIZE OF FIRM

Number of Employees	Ec- onomic Dev- elop- ment	More Enter- tain- ment	More Activ- ities For Town	More Recre- ational Activ- ities	Improve Public Moral	Improve Town, Fix Prop- erty	Up- grade Edu- cation
1-19	58%	15%	8%	15%	7%	6%	9%
20-99	52%	21%	5%	21%	8%	3%	13%
100+	61%	22%	6%	17%	0%	0%	22%
PERCENT OF TOTAL	57%	16%	7%	16%	6%	5%	11%

n = 407

*Since firms could give more than one way for improvement, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 85
WAYS TO IMPROVE THE LOCAL QUALITY OF LIFE*
BY INDUSTRY

Industry	Ec- onomic Dev- elop- ment	More Enter- tain- ment	More Activ- ities For Town	More Recre- ational Activ- ities	Improve Public Moral	Improve Town, Fix Prop- erty	Up- grade Edu- cation
Agriculture	44%	22%	11%	22%	11%	6%	0%
Mining	66%	14%	7%	7%	3%	0%	7%
Construction	67%	0%	13%	0%	13%	7%	0%
Manufacturing	60%	16%	11%	14%	8%	3%	9%
Trans.-Comm.	60%	10%	8%	15%	4%	10%	15%
Wholesale	53%	21%	3%	22%	6%	0%	8%
Finance	48%	18%	0%	20%	5%	5%	20%
Services	58%	19%	8%	17%	6%	11%	11%
PERCENT OF TOTAL	57%	16%	7%	16%	6%	5%	11%

n = 407

*Since firms could give more than one way for improvement, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Kansas mid-size community firms are looking for economic development assistance, and the state has an excellent opportunity to initiate programs and assistance that will be used more than in the past. Firms also seem to want more activities in their community which are unrelated to business operations. Entertainment and more recreational activities are for the most

part out of state control, but firms feel these do play a part in the perceived quality of life.

Improving the local business climate. When asked for suggestions to improve the local business climate, a high percentage of respondents once again suggested economic development as a way for improvement (see Tables 86 and 87). As with the local quality of life, economic development is seen to increase employment and the number of customers for a firm, and this was given by a very high percentage of all firms (60%). Companies are looking for assistance for increased growth.

TABLE 86
SUGGESTIONS GIVEN FOR IMPROVING THE LOCAL BUSINESS CLIMATE*
BY SIZE OF FIRM

Number of Employees	Economic Development	Improve-ment Between State Local	Increase and Im-prove Local Image	Improve Local Financing	Tax Abate-ments	Local Gvt. Respon-sive	Help Entre-pre-neurs	Spend Muni-cipal Funds
1-19	59%	2%	12%	13%	15%	22%	12%	7%
20-99	62%	4%	12%	13%	12%	29%	12%	10%
100+	69%	0%	8%	8%	8%	23%	8%	15%
PERCENT OF TOTAL	60%	2%	12%	13%	14%	23%	12%	8%

n = 353

*Since firms could give more than one suggestion, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 87
SUGGESTIONS GIVEN FOR IMPROVING THE LOCAL BUSINESS CLIMATE*
BY INDUSTRY

Industry	Econ- omic Devel- opment	More Coop- eration Between State & Local	Increase and Im- prove Local Image	Improve Local Fin- ancing	Tax Incen- tives, Abate- ments	Local Govt. More Respon- sive	Help Entre- pre- neurs	Spend Muni- cipal Funds
Agriculture	40%	0%	7%	0%	7%	33%	0%	13%
Mining	63%	0%	0%	4%	19%	26%	4%	4%
Construction	68%	5%	21%	0%	0%	37%	5%	26%
Manufacturing	54%	0%	12%	19%	19%	28%	11%	8%
Trans.-Comm.	72%	0%	13%	21%	13%	13%	15%	4%
Wholesale	60%	2%	15%	15%	16%	18%	6%	9%
Finance	50%	3%	21%	12%	6%	29%	21%	0%
Services	60%	5%	8%	10%	17%	22%	17%	7%
PERCENT OF TOTAL	60%	2%	12%	13%	14%	23%	12%	8%

n = 353

*Since firms could give more than one suggestion, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Of the total number of firms, 60% stated that economic development was a way to improve the local business climate. These findings may indicate the limited knowledge firms have of economic development. There is also a desire for the local government to become more involved, and tax incentives are seen as a way for improvement. Companies seem to be responsive to development efforts, especially through local agencies or government. Assistance and information should be given to firms in Kansas mid-size communities more adequately than at the present time.

