

Approved

Jim Braden 5-7-86  
Date

MINUTES OF THE Legislative COMMITTEE ON Kansas Economic Development

The meeting was called to order by Representative Jim Braden at  
Chairperson

1:00 // a.m./p.m. on February 26, 1986, 19\_\_ in room 531-N of the Capitol.

All members were present except:

Senator Michael Johnston.

Committee staff present:

Paul West, Raymond Powers

Conferees appearing before the committee:

Ed Flentje - Hugo Wall Ctr. for Urban Studies,  
Wichita State University.  
Glen Davis - Director, Region 7, Kansas City Office  
of the Small Business Administration.  
Clayton Hunter - Director, Region 7 - Wichita Office  
of the Small Business Administration.  
Susan Osborne-Howe - Director, Small Business Development  
Center, Wichita State University.

The Chairman called the meeting to order and introduced H. Edward Flentje, Wichita State University. (See Attachment A). Mr. Flentje recommends that the Commission take the steps necessary to eliminate the internal improvements prohibition from the Kansas Constitution. He also recommends that the public debt provision in the constitution be revised.

Discussion followed re SCR 1635 (Const. Amendment Works of Internal Improvement). Discussion revolved around whether the legislature should repeal the prohibition, or re-define the constitution prohibition. The Commission must decide which direction to pursue.

Belden Daniels expressed the desire to meet with Mr. Flentje and then make recommendation back to the Commission. Daniels said many other legislative initiatives could not be undertaken without a change in internal improvements, and would work toward a firm proposal.

Mr. Daniels thought it might be in order for he and Mr. Flentje to appear together before the Tax Committee on this matter.

Senator Vidricksen introduced Glen Davis, Director, Region 7, Kansas City Office of the Small Business Administration. (Attachment B) Mr. David presented testimony regarding SBA in Kansas.

Clayton Hunter, Director, Region 7 - Wichita Office of the SBA, then spoke before the Commission and presented a similar picture of the Wichita office of the Small Business Administration.

Susan Osborne-Howe, Director, Kansas Small Business Development Centers, testified. (See Attachment "C")

CONTINUATION SHEET

MINUTES OF THE legislative COMMITTEE ON Kansas Economic Development,  
room 531-N, Statehouse, at 1:00 a.m./p.m. on February 26, 1986, 19   .

Attachment "D" lists those attending this meeting.

The Chairman reminded the Commission members the Commission would meet tomorrow at 1:00 P.M. in Room 123-S. Meeting adjourned 2:30 P.M.

Approved by Commission on:

5-1-86  
(date)



Feb. 26, 1986  
Economic Dev. Comm.

531-N

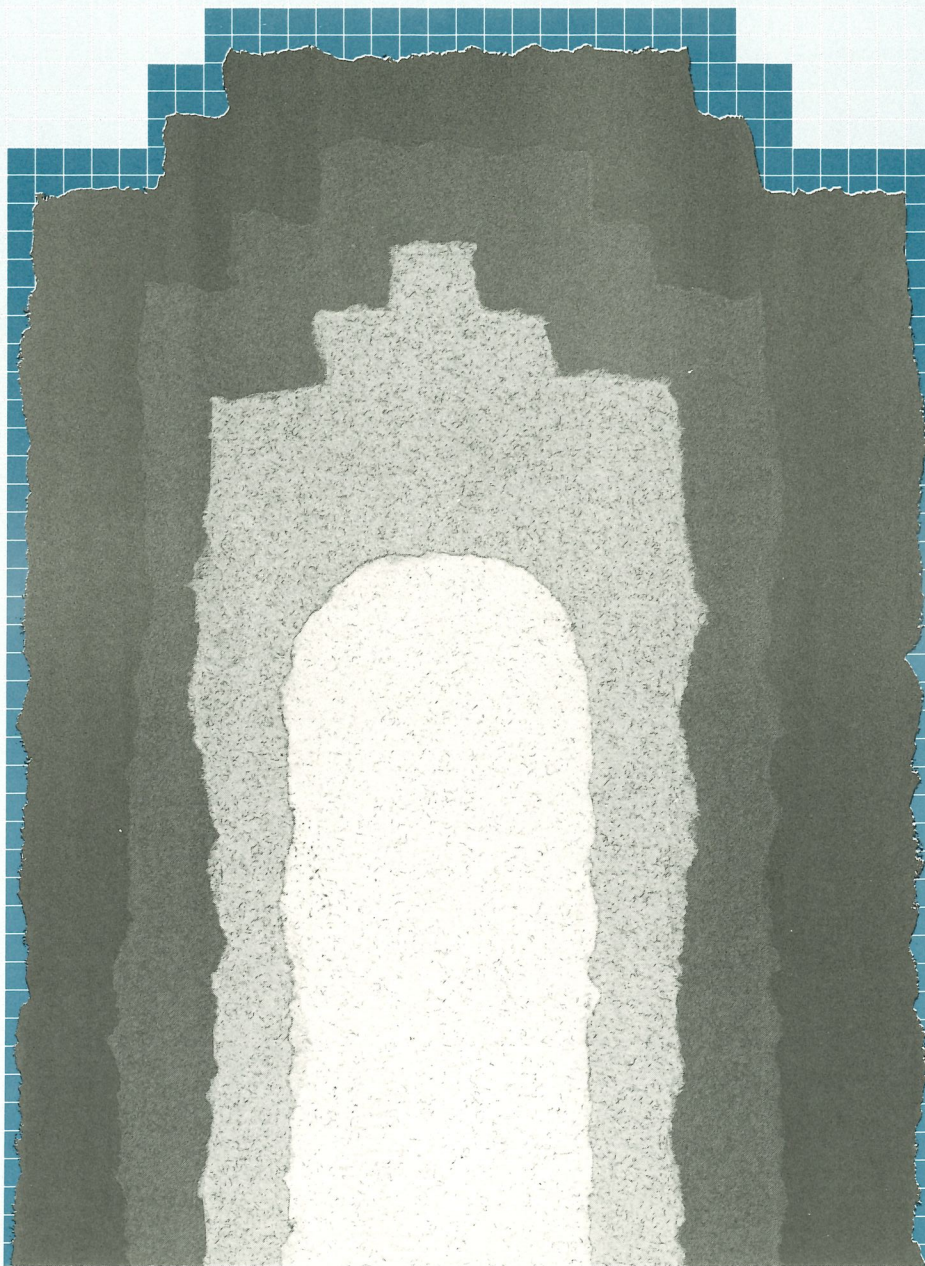
Name	Representing
DAVID Smith	Johnson County Com. College SBDC
Bartlett J. FINNEY	EMPORIA State Univ. Small Bus. Dev. Center
Glenda Sapp	Johnson Co. Comm. College - SBDC
Cynthia FRIEND	KANSAS Small Bus. Develop. Center
Shirley Gorman	Washburn Small Bus. Develop. Center
Shirley Byrnes	Washburn - SBDC
Mary Jenkins	Wichita State University SBDC
Judy Brugger	DOT
Mona Daniels	Senate
David Barclay	KPED
Don Sidrickson	Senate
Summlyhome - Ames	Kansas SBDC
CHARLES KRIOAK	KU
Ed Heutz	WSU
Jennifer Hartnett	WSU
Tony Redwood	KU
DAN MORGAN	AGC of Kansas
Shirley Kreipe	Washburn University - SBDC
DOINA WILLIAMS	KANSAS SBDC
Jim Hubbard	Kansas SBDC - JCCC
Jack Sotom	Washburn University SBDC
Jim Townsend	Kansas State University SBDC
Jack Montgomery	Gov - Policy
Dawn Ferrell	Budget
David Shulenburg	School of Business - U of Kansas - SBDC
Joyce A. Claterbos	Kansas Univ. Small Business Dev. Ctr.
Laurie Leonard	KSU Small Business Development Center
Gary W. Moutford	Small Bus. Dev. Center Hutchinson CC
Robert Camp	FHSU - SBDC
Neida H. Bopp	SBA - Kansas City District Office
Gene Keady	SBA - Wichita

Attachment D



ANNUAL REPORT 1985

KANSAS SMALL BUSINESS  
DEVELOPMENT CENTERS







"(I) always received quick return on calls. The SBDC was terrific to work with and had very helpful ideas for us."

Karol Cipra  
Entertainment Express  
Shawnee, KS



"The main service provided by the SBDC was to have someone to talk to who was knowledgeable about business. Our sales had really slumped. After 45 minutes with a counselor, we realized sales were down because we were not aggressively going after business! A simple concept, but one that we couldn't 'see.' An objective 'outsider' pointed that out and helped us rule out all those excuses we had been using for a sales slump. Analysis was excellent. Real concern for our success was obvious."

Carol Searcy  
Abacus Security  
Overland Park, KS

## Observations

### Susan Osborne-Howes, State Director

I am pleased to present the 1985 Annual Report of the Kansas Small Business Development Centers (KSBDC) to the citizens of Kansas. This report focuses on KSBDC's accomplishments in 1985, its second year of operation. During the year, the centers witnessed exciting results as small businesses that have used KSBDC's services began reporting their successes, including increased bottom-line profits and the addition of new employees.

This report focuses on the many people involved in KSBDC's success:

- the committed directors and staff at the eight centers
- the SBDC clients who share their stories
- the staff of the U.S. Small Business Administration (SBA) who contribute to KSBDC's financial and administrative support
- the academic community at SBDC centers and subcenters who contribute their consulting talents as well as financial support
- the more than 125 active consultants and seminar leaders from private industry throughout Kansas who either donate or charge minimal fees for their services
- the many business, community and state organizations that support KSBDC, such as chambers of commerce, the Kansas State University Cooperative Extension Service and the Kansas Department of Economic Development
- the members of the Kansas SBDC Advisory Council who volunteer countless hours

Since its founding in October 1983, the KSBDC has developed a reputation for its free, quality business counseling and low-cost training to small Kansas businesses. From 1983 through 1985, the KSBDC has counseled more than 2,000 clients and

trained more than 8,000 persons; and the demand continues to increase for assistance in economic development for existing and potential small Kansas businesses.

I especially would like to recognize the following individuals who have provided support throughout the year:

- Vic Gradert, SBA/SBDC project officer, who retired January 3, 1986. Vic has been supportive and helpful to everyone. He will be missed.
- Dr. Joseph Barton-Dobenin, Kansas State University SBDC Director, who also retired in January.
- Ken Bonar, SBA Assistant District Director of Business Development, Kansas City District, for his continued support.
- Senator Ben Vidrickson, a vice chairman of the KSBDC State Advisory Council, who has been a strong supporter.
- Dr. John Breazeale, Executive Vice President for Academic Affairs, and Dr. Douglas Sharp, Dean of the College of Business Administration, The Wichita State University, who have never been "too busy" to provide administrative guidance.
- Cindy Ayre-Friend, my aide, who has gone "above and beyond" countless times!

There's a lot to be proud of in Kansas, and I'm pleased that the Kansas SBDC is part of the network. As always, small business is "big" in Kansas!





## Small Business in the 1980s: A Kansas Priority

**J**ob opportunities. Tax revenues. Technological innovations. A sense of pride. These are some of the reasons why small business is a Kansas priority.

Even though the Kansas economy slowly has changed from its predominantly agricultural base to more of an industrial-manufacturing foundation, employment growth in the state's nonagricultural sector has not provided sufficient new job opportunities.

A stagnant total wage and salary figure over the past five years and a growing unemployment rate caused by declines in manufacturing and construction have been costly. Actual statewide employment was 966,700 in 1979, compared to 980,900 in 1984. The state rate fell 38.4 percent behind the nation in proportional employment, which would have been more than one million in 1984 if the state had followed national trends.

Ironically, high unemployment is a major reason for small business starts. From January to June 1982 to the same period in 1983 Kansas had the sixth largest percentage increase in new business incorporations in the nation. Ninety percent of all firms in Kansas are small businesses. New and existing businesses with fewer than 100 employees account for 85 percent of all new jobs generated between 1980 and 1983.

As the decline of traditional employers continues, support for the new small business trend is being encouraged to help ensure a more stable state economy.

In addition to creating job opportunities and tax revenues, small businesses are innovative. Of 61 important inventions in the 20th century, more than half are from small businesses.

"I had questions about buying the business I was working for. I was unable to buy the business and your people helped me find that out. The past owner would not follow the strategy we devised. JCCC did an extremely good job."

Brad Taylor  
Overland Park, KS

Amid the many opportunities small business stimulates, one fact remains staggering: 80 percent of all small businesses fail within the first five years. Although inflation, economic recession and high interest rates contribute to the failure rate, the primary reason is lack of business knowledge and skills.

Today the knowledge and skills needed by small business owners and would-be owners are available through the small business development centers (SBDC), created by the Small Business Act of 1980. SBDCs provide comprehensive and pragmatic consultation, training and technical assistance to small businesses nationwide. The Kansas Small Business Development Centers (KSBDC) began operation in October 1983 and today eight centers serve businesses in Kansas' 105 counties.

For many small business owners in Kansas, the KSBDC has made the difference. Following are profiles of three Kansas businesses aided by the KSBDC.

More than a year ago, Timothy J. O'Boyle and Steven A. Groves, students at Emporia State University, approached the SBDC on that campus with an idea. Since that first meeting, O'Boyle and Groves have developed the highly successful enterprise, Student Planner, Inc. In their first year the two businessmen spent hours working



with the SBDC staff, learning all aspects of small business administration. The Student Planner recorded a profit in its first year, and presently the SBDC is counseling the firm to expand nationally.

Grove comments, "SBDC Director Dr. Bart Finney and Mary Lou Bove have been very helpful in contributing to our success. The Student Planner is geared toward each individual's university schedule and we are continually refining our product to make it even more useful to the student."

In Spring 1985, Walton Community Development, Walton, contacted The Wichita State University SBDC to discuss opening a restaurant/convenience store in the community. In exploring the project's feasibility, a consultant met with community members and prepared a survey evaluating their needs, one of several steps which led to the opening of the restaurant and store in a renovated, temporary facility.

