

PART I

BUSINESS RETENTION AND EXPANSION
IN McPHERSON

A Research Report

prepared for

The Kansas Department of Commerce

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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 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

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

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PART I

BUSINESS RETENTION AND EXPANSION
IN McPHERSON
EXECUTIVE REPORT

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EXECUTIVE SUMMARY

A sample survey of 83 business firms in McPherson was completed to find determinants of business retention and expansion of existing industries in McPherson.

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 McPherson, to identify the potential of McPherson firms to expand within their community, to assist the establishment of local retention and expansion efforts, and to distinguish local issues that influence retention and expansion.

The major findings of the study are:

1. Small firms are a major source of economic growth in McPherson. A substantial majority of firms surveyed (76%) in McPherson have less than 20 employees.
2. Manufacturing firms are a vital part of the economic base in this community. More surveyed firms were in manufacturing (24%) than in any other industry. Thirty-six percent of manufacturing firms have total annual sales of \$5 million dollars or more.
3. Firms in McPherson are primarily selling in local and state markets. Companies sold an average 51% of their products or services in the local market, 23% in the state market, 25% in the national market, and 1% in the international market. Future economic growth will depend on local firms successfully competing in national and international markets.
4. However, in comparison to firms surveyed in the other 8 communities, surveyed McPherson firms sell more of their products in the national market. McPherson firms sell an average 25% of their goods and services in the national market while firms in the other 8 communities sold an average 16% in the national market.
5. Industrial recruitment has generally not been a successful strategy for McPherson. In the past five years, only 5% of the total number of surveyed firms moved to McPherson from another city or state.

6. Most firms are located in the community because McPherson is the founder's hometown. When asked for reasons for location, 56% of the total number of firms stated that their reason for location was because McPherson was their hometown.

7. Very few firms are planning to leave the community. Only 3% of the total number of surveyed firms stated they were planning to leave McPherson next year. The majority of respondents have a positive image of rural life and of the state: only 4% stated they had a negative image of rural life and only 2% stated they had a negative image of Kansas.

8. Firms with 50 or more employees, however, do have a slightly more negative view of rural life and of Kansas. Of these respondents, 16% said they had a negative image of rural life and 5% said they had a negative image of Kansas. In addition, 16% said they had trouble attracting and retaining management or professional personnel.

9. McPherson companies believe there are additional companies not presently located in the community that would be of benefit to existing firms. Of the total number of surveyed firms, 45% stated that an additional manufacturer or service provider would be of benefit to their respective company.

10. Expansion growth has occurred in McPherson the past two years and there is optimism about expansion capabilities for the future. Of the total number of firms, 38% stated they had increased employment the past two years and 32% stated they had increased physical plant size. In the coming year, 40% stated they will increase employment and 26% stated they will increase physical plant size.

11. Although very small in number, 30% of those firms that are planning an expansion will expand outside of the city limits. The majority of firms with 50 or more employees will expand out of state. Reasons for expansion outside of McPherson must be examined before trends develop that could lead to further losses of expansion.

12. There are firms in McPherson with both the potential and the desire to expand internationally. Of the firms that responded, 12% said they had the potential to expand and 11% said they had the desire to expand.

13. Financing sources for expansion in McPherson are traditional in nature. Of the total number of firms, 53% stated that a bank was a source for financing and 49% stated that internal funds were a source.

14. Financing is seen as a problem by McPherson companies. Of the firms that experienced a contraction in size, 9% stated a reason for contraction was a lack of affordable financing; of the firms that have expanded, 29% stated that a problem associated with expansion was lack of affordable financing; and of the total number of firms, 8% stated that their firm has been forced to forego or postpone an expansion because of lack of financing.

15. Most McPherson firms believe their local government is positive towards local businesses but a significant proportion believe that the government should be more responsive towards business needs. Of the total number of firms, 70% stated that the attitude of the local government towards businesses in the community was positive to very positive, and 25% suggested that the local government should be more responsive as a way to improve the local business climate.

16. The majority of local services were seen to be either good or adequate. Of the total number of firms, 91% rated the electrical system as good, 87% rated the public school system as good, 80% rated fire protection as good, and 80% rated police protection as good. The major exceptions were air transportation and public transportation: 32% rated the quality of public transportation as poor and 31% rated the availability of air transportation as poor.

17. The overwhelming majority of McPherson firms have requirements for general, nonspecialized skills. Of the total number of firms, 98% stated they did not need a specialized skill for employment in their respective company.

18. State economic development programs are relatively unknown to firms in McPherson. Of the total number of surveyed firms, 85% had no knowledge of Centers of Excellence, 84% had no knowledge of Certified Development Companies, 55% had no knowledge of the Kansas Industrial Training Program, 54% had no knowledge of the Job Training Partnership Act, and 32% had no knowledge of Community Development Block Programs. The highest percentage of actual use came from the Job Training Partnership Act: 7% of all firms actually used this program. For all other types of assistance, actual use was no higher than 4%.

19. McPherson firms expressed strong support for economic development. Of those firms that suggested ways to improve the quality of life, the local business climate, and the state business climate, 33% mentioned economic development as a way to improve the local quality of life, 49% suggested economic development as a way to improve the local business climate, and 33% suggested economic development as a way to improve the state business climate.

20. Companies appear to have very little problems with the overall quality of life in McPherson. Of the total number of surveyed firms, 97% stated that the quality of life was good, 3% stated the quality of life was adequate, and 0% stated the quality fo life was poor.

21. The quality of life McPherson firms believe they experience takes on added significance when making comparisons to firms surveyed in the other 8 communities sampled for the state report on business retention and expansion. Ninety-seven percent of McPherson firms stated the quality of life was good and 3% stated adequate; 80% of the surveyed firms in the other 8 communities stated that the quality of life was good, 17% stated adequate, and 2% stated poor.

SUMMARY OF IMPLICATIONS FOR ECONOMIC DEVELOPMENT

POLICY IN MCPHERSON

1. Local policies should emphasize encouraging entrepreneurs in McPherson who are starting new businesses and to facilitating expansion of existing businesses. Examples of such efforts include incubators and small business development centers. Entrepreneurs should be actively involved in McPherson's economic development strategies.
2. Although the recruitment of firms from outside of Kansas should constitute one part of McPherson's economic development strategy, the major focus should be on the establishment of new firms and the growth of existing businesses.
3. McPherson, in cooperation with the Kansas Department of Commerce, 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.
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 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 (banks and internal funds) and do not have access to seed, medium, or high risk financing. Consideration should be given to establishing a community based seed/venture capital firm in McPherson.
6. Public transportation and the availability of air transportation are the two parts of McPherson's transportation system that require improvement. Regional cooperation to improve the availability of air transportation needs to be pursued.

7. Firms in McPherson should be encouraged to participate more actively in national markets outside of Kansas. Efforts to help firms realize their potential in larger markets is necessary. To do otherwise would seriously limit growth opportunities. The local business community needs to be actively involved in efforts to broaden markets.
8. Efforts to assist firms to participate in international trade are necessary. Such assistance may include programs 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 such as McPherson.
9. A major effort is required to assure that firms in McPherson know what state programs are available to assist them. The local business community and local governments should initiate communication programs to insure that firms in McPherson know about the Kansas Technology Enterprise Corporation, Kansas Venture Capital, Inc., Kansas Inc., and other state economic development programs.

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 McPherson. This was accomplished through a survey questionnaire given to a random sample of business representatives. McPherson companies were surveyed to identify factors that influence retention and expansion in existing industries in the community, to identify the potential of McPherson firms to expand within their community, to assist the establishment of local retention and expansion efforts, and to distinguish state and local level issues that influence retention and expansion.

Along with McPherson, eight other communities (Coffeyville, Emporia, Garden City, Great Bend, Hays, Hutchinson, Lawrence, and Salina) were surveyed as part of an overall state report of retention and expansion in communities with populations of 10,000 to 100,000 persons. Survey results for McPherson are compared to results from the other 8 communities in Part II of this report.

A total of 83 randomly selected firms participated in this study. These firms were drawn from the economic base of the community, and represented the agriculture, mining, construction, manufacturing, transportation-communications, wholesale, finance, and services industries (retail firms and service firms that were entirely local were not included in this sample).

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 McPherson, (4) the local and state business climate, 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 McPherson firms, it is necessary to review several economic growth trends for Kansas. This data will provide a background for consideration when the survey results are discussed, and will provide trends and explanations that will give a view of the total state and of McPherson county, along with the counties of the other 8 communities that were part of the overall state study of retention and expansion. 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 growth in McPherson county was 6% from 1978 to 1986. Although this statistic is positive, it is less than the percentage for Kansas and less than half the growth experienced by the United States for the same time period. Employment growth for McPherson county, however, was higher in this time period than for five of the nine counties that were included in the survey (see Table A).

TABLE A
TOTAL EMPLOYMENT - COUNTIES, KANSAS, 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	14.8	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	90408	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.

Establishment Growth

For McPherson county, establishment growth from 1978 to 1985 has seen a growth rate of 10%. This is much lower than the rate for Kansas and for the United States, and is lower than the growth rates for 7 of the other 8 counties. Although McPherson county has a positive establishment growth rate, its poor showing in comparison to the state and the other counties indicates past expansion problems for the county, and potential problems for the future (all figures are from the Kansas County Business Patterns and the United States County Business Patterns).

Personal Income Growth

Personal income growth for McPherson county was 73% for the time period 1978 to 1984. This was almost equal to the Kansas growth rate of 75%, and it was higher than the United States rate of 71%. Only three counties that were selected for the state report (Barton, Finney, and Ellis) had higher percentages of personal income growth (all figures are from the Bureau of

Economic Analysis, Regional Economic Information System, U.S. Bureau of Economic Analysis, and the National Income and Products Accounts of the U.S.).

Summary

Employment growth in McPherson county has lagged behind employment growth in Kansas and the United States. This suggests weaknesses in the McPherson economy and signifies the importance of designing and implementing appropriate economic developments strategies. McPherson is particularly important for Kansas as a regional center for its part of the state. In recent years, the economy of McPherson has 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 employee to 566 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 McPherson. Companies that were entirely local in their offering of goods or services were not surveyed. Because of this, retail businesses and some service organizations were not included in this study.

Company Size and Industry

Companies in McPherson are small: 76% of the total number of surveyed

firms have less than 20 employees. The small firm in McPherson is a great potential source for growth in the community. Although the majority of industries have a large percentage of firms with less than 20 employees, the exception is manufacturing: 57% of manufacturing firms have 20 employees or more. This indicates the importance of manufacturing firms to the economic base of McPherson (see Table B).

TABLE B
SURVEY COMPANIES BY NUMBER OF EMPLOYEES AND BY INDUSTRY

Industry	Number of Employees			Percent of Total Firms That Are In This Industry
	1-19	20-49	50 Or More	
Agriculture	100%	0%	0%	4%
Mining	86%	0%	14%	10%
Construction	100%	0%	0%	4%
Manufacturing	43%	24%	33%	24%
Transportation-Communications	100%	0%	0%	13%
Wholesale	84%	8%	8%	18%
Finance	83%	17%	0%	9%
Services	75%	8%	17%	18%
Percent of Total Firms That Are In This Size Category	76%	10%	14%	100%

n = 83

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.

Total Annual Sales

For the firms that gave their total annual sales, 88% stated that annual sales were under \$5 million dollars, and only 5% stated that annual sales were \$20 million dollars or more (see Table C). Industry specific data, however, revealed that 29% of all manufacturing firms in this survey had

sales of \$10 million dollars or more. This data suggests that: (a) McPherson, on the whole, has small, low revenue companies, and (b) the importance of the manufacturing industry is underscored by the number of firms in the community and the large revenues they bring to McPherson.

TABLE C
TOTAL ANNUAL SALES

Annual Sales (000's)			
0 To 4,999 Dollars	5,000 To 9,999 Dollars	10,000 To 19,999 Dollars	20,000 Or More Dollars
88%	2%	5%	5%

n = 64

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 firms in McPherson are single establishment companies and are not part of a larger corporation. Of the total number of firms, 68% stated they were a single establishment company (see Table D). The majority of firms in McPherson also have their company headquarters in Kansas. As Table D shows, 79% of the total number of surveyed firms have headquarters in the state (68% are single establishments, 11% are part of a larger corporation). This datapoints out that with so many single establishment firms, the atmosphere for entrepreneurship in the community seems to be good. Another implication is that decisions concerning location and expansion will be made within the state, not by parent organizations outside of Kansas.

TABLE D
 PERCENT OF TOTAL FIRMS THAT ARE PART OF LARGER CORPORATION,
 AND LOCATION OF HEADQUARTERS

Single Company Firm	Part of a Larger Corporation		Total
	Kansas Headquarters	Non Kansas Headquarters	
68%	11%	21%	100%

n = 83

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

The scope of product markets for in McPherson firms is relatively limited. Firms sold a mean, or average, 51% of their goods or services in the local market, while they sold an average 1% in the international market (see Table E). Firms in McPherson sold an approximate mean 26% of their goods or services outside of the state. Size and industry breakdowns revealed that firms with 50 or more employees and manufacturing firms used markets outside of Kansas more than other size companies or other industry companies. The future competitiveness of McPherson firms will depend on how well they use many markets, particularly the international market. This data suggests that firms in McPherson should be encouraged to continue and to initiate trade in markets outside of Kansas. To do otherwise would seriously limit growth opportunities.

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
51%	23%	25%	1%

n = 83

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

After examining the descriptions of McPherson firms, it is possible to make the following summary implications:

1. Small firms are a major source of economic growth in McPherson. A substantial majority of firms (76%) in McPherson have less than 20 employees.
2. The majority of firms (88%) in McPherson have total annual sales of less than \$5 million dollars.
3. Manufacturing firms are a vital part of the economic base in this community. More surveyed firms were in manufacturing (24%) than in any other industry. Thirty-six percent of manufacturing firms have total annual sales of \$5 million dollars or more.
4. For the most part, location and expansion decisions will be made within McPherson, and not through parent organizations in another city or state. The majority of firms (68%) are single establishments, and not part of a larger corporation.
5. Firms in McPherson are primarily selling in local and state markets. Companies sold a mean, or average 51% of their products or services in the local market, 23% in the state market, 25% in the national market, and 1% in the international market. Future

economic growth will depend on local firms successfully competing in national and international markets.

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) additional firms that would be of benefit, (5) retaining and maintaining management and professional personnel, and (6) perceived images of rural life and of Kansas.

Location

Attraction of firms from outside of the community. McPherson has not been successful in attracting new companies to the community: of the total number of surveyed firms, only 5% have moved to McPherson from another city or state in the past five years. Although industrial recruitment should constitute one part of an economic development strategy for McPherson, the high percentage of single establishment firms (see Table C) and the low percentage of firms that have moved to the community suggest that the major focus should be on the establishment of new firms and the expansion of existing businesses.

Reasons for Location. Companies in McPherson are home grown and see their community as providing the location and markets they need. Of the total number of firms, 56% stated a reason for location was that McPherson was the hometown, 34% stated a central location was a reason for location, and 32% stated that a reason for location was that McPherson filled a product or service need (see Table F). These reasons emphasize the local orientation of McPherson.

TABLE F
REASONS FOR LOCATION IN THE COMMUNITY*

Home- town	Local Economy	Strong Local Govt.	More Recep- tive Public Fin- ancing	Tax In- centives and-or Public Fin- ancing	Afford- able Lease, Pur- chase Prices	Good Local Labor Pool	Ade- quate Space for Expan- sion	Good Access to Market	Good Access to Mat- erials	Central Loc- ation	Good Trans- por- tation Fac- ilities	Proximity To Educ.- Tech. Fac- ilities	Filled A Prod.- Service Need	Small Town, Rural Life
56%	12%	7%	2%	9%	9%	3%	21%	6%	34%	4%	1%	32%	2%	

n = 83

*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.

Retention

Retention of firms in the community. Only a very small percentage of firms are planning to leave McPherson. Of the total number of surveyed firms, only 3% stated they were planning to leave the community in the next year (see Table G). This implies that retention programs should be continued but are most likely to be successful if highly focused on the small number of dissatisfied companies who are planning to relocate outside of McPherson.

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

	Moving Within The Community	Moving Within The State	Moving Out Of State	Total Percent Moving
Firms That Are Planning To Move From Their Present Location In The Next Year	1% Of Total Firms	2% Of Total Firms	1% Of Total Firms	4% Of Total Firms

n = 83

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.

Additional Manufacturers or service providers that would be of benefit to existing companies. In the opinion of many firms, there are certain types of companies that are not presently in McPherson that could benefit the firms

already established in the community. Of the total number of surveyed firms, 45% stated that there were additional manufacturers or service providers that would be of benefit to their company if they were located in McPherson. Of the companies that stated what types of firms that would be of benefit, 49% said raw materials suppliers, 22% said business services, and 6% said repair-maintenance companies. Such companies should be targets for industrial recruitment and for targeting support for new firms or expansions. New firms in McPherson will have the added benefit of strengthening existing companies and their ties to the community.

Retaining and attracting management and professional personnel and perceived images of rural life and of Kansas. The large majority of firms in McPherson (a) do not have trouble retaining and/or attracting managers or professionals; (b) do not have a negative image of rural life; and (c) do not have a negative image of Kansas (see Table H). For these firms, retention strategies that focus on the quality of the community or of the state will have little impact on retention decisions.