Improving the state business climate. Suggestions for improving the state business climate did not center so heavily on economic development, but included a variety of recommendations. Suggested by the highest percentage of firms was to improve the highway system (31% of all firms made this

suggestion), while other suggestions included economic development (29%), to change or lower taxes (26%), and tax incentives (16%) (see Tables 88 and 89).

TABLE 88
SUGGESTIONS GIVEN FOR IMPROVING THE STATE BUSINESS CLIMATE*
BY SIZE OF FIRM

Number of Employees	Economic Development	More Cooperation Between State & Local	Increase and Improve State Image	Better Financing Opportunities	Tax Incentives	Better Competition	Eliminate Severance Tax	Improve Highway System	Seek Diversification	Change Or Lower Taxes
1-19	28%	1%	14%	7%	16%	5%	5%	29%	2%	26%
20-99	33%	3%	14%	4%	17%	11%	2%	35%	5%	25%
100+	33%	0%	33%	17%	17%	13%	0%	33%	4%	25%
PERCENT OF TOTAL	29%	1%	15%	7%	16%	6%	4%	31%	2%	26%

n = 548

*Since firms could give more than one suggestion, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 89
SUGGESTIONS GIVEN FOR IMPROVING THE STATE BUSINESS CLIMATE*
BY INDUSTRY

Industry	Economic Development	More Cooperation Between State & Local	Increase and Improve State Image	Better Financing Opportunities	Tax Incentives	Better Competition	Eliminate Severance Tax	Improve Highway System	Seek Diversification	Change Or Lower Taxes
Agriculture	8%	0%	21%	4%	17%	0%	0%	33%	0%	33%
Mining	12%	0%	8%	4%	12%	2%	30%	26%	0%	32%
Construction	5%	0%	9%	9%	9%	5%	0%	6%	9%	23%
Manufacturing	28%	3%	16%	6%	17%	8%	2%	28%	3%	34%
Trans.-Comm.	39%	0%	11%	9%	14%	3%	1%	17%	1%	23%
Wholesale	34%	0%	12%	6%	22%	8%	4%	27%	1%	26%
Finance	27%	2%	20%	9%	20%	7%	0%	46%	3%	29%
Services	38%	1%	18%	7%	14%	8%	0%	32%	2%	15%
PERCENT OF TOTAL	29%	1%	15%	7%	16%	6%	4%	31%	2%	26%

n = 548

*Since firms could give more than one suggestion, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Transportation is once again a factor that is of consequence to these firms, and will gain even more importance if a large number of companies are to use more than the local market. Taxes are also very much on the mind of businesses, underlying the growth restrictions certain taxes may be making on Kansas mid-size community firms.

Business Climate Summary

After examining the data regarding the local and state business climates, it is possible to make the following summary implications:

1. Public services were generally perceived as good or at least adequate. The major exception is the quality of roads. Improvements in state highways should be a high priority for the state.
2. There is great dissatisfaction with (a) the cost of transportation and (b) the availability of air transportation. Transportation issues are crucial to the economic future of Kansas mid-size communities, and to the competitiveness of industries in nonmetropolitan areas.
3. Regulations that are perceived to be of harm to these firms come from the city or the state. It would be a mistake to think that operations are impeded solely by federal regulations.
4. Economic development is very much on the mind of these firms, and better knowledge of existing programs or the creation of new assistance will be accepted as efforts to increase development opportunities.
5. Small firms in particular are looking for assistance, indicating that now is a good time to focus on the vast growth potential of the small firm in the state.

VII.

