

PART I

BUSINESS RETENTION AND EXPANSION
IN SALINA

A Research Report

prepared for

The Kansas Department of Commerce

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April 1988

Report #147

PREFACE

Project Background

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

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

Acknowledgements

The Institute for Public Policy and Business Research would like to acknowledge the support and the assistance of Secretary of the Kansas Department of Commerce Harland Priddle; Brad Parrott, Southwestern Bell Telephone District Manager; Jack Montgomery, Director-Existing Industry Development Division, Kansas Department of Commerce; Mary Lou McPhail, Economic Development Representative, Kansas Department of Commerce; Candice Cannon, Kansas Department of Commerce Field Representative; Harry Watts, Southwestern Bell Community Relations Manager; Denny Poer, RGB Schmidt Insurance, Task Force Chairman; and R. Gerald Cook, representative from the McPherson Chamber of Commerce. All had major roles in the eventual completion of this project.

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

EXECUTIVE SUMMARY

Salina was one of nine Kansas mid-sized communities selected for a study of business retention and expansion in the state. A sample survey of 107 Salina business firms was conducted to find determinants of business retention and expansion of existing industries in the community. Survey participants were drawn from various business segments constituting the economic base. Retail firms and firms of the personal services category were not included in the survey.

The survey aimed at identifying factors that influence the retention and expansion of existing firms in Salina such as taxes, infrastructure, state and local regulations and others. It also explored the potential of Salina firms to expand within the community. Furthermore, the survey focused on assisting the establishment of local retention and expansion efforts and to discover community-related and/or state-related problems and issues that influence retention and expansion of industries. The major findings of the study are:

1. Salina has lagged far behind the state and the nation in employment growth in the past ten years, as did most of the Kansas mid-sized communities surveyed for the state report on business retention and expansion. But unlike some other communities, Salina has followed a positive employment growth trend after the 1980-82 recession.
2. Employment growth will occur over the next year, as 45% of the firms surveyed are planning to increase their employment, 5% more than the average for the other eight communities. About 17% of the firms have plans for a physical plant size expansion in the coming year, mostly within the city limits. Thus, prospects look good for moderate economic growth in the near future.
3. Economic growth in Salina is mainly the result of expansion from existing companies. Only a small amount of economic growth is attributable to the recruiting of outside firms. Only 8% of the

survey participants had been attracted to the community from another city or state over the past five years.

4. The Salina business community is largely homegrown and locally oriented. Most of the firms are located within the community because Salina is the business owner's hometown. Some firms see an advantage in affordable leases and purchase prices for business operation.

5. An insignificant number of survey participants are planning to leave Salina and the state (3 firms). Rural life seemed to be less of a location issue: over 90% of the firms had a positive image of rural life and did not perceive a small town environment as a negative locational factor.

6. Dissatisfaction with the community is more often expressed by larger firms in Salina and ranges from a negative image of rural life to a lack of professional personnel and missing business linkages. While only 8% of the companies with more than 50 employees stated that they had a negative image of rural life, 24% reported that it is difficult to retain and attract professional and management personnel.

7. Additional raw material suppliers in close proximity would be beneficial to the Salina business community according to 64% of the survey respondents, expressing a desire for more forward and backward business linkages.

8. Business expansion is primarily hampered by a shrinking or static market for the products and services offered by Salina firms. 71% of the firms which had an expansion in the past stated that an expanding market gave them the encouragement. Since the local market is almost saturated, future growth must come from sales outside the community. However, only 14% of the firms sell their products in the national market and 2% have conquered the international market. However, about 13% of the firms stated they would have the potential and desire to expand into the global market.

9. Most surprisingly, a lack of financing opportunities is not perceived as a major obstacle to firm expansion. Only 6% of all firms stated that obtaining affordable financing is a problem and kept them from expansion, compared to 12% for the other communities. However, not all firms surveyed might have had plans for an expansion. Lack of financing is also a barrier for exporting products. Alternative sources of financing such as venture and high-risk financing are uncommon and largely unknown among the firms.

10. Certain taxes are perceived as a burden for businesses, impeding an expansion. Of the 40 respondent firms, 68% cited the property tax on inventories as a reason to forego expansion, indicating the necessity this tax has been abolished in the meantime. 31% felt the sales tax on machinery and equipment kept them from expansion. However, the overall state tax burden was not perceived as a hampering factor for expansion by 84% of the respondents.

11. The local business climate was not unanimously perceived as favorable by all survey participants: 14% stated that they perceive the attitude of the local government negative to very negative, and 33% rated it neutral, indicating uncertainty.

12. The infrastructure and general public services were rated as good or adequate by most of the firms, except for the cost and quality of transportation. There is a clear dissatisfaction with the transportation system in Salina, and improved air access could positively influence future retention and expansion.

13. Although taxes and tax incentives are generally believed to be of great importance in a firm's locational decision, the survey revealed that taxes play a relatively modest role as a locational factor for Salina firms. Of the 63 respondents, only 22% cited tax incentives as a means to improve the state business climate and 21% would favor lower tax rates.

14. Economic development programs funded by the state are unknown to the overwhelming majority of firms. Of all 107 survey participants, 89% lacked any information about Certified Development Companies, 86% had no knowledge of the Centers of Excellence Program, 88% had never used the Job Training Partnership Act and 99% has never taken advantage of the Kansas Industrial Training Program. Only a few large firms are aware of state economic development programs and know how to obtain funding and state assistance.

15. Most of the findings for Salina are representative of the other eight Kansas mid-sized communities. The determinants of business retention and expansion of existing industries in Salina are roughly the same as those found for the comparison communities. However, Salina stands out for having a higher percentage of firms which had an employment expansion in the past (15% vs. 23%). Also, plans for future employment expansion are made by a larger percentage of firms in Salina (45% vs. 40%). Salina further differs from the other communities in that it has a slightly higher influx of companies from outside and less problems attracting professional and management personnel than the other communities. Less firms complained about a lack of affordable financing for expansion (6% vs. 12%). Also, the percentage of firms that are planning to leave is slightly lower than the average for the eight communities (3% vs. 5%).

SUMMARY OF IMPLICATIONS FOR ECONOMIC DEVELOPMENT

POLICY IN SALINA

1. Economic development policies in Salina should emphasize encouraging entrepreneurs 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 Salina's economic development strategies.
2. Although courting firms from outside Kansas to relocate in the community should constitute one part of Salina's economic development strategy, the major focus should be on the establishment of new start-up firms and the growth of existing businesses.
3. A targeted business retention program for Salina would be beneficial to the community and should be developed in cooperation with the Kansas Department of Commerce. These programs, should identify dissatisfied firms and concentrate on retention efforts upon them. Only a very small number of firms are planning to leave the community, but any loss of firm translates into job losses and requires the recruitment of a new firm.
4. Larger firms and branch operations, in particular, 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 on suppliers to the large company. Since the majority of larger firms are part of a larger corporation not headquartered within the community, the local government and Chamber of Commerce will need to establish and maintain contacts with the parent organization of these firms.
5. Access to nonconventional sources of financing such as seed and venture capital should be a top priority in local economic development. Salina firms are primarily dependent on conventional sources of financing (banks and internal funds) and do not have information or access to seed and venture financing. Consideration should be given to establishing a community-based seed/venture capital firm and to providing better access to a Certified Development Company.
6. The transportation system, especially the improvement of air access are important factors that require attention. Limited air access and long freight delivery times hamper a successful business retention and expansion program.
7. Firms in Salina should be encouraged to participate more actively in the regional and national markets. Relying solely on the local market severely limits growth opportunities for Salina firms. Efforts have to be made so firms realize their potential to serve a larger market area. Such efforts are the key for future economic growth and must be perused by state and local business leaders.

8. Assistance and information are necessary for firms to participate in international trade. Such support may include programs to make firms aware of the potential trade opportunities that are offered in the world market. Specific barriers to international trade, such as financing and knowledge of foreign demand, must be addressed. There is definitively an unrealized opportunity to increase exports from Salina and from the state as a whole.

9. A major effort is required to assure that firms in Salina know what kind of state economic development programs are available to assist them. The local business community and local government should make firms aware of such economic development assistance programs as Kansas Industrial Training, Job Training Partnership Act, Centers of Excellence, Certified Development Companies and Community Development Block Grant. Also, communication programs should be initiated to insure that firms in Salina know about the Kansas Technology Enterprise Corporation, Kansas Inc., Kansas Venture Capital Inc. and other state economic development agencies.

BUSINESS RETENTION AND EXPANSION

EXECUTIVE REPORT

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

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

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

ECONOMIC GROWTH IN KANSAS

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

Employment Growth

Total employment in the state has risen 8% from 1978 to 1986. Although this statistic is positive, it is approximately half of the growth in total employment for the United States. Salina's employment growth from 1978 to 1986 averaged only 2%, which is four times slower than for the state as a whole. Of the nine Kansas mid-sized communities surveyed, Saline County ranked fourth in employment growth for that period (see Table A).

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

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

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

Establishment Growth

The total number of establishments has shown a positive growth of 21% from 1978 to 1985 in Kansas. Again, this is lower than the United States figure of 34%. For the three year period from 1982 to 1985, growth in number of establishments in Kansas was 18%, a figure higher than the United States statistic of 13%. Rapid growth in (small) establishments is also characteristic for the nine counties of the Kansas mid-sized communities surveyed. However, Salina is lacking in establishment growth and misses rapid growth from start-up firms. (All figures from the Kansas County Business Patterns and the United States County Business Patterns.)

Personal Income Growth

Increases in personal income have been rapid in Kansas, and these changes have occurred in the nine counties as well. From 1978 to 1984, personal income has increased 75%, which is higher than the United States change of 71%. All nine counties have increased at least 56% in personal income between 1978 to 1984. Saline County, having a 72% rise in personal income, ranked about average relative to the comparison counties and was slightly higher than the U.S. average. (All figures are from the Bureau of Economic Analysis, Regional Economic Information System, U.S. Bureau of Economic Analysis, and the National Income and Product Accounts of the U.S..)

Summary

Employment growth in Salina and in the other Kansas mid-size communities has lagged behind employment growth in the state and the nation. This suggests weaknesses in the economies of all communities and the importance of designing and implementing appropriate economic development strategies. These communities are particularly important for the future of Kansas since

they function as regional centers for their parts of the state. In recent years the economies of Salina and the other Kansas mid-size communities have been underperforming the state's economy.

DESCRIPTION OF SURVEY POPULATION

In this section Salina firms are described in terms of (1) their size, (2) industry, (3) annual sales, (4) type of establishment, (5) location of headquarters, and (6) markets for firms' products. It is crucial to understand the nature of the firms that make up the economic base in order to discuss business retention and expansion. For the total sample, the size of companies ranged from 1 to 1,327 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. Companies that were entirely local in their offering of goods and services were not surveyed. Because of this, retail businesses and some service organizations were not included in this study.

Company Size

Salina businesses are small, regardless of industry: 70% of all firms have less than 20 employees (see Table B). This is not a disadvantage, since the United States has seen small firms growing faster than large companies in the past decade. Also, small firms often have the kind of entrepreneurship that makes them highly innovative when assisted with financing and information. The implication is that state strategies focusing exclusively on the large firm will miss a great area of potential growth. In Salina,

small firms are a major presence and should receive a high priority in economic growth efforts.

TABLE B
SURVEY COMPANIES BY NUMBER OF EMPLOYEES

Number of Employees		
1-19	20-49	50 Or More
70%	16%	14%

n = 107

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

Annual Sales

As the large number of small firms suggests, annual sales of Salina businesses are not large: 79% of all firms have annual sales of less than \$5 million (see Table C). Only 2% of all firms had annual sales greater than \$20 million, whereas for the average of the other Kansas mid-sized communities this figure was 5%. This data emphasizes the type of firm that is prevalent in Salina: the small, low revenue company.

TABLE C
TOTAL ANNUAL SALES

Annual Sales (X 1,000)			
0 To 4,999 Dollars	5,000 To 9,999 Dollars	10,000 To 19,999 Dollars	20,000 Or More Dollars
79%	13%	6%	2%

n = 107

Source: Business Retention and Expansion Survey for 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

More than half of the Salina companies are single establishment firms and are not part of a larger corporation (see Table D). In contrast, 42% of the firms described themselves as a being part of a larger corporation. Decisions concerning retention and expansion, then, will not necessarily be made within the community, but through corporate headquarters in other areas or states. Economic development policies should therefore address the single establishment company as well as large corporations that have branches in the state. Since these single establishment firms are for the most part rather distant from major population centers, they are less likely to receive timely information concerning technology, means for financing, and state assistance programs. The costs and efforts for contacting these firms will require greater attempts from the state.

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

Single Company	Part of A Larger Corporation
58%	42%

n = 107

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

Markets for Firms' Products

The Salina firms surveyed overwhelmingly sold their products or services in the local market or within the state. Of the 107 firms, only 14% had sales in the national market and a mere 2% had accessed the international

market (see Table E). Since a state's competitiveness and economic future depend upon the ability to export and to participate in many markets, Salina firms should make efforts to participate in a larger regional or global market and not rely on a rather static local market. If this is not happening and if firms do not get assistance in their marketing efforts, Salina firms will face no growth and expansion.

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
60%	24%	14%	2%

n = 107

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

Survey Description Summary Implications

1. Regardless of industry, the majority of Salina companies are small (70%). Small firms have proved to have a good potential for growth and are often highly innovative. To concentrate assistance or specific state policy solely on the large company or corporation would be to a mistake and disregard a major source of economic growth.
2. As the large number of small firms suggests, the majority of firms have annual sales of less than \$5 million.
3. 58% of the firms are single establishments, with no connection to a larger corporation. Thus, a good deal of retention and expansion decisions will be made within the community, not by headquarters located in other areas or out of state.

4. Increased efforts must be made to make sure that small companies are receiving the information necessary to increase the likelihood of expansion.
5. The majority of firms (70%) sold their products primarily in the local and state markets. Larger firms, those with 50 or more employees, are, however, more involved in markets beyond Kansas. Firms in Salina and in the other Kansas mid-sized communities should be encouraged to participate more actively in the national and international markets, as 16% of the survey participants do. Economic growth can only occur, if firms are increasing their outside sales to increase the revenue flow to the community.

DESCRIPTION AND DETERMINANTS OF BUSINESS

LOCATION AND RETENTION

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

Location

Although the influx of companies from other cities or states was fairly modest, Salina had a higher percentage of firms that have been attracted from outside than the average for the other Kansas mid-sized communities (8% versus 6%). However, 92% of all Salina firms surveyed have not moved to their present location from another city or state in the last five years (see Table F). Evidently, most companies are home grown and see their community as providing the market and location they need. Of the total number of firms, 55% stated that being the hometown was a reason for location in the community. Only 2% stated that tax incentives played a role

in their locational decision. Most of the Salina firms are locally oriented, with few bringing experience from other markets or regions with them, and with a desire to stay locally focused with their products and services. Capitalize on the expansion of the small hometown firms is a successful strategy to promote economic growth in the community.

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

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

NO	YES
92%	8%

n = 107

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

Retention

Companies that are moving. The percentage of companies that are planning to move is smaller than the average for the other communities (3% versus 5%, see Table G). But only 3 firms stated they planned a move, and 2 of these companies are moving within the city. Major advantages given for location within the community were that the size of the community allowed a central location and provided a hometown atmosphere.