Today the Walton Community Development group has raised funds for a permanent restaurant/convenience store, now under construction.

For the Kansas Division of Services for the Blind, the Washburn University SBDC meant saving the nonprofit organization expensive program changes, and thus saving the taxpayer.

Robert Sheldon, program director, says, "The initial request was made to SCORE. They requested SBDC consultation. We are a state-operated employment program for the blind, operating 28 food services managed by blind citizens. Assistance was requested due to a conflict between program staff and state auditor staff relative to fiscal controls placed on blind managers. The final analysis provided by Kevin Ruen was highly professional and eliminated expensive program changes."

These are just three examples from the more than 2,000 cases handled by the state's SBDCs in the last two years. The KSBDC network continues to strive to impact positively on the Kansas economy through increased job opportunities and profits for small businesses.

"Grasping at straws, I didn't know the first place to start when I finally made the decision that opening my own business was what I wanted to do. Mayur Shah (SBDC consultant) has been invaluable in assisting me with these plans. Without his assistance, my plans would still be in the 'dream' stage. It's now up to me to take 'action' and at this point in time, I've decided to pursue purchasing an established business that is up for sale.

Betty Harmon  
Wichita, KS

## Network Services and Resources

**K**ansas small business owners and operators have a major resource through Kansas Small Business Development Centers (SBDCs), which provide up-to-date business information and assistance in running a successful business.

Kansas SBDCs are located at Emporia State University, Fort Hays State University, Johnson County Community College, Kansas State University, Pittsburg State University, the University of Kansas, Washburn University and The Wichita State University, home of the state coordinating office.

Each SBDC offers the following services and resources:



## **Business Counseling**

One-on-one confidential business counseling by professionally trained consultants is available at no charge to clients.

Consultants include private/professional advisers, successful business owners and managers, university and college faculty members, outstanding graduate students and members of the Service Corps of Retired Executives (SCORE), the Active Corps of Executives (ACE) and trade associations.

## **Business Training**

Seminars, workshops, classes and conferences on current business topics are offered at convenient times and low cost for business owners.

Training topics include Business Start-ups, Financial Analysis, Marketing — Planning and Implementation, International Trade and Exporting, Business Feasibility, New Technological Development and Women in Business.

## **Business Information and Resources**

Business periodicals, books and reference materials, local data base and business related audio and videotapes are among the materials available at the centers.

In addition, center personnel recommend other available services, including private consultants with specific expertise in the area of interest and information about local, state and federal organizations serving small business.

## **Specialized Services**

Four of the SBDC centers provide technical assistance — new product design, invention and prototype creation — to small business owners through a partnership with their engineering departments. These include

Kansas State University, Pittsburg State University, University of Kansas and The Wichita State University. In addition, the WSU SBDC works closely with the University's Center for Productivity Enhancement.

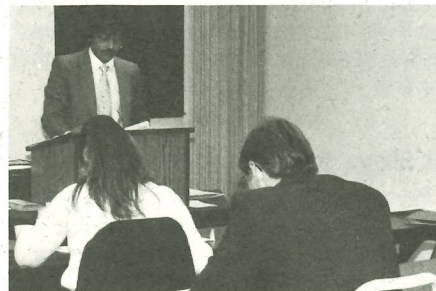
## **The Kansas Network**

The eight small business development centers (SBDCs) form the KSBDC network. Since October 1983, the KSBDC has completed counseling projects with more than 2,000 clients, advised an additional 3,000 and provided 266 training seminars for more than 8,000 persons.

The success of the program is becoming evident, as businesses using the techniques learned in training and counseling record improved bottom line profits and create new jobs.

## **Emporia State University**

The Emporia State University SBDC has had a very productive history, dating back to the 1940s when business training programs were established for small Emporia area businesses. The Emporia State SBDC serves businesses in Chase, Coffey, Greenwood, Lyon, Marion, Morris, Osage, Wabaunsee and Woodson counties.



Mayur Shah presents WSU SBDC seminar on "Media Influences on Advertising."

Recently the SBDC has been organizing a development company to provide SBA 503 loans to new and expanding small businesses. The company will be housed in SBDC offices.

In the past two years, the Emporia SBDC has counseled more than 169 clients and offered 45 training seminars. One course, "How to Develop Your Own Home-Based Business," has been very popular. Designed primarily for women, the course was offered twice last year. Participants have included two paraplegics and several other physically or mentally handicapped persons. Today, one learning disabled client operates a message/package delivery service; another owns and operates a frozen food outlet.

### **Fort Hays State University**

Given the herculean task of providing business counseling and training services to 41 counties, the Fort Hays State University SBDC recently opened subcenters at Colby, Great Bend, Dodge City, Liberal and Garden City. Since 1983, the Hays SBDC has

counseled more than 218 clients and provided 26 training seminars.

Counties served by the Fort Hays State SBDC include:

Barton	Ness
Cheyenne	Norton
Clark	Osborne
Decatur	Pawnee
Edwards	Phillips
Ellis	Rawlins
Finney	Rooks
Ford	Rush
Gove	Russell
Graham	Scott
Grant	Seward
Gray	Sheridan
Greeley	Sherman
Hamilton	Smith
Haskell	Stanton
Hodgeman	Stevens
Kearny	Thomas
Lane	Trego
Logan	Wallace
Meade	Wichita
Morton	



Most businesses counseled at the Hays SBDC have been retail trade, service, agribusiness or small manufacturing firms. Currently the SBDC is developing an "incubator without walls" program to help new businesses get a strong start. The "incubator" allows businesses to share common functions such as facilities, secretarial assistance and office machines. A good incubator program includes seed capital and consulting and defines a set period of time for the business to be in the "incubator."

### **Johnson County Community College**

The Johnson County Community Center SBDC, located in suburban Kansas City, Kansas, has been able to draw excellent speakers, adding to the attractiveness of its business training programs.

The center serves businesses in Franklin, Johnson, Linn, Miami and Wyandotte counties. The JCCC SBDC has counseled more than 239 clients and offered more than 50 training seminars.

One seminar, "The Women's Business Owner's Orientation," has been so popular that the center has added four follow-up courses. Other popular seminars are "International Trade" and "Doing Business with the Feds (or How to Get Government Contracts)."

### **Kansas State University**

The Kansas State University SBDC serves small businesses in the following counties:

Clay	Lincoln	Pottawatomie
Cloud	Marshall	Republic
Dickinson	Mitchell	Riley
Ellsworth	Morris	Saline
Geary	Nemaha	Washington
Jewell	Ottawa	Wabaunsee

The farming segment and small-town business firms in the area have experienced great economic stress in the past couple years. Cooperating with the Agriculture Extension Service, the SBDC has been able to assist several of these businesses.

To better serve its clients, the center works closely with the KSU College of Engineering in the area of high technology and with the College of Home Economics in the areas of restaurant management, clothing and textiles.

In addition, during the past several years the Kansas State SBDC has worked with local veterinarians on pricing and business management. Since 1983 the center has worked with more than 176 clients and offered 32 training seminars.

### **Pittsburg State University**

New University academic service centers have been established by Pittsburg State University in the Independence-Coffeyville area and the Iola-Chanute area. The SBDC is working closely with these centers to develop SBDC satellites which will provide counseling and training seminars for businesses in Allen, Anderson, Bourbon, Cherokee, Crawford, Labette, Montgomery, Neosho, Wilson and Woodson counties.

The PSU SBDC has counseled more than 194 clients and offered 27 training seminars, including "Sources of Capital," "Pre-Business Workshop," "Job Stress and Burnout," "Tax Records for Small Business" and "Advertising for the Small Business."

Among the center's priorities are developing a computer data base and working with the PSU School of Technology to provide high-technology counseling.

## The University of Kansas

The SBDC at the University of Kansas (KU) has accomplished several goals in its two-year history. Promoting an informal venture capital network has been a priority for this SBDC. KU is endeavoring to encourage potential venture capitalists to meet with small business owners and/or people with ideas who are trying to secure financial backing.

The **Kansas Business Review**, published by the KU Institute for Public Policy and Business Research for some 5,500 Kansas businesses, regularly carries an article from the SBDC on the concerns of the small business owner.

Since its opening, the KU SBDC has counseled 153 persons and offered ten training seminars to persons in the counties of Atchison, Brown, Doniphan, Douglas, Franklin, Jackson, Johnson, Leavenworth, Miami and Wyandotte.

## Washburn University

The Washburn University SBDC's service area includes Jackson, Jefferson, Osage and Shawnee counties. The Washburn center has counseled more than 258 clients and sponsored 48 seminar programs since opening two years ago.

Working with the City of Topeka, the University recently completed a preliminary study on the feasibility of a small business "incubator" at the Forbes Field Industrial Park. A more in-depth study will be done in 1986.

The Washburn SBDC also developed a three-part series (30-minute segments),

"Starting Your Own Business," which aired on KTWU-TV in September 1985. Viewer response was excellent and a follow-up program is planned for 1986. Videotapes of the shows will be made available soon through the public library.

## The Wichita State University

In its second year of operation, The Wichita State University (WSU) SBDC hired a full-time director, who has worked this past year to establish a subcenter at Hutchinson Community College. The new center will open soon, enabling Wichita State to better serve its 17-county area:

Barber	Harper	Reno
Butler	Harvey	Rice
Chautauqua	Kingman	Sedgwick
Commanche	Kiowa	Stafford
Cowley	McPherson	Sumner
Elk	Pratt	

Since its beginning, the SBDC has counseled more than 415 clients and offered 28 training seminars.

The Wichita State University SBDC works closely with the WSU School of Engineering and the Center for Productivity Enhancement to counsel in high technology areas. WSU has sponsored several training seminars, including "International Trade," "Women in Business," "Location and 'Packaging' Strategies for the Small Business" and "Successful Marketing Services for Small Business."

"We were very pleased with the promptness of the assistance. We did require information on setting up proper record keeping and we received helpful advice which we have put into practice."

Steve Beckley  
Beckley Grain  
Atwood, KS



## KSBDC Office

The KSBDC State Office, located at The Wichita State University, has seen tremendous growth this past year. A full-time director and part-time assistant coordinate the Kansas network. Priorities include building a data base, developing subcenters, working to refine the quality of counseling and striving continually to improve network efficiency and coordination among the centers and other state, business and civic organizations.

The center was recognized on the floor of the Kansas Senate during Small Business Week in May 1985 for its contributions to small business development in Kansas.



Dave Smith, Johnson County Community College  
SBDC Director

## KSBDC Survey Results

In Fall 1985 the KSBDC mailed questionnaires to 708 former clients to measure the economic impact the SBDCs were having on the state. To date, 179 responses have been received, as follows:

### A. Major Business Activity

Retail	38.6%
Construction	6.2%
General Service	39.1%
Wholesale	2.2%
Manufacturing	11.7%
No Response	2.2%

### B. Most frequently requested areas of assistance (in order of most to least requested)

Market analysis
Business feasibility
Accounting/bookkeeping
Business plan preparation
Financial assistance
Technical assistance
Management structure
Legal
Production

### 1. Rating of SBDC consulting services

84.4% Good, Very Good or Excellent
10.6% Fair
2.2% Poor
2.8% No Response

### 2. Would you recommend other small business persons to contact the SBDC?

88.3% Yes
3.9% No
5.6% Unsure
2.2% No Response

### 3. Did your request for assistance receive prompt attention?

88.3% Yes
6.7% No
5.0% No Response

### 4. Do you believe you could have readily obtained the assistance you received from the SBDC from another source at a price your company could afford to pay?

70.4% No
18.4% Unsure
7.8% Yes
3.4% No Response

### 5. Have your sales increased since consultation by SBDC?

34.1% Yes
29.0% No
36.9% No Response or too soon to evaluate

## 1986 Preview

Small business in the 1980s promises to be "bigger than ever" for Kansas, as well as the nation. During the past several years small businesses have provided the majority of new jobs in the United States. The Kansas SBDC network looks forward to meeting the increasing demand for small business counseling and training in 1986.

Plans for the year include a statewide research project which will define and examine small business needs and concerns and determine specific areas of focus for KSBDC.

In addition, the second National White House Conference on Small Business will be held August 1986. The White House Conferences are being held to increase public awareness, identify problems and recommend government action for small business. In preparation, a statewide meeting will be held in Wichita, April 15, 1986. The KSBDC will host a booth and encourage local business persons to attend the national conference.

Several network centers are opening satellite offices to handle the increasing demand for business consultation and training. The Wichita State University SBDC will open a satellite center at Hutchinson Junior College, Hutchinson. WSU also plans to open a second satellite office in southcentral Kansas later this year. At Pittsburg State University, satellite centers

will be developed in the Independence-Coffeyville and Iola-Chanute areas.

Another KSBDC goal for 1986 is cooperating with a statewide network of agencies and programs, including FACTS (Farmers Assistance Counseling and Training Service). Cosponsored by the Kansas State Board of Agriculture and the Kansas Cooperative Extension Service, FACTS began operation July 1, 1985. The program is designed to help Kansas farmers, ranchers and agribusinessmen and their families cope with the current agricultural economic crisis.



Dr. Frank Sotrin, Washburn University  
SBDC Director

FACTS will refer appropriate clients to KSBDC for counseling and training when applicable.

As the demand for services increases in 1986, the KSBDC will pursue additional sources of revenue to continue providing free quality counseling and low-cost training to small businesses throughout Kansas.

## KSBDC Milestones

The following graphs represent goals versus actual workload for the KSBDC's second year of operation plus totals for the two years since the centers opened.

