

INSTITUTE FOR PUBLIC POLICY AND BUSINESS RESEARCH  
UNIVERSITY OF KANSAS

**An Evaluation of the  
Kansas Department of Commerce  
Industrial Development Division  
Industrial Recruitment Activities**

*prepared for*

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The findings and recommendations presented in this report are those of the authors, and do not necessarily reflect those of Kansas Inc., the Industrial Development Division of the Kansas Department of Commerce, or the University of Kansas.

## I. EXECUTIVE SUMMARY

### History and Background

Kansas statutes define the goals and responsibilities of the Division of Industrial Development as follows:

to attract new business and industry from outside the state, thereby creating quality jobs, attracting new capital investment, and expanding and diversifying the state's economic base. [K.S.A. 74-5007a]

Kansas has engaged in industrial recruitment activities since at least the mid-1960s. At that time, recruitment and other industrial development activities resided within the Kansas Department of Economic Development. The 1986 legislative session reorganized functions of the Department of Economic Development into the newly established Department of Commerce.

The basic recruitment functions of the Industrial Development Division (ID) felt little immediate effect of the reorganization. However since that time the Division has experienced several changes in responsibilities and programs. In terms of responsibilities, international recruitment functions have been moved to the Trade Division and research functions have been moved from ID to a centralized research group within the Administration Division of KDOC. In terms of programs, the Division has established a target industry approach, and initiated regional industrial tours.

At least one of the Division's new programs stems from recommendations of the Redwood/Krider report on Kansas economic development. The report recommended that:

The Kansas Department of Economic Development should implement a marketing program aimed at targeted industries.

The report suggested that:

KDED [now KDOC] take the initiative in 'selling' Kansas to this specific set of targeted industries... Such a targeted market and program is essential if Kansas is to take the initiative in attracting growth firms in the state.<sup>1</sup>

### Activities

In a broad sense, the Division has responded to its goals—as outlined in Kansas statutes—by creating an interrelated set of programs that can be described as follows:

1. **Prospecting and promotional activities.** These activities aim at making Kansas a serious candidate for firm locations. As such, they include print media advertising, direct mail, industrial targeting, missions by members of the Kansas Cavalry, trade show participation, and in-state industrial tours.

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<sup>1</sup> Anthony Redwood and Charles Krider, *Kansas Economic Development Study: Findings, Strategy, and Recommendations*, report 108, vol. 1 (Lawrence, KS: Institute for Public Policy and Business Research, University of Kansas, 1986), 26.

2. **Site location assistance.** Firms that show a strong interest in Kansas and that have a current project are provided with additional information, including lists of communities with sites that satisfy their location requirements and information on state and local incentives. Out-of-state firms are invited to visit Kansas locations on a customized tour early in their decision processes.

3. **Coordination with communities.** ID staff members work with community development agencies to provide promotional materials, to help establish marketing efforts, to provide community development professionals with up-to-date information about state programs, and to assist with firm recruitment efforts.

### Budget

The Division's budget reflects its ability to deliver services to its major clients: out-of-state firms and Kansas communities. Table 1 presents budget data for FY 1988-1991. Between FY 1988-1990, most basic Division activities exhibited steady growth. The pattern reversed dramatically in FY 1991, when total funding plunged 10.7 percent. Two major Division activities—community development assistance and site location assistance—bore the brunt of the cuts. On the other hand, promotional expenses in FY 1991 rose slightly, due primarily to an increase in expenditures in the target industry category.

Total division funding in 1991 stood \$25,000 lower than in 1988. To put this in perspective, it is important to consider that prices as measured by the consumer price index rose about 16 percent during this same three year period. After adjusting for inflation, it appears that real expenditures actually fell by about 16.4 percent between 1988 and 1991.

**TABLE 1**  
**Industrial Development Division Expenditures, FY 1988 - FY 1991 (\$)**

Type of Expenditure	Year	Promotional Activities	Site Location Assistance	Staff Education	Aid to Comm. Devel. Groups	Total Excl. International
Program Expenses	FY88	400,301	122,430	6,808	10,766	540,305
Salaries	FY88	90,000	179,190	5,000	50,000	324,190
Total Expenditures	FY88	490,301	301,620	11,808	60,766	864,495
Program Expenses	FY89	371,609	213,942	8,000	15,561	609,112
Salaries	FY89	74,300	192,262	5,000	45,000	316,562
Total Expenditures	FY89	445,909	406,204	13,000	60,561	925,674
Program Expenses	FY90	340,914	234,060	8,000	30,910	613,884
Salaries	FY90	78,000	200,000	5,900	42,780	326,680
Total Expenditures	FY90	418,914	434,060	13,900	73,690	940,564
Program Expenses	FY91	346,554	158,968	8,000	9,153	522,675
Salaries	FY91	86,000	195,319	5,500	30,000	316,819
Total Expenditures	FY91	432,554	354,287	13,500	39,153	839,494
Average Annual % Change for Total Expenditures		-4.1%	5.5%	4.6%	-13.6%	-1.0%

## Staffing

There are nine staff positions in the Division, with one of the positions dedicated to KIT/KIR. Another of the positions is open and will be switched from an industrial representative to job training when it is filled. The Division's staff level reached its peak five years ago, when there were six or seven industrial representatives and two research persons. The number of representatives has been cut, and the research persons have been moved to the Administration Division with partial availability to the Industrial Development Division. The remaining staff positions can be described as follows:

- Director of Division;
- Director of National Marketing; Manager of Kansas Cavalry, Industrial Representative (Western U.S.), and Community Contact (Western Kansas);
- Industrial Representative based in Topeka (Central U.S. except Illinois) and Community Contact (Eastern Kansas);
- Industrial Representative based in Topeka (Eastern U.S. except southeast) and Community Contact (Central Kansas);
- Industrial Representative based in Chicago (Great Lakes region and some southeastern states including Florida);
- Coordinator for Kansas Cavalry and editor/writer of *Developing Kansas*; and
- Secretary.

## Methodology

IPPBR's evaluation of ID centers on a single broad research question: "how does each program administered by the Division contribute to the growth of jobs and investment in Kansas?" The specific form that this question takes varies from program to program. For example, the evaluation of prospecting and promotional activities focuses on whether ID programs have influenced firms to consider Kansas as a place to do business. Similarly, the evaluation of site location activities focuses on whether firms have received sufficient information and support in matching their location requirements with available Kansas business sites. Finally, the evaluation of community development activities focuses on whether ID services adequately complement community efforts to attract business.

## Information Sources

Information by which to analyze the effectiveness of ID programs is drawn from four major sources:

1. *Interviews with Industrial Development Division staff.* Staff members provided information on the Division's organization and on its day-to-day activities.
2. *ID internal records.* Access to internal records proved essential in identifying ID's clients and in calculating program effectiveness. Four types of records were used for the evaluation:

- A. Prospect and suspect files (FY 1987-1991). Prospects are defined as firms that are interested in Kansas and are currently looking for a site for a new plant or an expansion. Suspects are defined as firms that intend to expand or locate a new plant within a few years. ID maintains files which contain information on contacts made with both types of firms.
  - B. List of visiting firms (FY 1987-1991). This list contains information on how each firm was first contacted, the communities visited, and the number of return visits made.
  - C. List of industrial tours, 1989-1991. The list contains information on the number of communities visited and the number of firms participating.
  - D. KDOC 1990 Annual Report and preliminary data for the 1991 Annual Report.
  - E. Budget information prepared by the Division director.
3. *Survey of firms.* IPPBR staff conducted a telephone survey of firms that had made use of ID services within the last five years (FY 1987-FY 1991). As a first step, names, contacts, addresses, and phone numbers of these firms were identified from the prospect and suspect files. The sample was chosen so that approximately half of the 54 sampled firms were those that actually chose Kansas locations. The survey contains a mixture of factual and attitudinal questions.
4. *Surveys and interviews of community development professionals.* A mail survey was sent to 60 community development groups throughout the state. The survey questions focused on the connections between industrial recruitment at the community level and recruitment at the state level. Interviews were conducted in several communities in order to get a better sense of how the community industrial recruitment process actually works.

### **Outline of Evaluation Findings**

Findings for Industrial Development are primarily organized according to the major types of programs that the Division administers: prospecting and promotional activities, site assistance, and community development. Additionally, some findings and implications of the study bridge several of the activity areas.

### **Findings: Prospecting and Promotional Activities**

The goal of prospecting and promotional activities is to encourage those firms that are planning an expansion or relocation to give Kansas serious consideration. Advertising campaigns reach a wide audience of firms. Trade shows bring ID personnel in contact with executives of targeted industries. Cavalry missions provide the opportunity for ID staff members, Kansas business people, and industrial developers from Kansas communities to sell the state on a face-to-face basis. Industrial tours of various regions of the state bring a group of firms in contact with representatives of Kansas cities and counties. Because ID does not have sufficient resources to reach all industries in all areas of the country, targeting of prospecting efforts is a necessity.

### *Characteristics of ID's Client Firms*

ID works with a target audience of firms that is divided between entrepreneurial enterprises looking to establish or relocate a plant in Kansas, and large national firms looking to establish a branch plant. The firm survey showed that about half of the firms that actually located in Kansas were single plant establishments.

Survey respondents were asked to rate the importance of various factors in their site location decisions. On average, respondents gave the highest importance rating to quality of life. Other very important factors included low basic tax rates, good transportation, availability of tax incentives, proximity to markets and raw materials, right to work laws, and a well-educated labor force.

### *Advertising*

ID's current advertising themes, which stress Kansas productivity, do a good job of addressing the issues with which firms are concerned.

Eighteen percent of the survey respondents listed print media advertising as one of the ways that they first learned about Kansas as a place to do business. ID internal records conflict with this, indicating that only about 4.5 percent of firms that become active suspects or prospects have been reached through advertising.

It would be desirable for ID to have a general case tracking system so that ad responses could easily be cross-matched with prospect and suspect lists. This would improve ID's own ability to gauge the effectiveness of individual ads as well as of entire campaigns.

### *Direct Mail*

Survey results suggest that about 16 percent of firms learn of Kansas through direct mail advertising.

The effectiveness of direct mail may be understated in ID's internal records. Since direct mail serves as the initial step in arranging Cavalry missions and industrial tours, some direct mail contacts may be included in the Cavalry or tour categories.

### *Target Industry Analysis*

Industrial targeting attempts to focus economic development resources on those industries that have the highest potential for successful growth in a region. This involves identifying industries that have location requirements compatible with what Kansas communities have to offer.

In the late 1980s, ID commissioned Lockwood-Greene, a site location consulting firm, to identify a set of target industries, to define areas of the state to which these industries were appropriate, and to produce a series of reports examining the advantages of Kansas for firms in these industries. To date there is little evidence that this program has been effective. Only nine out of 54 firms in our survey, or 16.7 percent, planned to establish or expand a plant in one of the target industries.



Industrial targets need periodic reevaluation and revision. ID is currently installing new software to provide the capacity to make these assessments and revisions in-house. This should improve the effectiveness of the target industry program.

#### *Kansas Cavalry and Trade Shows*

Cavalry contacts have a high success rate. Over the last two years, ID internal records show that about one-fourth of Cavalry contacts have paid off in a firm being classified as a prospect; another 25 to 45 percent of contacts have resulted in a firm being classified as a suspect.

During 1990, participation in four trade shows led to 18 new prospects for Kansas locations.

The firm survey shows that 12 percent of firms considering Kansas locations first learn about Kansas through a Cavalry visit, while eight percent learn about Kansas at a trade show.

Kansas Cavalry missions are perceived by the communities as a valuable tool for marketing their local interests. However several respondents to the community development survey commented that Cavalry participation is too expensive for small business people and small communities.

#### *Regional Tours*

The regional industrial tour program invites groups of firms, either from a particular area of the country or from a particular industry, to visit a region of the state. Although the industrial tour program has operated only since fiscal year 1989, it has already shown success in terms of getting companies to visit Kansas, with 73 participants to date.

ID internal records show that almost ten percent of prospect and suspect firms that visited Kansas on a customized visit of business sites during 1990-1991 originally participated in a group industrial tour.

Regional tours stand out as a particularly useful program for Kansas cities and counties, according to the community development survey. Of 24 communities participating in tours in the last two years, 23 said that they would like to participate again. However community development professionals pointed out that the tours sometimes leave little time for discussions with business executives, that the tours are getting too large, and that any greater cost would be prohibitive.

It seems likely that the importance of both regional tours and Cavalry visits is underestimated. Fully 37 percent of respondents to the firm survey reported that discussions with executives of other firms influenced their decision to look at Kansas as a potential business site. Thus the positive effects of regional tours and Cavalry missions may reach beyond the firms directly involved.

#### *Conclusions: Prospecting and Promotional Activities*

Industrial prospecting appears to play an important role in bringing new businesses to the state. ID records show that about 23 percent of firms that visit the state have been contacted

through some kind of prospecting activity (Cavalry, ID tours, ads, foreign office, etc.). The picture that emerges from the firm survey is similar. Thirty-eight percent of respondents report that they learned of Kansas business conditions through one or more of ID's prospecting activities.

### **Findings: Site Location Assistance Activities**

Site location assistance includes a range of services offered to firms in various stages of their decision making. The kinds of assistance that ID may give to firms during this process include (1) the provision of information on communities, real estate, taxes, and training programs; (2) help in matching the requirements of firms with the attributes of communities in the state; (3) arrangements for firm representatives to visit the state.

Communities play an important role in the site assistance process. ID generally coordinates prospect visits, leaving it up to the community to sell the firm on the particular features of the community that satisfy its requirements.

#### *Satisfaction with ID Services*

Firms considered the information and services that they received from ID to be important in their site location decisions. On average, firms gave them an importance rating of 7 on a scale of 1 to 10.

#### *Comparison with Other States*

Ninety percent of firms in the IPPBR survey considered locations in other states besides Kansas. The data indicate that Missouri, Iowa, Nebraska, Oklahoma, Texas, and Arkansas are the state's closest competitors.

When asked to rate the site location services and information in Kansas, about 85 percent of survey respondents replied that Kansas was as good or better than the best of the other states.

#### *Importance of Economic Development Incentives*

Firms that locate or expand in Kansas make extensive use of tax and other incentives. Of the 30 surveyed firms that actually located in Kansas, 26 reported the use of one or more incentive programs. Job and investment tax credits were reported as the most frequently used, followed closely by job training.

#### *Conclusions: Site Assistance*

The evaluation of ID site assistance activities emphasizes the clients' point of view. The clients of site assistance services, that is, the firms, appear to make frequent use of most ID services and to rate them as important in the site location process. Even more importantly, the firms rate the services as slightly better than the services offered by the best of the other states that they considered as potential locations.



## **Findings: Coordination with Community Development Groups**

ID performs three important roles in stimulating economic development in Kansas communities:

1. ID helps communities with their own recruitment efforts;
2. ID brings new prospects to the attention of community groups;
3. ID supports communities that have generated their own active prospects.

### *ID's Role in Helping Communities with Recruitment Efforts*

Community survey respondents report that high property taxes, high state income and sales taxes, inadequate labor supply, rural locations, and inadequate transportation present major impediments to industrial recruitment.

ID plays a significant role in helping communities develop and implement their economic development strategies. Thirty-five percent of respondents to our survey of community development professionals report that they have received assistance from ID.

ID has provided marketing advice to about two-thirds of the communities that responded to our survey. In general, communities rate this advice as somewhat important (6 on a scale of 1 to 10) in recruiting new firms.

Additionally, ID has provided various types of marketing assistance to communities, including community profiles, regional tours, and marketing of available buildings. Communities are moderately satisfied (7 on a scale of 1 to 10) with ID's marketing assistance.

ID is currently considering expanding the ways in which it helps communities to market existing buildings. This new direction would involve the cooperative marketing of existing buildings. Such an effort would potentially be financed jointly by communities and ID.

Small communities are more satisfied with the community profiles program than are large communities, and are more likely to use them in their own marketing efforts.

Communities that responded to our survey frequently mentioned that they would like to see an increase in prospecting efforts on the part of ID. They perceive that ID lacks adequate staffing in this area.

### *ID's Role as a Source of Prospects for Communities*

Communities that responded to the IPPBR survey report that about 22 percent of their prospects are generated by ID. In contrast, 28 percent of their prospects are generated through their own efforts. About half of the communities report that ID brings them between one to five prospects per year.

The importance of communities in the site location process is borne out by the survey of firms, where 61 percent of the respondents said that community economic development groups helped them to find a site for their facility.

### *ID's Role in Providing Communities with Information*

When communities generate their own prospects, they rely on ID to provide information, particularly on worker training and on state taxes and incentives. Other commonly requested types of information and assistance are shown below:

Type of Information or Assistance	% of Communities Requesting
Answers to firm requests about state business climate	58
Answers to firm requests about state taxes and incentives	77
Information on coordination of tax and financial programs	65
Information on worker training programs	90
Answers about credit-worthiness of prospects	39
Other	10

Source: Survey of community development professionals.

Note: Total is more than 100 percent because multiple responses were possible.

### *Additional Findings from Community Development Professional Interviews and Survey Responses*

Community development professionals are concerned that the staff and resources at ID are becoming spread too thin. More than one person felt that the staff at ID accomplished a great deal given the resources that were available, but that more resources needed to be devoted to contacting and following up leads.

Community development professionals are satisfied with the opening of a Chicago office. Some communities believe that the opening of a California office would be a productive use of resources.

Some community development professionals feel that they need more training in formulating and implementing economic development strategies.

Finally, many communities are concerned about uncertainty surrounding state policies that affect economic development. During interviews, they expressed their dismay with recent vacillations on Kansas tax policy.

### **Overall Findings: Industrial Development Division**

The Division should establish and maintain a system of tracking suspects and prospects. A major conclusion to emerge from this study is ID's need for a computerized case tracking system. Such a system would be useful for several purposes. First, such a system would facilitate ID's day-to-day work, making it easier to keep track of prospect and suspect information. Second, such a system would make it easier for ID to report its progress to the Legislature and other state agencies. Most importantly, a case tracking system would reduce the effort needed for ID to monitor the success of its own activities.

In conjunction with the above, a systematic method of follow-up should be implemented. Survey respondents sometimes had difficulty in recollecting the services they have received. This suggests that a more timely follow-up would be necessary to accurately reflect firms' reactions to ID services. ID could respond to this feedback by fine-tuning programs.

Difficulties in collecting and interpreting performance data (new jobs and investment) will continue to exist. Ultimately, the success of ID is measured in terms of new jobs and investment brought into the state. However it is virtually impossible in practice to tell whether job and investment results are due to ID's intervention or to other forces. Furthermore, the basic data available on jobs and investment are often inadequate.

Resource constraints affect the Division. Communities rely on the Division as an important source of factual information, training, and marketing assistance. Communities would like to see increases in both ID prospecting efforts and in economic development training at the local level.

Uncertainty concerning the state's tax and economic development policies hinders community recruitment efforts. Many communities mentioned that firms shy away from Kansas as a business location because of the great uncertainty concerning the state's tax policy.

### **Policy Options**

Our study of the Industrial Development Division, including surveys and interviews, has led us to formulate a list of possible options for policy implementation. Some of the options could be implemented within current budget levels, while others would require additional budget and staffing. In some cases, the Division on its own initiative has already started to effect policy changes along lines which our study suggests will be productive.

1. The Division should begin to investigate the cost of developing a data tracking system.
2. Advertising should continue to project the image of Kansas as a modern and productive place to do business.
3. Ads should stress the advantages of Kansas for export-oriented service industries.
4. ID should explore opportunities for cooperation in advertising with Kansas communities.
5. ID should cooperate with communities to develop a format for the profiles that would better reflect the interests of both urban and rural communities.
6. The Division should increase the number of Cavalry missions.
7. The Division should explore ways to make Cavalry missions accessible to more small business people and to more development professionals, especially from small communities.
8. The Division should explore the possibility of increased staffing for prospecting purposes. Along with this, ID should investigate the cost and potential benefits of establishing another out-of-state office on the West Coast.
9. ID should pursue plans to increase the number of regional tours. The number of participants on each tour should be limited so that communities can talk with business people on an individual basis.

10. ID should maintain the cost to communities at its current level to keep tours affordable for small communities.
11. The Division should continue with its plan to implement new targeting software.
12. The Division should pursue different targets for different parts of the state and different types of communities.
13. Where possible, the Division should consult with communities to see if the community development leaders agree that the targets are indeed appropriate to their communities.
14. The Division should develop a set of target industries appropriate for small rural communities.
15. ID should coordinate with other groups involved in community economic development. ID should contribute its particular areas of expertise, for example, marketing and recruitment, to a more unified strategy of community economic development assistance.
16. ID should continue its role as a broker and facilitator for firms that are considering Kansas locations.
17. Kansas should strive for continuity across administrations in economic development strategy.
18. Kansas should develop a consistent tax policy that will raise sufficient revenues for education, infrastructure, and other investments that affect the state's business climate.

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## II. INTRODUCTION

Of the many ways in which states have tried to encourage economic development, one of the most common during recent decades has been recruitment of firms from outside the state. It has been very common for such efforts to place an emphasis on recruiting large manufacturing firms, even though there has been very little growth in employment in traditional manufacturing during the period. Furthermore, these traditional efforts to recruit large manufacturers have usually employed a standard set of tools, including reducing business taxes, reducing the cost of financing, building or improving infrastructure, and provision of education and training tailored to fit the needs of the firm. In addition, the traditional efforts have included the activities of a state economic development agency. These activities usually include various promotional efforts aimed at projecting an image of the state as being a good place to do business, the provision of information that would be useful to firms that consider doing business in the state, and assistance in complying with government regulations.

Economic development through attracting large manufacturing firms cannot be the best strategy for every state, particularly if the manufacturing employment of large corporations is stagnant in the national economy. Nevertheless, traditional techniques can still be useful if the goal of the recruitment is small to medium sized manufacturing and non-manufacturing firms. Recruitment efforts must be poised to address the needs of emerging service sector and high technology firms.

In recent years there has been an effort on the part of many states to make an assessment of industrial recruitment efforts, in order to see what role they play and should continue to play in the state's economic development plan. Indeed, as the resources of most state governments have diminished over the last several years, many states have had to take a hard look at many of their programs, including ones with an economic development focus. Thus, for example, Mississippi, Illinois, and Minnesota have all undertaken evaluations of their economic development efforts in the last few years.

Our current study represents part of the Kansas effort to evaluate economic development programs and objectives. The study focuses on the industrial recruitment activities of the Industrial Development Division of the Kansas Department of Commerce. It is part of a larger study of the activities of the Kansas Department of Commerce that is being conducted by the Institute for Public Policy and Business Research at the University of Kansas on behalf of Kansas Inc.

The effective evaluation of an economic development agency requires that the primary mission of the agency be clarified and that the contributions of individual programs to the overall mission be examined. Kansas statutes define the goals of the Kansas Department of Commerce, Division of Industrial Development (ID) as follows:

to attract new business and industry from outside the state, thereby creating quality jobs, attracting new capital investment, and expanding and diversifying the state's economic base. [K.S.A. 74-5007a]

In order to make these broad goals operational, the Industrial Development Division has responded with a set of interrelated programs to contact firms, supply them with information on Kansas locations, and to assist them with site decisions. Additionally, ID works closely with Kansas communities to help them attract jobs and investment. The purpose of our evaluation is to study the relationships of programs within ID, to provide data on the performance of specific programs, and to comment on how the programs contribute to the Division's overall objectives.

### III. BRIEF DESCRIPTION OF INDUSTRIAL DEVELOPMENT DIVISION

#### Activities

Based on interviews with ID staff and published material in the *Kansas Department of Commerce Annual Report*, we break ID activities into three interrelated areas:

1. Prospecting and promotional activities. These activities aim at making Kansas a serious candidate for firm locations. As such, they include print media advertising, direct mail, industrial targeting, missions by members of the Kansas Cavalry, trade show participation, and in-state industrial tours.
2. Site location assistance. Firms that show a strong interest in Kansas and that have a current project are provided with additional information, including lists of communities with sites that satisfy their location requirements and information on state and local incentives. Out-of-state firms are invited to visit Kansas locations on a customized tour early in their decision process.
3. Coordination with communities. ID staff members work with community development agencies to provide promotional materials, to help establish marketing efforts, to provide community development professionals with up-to-date information about state programs, and to assist with firm recruitment efforts.

#### History

According to Bill Thompson, Director of ID, Kansas has engaged in industrial recruitment activities since at least the mid 1960s. At that time, recruitment and other industrial development activities resided within the Kansas Department of Economic Development. The 1986 legislative session reorganized functions of the Department of Economic Development into the newly established Department of Commerce. The basic recruitment functions of the Industrial Development Division felt little immediate effect of the reorganization. However, since that time the Division has experienced several changes in responsibilities and programs. In terms of responsibilities, most notably, international recruitment functions have been moved to the Trade Division and research functions have been moved from ID to a centralized research group within the Administration Division of KDOC. In terms of programs, the Division has established a target industry approach, and initiated regional industrial tours.

#### Division Staff

There are currently nine staff positions in the Division of Industrial Development. Of the nine positions, one of the positions is devoted to job training programs (KIT/KIR) and another position is currently unfilled. The open position was formerly held by an industrial representative, but will be switched to job training when it is filled. Thus, there are seven positions devoted to industrial recruitment, including the Division Director. A list of the seven positions using descriptive names is given below; it is meant to be a rough guide to the way in which industrial recruitment activities are organized, and not a complete catalogue of the activities of the people filling the positions:



1. Division Director;
2. Director of National Marketing, Manager of Kansas Cavalry, Industrial Representative (Western U.S.) and Community Contact (Western Kansas);
3. Industrial Representative based in Topeka (Central U.S. except Illinois) and Community Contact (Eastern Kansas);
4. Industrial Representative based in Topeka (Eastern U.S. except southeast) and Community Contact (Central Kansas);
5. Industrial Representative based in Chicago (Great Lakes region and some southeastern states including Florida);
6. Coordinator for Kansas Cavalry and editor-writer of *Developing Kansas*; and
7. Secretary.