ECONOMIC DEVELOPMENT PROGRAMS

In this section we examine economic development programs designed to assist businesses in the state, firms that utilize special employment skills for their operations, services from state schools that are used by firms, and employees sought from these state schools. It is imperative that policy makers know whether programs designed for firms are being used, and whether the state is assisting companies to be more competitive.

At the present time, there is very little knowledge about economic development programs, and an overwhelming majority of Kansas mid-size community firms do not use the assistance available. Other findings include (1) the employees in these firms are generally low-skilled, (2) the majority of firms do use the services of a state school, (3) the highest service used is the training of presently employed personnel, (4) most of the employees sought from state educational institutions are management personnel.

Economic Development Assistance

Certified Development Companies (CDCs). Only 2% of these firms used CDCs, and 88% had no knowledge of the program. For the most part, larger firms did have a greater knowledge of CDCs than did smaller firms (see Table 90), but only slightly more. A large industry difference was that finance industry firms used this assistance more than other industry firms (see Table 91).

TABLE 90
 PERCENT OF THE TOTAL NUMBER OF FIRMS
 THAT HAVE KNOWLEDGE AND HAVE USED
 CERTIFIED DEVELOPMENT COMPANIES
 BY SIZE OF FIRM

Number of Employees	Had No Knowledge of This Program	Had Knowledge of Program, but Had Not Used It	Had Used The Program
1-19	89%	10%	1%
20-99	83%	11%	6%
100+	79%	21%	0%
TOTAL PERCENT	88%	10%	2%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 91
 PERCENT OF THE TOTAL NUMBER OF FIRMS
 THAT HAVE KNOWLEDGE AND HAVE USED
 CERTIFIED DEVELOPMENT COMPANIES
 BY INDUSTRY

Industry	Had No Knowledge of This Program	Had Knowledge of Program, but Had Not Used It	Had Used The Program
Agriculture	95%	5%	0%
Mining	90%	8%	2%
Construction	96%	4%	0%
Manufacturing	87%	11%	2%
Transportation-Communications	90%	10%	0%
Wholesale	85%	14%	1%
Finance	76%	12%	12%
Services	90%	9%	1%
TOTAL PERCENT	88%	10%	2%

n 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

As will be a pattern when discussing most of these assistance programs, the majority of firms (88%) had no knowledge of Certified Development Companies. The state is missing chances for increased growth not through the unwillingness of firms to use this program, but because companies simply are uninformed. Knowledge about this assistance and how it may be used must be communicated better to firms in Kansas mid-size communities.

The Community Development Block Program. Firms do seem to know about the Community Development Block Program, with the majority stating they had knowledge of the program (see Tables 92 and 93), but only 2% of these firms have actually used this program. Again, larger firms had more knowledge about this program than smaller firms, and the finance industry companies had actually used the program more than other industry firms.

TABLE 92
 PERCENT OF THE TOTAL NUMBER OF FIRMS
 THAT HAVE KNOWLEDGE AND HAVE USED
 THE COMMUNITY DEVELOPMENT BLOCK PROGRAM
 BY SIZE OF FIRM

Number of Employees	Had No Knowledge of This Program	Had Knowledge of Program, but Had Not Used It	Had Used The Program
1-19	39%	59%	2%
20-99	31%	65%	4%
100+	22%	76%	2%
TOTAL PERCENT	37%	61%	2%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 93
 PERCENT OF THE TOTAL NUMBER OF FIRMS
 THAT HAVE KNOWLEDGE AND HAVE USED
 THE COMMUNITY DEVELOPMENT BLOCK PROGRAM
 BY INDUSTRY

Industry	Had No Knowledge of This Program	Had Knowledge of Program, but Had Not Used It	Had Used The Program
Agriculture	34%	63%	3%
Mining	42%	58%	0%
Construction	29%	64%	7%
Manufacturing	36%	62%	2%
Transportation- Communications	47%	52%	1%
Wholesale	38%	60%	2%
Finance	17%	74%	9%
Services	37%	62%	1%
TOTAL PERCENT	37%	61%	2%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

The lack of knowledge among small firms about this program indicates that a greater effort is needed to reach these companies with information and assistance. If this does not occur, small firms will remain uninformed and growth potential from these businesses will not be realized to its fullest.