TABLE H
 PERCENT OF TOTAL FIRMS THAT HAVE TROUBLE ATTRACTING OR RETAINING
 PROFESSIONAL AND MANAGEMENT PERSONNEL, AND PERCENT OF TOTAL FIRMS THAT HAVE
 A NEGATIVE IMAGE OF RURAL LIFE AND OF KANSAS

Do you have trouble attracting and/or retaining professional and management level personnel?		Do you have a negative image of rural life?		Do you have a negative image of Kansas?	
NO	YES	NO	YES	NO	YES
88%	12%	96%	4%	98%	2%

n = 83 (for each question)

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, closer examination of the data revealed that firms with 50 or more employees (1) have more trouble attracting and retaining management and professional personnel, and (2) have a more negative image of both rural life and of Kansas. Since the loss of a major employer would have a devastating detrimental impact on the community and on the service providers to the large firm, McPherson needs to address the needs of the large firm or risk the possibility that they may become dissatisfied and leave.

Location and Retention Summary

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

1. Industrial recruitment has generally not been a successful strategy for McPherson. In the past five years, only 5% of the total number of firms moved to McPherson from another city or state.
2. The majority of firms are located in the community because McPherson is the founder's hometown. When asked for reasons for location, 56% of the total number of surveyed firms stated their reason for location was because McPherson was their hometown.
3. Very few firms are planning to leave the community. Only 3% of

the total number of firms stated they were planning to leave McPherson next year. Although McPherson should have a retention program, it should be targeted upon the small number of firms that are dissatisfied with the community.

4. Recruitment strategies should focus on manufacturers and service providers that would be of benefit to firms already established in McPherson. Of the total number of surveyed firms, 45% stated that an additional manufacturer or service provider would be of benefit to their respective company.

5. Only 4% of McPherson firms stated they have a negative image of rural life and only 2% stated they have a negative image of Kansas.

6. Firms with 50 or more employees, however, do have a slightly more negative view of rural life and of Kansas. Such firms should be targeted for particular attention in a retention program. The loss of a major employer would have a devastating detrimental impact on the community and the other firms that are suppliers to the major company. In addition, since these larger firms are part of a larger corporation, the McPherson Chamber of Commerce and the local government will need to be in contact with the parent organizations of these firms.

7. Large firms also have more of a problem with attracting and retaining management and professional personnel. Of the respondents of firms with 50 or more employees, 16% said they had trouble attracting and retaining management or professional personnel. The future growth of all firms in McPherson will necessitate more activities and incentives to attract and maintain these types of employees.

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) problems with expansion and factors that helped expansion, (3) planned expansion for the next year, (4) location of future expansions, (5) the perceived ability to expand into the international market, and (6) their sources for expansion 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 major finding is that firms in McPherson are optimistic about expansion opportunities, but barriers to expansion growth in the community remain.

Past Expansion

Employment and physical plant expansion. In the past two years, there has been employment and physical plant size growth. Although the majority of firms have remained constant in employment and size, 38% of the total number of firms stated they increased employment over the past two years and 32% stated they increased physical plant size (see Table I). Obviously, employment growth has occurred in the community over the past two years. Maintaining and increasing these growth rates should be a high local priority.

TABLE I
PAST INCREASES IN EMPLOYMENT AND PHYSICAL PLANT SIZE

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

	Decreased	Remained Constant	Increased
Employment	16%	46%	38%
Physical Plant Size	7%	61%	32%

n = 83

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 past expansion and factors that helped expansion. For the firms that gave problems with expansion, 29% stated that a static or declining market was a problem, 29% stated lack of affordable financing was a problem, and 19% stated the availability of labor was a problem. Of the firms that had experienced an expansion, 71% stated that an expanding market

was a factor that helped expansion and 29% stated the availability of space was a factor that helped expansion.

As can be seen, the market for products was the number one reason for problems with expansion and with factors that helped expansion. This emphasizes the importance of increasing the scope of products to more than local and state markets. Affordable financing was a particular problem with past expansion, indicating a need for local officials to supply more information to firms about alternative means of financing. Availability of space received the second highest percentage as a factor that helped expansion. This suggests that some expansion may be delayed or postponed because of physical size constrictions. A continued lack of space in the community may lead to lack of growth, or growth that will be outside of the community.

Plans for Expansion

Employment and physical plant size expansion. There is optimism in McPherson concerning future employment growth and future plant size. Although the majority of firms will remain constant in both employment and plant size next year, 40% of the total number of surveyed firms said they will increase employment in the next year and 26% stated they will experience a plant size expansion in the next year (see Table J). Closer examination revealed that larger firms will increase employment more than smaller firms and firms with less than 20 employees will experience contractions in physical plant size more than other sized firms. Nevertheless, with these perceived employment and physical plant size opportunities perceived by McPherson firms, growth in the community can be significant and sustained.

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

	Decrease or Contraction	Remain Constant	Increase or Expansion

Employment	4%	56%	40%
Physical Plant Size	2%	72%	26%

n = 83

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. Where firms are planning an expansion may indicate problems for McPherson. Of the number of firms that stated they were planning an expansion, 70% said they would expand within the city limits, 12% said within the same county, 6% said within the state, and 12% said out of state. Size breakdown data revealed that 75% of these firms with 50 or more employees are planning their expansion out of state. Although the number of respondents to this question was not large (n = 21), 30% did state that they would expand outside of the city limits. This implies that local officials need to discover why firms are expanding out of McPherson, and design ways to make in-city expansion more attractive to firms. Problems with expansion, such as lack of financing or lack of space, should be addressed to the extent possible.

Expanding into the international market. There are firms in McPherson that have the potential and the desire to expand into the international market. Although the large majority of firms do not believe they can expand, 12% of the firms that answered these questions stated they had the potential to expand, and 11% stated they had the desire to expand into the

international market (see Table K). Size breakdowns revealed that there are small firms that believe they have the potential and the desire to expand internationally, so to concentrate expansion efforts solely on the large firm would be a mistake. If the potential for exports is not realized, and the desire to export not encouraged, the scope of products for many companies will remain narrow and locally orientated.

TABLE K
PERCENT OF TOTAL FIRMS THAT BELIEVE 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	88%	12%
Desire to Expand	89%	11%

n = 76

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.

Financing for Expansion

Financing Sources. Financing sources for expansion for McPherson firms come from traditional sources. Of the firms that gave a financing source, 53% said a bank was a source and 49% said internal financing was a source (see Table L). The major implication here is that firms in McPherson may not have the access to, or the knowledge of, alternative sources for financing. Expansion could depend on how these firms can find alternative sources for financing, and how community officials can disseminate information about how to use other types of assistance. A first step in helping firms with expansion would be to make sure that companies know there are other forms of financing for expansion besides traditional, and where they might be able to

access these sources. Continued dependence on standard sources for financing could impede expansion growth.

TABLE L
FINANCING SOURCES FOR EXPANSION*

Bank	Savings and Loan	Internal Financing	Private Sources	Small Business Administration	Industrial Revenue Bonds
53%	2%	49%	2%	7%	10%

n = 82

*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.

Expansion Summary

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

1. Expansion growth has occurred in McPherson the past two years and there is optimism about expansion capabilities for the future. Of the total number of firms, 38% stated they had increased employment in the past two years and 32% stated they had increased physical plant size. In the coming year, 40% stated they will increase employment and 26% said they will increase physical plant size. Now is an opportune time to encourage and foster expansion in the community.
2. An expanding market was the greatest factor associated with past expansion, and a declining or static market was the greatest reason associated with past contractions. This emphasizes the importance of participating in markets outside of McPherson and outside of Kansas.
3. Although very small in number, 30% of those firms that are planning an expansion will expand outside of the city limits. The majority of firms with 50 or more employees will expand out of state. Reasons for expansion outside of McPherson must be examined before trends develop that could lead to further losses of expansion.

4. There are firms in McPherson with the potential and the desire to expand internationally. Of the firms that responded, 12% said they had the potential to expand and 11% said they had the desire to expand. This includes small as well as large firms. There is an unrealized opportunity to increase exports from McPherson.

5. Financing sources for expansion are traditional in nature (banks and internal funds). Of the total number of firms, 53% stated that a bank was a source for financing and 49% stated that internal funds were a source. Alternative forms of financing must be made known to these firms to increase the opportunities and chances for expansion. Continued dependence on standard sources for financing could impede expansion growth.

BUSINESS CLIMATE

This section describes firms perceptions of (1) the local quality of life, (2) the attitude of the local government, (3) local services, (4) how to improve the quality of life, (5) how to improve the local business climate, and (6) how to improve the state business climate. For firms contemplating staying or expanding in McPherson, the business climate plays an important part in the decision process.

Local Business Climate

Quality of life. The overwhelming majority of surveyed firms in McPherson believe that the quality of life they experience is good. Of the total number of firms, 97% said the local quality of life was good, 3% said the local quality of life was adequate, and 0% said the local quality of life was poor. Size and industry breakdowns alike indicated that there were no great differences in this overall perception. This is a positive sign for the community; clearly, the majority of business representatives are not unhappy with the quality of life they experience in McPherson.

Attitude of the local government. The majority of surveyed firms in McPherson believe the local government has a positive attitude towards businesses in the community. Of the total number of surveyed firms, 70% stated that they thought the attitude of the local government was positive to very positive (see Table M). This data implies that now is an opportune time for the local government to get involved in economic development strategies that will help their firms and their community. The climate exists for mutual cooperation.

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

Attitude of Local Government		
Positive To Very Positive	Neutral	Negative To Very Negative
70%	23%	7%

n = 82

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. The majority of local services in McPherson were seen to be as good or adequate (see Table N). High good ratings were given to the electric system (91%), the public school system (87%), fire protection (80%), and police protection (80%). High poor ratings were given to the quality of public transportation (32%) and the availability of air transportation (31%). These relatively high percentage given for air transportation need to be considered. As firms trade more in markets that are outside of Kansas, air transportation will gain in significance. Companies will need modes of transportation that will be able to move products on time to and from their destinations. If McPherson is to grow,

transportation issues will become increasingly important.

TABLE N
McPHERSON FIRMS' PERCEPTIONS OF SERVICES

	No Opinion	Good	Adequate	Poor
Quality of Roads	0%	54%	40%	6%
Quality of Railroads	26%	39%	31%	4%
Cost of Transportation	12%	24%	55%	9%
Availability of Air Transportation	26%	12%	31%	31%
Quality of Public Transportation	25%	12%	31%	32%
Freight Delivery Time	20%	52%	25%	3%
Quality of Training	17%	47%	23%	13%
Fire Protection	1%	80%	19%	0%
Police Protection	0%	80%	18%	2%
Telephone System	0%	68%	22%	10%
Electric System	0%	91%	9%	0%
Public School System	2%	87%	10%	1%
Quality of Garbage Collection	8%	48%	28%	16%

n = 83

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 Improvements

Improving the local quality of life. Ways to improve the local quality of life centered upon economic development and general recreational activities. Of the respondents who suggested ways to improve the local quality of life, 33% suggested economic development, 22% suggested more entertainment and more activities for McPherson, and 20% suggested more recreational activities as a way to improve the local quality of life (see Table O). Officials in McPherson must note the kinds of activities mentioned by their businesses, and find ways to improve the local quality of life. The quality of life will be an important factor in a company's decision concerning location and expansion in the McPherson community.

TABLE O
WAYS TO IMPROVE THE LOCAL QUALITY OF LIFE*

Economic Develop- ment	More Enter- tainment	More Act- ivities For Town	More Recre- ational Activities	Improve Public Morale	Upgrade Education
33%	22%	22%	20%	11%	13%

n = 27

*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 local business climate. Of the firms that gave suggestions for improving the local business climate, 49% suggested economic development, 25% suggested that the local government be more responsive, and 16% suggested increasing and improving the local image and improving local financing (see Table P). Economic development as a way to improve the local business climate did receive the greatest percentage of responses from McPherson firms. There is also a desire for the local government to be more responsive, to improve the local image, and to improve local financing. These are areas where the local government can have an impact on the future of its businesses. As seen in Table L, McPherson firms believe that their local government has a positive attitude towards businesses in the community. The local government should build upon that impression and work with companies to improve the local business climate, and have a real influence on change.

TABLE P
SUGGESTIONS GIVEN FOR IMPROVING THE LOCAL BUSINESS CLIMATE*

Econ- omic Devel- opment	Increase and Improve Local Image	Improve Local Financing	Tax Incen- tives, Abate- ments	Local Govt. More Respon- sive	Help Entre- pre- neurs	Spend Muni- cipal Funds
49%	16%	16%	14%	25%	11%	6%

n = 39

*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. Suggestions for improving the state business climate again centered on economic development. Of the firms that gave suggestions, 33% suggested economic development, 30% suggested changing or lowering taxes, and 17% suggested improving the highway system (see Table Q). Clearly, economic development is seen as a way to improve both the local and the state business climates, and better knowledge of existing state programs will be accepted as efforts to increase developmental assistance.

TABLE Q
SUGGESTIONS GIVEN FOR IMPROVING THE STATE BUSINESS CLIMATE*

Econ- omic Devel- opment	More Coop- eration State & Local	In- crease and Im- prove State Image	Bet- ter Fin- ancing Opp- ortun- ities	Tax Incen- tives	Bet- ter Com- muni- cation	Elim- inate Sev- erance Tax	Im- prove High- way System	Change Or Lower Taxes
33%	1%	17%	8%	10%	13%	5%	17%	30%

n = 64

*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

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

1. The large majority of firms (70%) believed the attitude of the local government towards businesses was positive to very positive, but a relatively high percentage of firms (25%) suggested that to improve the local business climate the local government should be more responsive to businesses in the community. Now is an excellent time for the local government to assist in retention and expansion strategies.
2. Local public services were seen mainly to be good or adequate. However, the availability of air transportation and the quality of public transportation were seen by the majority to be poor. Transportation issues will grow in importance as firms enter larger product markets and become more competitive.
3. Suggestions for improving the local business climate included economic development, that the local government should be more responsive, to increase and improve the image of McPherson, and to improve local financing. McPherson firms are looking for development assistance from their community officials.
4. McPherson firms expressed support for economic development. Of those firms that suggested ways to improve the local quality of life, the local business climate, and the state business climate, 33% mentioned economic development as a way to improve the local quality of life, 49% suggested economic development as a way to improve the local business climate and 33% suggested economic development as a way to improve the state business climate.
5. Companies appear to have very little problems with the overall quality of life in McPherson. Of the total number of surveyed firms, 97% stated that the quality of life was good, 3% stated that the quality of life was adequate, and 0% stated that the quality of life was poor.

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; and (3) employees sought from state universities, community colleges, or vocational schools will be examined.

Economic Development Programs

State economic development programs are not well-known to companies in McPherson. For the total number of surveyed firms, 84% had no knowledge of Certified Development Programs, 85% had no knowledge of Centers of Excellence, 55% had no knowledge of the Kansas Industrial Training Program, 54% had no knowledge of the Job Training Partnership Act, and 32% had no knowledge of Community Development Block Programs (see Table R). Local officials need to assist the state in the distribution of knowledge about these programs; including who to contact, where contacts may be reached, and how these programs may help expansion efforts. Without such assistance, expansion and growth opportunities may continue to be unrealized.

TABLE R
KNOWLEDGE AND USE OF ECONOMIC DEVELOPMENT PROGRAMS

	No Knowledge	Knowledge, No Use	Used Program
Certified Development Companies	84%	12%	4%
Centers of Excellence	85%	14%	1%
Community Development Block Programs	32%	65%	3%
Kansas Industrial Training Program	55%	41%	4%
Job Training Partnership Act	54%	39%	7%

n = 83

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 That Need a Specialized Skill

Companies in McPherson do not require a highly-skilled work force. Of the total number of surveyed firms, 98% stated they did not need a specialized work force for employment in their company. 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 firms sizes and industries. To remain competitive, companies will have to adapt. This will mean that companies in McPherson will have to train a great deal of workers in the future, which will affect the resources available for expansion.

Using State Universities, Community Colleges, or Vocational Schools

The majority of firms in McPherson have not used the services of these institutions in the past two years. Sixty-three percent of the total number of firms said they have not used these educational institution's services in the past two years. Using schools like the Kansas College of Technology in Salina, Hutchinson Community College, Wichita State University, or any other state educational institution, is important for firms in the community, as the services provided can greatly improve the skills of employees, the development of new products, and the implementation of new business operation processes. Local officials should determine if any major barriers exist between McPherson firms and these schools, and should encourage cooperation between education and business in the McPherson community.

Employees sought from state universities, community colleges, or vocational schools. Of the firms that stated they sought employees from these institutions, 35% said they sought business management personnel, 32% said they sought entry-level clerical workers, and 26% said they sought mechanics and/or machinists (see Table S). Besides management personnel, the

variety of employees hired reflects the relatively low-skill nature of McPherson firms, with few percentages given for technicians, engineers, or drafters (which were not mentioned by surveyed McPherson firms). The future competitiveness of McPherson firms will depend upon the recruitment and use of these latter types of employees.

TABLE 5
EMPLOYEES SOUGHT FROM STATE UNIVERSITIES, COMMUNITY COLLEGES, OR VOCATIONAL SCHOOLS*

Entry- Level Clerical	Mech- anics, Mach- inists	Data Proc- essors	Elec- trical Techs.	Chem- ical Pro- cess, Lab Techs.	Engi- neers	Bus- iness Manage- ment Pers- onnel	Agric- ultural, Vet. Pers- onnel	General Labor
32%	26%	5%	8%	6%	13%	35%	6%	10%

n = 44

*Since firms could give more than one type of employee, 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

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

1. State economic development programs are not well-known to firms in McPherson. The majority of firms have no knowledge of the programs and a small number have actually used the programs. Local officials must work in cooperation with state agencies in supplying information and means of access to McPherson firms for better use of these programs. At the present time, economic development assistance has had an impact on only a marginal number of firms in the community.
2. The overwhelming majority of firms have requirements for general, nonspecialized skills. Of the total number of firms, 98% stated they did not need a specialized skill for employment in their respective company. This makes the ability to compete in the future heavily dependent on training and access to training.