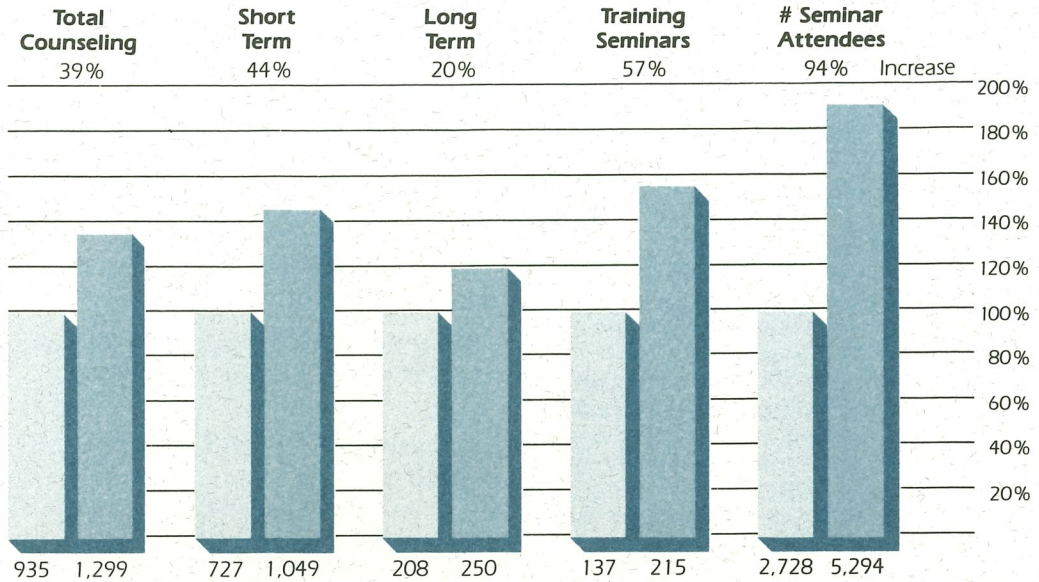
Currently the KSBDC is in the process of changing its fiscal year to the calendar year. Therefore, the figures for the KSBDC's

second year of operation represent five quarters, from October 1, 1984, to December 31, 1985.

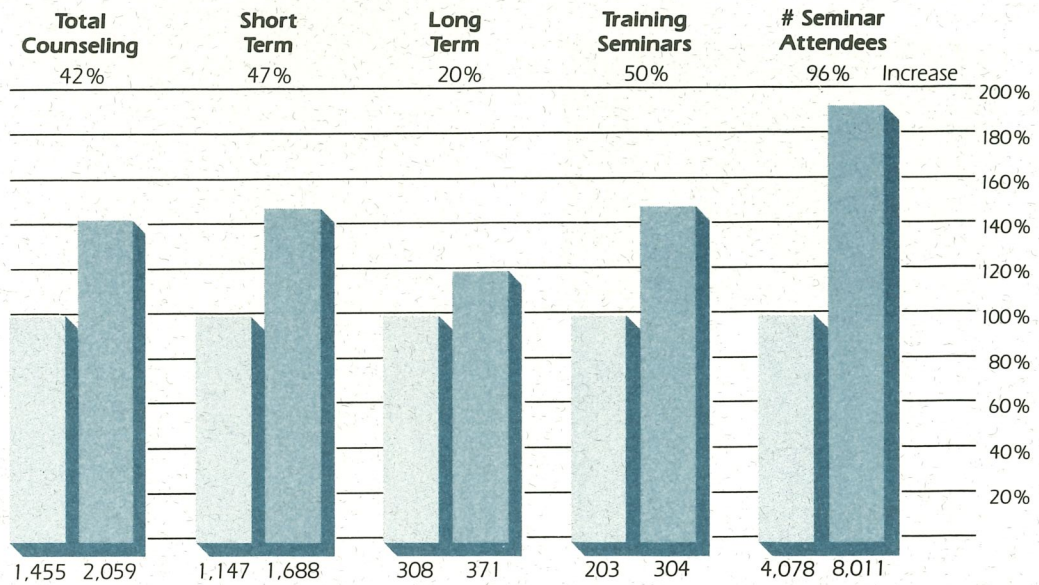
Short term refers to cases requiring less than 12 hours of consultation time, while long-term reflects those requiring 12 or more hours of SBDC time.



**Year 2\***



**2-Year Total†**



Legend:  
■ Goal  
■ Actual

† Represents nine quarters, October 1, 1983, to December 31, 1985

\* Represents five quarters, October 1, 1984, to December 31, 1985

## **SBA Project Officer Retires**

Vic Gradert, who has served as KSBDC's Small Business Administration (SBA) project officer since 1983, retired effective January 3, 1986.

Gradert initiated talks with Douglas Sharp, Dean of the School of Business Administration at The Wichita State University, which eventually led to the formation of the Kansas SBDC.

Gradert began working for the SBA in 1962 in its portfolio management division, processing, servicing and liquidating loans. In 1972 he was promoted to head of that division, and in 1978 to assistant district director of the Management Assistance (now Business Development) Division. Gradert has received two awards from the SBA for his work, a Supervisory Achievement Award in 1974 and a certificate of recognition for his work on the SBA's equal employment opportunity goals.



Vic and Ruth Gradert

According to KSBDC state director, Susan Osborne-Howes, "Vic's enthusiasm and dedication have been a continual source of encouragement for the staff statewide. Vic's retirement is viewed with mixed feelings — we wish Vic the best in his new journey, but he will be very much missed."

Gradert plans to spend his time in retirement traveling, reading, playing golf and serving as a part-time consultant.

## **Dr. Joseph Barton-Dobenin Retires**

Dr. Joseph Barton-Dobenin retired January 2, 1986, as SBDC Director at Kansas State University.

Barton-Dobenin, who has taught business at Kansas State University for more than 25 years, was named director of the Small Business Institute (SBI) at Kansas State in 1973. In 1983 he founded the SBDC there.

He was honored five times from 1975 to 1981 by the District SBI for his work as a member of an SBI consulting team of SBA representatives and Kansas State students and faculty.

His plans for retirement include organizing a tour to Europe for continuing education credit in June 1986, consulting on a part-time basis, hunting, gardening and wood carving.

## Kansas Small Business Development Centers Directory

Emporia State University SBDC  
Dr. Bart Finney, Director  
1200 Commercial  
Cremer Hall, Room 207  
**Emporia, KS 66801**  
(316) 343-1200, Ext. 308

Fort Hays State University SBDC  
Dr. Robert Camp, Director  
600 Park Street  
McCartney Hall, Room 203  
**Hays, KS 67601**  
(913) 628-5340

Johnson County Community  
College SBDC  
David Smith, Director  
12345 Collete at Quivira  
OCB 257  
**Overland Park, KS 66210**  
(913) 469-8500, Ext. 3623

Kansas State University SBDC  
Dr. James Townsend, Acting Director  
Calvin Hall, Room 114  
**Manhattan, KS 66506**  
(913) 532-5827

Pittsburg State University SBDC  
Dr. Terry L. Mendenhall, Director  
Kelce School of Business  
and Economics, Room 102  
**Pittsburg, KS 66762**  
(316) 231-8267 or (316) 231-7000,  
Ext. 4593

University of Kansas SBDC  
Joyce A. Claterbos, Assistant Director  
313E Summerfield Hall  
**Lawrence, KS 66045**  
(913) 864-3117

Washburn University SBDC  
Dr. Frank Sottrines, Director  
Henderson Learning Center, Room 110  
**Topeka, KS 66621**  
(913) 295-6305

The Wichita State University SBDC  
Mary Jenkins, Director  
Clinton Hall, Room 021  
**Wichita, KS 67208-1595**  
(316) 689-3193

**State Coordinating Office:**  
**Susan Osborne-Howes,**  
**Kansas SBDC Director**  
Clinton Hall, Room 021  
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(316) 689-3193

## KSBDK Advisory Council Members

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Ron Bergamo  
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James Bolden  
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Don Collins, Sr.  
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Collins Industries  
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Mack Colt  
President  
Colt Investments  
Leawood, KS

James S. Crawford  
District SCORE Representative  
Wichita, KS  
Chairman, KSBDK  
Advisory Council

Norma Daniels  
State Senator  
Valley Center, KS

Thomas Gordon  
Gordon Investments  
Great Bend, KS

Pat Knoch  
City of Atchison  
Atchison, KS

Lois Loucks  
The Garden Shop  
Pittsburg, KS

James O. Myers  
President  
Admire Bank  
Emporia, KS

Gary Padgett  
President  
Citizen's National Bank  
Greenleaf, KS

Dorothy Schmitt  
Chamber of Commerce  
Wichita, KS

Deryl K. Schuster  
President and CEO  
First National Bank-Liberal  
Liberal, KS

Stan Thibault  
President  
Osborne Industries  
Osborne, KS

Ben Vidricksen  
State Senator  
Salina, KS  
Vice Chairman, KSBDK  
Advisory Council

Othal D. Vrana  
President  
General Communications  
Wichita, KS

John Watson  
Kansas Department of  
Economic Development  
Topeka, KS

Rex Wiggins  
Rex Wiggins and Co.  
Overland Park, KS

Douglas Wright  
Mayor  
City of Topeka  
Topeka, KS  
Vice Chairman, KSBDK  
Advisory Council



Feb. 26, 1986 "A"  
Economic Dev. Comm.

Statement to  
Legislative Commission on Kansas Economic Development

by  
H. Edward Flentje  
February 26, 1986

Mr. Chairman, members of the Commission, I thank you for the invitation to testify today on the internal improvements prohibition in the Kansas Constitution. I am taking the liberty of commenting also on the public debt provisions in the state constitution as they are in my view relevant to your work.

As most of you are aware, I am currently conducting a study of capital finance and infrastructure for the Special Commission on a Public Agenda for Kansas. My comments today are based on preliminary findings and conclusions from that study. The views expressed and recommendations made, however, are strictly my own and do not represent the Special Commission or its committees.

Let me begin by stating my recommendations to you:

First, I recommend that you initiate the steps necessary to eliminate the internal improvements prohibition from the Kansas Constitution. This prohibition is a nineteenth century idea which has deterred growth in Kansas for most of the twentieth century. Kansas electors should be given the opportunity to abandon this idea in order that state government may prepare for the twenty-first century.

Second, I also recommend that the public debt provisions in the constitution be revised in a way that protects the Kansas taxpayer but also allows state government to take advantage of its fiscal strength and achieve state purposes more effectively through debt financing. These debt provisions have retarded state initiative in economic development during key periods of the state's history. With time they have become meaningless except as a means to challenge and delay implementation of legislative acts. They should be modernized to enhance state government capacity for financing public infrastructure.

Let me explain the logic of these recommendations by first reviewing briefly how these constitutional provisions came into being and then assessing their impact on development in Kansas.

Our state constitution was written by the Wyandotte Convention in less than four weeks, 20 working days to be exact. As you might imagine, we borrowed heavily from other states. Our internal improvements and debt provisions were lifted with little change primarily from Wisconsin and secondarily from Iowa -- states whose constitutions were adopted in the 1840s. Debate and action on these provisions took our convention delegates less than 30 minutes by my estimate.

Attachment A



My point here is simply this: The constitutional language under consideration here was molded not by careful consideration at the Wyandotte Convention but by national fervor over state debt defaults and debt repudiations resulting from excessive debt financing of internal improvements by state governments in the 1820-40 period. The roots of this debt fiasco are tangled but may be found in financial vacuum left by Andrew Jackson's curtailment of federal aid for internal improvements and his derailment of the U.S. bank which was a stable source of financing such improvements. Encouraged by early successes in state financing of internal improvements, such as New York's underwriting of the Erie Canal, state governments moved into this vacuum often with grandiose plans for road, canals, and financing, piled up monumental debts in a few short years, and then crashed in the depression of 1837. Nine states defaulted on their debts; four repudiated all or part of their debts; and others secured downward adjustments in debt payments. Many states raised taxes to meet their obligations, and debt service became the major component of state expenditures in a number of states. From this point in time on limitations on state debt or on state participation in internal improvements or both were written into every state constitution.

So much for the early history, what has been the impact of these provisions on development in Kansas? My own conclusions are that the internal improvements prohibition and the state debt limits have 1) required that the initiative for economic development in Kansas be with local government rather than state government; 2) forced the bulk of responsibility for developing public infrastructure essential to growth upon local government; and 3) deterred economic growth in Kansas by blocking for several years major state initiatives, such as, state highways, state financing of water resource development, and state assistance in rail service, among others.

**First,** concerning economic development, the internal improvements prohibition has created an ironic situation in which local governments in Kansas have been authorized by the state to do what the state is precluded from doing. This pattern was established early in statehood as local communities took the initiative with state authority to aid railroad development and provide incentives to a variety of private endeavors. Today, state law provides local governments with an array of tools to aid private enterprise, for example, in acquiring land and capital -- two essential ingredients for economic development. State government, however, continues to be constrained from taking any substantial initiative of direct assistance to industry and has become at best a weak economic development partner with local government. These constitutional constraints will become even more serious handicaps as economic competition grows nationally and internationally and as major development projects require closer cooperation between government and business. While other states are experimenting with a host of industrial incentives, Kansas competes with a shackle on one foot.

One more point concerning economic development: Freeing the state to become an active partner in economic development is particularly



important outside the major metropolitan areas in my judgment. The urban centers, for example, Wichita, Overland Park, and Lenexa, which have developed a capacity to promote economic growth and have economic conditions on their side, can survive, possibly even prevail, economically without state initiative. The second-level cities, the Winfields, Coffeyvilles, Great Bends, Concordias, Colbys, and others like them, are struggling economically against long-term, adverse trends and are in particular need of a strengthened state capacity for economic development.

**Second**, the internal improvements prohibition aided by state debt limits has made state government less than an equal partner in developing public infrastructure essential for economic growth. For nearly 60 years, that is, until the internal improvements prohibition was first amended in 1920, state government was precluded from aiding in the construction of Kansas roads. For nearly 100 years the state could not assist in providing flood protection, water supply, or sewers. As a result early in statehood the initiative for public infrastructure fell to local communities and mostly remains there yet today. Local government in Kansas spends roughly nine dollars on infrastructure for every dollar spent by state government.

This local focus in infrastructure has retarded the development of projects which are regional in nature, that is, beyond the scope of one local jurisdiction but not of compelling statewide significance. For example, since 1972 laws have been on the books authorizing revenue bond financing of resort facilities at state parks, but no projects have moved forward. In 1974, state lawmakers authorized a southeast Kansas road to be financed by tolls and if necessary through the state highway and state freeway funds; but no road appeared. Actually, four years passed before the Kansas Supreme Court cleared the project from constitutional objections concerning state debt limits. In 1978 Governor Bennett proposed the development of a recreational corridor on the Arkansas River from Hutchinson to Wichita, but protests from local landowners stalled the project in the legislature. In these projects as well as many others, the state constitution has been a drag on state government's ability to move forward on public improvements of regional importance.