TABLE G
PERCENT AND LOCATION OF WHERE FIRMS ARE MOVING

Firms That Are Planning to Move Present Location	Moving Within the Community	Moving Within the State	Moving Out of State	Total Percent Moving
	2%	0%	1%	3%
	of Total Firms	of Total Firms	of Total Firms	of Total Firms

n = 107

Source: Business Retention and Expansion Survey for 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 in the other Kansas mid-size communities, most Salina businesses are home grown, locally oriented and satisfied with their location. The perception of being in a central location applies only to the site within the community, indicating that most businesses have a local orientation and do not see their location in a wider regional or national context.

Generally, retention strategies will be more successful if they focus on the small percentage of (larger) firms most likely to move. An further implication is state and local economic development programs will have to aim on expansion of the many small and medium-sized firms rather than on retention alone.

Perceived images of rural life and of Kansas. Rural life does not carry a negative image for the overwhelming majority of firms: 94% stated they do not associate a negative image with rural life, and 99% stated they do not have a negative image of Kansas (see Table H). This points out that policies stressing quality-of-life aspects in Salina and other Kansas mid-size communities or the state itself will probably not be the key for retaining or encouraging expansion. The Salina companies already have positive images of Kansas and do not mind rural life.

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

Do you have a negative image of rural life?		Do you have a negative image of Kansas?	
NO	YES	NO	YES
94%	6%	99%	1%

n = 107

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

Closer examination of these firms revealed that more larger firms expressed this kind of dissatisfaction with the community than did smaller companies. Since a relocation of a major employer in Salina would have a devastating impact on the community and on all local suppliers to that firm, larger companies must be targeted for particular attention as part of a retention program.

Location and Retention Summary Implications

1. The Salina business community is homegrown and locally oriented, and most firms lack a clear rational decision for their location.
2. Only a small amount of economic growth is attributable to the relocation of outside firms within the community, although Salina has had a slightly higher influx of firms than the other Kansas mid-size communities. Recruiting outside companies to locate in Salina is not a successful strategy to promote economic growth. Retention and expansion of existing businesses and assisting start-up firms are better ways to fuel growth.
3. Many firms are located in the community because it is the owner's hometown. Once started, firms are very likely to stay in the community. This suggests that state and local support for entrepreneurs starting new firms would have a long-term, positive impact on a community.

4. The percentage of firms that are planning to leave their community or the state is relatively small (3 firms). The vast majority of firms are satisfied with their community and are not planning to leave. Nearly all firms have a positive image of Kansas and rural life. Economic development programs should capitalize on this attitude of local orientation and promote expansion as a primary goal.
5. Dissatisfaction with the community is more often expressed by larger firms. Particular attention should therefore be given to identify dissatisfied companies and to be responsive to their needs and problems. A relocation of a large employer would have a devastating effect on the community and on suppliers.

DESCRIPTION AND DETERMINANTS OF BUSINESS EXPANSION

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

Past Expansion

Employment and physical plant size. There was some expansion in the past two years, but the majority of firms have remained constant in employment and physical plant size (see Table I). Medium-sized and larger firms increased employment and physical plant size more than smaller firms, and

manufacturing companies still had the highest within-industry increases, indicating they still represent the foundation of the economic base in Salina. If smaller firms stay predominantly oriented towards the local market, their employment and plant-size gains will continue to be lower than those for larger firms, because the local market is static in a community with no population growth.

TABLE I
PAST INCREASES IN EMPLOYMENT AND PHYSICAL PLANT SIZE

	In the last two years, has your firm increased or decreased its employment and/or its physical plant size?		
	Decreased	Remained Constant	Increased
Employment	15%	51%	34%
Physical Plant Size	4%	54%	42%

n = 107

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

Problems with expansion. Asked about specific problems with expansion, 40% of the firms stated that a static or declining market was a problem, while a much smaller percentage admitted that restrictive zoning regulations, availability of labor and lack of financing opportunities were a problem (see Table J). A decline of the local market and a lack of financing will continue to impede expansion in Salina. Thus, firms need assistance in their efforts to reach a larger market area. Information must be given to firms concerning alternative forms of financing and how these methods can be accessed.

TABLE J
SPECIFIC PROBLEMS WITH EXPANSION*

Zoning Regu- lations	Avail- ability of Labor	Static or Declin- ing Market	Lack of Afford- Finan- cing	Lack of Raw Mat- erials	Util- ity Costs	Trans- por- tation Diffi- culties	Avail- ability of Space	Lack of Training Re- sources	Tax Laws	Strong Compe- tition	Decline in Oil Prices
16%	16%	40%	16%	0%	3%	0%	8%	11%	0%	13%	0%

n = 23

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

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

Factors that aided expansion. Firms were also asked for factors that helped expansion. Of the 48 firms that experienced an expansion, 69% stated that an expanding market was a helping factor (see Table K). Small firms in particular gave this reason. This again highlights the need for many companies to broaden the scope of their products or services and reach broader markets. This finding is backed up by the fact that the top reason for contraction in the past two years was a declining or static market.

TABLE K
FACTORS THAT HELPED EXPANSION*

Ex- panding Market	Avail- ability of Tax In- centives	Avail- ability of Public Assist.	Avail- ability of Tech. novation	Avail- ability of In- novation Space	Desire To Ex- pand Market	Improved In- ternal Fin- ancing	More Efficient Oper- ations
71%	1%	0%	9%	15%	34%	1%	36%

n = 48

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

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

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

Plans for Expansion

In the near future, 45% of the survey participants planned to increase employment while most of them will retain current employment constant. 17% of the firms reported, that they will have a physical plant size expansion in the next two years. Only 4% of the firms are planning a decrease in employment, and these are exclusively small firms with less than 20 employees. None of the firms will experience a contraction in size (see Table L). Obviously, Salina businesses are optimistic about their ability to retain or increase employment and physical plant size. There is new growth occurring, even for those who previously had no growth or had reduced employment: 24% of the firms who reduced or remained constant in employment the past two years will increase employment next year. The same trend can be observed for physical plant size expansion: 5% of the firms who remained constant or who decreased physical plant size in the past two years are planning an expansion next year. Efforts by state and local government must be made to ensure such growth will occur and aid economic development in Salina.

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

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

	Decrease or Contraction	Remain Constant	Increase or Expansion
Employment	4%	51%	45%
Physical Plant Size	0%	84%	17%

n = 107

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

Expansion Into the International Market

Potential and desire to expand. A surprising number of firms in Salina feel they have the potential or desire to expand into the international market. 14% of the respondents expressed a desire to conquer the international market, and 13% felt they had the potential to export (see Table M). These firms included small as well as large firms, but less medium-sized companies. State policy must assure that all firms have the knowledge and the assistance to initiate the venture of exporting. If the export potential is not realized or encouraged in a community with a largely saturated market, firms will experience no new growth and will not be motivated for developing new products. This means being less competitive.

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

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

n = 96

Source: Business Retention and Expansion Survey for 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 Sources for Expansion. Most firms in Salina have used traditional sources for financing expansion: 49% stated that banks were their source for financing, and 53% used internal financing such as profits (see Table N). Only a very few larger companies had used the small business

administration, certified development companies, - industrial revenue bonds or other alternative sources of financing like risk and venture capital.

TABLE N
FINANCING SOURCES FOR EXPANSION*

Bank	Credit and Union	Savings Loan	Inter- nal Fin- ancing	Private Sources	Small Bus- iness Admin- istra- tion	Cert- ified Devel- opment Comp.	Indus- trial Revenue Bonds
49%	4%	3%	54%	4%	4%	0%	7%

n = 103

*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.

Alternative forms of financing expansion are not reaching these firms, either because firms feel uncomfortable with these new financing options or because of a lack of knowledge. Since traditional sources of financing are often limited or insufficient, state and local government efforts to assist expansion will need to focus on alternative financing sources. Financing is a problem that is already starting to affect Salina, since 6% of the total number of firms reported that they have had to forego an expansion because of lack of financing.

Expansion Summary Implications

1. Firms in Salina are more optimistic about future expansion than in the other Kansas mid-size communities. Finance and services firms are most likely to expand. This is a good moment for local and state governments to concentrate on expansion programs.

2. Larger firms have increased employment and physical plant size more than smaller firms over the past two years, because they rely less on the local, relatively static market.
3. Economic growth in Salina is fueled by existing homegrown companies and start-ups. Efforts should therefor be aimed at assisting local entrepreneurs in their need for expansion.
4. In a community with slow population growth, expansion is hampered by a static or shrinking market. Firms that rely primarily on the local market, will experience no, or minimal, growth in the future.
5. Expanding into the international market poses problems for most firms. Although some firms would have the potential and desire to export, lack of knowledge and financing keeps them from actually getting involved in international trade. Thus, there are unrealized opportunities for expansion by finding new ways for exporting. To exclude smaller companies as a source for exports would not be a sound strategy, since these companies are often innovative and characterized by strong entrepreneurship.
7. Obtaining affordable financing is a major reason companies have foregone or postponed expansion. Regardless of firm size, companies in Salina rely mostly on conventional sources of financing (banks and internal funds). Information and the provision of alternative sources of financing (venture and risk capital) are necessary to encourage companies to expand.

LOCAL AND STATE BUSINESS CLIMATE

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

Local and State Business Climate

Attitude of the local government. A high percentage of the firms surveyed did not view the attitude of the local government to be positive towards the business community. 46% of the firms stated that they perceived it as neutral or negative (see Table O). It is important to note, however, there was a relatively high percentage of firms that thought the attitude of the local government was neutral to their businesses. 13% of the firms had a negative to very negative impression, which was about 4% more than the average for the other communities. Obviously, there is a desire for more government involvement and support.

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

Attitude of Local Government		
Positive To Very Positive	Neutral	Negative To Very Negative
54%	33%	13%

n = 107

Source: Business Retention and Expansion Survey for 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. Overall, Salina firms are satisfied with the infrastructure and public services in the community. However, about one third of the firms complained about a poor transportation system, including such aspects as quality of roads and railroads, costs, freight delivery times and air access. About 20-30% of the firms had no opinion to these aspects, which means that they were not convinced either about a good quality of the transportation system. Since the transportation system is an

important factor in a firms decision to remain or expand in the local area, high priority should be given to the development of adequate transportation.

TABLE P
SALINA FIRMS' PERCEPTIONS OF SERVICES

	No Opinion	Good	Adequate	Poor
Quality of Roads	1%	43%	42%	14%
Quality of Railroads	32%	28%	23%	17%
Cost of Transportation	10%	42%	40%	8%
Availability of Air Transportation	17%	17%	35%	31%
Quality of Public Transportation	32%	12%	25%	31%
Freight Delivery Time	15%	58%	26%	1%
Quality of Training	11%	43%	35%	11%
Fire Protection	3%	83%	13%	1%
Police Protection	0%	80%	18%	2%
Telephone System	0%	72%	27%	2%
Electric System	0%	80%	19%	1%
Public School System	5%	76%	18%	1%
Garbage Collection	3%	79%	17%	1%

n = 107

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

Government regulations that impede business operations. Regulations that may impede the successful business operation are viewed to be mainly city or state regulations rather than federal regulations by 95% of the respondents. Restrictive zoning regulations were cited by 33% of the respondents, and

only 23% has problems with EPA regulations. State and local government regulations that impede successful business operation are affecting the decision making process for firm expansion and should be carefully reviewed to create a favorable business climate.

TABLE Q
GOVERNMENT REGULATIONS THAT IMPEDE OPERATION*

Hamp- ering City- State Regs.	KCC Over Reg- ula- tion	EPA Regs.	OSHA Regs.	Zoning	KS Dept. of Health	Gvt. Over Reg- ula- tion
95%	0%	23%	10%	33%	5%	15%

n = 24

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

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

Taxes that influence expansion decisions. Taxes proved to have a certain impact on business expansion. Asked about the reasons to forego expansion, 68% of the respondents cited the property tax on inventories, which will be abolished, effective in 1989. The sales tax on machinery and equipment, hotly discussed by the state legislature for abolishment, was cited by 32% of the respondents. Other taxes that keep firms from an expansion are the workers compensation and unemployment insurance tax, although these taxes are not higher in Kansas than in the neighboring states.

TABLE R
REASONS TO FOREGO EXPANSION*

Over- all State Tax Burden	Over- all City Tax Burden	Corp- orate In- come Tax	Prop- erty Tax on Inven- tories	Sales Tax on Mach- ines and Equip- ment	Unem- ploy- ment Insur- ance Tax	Work- ers Compen- sation Tax	Sev- erance Tax	Gas Tax
17%	0%	17%	68%	32%	42%	33%	0%	3%

n = 40

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

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

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

Business Climate Improvements

Improving the local business climate. Suggestions for improving the local business climate ranged from leaving things unchanged to enhancement of the local quality of life. Economic development was the most frequently cited suggestion (57%), indicating that it is seen to increase employment and quality of life. A desire for more entertainment and educational activities was expressed by 10 to 16% of the respondents. Economic development efforts through local agencies or government seem to be welcome by the Salina business community. An implication here is that increased information and assistance will have greater effects on development efforts.

TABLE S
SUGGESTIONS GIVEN FOR IMPROVING THE LOCAL BUSINESS CLIMATE*

Economic Development	Improve-ment Between State Local	Increase and Improve Local Image	Improve Local Financing	Tax Incentives, Abate-ments	Local Gvt. More Respon-sive	Help Entre-preneurs	Spend Muni-cipal Funds
61%	0%	29%	6%	12%	13%	2%	13%

n = 50

*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 were not so heavily centered on economic development, but included a greater variety of aspects. 26% of the respondents suggested to improve the state image, 22% cited tax incentives and lowering taxes and 15% felt a better highway system could improve the state business climate. This shows that the government has to give special attention to the tax policy and the highway system in the state.

TABLE T
SUGGESTIONS GIVEN FOR IMPROVING THE STATE BUSINESS CLIMATE*

Economic Development	More Cooperation Between State Local	Increase and Improve State & State Image	Better Financing Opportunities	Better Tax Incentives	Eliminate Competition Tax	Improve Highway System	Seek Diversification	Change Or Lower Taxes	
35%	1%	26%	12%	22%	4%	0%	15%	0%	21%

n = 63

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

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

Business Climate Summary Implications

1. About half of the firms had the impression that the attitude of the local government towards the business community is positive, whereas 46% of the firms were not pleased. 13% perceived the attitude negative to very negative, a higher percentage than for the other communities. There is a clear desire for a responsive local government and for more local government involvement within the Salina business community.
2. Suggestions for improving the local business climate range from economic development to concrete demands for more local government contracts. Economic development in particular was seen as a means to increase employment and quality of life.
3. The local infrastructure and public services were perceived as good or adequate by most of the firms, except for the quality and cost of transportation. About a third of the firms are not satisfied with the transportation system (roads, highways, air access, costs), and another third has no opinion. In planning an expansion, firms include the transportation factor in their decision-making.
4. Government regulations that are hampering successful business operation come mainly from the city and state, and not primarily from the federal government.
5. Taxes have an impact on business expansion, but the overall state tax burden was not perceived as a main reason to forego expansion. Other taxes, such as the property tax on inventories, the sales tax on machinery and equipment, the unemployment tax and worker compensation were perceived as hampering factors, especially by small firms, suffering more strain from taxes.

ECONOMIC DEVELOPMENT ASSISTANCE

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

that the state is assisting companies to be more competitive.