3. The majority of firms do not use the services of a state university, community college, or vocational school, indicating possible difficulties for firms to find, make, and/or initiate contacts with these institutions.

SUMMARY

Firms in McPherson are basically small, low revenue companies that are pleased with their community and with their state. The majority of firms here have not moved to McPherson from another city or state in the past two years, and the majority of firms are not planning to leave the community. It would be in the best interests of the community if local officials foster this hometown atmosphere and encourage the development of new firms in the community. Sustained future growth will come from the expansion and growth of the firms presently in McPherson, not from firms recruited to relocate in the area.

It looks as if now is an opportune time to facilitate the expansion of firms in McPherson. There is optimism about expansion capabilities, and there has been new growth in employment and in physical plant size the past two years. Financing and lack of space were problems associated with expansion; the implication here is to find ways that local officials can help their businesses in finding alternative forms of financing and areas where expansion can take place.

Now is also a good time for the local government to assist business in McPherson. The majority of companies believe the local government has a positive attitude towards their businesses, and firms feel that the local business climate can be improved with a more responsive local government. The climate exists for mutual cooperation between leaders of both entities, and McPherson city representatives can influence real change.

Although there are firms in McPherson that sell their goods or services

in the national and international markets, the majority of firms are orientated to the state and local markets. For the future growth of firms here, expanding into broader markets, particularly the international market, is a priority. This is strengthened by the survey results: the greatest reason associated with contractions was a static or declining market and the greatest factor helping expansion was an expanding market. There are firms in McPherson with both the potential and the desire to expand internationally, so the source for growth is there. Local officials must make sure companies have the information and the sources necessary for trade in markets outside of Kansas.

Firms in McPherson also do not have much knowledge about state economic development programs. The majority of firms have never heard of most programs, and actual use of assistance was very low. Information about these programs needs to reach these firms. At the present time, many firms may be missing expansion opportunities simply from not knowing who to contact, where to go for help, or what these programs can do for their respective company. McPherson should work with the state in disseminating this information, and should help companies find the type of assistance that will be beneficial.

PART II

BUSINESS RETENTION AND EXPANSION
IN McPHERSON
SURVEY RESULTS

PART II

BUSINESS RETENTION AND EXPANSION
IN McPHERSON

A Research Report
prepared for
The Kansas Department of Commerce

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BUSINESS RETENTION AND EXPANSION McPHERSON
SURVEY RESULTS

PART II

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BUSINESS RETENTION AND EXPANSION
IN McPHERSON

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 local economic efforts. Knowledge of factors favoring business expansion and retention also helps authorities at the local level 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.

Throughout Part II of this report, survey findings from McPherson will be compared to the other 8 communities included in the state report (Coffeyville, Emporia, Garden City, Great Bend, Hays, Hutchinson, Lawrence, and Salina).

It is hoped that this project will be used to open communications between the business sector and local economic development specialists concerning

business retention and expansion. By discussing the findings and suggestions issued in this report, McPherson 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 surveyed firms in McPherson, it is necessary to review several economic growth trends for Kansas. These trends and explanations will give a view of the total state, for McPherson county, for the counties of the comparison communities also surveyed, 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 McPherson county has risen 6% from 1978 to 1986. Although this statistic is positive, it is less than the state percentage for the same time period and less than half the growth for the United States. However, this percentage for McPherson county is higher than 5 of the 8 counties in which this study's other 8 communities are located (see Table 1).

TABLE 1
TOTAL EMPLOYMENT - COUNTIES, KANSAS, 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.

Employment increases in McPherson county have not been as great as the Kansas or U.S. average from the period or 1978 to 1986. 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 only been 4% for McPherson county. When these county figures are examined, and when comparisons are made between McPherson, Kansas, and the U.S., it is apparent that economic development strategies are still very important to this community, and efforts should be continued to enhance economic growth.

Establishment Growth

The total number of establishments has shown a positive growth of 10% for McPherson county since 1978. This figure is less than one half of the percentage for Kansas and less than one-third of the percentage for the U.S. For this 1978-1986 time period, only one county, Montgomery, had a lower percentage of growth. However, from 1982 to 1985, growth in number of

establishments for the county is almost equal to the Kansas figure and is 4% higher than that for the U.S. For the 1982-1985 time period, establishment growth for McPherson county is lower than 5 counties in which comparison communities are located (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 low growth in employment and large growth in number of establishments indicates that McPherson's 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 McPherson has 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 McPherson county, and these changes have occurred in the other 8 counties as well as the state. From 1978 to 1984, personal income has increased 73%, which is much higher than 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 McPherson. 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 McPherson county has lagged behind employment growth in Kansas and the United States. This suggests weaknesses in the McPherson economy and the importance of designing and implementing appropriate economic development strategies. McPherson is particularly important since it serves as a regional center for its part of the state. In recent years the economy of McPherson county has 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 in McPherson. The questionnaire was collaboratively developed by the Institute for Public Policy and Business Research and the Department of Commerce.

Sample

The findings for McPherson and the comparison communities are based on a disproportionate stratified probability sample of businesses in McPherson and other 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. Besides McPherson, eight communities were randomly selected from these six regions. They were: Emporia, Garden City, Great Bend, Coffeyville, Hays, Hutchinson, Lawrence, 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 comparisons between McPherson and other communities. Their inclusion would violate proper sampling and reduce the validity of the overall results.

Once McPherson was selected, individual businesses were sampled in the

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, 24 percent of the businesses in McPherson 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 83 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 McPherson. At the 95 percent level of confidence, the sampling error in McPherson is 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 that (1) McPherson industries consist of small (76% have less than 20 employees), low revenue companies; (2) manufacturing industry firms are a vital part of the economic base; (3) the majority of firms are single establishment companies and are not part of a larger corporation; and (4) the majority of firms are serving primarily local and state product markets.

In McPherson, 83 firms participated in the survey. The companies represented the agriculture, mining, construction, manufacturing, transportation-communications, wholesale, finance, and services industries. In this report, the firms will be divided into three size categories: 1 to 19 employees, 20 to 49 employees, and 50 or more employees; and into three industry categories: manufacturing, finance and services, and other industries. Along with tables showing percentages by these breakdowns, the total percentages given by surveyed McPherson firms will be compared to the total percentages given by surveyed firms in the "other 8 communities" that were sampled for the state report on business retention and expansion. These communities were: Coffeyville, Emporia, Garden City, Great Bend, Hays, Hutchinson, Lawrence, and Salina.

Firm Size and Industry

The majority of firms in McPherson are small: over 75% of all firms have less than 20 employees. Manufacturing has the highest percentage of firms in this sample and the highest percentage of companies with 50 or more

employees, and three industries (agriculture, construction, and transportation-communications) have no businesses with more than 19 employees (see Table 4). For the total sample of firms, there are more firms with 50 or more employees than firms with 20-49 employees.

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	20-49	50 Or More	
Agriculture	100%	0%	0%	4%
Mining	86%	0%	14%	10%
Construction	100%	0%	0%	4%
Manufacturing	43%	24%	33%	24%
Transportation- Communication	100%	0%	0%	13%
Wholesale	84%	8%	8%	18%
Finance	83%	17%	0%	9%
Services	75%	8%	17%	18%
Percent of Total Firms That are in This Size Category	76%	10%	14%	100%

n = 83

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 clearly shows that the small business is prevalent in McPherson. Although it is true to say the retention and expansion of large is important, the foundation of this community and the key to sustained growth will be the small firm. The implication here is that economic development strategies will have to include the small business as well as the large business.

Annual Sales

For the number of firms that gave their total annual sales, 88% stated that annual sales were under \$5 million dollars and 5% stated annual sales were \$20 million dollars or more (see Tables 5-7). These figures are especially important when looking at the industry breakdown in Table 6: the manufacturing industry has a great many more firms with annual sales of \$5 million dollars or more than finance and services industries and all other industries (agriculture, mining, construction, transportation-communications, and wholesale). The total annual sales breakdown, however, is quite consistent with the other 8 communities that were sampled in this survey.

TABLE 5
TOTAL ANNUAL SALES
BY SIZE OF FIRM

Number of Employees	Annual Sales (000's)			
	0 To 4,999 Dollars	5,000 To 9,999 Dollars	10,000 To 19,999 Dollars	20,000 Or More Dollars
1-19	100%	0%	0%	0%
20-49	82%	9%	9%	0%
50+	29%	7%	29%	36%
TOTAL PERCENTS	88%	2%	5%	5%

n = 64

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 (000's)			
	0 To 4,999 Dollars	5,000 To 9,999 Dollars	10,000 To 19,999 Dollars	20,000 Or More Dollars
Manufacturing	64%	7%	18%	11%
Finance/Services	100%	0%	0%	0%
Other Industries	96%	0%	0%	4%
TOTAL PERCENTS	88%	2%	5%	5%

n = 64

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 7
TOTAL ANNUAL SALES
BY COMMUNITY COMPARISONS

Community	Annual Sales (000's)			
	0 To 4,999 Dollars	5,000 To 9,999 Dollars	10,000 To 19,999 Dollars	20,000 Or More Dollars
McPherson	88%	2%	5%	5%
Other 8 Communities	85%	5%	5%	5%

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 implication from this data is the importance of the manufacturing industry to McPherson. Thirty-six percent of all manufacturing firms have sales which exceed \$5 million dollars. All other industries' firms do not come close to matching this breakdown (only 4% of firms in every other industry have total annual sales of over \$5 million dollars). The loss of many manufacturing companies would mean a sizable reduction of

industry revenue for the community.

Type of Establishment

The majority of firms in McPherson are single establishment companies and are not part of a larger corporation. Of the total number of firms, 68% stated that they were a single establishment company (see Tables 8-10). However, in general, the larger the firm the more likely they will be part of a larger corporation (see Table 8). There were no great industry differences, and in comparison with the other 8 communities sampled for this survey, McPherson has a slightly higher percentage of firms that are single establishment companies (see Table 10).

TABLE 8
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	75%	25%
20-49	57%	43%
50+	37%	63%
TOTAL % OF FIRMS	68%	32%

n = 83

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 9
 PERCENT OF TOTAL FIRMS THAT ARE A SINGLE COMPANY OR PART
 OF A LARGER CORPORATION, BY INDUSTRY

Industry	Single Company	Part of a Larger Corpor- ation
Manufacturing	70%	30%
Finance/Services	67%	33%
Other Industries	68%	32%
TOTAL % OF FIRMS	68%	32%

n = 83

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 10
 PERCENT OF TOTAL FIRMS THAT ARE A SINGLE COMPANY OR PART
 OF A LARGER CORPORATION
 BY COMMUNITY COMPARISON

Community	Single Company	Part of a Larger Corpor- ation
McPherson	68%	32%
Other 8 Communities	63%	37%

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 relatively high percentage of firms that are single establishment companies indicates that for the majority of firms, decisions to remain in the community and decisions concerning expansion will be made in McPherson, and not by parent organizations located outside of the city. However, many

companies with 20 or more employees are part of a larger corporation. This implies that, when implementing retention and expansion strategies that concentrate on the large firm, local economic development officials will have to communicate with parent organizations that are located outside of the community. A positive sign for the community is that with so many small, single company firms (see Table 4 and Tables 8-10) the atmosphere for entrepreneurship in McPherson seems to be good.

Location of Headquarters

The majority of firms in McPherson have their company headquarters within Kansas. Of the total number of firms, 79% have headquarters within the state, while 21% have headquarters outside of Kansas (see Table 11). This is a positive finding for the community because most decisions to expand or relocate will be made within the state.

TABLE 11
LOCATION OF FIRM HEADQUARTERS BY
KANSAS/NON KANSAS LOCATION

Single Company Firm	Kansas Headquarters	Non Kansas Headquarters	Total
68%	11%	21%	100%

n = 83

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, 79% of McPherson firms are headquartered in Kansas. 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

Of those firms that are part of a larger corporation, the majority have important functions within their corporate structure. Of those firms that are part of a larger company, 64% stated that they were a corporate headquarters, regional headquarters, or a distributorship (see Tables 12-14). This was also the exact percentage breakdown for the other 8 communities that were surveyed (see Table 14). Firms with 50 or more employees have a greater percentage of firms with headquarters or distributorships, as do firms in the manufacturing industry. Since these firms are vital to their organizations, and to the community, the retention and expansion of such firms are important to sustained economic growth.

TABLE 12
PERCENT OF TOTAL FIRMS THAT ARE CORPORATE/REGIONAL
HEADQUARTERS OR A DISTRIBUTOR, BY SIZE OF FIRM

Is your local operation a corporate headquarters
regional headquarters, or a distributorship?

Number of Em- ployees	NO	YES
1-19	46%	54%
20-49	50%	50%
50+	8%	92%
TOTAL PERCENT	36%	64%

n = 27

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 13
 PERCENT OF TOTAL FIRMS THAT ARE CORPORATE/REGIONAL
 HEADQUARTERS OR A DISTRIBUTOR, BY INDUSTRY

Is your local operation a corporate headquarters
 regional headquarters, or a distributorship?

Industry	NO	YES
Manufacturing	20%	80%
Finance/Services	40%	60%
Other Industries	42%	58%
TOTAL PERCENT	36%	64%

n = 27

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 14
 PERCENT OF TOTAL FIRMS THAT ARE CORPORATE/REGIONAL
 HEADQUARTERS OR A DISTRIBUTOR
 BY COMMUNITY COMPARISON

Is your local operation a corporate headquarters
 regional headquarters, or a distributorship?

Community	NO	YES
McPherson	36%	64%
Other 8 Communities	36%	64%

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

The scope of products sold by firms in McPherson is relatively small. Firms sold a mean, or average, 51% of their goods or services in the local market, 23% in the state market, 25% in the national market, and 1% in the international market (see Tables 15-17). Very large firms sold more outside

of the local market: firms with 50 or more employees sold an approximate mean 76% outside of the local market (see Table 15). Manufacturing firms used the national and international markets more than other industries' firms (see Table 16). A positive sign for the community comes from examination of Table 18: McPherson companies had a lower mean percentage of products sold in the local market and a higher mean percentage of products sold in the national market than firms in the 8 comparison communities.

TABLE 15
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	58%	23%	18%	1%
20-49	36%	20%	41%	3%
50+	24%	23%	50%	3%
GRAND MEANS	51%	23%	25%	1%

n = 83

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 16
 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
Manufacturing	28%	20%	49%	3%
Finance/Services	76%	11%	11%	2%
Other Industries	49%	31%	20%	0%
GRAND MEANS	51%	23%	25%	1%

n = 83

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
 MEAN PERCENTS OF PRODUCTS SOLD IN THE
 LOCAL, STATE, NATIONAL, AND INTERNATIONAL MARKETS
 BY COMMUNITY COMPARISON

Community	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
McPherson	51%	23%	25%	1%
Other 8 Communities	55%	27%	16%	1%

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.

Although the overall scope of where products are sold would have to be considered local in nature, there are a number of firms that are accessing the state and national markets. This is a positive implication for McPherson

and the continuance of such broad market use should be encouraged. Firms with 50 or more employees and manufacturing firms are in particular accessing markets that are outside of Kansas.

However, firms in the community sell a mean 26% of their goods or services outside of the state and only 1% in the international market. This latter percentage is a critical finding since the future competitiveness and growth capabilities of McPherson industries will depend on how well its firms use the international market. This data suggests that firms in McPherson should be encouraged to continue and to initiate trade in markets that are outside of Kansas. To do otherwise would seriously limit growth opportunities.

Developing Additional Products

The majority of firms believe that they can offer no additional products or services. Of the total number of firms, 66% stated that there were no additional products or services that could be offered that is not now offered (see Tables 18-20). However, firms with 20-49 employees had a relatively high percentage of firms that believed they could offer additional products, as did firms in the finance and services industries. Table 20 shows that the total percentages obtained from McPherson companies exactly mirrors the results from companies surveyed in the other 8 communities.

TABLE 18
 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	64%	36%
20-49	57%	43%
50+	84%	16%
TOTAL PERCENT	66%	34%

n = 83

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
 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
Manufacturing	70%	30%
Finance/Services	39%	61%
Other Industries	79%	21%
TOTAL PERCENT	66%	34%

n = 83

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 20
 PERCENT OF TOTAL FIRMS THAT CAN OFFER
 ADDITIONAL PRODUCTS OR SERVICES
 BY COMMUNITY COMPARISON

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

Community	NO	YES
McPherson	66%	34%
Other 8 Communities	66%	34%

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.

Developing additional products is one way a firm can expand and participate in different and wider markets. In McPherson, there are companies in the economic base that are optimistic about opportunities for introducing new products or services. The potential exists for this type of growth.

Survey Description Summary

After examining the descriptions of McPherson firms, it is possible to make the following summary implications:

1. Small firms are a major source of economic growth in McPherson. A substantial majority of firms (76%) in McPherson have less than 20 employees.
2. The majority of firms in McPherson (88%) have total annual sales of less than \$5 million dollars a year.
3. Manufacturing firms are a vital part of the economic base in this community. More surveyed firms were in manufacturing (24%) than in any other industry. Thirty-six percent of manufacturing firms have total annual sales of \$5 million dollars or more.
4. For the most part, location and expansion decisions will be made within McPherson, and not through parent organizations in

another city or state. The majority of firms (68%) are single establishments, and not part of a larger corporation.

5. Firms in McPherson are primarily selling in local and state markets. Companies sold an average 51% of their products or services in the local market, 23% in the state market, 25% in the national market, and 1% in the international market. Future economic growth will depend on local firms successfully competing in national and international markets.