The peak staffing level was achieved about five years ago, when there were six or seven industrial representatives and the division had two research people. The research people have now been moved to the Administration Division, but are still partly available for research on behalf of ID. The number of industrial representatives has been reduced, and this has only in part been compensated by the movement of international recruitment responsibilities have moved to the Trade Division.

#### **Budget and Expenditures, 1988-1991**

The budget and expenditures of the Industrial Development Division reflect its capacity to deliver services to its major clients, namely out-of-state firms and Kansas communities. Tables 2 and 3 show figures for expenditures on industrial recruitment compiled by Bill Thompson, Division Director. These data are examined for major trends in the analysis that follows. Note that the tables do not include expenditures for the administration of the KIT/KIR program, which is administered by the Industrial Development Division but is the subject of a separate study.

A few explanations of the data are necessary before we begin our analysis. We asked Bill Thompson to list expenditures in each of several categories, roughly corresponding to prospecting, site assistance, and community development activities. Until 1991, international recruitment activities were located in the Industrial Development Division, so the first three years of data incorporate these expenditures as well. We also asked Bill Thompson to list total expenditures and any differences between budgets and expenditures. Such differences are indicated in the tables as "transfers of funds to other divisions."

When we started to analyze the data, we realized that we would need to make two adjustments. First, we found that sub-totals failed to add up to totals in a few cases. For our analysis, we elected to use the total that results from summing the component parts. Second, we decided to subtract international activities from totals so that data for earlier years could be compared with 1991 data.

The data reveal a striking reduction in funding levels during fiscal year 1991. Between 1988 and 1990, basic ID activities, (excluding international) exhibited steady growth. The

pattern reversed dramatically in 1991, with funding plunging 10.7 percent in a single year. Funding stood \$25,000 lower in 1991 than in 1988. To put this in perspective, it is important to consider that prices as measured by the consumer price index rose about 16 percent during this same three year period. Thus real expenditures, as adjusted for inflation, actually fell by 16.4 percent between 1988 and 1991.

Between 1990 and 1991, two major activities saw large funding cuts. Most importantly, community development assistance was cut nearly in half, from \$73,690 to \$39,153. Site location assistance expenditures fell off by about 18 percent. Prospecting expenses rose slightly, due primarily to an increase in expenditures in the target industry category.

### *Findings and Implications*

- Funding levels in the Industrial Development Division have failed to keep pace with inflation during the time period examined. In fact, expenditures in 1991 were about \$25,000 short of expenditures three years earlier. The fall in expenditures is more dramatic if it is adjusted for inflation.

**TABLE 2**  
**Industrial Development Division Budget and Expenditures Fiscal Years 1988 and 1989**

Budget Item	Program Expenses FY 1988	Salaries FY 1988	Total FY 1988	Program Expenses FY 1989	Salaries FY 1989	Total FY 1989
1. Promotional Activities: Domestic Firms	\$400,301	\$90,000	\$490,301	\$371,609	\$74,300	\$445,909
a. Direct Mail (U.S. firms only)	7,000	1,000	8,000	10,636	1,000	11,636
b. Print and other media advertising	264,294	19,000	283,294	107,756	5,000	112,756
c. Trade shows (U.S. only)	0	0	0	20,000	3,000	23,000
d. Kansas Calvary	54,007	45,000	99,007	47,409	42,000	89,409
e. <i>Developing Kansas</i>	15,000	10,000	25,000	17,280	10,000	27,280
f. Other (specify)	60,000	15,000	75,000	168,528	13,300	181,828
Promotional Video	30,000	7,500	37,500	0	0	0
Special Promotional Event	30,000	7,500	37,500	25,147	5,000	30,147
Target Industry	0	0	0	119,560	7,300	126,860
Public Relations	0	0	0	23,821	1,000	24,821
2. Site Location Assistance	\$122,430	\$179,190	\$301,620	\$213,942	\$192,262	\$406,204
a. Statewide or regional tours	0	0	0	20,000	11,000	31,000
b. Customized tours	20,455	57,000	77,455	30,153	56,000	86,153
c. Provision of info/assistance to firm	79,624	122,190	201,814	132,735	125,262	257,997
d. Other (specify)	22,351	0	22,351	31,054	0	31,054
Supplies/Misc.	3,704	0	3,704	5,996	0	5,996
Capital Outlay	18,647	0	18,647	25,058	0	25,058
3. Meetings/Staff Education	\$6,808	\$5,000	\$11,808	\$8,000	\$5,000	\$13,000
4. Aid to Community Development Groups	\$10,766	\$50,000	\$60,766	\$15,561	\$45,000	\$60,561
5. Recruitment of International Firms	\$68,758	\$106,397	\$175,155	\$39,801	\$108,100	\$147,901
a. Aid to community dev. groups	1,000	7,000	8,000	1,000	7,800	8,800
b. In-state visits/tours	11,533	9,300	20,833	5,000	9,500	14,500
c. International travel	26,909	13,000	39,909	10,461	7,800	18,261
d. Provision of info/assistance to firm	25,498	77,097	102,595	23,071	83,000	106,071
e. Supplies	3,818	0	3,818	269	0	269
Total (from ID worksheets)	\$609,063	\$430,587	\$1,039,650	\$624,372	\$424,662	\$1,049,034
Transfer of funds to other divisions	\$54,000					
Total (adding items)	\$609,063	\$430,587	\$1,039,650	\$648,913	\$424,662	\$1,073,575
Discrepancy	\$0	\$0	\$0	\$24,541	\$0	\$24,541
Total Expenditures Excluding International	\$540,305	\$324,190	\$864,495	\$609,112	\$316,562	\$925,674

Source: Kansas Department of Commerce, Industrial Development Division

**TABLE 3**  
**Industrial Development Division Budget and Expenditures Fiscal Years 1990 and 1991**

Budget Item	Program Expenses FY 1990	Salaries FY 1990	Total FY 1990	Program Expenses FY 1991	Salaries FY 1991	Total FY 1991
<b>1. Promotional Activities: Domestic Firms</b>						
a. Direct Mail (U.S. firms only)	\$340,914	\$78,000	\$418,914	\$346,554	\$86,000	\$432,554
b. Print and other media advertising	31,602	4,000	35,602	39,402	4,000	43,402
c. Trade shows (U.S. only)	74,119	5,000	79,119	19,219	2,000	21,219
d. Kansas Calvary	37,747	5,000	42,747	27,833	5,000	32,833
e. <i>Developing Kansas</i>	67,865	48,000	115,865	70,013	60,000	130,013
f. Other (specify)	18,967	10,000	28,967	18,740	10,000	28,740
Promotional Video	110,614	6,000	116,614	171,347	5,000	176,347
Special Promotional Event	0	0	0	15,830	0	15,830
Target Industry	0	0	0	0	0	0
Public Relations	91,317	5,000	96,317	130,657	5,000	135,657
	19,297	1,000	20,297	24,860	0	24,860
<b>2. Site Location Assistance</b>						
a. Statewide or regional tours	\$234,060	\$200,000	\$434,060	\$158,968	\$195,319	\$354,287
b. Customized tours	34,080	17,000	51,080	32,204	20,000	52,204
c. Provision of info/assistance to firm	30,000	54,000	84,000	26,043	55,000	81,043
d. Other (specify)	160,060	129,000	289,060	86,005	120,319	206,324
Supplies/Misc.	9,920	0	9,920	14,716	0	14,716
Capital Outlay	3,469	0	3,469	3,738	0	3,738
	6,451	0	6,451	10,978	0	10,978
<b>3. Meetings/Staff Education</b>	\$8,000	\$5,900	\$13,900	\$8,000	\$5,500	\$13,500
<b>4. Aid to Community Development Groups</b>	\$30,910	\$42,780	\$73,690	\$9,153	\$30,000	\$39,153
<b>5. Recruitment of International Firms</b>	\$75,642	\$106,397	\$182,039	N/A	N/A	N/A
a. Aid to community dev. groups	5,000	9,800	14,800	N/A	N/A	N/A
b. In-state visits/tours	5,000	7,500	12,500	N/A	N/A	N/A
c. International travel	15,634	7,300	22,934	N/A	N/A	N/A
d. Provision of info/assistance to firm	49,743	81,797	131,540	N/A	N/A	N/A
e. Supplies	265	0	265	N/A	N/A	N/A
<b>Total (from ID worksheets)</b>	\$689,642	\$434,077	\$1,123,338	\$522,675	\$318,819	\$841,494
Transfer of funds to other divisions	\$61,022					
<b>Total (adding items)</b>	\$689,526	\$433,077	\$1,122,603	\$522,675	\$316,819	\$839,494
Discrepancy	(\$116)	(\$1,000)	(\$735)	\$0	(\$2,000)	(\$2,000)
<b>Total Expenditures Excluding International</b>	\$613,884	\$326,680	\$940,564	\$522,675	\$316,819	\$839,494

Source: Kansas Department of Commerce, Industrial Development Division

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#### IV. RESEARCH METHODS AND INFORMATION SOURCES

Our evaluation of ID centers on a single broad research question: "how does each program administered by the Division contribute to the growth of jobs and investment in Kansas?" The specific form that this question takes varies from program to program. For example, the evaluation of prospecting and promotional activities focuses on whether ID programs have influenced firms to consider Kansas as a place to do business. Similarly, the evaluation of site location activities focuses on whether firms have received sufficient information and support in matching their location requirements with available Kansas business sites. Finally, the evaluation of community development activities focuses on whether ID services adequately complement community efforts to attract business.

In this section we discuss types of information and data that were necessary for our evaluation, and the methods that we used for data collection. The first subsection outlines how three states have conducted studies of the main economic development agency of their state governments; it is intended to provide perspective. The second subsection outlines the data sources that we used. The third subsection presents an overview of the first of our major data sources, a survey of firms that located or considered locating in Kansas. The fourth subsection discusses our survey of community development agencies.

##### Other State Studies

In this subsection we outline briefly the economic development evaluation efforts of three states, Mississippi, Illinois, and Minnesota.

##### *Mississippi<sup>2</sup>*

In 1988, the Joint Legislative Committee on Performance Evaluation and Expenditure Review conducted an evaluation of the Mississippi Department of Economic Development (DED). The intent of the study was to do a management review, assess performance, look at DED's economy and efficiency, do selected fiscal analyses, and consider merger possibilities. The methodology utilized included in-depth research of studies and trends; desk interviews, written descriptions, and historical records; comparison of jobs-created claims; impact surveys; and general interview process and analytical follow-up.

It had previously been the goal of Mississippi's economic development plans to attract businesses to locate in the state by offering tax exemptions and incentives, low-cost state financing, and other benefits. This goal has shifted towards achieving economic development through new and existing business. To this end, PEER determined that Mississippi's Research and Development Center and DED had duplicated many of each other's efforts. PEER suggested that the organizational structure of DED be revised so that its endeavors could be better coordinated. Some divisions were merged and others were created to achieve this.

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<sup>2</sup> Mississippi Joint Legislative Committee on Performance Evaluation and Review, *Evaluation of the Department of Economic Development*, by John V. Turcotte (Jackson, Mississippi: Joint Legislative Committee on Performance Evaluation and Review, 1988), photocopied.

PEER concluded that DED had extremely competent and qualified personnel that had a strong desire to accomplish its goal of stimulating the creation of jobs, and that its Legal and Finance divisions operated effectively even with increasing workloads. However, PEER also found that DED suffered from a failure to maximize agency resources, a lack of accountability concerning agency achievement, a questionable use of "jobs-created numbers," and a serious employee morale problem. In addition, it was concluded from the analysis that DED did not greatly influence 1986 industry expansions and relocations, and that private sector tourism revenue indicators indexed for inflation showed a decline in tourism during DED's existence.

In order to solve some of these problems, PEER suggested that DED be careful about its statements concerning job creation without actual documentation and should improve its data collection procedures. They should also use additional indicators when assessing tourism in addition to information from a tourism trade association. To ameliorate employee morale, it was found that management should try to improve communication, be more accessible, and be more receptive to feedback.

### *Illinois<sup>3</sup>*

In 1989, the Office of the Auditor General of the State of Illinois conducted an evaluation of the Department of Commerce and Community Affairs' Economic Development Programs. The audit was conducted at the direction of Legislative Audit Commission Resolution Number 79, adopted July 22, 1987, in accordance with generally accepted government auditing standards and the audit standards promulgated by the Office of the Auditor General at 74 Ill. Adm. Code 420.310.

The DCCA performs a variety of functions, including formulating plans for the economic development of the State; encouraging new industries to locate in Illinois, and encouraging existing industries to grow and expand; encouraging and promoting tourism within the State; recommending legislation relating to the economic development of the State; assisting Illinois businesses to engage in and increase foreign trade; and collecting, assembling, and analyzing statistics, data, and information regarding the growth and strengthening of the economy of the State. These functions are generally arranged into marketing, capital subsidy, and tax expenditure programs.

The audit found that the Department had not adequately planned or managed many of its various development programs, and it highlighted numerous problems including the fact that capital subsidies were generally given non-competitively and without targeting specific industries; that DCCA did not perform cost and other economic analyses prior to the award of capital subsidies; that program requirements in some cases were waived or not met; that guidelines on cost per job created or retained were exceeded; that site visits to monitor projects were frequently not conducted; that many audits of grantees were received late; that some loans were past due, and debt collection efforts were ineffective; that the State's financial interest in some

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<sup>3</sup> Illinois Auditor General, *Management Program Audit of the Department of Commerce and Community Affairs' Economic Development Programs*, by Robert G. Cronson (Springfield, IL: Auditor General of the State of Illinois, July, 1989).



loans was not secured; that documentation of the Director's approval of subsidies was frequently absent; and that claims of jobs created or retained were overstated and not verified.

On the other hand, DCCA's marketing programs were found to be generally better managed. The Illinois Film Office was well run and effective in achieving its mission. The Tourism Advertising Program was strong in creativity and was well planned, though DCCA's claims that advertisements had significantly increased tourism revenues were not well supported.

As a result of the audit, a number of recommendations were made to DCCA in order to improve its management structures and program operations. These included revising and consolidating DCCA's many planning documents into one, comprehensive document; implementing an evaluation system that is based on verified data on economic performance; developing the information systems capability necessary to support a major economic development program; carefully evaluating its capital subsidy procedures and potential recipients; placing more emphasis on the monitoring of grants and loans and establishing standard procedures for evaluating results; and setting for each program annual goals designed to measure the economic changes brought about by each of those programs.

#### *Minnesota<sup>4</sup>*

In May of 1984, the Program Evaluation Division of the Office of the Legislative Auditor of the State of Minnesota was asked to study economic development programs in the State, with particular attention paid to the economic and tourism development programs administered by the Department of Energy and Economic Development and the Iron Range Resources and Rehabilitation Board. There was considerable skepticism regarding how effective such programs would be in terms of having a positive impact on the state's economy, but there were general feelings that programs that are directed at the types of businesses and economic sectors that are most likely to create jobs if financial incentives are provided or promotional activities increased, or in which development agencies adequately analyze benefits and costs of proposed projects before proceeding, are more useful.

The Department of Energy and Economic Development was found to be generally effective in its efforts to implement its programs and had appropriately targeted manufacturing firms for financial assistance through Economic Recovery Fund grants and its major loan programs, the Small Business Development Loan Program, and the Minnesota Fund Program. However, the evaluation showed that DEED needs to be more careful in reviewing loan and grant applications from manufacturing firms to ensure that economic development funds are used in the most cost-effective manner, and that public funds are not used to displace private financing.

In terms of tourism promotion, DEED has been generally successful, though its programs have not as yet seemed to have generated benefits much greater than their costs. It was also recommended that the Minnesota Office of Tourism develop a methodology for estimating the return on investment for major advertising campaigns, particularly those conducted outside Minnesota. Similarly, DEED's efforts to market Minnesota for the purpose of industrial development were found to be lacking. It was suggested that advertisements in general

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<sup>4</sup> Minnesota Program Evaluation Division, Office of the Legislative Auditor, *Economic Development* (St. Paul: Program Evaluation Division Office of the Legislative Auditor, State of Minnesota, March, 1985).



circulation newspapers in Minnesota, while they may have served a purpose in initiating the program, should not be used in subsequent years. In addition, the department's advertising campaign should be targeted to business executives in Minnesota and elsewhere who could potentially be persuaded to locate, expand, or retain a business in Minnesota. DEED should also try to become more proactive and attempt to identify firms that are either considering a move out of Minnesota, considering expanding outside of Minnesota, or considering various sites elsewhere for a business start-up or expansion.

Lastly, it was suggested that DEED should continue the research its Policy Analysis Division had started on the Minnesota economy. The division's research would hopefully be useful both in designing and targeting economic development programs and in recognizing the limitations to providing financial incentives to certain sectors of the economy and types of businesses.

#### *The Minnesota Economic Development Performance Monitoring Program<sup>5</sup>*

This program was initiated to provide an assessment of the strengths and weaknesses of individual economic development programs in order to improve their quality as well as eliminate erroneous conclusions concerning development data and doubts about program effectiveness. The monitoring procedures used by DTED rely to a considerable extent on information provided by program clients and are designed to be incorporated into normal program operations to provide regular, periodic reports that, over time, can be used to identify trends in performance. They focus on service outcomes and quality and on helping program managers improve their operations. Performance indicators include both "intermediate" and "end" outcomes.

The DTED divides its efforts into five major programs for evaluation purposes. These are the Minnesota Trade Office, which works with both Minnesota businesses and foreign buyers to increase exports from the state; the Small Business Assistance Program, which provides technical assistance to improve businesses operations, helps firms comply with state regulations that govern how they operate, refers firms to other programs that will help them improve or expand operations, and helps persons wanting to start a business make good decisions about the start-ups; the Star Cities and Economic Development Technical Assistance Program, which helps local economic development programs; the Economic Development Grant Program, which provides financial assistance to Minnesota communities to further their economic development efforts with specific businesses; and the Business Financial Assistance Program, which provides direct loans or loan guarantees to private, for-profit businesses for working capital or business expansion.

In terms of industrial recruitment, the key sources of performance data are program records, client surveys, and the state unemployment insurance database. The program records are used to collect data on the characteristics of communities for the necessary disaggregation of data. Records contain information on the services provided to each client, as well as population size and county. The program assigns each city to the appropriate region and category of development. Regional assignments may be based on existing state regions or selected by the program based on shared characteristics the program feels are important. Regular surveys of

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<sup>5</sup> Urban Institute, *Monitoring the Quality and Outcome of Economic Development Programs in Minnesota, Operating and Training Manual*, (Washington, D.C.: The Urban Institute, June, 1989).

communities are the primary source for information on program performance. The program must be able to identify the primary contact person in the community, provide their title, address, and telephone number, as well as the characteristics to be used in disaggregating data: population size, county/region, and level of development. These surveys are of all communities that received assistance within a particular time period one year after the community first received assistance. The survey includes questions that verify the services received by clients, allows clients to rate the characteristics of the services they received, details the outcomes experienced by the community, and provides insight into the contribution of state assistance to these outcomes.

The program may also decide to regularly survey communities that have not used the program's services to find out why. A survey of non-recipients also provides comparison data for client communities. Sometimes it is desirable for the client to be given the option of identifying themselves on the questionnaire or allow them to use the questionnaire to communicate a particular problem. If so, the program is allowed access to their questionnaire so that it may take the necessary steps to resolve the problem or respond to the issue. To be sure that an adequate response rate is maintained, the questionnaire is mailed at least twice, and telephone contacts are made as necessary.

The data available from the state unemployment insurance system provides information that is useful as explanatory data for program performance. Existing reports allow the program to track changes in employment by sector and net employment changes in the county. These reports also provide information on the net change in the number of reporting units in each county on a quarterly basis. The program has to rely on other existing state and federal data sources for information on unemployment and new business starts and failures.

### **Information Sources**

Information for our analysis is drawn from four major sources:

1. Interviews with Industrial Development Division staff members. The information provided by ID staff members was critical in helping us to understand the day-to-day activities of industrial recruitment.
2. ID internal records.
  - A. Prospect and suspect file folders, fiscal years 1987-1991. Prospects include those firms that are i) interested in Kansas and ii) currently looking for a site for a new plant or an expansion. Suspects are firms that intend to expand or locate a new plant within a few years. The prospect and suspect files were used primarily to provide us with contact names for our survey. Additionally, we used a few of the files to develop case studies.
  - B. List of firms that have visited Kansas, fiscal years 1987-1991. The list contains information on how each firm was first contacted. We tabulated this information to help us ascertain the importance of various prospecting activities. The list contains entries for firms that participated in a customized visit of one or more communities. It does not contain data on regional industrial tours; that data is tabulated separately.
  - C. List of industrial tours, 1989-1991. The list contains information on the number of communities visited and the number of firms participating.

D. The Kansas Department of Commerce *1990 Annual Report* and preliminary data for the *1991 Annual Report*.

E. Budget information prepared by the Director of ID, Bill Thompson.

3. Survey of firms that considered Kansas locations.

We conducted a telephone survey of firms that had made use of ID services within the last five years, that is, during fiscal year 1987 through fiscal year 1991. As a first step, we identified names, contacts, addresses, and phone numbers of these firms from prospect and suspect files. Our sample was chosen so that approximately half of the 54 sampled firms were those that actually chose Kansas locations. Our survey contains a mixture of factual questions and questions designed to assess the firms' attitudes toward various aspects of the site location process.

4. Survey of community development professionals from Chambers of Commerce and other area groups, and interviews with development professionals in selected communities.

A mail survey was sent to 60 community development groups throughout the state. The survey questions focused on the connections between industrial recruitment at the community level and recruitment at the state level. Interviews were conducted in several communities in order to get a better sense of how the community industrial recruitment process actually works.

### **Overview of the Survey of Firm Location Decisions**

A major aim of our evaluation is to look at KDOC Industrial Development activities from the clients' point of view. The statutory description of ID's mission makes it clear that a primary group of clients clearly consists of firms, especially out-of-state firms, that have considered locating or expanding in Kansas. The Division of Industrial Development is to

foster a climate of agricultural and industrial development by providing incentives to businesses and industries located principally outside the state to expand, locate or relocate within the state;

and to

...engage in the recruitment of such businesses and industries... [K.S.A. 74-5007a]

### ***Why was a Firm Survey Necessary?***

Information on ID's relationships with firms is available from a two major sources. ID maintains folders documenting phone calls, letters, and requests of firms who have worked with the department. Additionally, ID compiles lists of firms who have made sponsored visits to potential Kansas business sites. From these sources it is often possible to reconstruct aspects of the ID-firm interaction. Despite the usefulness of the ID records, they are neither designed nor intended to provide data for analysis of ID's role in the location decisions of out-of-state firms. The records are often incomplete, making it impossible to ascertain the services that a firm actually received. In a few cases, folders of firms known to have located in Kansas can no longer be found. Understandably, ID records contain few details about how firms have reacted to ID services. Furthermore, ID records contain little information about incentives firms may have received from the state or from local governments. Finally, data on job creation and investment is often based on projections made by firms early in their planning processes; actual

jobs and investment may differ substantially. Good quality data on the services firms received and the importance that they placed on them, and on the jobs and investment created for Kansas are essential to our evaluation. We felt that survey data were necessary to supplement the information provided by ID.

*Selection of the Firm Survey Sample*

In order to acquire better data information we designed a telephone survey of firms that had made use of ID services within the last five years, that is, during FY 86-87 through FY 90-91. As a first step, we needed to identify names, contacts, addresses, and phone numbers of these firms. For the time period under consideration, ID staff members identified 65 assisted firms as locating or expanding in Kansas. We relied on the folders for these firms as well as on lists provided by ID for basic information.

We tried to match the firms that located with an equal-sized sample of firms that did not locate. We asked the ID staff to randomly select folders for such firms from their warehouse. We made one major stipulation—we requested that only those firms that had some substantial interaction with ID be included. In practice, "substantial interaction" was identified with thick folders containing many papers. A total of 64 folders were selected out of several hundred. After further examination, four folders were eliminated from our sample, leaving us with 60 firms.

We developed a contact list containing names and phone numbers from the ID records. We proceeded to try to reach the firms by phone. This often involved calling a firm's out-of-state headquarters to reach the key people involved in the location decision. When we connected with a firm, we verified that the firm had indeed considered a location or expansion in Kansas during the last five years, and that we were talking with people actually involved in the decision. We explained the purpose of our survey and asked the firms whether or not they would participate. When a firm agreed to take part, we set up a convenient time for them to be surveyed by phone. We sent the firms a follow-up letter confirming the time. The survey itself required about 15-20 minutes to complete.

It should be pointed out that we were unable to reach many of the people on our original contact list. In a few cases, we were able to verify that the firm had gone out of business. More often, repeated calls to the firm failed to put us through to anyone who could discuss location decisions. In some cases, all of the staff members involved in the Kansas decision had since left the firm. Of course, some firms simply choose not to participate in the survey.

**TABLE 4**  
**Responses to Pre-Survey Calls by Location Status**

Location Status	Agreed to Participate	Refused to Participate	Not Reached	Out of Business	Other	Total
Located in Kansas	38	8	13	2	4	65
Did Not Locate in Kansas	30	5	19	0	6	60
Total	68	13	32	2	10	125

Overall, 68 firms, about 54 percent of the initial sample, agreed to participate. Of these, 54 firms actually completed the survey questions. In several cases, repeated calls by the telephone surveyors over a two-week period failed to reach the appropriate people. We speculate that the contact people changed their minds about participation.