**Third**, the process of amending the internal improvements prohibition has slowed state government's ability to respond when compelling need arises and has thereby deterred economic growth. While documenting the precise economic losses incurred would be difficult, the awkward, time-consuming steps needed for Kansas to build state highways or to finance regional water supply illustrate the problem. In road-building, for example, Kansas trailed most states in planning and constructing state highways. Our first amendment to the internal improvements provision in 1920 must in retrospect be described as ill-conceived and short-sighted; it limited state participation to financial aid for county roads and wrote a rigid funding formula into the constitution. Another eight years were required to generate the political support for a more carefully drafted amendment which authorized a state system of highways and taxes to fund them. Kansas achieved in 1928 what most states had in



place a decade earlier and a few had in place more than two decades earlier.

In the case of water, Kansas had suffered through 90 years of too much or too little water when the 1951 floods devastated property and caused loss of life throughout much of the state. This natural disaster helped bring about the realization that state government should have a stake in water. After seven more years of planning, persuading, and politicking, water resource development became the second major exemption to the internal improvements prohibition. Fifteen years after the constitutional amendment, state officials signed the first agreement making a long-term financial commitment with the federal government in return for regional water supplies. One hundred eleven years had passed before Kansas made its first financial commitment to water development.

In sum, the internal improvements provision of the Kansas Constitution was originally intended to prohibit state government from direct involvement in economic development projects, and this intent has largely been fulfilled. If Kansas is to change this situation and take the initiative in stimulating economic growth, the internal improvements prohibition should be repealed. State initiative in development has also been stunted historically by the constitutional limits on state debt. While these limits have now become nearly meaningless as a result of court rulings, they should be updated to protect taxpayers and yet allow Kansas to finance infrastructure when appropriate through debt financing.

Feb. 26, 1986  
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"B"

Senator Vidrickson, Chairman Jim Braden, Other Members of the Legislative Commission on Economic Development, I am pleased to present to you information on the role SBA has played -- and, hopefully, will continue to play in the economic development and growth of small business in the State of Kansas.

As you know these are not the best of times either for Kansas or SBA. [My own district office serves 28 Kansas counties (as well as 61 in Missouri).] Here in Kansas we are facing the worst decline in farmland values since the dustbowl year of 1933, when prices fell 21%. The decline in Kansas between 1984 and 1985 was 20%. It will be worse this year.

With 15% of Kansas' farmers failing in 1985 and the Kansas Business Review predicting 10 to 15% more this year, the outlook for this two-year period, 20 to 30%, is grim.

The Kansas Business Review predicts 25 to 33-1/3% of Kansas' rural businesses will fail in the next two years. Grim! Particularly when you know these 105 counties have only 68,000 small businesses -- with the great bulk of them in eastern Kansas sheltered, in part, by a still fairly strong metropolitan economy.

But the crunch is on. Kansas set a new record for business bankruptcies in 1985 - 109% - the second highest in the nation (Dun & Bradstreet/SBA Office of Advocacy) -- most of them in the smaller and rural communities where it is said the death of 5 to 7 farms means the related death of one small business.

The farm and small business plots in our economic cemetery are multiplying rapidly.

The Kansas Department of Human Resources says Kansas' small businesses (99.8% of businesses in Kansas are small) account for at least 75% of the workforce.

Today, the banking community is in trouble. Of our nation's 14,000 banks, 120 failed in 1985 -- the most in any year since modern banking began 52 years ago.

Of those bank failures, 59 were in a day's drive from my office in Kansas City, 46 in SBA's Region VII, 13 in Kansas, 13 in Nebraska, 11 in Iowa, 9 in Missouri.

What has SBA contributed to Kansas? Not an easy questions to answer, since my district is the only SBA district in the nation to serve parts of two states and our recordkeeping system, by and large, is kept by district, not by county or state lines.

Let us take a look at some of the data from the Kansas City District Office for fiscal year 1985:

Guaranteed 90.3% current, with only 1.5% in liquidation and direct loans 63.4% current, 17% in liquidation:	<u>946</u>	\$117,085,284
	<u>LOANS</u>	
8(a) loans to a 50-firm portfolio: <span style="margin-left: 40px;"><u>MINORITY</u></span>	---	46,000,000
Judgements, collections, etc.	---	5,052,152
503 Program	199	<u>30,000,000</u>
		<u>\$198,000,000</u>

Attachment B



Indeed, we had a loan portfolio of 5,850 loan case-files, with a total loan value of \$356,515,345 at the end of the last fiscal year, September 30, 1985 --75% current; 10% delinquent; 15% in liquidation.

Of the \$356M, \$198M - for ease of computation -- \$200 million goes from the SBA Kansas City District Office into the local economy. The amount flowing into Missouri, the amount flowing into Kansas has a historical variance of only 2%. This, one can creditably say my office last fiscal year spent \$100 million in Kansas; the Wichita Office, \_\_\_\_\_.

What does this mean? Let's take a look at the 503 program alone -- that is, the Certified Development Program. It provided \$30 million in financing for 199 new and expanded business projects in 1983 (\$33 million for 225 projects in 1984).

SBA estimates that one job is created for every \$7,600 in funds invested (a one-time investment, but a continuing job). Control Data Corporation in a recent study of development projects estimated the value of a job created at \$52,682. In the 4-state area of SBA's Region VII which includes Kansas, the contribution of the 503 program alone was put at \$52,682 X3,900 (the estimated number of jobs created) = \$205,459,800, no small sum.

A glimpse at our loan portfolio provides a microcosm, 5,709 to be exact, of the problem. KCDO portfolio contains more than 5,700 loans -- including SBA guaranteed bank loans, direct loans, etc. It includes almost 2,000 disaster farm loans (indeed 34.5% of our entire portfolio). Based on number of cases, 79% are current; only 9% delinquent; 12% in liquidation.

In just five years, SBA's KCDO liquidation portfolio has more than doubled --314 cases in February 1981; 670 cases in February 1986. No "quick fix" is in sight for the problems facing small business or the farmer.

But, without SBA what would many of our farmers and small businesses do?

Senator Vidrickson, you ask: What role will SBA continue to play in the State of Kansas.

Let me tell you the parable of the "wit" who sought to test the skill of a wiseman. He thought I can trick him, I shall catch a bird, fold it in my hand, then ask him if it is dead or live. If he says, "Alive", I shall crush it and then open my hand and say, "See, you are wrong. It is alive." If he says, "Dead", I shall open my hand, and show that it is alive, and say "you are wrong".

The wiseman facing the conundrum responded, "you poor soul, the decision is in your hands".

Today, part of that decision is in the hands of the Administration, the Congress and even the Supreme Court -- it is not in the hands of the SBA.

But, I would remind you that the posture of SBA in behalf of the small business community, might well parallel the words of that great blind poet, John Milton: "He also serves who only stands and waits".

However, I would add, SBA does not wait. Despite the 4.3% cut mandated by Gramm-Rudman-Hollings for 1986, despite OMB's proposal that SBA not be included for funding in the FY87 fiscal budget, we will continue to serve the small business community and the State of Kansas, with the realization that it was in the midst of another harsh economic downturn in 1953, under the aegis of another great Kansan, President Dwight David Eisenhower, that the Congress passed and the President signed the legislation creating the Small Business Administration and mandating it to "aid, counsel, assist and protect" America's small businesses.

I find it difficult to believe that Congress will dismantle the only organized voice for small business in the total federal bureaucracy. I find it hard to believe that the Kassebaums and Doles, the Robertses, Slatterys, Meyers and Whittakers -- or the members of this illustrious Commission -- will forsake small business. They -- like you -- know small business employs 45% of the nation's private workforce, contributes 42% of all sales, accounts for 30 to 38% of the GNP.

The National Small Business Association (NSB) says even 30% of the GNP is:

- 6 times greater than the cost of our national defense
- 52 times greater than the cost of all our educational programs
- 15 times greater than the total 1984 Federal budget

Is it realistic to think Congress would kill the goose that lays the golden egg? - that they would demolish 8 SBDC's, 4 Small Business Institutes, a host of SCORE/ACE Chapters, Business Services Centers, the Certified Development Companies.

I simply find it inconceivable -- yet, I realize now, as I have from the beginning of my maturity in government and in the political process:

Small business is a political matter, only a political matter, and no other kind of matter. What is done for business, what is done for the farmer in Kansas, rests as a "political thing" in your hands -- in your ability to convince your colleagues, the peers and decision-makers in Kansas - in your ability to translate that same message to the Oval office, to the Halls of Congress, and to the Supreme Court of the U.S. which is concerned as the great Justice Learned Hand once said, "This court is concerned that not even a sparrow fall to earth unheeded."

My friends, that sparrow is the Kansas farmer and small business men and women whose cries today go unheeded unless you act -- the decision is in your hands!



**kansas  
small business  
development center**

*"C"*  
Feb. 26, 1986  
Economic Development

Emporia State  
University  
Emporia, KS  
66801  
(316) 231-7000, Ext. 308

Holy Cross State  
University  
Hoys, KS  
67501  
(316) 234-5500

Johnson County  
Community College  
Overland Park, KS  
66210-0000  
(913) 685-5000, Ext. 3623

Kansas State  
University  
Manhattan, KS  
66506  
(913) 542-5827

Pittsburg State  
University  
Pittsburg, KS  
66762  
(316) 231-7000, Ext. 4593

University of  
Kansas  
Lawrence, KS  
66045  
(913) 861-3536

Washburn University  
of Topeka  
Topeka, KS  
66621  
(316) 295-6305

The Wichita State  
University  
Wichita, KS  
67208-1595  
(316) 689-3193

Statement of Testimony

SUSAN OSBORNE-HOWES

STATE DIRECTOR

KANSAS SMALL BUSINESS DEVELOPMENT CENTER

Before

THE LEGISLATIVE COMMISSION ON ECONOMIC DEVELOPMENT

February 1986

Topeka, Kansas



**KSBDC Statewide Administrative Office**  
021 Clinton Hall  
Campus Box 48  
The Wichita State University  
Wichita, Kansas 67208-1595  
(316) 689-3193

*Attachment C*



MR. CHAIRMAN, MY NAME IS SUSAN OSBORNE-HOWES. I AM THE DIRECTOR OF THE KANSAS SMALL BUSINESS DEVELOPMENT CENTER. MY OFFICE IS LOCATED IN THE COLLEGE OF BUSINESS ADMINISTRATION AT THE WICHITA STATE UNIVERSITY. I APPRECIATE THIS OPPORTUNITY TO TESTIFY BEFORE YOU ON THE SMALL BUSINESS DEVELOPMENT CENTER PROGRAM.

IN OCTOBER 1983, THE KANSAS SBDC'S WERE CREATED WITH THE FINANCIAL SUPPORT OF THE U.S. SMALL BUSINESS ADMINISTRATION. KANSAS WAS THE 27TH STATE TO ESTABLISH AN SBDC NETWORK--TODAY, 41 STATES HAVE SBDC'S IN OPERATION. THE SBDC CENTERS ARE SPONSORED BY EIGHT ACADEMIC INSTITUTIONS IN KANSAS, SIX OF WHICH ARE REGENTS' INSTITUTIONS. SCHOOLS SPONSORING SBDC'S INCLUDE EMPORIA STATE UNIVERSITY, FORT HAYS STATE UNIVERSITY, JOHNSON COUNTY COMMUNITY COLLEGE, KANSAS STATE UNIVERSITY, PITTSBURG STATE UNIVERSITY, THE UNIVERSITY OF KANSAS, WASHBURN UNIVERSITY AND THE WICHITA STATE UNIVERSITY--THE SITE OF THE STATE SBDC OFFICE.

THE CENTRAL PRIORITY OF THE KANSAS SMALL BUSINESS DEVELOPMENT CENTER (KSBDC) IS TO BE AN EFFICIENT AND EFFECTIVE PROVIDER OF MANAGEMENT, TECHNICAL AND BUSINESS ASSISTANCE TO NEW AND EXISTING KANSAS SMALL BUSINESSES. IN ORDER TO ACCOMPLISH THIS OBJECTIVE, PROFESSIONALS AT THE EIGHT CENTERS PROVIDE BOTH ONE-ON-ONE BUSINESS COUNSELING AND PRACTICAL TRAINING SEMINARS ON VARIOUS TOPICS. THE KANSAS SBDC IS UNIQUE IN THAT IT PROVIDES QUALITY, CONFIDENTIAL, COUNSELING FREE OF CHARGE TO THE CLIENT.

AS THE KSBDC STRIVES TO PROVIDE COUNSELING AND TRAINING SERVICES TO THE APPROXIMATELY 68,000 SMALL BUSINESSES IN ALL 105 COUNTIES, A FEW SUBCENTERS AND SATELLITE CENTERS HAVE BEEN ESTABLISHED. FORT HAYS STATE UNIVERSITY HAS ESTABLISHED SUBCENTERS IN COLBY, GREAT BEND, DODGE CITY, GARDEN CITY AND LIBERAL. THE WICHITA STATE UNIVERSITY HAS RECENTLY OPENED A NEW SUBCENTER IN HUTCHINSON.

THE KANSAS SBDC'S RECEIVE CONTINUAL ADVICE AND SUPPORT FROM AN ACTIVE STATE ADVISORY COUNCIL COMPOSED OF TWENTY-ONE COMMUNITY LEADERS AND SMALL BUSINESS OWNERS IN KANSAS.