6. However, in comparison to firms surveyed in the other eight communities, surveyed McPherson firms sell more of their products in the national market. McPherson firms sell an average 25% of their goods or services in the national market while firms in the other eight communities sold an average 16% in the national market.

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) very few firms have moved to McPherson from another city or state in the past five years; (2) very few firms are planning to leave McPherson in the next year; (3) the main reason the majority of firms are located in McPherson is because the community is the firm's hometown; and (4) the majority of firms do not express dissatisfaction with their community or with the state, however, larger firms express dissatisfaction more than smaller firms.

Location

Attraction of firms from outside the community. Very few firms have moved to McPherson in the past five years. Of the total number of firms, 5% stated they had moved to their present location in McPherson from another city or state in the past five years (see Tables 21-23)¹. This is consistent with the percentages given by firms surveyed in the other 8 communities (see Table 23). The firms that have moved to the community have not been large:

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.

of the firms that have moved to McPherson in the past five years none had 50 or more employees.

TABLE 21
 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	94%	6%
20-49	93%	7%
50+	100%	0%
TOTAL PERCENT	95%	5%

n = 83

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
 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
Manufacturing	97%	3%
Finance/Services	94%	6%
Other Industries	94%	6%
TOTAL PERCENT	95%	5%

n = 83

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 23
 PERCENT OF TOTAL FIRMS THAT HAVE MOVED FROM ANOTHER
 CITY OR STATE TO THEIR PRESENT LOCATION
 BY COMMUNITY COMPARISON

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

Community	NO	YES
McPherson	95%	5%
Other 8 Communities	94%	6%

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.

McPherson has generally not been successful in attracting new companies; this is especially true for large firms: no firm with 50 or more employees has moved to McPherson from another city or state in the past five years. This suggests that industrial recruitment has not been a successful strategy for the community. Although the recruitment of firms from outside of Kansas should constitute one part of McPherson's economic development strategy, the major focus should be on the establishment of new firms and the expansion of existing businesses.

Reasons for location. Companies in McPherson are home grown and see their community as providing the location and markets they need. When asked for reasons for locating in McPherson, 56% of the total number of firms stated the community was the hometown for the company, 34% stated that McPherson provided a central location, and 32% stated that McPherson filled a product or service need (see Tables 24-26). Firms with less than 20 employees in particular gave McPherson is the hometown as a reason for location (see Table 24), as did firms in the agriculture, mining, construction, transportation-communications, and wholesale industries (see Table 25). Firms in the other 8 communities that were surveyed also gave

hometown, central location, and product or service need as their highest reasons, although higher percentages were given for central location and product or service need by the 8 communities than by McPherson (see Table 26).

TABLE 24
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	Affordable Lease, Purchase Prices	Good Local Labor Pool	Adequate Space for Expansion	Good Access to Market	Good Access to Materials	Central Location	Good Transportation Facilities	Proximity To Tech. Facilities	Filled A Service Need	Small Town, Rural Life
1-19	66%	10%	6%	0%	8%	5%	3%	19%	1%	34%	0%	0%	31%	2%
20-49	29%	28%	7%	0%	22%	7%	0%	36%	14%	22%	7%	0%	57%	0%
50+	21%	11%	11%	11%	5%	32%	5%	21%	26%	42%	21%	5%	21%	0%
PERCENT OF TOTAL n = 83	56%	12%	7%	2%	9%	9%	3%	21%	6%	34%	4%	1%	32%	2%

*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 25
REASONS FOR LOCATION IN THE COMMUNITY*
BY INDUSTRY

Industry	Home-town	Strong Local Economy	More Receptive Local Govt.	Tax Incentives and-or Public Financing	Affordable Lease, Purchase Prices	Good Local Labor Pool	Adequate Space for Expansion	Good Access to Market	Good Access to Materials	Central Location	Good Transportation Facilities	Proximity To Tech. Facilities	Filled A Service Need	Small Town, Rural Life
Manufacturing	46%	12%	9%	6%	18%	18%	6%	21%	18%	30%	9%	3%	24%	0%
Finance/Services	39%	22%	11%	0%	6%	6%	0%	11%	0%	17%	0%	0%	50%	0%
Other Industries	71%	6%	3%	0%	6%	6%	3%	27%	3%	44%	3%	0%	27%	3%
PERCENT OF TOTAL n = 83	56%	12%	7%	2%	9%	9%	3%	21%	6%	34%	4%	1%	32%	2%

*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 26
REASONS FOR LOCATION IN THE COMMUNITY*
BY COMMUNITY COMPARISON

Community	Home- town	Strong Local Economy	More Recep- 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	Central Loc- ation	Good Trans- por- tation Fac- ilities	Proximity To Educ.- Tech. Fac- ilities	Filled A Prod.- Service Need	Small Town, Rural Life
McPherson	56%	12%	7%	2%	0%	9%	9%	3%	21%	6%	34%	4%	1%	32%	2%
Other 8 Communities	54%	8%	1%	1%	1%	9%	7%	5%	26%	8%	45%	8%	3%	48%	1%

*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 most McPherson firms are home grown. The strong climate for entrepreneurship in the community is made more evident by the high percentage of firms with less than 20 employees that stated hometown as a reason for location (see Table 24). An implication here is that assistance for additional business start-ups will foster growth more than the recruitment of firms from outside of the community.

Another important point these tables bring out is the fairly local orientation of these firms. A central location, filling a product or service need, and good access to market all received relatively high percentages as reasons for location. It must be remembered that these reasons may only be pertinent to the market provided by McPherson, as all firms in this survey sold an average 51% of their products in the local market (see Tables 15-17). However, as companies broaden their product and service markets to include markets outside of Kansas, reasons for location will change in importance. This is evident by the fact that McPherson firms sold a higher average of their products and services outside of the state (see Table 17),

and all of the reasons mentioned above had lower percentages from McPherson firms than from firms in the other 8 communities (see Table 26),

Retention

Retention of firms in the community. Only a very small percentage of firms are planning to leave the community. Of the total number of firms, 3% stated they are planning to move out of McPherson in the next year (see Table 27).

TABLE 27
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	1% of Total Firms	2% of Total Firms	1% of Total Firms	4% of Total Firms

n = 83

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 McPherson. The vast majority of companies 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. For those firms that gave local advantages of the community, 37% gave a central, good location as an advantage and 35% gave small-town, rural life as an advantage (see Tables 28-30). Firms surveyed in the other 8 communities gave higher percentages for hometown atmosphere as an advantage and for a central, good location as an advantage

(see Table 30). Firms with 50 or more employees gave higher percentages to the small-town, rural life and quality of work force advantages.

TABLE 28
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	6%	13%	33%	6%	38%	31%
20-49	0%	15%	38%	23%	31%	0%
50+	0%	0%	44%	38%	38%	12%
PERCENT OF TOTAL	5%	12%	35%	12%	37%	25%

n = 77

*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 29
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
Manufacturing	0%	11%	33%	39%	39%	6%
Finance/ Services	10%	10%	57%	5%	5%	33%
Other Industries	3%	13%	21%	3%	54%	28%
PERCENT OF TOTAL	5%	12%	35%	12%	37%	25%

n = 77

*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 30
LOCAL ADVANTAGES OF THE COMMUNITY*
BY COMMUNITY COMPARISON

Community	No Ad- vantage	Home- town Atmos- phere	Small Town- Rural Life	Qual- ity of Work Force	Central, Good Loc- ation	Filling A Need
McPherson	5%	12%	35%	12%	37%	25%
Other 8 Communities	7%	20%	25%	9%	52%	13%

*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.

Although the small, town, rural life is seen as an advantage provided by McPherson, there are other advantages that are considered important. Table 30 points out that McPherson firms are pleased with the quality of the work force in the community slightly more and view McPherson as providing a central location much less than firms in the other 8 communities. The lower percentage given for a central, good location is probably due to the larger mean percentages of what McPherson firms sell in the national and international markets.

Reasons for relocation. Only 1 respondent gave a reason for why his/her firm moved out of the community: lack of adequate training resources (see Tables 31). This is in great contrast to firms surveyed in the other 8 communities. These firms gave 13 different reasons for moving out of their respective city; the reasons given by the greatest number of respondents were a difficulty in serving customers, the high cost of utilities, and to gain access to a new market. No conclusions can be made for the community

from one firm (note that all percentages in Table 31 for McPherson are based on 1 firm).

TABLE 31
REASONS FOR MOVING OUT OF THE COMMUNITY*
BY COMMUNITY COMPARISON

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 Sources	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
McPherson	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%	0%	0%
Other 8 Communities	17%	17%	13%	26%	22%	4%	9%	0%	4%	9%	4%	13%	48%	13%	17%

*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.

Additional manufacturers or service providers that would be of benefit existing companies. In the opinion of many firms, there are certain types of companies that are not presently in McPherson that could benefit the firms already established in the community. Of the total number of firms, 45% stated that there were additional manufacturers or service providers that would be of benefit to their company if they were located in McPherson (see Tables 32-34). This was particularly true for firms with 20-49 employees and firms in the manufacturing industry. These data becomes more important when comparing percentages with firms in the other 8 communities: only 35% of all firms in the comparison communities stated that additional companies would be of benefit (see Table 34).

TABLE 32
 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	60%	40%
20-49	22%	78%
50+	53%	47%
TOTAL PERCENT	55%	45%

n = 83

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
 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
Manufacturing	45%	55%
Finance/Services	56%	44%
Other Industries	59%	41%
TOTAL PERCENT	55%	45%

n = 83

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
 ADDITIONAL MANUFACTURERS OR SERVICE PROVIDERS
 THAT WOULD BE OF BENEFIT FOR FIRMS
 BY COMMUNITY COMPARISON

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

Community	NO	YES
McPherson	55%	45%
Other 8 Communities	65%	35%

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 companies that stated what types of companies would be of benefit, 49% stated raw materials suppliers, 22% stated business services, and 6% stated repair-maintenance companies (see Tables 35-37). Firms in McPherson gave higher percentages for business services and repair-maintenance companies than did firms in the other 8 communities, but a lower percentage for raw material suppliers (see Table 37).

TABLE 35
 ADDITIONAL COMPANIES THAT WOULD BE OF BENEFIT*
 BY SIZE OF FIRM

Number of Employees	More Customers For Products	Repair Maint- enance	- Business Services	Raw Materials Suppliers
1-19	50%	8%	17%	36%
20-49	29%	0%	57%	57%
50+	13%	0%	13%	100%
PERCENT OF TOTAL	41%	6%	22%	49%

n = 31

*Since firms could give more than one additional company that would be of benefit, 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 36
 ADDITIONAL COMPANIES THAT WOULD BE OF BENEFIT*
 BY INDUSTRY

Industry	More Customers For Products	Repair Maint- enance	Business Services	Raw Materials Suppliers
Manufacturing	23%	8%	23%	69%
Finance/Services	57%	0%	29%	29%
Other Industries	42%	8%	17%	50%
PERCENT OF TOTAL	41%	6%	22%	49%

n = 31

*Since firms could give more than one additional company that would be of benefit, 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 37
 ADDITIONAL COMPANIES THAT WOULD BE OF BENEFIT*
 BY COMMUNITY COMPARISON

Community	More Customers For Products	Repair Maint- enance	Business Services	Raw Materials Suppliers
McPherson	41%	6%	22%	49%
Other 8 Communities	25%	3%	18%	61%

*Since firms could give more than one additional company that would be of benefit, 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 in McPherson believe more than the firms surveyed in the other 8 communities that additional companies could be of benefit to their respective firm. The large number of firms that would benefit from

additional manufacturers or service companies presents opportunities for McPherson. 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 McPherson have the added benefit of strengthening existing companies and their ties to the community.

Retaining and attracting management and professional personnel. Of the total number of firms surveyed, 87% stated that they did not have trouble attracting and/or retaining professional and management personnel (see Tables 38-40). Larger firms have more of a difficulty retaining or attracting professionals and management than do smaller firms, as do firms in the agriculture, mining, construction, transportation-communications, and wholesale industries (see Tables 38 and 39). For McPherson, however, this is not as great a problem as for the firms surveyed in the other 8 communities: 17% of the firms in the other 8 communities stated they had this problem compared to 13% for McPherson (see Table 40).

TABLE 38
 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	88%	12%
20-49	86%	14%
50+	84%	16%
TOTAL PERCENT	87%	13%

n = 83

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 39
 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
Manufacturing	88%	12%
Finance/Services	89%	11%
Other Industries	85%	15%
TOTAL PERCENT	87%	13%

n = 83

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
 PERCENT OF TOTAL FIRMS THAT HAVE TROUBLE ATTRACTING
 OR RETAINING PROFESSIONAL AND MANAGEMENT PERSONNEL
 BY COMMUNITY COMPARISON

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

Community	NO	YES
McPherson	87%	13%
Other 8 Communities	83%	17%

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 attracting management and professionals than small firms implies that as firms expand, they will experience this problem more. As smaller firms expand and require the recruitment of management and professionals from outside of McPherson and outside of Kansas, they will have more difficulty in attracting and keeping this kind of employee. This suggests that factors that are outside of a company's scope; such as entertainment, the arts, recreational activities; will take on added significance if this type of employment growth is to be increased and maintained.

Perceived images of rural life and Kansas. Survey respondents in McPherson do not seem to have problems with rural life or with Kansas. Only 4% of the total number of respondents stated they had a negative image of rural life, and only 2% stated they had a negative image of Kansas (see Tables 41-46). These percentages compare favorably with those given by companies in the other 8 communities (see Tables 43 and 46). The only percentages that are not a positive sign are those given by firms with 50 or more employees: 16% stated that they had a negative image of rural life and

5% stated they had a negative image of Kansas (see Tables 41 and 44).

TABLE 41
 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	98%	2%
20-49	100%	0%
50+	84%	16%
TOTAL PERCENT	96%	4%

n = 83

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 42
 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
Manufacturing	91%	9%
Finance/Services	94%	6%
Other Industries	100%	0%
TOTAL PERCENT	96%	4%

n = 83

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 43
 PERCENT OF TOTAL FIRMS WITH A NEGATIVE
 IMAGE OF RURAL LIFE
 BY COMMUNITY COMPARISON

Do you have a negative image of rural life?		
Community	NO	YES
McPherson	96%	4%
Other 8 Communities	94%	6%

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 44
 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	98%	2%
20-49	100%	0%
50+	95%	5%
TOTAL PERCENT	98%	2%

n = 83

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 45
 PERCENT OF TOTAL FIRMS WITH A NEGATIVE
 IMAGE OF KANSAS
 BY INDUSTRY

Industry	Do you have a negative image of Kansas?	
	NO	YES
Manufacturing	97%	3%
Finance/Services	100%	0%
Other Industries	97%	3%
TOTAL PERCENT	98%	2%

n = 83

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 WITH A NEGATIVE
 IMAGE OF KANSAS
 BY COMMUNITY COMPARISON

Community	Do you have a negative image of Kansas?	
	NO	YES
McPherson	98%	2%
Other 8 Communities	98%	2%

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 must be remembered that the majority of firms surveyed in McPherson are (1) there because it is the hometown of the firm and (2) have a relatively small scope of where their products are sold. The very high percentages of positive images of rural life and of Kansas must be seen as partly stemming from these two factors. This data also implies that to

stress the positive nature of McPherson or of the state as a major retention and/or expansion strategy will probably have minimal effects: the firms in McPherson already perceive this.

There are indications, however, that very large firms are more likely to have a negative image of rural life and of Kansas. Tables 41 and 44 demonstrate that firms with 50 or more employees do indeed have more respondents that have negative images of rural life and of Kansas. These figures, along with the data which shows that very large firms also have a more difficult time in attracting and retaining management and professional personnel (see Table 38), indicates that McPherson needs to address the needs of the large firm or risk the possibility that they may become dissatisfied and leave. The loss of a major employer would have a devastating detrimental impact on the community and to other firms that are suppliers to that large company. In addition, since the majority of these large firms are part of a larger corporation (see Table 8), the 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. Industrial recruitment has generally not been a successful strategy for McPherson. In the past five years, only 5% of the total number of surveyed firms moved to McPherson from another city or state. Recruitment should be continued, but the major development strategy should focus on the expansion of existing businesses.

2. Most firms are located in the community because McPherson is the founder's hometown. Of the total number of firms, 56% stated that their reason for location was because McPherson was their hometown.

3. Very few firms are planning to leave the community. Only 3% of the total number of firms stated they were planning to leave McPherson next year. Although McPherson should have a retention program, it should be targeted upon the small number of firms that are dissatisfied with the community.
4. Community advantages given by McPherson firms stress the local orientation of these companies. Of the firms that gave local advantages, 37% gave a central, good location as an advantage and 35% gave small town, rural life as an advantage.
5. Recruitment strategies should focus on manufacturers and service providers that would be of benefit to firms already established in McPherson. Of the total number of firms, 45% stated that an additional manufacturer or service provider would be of benefit to their respective company.
6. Only 4% of McPherson firms stated they had a negative image of rural life and only 2% stated they had a negative image of Kansas.
7. Firms with 50 or more employees, however, do have a slightly more negative view of rural life and of Kansas. Such firms should be targeted for particular attention in a retention program. The loss of a major employer would have a devastating detrimental impact on the community and the other firms that are suppliers to the major company. In addition, since these larger firms are part of a larger corporation, the McPherson Chamber of Commerce and the local government will need to be in contact with the parent organizations of these firms.
8. Large firms also have more of a problem with attracting and retaining management and professional personnel. Of those firms with 50 or more employees, 16% said they had trouble attracting and retaining management or professional personnel. The future growth of all firms in McPherson will necessitate more activities and incentives to attract and maintain these types of employees.

V.