### *Overview of the Firm Survey Questions*

Our survey contains a mixture of factual questions and questions designed to assess the firms' attitudes toward various aspects of the site location process. The survey questions fall into six main categories:

1. questions describing the firm, including employment at parent firm, employment at Kansas firm, investment, and products or services produced;
2. questions gauging the importance of several factors influencing the site location process, for example, "how important were low wages;"
3. questions concerning the process that firms employed in selecting a site;
4. questions assessing the frequency of use and the importance of various services offered by ID;
5. questions concerning the services that firms received from other states; and
6. questions concerning the state and local incentives received by firms that actually chose Kansas locations.

The remainder of this section will discuss the survey results for the first two categories. The results for the third category are included in the Section IV on Prospecting Activities, while the results for categories four through six are discussed in the Section V on Site Location Assistance. A complete list of survey questions and responses is included in Appendix A.

### *Characteristics of the Firm Survey Sample*

The survey data give a fairly complete picture of the type of firms considering Kansas locations during the last five years. Firms provided information on employment, products, and investment.

Although we had hoped to get equal participation of firms that located in Kansas and those that did not, our survey sample of 54 firms turned out to be weighted slightly toward firms that located, as shown in Table 5. Of the firms that located, 14 established a branch plant of a larger company, while nine started or relocated a single establishment firm. Of the firms that did not choose Kansas locations, only eight stated that they had chosen another state instead. An almost equal number stated that they had postponed their decision to expand, relocate, or establish a branch plant.

**TABLE 5**  
**Location Decisions of Firms Assisted by Industrial Development**

Decision	Number	Percent
Firm located in Kansas	30	55.6
started/expanded branch plant	14	—
started/expanded single establishment firm	9	—
other or no response	7	—
Firm has not decided	1	1.9
Firm did not locate in Kansas	23	42.6
chose another state	8	—
postponed location decision	9	—
other or no response	6	—
Total	54	100.0

Based on employment of the parent company, it is clear that our current survey sample encompasses small, medium, and large enterprises. Table 6 shows that while the majority of the parent firms employ fewer than 500 people, it is not unusual for ID to work with firms employing over 5000.

Not surprisingly, the establishments actually locating in Kansas are on average much smaller than the parent firms. Only four of the respondents reported Kansas employment of 250 or more. It is fair to say that while ID may deal with representatives of large national corporations, the projects in which they are involved are generally small to medium in size.

Data on sales and investment also characterize the typical project involving ID as small or medium sized, although a large project (for example, one with investment over \$50 million) occasionally receives ID assistance.

**TABLE 6**  
**Employment Size Category**  
**of Parent Firms, 1990**

Number of Employees	Number of Firms
1-19	10
20-99	7
100-249	6
250-499	7
500-999	3
1000-4999	12
5000 +	6
Missing	3
Total	54

**TABLE 7**  
**Employment at Kansas Establishments**  
**After One Year of Operations**

Number of Employees	Number of Firms
1-19	7
20-99	9
100-249	9
250-499	2
500-999	1
1000-4999	1
Missing	1
Total	30



**TABLE 8**  
Cumulative Investment in  
Kansas Facilities, 1990

\$ Amount of Investment	Number of Firms
1-499,999	5
500,000-999,999	2
1,000,000-4,999,999	9
5,000,000-49,999,999	6
50,000,000 +	3
Missing	5
Total	30

**TABLE 9**  
Sales from Kansas Facilities,  
1990

\$ Amount of Sales	Number of Firms
0	2
1-499,999	4
1,000,000-4,999,999	7
5,000,000-49,999,999	8
50,000,000 +	4
Missing	5
Total	30

**TABLE 10**  
Products Produced by Firms Assisted by ID

Industry	SIC Code	Number of Responses	Percent of Responses
Food and Kindred Products	20	2	2.9
Textile Mill Products.	22	1	1.5
Apparel and Similar Products	23	6	8.8
Lumber and Wood Products	24	1	1.5
Furniture and Fixtures	25	2	2.9
Paper and Allied Products	26	3	4.4
Printing and Publishing	27	2	2.9
Chemicals and Allied Products	28	2	2.9
Rubber and Misc. Plastics Products	30	6	8.8
Stone, Clay, and Glass Products	32	4	5.9
Primary Metal Products	33	2	2.9
Fabricated Metal Products	34	4	5.9
Indust. Machinery and Computers	35	5	7.4
Electric and Electronic Equip.	36	5	7.4
Transportation Equip	37	4	5.9
Instruments, Medical and Optical Goods	38	5	7.4
Misc. Manufacturing	39	3	4.4
Communications	48	1	1.5
Retail: Building Materials	52	1	1.5
Nondepository Credit Institutions	61	1	1.5
Real Estate	65	1	1.5
Business Services	73	6	8.8
Engineering, Research, Management Serv.	87	1	1.5
Total responses (firms could choose two SIC codes)		68	100.0

The firms assisted by ID include a wide range of industries, both in manufacturing and services. The main product of the parent company and the main product intended for the expansion or relocation generally fell within the same industry. Rubber and plastic goods, apparel, and business services were the most commonly mentioned products, each receiving six responses. Several products, including electric and electronic products and instruments, received five responses.

### ***Factors Influencing Firm Location Decisions***

Firms typically engage in a complex decision-making process when choosing a new site. In his well-known book *Making Site Location Decisions*, Roger Schmenner<sup>6</sup> presents a comprehensive list of factors considered by firms. We relied on Schmenner and on a study of business location determinants in Tennessee<sup>7</sup> to draw up a list of potential influences. Firms were asked to use a scale of 1 (not important) to 10 (essential) to rate the importance of these factors in their site location decisions.

The column labeled "mean" in Table 11 indicates the average response of the 49 to 52 participants who answered each question. On average, respondents gave the highest importance rating to quality of life, followed closely by low basic tax rates, good transportation, and the availability of tax incentives. Government supported site improvements, the availability of state government agency to aid in the location process, and lack of government regulation received relatively low importance ratings. However even the lowest ranked factor was considered "moderately important."

It is important to note here that the sample of 54 firms is only a fraction of the total population of firms served by ID. Thus the means reported in the table above are accurate only for the sample and are only estimates of the unknown means of the population. The standard error of the mean (S.E. Mean) is an indicator of the accuracy of the sample mean. In practical terms, sampling problems mean that little emphasis should be placed on small sample differences such as that between the rating for quality of life (7.43) and the rating for taxes (7.08). It is unlikely that these sample differences indicate any true difference in the broader population. However, the difference in importance between quality of life and utilities (6.14) is significant.

### ***Conclusions: Firm Survey***

The survey methodology yielded interesting information both about the characteristics of firms assisted by ID and about their site location processes. While we would have liked to include more firms in our sample, the current sample size was sufficient to provide statistically significant results for most of the questions with which we were concerned.

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<sup>6</sup> Roger W. Schmenner, *Making Business Location Decisions* (Englewood Cliffs, NJ: Prentice-Hall, 1982), 33-36.

<sup>7</sup> David A. Hake, Donald R. Ploch, and William F. Fox, *Business Location Determinants in Tennessee*, (Knoxville: Center for Business and Economic Research, University of Tennessee, 1985), 102-111.



**TABLE 11**  
**Factors Influencing Firm Location Decisions**

Potential Influence	Survey Quest.	Rank	Mean	S.E. Mean	N
Low wages	Q7A	11	6.02	.31	51
Well educated/highly skilled workforce	Q7B	7	6.40	.32	52
Right to work laws	Q7C	6	6.44	.38	52
State-supported job training	Q7D	12	5.94	.35	52
Location of site	Q7E	5	6.77	.42	52
Low cost for utilities	Q7F	10	6.15	.32	52
Good Transportation	Q7G	3	6.98	.36	52
Inexpensive land	Q7H	8	6.33	.36	49
Suitable building available	Q7I	9	6.16	.49	49
Low basic tax rates	Q7J	2	7.08	.26	52
Available tax incentives	Q7K	4	6.94	.33	51
Government supported financial incentives	Q7L	13	5.84	.39	51
Government supported site improvements	Q7M	14	5.74	.39	50
Lack of state/local governmental regulation	Q7N	16	4.74	.40	50
Available state agency assistance	Q7O	15	5.50	.38	50
Good quality of life	Q7P	1	7.43	.27	51

### **Overview of Community Development Agency Surveys and Interviews**

During the preliminary phase of our evaluation study we discovered that work with community economic development groups constitutes an important aspect of ID's mission. The relationship between ID and the communities works two ways. ID relies on communities to show business people potential business sites. At the same time, the communities rely on ID to bring them prospects, to provide them with information about state programs, and, in some cases, to provide marketing assistance.

We used two methods to acquire information about the relationship between ID and the communities: mail surveys and personal interviews.

### ***Selection of the Community Development Survey Sample***

Mail surveys were sent to a list of 60 communities drawn from the directory of Kansas Industrial Developers Association members. We tried to include all Chambers of commerce and other area development groups listed in the directory. For the most part, we excluded city and county governments. Bill Thompson, Director of ID, checked off the names of about 30 communities with which ID had worked closely. We included all of these communities as well as about thirty additional communities.

### ***Characteristics of the Surveyed Community Development Groups***

Approximately half of the community development groups (31 of 60) responded to the survey. Of these groups, 11 represented a city or township, 16 represented a county, two represented multi-county areas, and two gave other responses. The sample was evenly divided

between smaller communities with populations of 25,000 and under, and larger communities with populations over 25,000. Thirteen respondents were located in metropolitan counties, and 18 in non-metro areas.

The organizations that we surveyed appear to be the major development groups within their communities. On average, the groups report that they are involved in about 72 percent of total recruitment activity that goes on in their communities. Most of the community development groups accomplish this recruitment activity with a small paid staff of between one to three full time employees. About half of the groups operate with recruitment budgets of less than \$50,000 per year.

### *Community Development Interviews*

To supplement the mail survey we conducted structured interviews of community development professionals in several Kansas communities. Time and budget constraints confined our interviews to the eastern half of the state. Nevertheless, we were able to include a good mix of urban and rural, and of large and small communities in our interview sample.

### *Conclusions: Community Surveys and Interviews*

Only about half of the communities that we contacted chose to participate in our mail survey. But fortunately, the respondents represent a good mix of the different types of Kansas communities. The survey results, along with additional information gathered during interviews were adequate to give us a good picture of the variety of interactions between ID and local economic development groups.

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## V. INDUSTRIAL PROSPECTING AND PROMOTIONAL ACTIVITIES: KINDLING INTEREST IN KANSAS LOCATIONS

The goal of prospecting and promotional activities is to encourage those firms that are planning an expansion or relocation to give Kansas serious consideration. Advertising campaigns reach a wide audience of firms. Trade shows bring ID personnel in contact with executives of targeted industries. Cavalry missions provide the opportunity for ID staff members, Kansas business people, and industrial developers from Kansas communities to sell the state on a face-to-face basis. Industrial tours of various regions of the state bring a group of firms in contact with representatives of Kansas cities and counties.

State and local development groups throughout the county pursue industrial prospects. Hence it is important to assess Kansas prospecting activities relative to those of locations that businesses see as alternatives. Appendix E presents an overview of the literature on prospecting activities, and describes some of the approaches used by other agencies.

### Print Media Advertising

Print campaigns are developed through an ad agency working closely with Bill Thompson, Director of ID, and Jim Knedler, Director for National Marketing. The current campaign, in effect for almost three years, stresses Kansas productivity as its theme. The previous campaign emphasized the general image of the state.

The theme of the current campaign is appropriate. Out of a list of 16 factors influencing site locations, survey respondents rated productivity and right-to-work laws 6th and 7th. Tax related factors ranked higher, but the Kansas business climate in that area is very uncertain.

Ads generally run in magazines oriented toward site selection such as *Area Development* and *Plants, Sites, and Parks*. More recently, ID has directed print ads toward specific areas of the country, particularly the two coasts. For example, ID recently ran an ad in the "Corporate Relocation Guide" issue of the *Los Angeles Business Journal*. A copy of a typical print ad is included in Appendix C.

Firms may request more information on the state by filling out a response card which accompanies a print media ad. ID typically routes an ad response to the ID representative responsible for the area of the country in which the firm is located. The representative contacts the firm; the firm may then become a suspect or a prospect.

We were able to cross-match a list of advertising responses for 1988 through 1991 against the list of firm visits for the same time period. We found that 14 of 178 firms that visited Kansas were listed as having responded to an ad. Of these 14 firms, only eight were recorded in the visit database as having originated from advertising.

The information on ad responses maintained by ID did not allow us to tabulate the number of prospects and suspects resulting from recent campaigns. Ideally, information about ad responses would be cross-matched with prospect and suspect lists in such a way that the ID staff themselves could easily monitor advertising effectiveness. However the lack of an overall computerized case tracking system in the Division puts this ability beyond reach.

In terms of evidence on the importance of advertising, several of our survey questions, along with ID's firm visit database, shed light on the question. We begin by looking at the survey responses for the question "Did any of these factors influence your initial decision to look at Kansas as a potential location?"

The results of the firm survey, shown in Table 12, indicate that media ads are an important means by which firms first learn about Kansas. Eighteen percent of survey respondents listed direct mail as one method that provided them with their initial information about doing business in the state. In contrast, ID internal records (Table 13) present a somewhat different picture. These data records list the source of contact for firms that visit Kansas. Only 4.5 percent of firms visiting Kansas are listed with a source of advertisements of any type, print or direct. One possible explanation for the discrepancy is that firms that call ID for more information fail to mention that media ads have stimulated their interest. Another explanation is that while our survey allowed firms to list several ways in which they first heard about Kansas, the ID records allow only a single method.

### *Findings and Implications*

- Eighteen percent of survey respondents listed print media advertising as one of the ways that they first learned about Kansas as a place to do business.
- In contrast, only 4.5 percent of firms in the ID visits database are recorded as having been contacted through advertising. The discrepancy between these two estimates is only partially resolved.
- It would be desirable for ID to have a general case tracking system so that ad responses could easily be cross-matched with prospect and suspect lists. This would improve ID's own ability to gauge the effectiveness of individual ads as well as of entire campaigns.

**TABLE 12**  
**Factors Influencing Initial Decision to Look at Kansas: Survey Results**

Potential Influence	Survey Question	Mean: Fraction Responding Yes	S.E. Mean	N
Direct mail solicitation	Q8A	.16	.05	51
Print media/other advertising	Q8B	.18	.05	51
KDOC contact at trade show	Q8C	.10	.04	51
Visit by Kansas Cavalry representative	Q8D	.12	.05	51
Contact by rep of KS county/city	Q8E	.29	.06	51
Suggestion by a location consultant	Q8F	.14	.05	51
Consultation of published data sources	Q8G	.45	.07	51
Consultation with execs of other firms	Q8H	.37	.07	51

Note: 38.9% of respondents answered "Yes" to at least one of Q8A-Q8D.

**TABLE 13**  
**Source of Initial Contact for Firms Visiting Kansas, 1988-1991**

Source	Frequency	Percent
Walk or Call In	63	35.4
Community Group	29	16.3
Kansas Cavalry	14	7.9
Reference from Individual	13	7.3
ID Industrial Tour	11	6.2
Ads, Print or Direct Mail	8	4.5
Letter from Firm	8	4.5
Foreign Office	7	3.9
Other	7	3.9
Utilities	6	3.4
Consultant or Real Estate Firm	5	2.8
Other KDOC Source	2	1.1
KCCI or Other Statewide Organization	1	.6
Other Industrial Tour	1	.6
Missing	3	1.7
Total	178	100.0

Source: Kansas Department of Commerce, Industrial Development Division

### **Direct Mail Advertising**

Direct mail advertising generally precedes a Cavalry mission or an in-state tour. A mailing includes a letter from the Governor inviting the firm to visit with a Cavalry member or to participate in an in-state regional tour. The *Executive Summary*, a booklet detailing Kansas business advantages, accompanies the letter. The booklet promotes Kansas labor productivity, education, the Kansas Industrial Training program, and the Kansas Centers of Excellence.

Typically less than one percent of firms respond to direct mail invitations. An ID staff member calls all respondents, establishes that the firms actually have an interest in Kansas, and then schedules the visit or tour.

Survey results suggest that direct mail is an important method of reaching firms. Sixteen percent of survey respondents report that direct mail is one of the ways that they learned about Kansas. Tabulations of ID internal records on firms that visited Kansas underemphasize the importance of direct mail advertising. Although only 4.5 percent of firms list advertising of any sort as the method of contact, another 13.5 percent of firms are reached through Cavalry missions or industrial tours. However, direct mail serves as a prerequisite to these two activities. It is important to note that the contact between ID and the firm may involve several types of prospecting activities.

### **Findings and Implications**

- Survey results suggest that about 16 percent of firms learn of Kansas through direct mail advertising.

- The effectiveness of direct mail may be understated in ID's internal records, since direct mail serves as the initial step in arranging Cavalry missions and industrial tours.

### Target Industry Analysis

Industrial targeting attempts to focus economic development resources on those industries that have the highest potential for successful growth in a region. According to a recent article,<sup>8</sup> "targeting is essentially a market segmentation process which involves identifying prospects (the market segments) whose location requirements are compatible with a developer's area (the product)." When applied to industrial recruitment activities, the underlying assumption is clear: resources spent promoting the state will yield more jobs and investment if they are focussed on a carefully selected group of industries.

The Redwood/Krider report<sup>9</sup> on Kansas economic development, published in the mid-1980s, recommended a target industry approach for industrial recruitment marketing programs. The logic of the recommendation was that the only a certain set of industries would find the state to be an attractive business location. In fiscal year 1989, the Industrial Development Division began a major targeting program. ID commissioned Lockwood-Greene, a site location consulting firm, to identify a set of target industries, to define areas of the state to which these industries were appropriate, and to produce a series of reports examining the advantages of Kansas for firms in these industries. The Lockwood-Greene analysis included nine industries, as shown in the Table 14 below.

**TABLE 14**  
**Targeted Industries**

Industry	SIC Code
Food processing: baked goods and snacks	205
Biological and pharmaceutical products	281
Printing and publishing	27-
Plastics	308
Materials handling equipment	353
Electronic components and parts	367
Telecommunications	481
Corporate research and development	N/A
Administrative and headquarters facilities	N/A

Note: The SIC code is a federal code identifying the industry.

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<sup>8</sup> Ronald D. Swager, "The Targeting Study in Economic Development Practice," *Economic Development Review* 5 (Summer 1987): 57.

<sup>9</sup> Redwood, *Kansas Economic Development Study*, 26.

At the beginning of 1991, the targeted industries were cut down to three: printing and publishing, plastics, and telecommunications. The definition of telecommunications was extended to include telemarketing (SIC 7389).

Ideally, a successfully targeted industrial recruitment program would meet two criteria: first, a high percentage of recruited prospects and suspects would be generated from firms in the target industries; and second, a larger overall number of prospects and suspects would be generated from the targeted program than from a similar but non-targeted program. Unfortunately, data by which to evaluate whether or not either of these two criteria have been met are currently unavailable.

A good evaluation of the first criterion would require that ID record the industries or products of firms that become prospects or suspects. While such information is often available in the paper file folder of a prospect or suspect, ID currently has no means of easily accessing this information so that it can be compared against target industry lists. Evaluation of the second criterion would be more difficult. The problem here is that some kind of "control" would be needed to compare the targeting case with the no targeting case. For example, ID might compare "before targeting" with "after targeting" prospect and suspect counts. Realistically, good data on even the first criterion would be a great improvement over the current situation.

Data from our survey offer a glimpse of the effectiveness of the current targets suggested by Lockwood-Greene. However the data should be interpreted cautiously, since they represent only a small sample of the total prospects and suspects with which ID has been in contact. Recall that the survey sample consists of only 54 firms that considered Kansas locations during the last five years. Each firm was asked to list the top two products that it intended to produce at its new location or expansion (see Q6 in Appendix A for a complete list of industries mentioned). We matched these responses against the Lockwood-Greene list. Despite the focus of advertising and other recruitment efforts on the target group, only nine out of 54 firms, or 16.7 percent, planned to establish or expand a plant in one of these industries. The data suggest that some of the Lockwood-Greene targets may be inappropriate.

**TABLE 15**  
**Representation of Target Industries in Survey Sample**

Industry	Number of Firms	Percent
Telemarketing	4	7.4
Printing and Publishing	2	3.7
Plastics	2	3.7
Materials Handling Equipment	1	1.9
Industries Not Targeted	45	83.3
Total	54	100.0



ID is in the process of reevaluating its entire target industry program. In the future, industrial targeting will take place in-house using software produced by Battelle in Ohio. The Battelle software will include a database and annual updates. Ideally, the new software would allow ID to develop targets specific to the varied regions of the state. Until the new targeting program is implemented, targeting is on hold, with the exception of continued participation in trade shows for the current targets.

In-house targeting will almost certainly be an improvement over the consulting firm approach. ID personnel will be able to scrutinize the inputs and output of the analysis to make sure that it accurately reflects the current business cost climate. In contrast, it appears that the Lockwood-Greene analysis overlooked many of the subtleties of the cost climate, particularly with regard to taxation.

In summary, we draw three conclusions. First, there is no evidence that the Lockwood-Greene target industry program was successful. Second, future targeting programs need a built-in mechanism for analysis. In particular, this would require accessible information on the industries represented by suspects and prospects. Such information could be incorporated as part of a larger data tracking program discussed in another section of this report. Third, ID's in-house targeting program will improve the ability to identify industries likely to be attracted by the current Kansas business climate.

### ***Findings and Implications***

- Despite the focus of advertising and other recruitment efforts on the current target industry group, only nine out of 54 firms in our survey, or 16.7 percent, planned to establish or expand a plant in one of these industries. The data suggest that some of the current set of targets may be inappropriate.
- In order to evaluate the success of any future target industry program, ID will need the capacity to cross-match prospects and suspects against the target industry list.
- Industrial targets need periodic reevaluation and revision. ID will soon have the capacity to make these revisions in-house. This should improve the effectiveness of the target industry program.

### **Kansas Cavalry and Trade Shows**

The Kansas Cavalry is a group of business people, community industrial development professionals, and ID staff members who serve as volunteer ambassadors of Kansas commerce and industry. Although the organization is private, the Governor and the Secretary of Commerce sit on the Board of Directors. The Industrial Development Division administers the program, with Jim Knedler serving as manager.

The Cavalry performs two major functions. First, members attend trade shows during which they make contacts with business executives and provide information about the state. Second, they meet with business people from other states in order to describe the advantages of doing business in Kansas. Cavalry members who participate in "missions" pay their own expenses; other Cavalry activities are financed primarily through dues and contributions.

Typically, a Cavalry mission will coordinate calls on firms with a trade show in the same region of the country. In its role as administrator, ID sends out all advertising and arranges all appointments for Cavalry missions. ID provides Cavalry members with background information on the companies they will be visiting, information on the Kansas business climate, and suggestions on Kansas selling points relative to the area of the country visited. After a Cavalry member completes a call, he or she fills out a report. ID then takes over with follow-up work. At this point the firm may become an active prospect or suspect.

According to Jack Groves, an ID representative, direct mail, the Kansas Cavalry, and in-state industrial tours need to be looked at as a whole. Direct mail opens the door; it is used specifically to generate possibilities for tours and Cavalry missions. Visits by the Cavalry are critical in correcting misapprehensions about Kansas. For example, firms on the East coast are frequently misinformed about the quality of the Kansas labor force. They need to be shown that a qualified work force can be selected from a relatively small pool of unemployed workers. Firms need to be informed that qualified workers are available even in small communities. Another misconception concerns commuting distances. Firms from the coasts need to be convinced that relatively long travel distances (for example, 50 miles to a major airport) translate into relatively short travel times (less than one hour). Discussions with Kansas business owners and executives help to change the image of Kansas business conditions.

ID records indicate that Cavalry contacts are an important means of generating prospects and suspects. About one-fourth of Cavalry visits pay off in a firm being classified as a prospect; another 25 to 45 percent of visits result in a firm being classified as a suspect. Of the 65 Cavalry visits completed during fiscal year 1991, 18 are estimated to have resulted in a prospect and another 30 to have resulted in a suspect.

But despite the importance of the Cavalry, several of our interviewed community development professionals expressed some concern about its future. One interviewee emphasized that the Cavalry needs increased incentives for the participation of business people. Another pointed out that the costs of Cavalry participation may limit the representation of small business.

**TABLE 16**  
**Kansas Cavalry Missions, 1990 and 1991**

Year	Missions	Contacts	Prospects	Suspects	Existing Ind.
FY 1990	7	87	20	23	12
FY 1991	5	65	18	30	4

Source: KDOC Annual Report 1990 and ID staff. 1991 numbers are preliminary.

Note: Cavalry members also pay courtesy calls on the out-of-state headquarters of Kansas businesses.

ID arranges Cavalry missions in conjunction with major trade shows. During fiscal year 1990, the Division participated in shows emphasizing printing and publishing, pharmaceuticals, telemarketing, and plastics. Trade show activity continued during 1991, with ID and Cavalry members attending shows organized by the telemarketing, pharmaceutical, plastics, and

electronics industries. According to the KDOC 1990 annual report, trade show activity resulted in 18 new prospects for Kansas locations. 1991 data were not yet available as of the writing of this report.

Our survey results also reflect the importance of Cavalry activities. Referring to the data in Table 12, 12 percent of firms considering Kansas locations report learning about Kansas through Cavalry visits, while ten percent report learning about Kansas at a trade show. Note that a single firm could report both types of contact.