Centers of Excellence Programs. The majority of firms had no knowledge of this program, either, with only 15% stating that they had knowledge of the program and 1% stating they had actually used the program (see Tables 94 and 95). As has been the pattern throughout, larger firms had a higher percentage of firms with knowledge of the program than did smaller firms, and finance industry firms used the program more.

TABLE 94
 PERCENT OF THE TOTAL NUMBER OF FIRMS
 THAT HAVE KNOWLEDGE AND HAVE USED
 THE CENTERS OF EXCELLENCE PROGRAMS
 BY SIZE OF FIRM

Number of Employees	Had No Knowledge of This Program	Had Knowledge of Program, but Had Not Used It	Had Used The Program
1-19	88%	11%	1%
20-99	80%	19%	1%
100+	60%	40%	0%
TOTAL PERCENT	84%	15%	1%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 95
 PERCENT OF THE TOTAL NUMBER OF FIRMS
 THAT HAVE KNOWLEDGE AND HAVE USED
 THE CENTERS OF EXCELLENCE PROGRAMS
 BY INDUSTRY

Industry	Had No Knowledge of This Program	Had Knowledge of Program, but Had Not Used It	Had Used The Program
Agriculture	95%	5%	0%
Mining	85%	15%	0%
Construction	86%	14%	0%
Manufacturing	87%	12%	1%
Transportation- Communications	89%	11%	0%
Wholesale	85%	15%	0%
Finance	64%	33%	3%
Services	84%	16%	0%
TOTAL PERCENT	84%	15%	1%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

The very high percentage of firms that do not have knowledge of this program again points to added effort that must be made in communicating these programs to firms in Kansas mid-size communities. The constant proportion of finance firms that are receiving more information about these programs and who, in turn, use them, indicates that a few firms are receiving at least some information and assistance. This should be communicated to other firms, however, for increased use.

The Job Training Partnership Act. This assistance program had the highest use, with 11% stating that they had actually used the program (see Tables 96 and 97). The majority of firms also had knowledge about JTPA. Firms with less than 20 employees this time had more knowledge about the program, but used this assistance less than larger firms. The highest percentages of industry use were in the transportation-communications and services industries.

TABLE 96
 PERCENT OF THE TOTAL NUMBER OF FIRMS
 THAT HAVE KNOWLEDGE AND HAVE USED
 THE JOB TRAINING PARTNERSHIP ACT
 BY SIZE OF FIRM

Number of Employees	Had No Knowledge of This Program	Had Knowledge of Program, but Had Not Used It	Had Used The Program
1-19	42%	49%	9%
20-99	38%	46%	16%
100+	26%	41%	33%
TOTAL PERCENT	42%	47%	11%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 97
 PERCENT OF THE TOTAL NUMBER OF FIRMS
 THAT HAVE KNOWLEDGE AND HAVE USED
 THE JOB TRAINING PARTNERSHIP ACT
 BY INDUSTRY

Industry	Had No Knowledge of This Program	Had Knowledge of Program, but Had Not Used It	Had Used The Program
Agriculture	42%	55%	3%
Mining	33%	55%	12%
Construction	39%	54%	7%
Manufacturing	36%	52%	12%
Transportation- Communications	46%	38%	16%
Wholesale	47%	44%	9%
Finance	43%	52%	5%
Services	46%	40%	14%
TOTAL PERCENT	42%	47%	11%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

The Job Training Partnership Act (JTPA) is more well known among these firms than other economic development programs asked about in this survey. JTPA is a training program that can be of great assistance to firms that want to cut training costs and develop more highly skilled workers, and efforts to increase the knowledge and use of this program should be encouraged.

The Kansas Industrial Training Program. The majority of firms had no knowledge of this program, with only 2% of all firms stating that they had actually used the program (see Tables 98 and 99). Larger firms had more knowledge about and used KIT more than smaller firms, but there were no great industry differences.