DESCRIPTION AND DETERMINANTS OF BUSINESS EXPANSION

In this section we examine 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 additional products that may be offered, the potential and desire to expand internationally, factors that assist or impede exporting a product or service, and financing for expansion.

The major findings are (1) McPherson firms are optimistic about expansion opportunities; (2) there are firms in the community with the potential and the desire to export; (3) financing sources for expansion are traditional in nature, with few forms of alternative financing used; and (4) expansion is occurring within the community, although the majority of firms with 50 or more employees are expanding outside of McPherson.

Past Expansion

Employment expansion. There has been employment growth in McPherson the past two years, and this growth has been higher than for the other 8 communities that took part in this survey. Of the total number of firms surveyed in McPherson, 38% stated that they had increased employment over the past two years, which was lower than the percentage of firms (46%) whose employment remained constant over this time period (see Tables 47-49). Larger firms increased employment more than smaller firms, and a notable employment gain occurred for manufacturing firms. In comparison with companies surveyed in the other 8 communities, McPherson increased employment 38% and decreased employment 16%, while the comparison

communities increased employment 32% and decreased employment 22% (see Table 49).

TABLE 47
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	16%	50%	34%
20-49	29%	21%	50%
50+	5%	42%	53%
TOTAL PERCENT	16%	46%	38%

n = 83

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 48
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
Manufacturing	24%	33%	43%
Finance/Services	11%	56%	33%
Other Industries	15%	47%	38%
TOTAL PERCENT	16%	46%	38%

n = 83

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
PAST INCREASES IN EMPLOYMENT
BY COMMUNITY COMPARISON

In the last two years, has your firm increased or decreased its employment?			
Community	Decreased Employment	Employment Remained Constant	Increased Employment
McPherson	16%	46%	38%
Other 8 Communities	22%	46%	32%

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 48 points out the importance of the manufacturing industry to the community. Manufacturing firms have the highest percentage of industry employment decreases and the highest percentage of industry employment increases, indicating the very positive or very negative effects manufacturing can have upon McPherson. A very good sign for the community is that employment decreases are less than that for firms in the other 8 communities and employment increases are greater for McPherson. Obviously, employment growth has occurred in the community over the past two years, and local strategy must focus on maintaining this growth.

Physical plant expansion. For the majority of firms, physical plant size remained constant the past two years, but like employment, McPherson firms did have growth in physical plant expansion. Of the total number of firms surveyed, 32% responded that they had increased their physical plant size in the past two years, and only 7% decreased size (see Tables 50-52). Notable increases came from firms with 20-49 employees and firms in the manufacturing industry. However, contrary to past employment data, McPherson firms expanded less than firms surveyed in the other 8 communities. Thirty-

five percent of the comparison communities' companies increased physical plant size while 32% of McPherson's firms increased size (see Table 52). A positive sign was that McPherson firms experienced less contractions than the comparison communities.

TABLE 50
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	9%	61%	30%
20-49	7%	50%	43%
50+	0%	68%	32%
TOTAL PERCENT	7%	61%	32%

n = 83

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 51
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
Manufacturing	6%	46%	48%
Finance/Services	0%	72%	28%
Other Industries	12%	62%	26%
TOTAL PERCENT	7%	61%	32%

n = 83

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 52
PAST INCREASES IN PHYSICAL PLANT SIZE
BY COMMUNITY COMPARISON

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

Community	Decreased Size	Size Remained Constant	Increased Size
McPherson	7%	61%	32%
Other 8 Communities	9%	56%	35%

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 majority of firms, this type of expansion has remained constant. Once again, however, manufacturing has had more growth than other industries and this indicates the influence this industry's firms are having on expansion in the community. There have been few contractions in physical

plant size, and this is a positive for the community.

Problems with past expansion. Major problems associated with expansion concerned the market for products, financing, and the availability of labor. For the firms that gave problems with expansion, 29% stated that a static or declining market was a problem, 29% stated lack of affordable financing was a problem, and 19% stated the availability of labor was a problem (see Tables 53-55). It is important to note that the majority of responses for problems with expansion came from firms with less than 20 employees (see Table 53). Looking at Table 55, McPherson firms had more of a problem with the availability of labor, lack of affordable financing, transportation difficulties, lack of training resources, and competition than did firms surveyed in the other 8 communities. However, the percentage for a static or declining market was not nearly as great.

TABLE 53
SPECIFIC PROBLEMS WITH EXPANSION*
BY SIZE OF FIRM

Number of Employees	Avail-ability of Labor	Static or Declin-ing Market	Lack of Afford-able Finan-cing	Lack of Raw Mat-erials	Trans- por- tation Diffi- culties	Avail- ability of Space	Lack of Training Re- sources	Strong Compe- tition
1-19	23%	23%	31%	0%	8%	8%	8%	15%
20-49	0%	75%	0%	25%	0%	0%	0%	0%
50+	0%	0%	100%	0%	0%	0%	0%	0%
PERCENT OF TOTAL	19%	29%	29%	3%	6%	6%	6%	13%

n = 19

*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 Business Research, The University of Kansas, 1987.

TABLE 54
SPECIFIC PROBLEMS WITH EXPANSION*
BY INDUSTRY

Industry	Avail- ability of Labor	Static or Declin- ing Market	Lack of Afford- Finan- cing	Lack of Raw Mat- erials	Trans- por- tation Diffi- culties	Avail- ability of Space	Lack of Training Re- sources	Strong Compe- tition
Manufacturing	0%	20%	60%	20%	0%	0%	0%	0%
Finance/ Services	40%	40%	20%	0%	0%	0%	20%	0%
Other Industries	13%	25%	25%	0%	13%	13%	0%	25%
PERCENT OF TOTAL	19%	29%	29%	3%	6%	6%	6%	13%

n = 19

*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 55
SPECIFIC PROBLEMS WITH EXPANSION*
BY COMMUNITY COMPARISON

Community	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- ability of Space	Lack of Training Re- sources	Tax Laws	Strong Compe- tition	Decline in Oil Prices
McPherson	0%	19%	29%	29%	3%	0%	6%	6%	6%	0%	13%	0%
Other 8 Communities	11%	9%	43%	24%	1%	3%	1%	7%	4%	3%	8%	13%

*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.

Firms that gave a static or declining market as a problem with expansion had less than 50 employees. These firms also had the highest mean percentages of products sold in the local market (see Table 15). This emphasizes the importance of broadening the market scope for small firms. An implication is that if small firms stay locally orientated, a static or declining market will remain an expansion problem.

Another important finding is that 29% of the firms that gave problems with expansion mentioned as a specific problem a lack of affordable financing, which was 5% greater than the percentage mentioned by firms in

the other 8 communities. Financing for expansion is a key issue for these firms, and efforts must be made to supply firms with adequate financing resources. Sixty percent of manufacturing firms gave this problem, also. Given the importance of manufacturing firms to the community, this data suggests that manufacturing firms may need to be targeted for initial financing assistance.

Factors helping expansion. Of the firms that had experienced an expansion, 71% stated that an expanding market was a factor that helped expansion (see Tables 56-58). This factor was given by a great majority of firms with less than 20 employees and by firms with 50 or more employees. For industries, a relatively high percentage of manufacturing firms gave an expanding market, availability of space, and more efficient operations as factors; the finance/services industries gave high percentages to an expanding market, the availability of space, and more efficient operations; and other industries (agriculture, mining, construction, transportation-communications, and wholesale) gave a very high percentage of an expanding market as a factor (see Table 57). Major differences with firms surveyed in the other 8 communities concerned percentages given to the factors of availability of space (McPherson firms were 10% greater) and the desire to expand market (comparison communities' firms were 10% greater) (see Table 58).

TABLE 56
FACTORS THAT HELPED EXPANSION*
BY SIZE OF FIRM

Number of Employees	Ex-panding Market	Avail-ability of Public Assist.	Avail-ability of Tech.In-novation	Avail-ability of Space	Desire To Ex-pand Market	Im-proved In-ternal Fin-ancing	More Oper-ations
1-19	71%	3%	3%	37%	21%	13%	29%
20-49	49%	0%	0%	38%	13%	13%	50%
50+	83%	0%	33%	0%	8%	0%	17%
PERCENT OF TOTAL	71%	2%	9%	29%	17%	10%	29%

n = 35

*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 57
FACTORS THAT HELPED EXPANSION*
BY INDUSTRY

Industry	Ex-panding Market	Avail-ability of Public Assist.	Avail-ability of Tech.In-novation	Avail-ability of Space	Desire To Ex-pand Market	Im-proved In-ternal Fin-ancing	More Oper-ations
Manufacturing	72%	6%	17%	39%	22%	11%	39%
Finance/Services	57%	0%	0%	43%	14%	29%	43%
Other Industries	77%	0%	8%	15%	15%	0%	15%
PERCENT OF TOTAL	71%	2%	9%	29%	17%	10%	29%

n = 35

*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 58
FACTORS THAT HELPED EXPANSION*
BY COMMUNITY COMPARISON

Community	Ex-panding Market	Avail-ability of Tax In-centives	Avail-ability of Public Assist.	Avail-ability of Tech.In-novation	Avail-ability of Space	Desire To Ex-pand Market	Im-proved In-ternal Fin-ancing	More Oper-ations
McPherson	71%	0%	2%	9%	29%	17%	10%	29%
Other 8 Communities	69%	1%	4%	3%	19%	27%	3%	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.

An expanding market as a factor that helped expansion was by far the greatest response given by McPherson firms. This again signifies the importance of developing markets beyond McPherson and Kansas. The availability of space was also a factor that helped expansion, and its importance to these companies is enhanced when comparing percentages between McPherson and the surveyed firms in the other 8 communities (see Table 58). However, availability of space was only of concern to firms with less than 50 employees, indicating a need for smaller companies to find additional space within their community. This also suggests that a lack of space may be impeding expansion, or causing expansion to take place outside of McPherson. It is important to note that no respondent from McPherson mentioned tax incentives as a factor that helped expansion.

Reasons for contraction. For the very few firms (n=13) that experienced a contraction in employment and/or physical plant size, 77% stated that a declining or static market was a reason for contraction (see Tables 59-61). This was by far the most given reason, particularly by firms with less than 20 employees. As can be seen in Table 61, a static or declining market was also a major reason associated with contraction for firms in the other 8 communities. However, any conclusions concerning reasons for contraction must be made with the fact that only 13 respondents gave reasons.

TABLE 59
REASONS FOR CONTRACTION*
BY SIZE OF FIRM

Number of Employees	De-clining or Static Market	Con-tracting Labor Pool	Rising Labor Costs	Lack of Affordable Financing	De-cline in Oil Prices	In-crease in Oil Efficiency
1-19	88%	6%	6%	12%	12%	6%
20-49	51%	0%	0%	0%	25%	49%
50+	0%	0%	0%	0%	0%	100%
PERCENT OF TOTAL	77%	5%	5%	9%	14%	18%

n = 13

*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 60
REASONS FOR CONTRACTION*
BY INDUSTRY

Industry	De-clining or Static Market	Con-tracting Labor Pool	Rising Labor Costs	Lack of Affordable Financing	De-cline in Oil Prices	In-crease in Oil Efficiency
Manufacturing	63%	13%	13%	0%	13%	25%
Finance/Services	50%	0%	0%	0%	0%	50%
Other Industries	100%	0%	0%	20%	20%	0%
PERCENT OF TOTAL	77%	5%	5%	9%	14%	18%

n = 13

*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 61
REASONS FOR CONTRACTION*
BY COMMUNITY COMPARISON

Community	De-clining or Static Market	Con-tracting Labor Pool	Rising Labor Costs	Rising Raw Materials Costs	Rising Plant-Office Space Costs	Lack of Affordable Financing	De-cline in Oil Prices	In-crease in Oil Efficiency	Taxes-Regulatory Costs
McPherson	77%	5%	5%	0%	0%	9%	14%	18%	0%
Other 8 Communities	71%	4%	2%	2%	1%	5%	21%	15%	1%

*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.

Although very small in number, the majority of firms that gave reasons for contraction mentioned a declining or static market as a cause for contraction. Firms with less than 50 employees gave the majority of reasons for contraction, indicating that it may be the smaller firm which is experiencing expansion difficulties.

Plans for Expansion

Employment expansion. For a large percentage of firms in McPherson, there is optimism concerning future employment growth. Of the total number of respondents, 40% said they were planning to increase employment in the next year (see Tables 62-64). Larger firms plan to increase employment more than smaller firms, and half of all finance/services firms plan to increase employment. It is also important to note that 0% of firms with 20 or more employees believe they will decrease employment and 0% of the manufacturing industry firms and finance/services industries firms plan to decrease employment. There were no major differences between McPherson firms and firms surveyed in the other 8 communities.

TABLE 62
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	6%	57%	37%
20-49	0%	57%	43%
50+	0%	47%	53%
TOTAL PERCENT	4%	56%	40%

n = 83

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 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
Manufacturing	0%	55%	45%
Finance/Services	0%	50%	50%
Other Industries	9%	59%	32%
TOTAL PERCENT	4%	56%	40%

n = 83

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 PLANNING TO
 INCREASE EMPLOYMENT
 BY COMMUNITY COMPARISON

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

Community	Employment		
	Will Decrease Employment	Will Remain Constant	Will Increase Employment
McPherson	4%	56%	40%
Other 8 Communities	3%	57%	40%

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 their ability to provide employment growth for McPherson. Growth will especially come from firms with 20 or more employees and from the finance and services

industries. Local officials must make sure that these companies realize their expectations for growth, giving McPherson the opportunity to retain their population and to add new jobs for the community.

There is opportunity for new growth in McPherson: of the total number of firms, 15% either decreased employment or kept their employment level constant the past two years and will increase employment next year (see Table 65). Further, 25% of the total number of firms that increased employment the last two years will also increase employment next year. These are positive signs for the community, and efforts should be made to assure new growth in the community.

TABLE 65
 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	Will Decrease Employment	Employment In The Next Year	
		Will Remain Constant	Will Increase Employment
Decreased Employment	1%	10%	5%
Employment Remained Constant	0%	36%	10%
Increased Employment	3%	10%	25%

n = 83

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 based on the total number of firms.

Physical plant size expansion. The majority of surveyed firms in McPherson will remain constant in physical plant size during the next year, but there will be more firms that expand their size than contract. Of the total number of firms surveyed, 72% stated they will remain constant in

physical plant size, 26% stated they will expand, and 2% stated they will have a contraction (see Tables 66-68). Firms in the manufacturing and finance/services industries will not experience a contraction in the next year, and firms with 20 or more employees will not experience a contraction in the next year. Another positive sign for McPherson is the comparison data: 26% of McPherson firms believe they will have an expansion while 21% of surveyed firms in the other 8 communities believe they will have an expansion.

TABLE 66
 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	Contraction	Size Will	
		Remain Constant	Expansion
1-19	2%	71%	27%
20-49	0%	71%	29%
50+	0%	79%	21%
TOTAL PERCENT	2%	72%	26%

n = 83

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 67
 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
Manufacturing	0%	76%	24%
Finance/Services	0%	61%	39%
Other Industries	3%	77%	20%
TOTAL PERCENT	2%	72%	26%

n = 83

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 68
 PERCENT OF TOTAL FIRMS THAT
 ARE PLANNING AN EXPANSION
 BY COMMUNITY COMPARISON

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

Community	Contraction	Size Will	
		Remain Constant	Expansion
McPherson	2%	72%	26%
Other 8 Communities	2%	77%	21%

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 is optimism about the ability to expand physical plant size as well as employment. Although the large majority of firms in the community will keep physical plant size constant, 26% of the surveyed firms in McPherson indicated they will expand. This should be particularly encouraging when examining Table 68: expansion predictions are 5% greater for McPherson firms than for surveyed firms in the other 8 communities. Along with the employment expansion opportunities perceived by McPherson firms, growth in the community can be significant and sustained.

New growth will also occur with physical plant size, but not as much as employment. Of the total number of firms, 8% remained constant in physical plant size and will increase employment next year (see Table 69). Although not as great as employment, there are opportunities for plant expansions in McPherson.

TABLE 69
 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	2%	6%	0%
Plant Size Remained Constant	0%	51%	8%
Increased Plant Size	0%	15%	18%

n = 83

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 based on the total number of firms.

Location of expansion. Expansion will take place primarily in McPherson, although there is a relatively high percentage of firms that will expand out of state. Of those firms that stated they would expand, 70% said they would expand in McPherson, 12% stated they would expand within McPherson county, 6% will expand within Kansas, and 12% will expand out of Kansas (see Tables 70-72). It is important to note that 75% of firms with 50 or more employees will expand outside of McPherson (see Table 70). It is also important to note that a lower percentage of McPherson firms will expand outside of the community than the comparison percentage of firms surveyed in the other 8 communities (see Table 72).

TABLE 70
LOCATION OF WHERE EXPANSION WILL TAKE PLACE
FOR FIRMS THAT ARE PLANNING EXPANSION, BY SIZE OF FIRM

Number of Employees	Where Expansion Will Be			
	Within The City Limits	Within The Same County	Within The State	Out of State
1-19	73%	15%	8%	4%
20-49	100%	0%	0%	0%
50+	25%	0%	0%	75%
TOTAL PERCENT	70%	12%	6%	12%

n = 21

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 71
 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
Manufacturing	75%	0%	0%	25%
Finance/Services	86%	0%	14%	0%
Other Industries	50%	33%	0%	17%
TOTAL PERCENT	70%	12%	6%	12%

n = 21

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 72
 LOCATION OF WHERE EXPANSION WILL TAKE PLACE
 FOR FIRMS THAT ARE PLANNING EXPANSION,
 BY COMMUNITY COMPARISON

Community	Where Expansion Will Be			
	Within The City Limits	Within The Same County	Within The State	Out of State
McPherson	70%	12%	6%	12%
Other 8 Communities	62%	19%	14%	5%

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 most firms will be in the community, which is a positive sign for McPherson. However, expansion for the majority of firms with 50 or more employees will take place out of state. An implication here is that

given the importance of large firms to the community, firms with 50 or more employees will need to be targeted for expansion assistance that will increase the probability for such growth to take place within the community. In addition, since a majority of large firms are also part of a larger corporation (see Table 8), discussion about the prospects of expansion within McPherson for will necessitate contacting parent organizations.