Internal ID records reveal that Cavalry visits generate about eight percent of visits to Kansas by out-of-state firms. Although this percentage is somewhat smaller than that found in the survey results, it should be remembered that the survey allows for multiple responses (more than one contact method) and that the survey results are subject to error since they are based on a small sample. The ID data on firm visits do not record any firms as having been contacted through trade shows. We speculate that some of these contacts may have been combined with Cavalry activity.

Again we stress the desirability of a complete case tracking system so that ID staff can internally monitor success rates of various Cavalry missions, not just in terms of prospects and suspects, but also in terms of firm locations. Such information would be useful for deciding issues such as "which areas of the country should be targeted for missions?"

### ***Findings and Implications***

- Cavalry contacts have a high success rate. Over the last two years, about one fourth of Cavalry contacts have paid off in a firm being classified as a prospect; another 25 to 45 percent of contacts have resulted in a firm being classified as a suspect.
- During 1990, participation in four trade shows led to 18 new prospects for Kansas locations.
- Our survey results reflect the importance of Cavalry activities. Twelve percent of firms considering Kansas locations report learning about Kansas through Cavalry visits, while ten percent report learning about Kansas at a trade show.
- ID internal data sources reveal that Cavalry visits generate about eight percent of visits to Kansas by out-of-state firms.
- A complete case tracking system would make it easier for ID staff to monitor the success of Cavalry missions.

### **Industrial Tours of Kansas Regions**

The industrial tour program invites groups of firms, either from a particular area of the country or from a particular industry, to visit a region of the state. Although the industrial tour program has operated only since fiscal year 1989, it has already shown success in terms of getting companies to visit Kansas. Seventy-three firms have participated in a regional tour, and many of the firms have seen the business conditions in small Kansas communities first hand.

Tours are a joint effort of the Cavalry, the participating communities, and KDOC. On the most recent tour, which visited small communities in the northeast part of the state, the Cavalry contributed \$4000, each of four communities contributed \$4000, and KDOC contributed \$8000. According to Jack Groves, about six of 22 firms on the tour are now seriously interested in Kansas.

Of the firms in our survey, four of 54 had participated in an industrial tour. The firms generally rated the tour as important (7 on a scale of 1 to 10) in their site location decision. Because of the small number of respondents who actually received the service, the importance rating is subject to a large error.

The data on Table 13 indicate that about six percent of firms that visited Kansas on a customized tour of business sites originally participated in a group industrial tour. However the data are somewhat misleading, since the tour program did not get off the ground until 1989. If we look at the data for the last two years only, industrial tours provide the original source for about ten percent of customized site visits. The program is paying off; some of the most serious prospects for new businesses initially see the state on one of these tours.

### ***Findings and Implications***

- Industrial tours form an important part of the industrial recruitment package. Almost ten percent of firms that visited Kansas on a customized tour of business sites during 1990-1991 originally participated in a group industrial tour.
- An increased emphasis on industrial tours is warranted. As we understand, ID already has plans to increase the yearly number of tours from two to four.

### **Communicating with Kansas and Out-of-State Firms**

Kansas and out-of-state firms and developers learn of business activities throughout the state via the Division's quarterly magazine, *Developing Kansas*. The magazine reports on firm locations and expansions, growth in various regions of the state, and on programs of interest to current and potential Kansas businesses. For example, the Summer, 1991 issue featured the ground-breaking ceremony for TSW Products Co. Inc., emphasizing the importance of the Kansas Industrial Training program to the new firm.

Out-of state companies are added to the mailing list for *Developing Kansas* when they become active prospects. They are generally dropped if they indicate that they no longer have an interest in Kansas locations. The last mailing of the magazine was sent to 2344 recipients. The breakdown is shown in Table 17.

**TABLE 17**  
**Subscribers to *Developing Kansas***

Type of Subscriber	Number
Banks	481
Out-of-state companies	448
Chambers of commerce and other development groups	343
City, county, and other government offices	215
Legislators	165
Media	100
Remainder (mostly Kansas companies)	592
Total	2344

***Findings and Implications***

- *Developing Kansas* serves as more than a prospecting tool. It conveys the image of business productivity to out-of-state firms, while at the same time keeping Kansas firms and industrial developers informed of business activity in the state.

**Conclusion: Prospecting Activities**

Industrial prospecting appears to play an important role in bringing new businesses to the state. ID records show that about 23 percent of firms that visit the state have been contacted through some kind of prospecting activity (Cavalry, ID tours, ads, foreign office, other tours). Our survey results differ from the ID records in the exact percentages of prospects attributed to each prospecting activity. However the picture that emerges from the survey is similar. Thirty-eight percent of respondents report that they learned of Kansas business conditions through one or more of ID's prospecting activities.

## VI. SITE ASSISTANCE ACTIVITIES

ID's site assistance activities provide services to firms that have been identified as prospects, that is, firms that have some serious interest in a move or expansion to Kansas. The critical issues for evaluation fall into three broadly defined groups.

The first group of issues pertains to the objective characteristics of site assistance activities undertaken by the Division of Industrial Development. We describe how the site assistance process actually works. For example, how does ID come up with a list of communities to suggest to firms? What kind of a database is available to aid in matching sites with site requirements? How frequently are state visits used as a recruitment tool?

The second group of issues centers around the firms' perceptions of the quality and importance of assistance provided by ID and other government agencies. We first focus on specific site location services, analyzing how many firms make use of each service, and how important the services are to the firms. We then look at the use and importance of economic development incentives such as tax abatements and credits. Finally, we look at comparisons of services offered by Kansas with those offered by other states.

The third group of issues concentrates on performance. The ultimate goals of ID's activities are to bring both jobs and investment to the state. We compare data on investment and jobs collected by ID with survey information.

### Description of Site Assistance Activities

Site assistance includes a ranges of services offered to firms in various stages of their site location decisions. The kinds of assistance that ID may give to firms during this process include:

- provision of information about the state's business climate;
- provision of information about state taxes and incentives;
- provision of information about individual communities including copies of ID's prepared community profiles;
- provision of information on available real estate;
- help in matching the firm's requirements with the attributes of communities in the state;
- arrangement of a customized tour of communities;
- coordination of tax and financial incentives for the firm;
- provision of information about job training programs; and
- visits of an ID industrial representative to the firm's out of state headquarters.

The site assistance process involves the interaction of three groups: ID, the firms, and the communities. The site assistance process begins when ID identifies a firm as a prospect. The first step is for ID to find out as much about the firm's requirements as possible. Once the firm's requirements are known, ID will try to match the firm with communities that meet its requirements. The main sources of information that ID uses to make these matches are the community profiles, ID's database of available buildings, and the ID representatives' personal knowledge of the communities. At the same time, ID may be filling the firm's requests for information about the state business climate, and state taxes and incentives.



When the firm narrows down its list, it will often come back to ID for more information about the communities that are still in the running. ID will then act as an intermediary for the transmission of the information. This intermediary function is important because the firm may wish to remain anonymous at this stage of the process, and because the firm may still be considering many communities. As the firm continues to narrow its list of potential communities, ID will try to get the firm to commit to an in-state visit. The in-state visit is considered by ID to be a very important goal of its site assistance efforts. The firm may visit several communities during its in-state visit. At this point the responsibility for a prospect starts to shift from ID to the communities.

ID maintains a database on the number of visits made by prospects to Kansas communities. During fiscal years 1988 through 1991, ID assisted with 252 in-state visits. Of these, 178 firms were making their initial visits to the state, while 74 were making a return visit to the state.<sup>10</sup> Some of firms revisited communities on their return, while others expanded their search to a new group of communities. On average, a firm visited between two and three communities on its initial visit, and two communities on a return visit, although there was a good deal of variability in the number of communities that a firm visited, with a few firms touring as many as ten.

Three case studies drawn from ID's files provide a better understanding of how the site assistance process actually works. The names of the firms and the identities of the communities have been changed, and some of the details have been suppressed to maintain confidentiality.

#### *Case 1*

ABC Corp., a durable goods manufacturer from the western U.S., located a new expansion, manufacturing facility in eastern Kansas in 1989. The process began in December of 1988 with calls to Kansas Department of Commerce's Industrial Development Division to obtain information concerning worker's compensation, job credit incentives, and unemployment. ABC was also informed about the Kansas Industrial Training program and was asked to provide relevant data so that an analysis for the cost of doing business in Kansas could be completed.

A community in eastern Kansas was a possible choice of location for ABC due to its proximity to certain manufacturing plants in Kansas City that used ABC's product as an input to their own manufacturing process. Early in January of 1989, the community in question asked KDOC to have the Governor send a letter to ABC in support of the proposed facility. At that time, ABC also requested an in-state visit to the community. Members of ID and city officials from the community were all present at the community visit.

In late January of 1989, ABC, being pleased with the community and the positive reaction of the local people who encouraged ABC to locate there, decided to go ahead and build the facility in the community. The plant was estimated to cost 50 million dollars at completion and would comprise approximately 350,000 square feet, employing 750 workers within three years.

ABC's special needs included the ability to dispose of hazardous waste, a water supply of 3,000,000 gallons per month, and approximately 25 communication lines, including watts, data,

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<sup>10</sup> Our tabulations of return and initial visits differ slightly from those provided by ID.



and fax. In order to meet these needs, the construction site required extensions of water and sewer utilities and improvements to the existing roads. Since the community could not afford to cover the costs of such improvements, KDOC helped coordinate the provision of a loan from the Kansas Partnership fund. KDOC also helped ABC obtain the necessary permits for air quality, hazardous waste, and waste water. In addition, KDOC provided information regarding the public announcements of ABC's activities throughout the expansion process. The official groundbreaking for ABC's new plant began in April of 1989.

### *Case 2*

XYZ, Inc., a Midwest manufacturer of non-durable goods, located a new facility in eastern Kansas in 1988. This came as a result of nearly five years of contact with the Kansas Department of Commerce and a six-month, intensive site search which began in December of 1987. Initial contact was made by the Kansas Calvary, and with KDOC's help, the firm selected a number of locations in Kansas, with its primary candidates limited to two communities in eastern Kansas. Cities in Iowa, Missouri, and Nebraska were also considered.

The top two candidates for location were small, rural communities in close proximity to a major airport. After numerous visits to various communities in January of 1988, XYZ settled on one of the two communities. The proposed plant would encompass 95,000 square feet, employ roughly 150 workers, and require an initial investment of \$35 million.

XYZ also had major concerns about fire protection. To this effect, the community and a local Chamber of Commerce promised to make water system improvements, including the construction of a 500,000 gallon water reservoir. In addition, XYZ was promised a low-priced site, enterprize zone incentives, a ten-year property tax abatement, and KDOC coordinated the provision of training assistance through the KIT program.

Since the community could not afford the costs of the improvement project, KDOC helped obtain a loan from the Kansas Partnership fund. XYZ was very pleased with all of the help and effort on the part of the community and ID and was confident the correct location decision had been made.

### *Case 3*

LMN, Inc., a Midwestern manufacturer of capital goods for a number of businesses, located a new facility in southeastern Kansas in 1990. The new facility represented the culmination of almost three years of planning and site-searching involving both the firm and the Industrial Development Division. The firm was interested in locating in Kansas because research and development for a new electrical component for their product was being done by a man in Lenexa, Kansas. They were looking for an existing building of about 10,000 square feet, with fairly low ceilings, and that was well air conditioned. They were hoping that a suitable building could be found near Lenexa.

LMN, Inc. contacted KDOC in April of 1987 to obtain help in locating a facility and also to set up inspection tours of potential sites. ID collected information on seven cities in the northeastern area of the state plus the southeastern community. Information was also provided on the utilities in Kansas as well as the various incentives Kansas had to offer business including the KIT program, enterprise zones, and tax abatements.

Due to complications in completing their research and development, a decision was not made until early 1990, but LMN finally chose the southeastern community for its new facility.

### **Site Location Assistance Services**

The primary information for this section comes from our survey results. Our survey asked a number of questions about ID services. Firms were first asked if they received the service. Firms that received the service were then asked to rate its importance to their location decisions on a scale of 1 to 10.

Our survey results, shown in Tables 18 and 19, indicate the frequency with which firms request and receive site assistance services. Of the 54 participants in our survey, 53 answered at least one of the questions about site location services and 46 reported that they had received at least one of the services. Two services, information on taxes and incentives and information on job training (KIT) were reported as being received by 88 percent of respondents. This was followed closely by business climate information, reported by 84 percent of respondents. Over half of the respondents indicated that they had received community and real estate information. On average, respondents replied that they had received between four and five of the listed services.

Firms thought that the services they received were important in helping them decide on a location. On a scale of 1 to 10, firms gave most of the services a rating of about 7. The ratings for the services that were received by a large number of firms are quite reliable, as indicated by a relatively small standard error. The ratings with high standard errors, particularly that for regional tours, should be interpreted with caution.

It should be pointed out that in order to answer the questions on site location services respondents were forced to rely on their recollections of events that in some cases happened three or four years ago. A few firms mentioned the difficulty of reconstructing these events during our pre-survey telephone contacts. A better approach might be to survey firms within a year of their location decision.

### ***Findings and Implications***

- Provision of information on the business climate, on taxes and incentives, and on job training were the site assistance services most frequently received by firms in our survey.
- Recipients of services generally found them to be important, on average rating them between 7 and 8 on a scale of 1 to 10.
- Survey respondents sometimes had difficulty in recalling the services they had received. This suggests that a more timely follow-up would be necessary to accurately reflect firms' reactions to ID services.

**TABLE 18**  
**Site Assistance Services Provided to Firms by ID**

Site Assistance Service Provided by ID	Survey Question	Mean: Fraction Receiving Service	S.E. Mean	N
Provision of info about state business climate	Q10A	.84	.05	50
Provision of info about state taxes and incentives	Q11A	.88	.05	49
Provision of info about individual communities	Q12A	.63	.07	48
Provision of info on available real estate	Q13A	.54	.07	50
Assistance in matching firm with communities	Q14A	.28	.06	50
Arrangements for firm to go on KS regional tour	Q15A	.08	.04	49
Arrangements for customized tour of locations	Q16A	.31	.07	48
Coordination of info on tax and financial incent.	Q17A	.43	.07	46
Provision of info about KIT program	Q18A	.88	.05	48
Visit by ID rep to firm's out-of-state office	Q19A	.26	.06	47

Note: Number of firms receiving at least one service = 46

**TABLE 19**  
**Importance of Site Location Services to Recipient Firms**

Importance of Service Provided by ID	Survey Question	Mean on Scale of 1 to 10	S.E. Mean	N
Importance, business climate information	Q10B	7.12	.33	42
Importance, tax and incentive information	Q11B	7.00	.32	43
Importance, community information	Q12B	7.23	.37	30
Importance, real estate information	Q13B	7.19	.51	27
Importance, matching firm with communities	Q14B	7.79	.42	14
Importance, tour of Kansas region	Q15B	7.25	1.89	4
Importance, customized tour	Q16B	8.33	.45	15
Importance, tax and incentive coordination	Q17B	7.75	.38	20
Importance, KIT information	Q18B	6.73	.36	41
Importance, ID rep visit	Q19B	6.92	.58	12

Note: Services were rated on a scale of 1 to 10 with 1 indicating "not important" and 10 indicating "extremely important."

## The Importance of Economic Development Incentives

Firms that locate or expand in Kansas become eligible for economic development incentives offered by state and local governments. Our survey results indicate the frequency with which firms apply for and use these incentives. Of the 30 Kansas firms in our survey, 26 reported the use of one or more incentive program. Job and investment credits rated as most frequently used, followed closely by job training. Over half of respondents indicated that they had claimed these incentives. Property tax abatements and enterprise zone sales tax exemptions also ranked as high-use programs.

Most firms rated the incentives that they received as important to their decision to operate in Kansas. Responses on the importance scales average in the 7 to 8 range on a scale of 1 to 10. The average rankings are so close in value that they are not significantly different. Several respondents found economic development incentives to be important enough to warrant a 10 on a scale of 1 to 10.

### *Findings and Implications*

- Out-of-state firms that locate or expand in Kansas expect and receive economic development incentives.
- Firms that receive incentives claim that they are very important in the decision to locate or expand in Kansas. However this result should be viewed cautiously. Firms in our survey were not asked whether they would have located in Kansas even without the incentive.

**TABLE 20**  
**Incentives Provided to Firms Locating or Expanding in Kansas**

Type of Incentive	Survey Question	Mean: Fraction Receiving Incent.	S.E. Mean	N
Industrial revenue bond financing	Q37A	.17	.07	29
Government sponsored loans and grants	Q38A	.28	.08	29
Government sponsored site improvements	Q39A	.14	.07	29
State/local government provided land, buildings	Q40A	.17	.07	30
KS income tax credits for new jobs/investment	Q41A	.55	.09	29
Property tax abatement	Q42A	.41	.09	29
KS income tax credit for research/development	Q43A	.03	.03	29
Enterprise zone sales tax exemptions	Q44A	.37	.09	30
Government sponsored job training	Q45A	.52	.09	29

Note: 26 of the 30 firms locating in Kansas reported receiving one or more incentive.

**TABLE 21**  
**Importance of Economic Development Incentives to Recipient Firms**

Importance of Service Provided by ID	Survey Question	Mean on Scale of 1 to 10	S.E. Mean	N
Importance, Industrial revenue bond finance	Q37B	8.60	.51	5
Importance, govt. sponsored loans or grants	Q38B	8.75	.41	8
Importance, govt. sponsored site improvements	Q39B	8.25	.85	4
Importance, land/building subsidy	Q40B	8.00	1.30	5
Importance, job/investment credit	Q41B	7.94	.50	16
Importance, property tax abatement	Q42B	8.00	.54	12
Importance, R&D tax credit	Q43B	8.00	—	1
Importance, EZ sales tax exemption	Q44B	6.73	.60	11
Importance, govt. job training	Q45B	7.57	.53	14

Note: Incentives were rated on a scale of 1 to 10 with 1 indicating "not important" and 10 indicating "extremely important."

#### Comparison of ID Services with Services Offered by Other States

Most of our evaluation of site location services has concerned specific programs offered by ID. However this section of our evaluation gives a broader view. Our survey asked firms whether they had looked at other states besides Kansas as potential sites for their locations or expansions. Of the 50 firms that answered this question, 90 percent answered that they had indeed considered other states. Other states offered the firms site location information and services 89 percent of the time. An obvious question is "how well does Kansas perform in comparison with these other states?"

Firms were asked to list up to four other states that they considered for their location or expansion. Counting up the states indicated by each firm (up to four per firm) gave a total of 118 responses. Missouri stood out with a total of 28 responses, or about 24 percent of the total. The states in the areas surrounding Kansas (Colorado, Missouri, Iowa, Nebraska, and Oklahoma) received about 44 percent of the responses. That total rises to almost 60 percent when Texas and Arkansas are added to the group.

The data strongly suggest the following model of site location. A firm first picks a region of the country for the location of a new facility. The firm looks at several states within that broadly defined region, and finally settles on a particular state that meets its needs. The other states that a firm considers are competitors from ID's point of view. The data indicate that Kansas competes with Missouri, Iowa, Nebraska, Oklahoma, Texas, and Arkansas, each of which was mentioned by six or more firms. Despite its proximity to Kansas, Colorado does not seem to be a major competitor for new business activity.

**TABLE 22**  
**States Mentioned as Potential Locations**

State or Country	Number of Responses	Percent of Total	State or Country	Number of Responses	Percent of Total
Alabama	1	.8	New Mexico	3	2.5
Arizona	2	1.7	New York	2	1.7
Arkansas	8	6.8	North Carolina	1	.8
California	3	2.5	North Dakota	2	1.7
Colorado	1	.8	Ohio	3	2.5
Florida	4	3.4	Oklahoma	9	7.6
Georgia	1	.8	Oregon	2	1.7
Illinois	5	4.2	Pennsylvania	1	.8
Indiana	1	.8	South Dakota	3	2.5
Iowa	8	6.8	Tennessee	4	3.4
Louisiana	1	.8	Texas	9	7.6
Minnesota	1	.8	Virginia	2	1.7
Missouri	28	23.7	Wisconsin	3	2.5
Mississippi	2	1.7	Canada	1	.8
Nebraska	6	5.1			
Nevada	1	.8	Total	118	100.0

Survey respondents were also asked which of the competitor states offered the most useful information and services. Missouri was mentioned most frequently, followed by Iowa and Arkansas.

Finally, respondents were asked to compare the information and services received from the Kansas Department of Commerce with those received from the **best** of the competitor states. In general, Kansas compared quite favorably. On average, firms found the site location information and services offered by Kansas to be slightly better than those offered by the best competitor (3.3 on a scale of 1 to 5). About 30 percent of respondents considered Kansas services to be better than or much better than those that they received from the best of the other states, while about 15 percent of respondents found Kansas services to be worse.

#### *Findings and Implications*

- Over 80 percent of firms that considered Kansas locations also looked at other states, primarily in the Midwest.
- On average, respondents ranked the services and information provided by ID as slightly better than those offered by the best of the competitor states.

**TABLE 23**  
**Comparison of Kansas Information and Services with**  
**BEST of Other States**

Comparison	Frequency	Percent	Percent of Valid
Much worse than	1	1.9	2.6
Worse than	5	9.3	12.8
Equal to	22	40.7	56.4
Better than	4	7.4	10.3
Much better than	7	13.0	17.9
Missing	15	27.8	—
Total	54	100.0	100.0

### **The Reliability of Employment and Investment Measures**

Two issues arise in the assessment of the job and investment performance of economic development programs. The first is the issue of attribution; the second is the issue of measurement.

When a firm picks a location for a new plant or expansion, it bases the decision on a multitude of factors. Attempts to attribute the location to a single factor such as a particular incentive or site location service are flawed by design. In theory econometric techniques should allow researchers to estimate the responsiveness of firm locations to incentives, location services, and basic business costs. In practice, data sets are rarely rich enough to capture the detailed inputs to the site location process.

Our evaluation does not attempt to claim that any new jobs or investment in the state are due solely or even primarily to the intervention of ID. We interpret job and investment data in a more limited way. Firms that ultimately located in Kansas made extensive use of ID services, often taking the initiative to contact ID for information about business conditions. Firms that used ID services generally rated them as important (7 on a scale of 1 to 10) in the location process. The firms are often in contact with other states which also offer them information and services. The lack of such services on the part of Kansas would be seen as a distinct negative.

Measurement issues arise from the need to compare *ex ante* projections of jobs and investment with *ex post* performance. ID generally deals with firms during the planning phase of a new development. During this phase, new jobs and investment are merely estimates. It is only when a project is completed and brought up to full production level that its true impact on the state can be assessed. ID has no way to verify if job and investment projections are borne out once the firms are in operation. ID's performance numbers are shown in Table 24 below. Some means of independent verification is necessary.



**TABLE 24**  
**Performance and Impact Numbers for New Firms, FY 1987 - FY 1991**

Year	Number of Firms	Number of Jobs Created	Capital Investment (\$)
1987	3	530	35,000,000
1988	10	2088	38,000,000
1989	18	2523	109,100,000
1990	14	1545	27,300,000
1991	15	1290	16,830,000

Sources: Kansas Inc. *Department of Commerce: Program Abstracts and Performance Data*. 1991; and Kansas Department of Commerce, Industrial Development Division.

Our telephone survey of firms requested job and investment data from those firms that had actually located in Kansas. Out of 30 Kansas locations responding to the survey, 29 provided job data and 25 provided investment data. We decided to limit our comparisons to new establishments, since our survey failed to distinguish additions to jobs and investment from total jobs and investments. We matched the job and investment estimates recorded in ID's files with the survey results.

Based on job data for 21 firms, our job comparisons revealed no systematic bias. On average, the ratio of jobs reported in the survey to jobs reported by ID was one. However the data showed substantial variability. For example, for one firm our survey data showed 220 fewer jobs than the ID records, while for another firm our survey showed 175 more jobs.

We were able to compare data on total investment in land, buildings, and equipment for 18 firms. For the survey sample, we found that firms on average reported to have invested only 84 percent of the dollars listed in the ID records. However these data again showed great variability. One firm reported only a quarter of the investment listed by ID, while another firm listed five times as much.

Other states are also beginning to realize the importance of *ex post* performance tracking. Maryland and Minnesota, among others, have started to make use of data from their state unemployment insurance databases to monitor the job and wage performance of a variety of economic development programs. These data are probably the best available for evaluative purposes, but they create some difficulties in practice, since firm confidentiality must be protected at all times.

Direct surveys provide the only means we know of tracking investment performance. Our recent survey points up the major difficulty of this approach; fewer than half of the Kansas firms assisted by ID agreed to participate.

### *Findings and Implications*

- Data from our survey show the projected job data collected by ID to be unbiased. That is, on average they reflect the true level of jobs created. However, the data are subject to a large amount of variability. Individual firm projections can differ wildly from achieved results.
- Firms in our survey invested only about 84 percent of the projected level contained in the ID records. Again, the actual performance of an individual firm often showed extreme variations from the projected levels.
- Our attempt to verify firm job and investment levels pointed out two important concerns for anyone interested in performance monitoring. First, economic development agencies must rely heavily on projections of jobs and investment supplied by the firms themselves. Because of changing market conditions, these projections be lower or higher than the actual results achieved. Second, collecting data on actual performance is difficult because many firms decline to participate in survey research.

### **Conclusions: Site Assistance**

Our evaluation of ID site assistance activities emphasizes the clients' point of view. The clients of site assistance services, that is, the firms, appear to make frequent use of most ID services and to rate them as important in the site location process. Even more importantly, the firms rate the services as slightly better than the services offered by the best of the other states that they considered as potential locations.