#### NEED FOR KSBDC

THE NEED FOR SMALL BUSINESS DEVELOPMENT CENTERS IS EVIDENT WHEN CONFRONTED WITH THE FACT THAT IN 1985 KANSAS SET A NEW RECORD IN THE NUMBER OF BUSINESS BANKRUPTCIES. IN FACT, KANSAS HAD THE SECOND HIGHEST INCREASE IN BUSINESS FAILURE RATE IN THE NATION (+109%). THIS INCREASE WAS LARGELY DUE TO FAILURES OF SMALL BUSINESSES IN THE SMALLER AND RURAL COMMUNITIES AND TO SERVICE BUSINESSES THROUGHOUT THE STATE. [STATISTICS BASED ON DUN & BRADSTREET AND SBA OFFICE OF ADVOCACY REPORTS.]

NATIONALLY, SMALL BUSINESSES ACCOUNT FOR 95% OF ALL BUSINESSES AND 57% OF THE WORK FORCE, BUT IN KANSAS 99.8% OF ALL BUSINESSES ARE SMALL AND THESE BUSINESSES ACCOUNT FOR AT LEAST 75% OF THE WORK FORCE. [KANSAS DEPARTMENT OF HUMAN RESOURCES]

WHILE KANSAS IS A STATE DOMINATED BY SMALL BUSINESS, THE RATE OF BUSINESS FORMATION IN KANSAS IN RECENT YEARS HAS BEEN WELL BELOW THE U.S. RATES, SIGNIFICANTLY BELOW THE CONTIGUOUS STATES OF OKLAHOMA AND COLORADO AND ABOUT THE SAME AS MISSOURI AND NEBRASKA. [COUNTY BUSINESS PATTERNS] YET SMALL BUSINESSES PRODUCE A MORE-THAN-PROPORTIONATE SHARE OF NET NEW JOBS RELATIVE TO THE SMALL BUSINESS SHARE OF TOTAL EMPLOYMENT. IN FACT SMALL BUSINESS START UP AND GROWTH ACCOUNTED FOR ALMOST ALL OF THE NET NEW JOBS CREATED IN THE UNITED STATES FROM 1980 TO 1982. [THE "STATE OF SMALL BUSINESS: A REPORT FOR THE PRESIDENT" MARCH 1984 AND 1985]

NUMEROUS STUDIES HAVE SHOWN THAT SMALL BUSINESSES ARE PARTICULARLY VULNERABLE IN THE FIRST FIVE YEARS OF LIFE AND THAT FAILURE COMES MOST OFTEN FROM LACK OF CAPITAL AND AN ABSENCE OF SOUND MANAGEMENT AND PLANNING

PRACTICES. THE KANSAS SBDC PROGRAM PROVIDES FREE MANAGEMENT ASSISTANCE AND LOW COST PRACTICAL SEMINARS FOR THE SMALL BUSINESS OWNER IN AN EFFORT TO MITIGATE SOME OF THE CIRCUMSTANCES THAT THREATEN SMALL BUSINESS SURVIVAL.

#### ACCOMPLISHMENTS

IN IT'S FIRST TWO YEARS OF OPERATION THE KANSAS SMALL BUSINESS DEVELOPMENT CENTER HAS COMPLETED COUNSELING PROJECTS WITH OVER 2,000 BUSINESS OWNERS, GIVEN ADVICE TO AN ADDITIONAL 3,000 CLIENTS, AND PROVIDED OVER 300 TRAINING SEMINARS WITH OVER 8,000 ATTENDEES. THE SUCCESS OF THE SBDC IS BECOMING EVIDENT AS BUSINESSES IMPLEMENT THE ADVICE AND INFORMATION GAINED FROM THE COUNSELING AND TRAINING EXPERIENCE. IMPROVED BOTTOM LINE PROFITS, THE CREATION OF NEW JOBS AND HENCE INCREASED TAX REVENUE FOR THE STATE ARE THE DEMONSTRATABLE RESULTS. A NATIONAL IMPACT STUDY WAS COMPLETED ON NINE MATURE SBDC'S IN 1983; AND THE FINDINGS OF THIS RESEARCH WERE TRULY AMAZING! AFTER ONE YEAR OF COUNSELING, SBDC CLIENTS PERFORMED BETTER THAN THE GENERAL POPULATION IN TERMS OF SALES, PROFIT AND EMPLOYMENT. SALES INCREASED 25 PERCENT, PROFITS BY 83 PERCENT AND EMPLOYMENT BY 23 PERCENT ABOVE THE RATE OF ALL BUSINESSES IN THOSE STATES.

MOST IMPORTANTLY, THE STUDY FOUND THAT STATE AND FEDERAL DIRECT TAXES GENERATED BY THIS INCREASE IN PERFORMANCE FAR EXCEEDED THE INVESTMENT IN THE PROGRAM. FOR EVERY ONE DOLLAR IN FEDERAL FUNDS SPENT ON THE SBDC PROGRAM, \$9.40 WAS RETURNED IN NEW TAXES. FOR EVERY ONE DOLLAR IN STATE MONEY SUPPORTING THE SBDC PROGRAM, \$10.90 WAS RETURNED TO THE STATE IN NEW STATE TAXES.

INITIAL STUDIES CONDUCTED BY THE KANSAS SBDC OFFICE INDICATES THAT OVER ONE THIRD OF OUR SURVEY RESPONDENTS HAVE ALREADY INCREASED THEIR SALES SINCE RECEIVING SBDC COUNSELING AND AT LEAST TWENTY PERCENT HAVE HIRED ADDITIONAL EMPLOYEES.

THE KANSAS SBDC HAS ALSO BEEN SUCCESSFUL IN INTERFACING WITH THE CIVIC



AND STATE ORGANIZATIONS TO ESTABLISH A NETWORK OF CONTACTS AND REFERRALS IN EACH OF THE 105 COUNTIES. SEVERAL ORGANIZATIONS, SUCH AS FACTS (FARMERS' ASSISTANCE COUNSELING AND TRAINING SERVICE), CERTIFIED DEVELOPMENT COMPANIES, CHAMBERS OF COMMERCE, THE KANSAS DEPARTMENT OF ECONOMIC DEVELOPMENT, AND THE KSU COOPERATIVE EXTENSION SERVICE ARE REFERRING APPROPRIATE CLIENTS TO THEIR NEAREST SBDC ON A REGULAR BASIS. THE SBDC'S ALSO COORDINATE CLOSELY WITH THE SBA AND ITS SCORE/ACE PROGRAM.

A PERFORMANCE EVALUATION SURVEY CONDUCTED BY THE STATE CENTER INDICATED KANSAS SBDC CLIENTS ARE SATISFIED WITH THEIR SERVICE:

84.4% OF THE SBDC CLIENTS RATED THE CONSULTING THEY RECEIVED AS EXCELLENT, VERY GOOD, OR GOOD;

88.3% WOULD RECOMMEND THE SBDC TO OTHER SMALL BUSINESS PERSONS;

88.3% RECEIVED PROMPT ASSISTANCE.

SPECIFIC TYPES OF COUNSELING STORIES RANGE FROM THE NEW BUSINESS OWNER WHO HAS NO KNOWLEDGE OF SETTING UP BOOKS, TO THE POTENTIAL BUSINESS MAN WITH A NEW PRODUCT IDEA, TO THE SMALL KANSAS COMMUNITY WHO DESIRES A NEW BUSINESS TO LOCATE IN ITS DOWNTOWN, TO THE SMALL MANUFACTURER WHO HAS PRODUCED AGRICULTURE EQUIPMENT FOR THE FARMER AND HAS SEEN HIS MARKET DWINDLE, TO THE BUSINESS OWNER WITH NO EXPERIENCE IN SETTING UP AN ADVERTISING PLAN. THE KSBDC HAS HELPED BUSINESSES WITH A TREMENDOUS GROWTH POTENTIAL LIKE A FOOD DISTRIBUTOR WITH \$200,000 IN CURRENT SALES WHO HAS THE POTENTIAL OF GROWING TO \$6,000,000 IN SALES IF HE PLANS HIS BUSINESS DECISION ACCORDINGLY. . . .OR THE MANUFACTURER OF A NEW PLASTIC PRODUCT WHO HAD LOST ALL HIS DEVELOPMENT MONEY ON A BAD BUSINESS DECISION (THIS COMPANY NOW HAS 5 EMPLOYEES, IS IN OPERATION AND HAS VENTURE CAPITALISTS INTERESTED IN INVESTING IN THE COMPANY!) THE SBDC'S HAVE ALSO HELPED THE SMALLER BUSINESS TO EXPAND OR OPERATE MORE EFFICIENTLY---LIKE THE MANY BUSINESS OWNERS WHO ARE AFRAID TO EVEN EXPAND AND HIRE NEW EMPLOYEES BECAUSE THEY HAVE NO KNOWLEDGE OF THE PAPERWORK INVOLVED.

ALSO, THE SBDC'S HAVE COUNSELED POTENTIAL BUSINESS OWNERS NOT TO PROCEED WITH INVESTING THEIR LIFE SAVINGS IN AN IDEA THAT PROVES NOT TO BE FEASIBLE.

THE KANSAS SBDC'S HAVE BEEN SUCCESSFUL IN INVOLVING BUSINESS PROFESSIONALS AND COMMUNITY LEADERS IN THE CENTERS. SINCE THE CENTERS WORK ONLY WITH BUSINESSES WHO CANNOT AFFORD TO HIRE CONSULTING SERVICES, COMMUNITY PROFESSIONALS CONSULT WITH SBDC CLIENTS AND CONDUCT TRAINING PROGRAMS. BUSINESSES WHO CAN AFFORD TO HIRE CONSULTANTS ARE ROUTINELY REFERRED TO PROFESSIONALS IN THE COMMUNITY. ONLY THROUGH THE LEVERAGING OF RESOURCES PROVIDED BY THE SBDC'S CAN A PRIVATE CONSULTANT AFFORD TO WORK WITH SMALL BUSINESS CLIENTS IN THE SBDC MARKET SEGMENT--THESE BUSINESSES ARE SMALL WITH LIMITED RESOURCES. AS THEY GROW AND EXPAND THEIR FINANCIAL BASES, THESE COMPANIES WILL SEEK OUT FURTHER ASSISTANCE FROM PRIVATE SECTOR CONSULTANTS ON A FEE-FOR-SERVICE BASIS.

ADDITIONALLY, THE SBDC'S ARE ABLE TO USE THE EXPERTISE OF THE UNIVERISTY COMMUNITIES' UNIQUE AND VAST RESOURCES--BUSINESS AND ENGINEERING; LIBRARIES; ACCESS TO SOPHISTICATED COMPUTER SYSTEMS; SCHOOL OF LAW; AND, STATE OF THE ART RESEARCH CAPABILITIES. OUR KANSAS CENTERS CAN PROVIDE HIGH TECHNOLOGY ASSISTANCE THROUGH FOUR ENGINEERING SCHOOLS AND CENTERS OF EXCELLENCE, LOCATED AT KANSAS STATE UNIVERSITY, PITTSBURG STATE UNIVERSITY, THE UNIVERSITY OF KANSAS, AND THE WICHITA STATE UNIVERSITY.

THE EIGHT KANSAS SBDC CENTERS HAVE CONTINUED TO WORK CLOSELY TOGETHER-- MUTUALLY SUPPORTING THE CENTERS AND SHARING INFORMATION, ADVICE, ETC. IN FACT, THE KANSAS SBDC HAS BEEN RECOGNIZED BY THE SBA FOR ITS REPUTATION OF COOPERATION RATHER THAN COMPETITION (BETWEEN THE UNIVERSITIES AND STATE AND LOCAL AGENCIES).

FUTURE DEVELOPMENT OF KSBDC

IN ORDER TO EFFECTIVELY PROVIDE COUNSELING AND TRAINING TO ALL COMMUNITIES IN KANSAS, THE SBDC'S ARE PLANNING TO DEVELOP PLANNED OUTREACH PROGRAMS, TRAVELING CONSULTANTS, AND INCREASED NUMBER OF SUBCENTERS THROUGHOUT THE STATE. IMMEDIATE TARGETS FOR NEW SUBCENTERS ARE SALINA, (AT THE KANSAS TECHNICAL INSTITUTE) PRATT AND ATCHISON. HOWEVER, CURRENT FUNDING SOURCES ARE LIMITED--THE FEDERAL SOURCE THROUGH SBA IS ALREADY APPROACHING THE CAP AMOUNT POSSIBLE; AND KANSAS SPONSORING INSTITUTIONS CANNOT AND SHOULD NOT BEAR THE INCREASED FINANCIAL COMMITMENT.

IN A RECENT SURVEY CONDUCTED BY THE KANSAS SBDC CENTER, RESULTS INDICATE THAT TWENTY-SEVEN (67%) OF THE 41 STATE SBDC'S CURRENTLY RECEIVE STATE FUNDING; AND TWENTY (74%) RECEIVED THEIR FUNDING WITHIN THEIR FIRST THREE YEARS OF OPERATION. BOTH IOWA AND NEBRASKA, THE STATES WITH THE FIRST AND THIRD HIGHEST INCREASE IN 1985 BUSINESS FAILURE RATES, RECEIVE DIRECT STATE FUNDING.

THE KANSAS SMALL BUSINESS DEVELOPMENT CENTER SUPPORTS SENATE BILL 617 WHICH APPROPRIATES STATE FUNDING TO THE CENTER IN THE AMOUNT OF THREE HUNDRED THOUSAND DOLLARS. THIS FUNDING WILL INSURE CONTINUED COMMITMENT TO EXPANSION, OUTREACH AND INDEPTH COUNSELING. IT IS ASSUMED THAT THE KANSAS SBDC WILL CONTINUE TO FUNCTION UNDER THE CURRENT ORGANIZATIONAL STRUCTURE WITH COOPERATION FROM ALL INSTITUTIONS INVOLVED.

THE KANSAS SMALL BUSINESS DEVELOPMENT CENTER RECOGNIZES THE EMPHASIS PLACED ON ECONOMIC DEVELOPMENT FOR KANSAS AND APPRECIATES THE IMPORTANT PART IT PLAYS IN THAT EFFORT.

I WOULD NOW LIKE TO INTRODUCE THE DIRECTORS OF OUR SBDC'S WHO ARE HERE WITH ME TODAY AND I WOULD THEN BE HAPPY TO ANSWER ANY QUESTIONS. THANK YOU.