Economic Development Programs

Economic development programs that are designed to assist firms in the state are largely unknown and unused. Of all survey participants, 89% had no knowledge of Certified Development Companies, 86% had no knowledge of Centers of Excellence Program, 63% had no knowledge of the Kansas Industrial Training Program (KIT), 48% had no knowledge of the Job Training Partnership Act (JTPA) and 33% had no knowledge of Community Development Block Programs. A lack of information prevent businesses to actually use the programs. The most highly used assistance was JTPA, with 12% of the firms stating they had taken advantage of the program. For the other four programs, not more than one firms has ever used them (see Table U).

TABLE U
KNOWLEDGE AND USE OF ECONOMIC DEVELOPMENT PROGRAMS

	No Knowledge	Knowledge, No Use	Used Program
Certified Development Companies	89%	10%	1%
Centers of Excellence	86%	13%	1%
Community Development Block Programs	33%	66%	1%
Kansas Industrial Training Program	63%	36%	1%
Job Training Partnership Act	48%	40%	12%

n = 107

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

Quite obviously, programs designed to assist economic development are not well known in the Salina business community. Especially small firms must be

reached with information on how to participate in the states economic development programs and need assistance in preparing applications for these programs. Otherwise, big companies take advantage of the available resources without facing much competition for funds. With increased knowledge will come increased competition for funds. The state needs to evaluate current programs to determine if funding is being used effectively, and to identify the most productive programs.

Firms That Need A Specialized Skill

An overwhelming majority of firms do not believe they need a specialized employment skill for their current production or provision of services. Only 3% of the total number of firms stated that they need a specialized skill for successful operation. Salina companies still employ a substantial amount of low-skill workers, making their future ability to compete heavily dependent on training and on access to training programs and training facilities. To remain competitive, companies will have to adapt to changing technologies and business processes that require more specialized skills. Training and retraining of workers will become the key to competitiveness and depend on the resources available for expansion. JTPA and KIT can both assist firms with training requirements.

Interaction with State Universities, Community Colleges, and Vocational and Vocational Schools

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

It is definitively beneficial to the business community to have two educational institutions for worker training in town, because a higher percentage of firms in Salina used the services of educational institutions than the average for the other communities. For the total number of survey

participants, 41% have used the services of any state university, community college, or vocational school the past two years. Larger firms generally used these schools' services (mainly courses) more than smaller firms. Other than training, the presence of these institutions can be extremely helpful to establish contacts of entrepreneurs and researchers, important for innovation and the development of new products. Efforts must be made to maintain and increase contacts between firms and these schools.

Services used from state universities, community colleges, and vocational schools. Of the firms that use the services of these institutions, 49% mentioned worker training as a particular service used, with technical courses (43%), consulting in business planning (19%) and business courses (17%) being frequently used services (see Table V). The use of all of these services should be continued and encouraged.

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

Training of Presently Employed Personnel	Technical Courses	Business Courses	Consulting In Product Development	Consulting In Innovation	Consulting In Business Planning	Consulting In Construction	Agriculture-Veterinary Services
49%	43%	17%	9%	10%	19%	0%	5%

n = 49

*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. Firms in Salina generally do not recruit their management personnel directly from state universities and community colleges. Of the total number of firms that sought employees from these institutions, 32% stated that they sought management personnel and 24% stated they sought entry level clerical workers (see Table W). The spectrum of employees hired reflects the relatively low-skill nature of these firms: only a few have been hiring technicians, engineers, and data processors. As rapid technological change becomes inevitable for modern production, companies will be required to employ more highly-skilled workers to stay competitive.

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

Entry- Level Clerical	Mech- anics, Mach- inists	Data Proc- essors	Elec- tronics, Elec- trical Techs.	Draf- ters	Chem- ical Pro- cess, Lab Techs.	Engi- neers	Bus- iness Manage- ment Pers- onnel	Agri- cul- tural, Vet. Pers- onnel	Heavy Equip- ment Oper- ators	General Labor
24%	17%	6%	10%	3%	8%	5%	32%	7%	7%	12%

n = 58

*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.

Economic Development Assistance Summary

1. Most of the economic development programs funded by the state are unknown to the majority of Salina firms. Of the 107 survey participants, more than 80% lacked knowledge of Certified Development Programs, Centers of Excellence Programs, Job Training Partnership Act, Kansas Industrial Training Program. Efforts have to be made guarantee these firms obtain the information and assistance necessary to apply for those programs. Otherwise, only a few large firms can take advantage of those programs without facing competition for funds. Resources available for economic development programs have not been utilized by the Salina firms.

2. The few firms using the services are exhausting the state revenues allocated for state economic development programs. With increased knowledge will come increased competition for funds. The state needs to evaluate current programs to determine if funding is being used effectively, and to identify the most productive programs. Current funding is not sufficient to provide assistance to eligible firms. Funding needs to be increased, or reallocated to provide better access for Kansas mid-size communities.
3. The majority of Salina firms have no requirements for specialized skill of their work force. However, a highly skilled work force will become the key to modern production and future competitiveness.
4. The high amount of low-skilled workers of Salina firms reflects that training and retraining programs must be realized to ensure firms keep up modernizing their operation.
5. Services provided by state universities, community colleges and vocational schools are not fully utilized by the firms in Salina as well as in the other Kansas mid-sized communities. Larger companies use the services provided by such educational institutions more frequently whereas smaller companies appear to have more difficulties to afford educational training and/or approach those institutions.

SUMMARY

The majority of firms in Salina are small, low-revenue companies that are homegrown and reflect a certain degree of satisfaction with their community. For the retention and expansion of these companies it may be the best strategy for the state and local governments to further these homegrown firms and stimulate business start-up in the community. Since 70% of the firms have less than 20 employees, these firms should be seen as having a high growth potential rather than left out in economic development programs.

They constitute the foundation of the local economy in Salina.

As the survey revealed, now is a good time to concentrate on business retention and expansion. Many firms are planning employment and physical plant size expansion in the near future and are optimistic about their growth potential. Lack of affordable financing was not a concern for the majority of expanding firms in Salina, although these firms have to rely on traditional sources of financing such as banks and internal funds. Nevertheless, these firms should be made aware of nonconventional sources of financing such as seed and venture capital to encourage firms and potential entrepreneurs to realize their plans. Modern sources of financing should be more readily available to the Salina business community. Also, information and assistance regarding state economic development programs are required to use state funds for worker training and product development.

Business expansion is primarily hampered by a static or shrinking market for the products and services offered by Salina firms. Broadening the scope of products and services and serving the national and international market is the solution to bypass a saturated local market. Many firms reported that an expanding market for their product positively influenced their expansion decision. However, only 2 out of 107 firms realized the opportunity to participate in international trade. Among the barriers impeding exporting were lack of knowledge and financing as well as the perception that the firm size is too small. None of these reasons should impede international trade. State and local agencies need to provide information on foreign trade and to help establish trade relations.

Another finding of the survey was that the local business climate was not unanimously perceived as favorable all firms. Almost half of the firms rated

it as negative or neutral and hereby expressed the desire for more local government contracts and involvement.

Most firms are satisfied with the local infrastructure and public services, except for the cost and quality of transportation. Improving the roads and the state's highway system as well as improving air access is a necessity to keep companies in town and to offer locational advantages over other communities.

Among the most surprising survey findings was the overall lack of knowledge about state economic development programs. An alarming percentage of companies (more than 90%) did not know that state funds and assistance were available to meet their need for worker retraining or for establishing liaisons to university researchers. It must be a priority of state and local agencies to provide better information and to assist firms in applying for those programs.

It will finally be of interest how Salina compares to the average of the other eight Kansas mid-sized communities surveyed. Most of the findings for Salina are representative for the other communities. However, Salina stands out for having a higher percentage of firms which had a physical plant size expansion, and relatively more firms plan an employment expansion. Less firms complained about a lack of financing for expansion. Also, the percentage of firms that are planning to leave is lower, and the influx of companies from outside is slightly higher. In all, Salina shares most of the problems of the other communities concerning the retention and expansion of businesses.

PART II

BUSINESS RETENTION AND EXPANSION
IN SALINA

A Research Report

prepared for

The Kansas Department of Commerce

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April 1988

Report #147

BUSINESS RETENTION AND EXPANSION

IN SALINA

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 Salina will be compared to the other 8 communities included in the state report (Coffeyville, Emporia, Garden City, Great Bend, Hays, Hutchinson, Lawrence, and McPherson).

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, Salina 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 Salina, it is necessary to review several economic growth trends for Kansas. These trends and explanations will give a view of the total state, for Saline 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 Saline county has risen 1% from 1978 to 1986. This percentage is much lower than the state percentage for the same time period and the percentage for the United States. This percentage for Saline county is lower than 4 counties in which the state study's communities are located (see Table 1). The growth in employment for Saline county from 1982 to 1986 was higher, 3%, but this was still lower than the Kansas and the United States rates of growth.

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 Saline county has been lower than that for Kansas and the U.S. average from the period or 1978 to 1986. It is important to maintain growth levels to counter the effects of out-migration and population losses. From 1982 to 1986, employment growth has been 3% for Saline county. When these county figures are examined, and when comparisons are made between Saline county, Kansas, and the U.S., it is apparent that economic development strategies can help Salina keep employment growth high, and to create even more opportunities for the future.

Establishment Growth

The total number of establishments has shown a positive growth of 11% for Saline county from 1978 to 1985. This figure is lower than the rate for the state during the same period and much lower than the U.S. rate. For this 1978-1985 time period, only two counties (McPherson and Montgomery) had lower percentages of growth. However, from 1982 to 1985, growth in number of

establishments for the county is higher than the U.S. figure. For the 1982-1985 time period, establishment growth for Saline county is still lower than every county except two in which comparison communities are located, Barton county and Montgomery county (see Table 2).

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

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

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

A combination of the low growth in employment but larger growth in number of establishments indicates that Salina'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 Salina 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 Saline county, and these changes have occurred in the other 8 counties as well as the state. From 1978 to 1984, personal income has increased 72%, which is about the same as the Kansas and United States changes, and compares well with the other 8 comparison counties (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 Salina. 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 Saline county has been lower than employment growth in Kansas and the United States. This suggests weaknesses in the Salina economy and the importance of designing and implementing appropriate economic development strategies that will maintain growth. Salina is particularly important since it serves as a regional center for its part of the state. In recent years the economy of Saline county has been outperforming 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 Salina. The questionnaire was collaboratively developed by the Institute for Public Policy and Business Research and the Department of Commerce.

Sample

The findings for Salina and the comparison communities are based on a disproportionate stratified probability sample of businesses in Salina 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 Salina, eight communities were randomly selected from these six regions. They were: Emporia, Garden City, Great Bend, Coffeyville, Hays, Hutchinson, Lawrence, and McPherson.

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 Salina and other communities. Their inclusion would violate proper sampling and reduce the validity of the overall results.

Once Salina 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, 22 percent of the businesses in Salina are manufacturers. This over sampling allows greater accuracy in the analysis of manufacturing firms. Any biasing effect is eliminated from the overall findings through the use of weight factors.

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

Confidence Interval

The findings are based on 107 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 Salina. At the 95 percent level of confidence, the sampling error in Salina 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: (1) Salina has a high percentage (70%) of small firms with less than 20 employees, (2) the majority of firms (79%) has less than 5 million dollars in annual sales and (3) most of the Salina survey participants are single establishments or, being part of a larger corporation, are headquartered within the state.

Firm Size and Industry

In Salina, 107 firms participated in the survey. The size of the survey participants ranged from 1 to 1327 employees. The firms represented the whole spectrum of industries, including agriculture, construction, manufacturing, transportation, communications, wholesale, finance and services establishments. Retail firms and firms in the personal services category were not included in the survey.

Most of the businesses surveyed are small: 70% are in the size class of 1 to 19 employees (see Table 4). Only 14% of the 107 firms surveyed have more than 50 employees. Although the expansion and retention of large-size companies is important, special emphasis in developing state strategies for economic development must be given to the small and often highly innovative firms which play a vital role in the local business community.

Traditionally, manufacturing, agriculture and mining have been regarded as the foundation of the economic base. This is still true, but the rising

importance of other industries, especially services, demands that efforts be made to establish a broader economic base for future growth. Services can help sustain the local economy through export-led growth.

As Table 4 reveals, services have an important representation in the random sampling of this study (27%) and center mostly in the small-size category (79%). However, 13% of the services industries have 50 or more employees, reflecting their growing importance. State and local economic development strategies to have an impact in medium-sized cities like Salina, must not exclusively focus on manufacturing and agriculture. They need to promote expansion of service-type activities such as wholesale, communication, finance and services as well to increase the revenue flow from outside the community and to broaden the economic base.

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%	6%
Construction	0%	50%	50%	5%
Manufacturing	64%	13%	23%	22%
Transportation- Communication	75%	25%	0%	14%
Wholesale	67%	22%	11%	20%
Finance	67%	17%	17%	7%
Services	79%	8%	13%	27%
Percent of Total Firms That are in This Size Category	70%	16%	14%	100%

n = 107

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

Annual Sales

As Table 5 reveals, 79% of all firms have annual sales of less than \$5 million and only 2% of the 76 firms that provided information on their annual sales exceeded the \$20 million mark. Not surprisingly, there is a correlation between firm size and annual sales: 98% of the small-size firms with less than 20 employees made under \$5 million in annual sales, whereas all companies with more than 50 employees reported sales of more than \$5 million a year. The 20-49 employee category still had a significant proportion of its firms (72%) with sales of less than \$5 million, indicating that this category is composed of a good deal of smaller rather than medium-sized businesses.

There are more small-sized firms in the finance and services industries than in manufacturing (see Table 4). Eighty-eight percent of the firms in this category have annual sales of less than \$5 million (see Table 6), and no firm earned \$20 million. In manufacturing, 4% or an equivalent of 3 firms lay above the \$20 million mark. In the category summarized under "other industries" (agriculture, mining, construction, wholesale, and transportation-communications), there were also 3 firms with more than \$20 million in annual sales.

In all, the overwhelming majority of Salina firms represent small-sized and low-revenue companies. However, a comparison with the other 8 Kansas communities surveyed reveals that Salina has a lower percentage of firms falling in the lowest sales category (79% versus 86%), but at the same time has only 2% of the firms in the largest category, compared to 5% for the average of the other 8 communities. This indicates that the smaller firms

are doing relatively well and that the local economy needs to focus on expansion of its medium-sized firms.

TABLE 5
TOTAL ANNUAL SALES
BY SIZE OF FIRM

Number of Employees	Annual Sales (X 1,000)			
	0 To 4,999 Dollars	5,000 To 9,999 Dollars	10,000 To 19,999 Dollars	20,000 Or More Dollars
1-19	98%	2%	0%	0%
20-49	72%	10%	10%	10%
50+	0%	68%	26%	5%
TOTAL PERCENT	79%	13%	6%	2%

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 6
TOTAL ANNUAL SALES
BY INDUSTRY

Industry	Annual Sales (X 1,000)			
	0 To 4,999 Dollars	5,000 To 9,999 Dollars	10,000 To 19,999 Dollars	20,000 Or More Dollars
Manufacturing	69%	19%	8%	4%
Finance/Services	88%	8%	4%	0%
Other Industries	69%	19%	8%	4%
TOTAL PERCENT	79%	13%	6%	2%

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 7
TOTAL ANNUAL SALES
BY COMMUNITY COMPARISON

Community	Annual Sales (X 1,000)			
	0 To 4,999 Dollars	5,000 To 9,999 Dollars	10,000 To 19,999 Dollars	20,000 Or More Dollars
Salina	79%	13%	6%	2%
Other 8 Communities	86%	4%	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.