TABLE 98
 PERCENT OF THE TOTAL NUMBER OF FIRMS
 THAT HAVE KNOWLEDGE AND HAVE USED
 THE KANSAS INDUSTRIAL TRAINING PROGRAM
 BY SIZE OF FIRM

Number of Employees	Had No Knowledge of This Program	Had Knowledge of Program, but Had Not Used It	Had Used The Program
1-19	66%	33%	1%
20-99	61%	34%	5%
100+	57%	36%	7%
TOTAL PERCENT	64%	34%	2%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 99
 PERCENT OF THE TOTAL NUMBER OF FIRMS
 THAT HAVE KNOWLEDGE AND HAVE USED
 THE KANSAS INDUSTRIAL TRAINING PROGRAM
 BY INDUSTRY

Industry	Had No Knowledge of This Program	Had Knowledge of Program, but Had Not Used It	Had Used The Program
Agriculture	55%	42%	3%
Mining	72%	28%	0%
Construction	57%	39%	4%
Manufacturing	63%	35%	2%
Transportation- Communications	62%	37%	1%
Wholesale	61%	36%	3%
Finance	69%	31%	0%
Services	70%	28%	2%
TOTAL PERCENT	64%	34%	2%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

The Kansas Industrial Training Program is a special program designed to aid new expansion that employs new personnel. The use of this program can greatly assist firms in their training capabilities, and like the other assistance that has been discussed, more firms need knowledge about the program and how to access it.

TABLE 100
SUMMARY TABLE FOR
ECONOMIC DEVELOPMENT PROGRAMS

	No Knowledge	Knowledge, No Use	Used Program
Certified Development Companies	88%	10%	2%
Centers of Excellence	84%	15%	1%
Community Development Block Programs	37%	61%	2%
Kansas Industrial Training Program	64%	34%	2%
Job Training Partnership Act	42%	47%	11%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Note: Percentages are of the total number of firms.

State economic development programs are virtually unknown to firms in Kansas mid-size communities. Only a very small percentage of companies have actually used the programs. A major effort is required to assure that firms know what state programs are available to assist them. Resources available for economic development programs have been sufficient to have only a marginal impact on firms in these communities.

However, the few firms using these services are exhausting the state revenues allocated for state economic development programs. With increased knowledge will come increased competition for funds. The state needs to

evaluate current programs to determine if funding is being used effectively, and to identify the most productive programs. Current funding is not sufficient to provide assistance to most eligible firms. Funding needs to be increased, or reallocated, to provide better access for Kansas mid-size community firms.

Firms That Need A Specialized Skill

For the total number of firms, 97% stated that they did not need a specialized skill for employment in their company (see Tables 101 and 102). There were no real size differences here, but 10% of all mining firms did state that they did require a specialized skill for employment, a within industry percentage that was much higher than for any other.

TABLE 101
PERCENT OF TOTAL FIRMS THAT NEED A
SPECIALIZED SKILL, BY FIRM SIZE

Does your firm need a specialized skill for employment in your company?		
Number of Employees	NO	YES
1-19	97%	3%
20-99	97%	3%
100+	98%	2%
TOTAL PERCENT	97%	3%

n = 856

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 102
 PERCENT OF TOTAL FIRMS THAT NEED A
 SPECIALIZED SKILL, BY INDUSTRY

Does your firm need a specialized skill for
 employment in your company?

Industry	NO	YES
Agriculture	97%	3%
Mining	90%	10%
Construction	96%	4%
Manufacturing	98%	2%
Transportation- Communications	94%	6%
Wholesale	98%	2%
Finance	98%	2%
Services	98%	2%
TOTAL PERCENT	97%	3%

n = 856

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

The work force in Kansas mid-size communities are not highly skilled, and this factor could keep many firms from being truly competitive in the future. What is important to note is that with the rapid changes in technology and technical advancement in business operations, skilled positions will become more common for all types of firm sizes and industries. To remain competitive, companies will have to adapt. This will mean that companies in these size communities will have to train a great deal of workers in the future, which will affect the resources available for expansion. Programs such as the Job Training Partnership Act and the Kansas Industrial Training Program take on added significance when this subject is discussed, and firms should be made aware of such assistance.