Advantages that influenced expansion. There were only 3 firms that gave two local advantages that influenced expansion, and these advantages were that space was available and a strong local economy. Firms surveyed in the other 8 communities gave two more advantages: a good local labor pool and tax incentives, public financing. General conclusions cannot be made based on 3 firms.

Problems that led to expansion outside of the community. Only two firms gave two problems that led to expansion outside of the community. These problems were "specific problems" within the community and city taxes. Firms surveyed in the other 8 communities gave only one more problem: zoning regulations. General conclusions for the community cannot be made based on 2 firms.

Problems that led to expansion outside of Kansas. Only one firm gave problems with Kansas that influenced expansion out of state, and this problem was "specific problems" with Kansas and tax costs in general. The severance tax was the only other problem mentioned by firms surveyed in the other 8 communities. General conclusions for the community cannot be based on 1 firm.

Additional Products and Expansion. The two major reasons for not offering additional products or services mentioned by McPherson firms that gave reasons were restrictive laws or regulations (given by 22%) and that

the business is complex enough at the present time (22%) (see Tables 73-75). The majority of reasons were given by firms with less than 20 employees. Restrictive laws or regulations as a reason for not offering an additional product or service was given by a high percentage of firms in the agriculture, mining, construction, transportation-communications, and wholesale industries (see Table 74). Firms surveyed in the other 8 communities were more concerned with a static or declining market, low cash flow, and lack of equipment and technology (see Table 75).

TABLE 73
REASONS FOR NOT OFFERING AN ADDITIONAL PRODUCT OR SERVICE*
BY SIZE OF FIRM

Number of Employees	Restrictive Laws or Regulations	Lack of Affordable Financing	Lack of Specific Knowledge	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	21%	18%	3%	11%	11%	5%	19%	11%	3%	16%
20-49	33%	0%	0%	0%	0%	0%	50%	0%	17%	0%
50+	0%	0%	50%	0%	0%	0%	0%	0%	50%	0%
PERCENT OF TOTAL	22%	15%	4%	9%	9%	4%	22%	9%	7%	13%

n = 28

*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 74
REASONS FOR NOT OFFERING AN ADDITIONAL PRODUCT OR SERVICE*
BY INDUSTRY

Industry	Restrictive Laws or Regulations	Lack of Affordable Financing	Lack of Specific Knowledge	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
Manufacturing	0%	10%	20%	0%	0%	0%	40%	0%	30%	0%
Finance/Services	18%	18%	0%	9%	0%	0%	18%	18%	0%	18%
Other Industries	43%	14%	0%	14%	29%	14%	14%	0%	0%	14%
PERCENT OF TOTAL	22%	15%	4%	9%	9%	4%	22%	9%	7%	13%

n = 28

*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 75
REASONS FOR NOT OFFERING AN ADDITIONAL PRODUCT OR SERVICE*
BY COMMUNITY COMPARISON

Community	Restrictive Laws or Regulations	Lack of Affordable Financing	Lack of Specific Knowledge	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
McPherson	22%	15%	4%	9%	9%	4%	22%	9%	7%	13%
Other 8 Communities	10%	15%	6%	9%	14%	13%	13%	10%	12%	23%

*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 majority of firms mentioned restrictive laws or regulations and that the business is complex enough now as reasons for not offering an additional product or service. These reasons were given only by firms with less than 20 employees. This indicates that certain restrictions placed on small firms are impeding this type of expansion opportunity, and that the small firm in McPherson may not be receiving the assistance necessary to develop additional products while at the same time maintaining current business operations. Lack of affordable financing was also preventative. The major implication is that an exploration of local laws and regulations,

information that will assist firms create new products, and financial assistance should be considered priorities, especially since new products will help companies reach new markets and increase their chances for expansion.

Expanding into the international market. There are firms in McPherson that have the potential and the desire to expand into the international market. Of the firms that answered yes or no to these questions, 12% said they had the potential to expand internationally (see Tables 76-78) and 11% stated they had the desire to expand internationally (see Tables 79-81). Firms which stated they did have the potential and/or the desire to expand were from all industries and from all size categories. The total percentages of firms in McPherson who stated they had the potential and/or the desire to expand internationally were very close to the percentages given by the firms in the other 8 communities (see Tables 78 and 81).

TABLE 76
 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	90%	10%
20-49	69%	31%
50+	92%	8%
TOTAL PERCENT	88%	12%

n = 76

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 77
 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
Manufacturing	80%	20%
Finance/Services	94%	6%
Other Industries	88%	12%
TOTAL PERCENT	88%	12%

n = 76

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
 PERCENT OF TOTAL FIRMS THAT FEEL THEY HAVE
 THE POTENTIAL TO EXPAND INTERNATIONALLY,
 BY COMMUNITY COMPARISON

Do you feel your business has the potential to expand into the international market?		
Community	NO	YES
McPherson	88%	12%
Other 8 Communities	86%	14%

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 79
 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	90%	10%
20-49	77%	23%
50+	92%	8%
TOTAL PERCENT	89%	11%

n = 76

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 80
 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
Manufacturing	76%	24%
Finance/Services	100%	0%
Other Industries	88%	12%
TOTAL PERCENT	89%	11%

n = 76

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
 PERCENT OF TOTAL FIRMS THAT HAVE THE
 DESIRE TO EXPAND INTERNATIONALLY
 BY COMMUNITY COMPARISON

Does your firm have the desire to expand into the international market?		
Community	NO	YES
McPherson	89%	11%
Other 8 Communities	87%	13%

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 McPherson with the potential and the 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 76 and 79 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 McPherson 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 orientated.

Reasons for not expanding into the international market. Only 8 firms gave 8 reasons concerning the prevention of exports. For comparison purposes, firms surveyed in the other 8 communities gave 13 reasons for the prevention of exports, with the greatest percentages given for the business was too small and lack of affordable financing (see Table 82). Eight firms are not enough to base general conclusions for the community on (please note that the percentages given for McPherson in Table 82 are based on 8 firms).

TABLE 82
REASONS THAT PREVENT EXPORTS*
BY COMMUNITY COMPARISON

Community	Busi- ness Too Small	Busi- ness Spec- ific Area	Lack of Knowledge About Foreign Markets Exporting	Lack of Knowl- edge About Ex- porting	Lack of Federal or State Assist- ance	Unfav- orable Ex- change Rates	High Tariffs and-or Trade Barriers	Rest- ric- tive Export Regs.	Lack of Afford- able Fin- ancing	Costs Are Too High	Never Consid- ered it	Cur- rently Engaged in Ex- porting	Tough Compe- tition
McPherson	16%	31%	15%	0%	0%	0%	15%	0%	15%	8%	0%	15%	15%
Other 8 Communities	25%	19%	8%	14%	6%	4%	8%	7%	21%	12%	6%	5%	5%

*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 associated with exporting. Only 2 firms gave 2 problems associated with exporting: lack of financing and inadequate knowledge of other countries' markets. Firms surveyed in the other 8 communities gave 6 problems associated with exporting, with the highest percentage given to high tariffs and/or trade barriers. Two firms are not enough to make general conclusions for the community.

Financing for Expansion

Financing Sources. Financing sources for expansion for McPherson firms come from traditional sources. Of the firms that gave a financing source, 53% said a bank was a source and 49% said internal financing was a source for financing (see Tables 83-85). Firms with less than 20 employees were particularly likely to use a bank, and firms with 50 or more employees were likely to use internal funds (see Table 83). The finance and services industries had higher percentages of firms who used banks and internal funds (see Table 84). The percentages given by McPherson firms are fairly consistent with those given by surveyed firms in the other 8 communities, although comparison communities' firms gave credit unions and certified

development companies as sources while McPherson firms did not (see Table 85).

TABLE 83
FINANCING SOURCES FOR EXPANSION*
BY SIZE OF FIRM

Number of Employees	Bank	Savings and Loan	Inter-nal Financing	Private Sources	Small Business Administration	Industrial Revenue Bonds
1-19	62%	1%	45%	2%	9%	1%
20-49	39%	0%	54%	0%	0%	15%
50+	11%	5%	68%	5%	0%	53%
PERCENT OF TOTAL	53%	2%	49%	2%	7%	10%

n = 82

*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 84
FINANCING SOURCES FOR EXPANSION*
BY INDUSTRY

Industry	Bank	Savings and Loan	Inter-nal Financing	Private Sources	Small Business Administration	Industrial Revenue Bonds
Manufacturing	48%	7%	32%	3%	10%	36%
Finance/Services	56%	0%	56%	6%	6%	6%
Other Industries	53%	0%	53%	0%	6%	0%
PERCENT OF TOTAL	53%	2%	49%	2%	7%	10%

n = 82

*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 85
FINANCING SOURCES FOR EXPANSION*
BY COMMUNITY COMPARISON

Community	Bank	Credit Union	Savings and Loan	Inter-nal Financing	Private Sources	Small Business Administration	Certified Development Comp.	Industrial Revenue Bonds
McPherson	53%	0%	2%	49%	2%	7%	0%	10%
Other 8 Communities	54%	2%	3%	52%	7%	3%	1%	4%

*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.

The major implication here is that McPherson firms are primarily dependent upon traditional sources for expansion financing (banks and internal funds), and many 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. Expansion here may be depend on how these firms can find alternative sources of financing, and how community officials can disseminate information about how to use these alternative forms of assistance.

Financing sources outside of Kansas. The large majority of firms in McPherson have not gone outside of Kansas to finance an expansion. Of the total number of firms surveyed, only 7% stated that they have had to go outside of Kansas to finance an expansion in the last five years (see Tables 86-88). However, larger firms stated they have had to go outside of Kansas for financing more than smaller firms, and manufacturing firms have had to go outside of Kansas more than other industry firms. Total percentages given by McPherson firms are consistent with percentages given by firms in the other 8 communities.

TABLE 86
 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	98%	2%
20-49	86%	14%
50+	74%	26%
TOTAL PERCENT	93%	7%

n = 82

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
 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
Manufacturing	84%	16%
Finance/Services	100%	0%
Other Industries	94%	6%
TOTAL PERCENT	93%	7%

n = 82

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 88
 PERCENT OF TOTAL FIRMS THAT HAVE GONE OUTSIDE OF
 KANSAS TO FINANCE AN EXPANSION
 BY COMMUNITY COMPARISON

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

Community	NO	YES
McPherson	93%	7%
Other 8 Communities	91%	9%

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 with 50 or more employees and firms in the manufacturing industry have gone outside of the state to finance an expansion more than other size category companies and industries. If firms are using other state sources for financing by choice, or through parent organizations, this is not as large a problem as firms seeking financial assistance out of state because they cannot receive help within the community or within the state. Local officials must determine which is the case. Information must be given to all firms concerning alternative forms of financing to ensure that McPherson companies know how to access assistance.

Foregoing expansion because of a lack of financing. Of the total number of firms, 8% stated they have had to forego or postpone an expansion because of lack of financing (see Tables 89-91). Very large firms once again show a greater problem with financing: 10% of all firms with 50 or more employees have had to forego or postpone an expansion because of lack of financing, which is higher than percentages given by other size categories (see Table 89). A positive sign for McPherson is the comparison percentages shown in Table 91: although 8% of the surveyed firms in McPherson have had this

problem, 11% of the firms surveyed in the other 8 communities have had to forego or postpone expansion.

TABLE 89
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	92%	8%
20-49	93%	7%
50+	90%	10%
TOTAL PERCENT	92%	8%

n = 82

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 90
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
Manufacturing	91%	9%
Finance/Services	94%	6%
Other Industries	91%	9%
TOTAL PERCENT	92%	8%

n = 82

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 TOTAL FIRMS FORCED TO FOREGO OR POSTPONE
 AN EXPANSION BECAUSE OF LACK OF FINANCING
 BY COMMUNITY COMPARISON

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?

Community	NO	YES
McPherson	92%	8%
Other 8 Communities	89%	11%

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 with 50 or more employees had to forego an expansion because of financing more than other size category firms, again indicating that is the very large firm in McPherson that has particular trouble with financing. There are firms in McPherson that have had to forego an expansion because of a lack of financing, implying that the community has missed additional opportunities for growth because of lack of assistance. It is crucial that firms know about financing assistance and how they can access that assistance. To do otherwise would maintain the possibility that more firms will forego expansion because of lack of financing.

Expansion Summary

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

1. Expansion growth has occurred in McPherson the past two years and there is optimism about expansion capabilities for the future. Now is an opportune time to encourage and foster expansion in the community.

2. An expanding market was the greatest factor associated with past expansion, and a declining or static market was the greatest reason associated with past contractions. This emphasizes the importance of participating in markets outside of McPherson and outside of Kansas.

3. Although very small in number, 30% of those firms that are planning an expansion will expand outside of the city limits. The majority of firms with 50 or more employees are expanding outside of the community. Reasons for expansion outside of McPherson should be examined before trends develop that could lead to further losses of expansion.

4. There are firms in McPherson with both the potential and the desire to expand internationally. Of the firms that responded, 12% said they had the potential to expand and 11% said they had the desire to expand. There is an unrealized opportunity to increase exports from McPherson.

5. To disregard small companies as a source for exports would be a mistake: there are small firms with the potential and the desire to export.

6. Financing sources for expansion are traditional in nature (banks and internal funds), and there are firms in McPherson that have had to forego an expansion because of a lack of financing. Alternative forms of financing must be made known to these firms to increase the opportunities and chances for expansion. Continued dependence on standard sources for financing could impede expansion growth.

7. Financing is seen as a problem by McPherson companies. Of the firms that experienced a contraction in size, 9% stated a reason for contraction was a lack of affordable financing; of the firms that have expanded, 29% stated that a problem associated with expansion was lack of affordable financing; and of the total number of firms, 8% stated that their firm has been forced to forego or postpone an expansion because of lack of financing.

VI.

BUSINESS CLIMATE

In this section, we discuss firm perspectives 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 firms in McPherson believe the availability of air transportation is a major problem; (2) now is an excellent time for local government officials to assist retention and expansion efforts; and (3) firms believe that improvements in the local business climate should include economic development, more entertainment activities, and more recreational activities.

Local And State Business Climate

Quality of life. Companies appear to have very little problems with the overall quality of life in McPherson. Of the total number of respondents, 97% believe that the quality of life is good, and 3% believe that the quality of life is adequate (see Tables 92-94). No one believed that the quality of life was poor. One-hundred percent of the firms with 20 or more employees and one-hundred percent of the respondents in the manufacturing industry believed the quality of life was good. This data is especially encouraging when examining the percentages given by firms in the other 8 communities: only 80% of those firms in the other 8 communities believed their quality of life was good, 17% believed the quality of life to be adequate, and 2% thought the quality of life in their respective community was poor (see Table 94).

TABLE 92
FIRMS' PERCEPTIONS OF THE QUALITY OF
LIFE IN THEIR COMMUNITY
BY SIZE OF FIRM

Number of Employees	No Opinion	Good	Adequate	Poor
1-19	0%	96%	4%	0%
20-49	0%	100%	0%	0%
50+	0%	100%	0%	0%
TOTAL PERCENT	0%	97%	3%	0%

n = 83

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

Number of Employees	No Opinion	Good	Adequate	Poor
Manufacturing	0%	100%	0%	0%
Finance/Services	0%	94%	6%	0%
Other Industries	0%	97%	3%	0%
TOTAL PERCENT	0%	97%	3%	0%

n = 83

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 94
FIRMS' PERCEPTIONS OF THE QUALITY OF
LIFE IN THEIR COMMUNITY
BY COMMUNITY COMPARISON

Number of Employees	No Opinion	Good	Adequate	Poor
McPherson	0%	97%	3%	0%
Other 8 Communities	1%	80%	17%	2%

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 vast majority of firms surveyed in McPherson do not have a problem with the quality of life they experience in their community. In contrast to the negative images of rural life and of Kansas perceived by very large firms (see Tables 41 and 44), these same firms do not rate the quality of life poor; indeed, no firm gave a poor rating. McPherson data takes on added significance when looking at Table 94: 97% of surveyed firms in McPherson gave good ratings while 80% of surveyed firms in the other 8 communities rated the quality of life good. Clearly, the majority of business representatives are not unhappy with the quality of life.

Attitude of the local government. The majority of surveyed firms in McPherson believe the local government has a positive attitude towards businesses in the community. Of the total number of firms, 70% stated that they thought the attitude of the local government was positive to very positive (see Tables 95-97). Firms with less than 20 employees believed their local government had a more negative attitude, as did firms in the agriculture, mining, construction, transportation-communications, and wholesale industries. Firms that were surveyed in the other 8 communities had a much lower percentage of respondents who stated the attitude of their local government was positive to very positive, and higher percentages that

stated the attitude was neutral or negative to very negative (see Table 97).