STATE SBDC'S CURRENTLY RECEIVING STATE FUNDING

67% OF the 41 STATE SBDC'S HAVE MONIES PROVIDED DIRECTLY FROM THEIR STATE . THIS IS ABOVE AND BEYOND UNIVERSITY MATCHED FUNDS. THEY ARE:

ALABAMA  
CALIFORNIA  
CONNECTICUT  
DELAWARE  
FLORIDA  
GEORGIA  
ILLINOIS  
IOWA  
KENTUCKY  
LOUISIANA  
MAINE  
MASSACHUSETTS  
MICHIGAN  
MISSISSIPPI  
NEBRASKA  
NEW HAMPSHIRE  
NEW JERSEY  
OKLAHOMA  
OREGON  
PENNSYLVANIA  
RHODE ISLAND  
SOUTH CAROLINA  
SOUTH DAKOTA  
TENNESSEE  
TEXAS  
VERMONT  
WASHINGTON

## FACT SHEET--KSBDC ACCOMPLISHMENTS

In it's first two years of operation the Kansas Small Business Development Center has:

- Completed over 2,000 counseling cases with current or potential small businesses,
  - provided practical-oriented training sessions to over 8,000 businesses,
  - supported small business fairs and workshops throughout the state including--The Wichita Women's Fair-August 1985, Annual Small Business Fairs throughout the state, The Kansas Minority Exposition November 1985, and Entrepreneurs Week in Lawrence-September 1985.
  - employed over 80 professional consultants from the private sector to work with SBDC clients,
- and
- developed a spirit of cooperation among agencies throughout the state that work with small businesses.  
. . including local Chambers of Commerce, SCORE, FACTS, KDED, CDCs, and Community Colleges throughout the state.

Overall Kansans are pleased with the services provided by the KSBDC. A survey done by the KSBDC in November 1985 revealed that:

- 84.4% of our clients rated our services as Good, Very Good or Excellent,
  - 88.3% would recommend other business persons contact the SBDC for assistance,
  - 70.4% would have been unable to afford and thus not receive the consultation received by the KSBDC,
- and
- 34.1% had an increase in sales after working with the KSBDC.

In 1986 the KSBDC will continue to provide free one-on-one business counseling and low cost training seminars throughout the state. We will continue to focus on areas of assistance most frequently requested in our last two years of operation. This includes Market Analysis, Business Feasibility, Accounting/bookkeeping, Business Plan Preparation, Financial and Technical Assistance and Management Structure.

As of February 15, 1986 the KSBDC has:

- Completed 110 counseling cases,
- Provided training sessions to 727 Kansas Businesses.

and has:

- Approximately 250 consulting cases open,
- 70 training seminars planned for March and April 1986.

In addition several of the KSBDC centers are expanding by proposing to open satellite centers in 1986 to handle the constantly increasing demands for SBDC services.



1986 KSBDC ADVISORY COUNCIL

JAMES D. MYERS  
PRESIDENT, ADMIRE BANK & TRUST OF EMPORIA  
1104 E. 12  
EMPORIA, KS 66801  
316-343-1940  
3 YEARS

LOIS LOUCKS  
THE GARDEN SHOP  
RT 2, BOX 5  
PITTSBURG, KS 66762  
316-231-6440  
2 YEARS

MACK COLT  
PRESIDENT, COLT INVESTMENTS  
SUITE 210  
4500 COLLEGE BLVD  
LEAWOOD, KS 66211  
913-381-6595 (HOME)  
913-491-5010 (WORK)  
1 YEAR

STAN THIBAUT  
PRESIDENT AND GENERAL MANAGER  
OSBORNE INDUSTRIES  
BOX 388  
OSBORNE, KS 67473  
913-346-2192  
2 YEARS

GARY PADGETT  
PRESIDENT, CITIZEN'S NATIONAL BANK  
417 COMMERCIAL, BOX 309  
GREENLEAF, KS 66943  
913-747-2261  
2 YEARS

DOUGLAS WRIGHT  
MAYOR, CITY OF TOPEKA  
215 SE 7TH  
TOPEKA, KS 66603  
913-295-3895  
2 YEARS

DERYL K. SCHUSTER  
PRESIDENT AND CEO  
FIRST NATIONAL BANK OF LIBERAL  
324 N. KANSAS  
LIBERAL, KS 679901  
316-624-1971  
3 YEARS

OTHAL D. VRANA  
PRESIDENT, GENERAL COMMUNICATIONS  
1020 E ENGLISH ST  
WICHITA, KS 67211  
316-262-2645  
1 YEAR

BEN VIDRISKSEN  
STATE SENATOR  
ROOM 143N  
STATE CAPITOL  
TOPEKA, KS 66612  
913-296-7390

OR  
VIDRIKSEN'S FOOD & SERVICE  
1314 SUNRISE DRIVE  
SALINA, KS 67401  
OR  
713 N. 11TH  
SALINA, KS 67401  
913-827-5964  
2 YEARS

DON COLLINS, SR.  
PRESIDENT, COLLINS INDUSTRIES  
BOX 58  
HUTCHINSON, KS 67504-0058  
316-663-4441  
1 YEAR

RON BERGAMO  
GENERAL MANAGER, KWCH-TV  
2815 E 37 NORTH  
WICHITA, KS 67219  
316-838-1212  
2 YEARS

JOHN WATSON  
DIRECTOR OF INTERNATIONAL DEVELOPMENT  
KANSAS DEPARTMENT OF ECONOMIC DEVELOPMENT  
503 KANSAS  
TOPEKA, KS 66603  
913-296-3483  
3 YEARS

JAMES S. CRAWFORD  
DISTRICT SCORE REPRESENTATIVE  
208 N. DELLROSE  
WICHITA, KS 67208  
316-683-1236  
2 YEARS

THOMAS GORDON  
THOMAS GORDON INVESTMENTS  
PO BOX 397  
2111 WASHINGTON ST  
GREAT BEND, KS 67530  
316-792-2401  
316-792-6254 (CHAMBER)  
1 YEAR

JAMES BOLDEN  
PRESIDENT, MID-AMERICAN AVIATION  
HANGAR 601  
FORBES FIELD  
TOPEKA, KS 66619  
913-862-2790  
913-235-6436  
3 YEAR

REX WIGGINS  
REX WIGGINS & CO  
35 CORPORATE WOODS  
9101 W. 110TH ST  
OVERLAND PARK, KS 66210  
913-451-8482  
1 YEAR

PAT KNOCH  
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EXECUTIVE VICE PRESIDENT, CHAMBER OF COMMERCE  
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104 N. 6TH - BOX 126  
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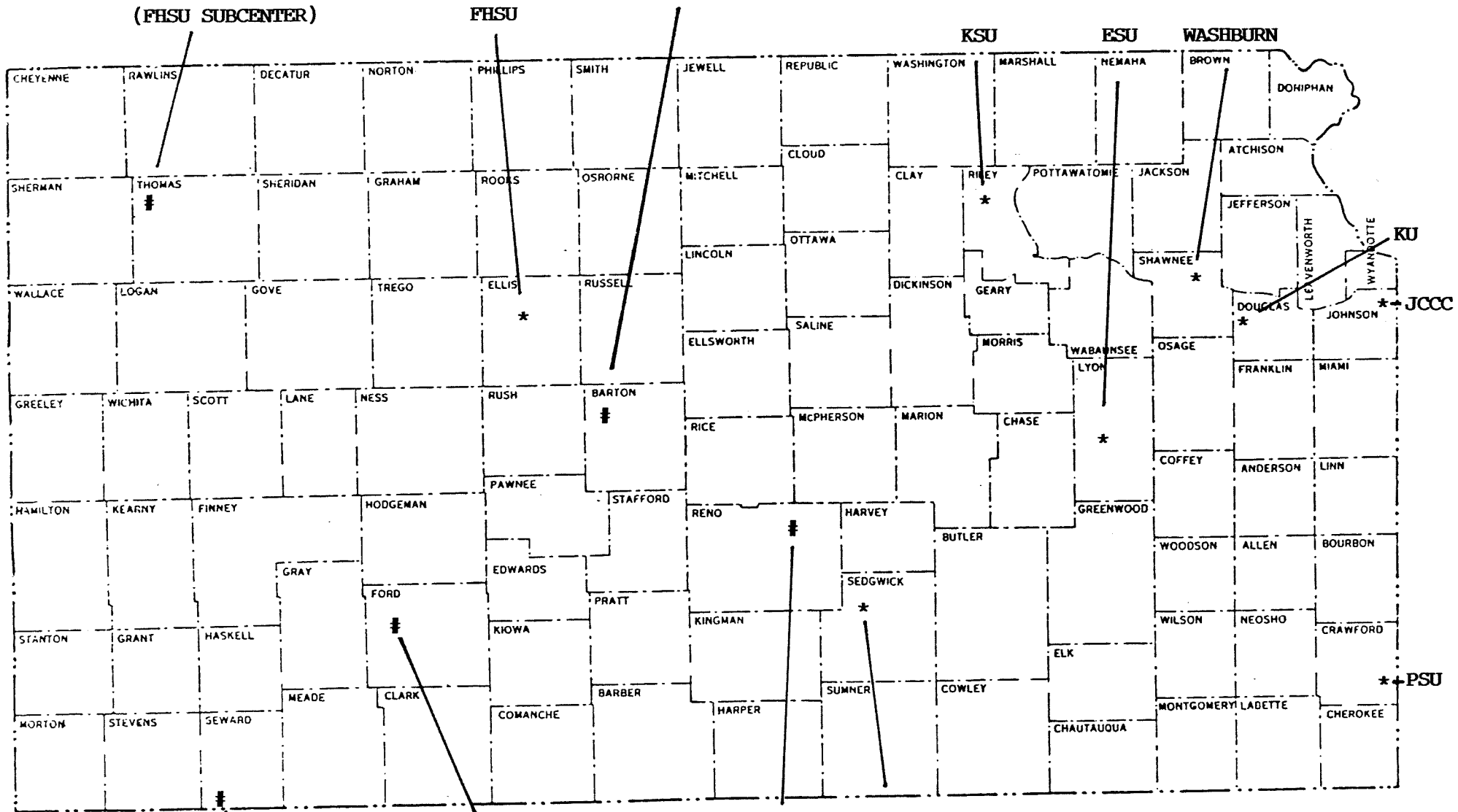


Senator Norma Daniels  
130 Miles Ave.  
Valley Center, KS 67147  
(316) 755-0394

COLBY COMMUNITY COLLEGE (FHSU SUBCENTER)

BARTON COUNTY COMMUNITY COLLEGE (FHSU SUBCENTER)

‡ SUBCENTER  
\* SBDC CENTER



SEWARD COMMUNITY COLLEGE (FHSU SUBCENTER)

DODGE CITY COMMUNITY COLLEGE (FHSU SUBCENTER)

HUTCHINSON WSU COMMUNITY COLLEGE (WSU SUBCENTER)

KU

JCCC

PSU

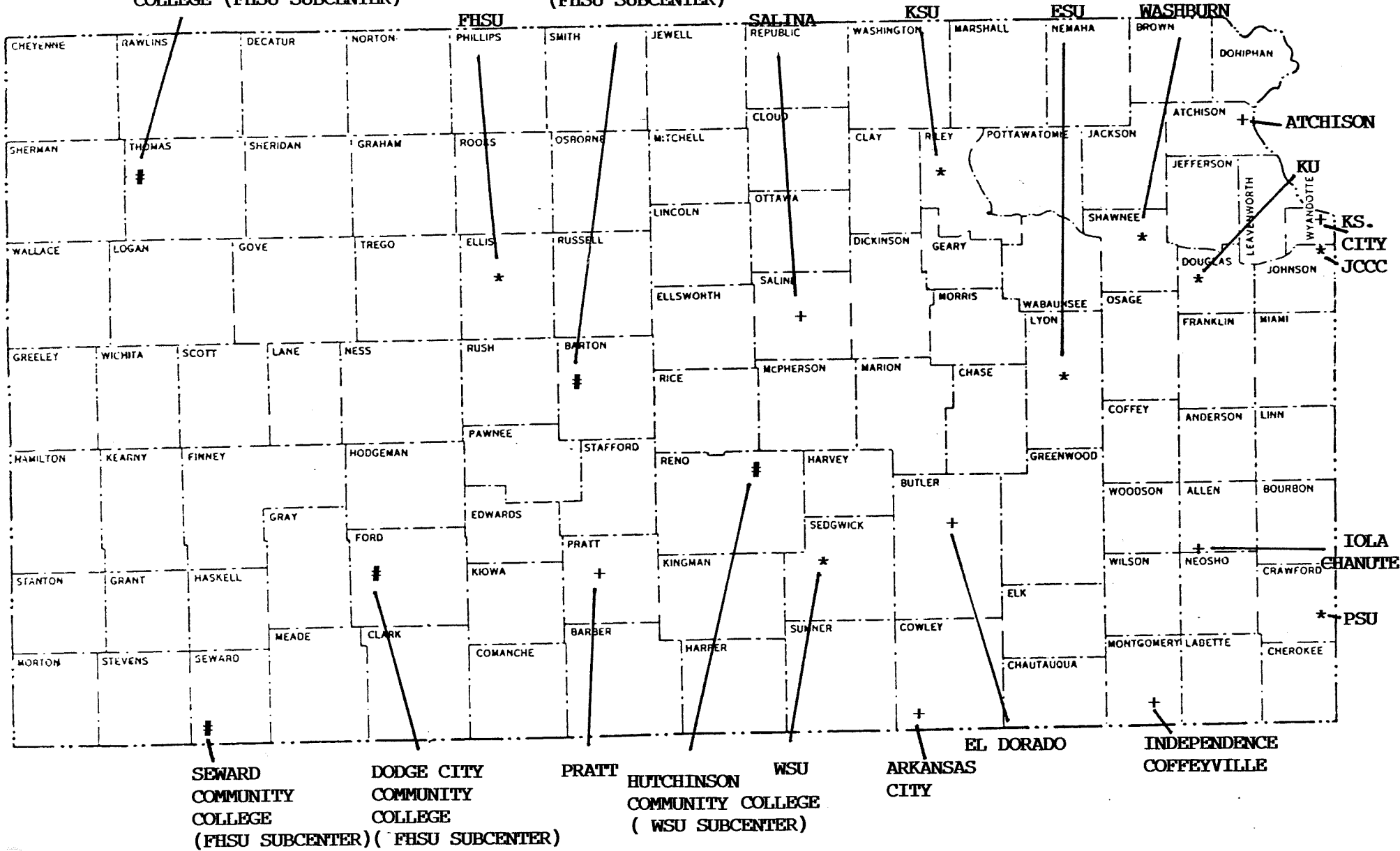
COLBY COMMUNITY  
COLLEGE (FHSU SUBCENTER)