Using state universities, community colleges, or vocational schools.
 Development and innovation that can be fostered by these state educational

institutions is not being fully realized by all firms in Kansas mid-size communities. For the total number of firms, 61% have not used the services of any state university, community college, or vocational school (see Tables 103 and 104). Larger firms used these institutions more than did smaller firms, and the agriculture industry had a high percentage of firms (66%) that used these institutions.

TABLE 103
 PERCENT OF TOTAL FIRMS THAT HAVE USED THE
 SERVICES OF A STATE UNIVERSITY, COMMUNITY
 COLLEGE, OR VOCATIONAL SCHOOL
 BY SIZE OF FIRM

In the past two years, has your company ever used the
 services of any state university, community
 college, or vocational school?

Number of Employees	NO	YES
1-19	66%	34%
20-99	47%	53%
100+	33%	67%
TOTAL PERCENT	61%	39%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 104
 PERCENT OF TOTAL FIRMS THAT HAVE USED THE
 SERVICES OF A STATE UNIVERSITY, COMMUNITY
 COLLEGE, OR VOCATIONAL SCHOOL
 BY INDUSTRY

In the past two years, has your company ever used the
 services of any state university, community
 college, or vocational school?

Industry	NO	YES
Agriculture	34%	66%
Mining	70%	30%
Construction	64%	36%
Manufacturing	64%	36%
Transportation- Communications	65%	35%
Wholesale	68%	32%
Finance	53%	47%
Services	55%	45%
TOTAL PERCENT	61%	39%

n = 858

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Assistance from these schools can be extremely helpful to companies, and the innovation that can come from small firms is of great potential. Companies and these state institutions should be working together more, and ways to continue or initiate contacts and work together should be encouraged.

Services used from state universities, community colleges, and vocational schools. For firms that do use the services of these schools, the majority use universities, community colleges, or vocational schools for the training of presently employed personnel. Of these firms, 41% mentioned training as a service, with technical courses (25%), consulting in business planning (23%), and business courses (22%) being other highly used services mentioned

(see Tables 105 and 106). The continued use of all of these services should be continued and encouraged.

TABLE 105
SERVICES USED FROM STATE UNIVERSITIES, COMMUNITY COLLEGES, OR VOCATIONAL SCHOOLS, BY SIZE OF FIRM*

Number of Em- ployees	Training of Presently Employed Personnel	Tech- nical Courses	Busi- ness Courses	Con- sulting In Product Devel- opment	Con- sulting In Process Inno- vation	Con- sulting In Busi- ness Planning	Con- sulting In Con- struc- tion	Agri- cul- ture- Vet. Services
1-19	37%	23%	23%	8%	9%	25%	2%	9%
20-99	50%	27%	21%	12%	17%	18%	1%	9%
100+	50%	55%	18%	14%	23%	14%	0%	14%
PERCENT OF TOTAL	41%	25%	22%	9%	11%	23%	2%	9%

n = 401

*Since firms could state more than one service, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 106
SERVICES USED FROM STATE UNIVERSITIES, COMMUNITY COLLEGES, OR VOCATIONAL SCHOOLS, BY INDUSTRY*

Industry	Training of Presently Employed Personnel	Tech- nical Courses	Busi- ness Courses	Con- sulting In Product Devel- opment	Con- sulting In Process Inno- vation	Con- sulting In Busi- ness Planning	Con- sulting In Con- struc- tion	Agri- cul- ture- Vet. Services
Agriculture	21%	21%	14%	7%	4%	18%	0%	54%
Mining	46%	29%	21%	8%	25%	8%	0%	0%
Construction	47%	41%	12%	0%	6%	0%	24%	0%
Manufacturing	35%	33%	24%	16%	12%	23%	1%	6%
Trans.-Comm.	42%	18%	21%	11%	13%	26%	3%	5%
Wholesale	50%	32%	15%	11%	11%	17%	0%	13%
Finance	42%	2%	51%	0%	10%	37%	0%	5%
Services	41%	20%	19%	6%	10%	34%	2%	1%
PERCENT OF TOTAL	41%	25%	22%	9%	11%	23%	2%	9%

n = 401

*Since firms could state more than one service, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Employees sought from state universities, community colleges, and vocational schools. Employees sought from these educational institutions are mainly business and management personnel and entry level clerical workers (see Tables 107 and 108). Besides management personnel, the variety of employees hired reflects the relatively low-skill nature of these firms, with few percentages given of technicians, engineers, and drafters. The future competitiveness of these firms will depend on the recruitment and use of these latter types of employees.