We also look briefly at objective performance criteria, that is, jobs and investment. We note the difficulties in developing data on jobs and investment. In particular, ID must rely on projections offered by firms, which are often inaccurate.

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## VII. OUTLINE OF A DATA TRACKING SYSTEM

A major conclusion to emerge from our study is ID's need for a computerized case tracking system. Such a system would be useful for several purposes. First, such a system would facilitate ID's day-to-day work, making it easier to keep track of prospect and suspect information. Second, such a system would make it easier for ID to report its progress to the Legislature and other state agencies. Most importantly, a case tracking system would reduce the effort needed for ID to monitor the success of its own activities.

The design of a case tracking system falls outside the scope of this study. Nevertheless, we present a few suggestions on the outline of such a system. The case tracking system would constitute a computerized version of ID's current paper file system, cross-matched with other ID data such as ad responses and in-state visits.

The tracking system would allow easy access to prospect and suspect information. ID representatives would be able to see when the client was first and last contacted, what information was requested, whether the information had been sent, etc. Any ID representative would be able to get instantaneous access to information on current and former ID clients.

The tracking system would make it easier to assess the performance of particular programs, for example, target industries. Since prospects and suspects would be coded by industry, a simple computer run would provide information on the percentage of prospects and suspects in the target categories. Advertising activities would also become easier to evaluate. For example, a computer run would be able to show the number of prospects and suspects resulting from a particular campaign. We see this type of performance monitoring as an emerging trend within state departments of commerce.

Finally, a tracking system would facilitate follow-up studies of client satisfaction. In the future, ID might want to survey client satisfaction on a yearly basis. The case tracking system could be used to provide a mailing list of firms and contacts so that an outside agency or ID itself could contact firms that had made use of ID services.

A recent publication of the Urban Institute<sup>11</sup> presents some excellent suggestions on the type of data useful to economic development agencies and on how agencies might collect that data. Although the book does not specifically address the issue of computerization, it does emphasize the importance of performance information so that managers can continuously improve quality.

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<sup>11</sup> Harry P. Hatry and others, *Monitoring the Outcomes of Economic Development Programs* (Washington, D.C.: Urban Institute Press, 1990).

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## VIII. COORDINATION WITH COMMUNITY ECONOMIC DEVELOPMENT GROUPS

ID performs three important roles in stimulating economic development in Kansas communities:

1. ID helps communities with their own recruitment efforts;
2. ID brings new prospects to the attention of community groups;
3. ID supports communities that have generated their own active prospects.

Our major goal in this section of the report is to assess how well ID accomplishes each of these three activities. Additionally, we look at some more general issues of community economic development to try to assess what factors the communities themselves see as impediments to growth.

### Data Sources

We relied on three sources of data to shed light on our questions about ID's role in community development: (1) the previously discussed survey of firms that located or considered locating in Kansas; (2) interviews with a selected set of community economic development professionals; and (3) a mail survey of community economic development professionals throughout the state. The interviews and the survey of community economic development professionals were intended to answer some broad questions about the nature of ID's relationship with communities as well as some questions about particular programs. More specifically, we tried to provide answers to the following questions:

1. How do the characteristics of a community affect its relationship with ID? Here we looked at information about the size of the community, the geographical location of the community within the state, how well a community was positioned to attract business from outside the state, whether the community had its own marketing effort, and whether the community had an overall development strategy.
2. How well does ID assist communities with their overall development strategies and their marketing efforts? We asked community development professionals to rate the various types of development and marketing assistance they had received from ID and to comment on the importance of this assistance in bringing new firms to their communities.
3. To what extent have communities benefitted from ID's regional industrial tour program? The community survey generated information on awareness of and participation in the program, satisfaction with past participation, and willingness to participate in the future.
4. How effective are the procedures for updating community profiles and information on existing buildings? We inquired about the timeliness of the information, the perceived quality of the profiles, and usefulness of the profiles in a community's recruitment efforts.
5. How important are the efforts of ID in getting prospects for the community? The community survey provided data on the average number of prospects that make contact with communities per year; the fraction of prospects that come from ID as compared with

other sources; ID's role in providing information to communities with active prospects; and on the communities' satisfaction with ID's role in the process.

The complete set of community development survey questions is included as Appendix D of this report.

### **Community Characteristics**

Thirty-one community development professionals responded to our survey. The surveyed groups reported on average that they conducted 72 percent of their respective community's industrial recruitment activities, showing that the survey was generally targeted at the appropriate audience. The overwhelming majority of the respondents were from organizations that represented either a city, a township, or a county, although two represented multi-county areas. The population of the areas represented varied significantly, although organizations representing areas with population less than 25,000 and those representing areas with population of more than 25,000 were nearly equally represented. Similarly, 13 communities were located within metropolitan areas, while 18 were not.

The community economic development organizations generally employed only a small paid staff: 25 groups had full-time equivalent staffs of one or two, while only two groups employed more than three staff members. The number of hours per week that these organizations devoted to industrial recruitment varied widely, with the six least active organizations devoting ten or fewer person hours per week to recruitment and the five most active devoting over 100 person hours to such activities. As might be expected, organizations representing smaller communities, i.e., those with populations under 25,000, spent significantly less time on industrial recruitment activities than organizations representing larger communities. On average, groups from smaller communities spent about 37 hours a week on such activities while groups from larger communities spent 78 hours a week.

As one would expect from groups that represented communities of widely varying size, the budgets for industrial recruitment activities of these groups also varied significantly, as illustrated in Table 25. Also, as one would expect, the budgets of economic development groups in large communities were significantly greater than the those of groups in small communities; for small communities the average budget was about \$38,000, while for large communities the average budget was about \$174,000. On average, the communities spent about 27 percent of their budgets answering information requests. Travel and advertising were also major budget items, as shown in Table 26.



**TABLE 25**  
**Community Budgets for**  
**Industrial Recruitment**

Recruitment Budget	Number of Communities	Percent
0 - 20,000	12	38.7
20,001 - 50,000	4	12.9
50,001 - 100,000	5	16.1
100,001 - 150,000	6	19.4
150,001 +	4	12.9
Total	31	100.0

**TABLE 26**  
**Industrial Recruitment**  
**Budget Breakdown**

Activity	Percent Budget
Direct mail	10
Print media advertising	14
Travel outside community	19
Hosting firm visits to community	13
Answering firms' requests for info.	27
Other recruitment activities	17

The majority of the community development groups that responded to our survey (24 of 31) reported that their communities had formulated a strategy for economic development. For most of the communities the process of formulating a strategy involved local governments and chambers of commerce. For some communities, a broader based process involved outside consultants, local educational institutions, and even the community as a whole, through town meetings. The most common major features of such strategies included targeting industries; job creation; business recruitment, retention and expansion; and small business development.

Our survey also asked respondents to rate their communities (relative to other Kansas communities) in terms of their ability to attract new business from outside the community. As Table 27 shows, about half of the respondents felt that their communities were stronger than most or among the strongest in their ability to attract new businesses, while only five of the respondents felt that their communities were weaker than most.

**TABLE 27**  
**Ability to Attract New Business**

Rating	Frequency	Percent
Among the very strongest communities in Kansas	5	16.1
Stronger than most Kansas communities	10	32.3
Somewhere in the middle of Kansas communities	9	29.0
Weaker than most Kansas communities	5	16.1
Missing	2	6.5
Total	31	100.0

Our survey asked respondents to indicate which of a list of factors were the greatest impediments to recruiting new businesses for their community. Table 28 shows that the distance from transportation, inadequate labor supply, rural location, the level of state income and sales taxes, and the level of property taxes create serious impediments to attracting new business. On

the other hand, labor and land costs were considered to be of little problem. Respondents from large communities were more likely to cite levels of state income and sales taxes and property taxes as impediments to recruiting new businesses. As could be expected, respondents from small communities were more likely to cite a lack of cultural amenities.

**TABLE 28**  
**Impediments to Attracting New Business**

Impediment	Percent of Firms Responding Yes
Firms think community is too far from transportation	42
Firms think community's Labor supply inadequate	48
Firms are hesitant to move to rural area	45
Firms think community lacks cultural amenities	29
Firms think labor costs are too high	6
Firms think land costs are too high	6
Firms think state taxes are too high	48
Firms think property taxes are too high	55
Other	23

Note: Percents sum to more than 100 because communities could choose more than one response.

### **ID's Role in Helping Communities with Recruitment Efforts**

ID's assistance with communities recruitment efforts centers on the community contact program, Kansas Cavalry missions, and regional industrial tours. The community contact program has been formalized in the last four years, but it has been a part of ID activities in a less formal way for a much longer period. As a part of this program, the state is divided into three regions, eastern, central and western, and an ID representative is assigned to each region. At least once a year, the representative assigned to a region visits the main communities there, but these visits take a back seat to working with actual prospects. In general the efforts of the contact program are directed toward the smaller communities in the state.

Under the Community Contact Program there are several ways in which industrial representatives from ID may undertake to aid communities in their industrial recruitment activities. They may meet with city commissions or Chamber of Commerce boards to give advice on economic development strategies. In particular, a community must decide whether it has a substantial probability of attracting firms from outside the community, or whether its best hope for growth is to develop some asset that exists within the community. At least one ID representative believes that it is generally difficult to attract firms to communities that have populations less than 3000. Of the respondents to our survey of community development professionals, thirty-five percent said that ID had helped their community to design and implement their economic development strategy.

An important function of ID is to provide advice on marketing strategies. Among the respondents to our survey of community development professionals, more than two-thirds said that they had received general advice on a marketing strategy from ID. Those who got advice on marketing strategy from ID were asked to rate the importance of that help bringing new firms to the community, and they rated this advice as somewhat important (6 on a scale of 1 to 10).

Marketing assistance is also provided by the community profiles. All but one of the respondents to our survey of community development professionals said that ID had supplied them with a printed profile. In general, respondents felt that such profiles were important (6.5 on a scale of one to 10) in the community's marketing effort. However, smaller communities rated the profile as much more important than larger communities; on average, smaller communities gave the profiles a 7.8 rating in importance for marketing, while larger communities gave the profiles a rating of 5.3. In interviews, community development professionals who represented larger communities commonly stated that they substituted their own promotional materials for the profiles; in addition, some felt that the format of the profile was not appropriate for their particular situation.

All but two of the respondents to our survey of community development professionals reported that their community provided information to ID about available buildings in the community. On average, communities were satisfied with ID's marketing of buildings (7 on a scale of 1 to 10). When asked to rank ID's marketing assistance in general, communities again expressed satisfaction (7 on a scale of 1 to 10).

Additional marketing help comes from Cavalry missions. Kansas Cavalry missions, in addition to being a way of marketing the state as a whole, can be a marketing device for individual communities. All of the front end work is done by ID, so a Cavalry member from a community can make 15 to 20 calls for just the cost of airfare and hotel. Although such missions market the state as a whole, the community can include promotional materials as part of follow-ups, and prospects for the community may be generated by other Cavalry teams on the same mission. Of the respondents to the community development professional survey, only three responded that the Cavalry was only a statewide recruiting device, while nine communities felt that the Cavalry was at least marginally a local recruitment tool. Fourteen respondents felt that the Cavalry was useful as a local recruitment tool in the sense that information about the community could be included in follow-ups to the mission and two felt that the Cavalry was a core element of their strategy. One problem with the effectiveness of such missions as a marketing tool for communities is that even some larger communities have trouble getting enough local business participation in the Cavalry. Table 29 illustrates the number of Cavalry members in the communities that responded to our survey. Most communities had five or fewer Cavalry members, and a common theme among community development professionals that were interviewed was that Cavalry participation was too expensive for many small business people and small communities.

**TABLE 29**  
**Number of Kansas Cavalry Members**  
**Per Community**

Number of Cavalry Members	Number of Communities	Percent
0 - 5	17	54.8
6 - 10	5	16.1
11 - 20	4	12.9
Missing	5	16.1
Total	31	100.0

A final marketing tool, the regional industrial tour program, gets firms into Kansas at an early stage of the location process. Tours allow a community to market its intangibles, such as quality of life, and make it easier to dispel incorrect perceptions of the state and the community. Twenty-four of the thirty-one respondents to our survey of community development professionals said that their community had participated in a regional tour. In general, the communities that had participated in such a tour felt that getting firms into the community was one of the most positive aspects of the tour, believed that it was a cost-efficient use of the community's resources, and praised ID's organization of the tour. It is clear that communities are highly satisfied with the tour program: all but one of the communities that had participated said that they would participate again if the opportunity arose. However, communities also responded that they felt that they did not get enough time with the prospects, that the tours were getting too large, and that any increase in the cost of participation would make them prohibitive.

***Findings and Implications***

- Community survey respondents reported that high property taxes, high state income and sales taxes, inadequate labor supply, rural locations, and inadequate transportation presented major impediments to industrial recruitment.
- ID plays a significant role in helping communities develop and implement their economic development strategies. Thirty-five percent of respondents to our survey of community development professionals reported that they had received assistance from ID.
- ID provided marketing advice to about two-thirds of the communities that responded to our survey. In general, communities rated this advice as somewhat important (6 on a scale of 1 to 10) in recruiting new firms.
- Additionally, ID provided various types of marketing assistance to communities, including community profiles, regional tours, and marketing of available buildings. Communities were moderately satisfied (7 on a scale of 1 to 10) with ID's marketing assistance.
- Small communities were more satisfied with the community profiles program than were large communities, and were more likely to use them in their own marketing efforts.

- Kansas Cavalry missions are perceived by the communities as a valuable tool for marketing their local interests. However several respondents commented that Cavalry participation is too expensive for small business people and small communities. About 12 percent of our firm survey respondents said that they first heard about Kansas through a Cavalry mission, while about 8 percent of firms on ID's list of firms that visited Kansas were recorded as having a Kansas Cavalry mission as the source of contact.
- Regional tours stood out as a particularly useful program. Of 24 respondents participating in tours in the last two years, 23 said that they would like to participate again. However community development professionals pointed out that the tours sometimes leave little time for discussions with business executives, that the tours are getting too large, and that any greater cost would be prohibitive. About nine percent of our firm survey respondents had participated in regional a tour, while about ten percent of the firms on ID's list of firms that had visited the state had been on such a tour.
- It seems likely that the importance of both regional tours and Cavalry visits is underestimated by our firm survey results, however, since another result of our survey was that 37 percent of the firms first decided to look at Kansas after consulting with executives of other firms. Thus, the positive effects of regional tours and Cavalry missions may reach beyond the firms directly involved.
- Communities frequently mentioned that they would like to see an increase in prospecting efforts on the part of ID. They perceive that ID lacks adequate staffing in this area.

#### **ID's Role as a Source of Prospects for Communities**

ID serves as a source of client firms for communities as a result of prospecting activities and site location assistance. As Table 30 shows, ID efforts generate on average almost a quarter of all prospects considering Kansas communities. A few communities reported the share of prospects from ID to be as high as 80 percent.

**TABLE 30**  
**Sources of Prospects for Communities**

Source of Prospects	Percent
Community prospecting efforts	28
Call-ins, walk-ins, and tips	31
Real estate firms and consultants	12
Industrial Development Division	22
Other	07

When a firm expresses interest in Kansas, ID presents the firm with descriptions of communities that meet its requirements. The initial matching of the communities and the firm is done by searching community profiles and a database maintained by ID of available buildings in Kansas. Most of the information in the community profile and the database of existing

buildings is provided to ID by the community. The database of existing buildings plays a major role in the matching process, since a majority of firms at least begin by looking for an existing building. From the list of communities and their descriptions, the firm then selects the communities in which it is most interested. At this point ID pushes for the firm to visit the state at the earliest possible date. As the process evolves into state visits and a narrowing down of the list of candidate communities, the communities become more involved. The community eventually takes over the lead role in marketing itself to the firm, although ID will still be involved and available when needed.

ID is currently considering expanding the ways in which it helps communities to market existing buildings. This new direction would involve the cooperative marketing of existing buildings. Such an effort would potentially be financed by communities and ID, with each putting up about half of the \$90,000 to \$100,000 total budget for the project. Existing buildings located in the participating communities would then be marketed through media ads and direct mail. The marketing efforts may be targeted to the California market, which ID believes to be a good market for industrial recruitment now. Such a plan would allow communities to take advantage of economies that arise because of the sharing of some of the up-front costs of the advertising. From the state's point of view, the fact that many firms are initially looking for an existing building suggests that a wider effort to market existing buildings makes sense.

### ***Findings and Implications***

- Communities reported that about 22 percent of their prospects are generated by ID. In contrast, 28 percent of their prospects are generated through their own efforts. About half of the communities reported that ID brings them between one to five prospects per year.
- Of the respondents to our firm survey, 33 percent reported that they had participated in a customized tour of communities in the state, while 27 percent reported that ID tried to match their requirements with community characteristics. The 27 percent figure seems low; it is possible that firms did not always understand the process that was going on in the background at ID.
- The notion that having a database of existing buildings is important is born out by our firm survey. Of the respondents who located in Kansas, 57 percent located in existing buildings. It is likely that an even higher percentage began the process by looking for an existing building.
- The importance of communities in the site location process is born out by the firm survey, where 61 percent of the respondents said that community economic development groups helped them to find a site for their facility.

### **ID's Role in Providing Communities with Information**

A third kind of interaction between ID and communities occurs when the community generates its own prospect. ID helps by providing specific information about things like the state business climate, taxes, and incentives. In addition, it will, through Dun and Bradstreet, provide information about the credit worthiness and history of the firm. Finally, it may aid the community in promoting the KIT program. One can see the importance of some of these activities by noting that the provision of information about state business climate, taxes and incentives, and KIT were the services most frequently utilized by firms that participated in our



survey. Table 31 shows the kinds of assistance that communities typically request from ID when they are recruiting prospects.

**TABLE 31**  
**Information Provided by ID to Communities with Active Prospects**

Type of Assistance	% of Communities Requesting
Answers to firm requests about state business climate	58
Answers to firm requests about state taxes and incentives	77
Information on coordination of tax and financial programs	65
Information on worker training programs	90
Answers about credit-worthiness of prospects	39
Other	10

Note: Total is more than 100 percent because multiple responses were possible.

### *Findings and Implications*

- Communities rely on ID as an important source of information, particularly concerning worker training programs and state taxes and incentives.

### **Case Study**

A case study taken from one of the communities that was interviewed is presented here to give a further perspective on the kinds of relationships that ID has with communities.

The community in question has a population under 100,000 and is located in the eastern part of the state. The community has not gone through a strategic planning process. It has some economic development goals, jointly determined by the city, county, and local Chamber of Commerce, that could be summarized as creating jobs by working with existing companies and recruiting firms from outside the community. The effort is focused to some extent on trying to create basic jobs in manufacturing, warehousing, research and development, and business services.

The community has a moderate marketing budget, about \$150,000. The community has used direct mail to market itself, sending about 2400 letters per year. It has also engaged in a small amount of media advertising, which the community does not feel has been very effective.

In general, the community has the following relationships with ID: (1) it participates in Kansas Cavalry Missions; (2) it provides information for community profiles and the ID database on existing buildings; (3) it has participated in a regional industrial tour; (4) it gets client firms (prospects) from ID; (5) it requests information about business conditions from ID; (6) it receives information about the soundness of potential firms from ID; and (7) it promotes the KIT program.



For several reasons, the community feels that the Cavalry Missions are an effective way to market itself. First, the community does not have the staff or the budget to send out the kind of mailing that ID does in preparation for a Cavalry mission, and ID's letters come with the Governor's signature, which carries some weight with executives of firms. Second, ID does all of the setup work, sometimes to the point of reserving hotel rooms and rental cars, including coordinating and confirming the appointments. Thus, the community can make 15 to 20 calls for just the cost of airfare and hotel, without the month and a half of backup work that is done by ID. The Cavalry missions are felt to be an effective tool for community marketing efforts, even though a Cavalry member represents the state of Kansas and not its own community when making the call, because the community can include promotional materials as part of follow-ups, and because other Cavalry teams on the same mission may also generate prospects for the community. One problem that the community faces in making optimal use of the Cavalry is that it is hard to get enough local business people who have the time to participate.

The community feels that the community profile is well done. It has about as much information as can be accommodated in a brief document, and it provides a common format for firms to be able to quickly compare sites within Kansas. The community updates the information for the profile once a year. Although the communities currently do not pay for the profiles, this community would be willing to pay a "couple hundred" dollars to be sure that ID had the most up to date information about the community. The community receives about 100 copies of its profile, but does not use them in its own promotional efforts; it has materials of its own that it uses for this purpose.

The community also feels that ID's database on existing buildings is handled well. It believes that the system of placing the responsibility for providing the information on existing buildings on the community is proper, because ID should be expending its resources on generating prospects. It believes that the database on existing buildings is an important industrial recruitment tool, since 60 to 70 percent of prospects begin by looking for an existing building. Although the firm may end up building its own building, it was the existence of a potential building that got the firm into the community in the first place. The community liked the idea, being considered by ID, of including a photograph of the building on its new form.

The community participated in one of ID's regional industrial tours, in which a relatively small group of nine firms visited. The community felt that this tour was something of a learning experience, and that the tour process had been refined since it participated. Although none of the firms on the tour subsequently revisited the community, it was felt that spending \$4000 (the approximate current cost for a community to participate) to get an expected 30 prospects to visit was an efficient use of the community's funds, and they would take part in another such tour if it became available. It was felt that even at the early stage of the location process that firms on the tour were in, it was still important to have firms visit, because one thing that the communities are trying to sell is quality-of-life. Such a tour was thought to have the added benefit of getting city and county officials directly involved with the recruitment process.

This community also ranked ID as its major source of client firms. It was estimated that the prospects that the community dealt with came from different sources with the following relative frequencies:

— the community's marketing efforts	10%
— walk-ins and tips	20%
— industrial realtors and consultants	10-15%
— ID (including Kansas Cavalry)	50%
— other	5-10%

Furthermore, half the companies that have actually visited the community have come through ID. Although activity has slowed in the last six months, probably due to the recession, in the two years prior to that it was estimated that ID called about a package for a prospect about once a week on average, and a KDOC prospect visited the community at least once a month. ID's role as a source of prospects was considered to be its foremost contribution to this community's recruitment effort.

When the community generates its own prospect, it does not hesitate to bring ID into the process at an early stage. ID will treat the prospect as being an exclusive to the community until such time as the client makes it clear that it will not locate in the community; then ID will work to get the firm to locate in another Kansas community. In the early stages of the process, ID's role was seen as a provider of information about state business climate for the firm, and information about the firm for the community. In general, it was felt that the community itself had good general information about the state business climate, but that ID's help was valuable when very specific answers were called for. It was felt that ID's responses to such specific requests were "always prompt and complete." The other kind of information that ID provides is information about the characteristics of the client firm. When a prospect comes to the community, the community may actually not know much about the firm, but it can have ID look up the company in the Dun and Bradstreet or Standard and Poors directories and get information about the credit-worthiness, history, and makeup of the board of the firm. This is important because how aggressively it recruits the firm and what it tells the firm depend to some extent on the firm's characteristics. It was felt that it would not be cost effective for an individual firm to contract with Dun and Bradstreet for these services, since such services are not required with great frequency. Finally, the community will call on ID for assistance with promoting the KIT program to prospective firms.

When the prospect comes to the community from ID, it will usually have received general state information from ID, plus a list of communities that ID feels matches the firm's requirements, and will have narrowed the list of potential communities somewhat before the community is involved at all. At that point the community may be asked to provide answers to specific questions that the firm has about the community. At this stage the community will probably know what the firm produces and possibly the state in which it is located, but typically will not know the identity of the firm. Once the firm has received answers to its questions, it will further refine the list of communities; at this point ID will usually press for the company to make an in-state visit. If the firm agrees, ID organizes a tour of the communities still on the firm's list. Sometimes the firm's identity will be made known to the community at this point, but even when it is not, ID will provide enough background information on the firm so that the community can intelligently court it. Selling the community is left strictly up to the individual

community. In fact, as the process continues and the firm narrows its list of potential locations more and more, the community becomes more involved in the process and ID becomes less involved, although this community likes to keep the ID representative involved as much as possible until the very end. This community has found ID to be fair and impartial in terms of not favoring one community over another.

Finally, this community feels that the programs that ID has in place are good programs that work; if ID were to add to its activities it should do more of the same kinds of things that it is already doing. The main changes that this community would like to see relate to the tax structure and financing of activities. Firms are concerned about the current tax structure as well as uncertainty about the state's future fiscal policy. Furthermore, the community feels that it has major problems with the financing of projects that involve even good, credit-worthy firms.

#### **Additional Findings from Community Development Professional Interviews and Survey**

Both our surveys and interviews of community development professionals contained open-ended questions that allowed the respondents to comment on their relationship with ID and on economic development in general. In this section we report some of these additional findings.

Concerning the communities' relationship with ID, the opinion was commonly expressed that the staff at ID were cooperative, efficient, professional, and willing to listen to suggestions from outside the department. The main concern that community development professionals had about the staff at ID was that it was spread too thin. More than one person felt that the staff at ID accomplished a great deal given the resources that were available, but that more resources needed to be devoted to contacting and following up leads. Many people expressed satisfaction with the opening of a Chicago office as a result of one staffer moving there, and a few suggested that the opening of a California office would be a productive use of resources.

Another theme that was evident in the surveys and the interviews was that advertising was an important way in which firms learned about Kansas, and should project an image of Kansas that stresses productivity and efficiency. Some felt that the advantages of Kansas for service industries should be emphasized.

Some communities felt that they needed help in developing and implementing development strategies. They cited training in how to market their communities and in how to use enterprise zones effectively as areas where ID assistance would be useful.