BARTON COUNTY  
COMMUNITY COLLEGE  
(FHSU SUBCENTER)

+ PROPOSED SITE FOR SUBCENTER

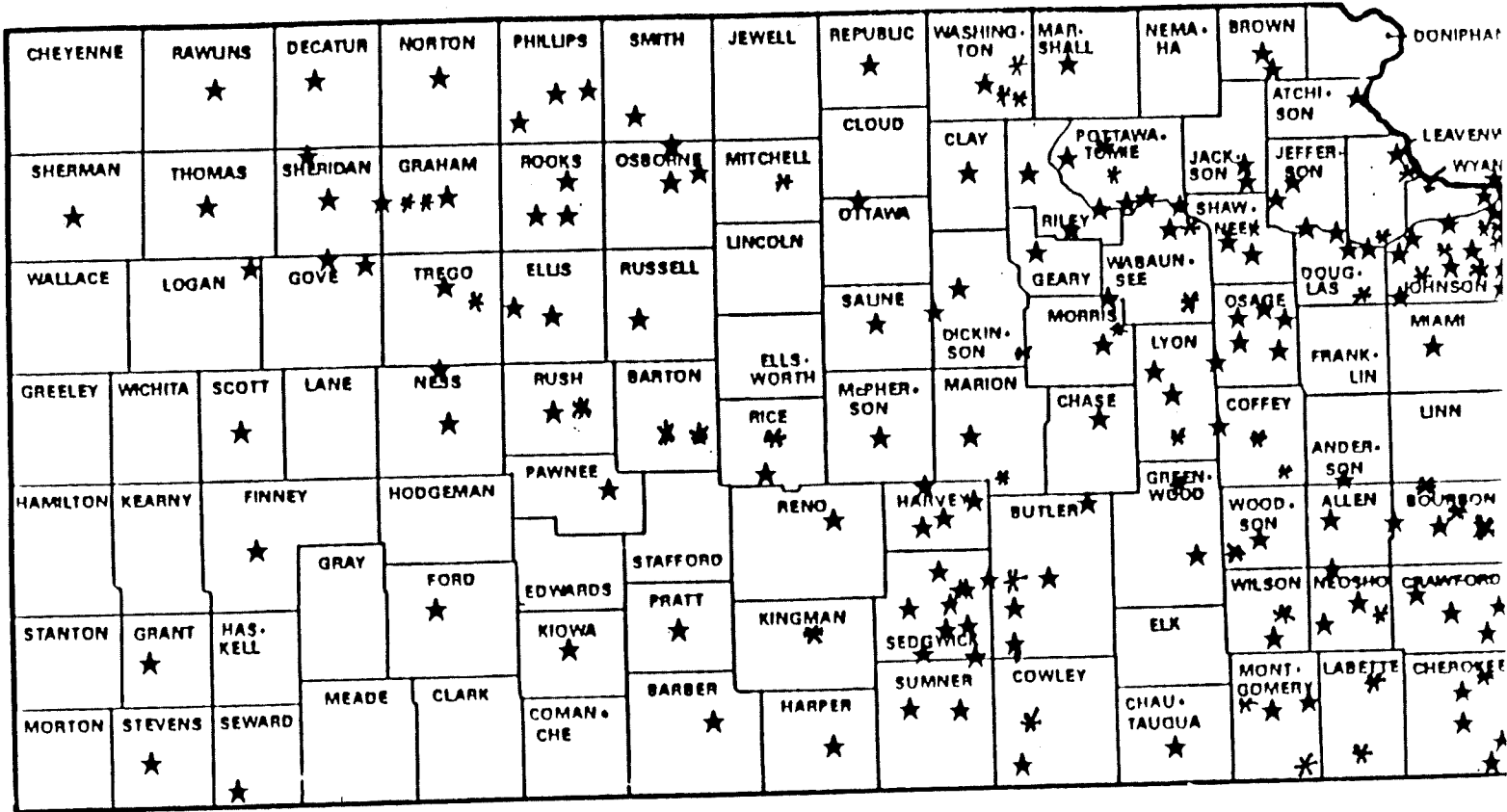
‡ SUBCENTER

\* SBDC CENTER





\* TOWNS WHICH HAVE BEEN SERVED BY KSBDC



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EX. 239

Dodge City Community College Subcenter. . . . . 316-225-1321  
EX. 205

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The "technology installation centers" are communities that represent the domicile of a major research or technology-based institution--but often lack most of the ingredients noted above. In communities such as Seattle, or those located near the Space Center in Florida, large pools of researchers and skilled workers are found--and spin-offs may occur.

Finally, there are the "boot strap" communities. Here, much of the traditional growth has depended upon other factors such as low operating costs, attractive environments, a major governmental activity, or other unique considerations. In many cases, these have demonstrated advantages for a wide range of activities, and provide a foundation that can be built upon in terms of production workers, rapidly improving educational institutions, unique endowments in terms of transportation and utilities, and other factors. Initiatives in these communities often include developing the technical infrastructure and institutional linkages that will permit progressive increases in the overall level of technical sophistication. Examples of such communities include Austin, Colorado Springs, Orlando, Phoenix, and San Antonio.

- Common Initiatives. At least seven common initiatives are associated with the most successful thrusts:
  - Rigorous enforcement of land use, planning, and zoning.
  - Major efforts are underway to improve university programs, especially in scientific, technical, and engineering areas.
  - Many efforts are underway to improve the quality and orientation of vocational and technical programs.
  - Incubator buildings and business supporting services are available.
  - The design and implementation of greatly strengthened marketing programs within the development organization are underway.
  - Various venture capital funds, and related economic incentives are being developed and strengthened.
  - Specific high technology and growth industry task forces are being created.
- Factors Influencing Success. Again, based upon the survey of programs just noted, several major factors were directly related to success. These include:
  - The development effort was sustained for a long period of time, often over several decades.

- An objective assessment of local strengths and weaknesses had been carried out, with corrective programs carefully designed and implemented.
- The communities were quite flexible, and had adjusted to factors that they could not control--related to economic structure, location, climate and others--and chose instead to build upon their strengths.
- The successful local initiatives were not carried out in isolation, but were very closely linked to broader development strategies. These other initiatives involved target industry programs, downtown revitalization, strengthened advertising programs, expanded university programs, and others.
- Almost all successful programs were designed, implemented, and monitored locally--with the Federal and state government providing only general guidance.
- The successful programs also made the most of local policy tools and resources. For example, mayors, county commissioners, and township leaders were often involved to ensure that resources were made available in areas such as the provision of public services, improved educational programs, improvements in utilities and transportation, flexible tax policies and incentives, flexible regulatory policies, administrative streamlining (such as one-stop permitting), and a significant effort locally to develop a positive attitude toward economic development.

In short, the most successful programs that are evolving include a number of thrusts, and, especially important, were not carried out in isolation, but involved a wide range of linkages across the community and a significant amount of interactive support. It is also important to point out that while the major success stories often involve a mixture of large universities, large cities, major pools of scientific and technical personnel, major corporate presences, and other factors--success stories can also be identified where this entire continuum of resources may not have been available. However, compensating types of support were available in the form of a focused development effort, unselfish support on the part of community leaders, and a significant degree of community and private sector backing and involvement.

Suggestions

In some communities, the development organization is found in association with the Chamber of Commerce. In others it may be free-standing, part of city or county government, or dominated by a bank or utility. The actual "housing" of the group is important in two respects: First, it should be associated with that entity that facilitates operation, maximizes efficiency, and reduces cost. Second, it is essential that competing development groups do not evolve in the region, since this often results in wasted resources, confused prospects, and alienated residents. In regard to the Mid-America area, the following considerations or steps apply.

Mid-America, Inc.

First, it is suggested that an expanded Mid-America, Inc. provide guidance and leadership for the development program. The group would be organized specifically to foster the attraction of firms, facilitate the spin-off or expansion of growth industries and services, and would also be responsible for monitoring retention efforts.

Definitions

The expanded Mid-America, Inc. will be an action-oriented entity whose mission is to create jobs by attracting new employers and assist existing firms to remain in business and expand, as well as to generally contribute to improving the economic environment of the region. This is a highly professional and specialized function, not to be confused with city or county planning, normal Chamber of Commerce functions, or other activities best handled by professionals in other fields. The economic development organization must be a coordinator and facilitator that focuses on a wide range of community, county, and regional resources. It must assume responsibility for activities such as economic development research, identifying target activities, developing and maintaining regional information, coordinating site information, and others. At the same time, Mid-America, Inc. could evolve as a center for guidance in areas such as



manpower needs, providing financial assistance, monitoring economic trends in the region, and coordinating all activities related to the identification and handling of prospects.

### Domicile

A viable economic development entity requires specific office space, telephones, secretarial support, high quality meeting and briefing rooms, travel funds, printing and publishing funds, technical and administrative support, a legal status that facilitates optioning and perhaps owning land, direct access to a bonding authority, the ability to raise funds from various sources, and the ability and authority to handle information related to prospects on a totally confidential basis, while satisfying other concerns as well.

As discussed in greater detail below, there are certain types of additional support and resources that should be made available for the development thrust. The economic development function in Mid-America is so important that it requires more explicit recognition in terms of funding, with additional professional staff, secretarial and administrative support, and expanded facilities allocated for this role. In other words, the concept of an action-oriented economic development office serving the Mid-America region is essential, and the magnitude and type of support allocated to this program must be strengthened and expanded.

### Organization

An extremely important aspect of the expanded growth program involves organizational changes such as increasing region-wide representation, strengthening ties to other organizations, and generally clarifying the mandate of the Mid-America, Inc. and its staff.

The following points are related to structuring the expanded growth program in Mid-America:

- It is desirable to have a comprehensive organization that is exceptionally broad-based in terms of area-wide support and reflects a range of concerns and resources. Accordingly,

Mid-America, Inc. should have as part of its membership representatives of the Counties, the banks, real estate firms, educational institutions, the utilities, the Chambers of Commerce, and especially important--local businesses.

- To get work done most efficiently, a smaller component of the total group should be identified--an Executive Committee. Drawn from the members of Mid-America, Inc., the Executive Committee would be more closely involved in the day-to-day operations of the economic development program, recognizing that it is often difficult to schedule meetings with the total organization.
- It would be essential that the professional economic development staff be involved in all activities of this group, and certainly be an ex officio member of the Executive Committee.
- In brief, the responsibilities of the Mid-America, Inc. will include:
  - Personnel functions--hiring and guiding staff
  - Financial activities--raising funds, establishing budgets, prioritizing expenditures
  - Coordination--among other development entities and community organizations in the public and private sector
  - Planning--designing and monitoring the economic development plan
  - Implementation, including:
    - Perhaps acquiring land, developing high quality industrial parks, sites, and making available speculative structures
    - Facilitating industrial financing and the cataloging of various types of incentives at the local and state level
    - Supporting advertising, public relations, and other communications functions
    - Updating area resource assessments, with related fact books and profiles
    - Implementing and monitoring a concerted target industry and target firm list--the identification of suspects and prospects
    - Planning and implementing an aggressive retention program

- Planning and implementing an aggressive attraction program (including advertising, public relations, direct mail, visitation, and trade show types of tasks)
- Carrying out other tasks as appropriate.

### Critical Actors

The organizational streamlining concept presented above is suggested because it is clear that there is a need for a focused, recognized, and supported "umbrella" economic development organization representing Mid-America. At present, there are several groups in the region that contribute to development according to their individual mandates, responsibilities, and in line with their specific resources. Each of these groups should continue their dedication to facilitating development in Mid-America; it also seems highly desirable that their efforts be coordinated more carefully within this overall umbrella. The potential ties among these groups are summarized graphically in Figure 2. It is suggested that the resources and capabilities of each of these activities be marshalled to support the expanded Mid-America, Inc.

There are several other perspectives that should be noted before moving ahead. First, it is suggested that in the future, a larger degree of private sector and other types of public sector involvement will be required. It is also clear that a set of "task forces" should be structured--dealing with specific topics. The task forces will be coordinated and chaired by members of Mid-America, Inc., with direct participation by the professional staff, and would also include active participation of other private sector leaders--authorities in specific fields.