Type of Establishment

Over half of the firms surveyed are single establishments and are not part of a larger corporation. However, 76% of the companies with over 50 employees were all part of a larger corporation (see Table 8), whereas only 36% of the firms in the 1-19 employee size category belonged to a larger corporation. As Table 9 reveals, more manufacturing firms are part of a larger corporation than finance and services establishments (46% versus 33%). This shows, that a substantial amount of manufacturing and other industrial activities are controlled by outside firms. Overall, the survey sample in Salina proved to have a higher percentage of firms that are part of a larger corporation (42%) than that for the other 8 communities (35%). This means that a substantial number of decisions concerning the retention and expansion of established businesses will be made outside the community through corporate headquarters. Thus, offering a favorable local business climate is of crucial importance for retaining existing businesses in town and help them in their need for expansion.

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	Single Company	Part of a Larger Corpor- ation
1-19	64%	36%
20-49	62%	38%
50+	24%	76%
TOTAL % OF FIRMS	58%	42%

n = 107

Source: Business Retention and Expansion Survey for 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	54%	46%
Finance/Services	67%	33%
Other Industries	54%	46%
TOTAL % OF FIRMS	58%	42%

n = 107

Source: Business Retention and Expansion Survey for 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
Salina	58%	42%
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.

Location of Headquarters

As Table 11 shows, 24% of the firms that are part of a larger corporation have their headquarters in Kansas. All in all, 82% of surveyed Salina firms have their headquarters in Kansas, since all of the single company firms can be regarded as headquartered in the community and in the state. Only 18% are headquartered outside of Kansas. With 82% of the firms having their headquarters in Kansas, most decisions regarding firm retention and expansion will be made in the community or in the state. Therein lie tremendous opportunities for state and local officials to work with the companies' decision-makers on arising retention and expansion problems.

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

Kansas Headquarters	Non Kansas Headquarters	Single Company Firm	Total
24%	18%	58%	100%

n = 107

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

Regional/Corporate Headquarters

Tables 12-14 show that 62% of those firms that are part of a larger corporation are either a corporate or regional headquarters or a distributor. As might be expected, manufacturing has the highest percentage of firms that are headquarters or distributors, followed by other industries (agriculture, mining, construction, transportation-communications, and wholesale; see Table 13). Since these firms play a substantial role within the Salina business community, the retention and expansion of such firms are the key to future economic growth. Table 14 shows that percentages for Salina are almost equal to those from firms in the other 8 communities.

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	36%	64%
20-49	27%	73%
50+	47%	53%
TOTAL PERCENT	38%	62%

n = 44

Source: Business Retention and Expansion Survey for 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	28%	72%
Finance/Services	56%	44%
Other Industries	33%	67%
TOTAL PERCENT	38%	62%

n = 44

Source: Business Retention and Expansion Survey for 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

Community	NO	YES
Salina	38%	62%
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

As can be seen from Table 15, the majority of surveyed Salina firms sell their goods and/or services in the local market. Overall, firms sold a mean, or average, 60% of their products in the local market and about 24% within the state. Only an average 14% of sales occurred in the national market, and about 2% was directed to the world market. As expected, national and international sales increased with firm size, and manufacturing firms are more likely to participate in the national and world market than other industries (see Table 16). A look at the comparison communities reveals that while Salina firms outperform the average of the other communities in selling products in the international market, their average of local sales are considerably higher (60% vs. 54%).

Since outside or export sales generate revenues, employment and local wealth, the economic future of Salina depends upon the ability to export goods and services to outside-the-community destinations. The

competitiveness of firms in Salina depends on participation in a wide market arena.

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	70%	19%	10%	1%
20-49	37%	38%	21%	4%
50+	39%	28%	28%	5%
GRAND MEANS	60%	24%	14%	2%

n = 105

Source: Business Retention and Expansion Survey for 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	45%	29%	21%	5%
Finance/Services	71%	16%	13%	0%
Other Industries	58%	28%	12%	2%
GRAND MEANS	60%	24%	14%	2%

n = 105

Source: Business Retention and Expansion Survey for 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
Salina	60%	24%	14%	2%
Other 8 Communities	54%	27%	17%	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.

Developing Additional Products

Developing new and additional products might be the solution for some firms to serve a larger regional and national market and thereby increase their growth potential. But only about 28% of the firms surveyed feel they could offer additional products or services. As Table 18 shows, firms with less than 20 employees and firms with 50 or more employees are more committed to developing new products than medium-sized companies. Thirty-one percent of the small-sized firms and 28% of the larger companies stated that they could offer additional products or services. Furthermore, services and finance firms seem to be more capable of considering an innovation than manufacturing companies: 47% reported that they could offer additional products (see Table 19). This shows, that for a future source of innovation, Salina has to capitalize on both large existing companies and highly innovative small firms and start-ups, particularly in the service and finance business.

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	69%	31%
20-49	83%	17%
50+	72%	28%
TOTAL PERCENT	72%	28%

n = 107

Source: Business Retention and Expansion Survey for 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	79%	21%
Finance/Services	53%	47%
Other Industries	82%	18%
TOTAL PERCENT	72%	28%

n = 107

Source: Business Retention and Expansion Survey for 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

Community	Are there any additional products or services that you feel your company could offer that it is not now offering?	
	NO	YES
Salina	72%	28%
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.

Survey Description Summary

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

1. As in the other 8 Kansas mid-sized communities surveyed, the majority of Salina firms are small, 70% of the total number of firms surveyed have less than 20 employees and 79% had an annual sales volume of less than 5 million dollars. The small-size, low-revenue companies absolutely prevail.
2. Directing economic development strategies and funds exclusively to large companies or corporations would be a mistake, small firms are a large part of the community and provide a good foundation for growth.
3. More firms are single establishments (58%) than part of a larger corporation (42%), and most of the latter are headquartered in Salina or in Kansas. This implies, that most decisions regarding retention and expansion are made within the local community and can be influenced by a favorable business climate.
4. Although most of the smaller firms sell their products or services within the local market, there are a few medium-sized and larger firms that serve the national and even the international market. Salina firms should be encouraged to look beyond a relatively static local market for future sales and growth opportunities.

IV.

DESCRIPTION AND DETERMINANTS OF BUSINESS

LOCATION AND RETENTION

In this section we describe the attraction of firms from outside of the community, the reasons for location, the retention of firms in the community, the advantages of the community, reasons for relocation, additional manufacturers or service providers that may help existing firms, retaining or attracting management and professional personnel, and the perceived images of rural life and Kansas in general. Of particular importance are factors that influence the decision to locate in the community. The major findings are: (1) the Salina business community is mainly homegrown and locally oriented, (2) only a small amount of economic growth is attributable to the recruiting of outside firms to locate in Salina, (3) an insignificant number of firms are planning to leave Salina or the state.

Location

Attraction of firms from outside the community. Compared to the other Kansas communities, Salina has had a slightly higher influx of firms from other cities or states (see Table 23). But overall, only 8% of the firms surveyed have moved to their present location from another city or state in the past five years. These new firms consisted exclusively of large and small establishments. Not a single medium-sized firm moved into the city out of a sample of 18 firms (see Table 21). This fact shows that medium-sized companies seemed less attracted to the Salina business community than the two other size classes.

Although Salina was more successful in attracting firms from outside the

community than the comparison group's average, courting firms to relocate in the community can only be one aspect of a sound growth strategy. More emphasis must be given to the expansion and retention of existing firms.

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	91%	9%
20-49	100%	0%
50+	88%	12%
TOTAL PERCENT	92%	8%

n = 106

Source: Business Retention and Expansion Survey for 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	90%	10%
Finance/Services	93%	7%
Other Industries	92%	8%
TOTAL PERCENT	92%	8%

n = 106

Source: Business Retention and Expansion Survey for 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

Community	Has your firm moved to its present location from another city or state in the last five years?	
	NO	YES
Salina	92%	8%
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.

Reasons for location. The majority of the survey participants (55%) stated that being the company's hometown was a major reason for their location in Salina. As Table 24 indicates, smaller businesses cited this reason more frequently than larger firms. The breakdown by industry in Table 25 reveals that the hometown environment seemed to be a more important locational factor for non-manufacturing firms. Compared to the other communities surveyed, only a slightly higher percentage of Salina firms reported that being in the hometown is a major reason for their location (55% versus 54%, see Table 26). Other most frequently cited reasons for the location were that the community enjoys a central location, that there is good market access, and that the community offers affordable leases and purchase prices for business operations. However, these reasons are perceived from a rather local perspective, and a central location is perceived with respect to Main Street rather than to the national market. One business representative stated that he should have "started somewhere else (Denver or St. Louis)" because of shipping costs.

The multiple response questions in Tables 24-26 show, that many Salina firms are homegrown and lack clear rational decisions for their location. Most surprisingly, locational factors such as tax incentives, market access or a good local labor pool seemed not to be an issue for most firms. Thus, the community should focus on retaining its homegrown companies in town and assisting firms in their need for expansion, rather than concentrating on recruiting firms from outside.

TABLE 24
REASONS FOR LOCATION IN THE COMMUNITY*
BY SIZE OF FIRM

Number of Employees	Home-town	Strong Local Economy	More Responsive 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 Raw Materials	Central Location	Good Transportation Facilities	Filled A Production-Service Need
1-19	57%	2%	0%	3%	5%	3%	2%	21%	2%	42%	7%	55%
20-49	59%	7%	10%	0%	17%	7%	7%	0%	7%	59%	17%	31%
50+	42%	0%	4%	0%	13%	25%	13%	4%	0%	42%	8%	50%
PERCENT OF TOTAL	55%	2%	2%	2%	8%	7%	4%	15%	2%	45%	9%	50%

n = 106

*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 Responsive 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 Raw Materials	Central Location	Good Transportation Facilities	Filled A Production-Service Need
Manufacturing	51%	5%	5%	3%	11%	5%	8%	16%	5%	49%	16%	49%
Finance/Services	53%	0%	0%	3%	7%	3%	0%	23%	0%	40%	3%	53%
Other Industries	59%	3%	3%	0%	8%	10%	5%	8%	3%	46%	10%	49%
PERCENT OF TOTAL	55%	2%	2%	2%	8%	7%	4%	15%	2%	45%	9%	50%

n = 106

*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
Salina	55%	2%	2%	2%	0%	8%	7%	4%	15%	2%	45%	9%	0%	50%	0%
Other 8 Communities	54%	9%	2%	1%	1%	9%	7%	5%	28%	8%	43%	7%	3%	45%	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.

Retention

Retention of firms in the community. The number of companies that are planning to move is very small. Only 3 out of 107 surveyed firms are planning to move, and only one company is considering a move to another state (see Table 27). Retention programs should therefore be focused on the specific needs of dissatisfied firms that are planning to leave the community. Very large employers who are dissatisfied should be particularly targeted. The loss of a large employer can have a devastating detrimental impact upon the community and the suppliers to that company.

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	2% of Total Firms	0% of Total Firms	1% of Total Firms	3% of Total Firms

n = 107

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

Advantages of the community. Among the advantages given by business representatives for locating within the community, a central location was most frequently cited (by 57% of the firms who gave local advantages, see Tables 28, 29, and 30). Since most of the firms are locally oriented, a central location may only be perceived with respect to the community, rather than to a larger regional or national market. As Table 30 shows, most of the surveyed firms in the other Kansas mid-sized communities also claimed that a central location was their community's major advantage. Another locational quality of Salina, cited by 30% of the firms, is the small-town rural life Salina offers, but this was also reported as an advantage in the other communities (see Table 30). Overall, Salina does not offer strong locational advantages over other Kansas mid-sized communities, which makes it extremely important to retain existing companies in the community and keep them from looking for a more favorable location.

TABLE 28
LOCAL ADVANTAGES OF THE COMMUNITY*
BY SIZE OF FIRM

Number of Employees	No Advantage	Home-town Atmosphere	Small Town-Rural Life	Quality of Work Force	Central, Good Location	Filling A Need
1-19	7%	25%	27%	4%	55%	7%
20-49	0%	12%	35%	27%	69%	12%
50+	0%	4%	36%	24%	56%	20%
PERCENT OF TOTAL	5%	19%	30%	10%	57%	10%

n = 99

*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 Advantage	Home-town Atmosphere	Small Town-Rural Life	Quality of Work Force	Central, Good Location	Filling A Need
Manufacturing	0%	19%	19%	19%	76%	5%
Finance/Services	6%	20%	34%	6%	37%	23%
Other Industries	5%	18%	30%	9%	64%	0%
PERCENT OF TOTAL	5%	19%	30%	10%	57%	10%

n = 99

*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 Advantage	Home-town Atmosphere	Small Town-Rural Life	Quality of Work Force	Central, Good Location	Filling A Need
Salina	5%	19%	30%	10%	57%	10%
Other 8 Communities	7%	19%	26%	9%	50%	15%

*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.

Reasons for relocation. Since only one of the three firms that are planning to move gave reasons for their relocation, this does not allow to draw a general conclusion regarding any locational disadvantages in Salina. High cost of labor was the major reason for the one Salina firm which planned a relocation. The other two firms that are planning to leave the community did not give reasons for their planned moves. As Table 31 reveals (for comparison purposes only), high labor costs were less of an issue in other communities than high utility costs and market access (please note that percentages given in Table 31 for Salina are based on one 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 Finding Labor	Difficulty in Serving Customers	Inadequate City Services	Difficulty in Obtaining Financing
Other 8 Communities	17%	17%	8%	25%	21%	4%	8%	8%	4%	8%	4%	8%	46%	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.

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

Additional manufacturers or service providers that would be of benefit existing companies. Forward and backward linkages play an important role in a firms locational decision. Twenty-four percent of all firms surveyed stated that they would benefit from additional product or service providers within the community (see Tables 32-34). This is a significantly lower percentage than that given by surveyed firms in the other 8 communities, in which 38% of the firms called for more business ties (see Table 34). Most of the Salina firms that would find more local business linkages beneficial thought of local raw materials suppliers (64% see Tables 35-37). A smaller

percentage (42%) stated that more local customers for their products would be of benefit. However, none of the firms seemed to have demand for additional business and repair services. As the community comparison in Table 37 reveals, the Salina respondents placed more emphasis on additional raw material suppliers than on other business linkages.

It is obvious that raw material suppliers should be prime targets for industrial recruitment of new firms in Salina. New firms, which provide needed products or services for existing firms would strengthen the economic base in Salina and should be given priority in granting economic development incentives.

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	80%	20%
20-49	66%	35%
50+	72%	28%
TOTAL PERCENT	76%	24%

n = 107

Source: Business Retention and Expansion Survey for 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	79%	21%
Finance/Services	67%	33%
Other Industries	82%	18%
TOTAL PERCENT	76%	24%

n = 107

Source: Business Retention and Expansion Survey for 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
Salina	76%	24%
Other 8 Communities	62%	38%

Source: Business Retention and Expansion Survey for 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 35
 ADDITIONAL COMPANIES THAT WOULD BE OF BENEFIT*
 BY SIZE OF FIRM

Number of Employees	More Customers For Products	Repair Maintenance	Business Services	Raw Materials Suppliers
1-19	45%	0%	0%	65%
20-49	43%	0%	0%	57%
50+	33%	0%	0%	67%
PERCENT OF TOTAL	42%	0%	0%	64%

n = 20

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

Industry	More Customers For Products	Repair Maintenance	Business Services	Raw Materials Suppliers
Manufacturing	40%	0%	0%	60%
Finance/Services	30%	0%	0%	80%
Other Industries	75%	0%	0%	25%
PERCENT OF TOTAL	42%	0%	0%	64%

n = 20

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

Community	More Customers For Products	Repair Maint- enance	Business Services	Raw Materials Suppliers
Salina	42%	0%	0%	64%
Other 8 Communities	26%	4%	20%	59%

*Since firms could give more than one additional company that would be of benefit, 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.