Finally, many communities expressed concern about uncertainty surrounding state policies that affect economic development. They discussed their dismay with recent vacillations on Kansas tax policy. One respondent believed that uncertainty about taxes presented more of a hindrance to a business locating in Kansas than the "known evil" of high taxes. He noted that many states that have a well established record of high taxes and high services do rather well in terms of recruiting industry.

### **Conclusions: Coordination with Community Economic Development Groups**

The regional tour program and Kansas Cavalry Missions are effective tools for marketing communities as well as the state as a whole. Furthermore, maintaining up-to-date data on communities and available buildings is an important function of ID, but the current practice of placing the burden of keeping the data current on communities seems reasonable and efficient. Finally, site location assistance is a joint effort of communities and ID; it seems appropriate for ID to continue to devote some of its resources to the Community Contact Program to better enable communities, especially smaller ones, to carry out their part of the effort. On a more general note, communities expressed concern over a lack of continuity in state economic development policy. They also reported the state's tax climate to be a detriment to business recruitment.

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## IX. CONCLUSIONS

The Industrial Development Division provides important services in three areas: industrial prospecting, site assistance, and community support.

Although the majority of prospect and suspect firms contact ID on their own initiative, data from ID records and from our survey indicate that a significant number of ID clients (between 19 and 39 percent) are reached by ID prospecting activities such as Cavalry missions, advertising, and industrial tours. A complete data tracking system would make it easier for ID to monitor the success of individual programs.

Our survey results indicate that most ID site assistance activities are frequently used and well received by clients. Respondents gave customized tours of potential business sites an extremely high importance rating (8.3 on a scale of 1 to 10). This is consistent with the information provided by interviews with ID staff, who frequently mentioned the importance of getting firms to visit the state.

Our evaluation of ID's role in providing support to community recruitment activities is not as yet complete. However a few conclusions are beginning to emerge from interviews with community development professionals. First, ID plays a vital role in bringing prospects to the attention of Kansas communities. One community claimed that about 50 percent of its prospects came from ID. Second, ID serves as an important information source for communities. They rely on ID for information on state taxes, incentives, and other programs. Communities also use ID as an agent to obtain information about the financial stability of firms that have approached them directly.

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## X. POLICY OPTIONS

Our study of the Industrial Development Division, including surveys and interviews, has led us to formulate a list of possible options for policy implementation. Some of the options could be implemented within current budget levels, while others would require additional budget and staffing. In some cases, the Division on its own initiative has already started to effect policy changes along lines which our study suggests will be productive. The following policy options are presented only to make some suggestions about directions the Division might pursue.

### Data Tracking System

**1. *The Division should begin to investigate the cost of developing a data tracking system.***

Rationale: Our evaluation pointed up a serious need for an integrated data tracking system within ID. Such a system would trace the progress of prospects and suspects as they deliberated their location decisions. Furthermore, the system would connect prospect and suspect information to information on advertising and other contact methods. The system would be useful for three purposes: organizing information on prospects and suspects to make it even more accessible for the day to day work of ID representatives; calculating the cost effectiveness of programs such as print advertising; and following up on firm locations to find out their contribution of jobs and investment to the Kansas economy.

### Print Media and Other Advertising

**2. *Advertising should continue to project the image of Kansas as a modern and productive place to do business.***

Rationale: Our firm survey results indicated that advertising was an important means by which firms learned of the advantages of Kansas as a business location. The advertising program should continue to stress themes of Kansas productivity. As one survey participant put it, "Dorothy and Toto don't sell to CEOs of major companies."

**3. *Ads should stress the advantages of Kansas for export-oriented service industries.***

Rationale: The emerging importance of the service sector in the Kansas economy has been well documented by economists at the University of Kansas and elsewhere.<sup>12</sup>

**4. *ID should explore opportunities for cooperation in advertising with Kansas communities.***

Rationale: Our interviews with community development professionals revealed that some communities already have their own advertising programs. Other communities would like to advertise, but lack financial resources. The Division should further explore the possibilities of linking community advertising programs with the state's campaigns. Communities and the Division might be able to share resources such as mailing lists.

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<sup>12</sup> Gina Sanborn and others, *The Nature and Significance of the Overland Park/Johnson County Economy*, report 157 (Lawrence, Kansas, Institute for Public Policy and Business Research, 1988).

### Community Profiles

5. *ID should cooperate with communities to develop a format for the profiles that would better reflect the interests of both urban and rural communities.*

Rationale: Community profiles are used by ID to help firms select communities. Additionally, some communities use them in their own recruitment programs. Our community development survey found that the profiles were much more useful for small communities than for large. Large urban communities felt that the information contained in the profiles was inadequate for their prospects.

### Trade Shows and Cavalry Missions

6. *The Division should increase the number of Cavalry missions.*

Rationale: Our research, particularly the firm survey, has found that Cavalry missions and trade shows are an important means of generating prospects. Several community development groups also indicated the importance of these personal contacts with business executives.

7. *The Division should explore ways to make Cavalry missions accessible to more small business people and to more development professionals, especially from small communities.*

Rationale: Several community development survey respondents regretted that they, or business people in their communities, did not have the financial resources to participate in Cavalry missions or trade shows. There is a perception that Cavalry participation is too expensive.

### Other Prospecting Activities

8. *The Division should explore the possibility of increased staffing for prospecting purposes. Along with this, ID should investigate the cost and potential benefits of establishing another out-of-state office on the West Coast.*

Rationale: Many community development survey participants praised the cooperativeness and efficiency of ID. Frequently mentioned was their satisfaction with the newly established Chicago office. Respondents felt that the Chicago office significantly increased access to out-of-state firms. However, several respondents felt that ID lacked sufficient personnel to accomplish its industrial recruitment goals. In particular, they felt that the state needed to devote more time and resources contacting firms and following up on leads.

### Kansas Regional Tours

9. *ID should pursue plans to increase the number of regional tours. The number of participants on each tour should be limited so that communities can talk with business people on an individual basis.*

10. *ID should maintain the cost to communities at its current level to keep tours affordable for small communities.*

Rationale: Community development professionals and firms alike were pleased with the regional tour program. Of the 24 community survey respondents who participated in the program during the last two years, 23 would participate again. However several communities felt that they did not have enough time to talk with individual business people during the tours, and that the size

of the tour groups may have gotten too large. They felt that it might be necessary to break the larger groups in two. Communities felt that they could handle the current cost of the tours, but not much more.

#### **Target Industries**

11. *The Division should continue with its plan to implement new targeting software.*
12. *The Division should pursue different targets for different parts of the state and different types of communities.*
13. *Where possible, the Division should consult with communities to see if the community development leaders agree that the targets are indeed appropriate to their communities.*
14. *The Division should develop a set of target industries appropriate for small rural communities.*

Rationale: There is no evidence that the target industry program developed by Lockwood-Greene in the late 1980s has been successful. Nevertheless, targeting is almost a must given the scarce resources of the division. Some of the larger communities already have developed their own set of targets; where possible, ID strategy should take these targets into account. Survey respondents from smaller communities reported that they sometimes feel left out of ID's state-wide plans. The development of targets specific to smaller rural communities might help to alleviate this problem.

#### **Community Development**

15. *ID should coordinate with other groups involved in community economic development. ID should contribute its particular areas of expertise, for example, marketing and recruitment, to a more unified strategy of community economic development assistance.*

Rationale: Several survey respondents indicated that their communities need help in developing and implementing their economic development strategies. For example, they need training in how to market their communities and in how to use enterprise zones effectively.

Because communities need broad based assistance with economic development, there exist possibilities for synergistic cooperation among three divisions of KDOC: Industrial Development, Community Development, and the Existing Industry Division. There is also an unexploited potential for cooperation with other economic development agencies such as the Kansas Center for Community Economic Development.

16. *ID should continue in its role as a broker and facilitator for firms that are considering Kansas locations.*

Rationale: One of ID's most important functions is to serve as a central information source and as an intermediary between firms and the communities. Firms often prefer to deal with a single agency early in their decision making process. In fact, they often want to keep their identities secret from the communities that they visit. ID provides firms with a means of visiting Kansas communities without having to negotiate directly with several individual community agencies.

## Overall Economic Development Policy

17. *Kansas should strive for continuity across administrations in economic development strategy.*
18. *Kansas should develop a consistent tax policy that will raise sufficient revenues for education, infrastructure, and other investments that affect the state's business climate.*

Rationale: Several of our community development survey respondents expressed concern over a lack of continuity in state level policies. While this is beyond the scope of ID to remedy, we bring it up because we think that these are important issues affecting the state's potential for growth.

**APPENDIX A**  
**Survey of Firm Location Decisions: Questions and Responses**

The Institute for Public Policy and Business Research is conducting a survey concerning firm location decision in Kansas. I understand that you have agreed to participate in this survey. We are conducting the survey as part of an evaluation of the services provided by the Kansas Department of Commerce. Your responses will be kept confidential, and the information that you provide us will be used for statistical purposes only.

I'd like to inform you that at the end of the survey I will ask you a couple of questions during which your answers will be tape recorded.

Q1. In what city and state is your company headquarters located?  
 [responses from cities throughout country]

Q2. Approximately how many people are employed by the entire company?

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
1-19	1	10	18.5	19.6	19.6
20-99	2	7	13.0	13.7	33.3
100-249	3	6	11.1	11.8	45.1
250-499	4	7	13.0	13.7	58.8
500-999	5	3	5.6	5.9	64.7
1000-4999	6	12	22.2	23.5	88.2
5000 +	7	6	11.1	11.8	100.0
.	.	3	5.6	Missing	
		-----	-----	-----	
Valid cases	51	Total	54	100.0	100.0
		Missing cases	3		

Q3. What are the TWO most important products or product lines produced by your company?

Category label	Code	Count	Pct of Responses	Pct of Cases
Food and Kindred Products	20	2	2.9	3.8
Textile Mill Products.	22	1	1.5	1.9
Apparel and Similar Products	23	6	8.8	11.5
Lumber and Wood Products	24	1	1.5	1.9
Furniture and Fixtures	25	2	2.9	3.8
Paper and Allied Products	26	3	4.4	5.8
Printing and Publishing	27	2	2.9	3.8
Chemicals and Allied Products	28	2	2.9	3.8
Rubber and Misc. Plastics Products	30	6	8.8	11.5
Stone, Clay, and Glass Products	32	4	5.9	7.7
Primary Metal Products	33	2	2.9	3.8
Fabricated Metal Products	34	4	5.9	7.7
Indust. Machinery and Computers	35	5	7.4	9.6
Electric and Electronic Equip.	36	5	7.4	9.6
Transportation Equip	37	4	5.9	7.7
Instruments, Medical and Optical Goods	38	5	7.4	9.6
Misc. Manufacturing	39	3	4.4	5.8
Communications	48	1	1.5	1.9
Retail: Building Materials	52	1	1.5	1.9
Nondepository Credit Institutions	61	1	1.5	1.9
Real Estate	65	1	1.5	1.9
Business Services	73	6	8.8	11.5
Engineering, Research, Management Serv.	87	1	1.5	1.9
		-----	-----	-----
		Total responses	68	100.0
				130.8

02 missing cases; 52 valid cases

I AM NOW GOING TO ASK SEVERAL QUESTIONS TO SEE WHAT YOUR FIRM LOOKS FOR WHEN IT CONSIDERS EXPANDING OR ESTABLISHING A NEW FACILITY.

Q4. Is it correct that your firm considered a location or expansion in Kansas during the last 5 years? [Yes=1/No=0] If 0, skip to END.  
[All 54 cases responded YES]

Q5. Which one of the following best describes the action that you were considering?

1. Started or considered starting a new business
2. Relocated or considered relocating from out of state
3. Started or considered starting a new branch plant
4. Expanded or considered expanding an existing Kansas plant
5. Other (Please explain)

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Started new business	1	7	13.0	13.5	13.5
Relocated	2	12	22.2	23.1	36.5
Started new branch	3	24	44.4	46.2	82.7
Expanded existing	4	8	14.8	15.4	98.1
Other	5	1	1.9	1.9	100.0
.	.	2	3.7	Missing	
Total		54	100.0	100.0	
Valid cases	52	Missing cases 2			

Q6. What were the two main products or product lines that you intended to produce at your expansion or new location?

Category label	Code	Count	Pct of Responses	Pct of Cases
Food and Kindred Products	20	2	3.2	3.9
Textile Mill Products.	22	1	1.6	2.0
Apparel and Similar Products	23	6	9.7	11.8
Lumber and Wood Products	24	1	1.6	2.0
Furniture and Fixtures	25	3	4.8	5.9
Paper and Allied Products	26	2	3.2	3.9
Printing and Publishing	27	2	3.2	3.9
Chemicals and Allied Products	28	2	3.2	3.9
Rubber and Misc. Plastics Products	30	4	6.5	7.8
Stone, Clay, and Glass Products	32	3	4.8	5.9
Primary Metal Products	33	2	3.2	3.9
Fabricated Metal Products	34	3	4.8	5.9
Indust. Machinery and Computers	35	6	9.7	11.8
Electric and Electronic Equip.	36	6	9.7	11.8
Transportation Equip	37	3	4.8	5.9
Instruments, Medical and Optical Goods	38	4	6.5	7.8
Misc. Manufacturing	39	1	1.6	2.0
Retail: Building Materials	52	1	1.6	2.0
Nondepository Credit Institutions	61	1	1.6	2.0
Real Estate	65	1	1.6	2.0
Business Services	73	7	11.3	13.7
Engineering, Research, Management Serv.	87	1	1.6	2.0
Total responses		62	100.0	121.6

03 missing cases; 51 valid cases

Q7. I am going to read you a list of several factors that might have influenced your decision on a location. Please rate the importance of the factor in your decision using a scale of 1 to 10. For example, 10 indicates that the factor was EXTREMELY IMPORTANT, 5 indicates MODERATELY IMPORTANT, and 1 indicates NOT AT ALL IMPORTANT.  
[Enter 1 - 10]

- a. Low wages
- b. Well educated or highly skilled workforce
- c. Right to Work Laws
- d. State-supported job training
- e. Location of site [e.g., near existing production facilities, markets, raw materials, etc.]
- f. Low cost for utilities
- g. Good transportation
- h. Inexpensive land
- i. Suitable building available for immediate occupation
- j. Low basic tax rates
- k. Availability of tax incentives (job and investment credits and property tax abatements)
- l. Government-supported financial incentives (industrial revenue bond financing)
- m. Government-supported site improvements (utilities lines, access roads)
- n. Lack of state and local governmental regulations (environmental)
- o. Availability of a state agency to aid in the location process
- p. Good quality of life in the area

Variable	Mean	S.E.	Mean	N	Label
Q7A	6.02	.31		51	Low wages
Q7B	6.40	.32		52	Well educated/highly skilled workforce
Q7C	6.44	.38		52	Right to work laws
Q7D	5.94	.35		52	State-supported job training
Q7E	6.77	.42		52	Location of site
Q7F	6.15	.32		52	Low cost for utilities
Q7G	6.98	.36		52	Good Transportation
Q7H	6.33	.36		49	Inexpensive land
Q7I	6.16	.49		49	Suitable building available
Q7J	7.08	.26		52	Low basic tax rates
Q7K	6.94	.33		51	Available tax incentives
Q7L	5.84	.39		51	Government supported financial incentive
Q7M	5.74	.39		50	Government supported site improvements
Q7N	4.74	.40		50	Lack of state/local governmental regulat
Q7O	5.50	.38		50	Available state agency assistance
Q7P	7.43	.27		51	Good quality of life

I AM NOW GOING TO FOCUS MORE SPECIFICALLY ON YOUR DECISION OF WHETHER TO LOCATE OR EXPAND IN KANSAS.

Q8. There are several ways in which firms might first learn about Kansas as a place to do business. Please respond whether any of these factors influenced your initial decision to look at Kansas as a potential location. [Yes=1/No=0]

- a. a direct mail solicitation from KS Dept. of Commerce
- b. print media or other advertising besides direct mail
- c. a contact with KS Dept. of Commerce personnel at a trade show
- d. a visit by a representative of the Kansas Cavalry
- e. a contact by a representative of a particular Kansas county or city
- f. a suggestion by a location consultant
- g. consultation of a published data sources
- h. consultation with executives of other firms



(Q8 cont.)

Variable	Mean	S.E.	Mean	N	Label
Q8A	.16		.05	51	Direct mail solicitation
Q8B	.18		.05	51	Print media/other advertising
Q8C	.10		.04	51	KDOC contact at trade show
Q8D	.12		.05	51	Visit by Kansas Cavalry representative
Q8E	.29		.06	51	contact by rep of KS county/city
Q8F	.14		.05	51	Suggestion by a location consultant
Q8G	.45		.07	51	Consultation of published data sources
Q8H	.37		.07	51	Consultation with Execs of other firms

Q9. Did any of the following help you find a site for your facility?  
[Yes=1/No=0]

- a. Outside consultants
- b. Electric and gas utility companies
- c. Telephone companies
- d. State departments of commerce or economic development
- e. Community economic development groups, including local government agencies, chambers of commerce

Variable	Mean	S.E.	Mean	N	Label
Q9A	.18		.05	51	Outside consultants
Q9B	.27		.06	51	Electric & gas utilities
Q9C	.08		.04	51	Telephone companies
Q9D	.57		.07	51	State Depts of Commerce or Eco Devo
Q9E	.63		.07	51	Community eco devo groups

Q10-Q19 (Responses follow Q19)

The Kansas Department of Commerce offers several services to businesses considering a location or expansion in Kansas. Of the following list of services, please indicate which ones you have received. Of those received, rate the importance using a scale ranging from 1 to 10: 10 indicates EXTREMELY IMPORTANT, 5 indicates MODERATELY IMPORTANT, and 1 indicates NOT AT ALL IMPORTANT.

- Q10. a. Did the KS Dept. of Commerce provide you with information about state business climate? [Yes=1/No=0] If 0, skip to Q11a.  
b. How important was the information in making your decision whether to locate or expand in Kansas? [use scale 1 - 10]
- Q11. a. Did the KS Dept. of Commerce provide you with information about state taxes and incentives? [Yes=1/No=0] If 0, skip to Q12a.  
b. How important was the information? [use scale 1 - 10]
- Q12. a. Did the KS Dept. of Commerce provide you with information about individual communities? [Yes=1/No=0] If 0, skip to Q13a.  
b. How important was the information? [use scale 1 - 10]
- Q13. a. Did the KS Dept. of Commerce provide you with real estate information such as available sites, buildings, costs? [Yes=1/No=0] If 0, skip to Q14a.  
b. How important was the information? [use scale 1 - 10]
- Q14. a. Did the KS Dept. of Commerce assist in matching your firm's requirements with the characteristics of individual communities? [Yes=1/No=0] If 0, skip to Q15a.  
b. How important was this assistance? [use scale 1 - 10]

- Q15 a. Did you participate in one of the KS Dept. of Commerce's regularly scheduled tours of a Kansas region? [Yes=1/No=0] If 0, skip to Q16a.  
 b. How important was this tour? [use scale 1 - 10]
- Q16. a. Did the KS Dept. of Commerce arrange a customized tour to visit potential sites? [Yes=1/No=0] If 0, skip to Q17a.  
 b. How important was it? [use scale 1 - 10]
- Q17. a. Did the KS Dept. of Commerce coordinate tax and other financial incentives for your firm? [Yes=1/No=0] If 0, skip to Q18a.  
 b. How important was this service? [use scale 1 - 10]
- Q18. a. Did the KS Dept. of Commerce provide information about the Kansas Industrial Training Program? [Yes=1/No=0] If 0, skip to Q19a.  
 b. How important was this information? [use scale 1 - 10]
- Q19. a. Did a KS Dept. of Commerce representative visit your firm's out-of-state office? [Yes=1/No=0] If 0, skip to Q20a.  
 b. How important was it? [use scale 1 - 10]

Variable	Mean	S.E.	Mean	N	Label
Q10A	.84		.05	50	KDOC info about state business climate
Q11A	.88		.05	49	KDOC info about state taxes and incentiv
Q12A	.63		.07	48	Info about individual communities
Q13A	.54		.07	50	Info on real estate
Q14A	.28		.06	50	Assistance in matching firms requirement
Q15A	.08		.04	49	Participation in one of KDOC's KS tours
Q16A	.31		.07	48	KDOC arranged customized tour of potenti
Q17A	.43		.07	46	Info on coordination of tax & financial
Q18A	.88		.05	48	Provide info about KIT program
Q19A	.26		.06	47	Visitation by KDOC rep of firm's out-of-

Variable	Mean	S.E.	Mean	N	Label
Q10B	7.12		.33	42	Importance, business climate info.
Q11B	7.00		.32	43	Importance, tax and incentive info.
Q12B	7.23		.37	30	Importance, community info.
Q13B	7.19		.51	27	Importance, real estate info.
Q14B	7.79		.42	14	Importance, matching communities/needs
Q15B	7.25		1.89	4	Importance, tour of Kansas region
Q16B	8.33		.45	15	Importance, customized tour
Q17B	7.75		.38	20	Importance, tax and incentive coord.
Q18B	6.73		.36	41	Importance, KIT info.
Q19B	6.92		.58	12	Importance, KDOC staff visit

Q20. Did you firm consider other states besides Kansas for your location or expansion? [Yes=1/No=0] If 0, skip to Q25.

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
No	0	5	9.3	10.0	10.0
Yes	1	45	83.3	90.0	100.0
.	.	4	7.4	Missing	
Total		54	100.0	100.0	

Mean .900 Std err .043  
 Valid cases 50 Missing cases 4

Q21. What states in addition to Kansas did you consider for location or expansion? Please list the 4 top candidates.

Name	Count	Pct of Responses	Pct of Cases	Name	Count	Pct of Responses	Pct of Cases
AL	1	.8	2.3	NY	2	1.7	4.7
AZ	2	1.7	4.7	NC	1	.8	2.3
AR	8	6.8	18.6	ND	2	1.7	4.7
CA	3	2.5	7.0	OH	3	2.5	7.0
CO	1	.8	2.3	OK	9	7.6	20.9
FL	4	3.4	9.3	ORE	2	1.7	4.7
GA	1	.8	2.3	PA	1	.8	2.3
IL	5	4.2	11.6	SD	3	2.5	7.0
IN	1	.8	2.3	TN	4	3.4	9.3
IA	8	6.8	18.6	TX	9	7.6	20.9
LA	1	.8	2.3	VA	2	1.7	4.7
MN	1	.8	2.3	WI	3	2.5	7.0
MO	28	23.7	65.1	CANADA	1	.8	2.3
MS	2	1.7	4.7	TOTAL	118	100.0	274.4
NEB	6	5.1	14.0	011 missing cases;			43 valid cases
NV	1	.8	2.3				
NM	3	2.5	7.0				

Q22. Did you receive site location information and services from departments of commerce or economic development in any of the states that you just listed? [Yes=1/No=0]  
If 0, skip to Q25.

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
No	0	5	9.3	11.1	11.1
Yes	1	40	74.1	88.9	100.0
	.	9	16.7	Missing	
Total		54	100.0	100.0	
Mean	.889	Std err	.047		
Valid cases	45	Missing cases	9		

Q23. Which of these states provided the most useful information?

Value	Frequency	Percent	Valid Percent	Cum Percent
Missing	20	37.0	37.0	37.0
AR	4	7.4	7.4	44.4
AZ	1	1.9	1.9	46.3
CO	1	1.9	1.9	48.1
FL	1	1.9	1.9	50.0
IA	7	13.0	13.0	63.0
IL	1	1.9	1.9	64.8
MO	8	14.8	14.8	79.6
ND	1	1.9	1.9	81.5
NE	1	1.9	1.9	83.3
NM	1	1.9	1.9	85.2
NY	1	1.9	1.9	87.0
OK	2	3.7	3.7	90.7
ON	1	1.9	1.9	92.6
TN	2	3.7	3.7	96.3
TX	2	3.7	3.7	100.0
Total	54	100.0	100.0	
Valid cases	54		Missing cases	0

Q24. Regarding the state that provided the most useful information and services to you, how would their assistance compare with the information and services you received from KDOC? Were the information and services provided by KDOC

1. much worse than
2. worse than
3. equal to
4. better than
5. much better than

the services provided by the BEST of the other states?

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Much worse than	1	1	1.9	2.6	2.6
Worse than	2	5	9.3	12.8	15.4
Equal to	3	22	40.7	56.4	71.8
Better than	4	4	7.4	10.3	82.1
Much better than	5	7	13.0	17.9	100.0
	.	15	27.8	Missing	
	Total	54	100.0	100.0	
Mean	3.282	Std err	.160		
Valid cases	39	Missing cases	15		

Q25. Did your firm ultimately decide to locate or expand in Kansas?  
 [Yes=1/No=0] If 0, skip to Q28.

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
No	0	23	42.6	43.4	43.4
Yes	1	30	55.6	56.6	100.0
	.	1	1.9	Missing	
	Total	54	100.0	100.0	
Mean	.566	Std err	.069		
Valid cases	53	Missing cases	1		

Q26. Which one of these best describes your decision to locate or expand?  
 (Answered only by firms which did not locate or expand)

1. Decided to expand or locate in a state other than Kansas
  2. Decided to postpone the decision to expand or locate
  3. Other, please describe [write on other sheet]
- If 1, skip to Q27. If 2 or 3, skip to Q46.

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Located in oth. st.	1	8	14.8	36.4	36.4
Postponed decision	2	9	16.7	40.9	77.3
Other	3	5	9.3	22.7	100.0
	.	32	59.3	Missing	
	Total	54	100.0	100.0	
Valid cases	22	Missing cases	32		

Q27. In which state did your firm relocate or expand?  
(Answered only by firms responding 1 to Q26)

GO TO Q46.