TABLE 95
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	66%	26%	8%
20-49	64%	29%	7%
50+	95%	0%	5%
TOTAL PERCENT	70%	23%	7%

n = 82

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 96
FIRMS' PERCEPTIONS OF THE
ATTITUDE OF THEIR LOCAL GOVERNMENT
BY INDUSTRY

Industry	Attitude of Local Government		
	Positive To Very Positive	Neutral	Negative To Very Negative
Manufacturing	80%	15%	5%
Finance/Services	73%	22%	5%
Other Industries	65%	27%	8%
TOTAL PERCENT	70%	23%	7%

n = 82

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
 FIRMS' PERCEPTIONS OF THE
 ATTITUDE OF THEIR LOCAL GOVERNMENT
 BY COMMUNITY COMPARISON

Attitude of Local Government			
Community	Positive To Very Positive	Neutral	Negative To Very Negative
McPherson	70%	23%	7%
Other 8 Communities	53%	37%	10%

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 believe their local government has a positive to very positive attitude towards business in McPherson. Smaller firms gave slightly higher percentages of negative responses than did larger firms, but on the whole these results are encouraging. The major implication is that now is an opportune time for the local government to get involved in economic development strategies that will help their firms and their community. The climate exists for mutual cooperation.

Perception of services. The majority of local services in McPherson were seen to be mainly good or adequate (see Table 98). High good ratings were given to the electric system (91%), the public school system (87%), police protection (80%), and fire protection (80%). High poor ratings were given to the quality of public transportation (32%), the availability of air transportation (31%), the quality of garbage collection (16%), and the quality of training assistance (13%). Table 99 shows the ratings given to these same services by firms in the other 8 communities. Higher poor ratings were given to transportation issues by these firms than by firms surveyed in McPherson.

TABLE 98
MCPHERSON FIRMS' PERCEPTIONS OF SERVICES

	No			
	Opinion	Good	Adequate	Poor
Quality of Roads	0%	54%	40%	6%
Quality of Railroads	26%	39%	31%	4%
Cost of Transportation	12%	24%	55%	9%
Availability of Air Transportation	26%	12%	31%	31%
Quality of Public Transportation	25%	12%	31%	32%
Freight Delivery Time	20%	52%	25%	3%
Quality of Training	17%	47%	23%	13%
Fire Protection	1%	80%	19%	0%
Police Protection	0%	80%	18%	2%
Telephone System	0%	68%	22%	10%
Electric System	0%	91%	9%	0%
Public School System	2%	87%	10%	1%
Quality of Garbage Collection	8%	48%	28%	16%

n = 83

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
COMPARISON COMMUNITIES' FIRMS' PERCEPTIONS OF SERVICES

Other 8 Communities	No			
	Opinion	Good	Adequate	Poor
Quality of Roads	1%	34%	45%	20%
Quality of Railroads	35%	27%	26%	12%
Cost of Transportation	10%	30%	45%	15%
Availability of Air Transportation	22%	12%	28%	38%
Quality of Public Transportation	28%	13%	24%	35%
Freight Delivery Time	12%	52%	31%	5%
Quality of Training	18%	36%	32%	14%
Fire Protection	4%	75%	20%	1%
Police Protection	2%	67%	28%	3%
Telephone System	1%	63%	30%	6%
Electric System	1%	72%	23%	4%
Public School System	7%	72%	18%	3%
Quality of Garbage Coll.	6%	66%	25%	3%

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.

In general, local services were seen to be good or adequate. These are positives for the community and will help in decisions of location and expansion. However, the relatively high percentage of poor ratings given to the availability of air transportation and the quality of public transportation need to be considered. As firms trade more in markets that are outside of Kansas, air transportation will gain in significance. Companies will need modes of transportation that will be able to move products on time to and from their destination. At the present time, this is in doubt. If McPherson is to grow, transportation issues will become increasingly important.

Government regulations that impede business operations. There are government regulations that impede business operation in McPherson. Of the firms that mentioned certain regulations that impeded their operation, 96% stated that hampering city or state regulations were a problem, 32% stated EPA regulations, and 32% stated general government over regulation (see Tables 100-102). Firms surveyed in the other 8 communities also stated that OSHA regulations impeded business operations (see Table 102).

TABLE 100
GOVERNMENT REGULATIONS THAT IMPEDE OPERATION*
BY SIZE OF FIRM

Number of Employees	Hamp-ering City-State Regs.	KCC Over Reg-ula-tion	EPA Regs.	Zoning	KS Dept. of Health	Gvt. Over Reg-ula-tion
1-19	100%	12%	29%	0%	12%	35%
20-49	100%	100%	0%	0%	0%	0%
50+	86%	0%	43%	14%	0%	29%
PERCENT OF TOTAL	96%	12%	32%	4%	8%	32%

n = 15

*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 101
GOVERNMENT REGULATIONS THAT IMPEDE OPERATION*
BY INDUSTRY

Industry	Hamp-ering City-State Regs.	KCC Over Reg-ula-tion	EPA Regs.	Zoning	KS Dept. of Health	Gvt. Over Reg-ula-tion
Manufacturing	80%	20%	40%	20%	0%	0%
Finance/Services	100%	0%	0%	0%	0%	75%
Other Industries	100%	17%	50%	0%	17%	17%
PERCENT OF TOTAL	96%	12%	32%	4%	8%	32%

n = 15

*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 102
GOVERNMENT REGULATIONS THAT IMPEDE OPERATION*
BY COMMUNITY COMPARISON

Community	Hamp-ering City-State Regs.	KCC Over Reg-ula-tion	EPA Regs.	OSHA Regs.	Zoning	KS Dept. of Health	Gvt. Over Reg-ula-tion
McPherson	96%	12%	32%	0%	4%	8%	32%
Other 8 Communities	98%	5%	18%	5%	17%	7%	18%

*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 government regulations that are impeding business operations, but most are not under local government control. Environmental Protection Agency (EPA) regulations are more of a concern in McPherson than in the other 8 communities. Local officials cannot change federal legislation, but they can examine local laws and regulations that may be impeding business operation.

Taxes that influence expansion decisions. Reasons to forego expansion included many tax restrictions. Of the firms that gave reasons, 55% said property tax on inventories was a reason to forego expansion, 41% said workers compensation was a reason, 30% said the unemployment insurance tax was a reason, and 25% said the sales tax on machines and equipment was a reason (see Tables 103-105). A very high percentage of firms in the manufacturing industry and with 50 or more employees gave property tax on inventories as a reason to forego expansion. Firms surveyed in the other 8 communities gave higher percentages to the overall city tax burden, the corporate income tax, property tax on inventories, sales tax on machines and equipment, the unemployment insurance tax, workers compensation, and the gas tax (see Table 105).

TABLE 103
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 Inventories	Sales Tax on Equipment	Machinery and Insurance Tax	Unemployment Insurance Tax	Workers Compensation	Severance Tax
1-19	27%	9%	9%	55%	30%	30%	42%	12%	
20-49	20%	20%	20%	40%	20%	20%	40%	0%	
50+	33%	17%	0%	67%	0%	33%	33%	0%	
PERCENT OF TOTAL	27%	11%	9%	55%	25%	30%	41%	9%	

n = 27

*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 104
REASONS TO FOREGO EXPANSION*
BY INDUSTRY

Industry	Over-all State Tax Burden	Over-all City Tax Burden	Corporate Income Tax	Property Inventories	Sales Tax on Equipment	Machinery and Insurance Tax	Unemployment Insurance Tax	Workers Compensation	Severance Tax
Manufacturing	43%	21%	14%	71%	36%	21%	29%	0%	
Finance/Services	0%	0%	33%	0%	0%	67%	67%	0%	
Other Industries	25%	8%	0%	58%	25%	25%	42%	17%	
PERCENT OF TOTAL	27%	11%	9%	55%	25%	30%	41%	9%	

n = 27

*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 105
REASONS TO FOREGO EXPANSION*
BY COMMUNITY COMPARISON

Community	Over-all State Tax Burden	Over-all City Tax Burden	Corporate Income Tax	Property Inventories	Sales Tax on Equipment	Machinery and Insurance Tax	Unemployment Insurance Tax	Workers Compensation	Severance Tax	Gas Tax
McPherson	27%	11%	9%	55%	25%	30%	41%	9%	0%	
Other 8 Communities	24%	14%	21%	61%	32%	47%	47%	8%	2%	

*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 103 shows that firms with less than 20 employees and firms with 50 or more employees believe that the property tax on inventories is a reason to forego expansion. The overall city tax burden is a reason for to forego expansion, but the percentage given by McPherson firms was lower than the percentage given by comparison communities' firms. Local officials need to find out more about the specific types of taxes which may be impeding expansion, and explore, if possible, how they could be changed to eliminate unnecessary burdens that are placed on McPherson firms.

Business Climate Improvements

Improving the local quality of life. Ways to improving the quality of life in McPherson are centered upon economic development and general recreational activities. Of the respondents who suggested ways to improve the local quality of life, 33% stated economic development, 22% stated more entertainment and more activities for McPherson, and 20% stated more recreational activities as a way to improve the local quality of life (see Tables 106-108). These percentages are in direct contrast to those obtained from firms in the other 8 communities. Companies surveyed in the other 8 communities had a much greater percentage stating economic development, while McPherson firms had greater percentages of more entertainment, more activities for the town, more recreational activities, to improve public moral, and to upgrade education (see Table 108). Clearly, what is considered necessary to improve the quality of life is different in McPherson than for the other communities sampled for the state report.

TABLE 106
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	Up- grade Edu- cation
1-19	37%	18%	26%	18%	11%	16%
20-49	0%	100%	0%	0%	0%	0%
50+	17%	33%	0%	33%	17%	0%
PERCENT OF TOTAL n = 27	33%	22%	22%	20%	11%	13%

*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 107
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	Up- grade Edu- cation
Manufacturing	33%	22%	22%	33%	11%	0%
Finance/ Services	20%	30%	20%	20%	20%	30%
Other Industries	50%	13%	25%	13%	0%	0%
PERCENT OF TOTAL n = 27	33%	22%	22%	20%	11%	13%

*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 108
WAYS TO IMPROVE THE LOCAL QUALITY OF LIFE*
BY COMMUNITY COMPARISON

Community	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
McPherson	33%	22%	22%	20%	11%	0%	13%
Other 8 Communities	59%	16%	6%	16%	6%	6%	10%

*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.

Clearly, what is considered necessary to improve the quality of life is different in McPherson than for Kansas mid-size communities as a whole. Unlike firms in the other 8 communities, economic development is not seen as a cure-all for improving the quality of life. Entertainment and recreational activities are a priority for those firms that gave suggestions. Officials in McPherson must note the kinds of activities mentioned by their businesses, and find ways to improve the quality of life. The quality of life will be an important factor in a company's decision concerning location and expansion in the McPherson community.

Improving the local business climate. Of the firms that gave suggestions for improving the local business climate, 49% suggested economic development, 25% suggested that the local government be more responsive, and 16% suggested increasing and improving the local image and improving local financing (see Tables 109-111). The majority of suggestions were given by companies with less than 20 employees. Economic development was of particular concern to firms in the finance and services industries and for firms with 20-49 employees. However, firms surveyed in the other 8 communities had a higher percentage of respondents that suggested economic development (see Table 111).

TABLE 109
SUGGESTIONS GIVEN FOR IMPROVING THE LOCAL BUSINESS CLIMATE*
BY SIZE OF FIRM

Number of Employees	Economic Development	Increase and Improve Local Image	Improve Local Financing	Tax Incentives, Abate-ments	Local Gvt. More Responsive	Help Entrepreneurs	Spend Municipal Funds
1-19	48%	17%	16%	14%	24%	12%	7%
20-49	100%	0%	0%	0%	0%	0%	0%
50+	33%	0%	33%	33%	67%	0%	0%
PERCENT OF TOTAL	49%	16%	16%	14%	25%	11%	6%

n = 39

*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 110
SUGGESTIONS GIVEN FOR IMPROVING THE LOCAL BUSINESS CLIMATE*
BY INDUSTRY

Industry	Economic Development	Increase and Improve Local Image	Improve Local Financing	Tax Incentives, Abate-ments	Local Gvt. More Responsive	Help Entrepreneurs	Spend Municipal Funds
Manufacturing	40%	0%	40%	30%	40%	10%	0%
Finance/Services	64%	18%	9%	9%	18%	27%	9%
Other Industries	44%	19%	13%	13%	25%	0%	6%
PERCENT OF TOTAL	49%	16%	16%	14%	25%	11%	6%

n = 39

*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 111
SUGGESTIONS GIVEN FOR IMPROVING THE LOCAL BUSINESS CLIMATE*
BY COMMUNITY COMPARISON

Community	Economic Development	Improve-ment Between State Local	Increase and Improve Local Image	Improve Local Financing	Tax Incentives, Abate-ments	Local Gvt. More Responsive	Help Entrepreneurs	Spend Municipal Funds
McPherson	49%	0%	16%	16%	14%	25%	11%	6%
Other 8 Communities	61%	2%	11%	12%	15%	23%	12%	8%

*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.

Although not as high those as given by firms in the other 8 communities, economic development as a way to improve the local business climate did receive the greatest percentage of responses from McPherson firms. There is also a desire for the local government to get involved, to improve the local image, and to improve local financing. These are areas where the local government in McPherson can have an impact on the future of its businesses. As seen in Tables 95-97, McPherson firms believe that their local government has a positive attitude towards businesses in the community. The local government should build upon that impression and work with companies to improve the local business climate.

Improving the state business climate. Suggestions for improving the state business climate was again centered on economic development. Of the firms that gave suggestions, 33% suggested economic development, 30% suggested changing or lowering taxes, and 17% suggested improving the state image and improving the highway system (see Tables 112-114). A relatively high percentage of firms with 50 or more employees and finance/services industry firms suggested economic development and to improve the state image; while a relatively high percentage of firms with less than 20 employees and firms in the agriculture, mining, construction, transportation-communication, and wholesale industries suggested changing or lowering taxes (see Table 112 and 113). In Table 114 it is important to note the percentage differences for the suggestion to improve the highway system: McPherson firms made this suggestion much less than firms in the other 8 communities.

TABLE 112
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	Financing Tax Incentives	Better Competition	Eliminate Severance Tax	Improve Highway System	Change Or Lower Taxes
1-19	30%	0%	15%	9%	10%	15%	4%	19%	37%
20-49	25%	8%	8%	0%	17%	17%	0%	25%	8%
50+	62%	0%	39%	8%	8%	0%	15%	0%	8%
PERCENT OF TOTAL	33%	1%	17%	8%	10%	13%	5%	17%	30%

n = 64

*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 113
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	Financing Tax Incentives	Better Competition	Eliminate Severance Tax	Improve Highway System	Change Or Lower Taxes
Manufacturing	29%	4%	17%	8%	13%	17%	4%	17%	25%
Finance/Services	40%	0%	33%	7%	13%	7%	0%	20%	13%
Other Industries	31%	0%	8%	8%	8%	15%	8%	15%	42%
PERCENT OF TOTAL	33%	1%	17%	8%	10%	13%	5%	17%	30%

n = 64

*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 114
SUGGESTIONS GIVEN FOR IMPROVING THE STATE BUSINESS CLIMATE*
BY COMMUNITY COMPARISON

Community	Economic Development	More Cooperation Between State & Local	Increase and Improve State Image	Better Financing Opportunities	Financing Tax Incentives	Better Competition	Eliminate Severance Tax	Improve Highway System	Seek Diversification	Change Or Lower Taxes
McPherson	33%	1%	17%	8%	10%	13%	5%	17%	0%	30%
Other 8 Communities	29%	1%	15%	7%	17%	5%	4%	32%	3%	25%

*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

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

1. Companies appear to have very little problems with the overall quality of life in McPherson. Of the total number of surveyed firms, 97% stated that the quality of life was good, 3% stated the quality of life was adequate, and 0% stated the quality of life was poor.

2. The quality of life McPherson firms believe they experience takes on added significance when making comparisons to firms surveyed in the other eight communities. Ninety-seven percent of McPherson firms stated the quality of life was good and 3% stated adequate; 80% of the firms surveyed in the other eight communities stated that the quality of life was good, 17% stated adequate, and 2% stated poor.

3. Most firms (70%) believed the attitude of the local government towards businesses was positive to very positive; but a relatively high percentage (25%) of firms suggested that to improve the local business climate the local government should be more responsive to businesses in the community. Now is an excellent time for the local government to assist in retention and expansion strategies.

4. Local public services were seen to be mainly good or adequate. However, the availability of air transportation and the quality of public transportation were seen by the majority to be poor. Transportation issues will grow in importance as firms enter larger product markets and become more competitive.

5. There are city regulations that are seen to impede business operation. It would be a mistake to believe that only state or federal regulations impede business operation.

6. Suggestions for improving the local business climate included economic development, that the local government should be more responsive to businesses in the community, to increase and improve the image of McPherson, and to improve local financing. McPherson firms are looking for development assistance from their community officials.

7. McPherson firms expressed strong support for economic development. Of those firms that suggested ways to improve the quality of life, the local business climate, and the state business climate, 33% mentioned economic development as a way to improve the local quality of life, 49% suggested economic development as a way to improve the local business climate, and 33% suggested economic development as a way to improve the state business climate.

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.

The major findings are: (1) firms in McPherson have little knowledge about economic development assistance programs, (2) firms in McPherson have requirements for relatively low-skill workers, and (3) training and training assistance will grow in importance for firms in McPherson, especially if competition requires companies to shift to more advanced technologies and processes.

Economic Development Assistance

Certified Development Companies (CDCs). Certified Development Companies assist small businesses with long term financing through the Small Business Administration 503 loan program. The nearest CDC to McPherson community businesses is the McPherson County Small Business Development Association, 101 South Main, McPherson. A minority of firms had knowledge of CDCs, and a very small percentage of firms have used the program. Of the total number of firms surveyed, 84% stated they had no knowledge of CDCs and 4% stated they had actually used the program (see Tables 115-117). Firms with less than 20 employees had a very large percentage with no knowledge of the program, and firms with 20-49 employees used the program the most (see Table 115). Firms in the finance and services industries had the most respondents who had knowledge of the program and who used CDCs (see Table 116). In comparison to

the firms in the other 8 communities, McPherson had slightly higher percentages of firms with knowledge of CDCs and who used CDCs (see Table 117).