Retaining and attracting management and professional personnel. Firms locating in Kansas and the Midwest face more of a problem in attracting and retaining a well educated work force than firms in other regions of the United States. As the survey revealed, 19% of the participants in Salina stated they had trouble attracting or retaining professional and management level personnel (see Tables 38-40). For firms in the other 8 communities this share was only 17% (see Table 40). Apparently, larger companies seemed to have more difficulties with recruiting or with the retention of managerial employees than smaller firms (see Table 38). This is due to the fact that larger companies generally have a greater need for a highly qualified work force. Furthermore, finance and services businesses and other industries (agriculture, transportation, communication, wholesale) complained more often about difficulties in attracting professional personnel than manufacturing firms (see Table 39). Since modern production processes and business operation will require a highly qualified work force in the future, the retention and outside recruitment of professionals and

management will assume added significance in the community. Improving the quality of life in Salina by providing more educational and recreational facilities (public library, golf and tennis courses, parks) and through cultural and sports attractions will be an important issue in attracting professionals and management to Salina.

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	82%	18%
20-49	79%	21%
50+	76%	24%
TOTAL PERCENT	81%	19%

n = 107

Source: Business Retention and Expansion Survey for 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	87%	13%
Finance/Services	80%	21%
Other Industries	73%	27%
TOTAL PERCENT	81%	19%

n = 107

Source: Business Retention and Expansion Survey for 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
Salina	81%	19%
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.

Perceived images of rural life and Kansas. Rural life or Kansas does not carry a negative image for the overwhelming majority of the firms. Ninety-four percent of the firms surveyed perceived no negative image of rural life associated with the community (see Tables 41-43). An even higher percentage

(99%) stated that their image of the state of Kansas is not negative (see Tables 44-46). However, larger companies slightly more often draw a negative picture of their rural communities than smaller firms (see Table 41). Also, business representatives in the finance and services category more often stated that they have a negative image of rural life and of Kansas than firms in other industries (see Tables 42 and 45).

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	94%	6%
20-49	93%	7%
50+	92%	8%
TOTAL PERCENT	94%	6%

n = 107

Source: Business Retention and Expansion Survey for 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	92%	8%
Finance/Services	90%	10%
Other Industries	97%	3%
TOTAL PERCENT	94%	6%

n = 107

Source: Business Retention and Expansion Survey for 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
Salina	94%	6%
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+	100%	0%
TOTAL PERCENT	99%	1%

n = 107

Source: Business Retention and Expansion Survey for 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

Do you have a negative image of Kansas?		
Industry	NO	YES
Manufacturing	100%	0%
Finance/Services	97%	3%
Other Industries	100%	0%
TOTAL PERCENT	99%	1%

n = 107

Source: Business Retention and Expansion Survey for 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

Do you have a negative image of Kansas?		
Community	NO	YES
Salina	99%	1%
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.

Location and Retention Summary

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

1. The Salina business community is homegrown and locally oriented. Being the founder's hometown is a major reason for firm location, although some firms see an advantage in affordable leases and purchase prices for business operation.
2. Only a small amount of economic growth is attributable to the relocation of outside firms to the community, although Salina has had a slightly higher influx of firms than the other Kansas communities surveyed. To focus exclusively on recruiting outside companies to locate or relocate in Salina may not be a very successful strategy to promote economic growth. Retention and expansion of existing businesses and assisting start-up firms may be more effective ways to fuel growth.

3. Many firms are located in the community because it is the owner's hometown. Once started, firms are very likely to stay in the community. This suggests that state and local support for new entrepreneurs would have a long-term, positive impact on the community.

4. The percentage of firms that are planning to leave their community is relatively small (3 firms). The vast majority of firms is satisfied with the community and are not planning to leave. Nearly all firms have a positive image of rural life and of Kansas. Economic development programs should capitalize on this positive attitude and promote expansion of existing firms as a primary goal.

5. Dissatisfaction with the community is more often expressed by larger firms in Salina. Complaints range from a negative image of rural life to a lack of business linkages. Special attention should be given to the retention of large companies by being informed about their problems and being responsive to their needs. It is necessary to stay in contact with their local company representatives as well as with their headquarters. A relocation of a large employer would have a devastating effect on the community and on suppliers.

6. A substantial number of larger firms have difficulties in attracting professional and management level personnel to their business. Outside recruitment of management and highly-skilled personnel will become more important as companies grow and business operation and production processes become more complex.

7. Forward and backward linkages or the proximity to suppliers and markets are important locational considerations for firms. Additional raw material suppliers and more local customers would be beneficial to the Salina business community according to many respondents. Attracting raw material suppliers to town and helping firms with their marketing efforts should therefore be prime targets in strengthening the economic base.

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 that although Salina firms are more optimistic about future expansion and actually had a higher percentage of firms having an employment or physical plant size expansion in the past, it has to focus on assisting firms in obtaining affordable and also nontraditional financing. Furthermore, firms need information and assistance regarding product expansion and gaining a share in the national and international market, since there is a stagnant local market for their products or services.

Past Expansion

Employment expansion. Over the past two years, 51% of the total number of Salina firms surveyed have kept their employment at constant levels, and 34% have increased employment (see Tables 47, 48, and 49). This is a better performance than in the other 8 communities, in which 45% of those firms had constant employment, 33% increased employment, and 23% decreased employment (see Table 49). In Salina, 52% of firms with 20-49 employees and 44% of firms with 50 or more employees reported employment increases, whereas only

28% of firms with less than 20 employees stated that they had increased their work force in the past two years (see Table 47). These are considerable size-specific differences, reflecting a smaller firm's limited potential to expand, limited by many factors that have been explored in this survey. By industrial category, manufacturing led the two other industry categories in employment expansion, but at the same time responded more frequently to a shrinking market by decreasing employment (see Table 48). Although finance and services are national growth industries, employment increases in Salina were not impressive, with 37% of these experiencing employment growth versus a 46% growth rate for manufacturing firms.

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	14%	58%	28%
20-49	18%	31%	52%
50+	16%	40%	44%
TOTAL PERCENT	15%	51%	34%

n = 107

Source: Business Retention and Expansion Survey for 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	Employment		
	Decreased Employment	Remained Constant	Increased Employment
Manufacturing	18%	36%	46%
Finance/Services	13%	50%	37%
Other Industries	15%	59%	26%
TOTAL PERCENT	15%	51%	34%

n = 107

Source: Business Retention and Expansion Survey for 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	Employment		
	Decreased Employment	Remained Constant	Increased Employment
Salina	15%	51%	34%
Other 8 Communities	23%	45%	33%

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

Physical plant expansion. Since plant size expansion is often associated with employment increases, Tables 50, 51, and 52 do not reveal an entirely different pattern regarding expansion. Overall, 42% of the firms had a physical expansion of their plant within the past two years, whereas 54% had

no expansion and 4% decreased their plant size. Of the firms with a physical plant expansion, the companies with over 50 employees were again overrepresented compared to the small-sized firms with less than 20 employees (see Table 50). However, larger firms also reported more plant size decreases than smaller businesses. Although finance and services firms have increased their physical plant size in 53% of the cases in the past two years, they also had higher contractions than the two other industrial categories (see Table 51).

A look at Table 52 shows, that 42% of the Salina firms had a physical plant size expansion whereas the average for the other communities was only 34%. The plant size expansions in Salina are a sign of a vital business community. In an era of high economic competitiveness, the expansion needs of existing companies in Salina deserve a supportive local government. The percentage of Salina firms that decreased their plant size was comparatively low and show no reason for concern as in some of the other Kansas mid-sized 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	4%	61%	35%
20-49	0%	45%	55%
50+	8%	28%	64%

TOTAL PERCENT	4%	54%	42%

n = 107

Source: Business Retention and Expansion Survey for 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	3%	59%	39%
Finance/Services	7%	40%	53%
Other Industries	3%	62%	36%

TOTAL PERCENT	4%	54%	42%

n = 107

Source: Business Retention and Expansion Survey for 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
Salina	4%	54%	42%
Other 8 Communities	10%	57%	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.

Problems with past expansion. Tables 53 , 54 and 55 give an overview of what were the problems with plant expansion in the past. Very clearly, a declining or static market for the products and services offered was a major threat, cited by 40% of the firms that gave problems with an expansion. Three other problems were mentioned by 16% of the firms each: zoning regulations, availability of labor and lack of affordable financing possibilities. As Table 53 shows, smaller firms seem to have more trouble with a shrinking or static market and with the three other expansion problems mentioned above than the medium-size and larger companies. The implication is that smaller firms need assistance in increasing their market for products and in obtaining reasonable financing for an expansion. Although Salina compares favorably with the other Kansas communities surveyed regarding past expansion problems, more Salina firms appeared to mind restrictive zoning regulations, lack of labor, and lack of training resources.

TABLE 53
SPECIFIC PROBLEMS WITH EXPANSION*
BY SIZE OF FIRM

Number of Employees	Zoning Regulations	Availability of Labor	Static or Declining Market	Lack of Financing	Utility Costs	Availability of Space	Lack of Training Resources	Strong Competition
1-19	8%	15%	46%	15%	4%	8%	8%	8%
20-49	67%	0%	33%	0%	0%	0%	0%	0%
50+	0%	33%	17%	33%	0%	17%	33%	50%
PERCENT OF TOTAL	16%	16%	40%	16%	3%	8%	11%	13%

n = 23

*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 Community Populations of 10,000 to 100,000, Institute for Public Policy and Business Research, The University of Kansas, 1987.

TABLE 54
SPECIFIC PROBLEMS WITH EXPANSION*
BY INDUSTRY

Industry	Zoning Regulations	Availability of Labor	Static or Declining Market	Lack of Financing	Utility Costs	Availability of Space	Lack of Training Resources	Strong Competition
Manufacturing	0%	0%	50%	33%	17%	17%	0%	17%
Finance/Services	14%	43%	29%	0%	0%	14%	29%	0%
Other Industries	22%	0%	44%	22%	0%	0%	0%	22%
PERCENT OF TOTAL	16%	16%	40%	16%	3%	8%	11%	13%

n = 23

*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 Community 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 Regulations	Availability of Labor	Static or Declining Market	Lack of Financing	Lack of Raw Materials	Utility Costs	Transportation Difficulties	Availability of Space	Lack of Training Resources	Tax Laws	Strong Competition	Decline in Oil Prices
Salina	16%	16%	40%	16%	0%	3%	0%	8%	11%	0%	13%	0%
Other 8 Communities	10%	10%	42%	25%	1%	3%	1%	6%	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.

Factors helping expansion. For those firms that have expanded their operation in Salina, an expanding market played a key role. Seventy-one percent of those firms that have had an expansion stated that an expanding market was the main factor, while only 36% cited for more efficient operations as a reason (see Tables 56-58). For smaller firms as well as for manufacturing firms, a more efficient operation has been a more important expansion factor (see Tables 56 and 57). Availability of space was not among the main factors that helped expansion and appeared to be less of an issue in Salina than in the other 8 Kansas mid-sized communities (see Table 58). Most surprisingly, the availability of tax incentives was not a significant factor in Salina and in any of the other communities.

Since an expanding market or a desire to expand their market share were major reasons for expansion among Salina firms, the need for many companies to broaden their scope of products or services and thereby reach a larger regional market is obvious. If the state and the community focus on tax incentives alone, they pay a high tribute for business expansion, since many firm representatives said that expansion is not primarily a tax issue. Assistance in marketing a firm's products or services is therefore a better way to fuel business expansion and retention within the community.

TABLE 56
FACTORS THAT HELPED EXPANSION*
BY SIZE OF FIRM

Number of Employees	Expanding Market	Availability of Tax Incentives	Availability of Tech. Innovation	Availability of Space	Desire To Expand Market	Improved Internal Financing	More Efficient Operations
1-19	73%	0%	4%	11%	33%	2%	40%
20-49	72%	0%	11%	17%	45%	0%	33%
50+	65%	6%	18%	24%	24%	0%	30%
PERCENT OF TOTAL	71%	1%	9%	15%	34%	1%	36%

n = 48

*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	Expanding Market	Availability of Tax Incentives	Availability of Tech. Innovation	Availability of Space	Desire To Expand Market	Improved Internal Financing	More Efficient Operations
Manufacturing	72%	6%	6%	22%	28%	6%	50%
Finance/Services	72%	0%	11%	17%	39%	0%	28%
Other Industries	69%	0%	8%	8%	31%	0%	39%
PERCENT OF TOTAL	71%	1%	9%	15%	34%	1%	36%

n = 48

*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	Expanding Market	Availability of Tax Incentives	Availability of Public Assist.	Availability of Tech. Innovation	Availability of Space	Desire To Expand Market	Improved Internal Financing	More Efficient Operations
Salina	71%	1%	0%	9%	15%	34%	1%	36%
Other 8 Communities	69%	1%	4%	3%	21%	25%	4%	27%

*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.

Reasons for contraction. Just as expansion is positively affected by an expanding market, contraction is related to a declining or static market. In fact, 70% of the responding firms cited a market decline as the main reason for contraction (see Tables 59-61). Small firms seem to be more vulnerable to a shrinking market than larger firms (see Table 59). Also, finance and services companies reported to have reacted to a market decline with a contraction more often than manufacturing and other industries (see Table 60). Another reason for contraction stated by 22% of the firms has to do with streamlining production by removing inefficient or unnecessary steps in production.

TABLE 59
REASONS FOR CONTRACTION*
BY SIZE OF FIRM

Number of Em- ployees	De- clining or Static Market	Rising Labor Costs	Lack of Afford- able Fin- ancing	De- cline in Oil Prices	In- crease Effic- iency
1-19	78%	0%	11%	6%	11%
20-49	60%	40%	0%	40%	40%
50+	50%	0%	50%	0%	50%
PERCENT OF TOTAL	70%	7%	15%	11%	22%

n = 16

*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	Rising Labor Costs	Lack of Afford- able Fin- ancing	De- cline in Oil Prices	In- crease Effic- iency
Manufacturing	71%	0%	0%	14%	29%
Finance/ Services	75%	0%	25%	0%	0%
Other Industries	67%	17%	17%	17%	33%
PERCENT OF TOTAL	70%	7%	15%	11%	22%

n = 16

*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 Mat- erials Costs	Rising Plant- Office Space Costs	Lack of Afford- able Fin- ancing	De- cline in Oil Prices	In- crease Effic- iency	Taxes- Regu- latory Costs
Salina	70%	0%	7%	0%	0%	15%	0%	22%	0%
Other 8 Communities	71%	4%	1%	3%	1%	4%	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.