Value	Frequency	Percent	Valid Percent	Cum Percent
Missing	48	88.9	88.9	88.9
IA	1	1.9	1.9	90.7
MO	3	5.6	5.6	96.3
NM	1	1.9	1.9	98.1
OK	1	1.9	1.9	100.0
<hr/>				
Total	54	100.0	100.0	
Valid cases	54		Missing cases	0

Q30. a. Approximately how many full time employees CURRENTLY work at this Kansas establishment?  
b. And approximately how many part time employees?

Combined current full and part time employment.

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
0	0	2	3.7	6.7	6.7
1-19	1	6	11.1	20.0	26.7
20-99	2	10	18.5	33.3	60.0
100-249	3	6	11.1	20.0	80.0
250-499	4	4	7.4	13.3	93.3
500-999	5	1	1.9	3.3	96.7
1000-4999	6	1	1.9	3.3	100.0
.	.	24	44.4	Missing	
<hr/>					
Valid cases	30	Total	54	100.0	100.0
		Missing cases	24		

NOTE: Firms reporting 0 employment have not started production yet.

Q31. In what year did this plant open or expand?

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1940	1	1.9	3.4	3.4
	1985	1	1.9	3.4	6.9
	1986	3	5.6	10.3	17.2
	1987	2	3.7	6.9	24.1
	1988	5	9.3	17.2	41.4
	1989	7	13.0	24.1	65.5
	1990	6	11.1	20.7	86.2
	1991	3	5.6	10.3	96.6
	1992	1	1.9	3.4	100.0
.	.	25	46.3	Missing	
<hr/>					
Valid cases	29	Total	54	100.0	100.0
		Missing cases	25		

(Note: It appears that the 1940 response is the date of the plant opening, not the expansion)

Q32. a. Approximately how many full time employees worked at this establishment ONE YEAR AFTER your location or expansion?  
b. And approximately how many part time employees?

(Q32 cont.) Combined full and part time after 1 yr.

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
1-19	1	7	13.0	24.1	24.1
20-99	2	9	16.7	31.0	55.2
100-249	3	9	16.7	31.0	86.2
250-499	4	2	3.7	6.9	93.1
500-999	5	1	1.9	3.4	96.6
1000-4999	6	1	1.9	3.4	100.0
.	.	25	46.3	Missing	
Total		54	100.0	100.0	
Valid cases	29	Missing cases	25		

Q33. Approximately what percentage of the employees at this establishment belong in each of the following categories:

- a. production employees. %
- b. professional and technical employees. %
- c. clerical employees. %
- d. other. [write other type employee on other sheet] %

Variable	Mean	S.E. Mean	N	Label
NQ33A	.63	.06	25	% of production employees
NQ33B	.18	.04	25	% of professional/technical employees
NQ33C	.12	.03	25	% of clerical employees
NQ33D	.07	.03	25	% of other employees

Q34. What is the estimated value of the investment in your Kansas facility, including land, structures, and equipment? I'd like to remind you that we will keep all responses strictly confidential.

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
1-499,999	1	5	9.3	20.0	20.0
500,000-999,999	2	2	3.7	8.0	28.0
1,000,000-4,999,999	3	9	16.7	36.0	64.0
5,000,000-49,999,999	4	6	11.1	24.0	88.0
50,000,000 +	5	3	5.6	12.0	100.0
.	.	29	53.7	Missing	
Total		54	100.0	100.0	
Valid cases	25	Missing cases			

Q35. What were your facility's total sales during 1990?

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
0	0	2	3.7	8.0	8.0
1-499,999	1	4	7.4	16.0	24.0
1,000,000-4,999,999	3	7	13.0	28.0	52.0
5,000,000-49,999,999	4	8	14.8	32.0	84.0
50,000,000 +	5	4	7.4	16.0	100.0
.	.	29	53.7	Missing	
Total		54	100.0	100.0	
Valid cases	25	Missing cases	29		

Note: One of the plants with no sales will not open until 1992, one is shut down.

- Q36. Which ONE of the following best describes your Kansas facility?
1. An existing building was purchased or leased and few modifications were necessary
  2. An existing building was purchased or leased and extensive modifications were made
  3. A new building was constructed
  4. Other, please describe

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
existing, as is	1	9	16.7	30.0	30.0
existing, modified	2	8	14.8	26.7	56.7
new construction	3	11	20.4	36.7	93.3
other	4	2	3.7	6.7	100.0
missing	.	24	44.4	Missing	
		-----	-----	-----	
	Total	54	100.0	100.0	
Valid cases	30	Missing cases	24		

Q37-Q45 (Responses follow Q45)

Kansas state and local governments frequently offer tax and financial incentives to firms locating or expanding in Kansas. Of the following types of incentives, please indicate which ones you have received. Of those received, rate the importance using a scale ranging from 1 to 10: 10 indicates EXTREMELY IMPORTANT, 5 indicates MODERATELY IMPORTANT, and 1 indicates NOT AT ALL IMPORTANT.

- Q37. a. Did you receive Industrial Revenue Bond financing? [Yes=1/No=0]  
If 0, skip to Q38a.  
b. How important was it? [ENTER 1-10]
- Q38. a. Did you receive other government sponsored loans or grants?  
[Yes=1/No=0] If 0, skip to Q39a.  
b. How important was it? [ENTER 1-10]
- Q39. a. Did you receive government sponsored site improvements, such as  
access roads, rail, etc.? [Yes=1/No=0] If 0, skip to Q40a.  
b. How important was it? [ENTER 1-10]
- Q40. a. Did the state or local government provide you with land or  
buildings at no cost or at a reduced cost? [Yes=1/No=0]  
If 0, skip to Q41a.  
b. How important was it? [ENTER 1-10]
- Q41. a. Did you receive Kansas income tax credits for new jobs or new  
investment? [Yes=1/No=0] If 0, skip to Q42a.  
b. How important was it? [ENTER 1-10]
- Q42. a. Did you receive a property tax abatement? [Yes=1/No=0]  
If 0, skip to Q43a.  
b. How important was it? [ENTER 1-10]
- Q43. a. Did you receive a Kansas income tax credit for research and  
development? [Yes=1/No=0] If 0, skip to Q44a.  
b. How important was it? [ENTER 1-10]
- Q44. a. Did you receive enterprise zone sales tax exemptions? [Yes=1/No=0]  
If 0, skip to Q45a.  
b. How important was it? [ENTER 1-10]



- Q45. a. Did you receive government sponsored job training? [Yes=1/No=0]  
 b. How important was it? [ENTER 1-10] If 0, skip to Q46.

Variable	Mean	S.E.	Mean	N	Label
Q37A	.17		.07	29	Industrial Revenue bond financing
Q38A	.28		.08	29	Govt sponsored loans/grants
Q39A	.14		.07	29	Govt sponsored site improvements
Q40A	.17		.07	30	State/local govt-provided land/buildings
Q41A	.55		.09	29	Ks income tax credits for new jobs/inves
Q42A	.41		.09	29	Property tax abatement
Q43A	.03		.03	29	KS Income Tax Credit for Research/Develo
Q44A	.37		.09	30	Enterprise Zone Sales Tax Exemptions
Q45A	.52		.09	29	Government-Sponsored Job Training

Variable	Mean	S.E.	Mean	N	Label
Q37B	8.60		.51	5	Importance, IRB finance
Q38B	8.75		.41	8	Importance, loans or grants
Q39B	8.25		.85	4	Importance, govt. site improvements
Q40B	8.00		1.30	5	Importance, land/building subsidy
Q41B	7.94		.50	16	Importance, job/investment credit
Q42B	8.00		.54	12	Importance, property tax abate.
Q43B	8.00		.	1	Importance, R&D tax credit
Q44B	6.73		.60	11	Importance, EZ sales tax exemption
Q45B	7.57		.53	14	Importance, govt. job training

WE HAVE TWO OPEN ENDED QUESTIONS FOR WHICH WE WOULD LIKE TO RECORD YOUR RESPONSES. DO WE HAVE YOUR PERMISSION TO TAPE RECORD YOUR RESPONSES?

- Q46. If you were going to locate a new plant today, how would you go about choosing candidates for the site?  
 [multiple responses]
- Q47. Are there additional services that could have been provided by the KS Dept. of Commerce that would have been helpful in your firm's decision whether to locate in Kansas?  
 [multiple responses]

THIS IS THE END OF THE SURVEY. THANK YOU FOR PARTICIPATING. WE ASSURE YOU THAT ALL INDIVIDUAL RESPONSES WILL BE KEPT CONFIDENTIAL.

[END OF SURVEY]

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**Appendix B**  
**Comparison of Firms that Did and Did Not Choose Kansas Locations**

Q7A through Q7P.

Comparison of factors influencing firm locations between firms that did and did not choose Kansas locations. Q7A through Q7P were rated on a scale of 1 to 10.

**Q7A Low wages**

	Number of Cases	Mean	Standard Deviation	Standard Error			
Did not locate	23	6.3478	2.080	.434			
Located	27	5.7778	2.359	.454			
		Pooled Variance Estimate			Separate Variance Estimate		
F Value	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.
1.29	.553	.90	48	.373	.91	47.93	.368

**Q7B Well educated/highly skilled workforce**

	Number of Cases	Mean	Standard Deviation	Standard Error			
Did not locate	23	6.3043	2.512	.524			
Located	28	6.4286	2.251	.425			
		Pooled Variance Estimate			Separate Variance Estimate		
F Value	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.
1.25	.582	-.19	49	.853	-.18	44.74	.855

**Q7C Right to work laws**

	Number of Cases	Mean	Standard Deviation	Standard Error			
Did not locate	23	6.6087	2.904	.605			
Located	28	6.3571	2.670	.505			
		Pooled Variance Estimate			Separate Variance Estimate		
F Value	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.
1.18	.671	.32	49	.749	.32	45.35	.751

**Q7D. State-supported job training**

	Number of Cases	Mean	Standard Deviation	Standard Error
Did not locate	23	6.2609	2.416	.504
Located	28	5.6071	2.685	.507

		Pooled Variance Estimate			Separate Variance Estimate		
F Value	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.
1.24	.618	.90	49	.370	.91	48.56	.365

**Q7E Location of site**

	Number of Cases	Mean	Standard Deviation	Standard Error
Did not locate	23	6.0870	3.370	.703
Located	28	7.2500	2.648	.500

		Pooled Variance Estimate			Separate Variance Estimate		
F Value	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.
1.62	.233	-1.38	49	.174	-1.35	41.31	.185

**Q7F Low cost for utilities**

	Number of Cases	Mean	Standard Deviation	Standard Error
Did not locate	23	6.5652	2.233	.466
Located	28	5.7500	2.319	.438

		Pooled Variance Estimate			Separate Variance Estimate		
F Value	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.
1.08	.864	1.27	49	.210	1.27	47.73	.208

**Q7G Good Transportation**

	Number of Cases	Mean	Standard Deviation	Standard Error
Did not locate	23	7.0435	2.722	.567
Located	28	6.8929	2.572	.486

		Pooled Variance Estimate			Separate Variance Estimate		
F Value	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.
1.12	.773	.20	49	.840	.20	45.97	.841

**Q7H Inexpensive land**

	Number of Cases	Mean	Standard Deviation	Standard Error
Did not locate	22	6.1364	2.356	.502
Located	26	6.5000	2.775	.544

		Pooled Variance Estimate			Separate Variance Estimate		
F Value	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.
1.39	.450	-.48	46	.630	-.49	46.00	.626

**Q7I Suitable building available**

	Number of Cases	Mean	Standard Deviation	Standard Error
Did not locate	21	6.3810	2.765	.603
Located	27	5.8889	3.926	.755

		Pooled Variance Estimate			Separate Variance Estimate		
F Value	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.
2.02	.112	.49	46	.628	.51	45.62	.613

**Q7J Low basic tax rates**

	Number of Cases	Mean	Standard Deviation	Standard Error
Did not locate	23	7.4783	1.729	.360
Located	28	6.7143	1.922	.363

		Pooled Variance Estimate			Separate Variance Estimate		
F Value	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.
1.24	.617	1.48	49	.146	1.49	48.56	.142

**Q7K Available tax incentives**

	Number of Cases	Mean	Standard Deviation	Standard Error
Did not locate	22	7.0455	2.627	.560
Located	28	6.8214	2.178	.412

		Pooled Variance Estimate			Separate Variance Estimate		
F Value	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.
1.45	.356	.33	48	.743	.32	40.60	.749

**Q7L Government supported financial incentive**

	Number of Cases	Mean	Standard Deviation	Standard Error
Did not locate	23	6.4783	2.574	.537
Located	27	5.3333	2.896	.557

		Pooled Variance Estimate			Separate Variance Estimate		
F Value	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.
1.27	.579	1.47	48	.149	1.48	47.90	.145

**Q7M Government supported site improvements**

	Number of Cases	Mean	Standard Deviation	Standard Error
Did not locate	22	6.1818	2.594	.553
Located	27	5.3333	2.882	.555

		Pooled Variance Estimate			Separate Variance Estimate		
F Value	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.
1.23	.627	1.07	47	.289	1.08	46.50	.284

**Q7N Lack of state/local governmental regulation**

	Number of Cases	Mean	Standard Deviation	Standard Error
Did not locate	23	5.0870	3.103	.647
Located	26	4.4231	2.715	.533

		Pooled Variance Estimate			Separate Variance Estimate		
F Value	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.
1.31	.517	.80	47	.428	.79	44.10	.432

**Q7O Available state agency assistance**

	Number of Cases	Mean	Standard Deviation	Standard Error
Did not locate	22	5.5909	2.772	.591
Located	27	5.3704	2.734	.526

		Pooled Variance Estimate			Separate Variance Estimate		
F Value	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.
1.03	.936	.28	47	.781	.28	44.77	.782

**Q7P Good quality of life**

	Number of Cases	Mean	Standard Deviation	Standard Error
Did not locate	22	7.2727	2.292	.489
Located	28	7.5357	1.688	.319

Pooled Variance Estimate					Separate Variance Estimate		
F Value	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.
1.84	.135	-.47	48	.642	-.45	37.43	.655

**NOTE: None of the differences in means for Q7A through Q7P are statistically significant.**

**Q24. Comparison of KDOC services with services of other states.  
5=KDOC much better than other states. 1=KDOC much worse than other states.**

	Number of Cases	Mean	Standard Deviation	Standard Error
Did not locate	19	3.1579	1.119	.257
Located	20	3.4000	.883	.197

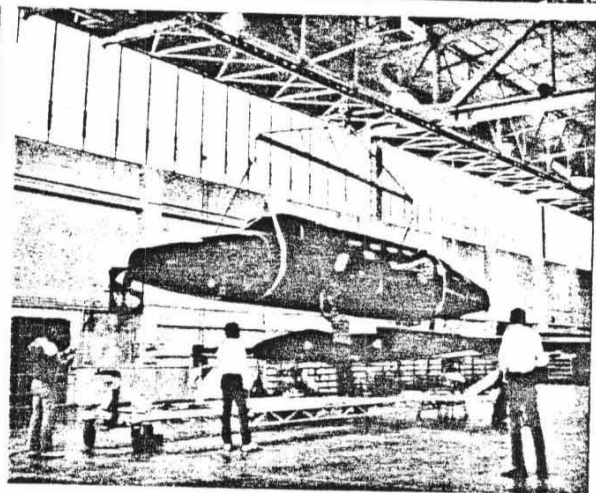
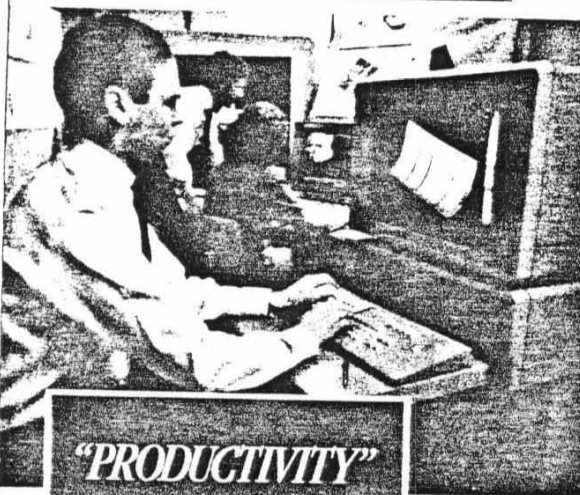
Pooled Variance Estimate					Separate Variance Estimate		
F Value	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.	t Value	Degrees of Freedom	2-Tail Prob.
1.61	.314	-.75	37	.457	-.75	34.24	.460

**NOTE: Difference not statistically significant.**



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K A N S A S



**"PRODUCTIVITY"**  
*is the 20th-century word  
for what we've  
always called  
an honest day's  
work.*

Kansans have always taken a frontier attitude to the task at hand — do it now and do it well.

Kansas is a right-to-work state so workers have a choice. Only 11% of our manufacturing work force belongs to unions.

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In Kansas, being productive is a way of life.

*Count on us!*



KANSAS DEPARTMENT OF COMMERCE  
400 S.W. 8th Street, 5th Floor  
Topeka, Kansas 66603-3957  
(913) 296-3481

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**APPENDIX D**

**Survey of Community Development Professionals:  
Questions and Responses**

**Q1. What is the geographical area in which your organization promotes industrial development? (Check one)**

- \_\_\_\_\_ 1. city or township
- \_\_\_\_\_ 2. county
- \_\_\_\_\_ 3. multi-county area
- \_\_\_\_\_ 4. other (briefly explain)

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
city or township	1	11	35.5	35.5	35.5
county	2	16	51.6	51.6	87.1
multi-county area	3	2	6.5	6.5	93.5
other	4	2	6.5	6.5	100.0
Valid cases		31			
Missing cases		0			
Total		31	100.0	100.0	

**Q2. What is the population served by your organization? (Check one)**

- \_\_\_\_\_ 1. 2500 or under
- \_\_\_\_\_ 2. 2501-5000
- \_\_\_\_\_ 3. 5001-10,000
- \_\_\_\_\_ 4. 10,001-25,000
- \_\_\_\_\_ 5. 25,001-50,000
- \_\_\_\_\_ 6. over 50,000

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
2,500 or under	1	1	3.2	3.2	3.2
2,501 - 5,000	2	3	9.7	9.7	12.9
5,001 - 10,000	3	5	16.1	16.1	29.0
10,001 - 25,000	4	6	19.4	19.4	48.4
25,001 - 50,000	5	7	22.6	22.6	71.0
over 50,000	6	9	29.0	29.0	100.0
Valid cases		31			
Missing cases		0			
Total		31	100.0	100.0	

**Q3. Is the community that your group serves within a metropolitan area? (As defined by the U.S. Bureau of the Census, this includes all communities in Johnson, Wyandotte, Leavenworth, Miami, Douglas, Shawnee, Sedgwick, Butler, and Harvey counties)**

\_\_\_\_\_ (1 = Yes or 0 = No)

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
No	0	18	58.1	58.1	58.1
Yes	1	13	41.9	41.9	100.0
Valid cases		31			
Missing cases		0			
Total		31	100.0	100.0	

**Q4. How many paid staff members are employed by your group? (Please convert to full-time equivalents)**

\_\_\_\_\_ full-time equivalent staff members

(cont.)

(Q4 cont.)

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
.1 - 1	1.00	7	22.6	22.6	22.6
1.1 - 2	2.00	18	58.1	58.1	80.6
2.1 - 3	3.00	4	12.9	12.9	93.5
3.1 - 7	4.00	1	3.2	3.2	96.8
7 +	5.00	1	3.2	3.2	100.0
		-----	-----	-----	-----
Valid cases	31	Total	31	100.0	100.0
		Missing cases	0		

Q5. On average, how many hours per week does your group (paid staff plus volunteers) spend on industrial or business recruitment activities? (total for entire group)  
\_\_\_\_\_ total hours per week.

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
0 - 10	1.00	6	19.4	19.4	19.4
11 - 30	2.00	7	22.6	22.6	41.9
31 - 60	3.00	8	25.8	25.8	67.7
61 - 100	4.00	5	16.1	16.1	83.9
101 +	5.00	5	16.1	16.1	100.0
		-----	-----	-----	-----
Valid cases	31	Total	31	100.0	100.0
		Missing cases	0		

Q6. Approximately what percentage of your community's industrial recruitment activities is carried out by each of these groups?

- \_\_\_\_\_ a. your community development organization
- \_\_\_\_\_ b. other community development groups (if any)
- \_\_\_\_\_ c. local government (if your group is not a government agency)
- \_\_\_\_\_ d. local business people, other than through your group
- \_\_\_\_\_ e. other (describe)

(should total 100 percent)

Variable	Mean	S.E.	Mean	N	Label
NQ6A	.72	.06	30	% recruitment by surveyed community org.	
NQ6B	.06	.02	30	% recruitment by other community org.	
NQ6C	.14	.04	30	% recruitment by local govt.	
NQ6D	.06	.02	30	% recruitment by local business people	
NQ6E	.02	.02	30	% recruitment by other	

Q7. What is your organization's approximate annual budget for industrial or business recruitment?

\_\_\_\_\_ (annual industrial recruitment budget)

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
0 - 20,000	1.00	12	38.7	38.7	38.7
20,001 - 50,000	2.00	4	12.9	12.9	51.6
50,001 - 100,000	3.00	5	16.1	16.1	67.7
100,001 - 150,000	4.00	6	19.4	19.4	87.1
150,001 +	5.00	4	12.9	12.9	100.0
		-----	-----	-----	-----
Valid cases	31	Total	31	100.0	100.0
		Missing cases	0		

Q8. What percentage of your recruitment budget is devoted to each of the following kinds of activities?

- \_\_\_\_\_ a. direct mail
- \_\_\_\_\_ b. print media advertising
- \_\_\_\_\_ c. travel outside community
- \_\_\_\_\_ d. hosting visits of firms to community
- \_\_\_\_\_ e. answering firms' requests for information about community
- \_\_\_\_\_ f. other recruitment activities (briefly explain)

Variable	Mean	S.E. Mean	N	Label
NQ8A	.10	.02	26	% recruitment budget for direct mail
NQ8B	.14	.03	26	% recruitment budget for print ads
NQ8C	.19	.02	26	% recruitment budget for travel
NQ8D	.13	.03	26	% recruitment budget for firm visits
NQ8E	.27	.04	26	% recruitment budget for info. requests
NQ8F	.17	.05	26	% recruitment budget for other

Q9a. Has your community formulated a strategy for economic development?  
(1 = Yes or 0 = No)

If the answer to Q9 was yes, please answer the following.

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
No	0	5	16.1	17.2	17.2
Yes	1	24	77.4	82.8	100.0
	.	2	6.5	Missing	
		-----	-----		
Valid cases	29	Total	31	100.0	100.0
		Missing cases	2		

Q9b. When was the strategy first implemented?  
(Year)

[years ranged from 1957 to 1992]

Q9c. What groups were involved in the development of the strategy?  
[multiple answers]

Q9d. What are the major features of your economic development strategy?  
[multiple answers]

Q10a. Has the Industrial Development Division of the Kansas Department of Commerce (ID) helped your community design and implement its general economic development strategy?

(1 = Yes or 0 = No)

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
No	0	19	61.3	65.5	65.5
Yes	1	10	32.3	34.5	100.0
	.	2	6.5	Missing	
		-----	-----		
Valid cases	29	Total	31	100.0	100.0
		Missing cases	2		

Q10b. If yes, briefly list the kinds of help that ID has provided.  
[multiple answers]

Q11. Looking specifically at industrial recruitment, what are your community's objectives and goals?  
[multiple answers]

Q12. How would you rate your community (relative to other communities throughout Kansas) in terms of its ability to attract new business from outside the community? (Check one)

- \_\_\_\_\_ 1. as strong as the strongest communities in Kansas.
- \_\_\_\_\_ 2. as strong as all but a handful of communities within the state
- \_\_\_\_\_ 3. somewhere in the middle
- \_\_\_\_\_ 4. stronger than some but weaker than most
- \_\_\_\_\_ 5. as weak as the weakest communities within the state

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
strongest	1	5	16.1	17.2	17.2
stronger than most	2	10	32.3	34.5	51.7
somewhere in the mid	3	9	29.0	31.0	82.8
weaker than most	4	5	16.1	17.2	100.0
	.	2	6.5	Missing	
		Total	31	100.0	100.0
Valid cases	29	Missing cases	2		

Q13. Which of these are major impediments to recruiting new businesses for you community? (Check all that apply) (1 if checked, 0 if not checked)

- \_\_\_\_\_ a. firms think community is located too far from major transportation links.
- \_\_\_\_\_ b. firms think that the community's supply of labor with desired skills is inadequate.
- \_\_\_\_\_ c. firms are hesitant to move to small rural communities.
- \_\_\_\_\_ d. firms are concerned that cultural amenities in community are inadequate.
- \_\_\_\_\_ e. firms think labor costs are too high in community.
- \_\_\_\_\_ f. firms think land costs are too high.
- \_\_\_\_\_ g. firms think state taxes (income and sales) are too high.
- \_\_\_\_\_ h. firms think property taxes are too high.
- \_\_\_\_\_ i. other (please specify)

Variable	Mean	S.E. Mean	N	Label
Q13A	.42	.09	31	Too far from transportation
Q13B	.48	.09	31	Labor supply inadequate
Q13C	.45	.09	31	hesitant to move to rural area
Q13D	.29	.08	31	Lack of cultural amenities
Q13E	.06	.04	31	Labor costs too high
Q13F	.06	.04	31	Land costs too high
Q13G	.48	.09	31	State taxes too high
Q13H	.55	.09	31	Property taxes too high
Q13I	.23	.08	31	Other

The Industrial Development Division of the Kansas Department of Commerce provides many types of assistance to help communities market themselves to firms that may potentially locate. Questions 14 to 18 concern this marketing assistance.