TABLE 107
EMPLOYEES SOUGHT FROM STATE UNIVERSITIES, COMMUNITY COLLEGES, OR VOCATIONAL SCHOOLS
BY SIZE OF FIRM*

Number of Employees	Entry-Level Clerical	Mechanics, Machinists	Data Processors	Electronics, Electrical Technicians	Drafters	Chemical Process, Lab Technicians	Engineers	Business Management Personnel	Agricultural, Vet. Personnel	Heavy Equipment Operators	General Labor
1-19	26%	20%	7%	7%	3%	6%	8%	27%	9%	6%	14%
20-99	25%	21%	11%	7%	3%	2%	15%	44%	8%	8%	10%
100+	14%	18%	23%	14%	5%	23%	27%	45%	9%	9%	5%
PERCENT OF TOTAL	25%	20%	8%	8%	3%	5%	11%	31%	8%	6%	13%

n = 486

*Since firms could state more than one type of employees sought, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 108
EMPLOYEES SOUGHT FROM STATE UNIVERSITIES, COMMUNITY COLLEGES, OR VOCATIONAL SCHOOLS
BY INDUSTRY*

Industry	Entry-Level Clerical	Mechanics, Machinists	Data Processors	Electronics, Electrical Technicians	Drafters	Chemical Process, Lab Technicians	Engineers	Business Management Personnel	Agricultural, Vet. Personnel	Heavy Equipment Operators	General Labor
Agriculture	4%	4%	4%	0%	4%	8%	0%	4%	79%	0%	8%
Mining	17%	40%	4%	2%	0%	15%	26%	21%	0%	9%	13%
Construction	0%	6%	0%	11%	0%	0%	33%	28%	0%	28%	22%
Manufacturing	17%	34%	7%	7%	5%	8%	15%	28%	5%	3%	15%
Trans.-Comm.	28%	23%	35%	19%	2%	0%	4%	26%	9%	18%	9%
Wholesale	29%	34%	2%	8%	2%	0%	12%	35%	8%	9%	9%
Finance	52%	2%	18%	0%	0%	0%	0%	61%	4%	0%	7%
Services	27%	6%	42%	9%	6%	9%	5%	30%	2%	1%	17%
PERCENT OF TOTAL	25%	20%	8%	8%	3%	5%	11%	31%	8%	6%	13%

n = 486

*Since firms could state more than one type of employees sought, total percentages may not add to 100%.

Source: Business Retention and Expansion Survey for Kansas Mid-Size Communities with Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

Economic Development Assistance Programs

After examining the data regarding economic development programs, it is possible to make the following summary implications:

1. State economic development programs are virtually unknown to firms in Kansas mid-size communities. Only a very small percentage of firms have knowledge of the programs and a small number of companies have actually used the programs. A major effort is required to assure that firms know what state programs are available to assist them. Resources available for economic development programs have been sufficient to have only an impact on a marginal number of firms in these communities.
2. The few firms using these services are exhausting the state revenues allocated for state economic development programs. With increased knowledge will come increased competition for funds. The state needs to evaluate current programs to determine if funding is being used effectively, and to identify the most productive programs. Current funding is not sufficient to provide assistance to most eligible firms. Funding needs to be increased, or reallocated, to provide better access for Kansas mid-size communities.
3. The majority of firms in Kansas mid-size communities have requirements for general, nonspecialized skills.
4. Kansas mid-size communities have relatively low-skill workers, making their ability to compete in the future heavily dependent on training and access to training programs.
5. The growth potential of these firms will be weakened if competition requires a shift to more specialized forms of employment.
6. Given the nature of the JTPA and the KIT programs, it is imperative that these types of assistance be well funded and that their content be well known to companies across the state.
7. Larger firms use the services of a state university, community college, or vocational school more than smaller firms, indicating possible difficulties for small firms to find, make, and/or afford contacts with these institutions.