Plans for Expansion

Employment expansion. In the near future, 45% of the total number of surveyed Salina firms planned to increase their employment (see Tables 62-64). Only 4% of the firms stated that they will decrease employment in the next year. As Table 65 shows, 21% of the companies that plan to expand employment have already increased employment in the last two years and can be regarded as growth industries. In general, larger firms are more likely to increase employment over the next year than smaller firms, and finance and services industries are clearly more optimistic about hiring new

employees than manufacturing and other industries. This provides additional indication that most new jobs are created in the service industry and that the future economic base will include more service-type activities such as business services, communication or wholesale.

On the whole, Salina firms seemed more optimistic about hiring new workers than firms in the other communities (see Table 64). Local strategies to promote economic development must therefore capitalize upon this optimistic entrepreneurial attitude towards employment expansion and assist firms in recruiting their work force.

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%	51%	43%
20-49	0%	52%	48%
50+	0%	48%	52%
TOTAL PERCENT	4%	51%	45%

n = 107

Source: Business Retention and Expansion Survey for 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	3%	66%	37%
Finance/Services	7%	37%	57%
Other Industries	3%	54%	44%
TOTAL PERCENT	4%	51%	45%

n = 107

Source: Business Retention and Expansion Survey for 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
Salina	4%	51%	45%
Other 8 Communities	3%	58%	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.

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	Employment In The Next Year		
	Will Decrease Employment	Will Remain Constant	Will Increase Employment
Decreased Employment	2%	4%	9%
Employment Remained Constant	2%	33%	15%
Increased Employment	0%	14%	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.

Physical plant size expansion. Less firms are planning a physical plant size expansion than an employment expansion in the next year. Only 17% of the firms in Salina consider a plant size expansion in the coming year, which is 6% less than for the comparison communities (see Table 66-68). Firms with 50 or more employees reported in 24% of the cases that they are planning an expansion, whereas 17% of the small-sized and only 7% of the medium-sized firms were positive about an expansion (see Table 66). As with employment expansion, finance and services businesses were about twice as likely to expand the physical size of their plant than manufacturing firms and other industries. State and local economic development efforts must make sure that the growth plans of these firms are realized.

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	Size Will Remain		
	Contraction	Constant	Expansion
1-19	0%	83%	17%
20-49	0%	93%	7%
50+	0%	76%	24%
TOTAL PERCENT	0%	84%	17%

n = 107

Source: Business Retention and Expansion Survey for 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	Size Will Remain		
	Contraction	Constant	Expansion
Manufacturing	0%	87%	13%
Finance/Services	0%	70%	30%
Other Industries	0%	92%	8%
TOTAL PERCENT	0%	84%	17%

n = 107

Source: Business Retention and Expansion Survey for 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	Size Will		
	Contraction	Remain Constant	Expansion
Salina	0%	84%	17%
Other 8 Communities	2%	76%	23%

Source: Business Retention and Expansion Survey for 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 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	0%	3%	1%
Plant Size Remained Constant	0%	50%	4%
Increased Plant Size	0%	31%	12%

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

Location of expansion. Eighty-six percent of the firms, or an equivalent of 15 firms, that are planning an expansion reported that the expansion will be within the Salina city limits. Only 4% planned an

expansion within the state and 10% planned to expand outside Kansas (see Tables 70-72). Most notably, Salina has a higher percentage of firms that planned their expansion within the city limits than the other eight communities (86% vs. 60%), but will face more out-of-state expansions (see Table 72). As a rule, firms with more than 50 employees are more likely to expand outside the city. But efforts to keep expansion from occurring elsewhere will not just have to focus on a few number of large firms, but also on the many small firms that have the potential to grow and expand. For most of the finance and services firms, expansion will be in the community itself, reflecting their local orientation and a certain degree of satisfaction with the conditions in the community. Obviously, most firms plan an expansion within the city limits. However, Salina faces more competition from other states than from within the state.

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

Number of Em- ployees	Where Expansion Will Be			
	Within The City Limits	Within The Same County	Within The State	Out of State
1-19	95%	0%	5%	0%
20-49	100%	0%	0%	0%
50+	50%	0%	0%	50%
TOTAL PERCENT	86%	0%	4%	10%

n = 18

Source: Business Retention and Expansion Survey for 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	60%	0%	20%	20%
Finance/Services	100%	0%	0%	0%
Other Industries	67%	0%	0%	33%
TOTAL PERCENT	86%	0%	4%	10%

n = 18

Source: Business Retention and Expansion Survey for 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
Salina	86%	0%	4%	10%
Other 8 Communities	60%	14%	20%	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.

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

Advantages that influenced expansion. Availability of space was cited as a major advantage for local expansion, although the impression of a strong

local economy also seemed to be encouraging. Since there were only 3 respondents to the question of local advantages influencing expansion, a general conclusion cannot be made of what the true advantages are.

Additional Products and Expansion. Asked about the reasons firms have not offered an additional product, 27% of the firms that gave reasons stated that their business is already complex enough (see Tables 73, 74, and 75). Lack of affordable financing seemed less of an issue for most firms. Seventeen percent of the firms are currently introducing a new product, most of them in the larger size categories (see Table 73). While less manufacturing firms gave reasons for not introducing a new product, finance and services industries reported problems such as adequate skills and lack of specific equipment (see Table 74).

As can be seen from Table 75, more Salina firms stated that their business has already become complex enough to think about new products. This statement might be a sign of hidden problems concerning lack of knowledge, specific equipment or financing. These problems, however, can be addressed in part by state and local government assistance.

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

Number of Employees	Lack of 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	
	8%	5%	5%	8%	13%	11%	29%	5%	16%	13%										
1-19	8%	5%	5%	8%	13%	11%	29%	5%	16%	13%										
20-49	0%	0%	0%	34%	0%	0%	67%	0%	0%	0%										
50+	0%	14%	0%	0%	14%	14%	0%	29%	29%	43%										
PERCENT OF TOTAL	6%	6%	4%	8%	13%	10%	27%	8%	17%	17%										

n = 29

*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 Afford- ing Financing	Lack of Spec- ific Know- How	No Desire To Expand	Static or Declin- ing Market	Low Cash Flow	Bus- iness Complex Enough Now	Lack of Skilled Labor	Lack of Equip- ment, Tech.	Intro- ducing Product or Service Now
Manufacturing	13%	13%	0%	25%	25%	13%	13%	0%	0%	25%
Finance/ Services/ Other Industries	7%	7%	7%	7%	0%	14%	21%	14%	14%	21%
PERCENT OF TOTAL	6%	6%	4%	8%	13%	10%	27%	8%	17%	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.

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

Community	Restrictive Laws or Regulations	Lack of Afford- ing Financing	Lack of Spec- ific Know- How	No Desire To Expand	Static or Declin- ing Market	Low Cash Flow	Bus- iness Complex Enough Now	Lack of Skilled Labor	Lack of Equip- ment, Tech.	Intro- ducing Product or Service Now
Salina	6%	6%	4%	8%	13%	10%	27%	8%	17%	17%
Other 8 Communities	12%	16%	6%	9%	14%	13%	12%	10%	10%	22%

*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.

Expanding into the international market. A surprising number of firms in Salina feel they have the potential or desire to expand into the international market. Indeed, 14% of all respondents, 25% of the firms with over 50 employees and 31% of the finance and services businesses had the potential to expand internationally (see Tables 76 and 77). By community comparison, Salina proved to have a slightly higher percentage of firms that feel to have the potential to conquer the international market (see Table 78). Of these respondents, 13% stated they had the desire to expand (see

Tables 79-81). Because of the importance of international trade in an era of stiff competition, it is imperative that these firms be encouraged to meet their potential and desire to expand into the global market.

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	86%	14%
20-49	100%	0%
50+	75%	25%
TOTAL PERCENT	86%	14%

n = 96

Source: Business Retention and Expansion Survey for 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	94%	6%
Finance/Services	69%	31%
Other Industries	97%	3%
TOTAL PERCENT	86%	- 14%

n = 96

Source: Business Retention and Expansion Survey for 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
Salina	86%	14%
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.

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	88%	12%
20-49	90%	11%
50+	80%	20%

TOTAL PERCENT	87%	13%

n = 96

Source: Business Retention and Expansion Survey for 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	94%	6%
Finance/Services	79%	21%
Other Industries	91%	9%

TOTAL PERCENT	87%	13%

n = 96

Source: Business Retention and Expansion Survey for 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

Salina	87%	13%
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.

Reasons for not expanding into the international market. Few companies in Salina responded to the survey with reasons for not expanding into the international market. Of the 9 respondents in Salina 40% blamed lack of affordable finance as a reason that prevent them from exporting to the international market. The rest stated that their business serves a specific area, that their business is too small or that they never considered expanding into the global market. Nine respondents is not large enough to make general conclusions for the community. For comparison purposes only, responses for Salina and firms that responded from the other 8 communities are given in Table 82 (please note that all percentages for Salina are based on nine firms).

TABLE 82
REASONS GIVEN FOR NOT EXPORTING*
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 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
Salina	13%	27%	0%	0%	0%	0%	0%	0%	40%	7%	13%	0%	0%
Other 8 Communities	25%	20%	10%	14%	6%	4%	10%	8%	18%	12%	4%	7%	7%

*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. When asked about specific problems with exporting, only one Salina firm had a comment regarding high tariffs and trade barriers. Conclusions for the community cannot be based on one firm. For comparison purposes, high tariffs and trade barriers was also the most frequently cited problem by firms in the other 8 communities. Financing for Expansion

Financing Sources. Most firms of the Salina survey sample have used traditional sources of financing for expansion or capital investments: bank loans (49%) and internal financing from profits (54%) (see Tables 83, 84, and 85). Regardless of size, firms seem to rely mostly on traditional sources of financing. As Table 83 shows, companies with over 50 employees more often took advantage of industrial revenue bonds than smaller firms. Also, manufacturing firms were more often in a position to finance their expansion by internal sources (profits) than were services, finance and other industries (see Table 84). However, alternative sources of financing such as seed, venture and high risk financing remained out of reach for the majority of firms in Salina as well as in the other 8 communities, which also had a high percentage of firms using conventional sources of finance (see Table 85). Providing information about alternative sources of financing

could be a first step in assisting firms to expand. Improving access to nonconventional sources of financing should be a primary obligation for the state to help firms expand.

TABLE 83
FINANCING SOURCES FOR EXPANSION*
BY SIZE OF FIRM

Number of Employees	Bank	Credit Union	Savings and Loan	Inter-nal Financing	Private Sources	Small Business Administration	Industrial Revenue Bonds
1-19	50%	6%	3%	51%	3%	3%	2%
20-49	41%	0%	0%	66%	0%	4%	7%
50+	50%	0%	4%	50%	8%	4%	33%
PERCENT OF TOTAL	49%	4%	3%	54%	4%	4%	7%

n = 103

*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	Credit Union	Savings and Loan	Inter-nal Financing	Private Sources	Small Business Administration	Industrial Revenue Bonds
Manufacturing	42%	3%	8%	75%	0%	11%	6%
Finance/Services	48%	3%	3%	45%	10%	3%	14%
Other Industries	53%	5%	0%	50%	0%	0%	3%
PERCENT OF TOTAL	49%	4%	3%	54%	4%	4%	7%

n = 103

*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
Salina	49%	4%	3%	54%	4%	4%	0%	7%
Other 8 Communities	55%	1%	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.

Financing sources outside of Kansas. A small number of firms had to go outside of Kansas to obtain affordable financing in the last five years. As can be seen from Table 86, 14% of firms with 20 to 49 employees went outside the state for --presumably-- alternative sources of financing. Also, manufacturing and other firms (transportation, communication, wholesale etc.) more often sought better financing opportunities outside the state than financing and services businesses (see Table 87). In all, a smaller percentage of Salina firms went to other states for financing than in the 8 comparison communities (see table 88). This cannot just be interpreted as a strength of local financing opportunities, but rather a lack of knowledge of the small-sized Salina firms about nontraditional ways of financing.

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%	3%
20-49	86%	14%
50+	96%	4%
TOTAL PERCENT	95%	5%

n = 105

Source: Business Retention and Expansion Survey for 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	95%	5%
Finance/Services	100%	0%
Other Industries	92%	8%
TOTAL PERCENT	95%	5%

n = 105

Source: Business Retention and Expansion Survey for 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
Salina	95%	5%
Other 8 Communities	90%	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.

Foregoing expansion because of a lack of financing. Only 6% of the survey participants reported that they had been forced to forego or postpone a planned expansion because of a lack of affordable financing, compared to 12% for the average of the other eight communities (see Table 91). However, not all Salina survey participants actually had planned an expansion and faced the problem of financing. Small firms with less than 20 employees more often complained about lacking financing opportunities (8% of these firms), whereas only 4% of the large firms faced that problem attributable to a large firms better internal financing options (see Table 89). The implication is that state and local initiatives are needed to provide financing for expanding and start-up firms.

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	93%	8%
20-49	100%	0%
50+	96%	4%
TOTAL PERCENT	94%	6%

n = 105

Source: Business Retention and Expansion Survey for 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	95%	5%
Finance/Services	93%	7%
Other Industries	95%	5%
TOTAL PERCENT	94%	6%

n = 105

Source: Business Retention and Expansion Survey for 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
Salina	94%	6%
Other 8 Communities	88%	12%

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

Expansion Summary

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

1. Firms in Salina are more optimistic about future expansion in employment and plant size than firms in the other eight Kansas mid-sized communities. Finance and services firms in particular are more likely to expand than manufacturing firms. This is a good time for local and state economic development officials to concentrate on expansion programs.
2. Larger firms have increased employment and physical plant size more than smaller firms over the past two years.
3. Economic growth in Salina is fueled by existing, homegrown companies and start-up firms within the community. State and local economic development efforts should therefore be aimed at assisting local entrepreneurs in their need for expansion.
4. In a community with slow population growth, expansion is mainly hampered by a shrinking or static market for products and services. Zoning regulations, availability of labor and lack of affordable financing were other factors. Firms need assistance in increasing their market share and to participate more in the national and international market.

5. Expanding into the international market poses problems for most of the firms. Although 13% to 14% of the firms would have the potential and desire to export, lack of knowledge and financing keeps them from actually getting involved in international trade. Thus, there are unrealized opportunities for expansion in Salina. To exclude smaller companies as a source for exports would not be a sound strategy, since these companies are often innovative and characterized by strong entrepreneurship.

6. Obtaining affordable financing is a major reason companies have foregone or postponed expansion. Regardless of firm size, companies in Salina rely mostly on conventional sources of financing (banks and internal funds). Information and provision of alternative sources of financing (venture and risk capital) are necessary to encourage companies to expand.

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 surveyed firms believe the local quality of life is good, (2) Salina firms believe economic development is a way to improve the local business climate, (3) the local infrastructure and local public services were seen to be generally good, and (4) small firms in particular are looking for assistance, as well as having many suggestions concerning the improvement of the local and state business climate.

Local And State Business Climate

Quality of life. The majority of surveyed firms in Salina believe the quality of life they experience is good. Of the total number of firms, 84% stated that the quality of life was good, and only 2% stated that the quality of life was poor (see Tables 92 and 93). This good rating given by Salina firms was slightly better than that given for firms in the other 8 communities (see Table 94). The only data that city officials may not consider a good sign is in Table 93: 8% of firms with 50 or more employees thought the quality of life was poor. As was seen earlier, this may reflect large companies slightly more negative images of rural life and of Kansas. Quality of life issues will take on added significance as firms grow and attempt to bring employees from other parts of the state, and from other states as well.