Q14a. Has ID provided your community with general advice on a marketing strategy?

(1 = Yes or 0 = No)

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
No	0	10	32.3	32.3	32.3
Yes	1	21	67.7	67.7	100.0
		Total	31	100.0	100.0
Mean	.677	Std err	.085		
Valid cases	31	Missing cases	0		



Q14b. If yes, how important was this advice in bringing new firms to your community on a scale of 1 to 10?  
 \_\_\_\_\_ (Scale of 1 to 10. 1=not at all important 10=extremely important)

Mean 6.136 Std err .582  
 Valid cases 22 Missing cases 9

Q15a. Did ID provide your community with a printed community profile?  
 \_\_\_\_\_ (1 = Yes or 0 = No)

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
No	0	1	3.2	3.2	3.2
Yes	1	30	96.8	96.8	100.0
	Total	31	100.0	100.0	

Mean .968 Std err .032  
 Valid cases 31 Missing cases 0

Q15b. If yes, how important is the profile in your community's marketing efforts on a scale of 1 to 10?  
 \_\_\_\_\_ (Scale of 1 to 10. 1=not at all important 10=extremely important)

Mean 6.552 Std err .538  
 Valid cases 29 Missing cases 2

Q16a. Has your community participated in one of the Industrial Development Division's regional tours for potential new firms?  
 \_\_\_\_\_ (1 = Yes or 0 = No)

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
No	0	7	22.6	22.6	22.6
Yes	1	24	77.4	77.4	100.0
	Total	31	100.0	100.0	

Mean .774 Std err .076  
 Valid cases 31 Missing cases 0

If yes, please answer Q16b-Q16h.

Q16b. What was the approximate date of the tour that you participated in?  
 \_\_\_\_\_ (month and year)  
 [years from 1989 - 1991]

Q16c. What did you like best about the tour?  
 [multiple answers]

Q16d. What did you like least about the tour (what would you change)?  
 [multiple answers]

Q16e. How many firms visited your community on the tour?  
 \_\_\_\_\_ (number of firms)  
 [answers ranged from 1 to 25]

Q16f. How important was the tour in stimulating interest in your community by out-of-state businesses?  
 \_\_\_\_\_ (Scale of 1 to 10. 1=not at all important 10=extremely important)

Mean 5.864 Std err .697 Valid cases 22 Missing cases 9

Q16g. Would you participate in another such tour if the opportunity arose?  
 \_\_\_\_\_ (1 = Yes or 0 = No)

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Yes	1	23	74.2	100.0	100.0
	.	8	25.8	Missing	
	Total	31	100.0	100.0	
Mean	1.000	Std err	.000		
Valid cases	23	Missing cases	8		

Q16h. If not, why not? [no responses]

Q17a. Does your community provide information to the Industrial Development Division of the Kansas Department of Commerce about available buildings in your community?  
 \_\_\_\_\_ (1 = Yes or 0 = No)

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
No	0	1	3.2	3.3	3.3
Yes	1	29	93.5	96.7	100.0
	.	1	3.2	Missing	
	Total	31	100.0	100.0	
Mean	.967	Std err	.033		
Valid cases	30	Missing cases	1		

Q17b. If yes, how satisfied are you with way in which ID markets these buildings on a scale of 1 to 10?  
 \_\_\_\_\_ (Scale of 1 to 10. 1=very dissatisfied 10=very satisfied)

Mean	6.889	Std err	.518
Valid cases	27	Missing cases	4

Q18a. In general, how satisfied have you been with the marketing assistance which your community has received from ID?  
 \_\_\_\_\_ (Scale of 1 to 10. 1 = very dissatisfied 10 = very satisfied)

Mean	6.793	Std err	.512
Valid cases	29	Missing cases	2

Q18b. Please comment on your satisfaction or dissatisfaction with ID's marketing assistance below. In particular, what programs do you find to be especially helpful:  
 [multiple responses]

Q19. Approximately how many people in the community served by your group are members of the Kansas Cavalry?  
 \_\_\_\_\_ total number of Cavalry members.

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
0 - 5	1.00	17	54.8	65.4	65.4
6 - 10	2.00	5	16.1	19.2	84.6
11 - 20	3.00	4	12.9	15.4	100.0
	.	5	16.1	Missing	
	Total	31	100.0	100.0	
Valid cases	26	Missing cases	5		

Q20. To what extent do you view Kansas Cavalry missions to be a tool for marketing your local community? (Check one)

- \_\_\_\_\_ 1. not at all; the Cavalry is purely a statewide marketing device.
- \_\_\_\_\_ 2. only marginally; if a community member on a Cavalry visit is asked about the community, he/she will respond; otherwise there is no community specific recruiting associated with Cavalry visits.
- \_\_\_\_\_ 3. somewhat; if a community member on a Cavalry visit is asked about the community, he/she will respond; furthermore, information about the community is included in the follow-up after the Cavalry mission.
- \_\_\_\_\_ 4. other (Explain)

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
not at all	1	3	9.7	10.3	10.3
only marginally	2	9	29.0	31.0	41.4
somewhat	3	14	45.2	48.3	89.7
other	4	3	9.7	10.3	100.0
	.	2	6.5	Missing	
		-----	-----	-----	
	Total	31	100.0	100.0	
Valid cases	29	Missing cases	2		

Q21. Approximately what percentage of the prospects for location in your community come from each of the following sources?

- \_\_\_\_\_ a. community's marketing effort
- \_\_\_\_\_ b. call-ins, walk-ins, and tips
- \_\_\_\_\_ c. real estate firms and consultants
- \_\_\_\_\_ d. Industrial Development Division of the Kansas Department of Commerce.
- \_\_\_\_\_ e. other (please explain if more than 15%)

Variable	Mean	S.E. Mean	N	Label
NQ21A	.28	.04	28	community prospecting efforts
NQ21B	.31	.05	28	call-ins, walk-ins, and tips
NQ21C	.12	.03	28	real estate firms and consultants
NQ21D	.22	.04	28	Industrial Development Division
NQ21E	.07	.04	28	other

Q22. On average, how often over the past 2 years has ID called your community to get more information for a prospect? (Check one)

- \_\_\_\_\_ 1. never
- \_\_\_\_\_ 2. 1 to 5 times a year
- \_\_\_\_\_ 3. 6 to 12 times a year
- \_\_\_\_\_ 4. 13 to 24 times a year
- \_\_\_\_\_ 5. more frequently (specify)

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
never	1	4	12.9	12.9	12.9
1 to 5 times/year	2	11	35.5	35.5	48.4
6 to 12 times/year	3	6	19.4	19.4	67.7
13 to 24 times/year	4	6	19.4	19.4	87.1
more frequently	5	4	12.9	12.9	100.0
		-----	-----	-----	
	Total	31	100.0	100.0	
Valid cases	31	Missing cases	0		

Q23. On average, how often over the past 2 years has an ID prospect visited your community? (Check one)

- \_\_\_\_\_ 1. never
- \_\_\_\_\_ 2. 1 to 5 times a year
- \_\_\_\_\_ 3. 6 to 12 times a year
- \_\_\_\_\_ 4. 13 to 24 times a year
- \_\_\_\_\_ 5. more frequently (specify)

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
never	1	6	19.4	19.4	19.4
1 to 5 times/year	2	18	58.1	58.1	77.4
6 to 12 times/year	3	4	12.9	12.9	90.3
13 to 24 times/year	4	3	9.7	9.7	100.0
		-----	-----	-----	
Total		31	100.0	100.0	
Valid cases	31	Missing cases	0		

Q24. When you have a prospect generated from a source other than the Industrial Development Division, at what point do you bring ID into the process? (Check one)

- \_\_\_\_\_ 1. as early as possible
- \_\_\_\_\_ 2. only if and when the firm has requests for information that the community cannot handle.
- \_\_\_\_\_ 3. only if the community needs information about the firm that it cannot get from any other source
- \_\_\_\_\_ 4. never
- \_\_\_\_\_ 5. other (Explain)

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
early as possible	1	13	41.9	41.9	41.9
if firm needs info.	2	14	45.2	45.2	87.1
never	4	1	3.2	3.2	90.3
other	5	3	9.7	9.7	100.0
		-----	-----	-----	
Total		31	100.0	100.0	
Valid cases	31	Missing cases	0		

Q25. Do you ever hesitate to bring ID into the process for fear that information about the prospect may "get out" to other communities in the state? (1 = Yes or 0 = No)

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
No	0	26	83.9	86.7	86.7
Yes	1	4	12.9	13.3	100.0
	.	1	3.2	Missing	
		-----	-----	-----	
Total		31	100.0	100.0	
Valid cases	30	Missing cases	1		

Q26. If and when you bring ID into the process of recruiting one of your own prospects, what kinds of assistance do you typically request from ID? (Check all that apply) (1 if checked, 0 if not checked)

- \_\_\_\_\_ a. answers to firm requests about state business climate
- \_\_\_\_\_ b. answers to firm requests about state taxes and incentives
- \_\_\_\_\_ c. information on coordination of tax and financial programs
- \_\_\_\_\_ d. information on worker training programs
- \_\_\_\_\_ e. answers to community questions about credit-worthiness/history of the firm
- \_\_\_\_\_ f. other (please describe) (cont.)

(Q26 cont.)

Variable	Mean	S.E.	Mean	N	Label
Q26A	.58		.09	31	Firm requests about state business clima
Q26B	.77		.08	31	Firm requests about state taxes and ince
Q26C	.65		.09	31	Info on coord. tax and financial program
Q26D	.90		.05	31	Information on worker training programs
Q26E	.39		.09	31	answers about credit-worthiness
Q26F	.10		.05	31	Other

Q27. In terms of support for your community's industrial recruitment efforts, what are the greatest strengths of the Industrial Development Division?  
[multiple answers]

Q28. In terms of support for your community's industrial recruitment efforts, what are the greatest weaknesses of the Industrial Development Division?  
[multiple answers]

Q29. What more could the Industrial Development Division be doing to help your community with its industrial recruitment efforts?  
[multiple answers]

Thank you for participating in our survey. We assure you that the responses of individual communities will be kept strictly confidential.

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## APPENDIX E

### SUMMARIES OF ARTICLES ON RECRUITMENT OF INVESTMENT

#### Introduction

This appendix summarizes several articles from a recent issue (Spring, 1991) of *Economic Development Review*. The issue is geared toward economic development practitioners, both at the state and the community level. Several of the articles discuss the experiences of industrial developers in using new techniques and approaches to achieve the goal of stimulating new jobs and investment. In many cases, the problems encountered by industrial developers throughout the country parallel those encountered in Kansas.

**Article Summary:** Phillips, Phillip D. "Site Selection: Corporate Perspective and Community Response." *Economic Development Review* 9, no. 2 (Spring 1991): 4-11.

This article reviews the types of site selection decisions made by businesses:

1. **Start-up:** Very often entrepreneurs choose their own home towns to start a business, and this factor is often ignored by economic developers.
2. **Expansion:** Businesses may choose to expand in places other than the current location either because:
  - they encounter physical constraints (such as lack of land around the existing plant); or
  - they find that lower business costs (advantages like lower wages, utility costs, tax incentives, etc.) are available elsewhere; or
  - they encounter operational difficulties in the current location.

In the case of an expansion, it is very important that communities make certain that they do not "push" any local business to other locations because of avoidable costs or operating difficulties.

3. **Relocation:** Site selection in this case gets lots of attention. Businesses look for the best available options with the best business climate, maximum incentives, etc. since they are entirely uprooting their business and moving it from one area to another.

#### Control Factors in Site Selection

Companies choose sites based on their knowledge of and familiarity with the new location. Firms consider both cost and non-cost factors in making their decisions.

**Cost factors** are some of the first things that a company looks at during site selection. It is only after the cost factors are taken care of that businesses start looking at other non-cost factors such as quality-of-life. In the cost category, firms are concerned with several issues.

- **Proximity to markets and raw material sources** is a major factor for any company.
- Although **labor** is not as large a cost as it used to be or as large as land and building costs, energy costs, etc., it is still important that an area be competitive in terms of labor.



Work ethics, quality, skills, etc. still rank very high for businesses. Level of unionization is less important than educational levels, strike history, absenteeism, turnover rates and other productivity-related labor factors.

- **Utility costs** have gained more importance in recent years, and for companies for which utilities are an important factor, the cost differences between regions can be more significant than the more generally recognized tax cost differentials. Good communication systems are becoming an indispensable tool for attracting service industries since they depend immensely on these services.

- **Low transportation costs** is another major factor which attracts many of the manufacturing companies.

- **Taxes** really are not a major expense for most industries compared to their other expenses. Different businesses pay different amounts of tax on the same service depending on whether they have a large amount of property or income. However, they are important for economic developers because taxes are: (1) visible--a company gets a bill, and (2) they are negotiable--a company can try to lower this cost factor through incentives.

**Non-Cost factors** include quality-of-life, availability of specialized suppliers, etc.

- Many firms may choose not to locate in a certain place because of the lack of **specialized suppliers** of some product or service.

- Since more and more firms seek to further the training of their workforce, they look for **access to community colleges or universities**.

- One of the major concerns of businesses, especially in the future, will be **environmental issues**. Small communities may sometimes have an advantage over bigger cities since they do not have strict regulations on these issues.

- **Quality-of-life** becomes a deciding factor only when the list of locations has been narrowed down and, on the basis of costs, all of them look equal. This factor becomes crucial when the company is looking for a place to locate its headquarters and when it wants to attract managerial and highly technical personnel.

- **Intangible factors**, such as degree of community spirit and how well-planned and tidy a community looks, do not show up on paper. These are the kinds of things that become apparent when a business personally inspects the site.

### **Steps in the Site Selection Process**

These steps are followed by most manufacturing companies and may vary depending on the nature of the company.

**Step 1: Defining the Facility.** This is where the company defines what to produce and how to produce it. The economic developer is not involved in these decisions. Here the company defines the mission of the facility, skills needed, employment levels, utility requirements, site and building requirements, service requirements, environmental constraints, relation to other corporate facilities, etc. This definition may change as they go along.

**Step 2: Geographic Analysis of the Market.** A new company tries to determine the geography and size of future demand for its product while looking for a new facility.

**Step 3: Deciding to Do a Site Search.** Often companies which decide to expand may do it in their current facility by using better technology or by acquiring an already existing product line elsewhere. Economic developers should try to encourage local businesses to expand in their current locations by convincing them that they already have good operating conditions. Here is where good business retention strategies are required.

**Step 4: Freight Cost Analysis.** Since most manufacturing companies incur freight costs on a continual basis (on inbound raw materials and outbound final products), this is one of the major factors that they calculate early in their site selection process. Non-manufacturing firms may not rank freight costs as high as labor, travel costs, etc.

**Step 5: Defining the Search Area.** If a community falls outside of the search area that the company has in mind, it may not even be considered for the search no matter how hard the community tries.

**Step 6: Initial Screening.** A site selector sifts through hundreds of communities to narrow down the search. Often communities are left out of the search for trivial reasons such as the lack of data on sewer capacity or for having sent bulky information packets when asked for specific information.

**Step 7: Second Round Screening.** It is only now that the site selectors make direct contact with the communities. They are now looking for specific information on land, building, etc. and if they do not get the exact information they are looking for, they may decide to drop that location out of the picture.

**Step 8: Field Visits.** This is where first impressions are made. Firms may like to meet other employers in the region to get more than some factual information. Businessman-to-businessman discussions will reveal more about the location to them. Some important things to remember during field visits are:

- Not to hide any thing, since it will probably come out eventually and be disastrous for the locality's image.
- Show the prospects what they are interested in first and then the other things that they did not ask for, since their visits are very short.
- Get the experts from utility companies, real estate agencies, etc. to give accurate information and explanations.
- It is important not to go overboard and be a pest so that the site selector is happy to get out of the place.

**Step 9: Ranking Alternatives.** The new facility may be ranked by various people in a variety of ways. The engineers may be looking for something completely different from what the tax expert is looking for. The CEO may be just going by his or her gut level feelings.

**Step 10: Engineering Analysis, Legal Analysis, and Options.** Engineering and legal analysis are important as the process of site selection nears completion, and if a community is smart, they

will already have soil surveys, title checks on land or buildings, and other such details worked out and ready for the site selector to examine.

**Step 11: Implementation.** Even after a particular community has been chosen, the actual implementation of plans may take longer because of delays in financing or delays in obtaining approval from the board of directors, etc. Even at this point, the whole idea of starting a business in the new location may fizzle out or stall because of the internal politics of the firm, financial problems, change in market conditions, etc.

**Step 12: Start-up.** A new facility may not start operating right away even if the final decision has been made. This may be because of the time required to modify or build the facility and transfer or hire personnel. In spite of the new facility opening and operating, the job of the economic developer is not over. It has merely changed from attracting businesses to retaining them.

Usually, by the time a company approaches a community, it will already have gone through the first five or six steps. The town leaders should think like a prospect and should try to understand its needs and goals. A greater understanding of the site selection steps and reasons why a company might choose that community would prepare them to better understand and answer the prospect's questions and be more marketable.

**Article Summary:** Gorin, Dan R. "Point-Potential Oklahoma Industrial Targets." *Economic Development Review* 9, no. 2 (Spring 1991): 12-15.

Often communities fail to recognize good business prospects because they have not been able to recognize and match companies with the community's attributes. Often some communities resort to economic development consultants, but many small communities cannot afford them. Oklahoma realized that communities can figure out their own potential if only they had access to current data and other information that the consultants had. Oklahoma decided to provide communities with this information and set up a new plan with the following objectives:

- Compile data necessary to evaluate various manufacturing industries as potential targets.
- Provide them with industrial rankings.
- Help communities identify and quantify their locational attributes.
- Provide communities with PC's and software.
- Make sure the software is user-friendly and does not require technical skills.
- Provide annually updated data so that communities can revise the targets periodically.

The Oklahoma Department of Commerce, along with Midwest Research Institute, developed a software package, tested it several times, and installed it in several communities. Ultimately, it is anticipated that more than 100 communities will be involved in the project. This is supposed to bring to the communities a much greater awareness about their attributes and

how they relate to the needs of manufacturers. The program, POINT as it is called, is designed to do the following:

- Provide information in a well-organized manner.
- Provide a methodology for analyzing and evaluating information.
- Assist communities in utilizing their limited resources in the best possible way.
- Enable communities to use the model as a long-term planning tool.

### **Demonstrated Success**

It is too early to calculate the financial savings that POINT has generated for the Oklahoma Department of Commerce or the communities, since many communities are still on a waiting list to receive the software. But wherever it is in use, it has been found to be very effective. Though savings cannot be quantified now, in the future, it is definitely going to save thousands of hours of research as well as tens of thousands of dollars in consultation fees.

### **Secondary Benefits**

This program helps build goodwill between the Oklahoma Department of Commerce and the communities since it proves to the communities that the Department of Commerce is committed to development at the local level and is allocating resources for this purpose. The software itself saves time and money for the user, thus making the whole system more efficient. The communities have sufficient information to target specific companies instead of just groping for any prospect. POINT has also been able to bring several communities together.

**Article Summary:** Collins, Brian A. "A Sector Specialist Approach to Economic Development." *Economic Development Review* 9, no. 2 (Spring 1991): 22-24.

This review summarizes the approach of the Economic Development Corporation (EDC) of Kansas City, a private, not-for-profit corporation. EDC is given charge of managing the city's economic development activities, as well as land planning and urban renewal functions. EDC is trying a long-range economic growth approach to target major sectors of the economy in order to do sector analysis and industry specific programs.

In line with this approach, EDC staff will study specific sectors of the economy so that they can have a comprehensive understanding of that sector. This way they can focus on the particular needs of and opportunities within a given industry. The study initially targeted printing and publishing, transportation and warehousing, telecommunications, agribusiness, and health-care products manufacturing. For each target industry, staff members identify key issues affecting the industry and design several programs, including seminars, workshops, and legislative actions, to attempt to provide solutions to the key issues.

The sector specialist approach focuses on the entire industry and not just a single business. The program has been able to bring together several businesses within an industry cluster and thus foster a strong network of suppliers, technologies, markets, etc. The industry can

collectively outline its labor needs, allowing for the development of industry specific training programs.

**Article Summary:** Eggers, Richard L. and Robert G. Treat. "Developing a Management System for an Economic Development Advertising Program. *Economic Development Review* 9, no. 2 (Spring 1991): 25-28.

Due to increasing competition, tremendous amounts of money are being spent by economic development groups on advertising. But the effectiveness of such advertising is rarely evaluated. This article discusses an advertising evaluation program at the Illinois Power Company.

### **The Need for a Management System**

Most economic development organizations are faced with limited resources, both human and financial. There are concerns about the process and allocation of resources necessary to accomplish the organization's work. As a part of the whole marketing management program, a systematic approach must be developed to effectively and efficiently manage the advertising program. As a procedural outline, the approach should include: (1) development of the concept; (2) design and placement of the ad(s); (3) a response mechanism; and (4) an evaluation system.

### **Establishing an Advertising Management System**

The success of an advertising program depends on how well the goals are defined. It is important to establish the relationship between the advertising program and the rest of the marketing program. In other words, the advertising program should complement the overall objectives of the economic development program. A good advertising program should consider all of the following goals: creating awareness, creating a favorable image, and generating leads. However, many economic development advertising programs address only one of the three.

### **Design and Placement**

The themes developed to communicate a message to a potential investor are very important. Of equal importance is the way one targets the potential investor. If creating an image is the idea behind the advertisement, one should basically concentrate on the circulation number. However, if the focus is to generate a lead, then one should basically target the specific media alternative intended for that lead. For this, one should get a demographic profile of the media's consumers and the circulation number. Acquiring good professional assistance may aid in reaching the goals stated earlier with the maximum effect.

### **Response Mechanism**

If someone responds upon seeing the ad, it indicates that this person thought that he or she had something to gain from getting more information. Perhaps they have a large market in this location or it is a good source of their raw materials. Therefore, the respondents should be taken seriously. Many organizations treat these respondents without much care because they have failed to recognize these respondents as future investors. This could be because of previous



experiences, where they did not have a good success rate with the respondents actually locating in the region. This in turn could be because of the bad advertising strategy. A response mechanism is a very good idea and should include these two features: (1) classification of the ad lead and (2) response and follow-up. Based on the nature of the call, it should be determined whether it is a good lead or a bad lead. Bad leads can be discarded and the good ones followed up. Prioritizing the good leads can help save time for the developer. The Illinois Power Company is one such firm that has a good system for rating and monitoring the good responses.

### **Evaluation**

Evaluation should be based on the goal set in the first stage. If the goal was to create awareness and image, a survey of the readership would be helpful. If the goal was to create leads, a ratio of leads to prospects generated should indicate something. This is also known in development circles as the "hit rate." The quality of the leads generated can be ranked. Monitoring and ranking the lead quality can be very beneficial. The type of businesses that respond may give a big indication to the developer as to the markets that they should target. This could also show them whom to target for a direct mail campaign.

### **Results**

Since the implementation of the management system at the Illinois Power Co., the number of ad responses that eventually became prospects has risen by 440 percent. This is the result of setting scientific goals, following up responses within 48 hours, etc. This has also led to an increase in ad response rate and a lowering of advertising costs. The staff time allotted to advertising can now be more focused. Setting up goals can also help the advertising agency outline a suitable ad since most of them have very little experience with economic development. Most of all, it helps economic developers conserve precious financial resources and staff time.

**Article Summary:** Pennington, Janet. "How to Market Communities." *Economic Development Review* 9, no. 2 (Spring 1991): 69-71.

This article gives the developer a brief lesson on the tactics of marketing a community. The objective in marketing a product is to influence people to buy a product, not to impress them. The author says that, likewise, the objective of a marketing program should be to influence people, not to impress them. A marketing program does not have to be expensive and elaborate but should be direct and consistent. The article builds upon the work of Tom Davidson ["Effective Marketing for Community Economic Development." *Strategic Planning for Local Economic Development* (November, 1987) p. 19]. Davidson identifies community marketing as a process based on:

- clearly defining the assets and liabilities of the product — the community;
- identifying the prospects who offer the highest potential for being persuaded to buy from the community;
- understanding how and why the prospect decides on a location;

- clearly asserting the message intended to the prospect; and
- planning a follow-up procedure to make sure the goals are met.

### **Defining Assets and Liabilities**

It is very important for the community to do a detailed self-analysis of its strengths and weaknesses to see what it has to offer. The community should make available all relevant data and information on the natural resources, transportation services, labor supply, educational facilities, recreational opportunities, water and sewer services, access to markets, capital availability, access to affordable land or buildings, etc.

### **Identifying Prospects**

Once the community has recognized its potential, it should search for the right kinds of companies that would want to expand there. This requires careful scrutiny of the nature of the company and its requirements. Often communities are not capable of gathering and analyzing data and information of this nature, and they end up using a consultant, university studies, or software packages designed for this purpose.

### **Understanding the Firm Location Process**

A community should look into what factors motivate a company to make a location decision. These factors vary with the company because companies have different needs. It is difficult to identify the location factors that influence companies since there is no cut and dried process that companies follow, but the communities should learn as much as possible about the overall industry that they are targeting as well as the particular company they are targeting.

### **Asserting the Message**

There are several ways to communicate to the prospects the advantages of locating in a community. These include brochures and newsletter, media advertising, prospecting trips and trade shows, audio-visual materials, and direct mail.

### **Follow-up Procedures**

It is important to check on the cost-effectiveness of marketing efforts, but many communities, particularly small communities, omit this step.



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