TABLE 115
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%	9%	2%
20-49	71%	15%	14%
50+	63%	32%	5%
TOTAL PERCENT	84%	12%	4%

n = 83

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 116
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
Manufacturing	82%	15%	3%
Finance/Services	72%	17%	11%
Other Industries	91%	9%	0%
TOTAL PERCENT	84%	12%	4%

n = 83

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 117
 PERCENT OF THE TOTAL NUMBER OF FIRMS
 THAT HAVE KNOWLEDGE AND HAVE USED
 CERTIFIED DEVELOPMENT COMPANIES
 BY COMMUNITY COMPARISON

Community	Had No Knowledge of This Program	Had Knowledge of Program, but Had Not Used It	Had Used The Program
McPherson	84%	12%	4%
Other 8 Communities	88%	10%	2%

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 the surveyed firms (84%) had no knowledge of Certified Development Companies. The major implication is that companies in McPherson are missing opportunities to use this assistance simply because they are uninformed. Knowledge about this assistance and how it may be used must be communicated better to firms in McPherson.

The Community Development Block Program. The Community Development Block Program is a federal grant program administered by the state government to assist communities in providing additional services to low and moderate income persons. Grants are given for such projects as infrastructure improvement, senior citizen centers, business financing, and comprehensive planning for communities. Of the total number of firms surveyed, 65% had knowledge of this program and 3% actually used the program (see Tables 118-120). Firms that used the program all had under 20 employees, and no manufacturing firms used the Community Development Block Program. Once again, McPherson firms had a slightly higher percentage of firms with

knowledge of this assistance and who used the assistance than firms in the other 8 communities (see Table 120).

TABLE 118
 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	29%	67%	4%
20-49	57%	43%	0%
50+	32%	68%	0%
TOTAL PERCENT	32%	65%	3%

n = 83

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 119
 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
Manufacturing	36%	64%	0%
Finance/Services	11%	83%	6%
Other Industries	41%	56%	3%
TOTAL PERCENT	32%	65%	3%

n = 83

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 120
 PERCENT OF THE TOTAL NUMBER OF FIRMS
 THAT HAVE KNOWLEDGE AND HAVE USED
 THE COMMUNITY DEVELOPMENT BLOCK PROGRAM
 BY COMMUNITY COMPARISON

Community	Had No Knowledge of This Program	Had Knowledge of Program, but Had Not Used It	Had Used The Program
McPherson	32%	65%	3%
Other 8 Communities	37%	61%	2%

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 in McPherson had the highest percentage of knowledge about Community Development Block Programs than for any other type of assistance that will be discussed. Still, only 3% of the total number of firms have actually used the program. This suggests that the people in the community who help the state with the dissemination of information and the implementation of this program should learn the reasons why this assistance is not used, and communicate problems with the program back to the state.

Centers of Excellence Programs. Centers of Excellence, located at state universities, offer state-of-the-art research capabilities, fit within the long range objectives of the universities, and offer long-term potential for economic development. Commercialization of new technologies and attracting nationally-recognized scientists are important goals of the Centers. The closest Center of Excellence to the McPherson community is located at Wichita State University. Eighty-five percent of the total number of firms had no knowledge of Centers of Excellence Programs, and only 1% had actually used the program (see Tables 121-123). Only firms with less than 20

employees and who were in the finance and services industries have used this assistance. In comparison to firms surveyed in the other 8 communities, percentages are almost identical (see Table 123).

TABLE 121
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	87%	11%	2%
20-49	100%	0%	0%
50+	63%	37%	0%
TOTAL PERCENT	85%	14%	1%

n = 83

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 122
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
Manufacturing	91%	9%	0%
Finance/Services	72%	22%	6%
Other Industries	88%	12%	0%
TOTAL PERCENT	85%	14%	1%

n = 83

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 123
 PERCENT OF THE TOTAL NUMBER OF FIRMS
 THAT HAVE KNOWLEDGE AND HAVE USED
 THE CENTERS OF EXCELLENCE PROGRAMS
 BY COMMUNITY COMPARISON

Community	Had No Knowledge of This Program	Had Knowledge of Program, but Had Not Used It	Had Used The Program
McPherson	85%	14%	1%
Other 8 Communities	84%	15%	1%

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 the added effort that must be made in communicating this economic development assistance to firms in McPherson. This is particularly true for the small firm: 87% of firms with less than 20 employees have no knowledge about this program and 100% of firms with 20-49 employees have no knowledge of this program (see Table 121).

The Job Training Partnership Act (JTPA). The Job Training Partnership Act is a federal job training program aimed primarily at disadvantaged and dislocated workers. Information about JTPA may be obtained through the Kansas State Department of Human Resources in Topeka. Of the total number of firms surveyed, 54% had no knowledge of JTPA and 7% had actually used the program (see Tables 124-126). Smaller firms used JTPA more than did larger firms, and firms in the agriculture, mining, construction, transportation-communications, and wholesale industries had higher percentages of firms with no knowledge of JTPA. Unlike the previous assistance programs discussed, in comparison to firms surveyed in the other 8 communities

McPherson had a higher percentage of firms with no knowledge of JTPA, and a smaller percentage of firms which had used the program (see Table 126).

TABLE 124
 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	54%	38%	8%
20-49	57%	36%	7%
50+	53%	47%	0%
TOTAL PERCENT	54%	39%	7%

n = 83

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 125
 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
Manufacturing	42%	49%	9%
Finance/Services	44%	56%	0%
Other Industries	65%	27%	8%
TOTAL PERCENT	54%	39%	7%

n = 83

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 126
 PERCENT OF THE TOTAL NUMBER OF FIRMS
 THAT HAVE KNOWLEDGE AND HAVE USED
 THE JOB TRAINING PARTNERSHIP ACT
 BY COMMUNITY COMPARISON

Community	Had No Knowledge of This Program	Had Knowledge of Program, but Had Not Used It	Had Used The Program
McPherson	54%	39%	7%
Other 8 Communities	42%	47%	11%

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.

Although JTPA had a greater percentage of use among assistance programs from surveyed firms in McPherson, the percentage of firms in McPherson with no knowledge of JTPA was higher than the percentage given by surveyed firms in the other 8 communities. JTPA is an assistance program that is especially beneficial to firms that want to cut their training costs and who want to improve the skills of their workers. Efforts to increase the knowledge and use of this program should be encouraged.

The Kansas Industrial Training Program (KIT). The Kansas Industrial Training Program provides job training grants to firms that are new to the state or to existing firms that are expanding in Kansas. Information about KIT can be obtained from the Kansas State Department of Commerce. Fifty-five percent of the firms surveyed in McPherson had no knowledge of KIT, and 4% had used the program (see Tables 127-129). Important to note are the figures in Table 127: firms with 50 or more employees had a higher percentage of use of this program than did other size firms. In comparison to firms in the other 8 communities, McPherson had a higher percentage of firms that had

knowledge of KIT and a higher percentage of firms that actually used the program (see Table 129).

TABLE 127
 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	55%	43%	2%
20-49	57%	36%	7%
50+	53%	31%	16%
TOTAL PERCENT	55%	41%	4%

n = 83

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 128
 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
Manufacturing	58%	36%	6%
Finance/Services	50%	44%	6%
Other Industries	56%	41%	3%
TOTAL PERCENT	55%	41%	4%

n = 83

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 129
 PERCENT OF THE TOTAL NUMBER OF FIRMS
 THAT HAVE KNOWLEDGE AND HAVE USED
 THE KANSAS INDUSTRIAL TRAINING PROGRAM
 BY COMMUNITY COMPARISON

Community	Had No Knowledge of This Program	Had Knowledge of Program, but Had Not Used It	Had Used The Program
McPherson	55%	41%	4%
Other 8 Communities	66%	33%	1%

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.

KIT is a program that assists companies in their expansion efforts by training new personnel. Information about this program can be particularly beneficial to companies who want to keep expansion costs as low as possible. At the present time, the majority of firms have no knowledge of the program, and only 4% have actually used this assistance. Manufacturing industry firms, a group that is vital to the McPherson community, had the highest within industry percentage of firms with no knowledge of the program. Again, local officials must help the state in providing information about assistance to their community businesses.

TABLE 130
SUMMARY TABLE FOR
ECONOMIC DEVELOPMENT PROGRAMS

	No Knowledge	Knowledge, No Use	Used Program
Certified Development Companies	84%	12%	4%
Centers of Excellence	85%	14%	1%
Community Development Block Programs	32%	65%	3%
Kansas Industrial Training Program	55%	41%	4%
Job Training Partnership Act	54%	39%	7%

n = 83

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 surveyed McPherson firms.

State economic development programs are not well-known to companies in McPherson. It is logical to conclude that the state benefits which were intended for firms in McPherson are not being realized, mainly from a lack of information. Local officials need to assist the state in the distribution of knowledge about these programs; including who to contact, where contacts may be reached, and how these programs may help expansion efforts. Without giving such help, expansion and growth opportunities may continue to be unrealized.

Firms That Need A Specialized Skill

Companies in McPherson do not require a highly-skilled work force. Of the total number of firms, 98% stated they did not need a specialized skill for employment in their company (see Tables 131-133). Firms with 50 or more employees had a slightly higher percentage of respondents who stated they did need a specialized skill. The total percentages for McPherson are almost equal to those given by firms surveyed in the other 8 communities.

TABLE 131
 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	98%	2%
20-49	100%	0%
50+	95%	5%
TOTAL PERCENT	98%	2%

n = 83

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 132
 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
Manufacturing	97%	3%
Finance/Services	100%	0%
Other Industries	97%	3%
TOTAL PERCENT	98%	2%

n = 83

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 133
 PERCENT OF TOTAL FIRMS THAT NEED A
 SPECIALIZED SKILL
 BY COMMUNITY COMPARISON

Does your firm need a specialized skill for employment in your company?		
Community	NO	YES
McPherson	98%	2%
Other 8 Communities	97%	3%

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 McPherson is 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 McPherson 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.

Using state universities, community colleges, or vocational schools. The majority of firms in McPherson have not used these state educational institutions in the past 2 years. Sixty-three percent of the total number of surveyed firms said they have not used the services of a state university, community college, or vocational school in the past 2 years (see Tables 134-136). Firms with 50 or more employees have used services more than other size category firms, as have companies in the finance and services

industries. There were very small differences between total percentages of McPherson companies and companies in the other 8 communities.

TABLE 134
 PERCENT OF TOTAL FIRMS THAT HAVE USED THE
 SERVICES OF A STATE 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	64%	36%
20-49	79%	21%
50+	42%	58%
TOTAL PERCENT	63%	37%

n = 83

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 135
 PERCENT OF TOTAL FIRMS THAT HAVE USED THE
 SERVICES OF A STATE 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
Manufacturing	67%	33%
Finance/Services	50%	50%
Other Industries	68%	32%
TOTAL PERCENT	63%	37%

n = 83

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 136
 PERCENT OF TOTAL FIRMS THAT HAVE USED THE
 SERVICES OF A STATE SCHOOL
 BY COMMUNITY COMPARISON

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

Community	NO	YES
McPherson	63%	37%
Other 8 Communities	61%	39%

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 with 50 or more employees have used the services of a state school more than other size category firms, indicating a possible problem for small firms to initiate and maintain contacts with these educational institutions. Using these institutions is important for firms in the community, as the services provided can greatly improve the skills of employees, the development of new products, and the implementation of new business operation processes. Local officials should determine if any major barriers exist between these educational institutions and community firms, and should encourage cooperation between education and business in the McPherson community.

Services used from state universities, community colleges, and vocational schools. Services used from these educational institutions consisted mainly of school courses and employee training. Of the firms who used state universities, community colleges, or vocational schools, 39% gave technical courses as a service used, 31% gave business courses as a service used, and 29% gave the training of presently employed personnel as a service used (see Tables 137-139). The training of presently employed personnel was especially

used by firms with 20-49 employees and by manufacturing industry firms. In comparison to companies in the other 8 communities, McPherson companies had significantly higher percentages of technical courses use and business courses use; while the other 8 communities had a much larger percentage of firms who gave training of presently employed personnel as a service (see Table 139). The continued use of all these types of services should be encouraged.

TABLE 137
SERVICES USED FROM STATE UNIVERSITIES, COMMUNITY COLLEGES, OR VOCATIONAL SCHOOLS*
BY SIZE OF FIRM

Number of Employees	Training of Presently Employed Personnel		Technical Courses	Business Courses	Consulting In Product Development	Consulting In Process Innovation	Consulting In Business Planning	Agriculture-Vet. Services
	Presently Employed Personnel	Technical Courses						
1-19	17%	29%	36%	3%	0%	33%	7%	
20-49	67%	34%	0%	34%	0%	0%	0%	
50+	57%	71%	21%	7%	7%	7%	0%	
PERCENT OF TOTAL	29%	39%	31%	5%	2%	25%	5%	

n = 36

*Since firms could give more than one service used, 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 138
SERVICES USED FROM STATE UNIVERSITIES, COMMUNITY COLLEGES, OR VOCATIONAL SCHOOLS*
BY INDUSTRY

Industry	Training of Presently Employed Personnel		Technical Courses	Business Courses	Consulting In Product Development	Consulting In Process Innovation	Consulting In Business Planning	Agriculture-Vet. Services
	Presently Employed Personnel	Technical Courses						
Manufacturing	39%	39%	31%	23%	8%	8%	8%	
Finance/Services	20%	10%	40%	0%	0%	40%	0%	
Other Industries	31%	62%	23%	0%	0%	23%	8%	
PERCENT OF TOTAL	29%	39%	31%	5%	2%	25%	5%	

n = 36

*Since firms could give more than one service used, 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 139
 SERVICES USED FROM STATE UNIVERSITIES, COMMUNITY COLLEGES, OR VOCATIONAL SCHOOLS*
 BY COMMUNITY COMPARISON

Community	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
McPherson	29%	39%	31%	5%	2%	25%	0%	5%
Other 8 Communities	42%	24%	22%	9%	12%	23%	2%	9%

*Since firms could give more than one service used, 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 firms that said they sought employees from these educational institutions, 35% said they sought business management personnel, 32% said they sought entry-level clerical workers, and 26% said they sought mechanics and/or machinists (see Tables 140-142). Business management personnel were sought particularly by finance and services industry firms and by firms with 20-49 employees. From the community comparison data in Table 142, McPherson firms sought entry-level clerical workers and mechanics and/or machinists more than did firms in the other 8 communities.

TABLE 140
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 Techs.	Chemical Process, Lab Techs.	Engineers	Business Management Personnel	Agricultural, Vet. Personnel	General Labor
1-19	35%	29%	2%	10%	4%	10%	31%	8%	10%
20-49	27%	18%	18%	0%	9%	9%	82%	0%	0%
50+	25%	25%	0%	8%	8%	25%	8%	0%	17%
PERCENT OF TOTAL	32%	26%	5%	8%	6%	13%	35%	6%	10%

n = 44

*Since firms could give more than one type of employee 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 141
EMPLOYEES SOUGHT FROM STATE UNIVERSITIES, COMMUNITY COLLEGES, OR VOCATIONAL SCHOOLS*
BY INDUSTRY

Industry	Entry-Level Clerical	Mechanics, Machinists	Data Processors	Electronics, Electrical Techs.	Chemical Process, Lab Techs.	Engineers	Business Management Personnel	Agricultural, Vet. Personnel	General Labor
Manufacturing	25%	35%	5%	10%	10%	25%	25%	0%	5%
Finance/Services	55%	9%	9%	0%	0%	0%	64%	0%	9%
Other Industries	20%	33%	0%	13%	7%	13%	20%	13%	13%
PERCENT OF TOTAL	32%	26%	5%	8%	6%	13%	35%	6%	10%

n = 44

*Since firms could give more than one type of employee 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 142
EMPLOYEES SOUGHT FROM STATE UNIVERSITIES, COMMUNITY COLLEGES, OR VOCATIONAL SCHOOLS*
BY COMMUNITY COMPARISON

Community	Entry-Level Clerical	Mechanics, Machinists	Data Processors	Electronics, Electrical Techs.	Drafters	Chemical Process, Lab Techs.	Engineers	Business Management Personnel	Agricultural, Vet. Personnel	Heavy Equipment Operators	General Labor
McPherson	32%	26%	5%	8%	0%	6%	13%	35%	6%	0%	10%
Other 8 Communities	25%	20%	9%	8%	4%	5%	10%	31%	9%	7%	13%

*Since firms could give more than one type of employee 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.

Besides management personnel, the variety of employees hired reflects the relatively low-skill nature of McPherson firms, with few percentages of given for technicians, engineers, and 0% for drafters. The future competitiveness of McPherson firms will depend upon the recruitment and use of these latter types of employees.

Economic Development Assistance Programs Summary

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

1. State economic development programs are relatively unknown to firms in McPherson. Only a small percentage of firms have knowledge of the programs and a smaller percentage have actually used the programs. Local officials must work in cooperation with state agencies in supplying information and means of access to McPherson firms for better use of these programs. At the present time, economic development assistance has had an impact on only a marginal number of firms in McPherson.
2. The overwhelming majority of firms in McPherson have requirements for general, nonspecialized skills. Of the total number of firms, 98% said they did not need a specialized skill for employment in their respective company.
3. McPherson has relatively low-skill workers, making their ability to compete in the future heavily dependent upon training and access to training programs.
4. 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.