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

Number of Employees	Good	Adequate	Poor
1-19	83%	15%	2%
20-49	90%	10%	0%
50+	84%	8%	8%
TOTAL PERCENT	84%	14%	2%

n = 107

Source: Business Retention and Expansion Survey for 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

Industry	Good	Adequate	Poor
Manufacturing	80%	20%	0%
Finance/Services	83%	13%	4%
Other Industries	87%	10%	3%
TOTAL PERCENT	84%	14%	2%

n = 107

Source: Business Retention and Expansion Survey for 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

Community	Opinion	Good	Adequate	Poor
Salina	0%	84%	14%	2%
Other 8 Communities	1%	81%	16%	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.

Attitude of the local government. A high percentage of firms in Salina did not view the attitude of the local government to be positive towards the business community. In fact, 33% of the Salina firms stated that the local government has a neutral or negative attitude, and 13% rated it very negative (see Tables 95 and 96). This negative rating is a higher percentage than the average for the other 8 communities (9%) (see Table 97).

Larger companies, often having a more cosmopolitan view of the business world and taking advantage of the economic development incentives offered by the community, had less complaints about the attitude of the local government than medium-sized and small firms (see Table 95). Also, more manufacturing, finance and services firms perceived the attitude of the local government more positively than firms in other industries (mining, construction, agriculture, transportation, communication, wholesale).

In all, the relatively high percentage of firms that rated the local government's attitude as neutral, indicates that the local government did not have much of an effect upon the business community in the past. The firms that openly admitted not to be satisfied with local government's

attitude (13%), expressed a clear desire for more government involvement and support.

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	50%	37%	13%
20-49	48%	31%	21%
50+	76%	16%	8%
TOTAL PERCENT	54%	33%	13%

n = 107

Source: Business Retention and Expansion Survey for 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	54%	41%	5%
Finance/Services	53%	43%	3%
Other Industries	54%	21%	26%
TOTAL PERCENT	54%	33%	13%

n = 107

Source: Business Retention and Expansion Survey for 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
Salina	54%	33%	13%
Other 8 Communities	55%	36%	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.

Perception of services. Overall, Salina firms are satisfied with the infrastructure and public services in the community. They perceived the school system, quality of life and most other elements of the infrastructure as good or adequate. However, a high percentage of firms complained about a poor transportation system², a problem inherent to the entire state. About 30% of the firms stated that the quality and the cost of transportation are inadequate, affecting freight delivery time and the competitiveness of firms (see Table 98). It is important to hereby correlate the high percentage of firms that had no opinion regarding the quality and cost of transportation with the high percentage of firms which gave a negative comment. We can assume that some firms, which had no opinion on the transportation factor

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

because of a lacking nationwide comparison, would also have given a negative comment.

All in all, the poor ratings given to the transportation system is an important factor in a firms decision to remain or expand in the local area or region. In planning a physical plant size expansion, firms will carefully study their options concerning efficient and cost-effective transportation. As firms try to broaden their scope of products or services and to compete in the international market, transportation issues such as air access and four-lane highways will become increasingly important location factors.

TABLE 98
SALINA FIRMS' PERCEPTIONS OF SERVICES

	No Opinion	Good	Adequate	Poor
Quality of Roads	1%	43%	42%	14%
Quality of Railroads	32%	28%	23%	17%
Cost of Transportation	10%	42%	40%	8%
Availability of Air Transportation	17%	17%	35%	31%
Quality of Public Transportation	32%	12%	25%	31%
Freight Delivery Time	15%	58%	26%	1%
Quality of Training	11%	43%	35%	11%
Fire Protection	3%	83%	13%	1%
Police Protection	0%	80%	18%	2%
Telephone System	0%	72%	27%	2%
Electric System	0%	80%	19%	1%
Public School System	5%	76%	18%	1%
Garbage Collection	3%	79%	17%	1%

n = 107

Source: Business Retention and Expansion Survey for 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
OTHER 8 COMMUNITIES FIRMS' PERCEPTIONS OF SERVICES

	No Opinion	Good	Adequate	Poor
Quality of Roads	1%	35%	45%	19%
Quality of Railroads	34%	28%	28%	10%
Cost of Transportation	10%	28%	46%	16%
Availability of Air Transportation	22%	12%	28%	38%
Quality of Public Transportation	27%	13%	25%	35%
Freight Delivery Time	12%	51%	31%	5%
Quality of Training	19%	36%	30%	15%
Fire Protection	3%	75%	21%	1%
Police Protection	2%	66%	29%	3%
Telephone System	1%	62%	30%	7%
Electric System	1%	72%	22%	5%
Public School System	7%	73%	17%	3%
Garbage Collection	6%	63%	26%	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.

Government regulations that impede business operations. Regulations that may hamper successful business operation are viewed as being mainly city or state regulations. Ninety-five percent of the 42 respondents stated that problem (see Tables 100-102). Thirty-three percent perceived zoning regulations as too restrictive and 23% had trouble with EPA regulations affecting their business operation. As Table 100 shows, small and medium-sized firms reported more often of hampering government regulations than larger companies.

Hampering government regulations are a problem of all the other Kansas mid-sized communities (see Table 102). However, a generally lower percentage of firms in the other 8 communities reported problems caused by zoning, EPA and OSHA regulations. Obviously, there are state and local government regulations that impede the successful operations of a business and are a

factor in the decision-making-process for business expansion. Federal regulations appeared to affect less firms than state and city regulations, indicating that local regulations must be carefully reviewed to create a favorable business climate for the community.

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

Number of Em- ployees	Hamp- ering City- State Regs.	EPA Regs.	OSHA Regs.	Zoning	KS Dept. of Health	Gvt. Over Reg- ula- tion
1-19	91%	18%	9%	36%	0%	9%
20-49	100%	46%	18%	36%	0%	0%
50+	100%	0%	0%	14%	29%	57%
PERCENT OF TOTAL	95%	23%	10%	33%	5%	15%

n = 24

*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.	EPA Regs.	OSHA Regs.	Zoning	KS Dept. of Health	Gvt. Over Reg- ula- tion
Manufacturing	100%	17%	0%	17%	0%	0%
Finance/ Services	100%	14%	0%	43%	14%	29%
Other Industries	90%	30%	20%	30%	0%	10%
PERCENT OF TOTAL	95%	23%	10%	33%	5%	15%

n = 24

*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
Salina	95%	0%	23%	10%	33%	5%	15%
Other 8 Communities	98%	6%	18%	4%	14%	7%	19%

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

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

Taxes that influence expansion decisions. Taxes proved to have a certain impact on business expansion. As can be seen from Tables 103-105, property tax on inventories was cited by 68% of the respondents as a main reason to forego expansion. However, property tax on inventories has been abolished by the state legislature to give Kansas a competitive advantage over other states when the exemption becomes effective in 1989.

Firms with 50 or more employees in particular complained about property tax on inventories. Other reasons to forego expansion were unemployment insurance tax and workers compensation, which were perceived as a burden in 42% and 33% of the cases, respectively. However, overall costs for those kind of employment benefits are not higher in Kansas than in the neighboring states, although costs for individual firms depend on the type of industry (workers compensation) and on the business history of contributing to unemployment (unemployment insurance tax).

Sales tax on new and used machinery and equipment, which is discussed for exemption by the Kansas legislature, an incentive already used by most of

the neighboring states, was cited by 32% of the respondents as a reason limiting expansion.

The burden of particular taxes on companies is evident and negatively impacts business expansion within the state and the community. Although, the overall state tax burden seems to affect both, small and larger companies, it is important to note that smaller firms are suffering more strain when it comes to unemployment insurance tax. An unfavorable tax structure can impede an expansion and encourage firms to look for a better tax climate in another state. The state's economic development policy body (Kansas Inc.) which is well aware of the problems, has proposed a further tax relief for corporations to make Kansas a more competitive place to do business.

TABLE 103
REASONS TO FOREGO EXPANSION*
BY SIZE OF FIRM

Number of Employees	Over-all State Tax Burden	Corporate Income Tax	Property Tax on Inventories	Sales Tax on Machinery and Equipment	Unemployment Insurance Tax	Workers Compensation	Gas Tax
1-19	20%	13%	63%	35%	46%	28%	0%
20-49	0%	11%	78%	11%	33%	33%	22%
50+	18%	36%	82%	36%	37%	55%	0%
PERCENT OF TOTAL	17%	17%	68%	32%	42%	33%	3%

n = 40

*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	Corp- orate In- come Tax	Prop- erty Tax on Inven- tories	Sales Tax on Mach- ines and Equip- ment	Unem- ploy- ment Insur- ance Tax	Work- ers Compen- sation	Gas Tax
Manufacturing	6%	19%	81%	31%	50%	38%	0%
Finance/ Services	18%	27%	55%	27%	46%	36%	0%
Other Industries	21%	7%	71%	36%	36%	29%	7%
PERCENT OF TOTAL	17%	17%	68%	32%	42%	33%	3%

n = 40

*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	Corp- orate In- come Tax	Prop- erty Tax on Inven- tories	Sales Tax on Mach- ines and Equip- ment	Unem- ploy- ment Insur- ance Tax	Work- ers Compen- sation	Sev- erance Tax	Gas Tax
Salina	17%	0%	17%	68%	32%	42%	33%	0%	3%
Other 8 Communities	25%	15%	20%	60%	31%	46%	48%	9%	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.

Business Climate Improvements

Suggestions for improving the local quality of life. Asked about what could be done to improve the local quality of life, a good deal of firm representatives said "nothing", expressing a lethargic satisfaction that has never been very innovative. Of those firms that gave a slightly more constructive comment on the question, 57% meant that improving the local quality of life is a matter of economic development (see Tables 106, 107,

and 108). Exactly the same percentage of respondents in the other communities cited economic development as the key to improve quality of life (see Table 108). Apparently, the creation of new jobs and "increasing population" are the ideal ways for some business officials to improve quality of life in Salina.

As Table 106 shows, business representatives of small and medium-sized firms more often cited economic development as a key to improve quality of life, whereas those of larger companies would appreciate more local entertainment and educational opportunities. "make Salina exciting" or "more activities for young people" (arts, athletics) were among the spontaneous comments regarding local quality of life. To attract professionals and highly skilled workers to town and to keep the local work force from moving to more "exciting" places, Salina has to concentrate on more entertainment and recreational activities in the future. The demand for such activities will increase as the economy becomes more complex and requires more skilled and educated workers.

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 Town, Fix Prop- erty	Up- grade Edu- cation
1-19	58%	19%	9%	22%	7%	9%
20-49	83%	0%	17%	0%	0%	17%
50+	27%	73%	0%	9%	0%	18%
PERCENT OF TOTAL	57%	23%	9%	17%	5%	11%

n = 50

*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 Town, Fix Prop- erty	Up- grade Edu- cation
Manufacturing	56%	19%	6%	25%	0%	19%
Finance/ Services	64%	29%	7%	7%	14%	7%
Other Industries	53%	21%	11%	21%	0%	11%
PERCENT OF TOTAL	57%	23%	9%	17%	5%	11%

n = 50

*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
Salina	57%	23%	9%	17%	0%	5%	11%
Other 8 Communities	57%	15%	7%	16%	7%	6%	11%

*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. As for improving quality of life, a high percentage of firms (61%) suggested, that the local business climate could be improved by economic development (see Tables 109-111). This might be due to a very vague and limited knowledge firms have of economic development. About 29% of the respondents also found an improvement of the local image necessary for improving the business climate. Most surprisingly, tax incentives, improvements of local financing and a more responsive local government were not seen as ways to improve the local business climate by many firms. However, there seems to be a desire within the Salina business community for more assistance and information by the local government and Chamber of Commerce. Comments like "hire local companies for local

improvements", "attract new industries" and "the Chamber should recommend local businesses" as suppliers of goods and services to outside firms all illustrate the need for more assistance regarding marketing problems. Thirteen percent of the respondents wished to see more municipal funds spend for the improvement of the business climate. In general, small firms more often expressed the desire for more local government and Chamber of Commerce support than larger firms, reflecting that they have more limited opportunities and are more dependent upon local governments initiatives.

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 Govt. More Responsive	Help Entrepreneurs	Spend Municipal Funds
1-19	60%	30%	9%	14%	16%	0%	7%
20-49	75%	50%	0%	0%	17%	17%	25%
50+	57%	7%	0%	14%	0%	0%	29%
PERCENT OF TOTAL	61%	29%	6%	12%	13%	2%	13%

n = 50

*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	Econ- omic Devel- opment	Increase and Im- prove Local Image	Improve Local Fin- ancing	Tax Incen- tives, Abate- ments	Local Govt. More Respon- sive	Help Entre- pre- neurs	Spend Muni- cipal Funds
Manufacturing	64%	55%	9%	18%	9%	0%	9%
Finance/ Services	67%	13%	0%	13%	13%	0%	0%
Other Industries	57%	33%	10%	10%	14%	5%	24%
PERCENT OF TOTAL	61%	29%	6%	12%	13%	2%	13%

n = 50

*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	Econ- omic Devel- opment	Improve- ment Between State Local	Increase and Im- prove Local Image	Improve Local Fin- ancing	Tax Incen- tives, Abate- ments	Local Govt. More Respon- sive	Help Entre- pre- neurs	Spend Muni- cipal Funds
Salina	61%	0%	29%	6%	12%	13%	2%	13%
Other 8 Communities	59%	2%	9%	14%	15%	25%	13%	7%

*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 were not so heavily concentrated on economic development, but included a greater variety of aspects. Twenty-six percent of the respondents who gave suggestions suggested improving the state image, 22% cited tax incentives or lowering taxes and only 15% believed a better highway system could improve the state business climate (see Tables 112 and 113). Better financing opportunities was only cited by 12% of the respondents, showing numerous Salina firms have not realized the state's

role in providing affordable financing opportunities for established and start-up firms.

Compared to the other communities, more Salina firms emphasized the state's image, tax structure and financing opportunities as factors to improve the Kansas business climate (see Table 114). Improving the highway system and communication was much less of an issue than in the other communities, although many Salina firms rated the transportation system as poor in an earlier question of this survey (see Table 98). In all, economic development and taxes appeared to be the most significant suggestions to improve the state business climate for many of the Salina firms.

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	Tax Incentives	Better Communication	Improve Highway System	Change Or Lower Taxes
1-19	34%	0%	24%	14%	26%	3%	18%	19%
20-49	21%	0%	43%	0%	14%	0%	7%	36%
50+	50%	6%	19%	13%	13%	13%	13%	19%
PERCENT OF TOTAL n = 63	35%	1%	26%	12%	22%	4%	15%	21%

*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	Tax Incentives	Better Competition	Improve Highway System	Change Or Lower Taxes
Manufacturing	42%	4%	21%	8%	13%	0%	8%	42%
Finance/Services	35%	0%	24%	12%	24%	6%	24%	18%
Other Industries	30%	0%	30%	13%	26%	4%	13%	13%
PERCENT OF TOTAL	35%	1%	26%	12%	22%	4%	15%	21%

n = 63

*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	Tax Incentives	Better Competition	Eliminate Severance Tax	Improve Highway System	Seek Diversification	Change Or Lower Taxes
Salina	35%	1%	26%	12%	22%	4%	0%	15%	0%	21%
Other 8 Communities	28%	1%	14%	6%	16%	7%	5%	32%	3%	26%

*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. About half of the Salina firms had the impression that the attitude of the local government towards the business community is positive, however, 13% perceived the attitude negative to very negative, a higher percentage than for the other communities. Particularly small and medium-sized companies expressed the desire for more local government involvement, reflecting a desire for a more responsive local government and for more local government involvement.
2. Suggestions for improving the local business climate range from improving the local image to a concrete demand for more local government contracts and more city funds be directed to economic development. Economic development in particular was seen as a means to increase employment and quality of life.

3. Economic development appears to be seen as a cure-all by a great number of firms in Salina as well as for firms in the other eight Kansas mid-sized communities. Now is a good time to make such improvements and to inform the business community of existing state economic development programs.

4. The local infrastructure and public services were perceived as good or adequate by most of the firms, except for the cost and quality of transportation. About a third of the firms are clearly dissatisfied with the transportation system (roads, highways, air access, costs). In planning an expansion, firms do include the transportation factor into their decision-making. Improving roads and the state's highway system as well as air access should therefore be a primary goal for state and local governments to stimulate local expansion and retention.

5. Government regulations that are hampering successful business operation come mainly from the city and the state, less from the federal government. Restrictive zoning regulations were cited most frequently by small and medium-sized firms. Reviewing zoning regulations with respect to problems arising for smaller but growing businesses will help to improve the local business climate.

6. Taxes appeared to have a certain impact on business expansion, but the overall state tax burden not was perceived as a main reason to forego expansion by most firms. Instead, property tax on inventories was a main reason. Presumably, many firms were not aware of the fact that the state legislature has recently been moving towards lowering the tax burden for Kansas enterprises by abolishing certain taxes. Overall, unemployment insurance tax and workers compensation were seen as a burden for many businesses.

7. Small firms in particular had complaints about the local and state business climate and are looking for more assistance. Thus, special focus should be given to the growth potential of smaller, but often highly innovative, firms.

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) most of the Salina firms are unaware of the states economic development programs, (2) the overwhelming majority of the firms employ a high proportion of unskilled workers, reflecting the traditional methods of production and business operation used and (3) services or courses offered by institutions for higher education are not adequately used by many firms.

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 Salina community firms is the McPherson County Small Business Development Association, 101 S. Main, P.O. Box 1226, McPherson, KS, 67460 (phone: 316-241-0431). As is the case for most of the economic development assistance programs, the majority of Salina firms have no knowledge of CDCs and other programs available to them. Since there is no CDC located within the community, only 2% of the small firms have ever used the service of a CDC to for financing (see Table 115). Of all participants in the survey, 89% of the firms had no knowledge of CDCs

and only 1% had ever used their service. As Table 116 reveals, 3% of the finance and services firms took advantage of that program.

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	88%	11%	2%
20-49	93%	7%	0%
50+	92%	8%	0%
TOTAL PERCENT	89%	10%	1%

n = 107

Source: Business Retention and Expansion Survey for 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	92%	8%	0%
Finance/Services	83%	13%	3%
Other Industries	92%	8%	0%
TOTAL PERCENT	89%	10%	1%

n = 107

Source: Business Retention and Expansion Survey for 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
Salina	89%	10%	1%
Other 8 Communities	88%	11%	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 Community Development Block Program. The Community Development Block Grant 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. More firms seemed to be informed about the Community Development Block Program, but stated that they had never used it. Only 1% of the participants reported that they had actually used the program. As Table 118 shows, larger firms were more likely to know about the program than smaller firms but had not used it either. The community comparison reveals, that more Salina participants of the survey had knowledge about the program than the average for the other 8 communities (66% versus 60%, see Table 120).

The lack of knowledge among small and medium-sized firms about the Community Development Block Program is proof that more information and

assistance is needed. More information will enhance chances that businesses can better realize growth opportunities and plan an expansion.

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	37%	62%	2%
20-49	35%	66%	0%
50+	16%	84%	0%
TOTAL PERCENT	33%	66%	1%

n = 107

Source: Business Retention and Expansion Survey for 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	33%	67%	0%
Finance/Services	33%	67%	0%
Other Industries	33%	64%	3%
TOTAL PERCENT	33%	66%	1%

n = 107

Source: Business Retention and Expansion Survey for 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
Salina	33%	66%	1%
Other 8 Communities	37%	60%	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.

Centers of Excellence Programs. The nearest Center to Salina is at Kansas State University. A very high percentage of firms had no knowledge of the state's Centers of Excellence programs, either. The four Centers of Excellence in the state, affiliated with universities, have been formed to meet the state's advanced technology efforts toward economic development and are designed to conduct research with a focus geared to the needs of Kansas industries. The nearest Center to Salina is at Kansas State University. However, only 1 firm in Salina stated that it had made use of this program, and 86% of the firms said they were ignorant about the program (see Tables 121-123). Thus, more public information is needed to reach the large number of small firms that do not have the resources to conduct their own research and might need assistance for developing new products.

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	93%	7%	1%
20-49	86%	14%	0%
50+	52%	48%	0%
TOTAL PERCENT	86%	13%	1%

n = 107

Source: Business Retention and Expansion Survey for 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	87%	10%	3%
Finance/Services	80%	20%	0%
Other Industries	90%	10%	0%
TOTAL PERCENT	86%	13%	1%

n = 107

Source: Business Retention and Expansion Survey for 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
Salina	86%	13%	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 Job Training Partnership Act. The Job Training Partnership Act is a federal job training program aimed primarily at the disadvantaged and dislocated worker. Information about this program may be obtained from the Department of Human Resources in Topeka. This assistance program is more well known and has been more frequently used by firms in Salina than any of the other programs asked about in this survey. Twelve percent of the survey participants in Salina reported that they had actually used the program and 40% reported that they had knowledge about JTPA but had not used it (see Tables 124, 125, and 126). Again, smaller firms more often lacked information than larger companies. Because larger companies often have their own job training system, the medium-sized firms made more extensive use of JTPA (17% of the cases). Also, finance and services firms had used the program most frequently (23% of the cases; see Table 125), indicating that they are receiving more information and assistance. Efforts to increase the

knowledge and the use of this program among smaller firms and among companies in all industrial categories should be made by the state and by local economic development bodies.

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	51%	40%	9%
20-49	52%	31%	17%
50+	28%	48%	14%
TOTAL PERCENT	48%	40%	12%

n = 107

Source: Business Retention and Expansion Survey for 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	33%	51%	15%
Finance/Services	50%	27%	23%
Other Industries	54%	44%	3%
TOTAL PERCENT	48%	40%	12%

n = 107

Source: Business Retention and Expansion Survey for 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
Salina	48%	40%	12%
Other 8 Communities	41%	48%	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.

The Kansas Industrial Training Program. This special state economic development program is designed to aid new or expanding industries in training new personnel. The KIT-program assists these firms by providing funds for training services or on-the-job training. Of all the Salina participants in the survey, 63% had no knowledge of the program and only 1%, or 1 firm, had used it (see Tables 127-129). The firm that used the KIT program was a company with more than 50 employees. As for the other communities, the KIT program has not been heavily used. Apparently, small and medium-sized firms need more information on newly developed state programs, so they can plan an expansion by tapping state funds for employment training. Therefore, the state must ensure the program is adequately publicized and encourage and assist small companies in making applications for the program.

As these Table 130 clearly reveals, a high percentage of firms lack knowledge of state economic development programs available to them. Except

for the Job Training Partnership Act, only 1 or 2 firms had ever used one of the other state programs. A major information campaign is required to reach the majority of firms that are not knowledgeable about tremendous resources provided by the state's economic development programs. The small in particular need assistance in strategic planning and how to prepare an application for those programs. Otherwise, the larger companies take advantage of the available resources without facing much competition for funds, leaving the small entrepreneur behind.

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	63%	37%	0%
20-49	72%	28%	0%
50+	52%	40%	8%
TOTAL PERCENT	63%	36%	1%

n = 107

Source: Business Retention and Expansion Survey for 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	54%	41%	5%
Finance/Services	80%	20%	0%
Other Industries	54%	46%	0%
TOTAL PERCENT	63%	36%	1%

n = 107

Source: Business Retention and Expansion Survey for 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
Salina	63%	36%	1%
Other 8 Communities	65%	33%	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.

TABLE 130
SUMMARY TABLE FOR
ECONOMIC DEVELOPMENT PROGRAMS

	No <u>Knowledge</u>	Knowledge, No Use	Used <u>Program</u>
Certified Development Companies	89%	10%	1%
Centers of Excellence	86%	14%	1%
Community Development Block Programs	33%	65%	1%
Kansas Industrial Training Program	63%	36%	1%
Job Training Partnership Act	48%	40%	12%

n = 107

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

Note: Percentages are of the total number of firms.

Firms That Need A Specialized Skill Most surprisingly, an overwhelming majority of firms do not believe they need a specialized employment skill. Only 3% of the total number of survey participants stated that their production would require such specialized skills (see Tables 131-133). There were no firm-size or industry-specific differences in this regard, and firms in the other 8 Kansas mid-sized communities painted exactly the same picture. However, the work force for in future will require highly skilled employees to meet the rapidly changing technology and advancement in business operation. Thus, the demand for highly skilled workers will increase over the next decades and will require training, retraining and life long learning. A highly skilled work force will become the key to competitiveness. Therefore, state job training programs such as JTPA and KIT will take on added significance in the future, and firms should be aware of the opportunities offered.

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	96%	4%
20-49	100%	0%
50+	100%	0%
TOTAL PERCENT	97%	3%

n = 107

Source: Business Retention and Expansion Survey for 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	97%	3%
Other Industries	97%	3%
TOTAL PERCENT	97%	3%

n = 107

Source: Business Retention and Expansion Survey for 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
Salina	97%	3%
Other 8 Communities	97%	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.

Using state universities, community colleges, or vocational schools. In Salina, a higher percentage of firms have used the services of a state education institution than in the other 8 Kansas communities (41% versus 39% see Table 136). However, there was still a large number of firms that never made use of any services offered by the state's educational institutions. As Table 134 shows, the frequency of using such services increased with firm size, highlighting the advantage of larger companies with respect to tapping outside resources. Finance and services firms proved to be the most active users of university and other educational resources (see Table 135). Services from state universities, community colleges and vocational institutions are valuable resources for information about management practices and changing technologies. When these services are used, they have a positive effect on business operation. Also, contacts or combined efforts of an entrepreneur and a university researcher can be extremely beneficial to the development of a high-tech industry.

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	66%	34%
20-49	52%	48%
50+	32%	68%

TOTAL PERCENT	59%	41%

n = 107

Source: Business Retention and Expansion Survey for 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	62%	39%
Finance/Services	53%	47%
Other Industries	62%	39%

TOTAL PERCENT	59%	41%

n = 107

Source: Business Retention and Expansion Survey for 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
Salina	59%	41%
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.

Services used from state universities, community colleges, and vocational schools. Of the 49 firms that actually used the services of institutions for higher education, about half of them reported that training of presently employed personnel through technical and business courses was their main focus (see Tables 137-139). Consulting in business planning played a minor role, stated by 19% of the respondents and by 22% of the small firms (see Table 137). Overall, more medium and large size companies took advantage of the courses offered by higher educational institutions, indicating that they have recognized the competitive advantage of a skilled work force and that they use job training programs more extensively. Compared to the other 8 Kansas communities, Salina had a higher percentage of firms that had enrolled some of their employees in technical courses (43% versus 22%, see Table 139), which may reflect the use of Kansas Technical Institute. Since the availability of higher education for employees will play an increasingly

important role in the future, firms may include such advantages in their locational decisions. The presence of a school for higher education should therefore be highlighted in the community's economic developing marketing efforts.

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
1-19	42%	34%	16%	4%	8%	22%	4%
20-49	50%	58%	33%	17%	17%	8%	17%
50+	68%	58%	11%	16%	11%	16%	0%
PERCENT OF TOTAL	49%	43%	17%	9%	10%	19%	5%

n = 49

*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
Manufacturing	40%	47%	13%	7%	0%	33%	0%
Finance/Services	44%	25%	19%	13%	19%	25%	0%
Other Industries	59%	59%	18%	6%	6%	6%	12%
PERCENT OF TOTAL	49%	43%	17%	9%	10%	19%	5%

n = 49

*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	Technical Courses	Business Courses	Consulting In Product Development	Consulting In Process Innovation	Consulting In Business Planning	Consulting In Construction	Agriculture-Vet. Services
Salina	49%	43%	17%	9%	10%	19%	0%	5%
Other 8 Communities	40%	22%	23%	9%	11%	24%	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. Firms in Salina generally do not recruit their management personnel directly from state universities or community colleges (see Tables 140, 141, and 142). An only 32% of the respondents reported that they did get management personnel from these schools, but this share was 60% for firms with more than 50 employees (see Table 140). Only 24% of the firms filled entry level clerical positions with graduates from universities or colleges. Data processors, technicians and engineers were less frequently recruited from higher educational institutions or, most firms had no need for highly-skilled workers. However, the future competitiveness of those firms will depend on the skills of their workers as rapid technological change becomes an inevitable part of the modern production process and business operation.

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.	Drafters	Chemical Process, Lab Techs.	Engineers	Business Management Personnel	Agricultural, Vet. Personnel	Heavy Equipment Operators	General Labor
1-19	32%	12%	4%	11%	5%	9%	0%	23%	7%	4%	16%
20-49	0%	33%	11%	11%	0%	0%	11%	28%	0%	17%	11%
50+	25%	15%	10%	5%	0%	15%	15%	60%	5%	10%	0%
PERCENT OF TOTAL	24%	17%	6%	10%	3%	8%	5%	32%	7%	7%	12%

n = 58

*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.	Drafters	Chemical Process, Lab Techs.	Engineers	Business Management Personnel	Agricultural, Vet. Personnel	Heavy Equipment Operators	General Labor
Manufacturing	13%	35%	0%	4%	4%	9%	4%	26%	4%	4%	13%
Finance/Services	32%	5%	16%	11%	0%	11%	0%	37%	0%	0%	16%
Other Industries	24%	18%	0%	12%	6%	6%	12%	29%	18%	18%	6%
PERCENT OF TOTAL	24%	17%	6%	10%	3%	8%	5%	32%	7%	7%	12%

n = 58

*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
Salina	24%	17%	6%	10%	3%	8%	5%	32%	7%	7%	12%
Other 8 Communities	25%	21%	9%	8%	3%	5%	11%	31%	9%	6%	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.

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 which are designed to assist firms in their need for financing an expansion are unknown to the majority of Salina firms. Only a very limited number of firms appeared to be informed about the programs and an average of 1 or 2 firms used any of the programs. Firm size differences in knowing about the programs are not pronounced, but smaller firms more frequently lack knowledge. It would seem that only a small number of larger firms take advantage of resources available for economic development, not the small and often innovative companies in Salina.

2. The overwhelming majority of Salina firms surveyed stated that they do not require specific employment skills, reflecting the use of traditional methods for producing goods and providing services.

3. In general, Salina firms have a high proportion of low-skilled workers. It is therefore important that these firms realize their opportunities for training and retraining of their work force to remain competitive.

4. The use of the state's economic development programs such as JTPA and KIT can only be beneficial to firms if more information and assistance is provided, particularly to the small firms that currently do not compete for funds available through these programs.

5. Services provided by state universities, community colleges and vocational schools are not fully utilized by Salina firms and are restricted to technical and business courses taken by their employees. Again, larger companies made more extensive use of the courses offered by higher educational institutions than smaller firms, implying that there may be difficulties for smaller firms to approach these institutions and/or afford educational training for their workers.