### Specific Steps

The considerations presented above may be summarized in a series of steps, each of which may be considered an objective to be achieved. These steps should be carried out first, before others are initiated:

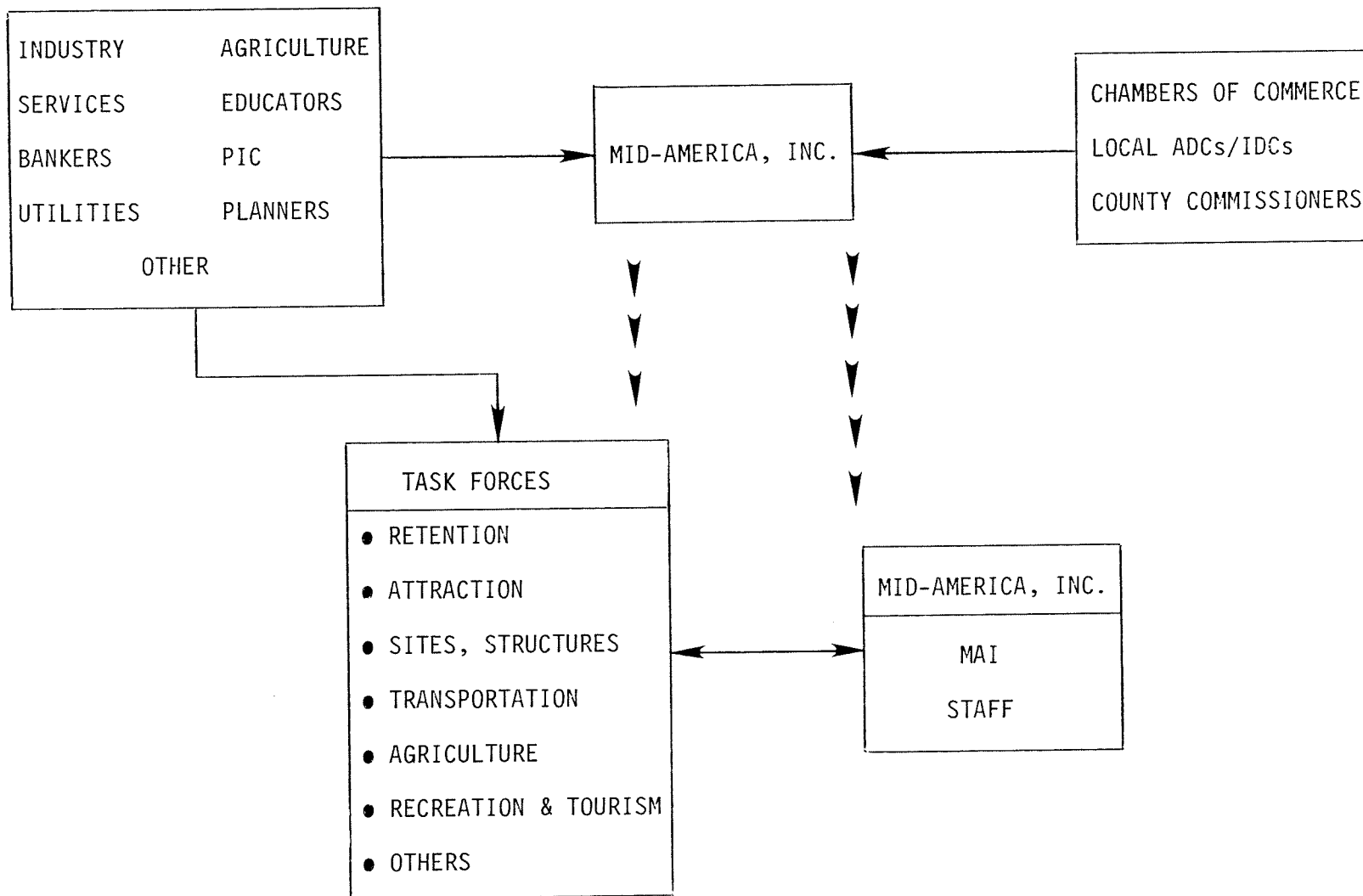


FIGURE 2. SUPPORT OF MID-AMERICA, INC.



- (1) Evaluate the composition of the existing Mid-America, Inc. In the structuring of the expanded Mid-America organization it will be especially important to coordinate the direct involvement of the critical groups noted above.
- (2) Determine the desirability of agreements with the Chambers of Commerce, local development corporations, the Counties, and communities concerning mutual support, individual responsibilities, financial support, and other factors--make changes where appropriate, and make alignments where needed to ensure satisfactory support for the Mid-America, Inc. and its programs.
- (3) Review the evolving development plan, specify the goals and objectives to be accomplished, and describe how these will be monitored by the Mid-America, Inc. and its staff.
- (4) Publish the economic development plan, make sure that its elements and attributes are described to the critical groups noted above, leaders of the public sector, the private sector, and especially important--ensure that the evolving development plan receives wide recognition in local electronic and print media.

### Task Forces

It is strongly recommended that the capabilities of Mid-America, Inc. be augmented by the creation of a set of working task forces. These should be special problem/topic-oriented groups that can provide assistance and support in regard to specific needs. They could provide capabilities and experience beyond those available within the economic development staff and could deal with issues such as:

- Manpower and training
- Incentives and related issues
- Prospect development--identification of "suspects" and prospects; Host Team coordination
- Retention and expansion
- Agriculture
- Transportation
- Sites and structures

- Tourism/Recreational activities--This task force could serve as a direct liaison between the Mid-America economic development program and other recreation and tourism program.

Other task forces could be formed on an "as needed" basis, to address special needs or topics as the economic development program evolves. It will be very important that each task force has a clear reason to be formed, and that specific goals, objectives, and activities be established that are related to the comprehensive economic development strategy. Each task force should draw upon the considerable--and in some cases untapped--pool of knowledge and expertise in the Mid-America area.

Several of the issues listed above currently are being addressed by various groups in the area such as Chamber of Commerce committees and others. To maximize the effectiveness of the program, it will be advisable for these groups to consider merging or contributing knowledgeable key people to the regional task forces. What will be essential is that an area-wide perspective be maintained and that, for example, the transportation task force addresses issues and concerns across the Mid-america region.

Steps that should be considered in the formation of each task force include:

- (1) Determine issues/problems--general.
- (2) Identify groups in the region that are currently addressing these issues.
- (3) Meet with the groups identified in Step 2:
  - Define issues in detail
  - Determine what has been done, current activities, future needs
  - Identify key actors--those persons who are currently involved in addressing the issues, as well as individuals, groups, and/or agencies that may contribute expertise or resources. While the majority of these will be located in Mid-America, certain topics may also benefit from regular contact with representatives of the Kansas Department of Economic Development, the Kansas Department of Human Resources, and other state or regional entities.

- (4) Determine whether or not a Mid-America task force should be formed to address the issue.
- (5) If a Mid-America task force is to be formed:
  - Determine composition--working members, resource persons
  - Develop an action plan related to the Mid-America economic development strategy, working with the Executive Vice President. Include specific short-term objectives, activities, and responsibilities as well as long-term goals.
  - Implement action plan, report activities to Mid-America, Inc. on a regular basis
  - Monitor progress, evaluate activities, revise action plan as appropriate, determine need for continuation of task force.

#### Professional Staff

The second major activity to be carried out in the Mid-America area involves evaluating the existing budget to allow for increased staff support and certain types of improved facilities. Since the staff of Mid-America, Inc. will be primarily responsible for implementation, it is essential that their responsibilities are clarified, and that their resources are adequate. The basic staff functions are shown in Figure 3, and are summarized below by major topic area:

- o Research. The staff will have responsibility for certain types of research. This will involve topics such as the preparation of feasibility studies for specific industry prospects, the identification of target firms and target industries, and the preparation and updating of profiles and sales materials. However, to extend the effectiveness of the staff, and to insure that the most comprehensive information is available locally, it is recommended that a primary backup be identified, and assistance be requested from local educational institutions.
- o Attraction. The second major function of the staff will be the active solicitation of new industry. This will involve identifying target industries; making initial contacts, field visits and presentations to prospects; and handling the complex and time consuming responses to questions about the Mid-America area. It is important to stress that solicitation

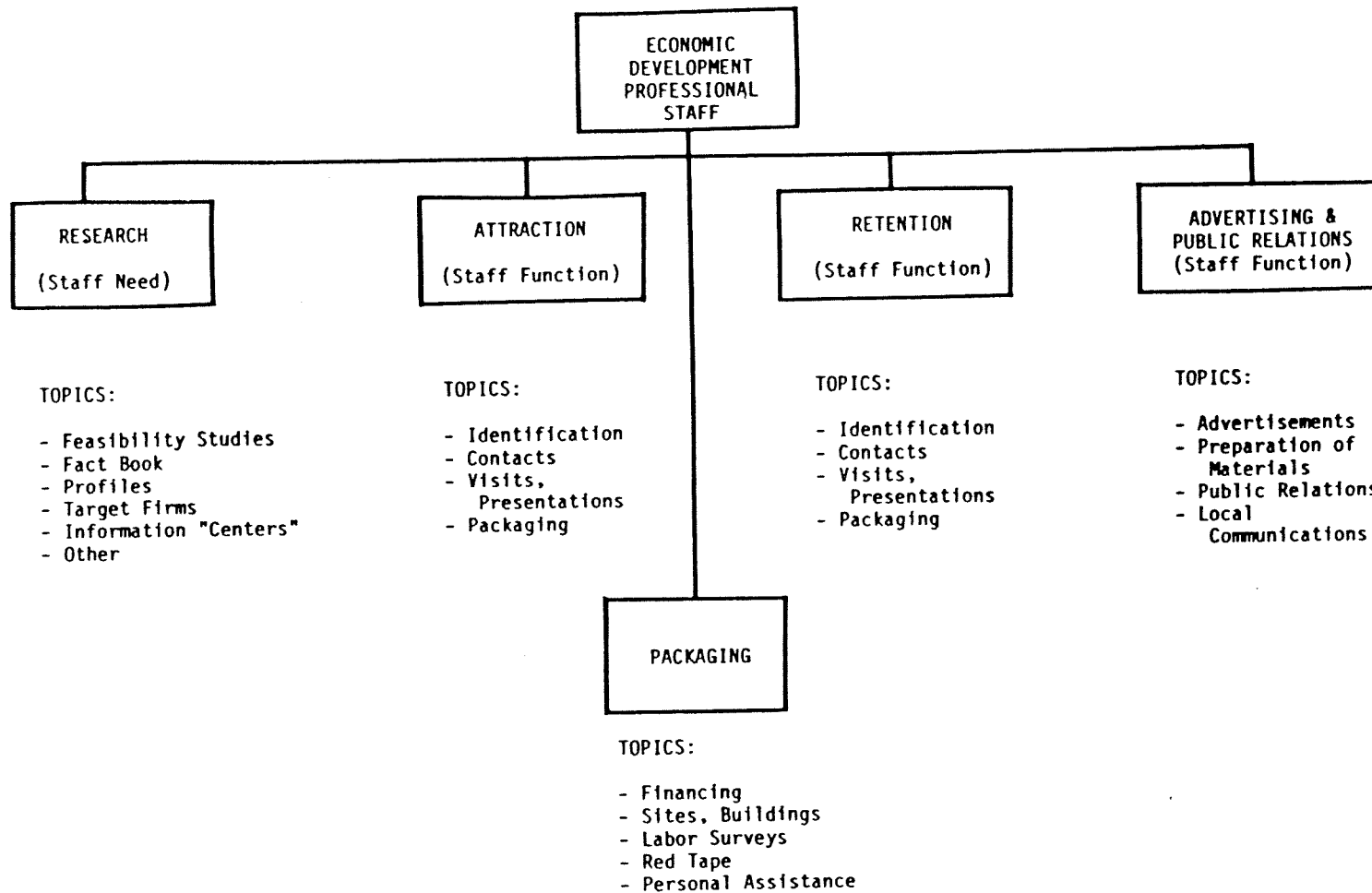


FIGURE 3. MAJOR STAFF RESPONSIBILITIES

cannot be effectively handled only from the area, but will require a large amount of travel and field calls.

In terms of primary backup, it is suggested that at least two levels of support will be required. Specific requests related to the identification of prospect firms and decision makers will also be coordinated with several local employers, and this support will be especially important. Finally, the staff may also receive leads and assistance from railroad, utility, bank, real estate, and other developers serving the region. Still, the responsibility for solicitation and coordination should reside with the Mid-America, Inc. and its staff.

- Retention and Expansion. Third, retention and expansion is one of the most important but most overlooked functions of a development program. Further, business expansion increasingly incorporates the question of creating and spinning-off new firms--indicating the extreme importance of this activity.

The professional staff in close cooperation with local organization should have responsibility for designing and implementing the retention program--along with the specific elements related to expansion and the spinning-off of small companies. This will involve tasks such as: the preparation of employer files, contacts with employers, visits to employers, the scheduling of specific activities for major employers (breakfasts and seminars), and other tasks. When one moves to the area of expansion, specific tasks will include: providing a bridge to developers for firms that need more space, lining up financial assistance where required, and other steps. Further, when one gets into the area of small business development, relatively new topics such as business incubators, providing scientific and technical support, and other issues will be increasingly important.

In terms of backup, most assistance will have to come from the Mid-America, Inc. members, and especially important--a business retention and expansion task force. It is important to note that a potential strength of the Mid-America area is the large pool of retirees that resides there. A number of these individuals may be desirous of remaining active in contributing to the Mid-America area economy, and could participate in the retention and expansion task force.

- Communications. The fourth major function involves advertising and public relations. It is essential that the Mid-America area begin to attain increased regional and national visibility--in a positive context. Tasks to be included here involve the design and placement of advertising, the preparation of development materials such as profiles and brochures, and perhaps the establishment of an effective public relations campaign. This is also an area that is likely to get very



expensive, so primary backup by a wide range of groups is essential if funds are to be leveraged to the maximum. For example, advertising programs by local banks, the utilities, and the State of Kansas may be important here. In addition, direct assistance by large employers would be important in structuring and supporting this particular activity.

- Packaging. Perhaps most important is the fact that the staff will be responsible for "packaging" programs for prospects and existing industries. This means that a powerful development program must have available a wide range of resources in financing (including revenue bonds and innovative incentives), must have under its control sites and buildings, can put together detailed labor surveys, cut red tape, and can provide personal assistance not only to prospects who are examining the area, but also assisting in their actual moves and relocation. The direct support of the Mid-America, Inc., as well as local banks, will be especially important here.

In terms of backup, there is simply no substitute for direct involvement of local business leaders in the actual "closing" of an industrial acquisition program. For this reason, one of the most important backups for the staff will be the direct participation of Task Force members representing local businesses.

The comprehensive nature of this program suggests that it may require an expansion of the staff of Mid-America, Inc. The staff will require a substantial amount of time in the area related to retention activities, providing expansion assistance, planning, and implementation. A substantial amount of travel will also be required as part of the expanded attraction effort. It is highly probable that a "full time equivalent" staff of four or perhaps five will be essential. Accordingly, it is strongly suggested that the Mid-America, Inc. building upon ties at the banks, educational institutions, and other entities in the area, investigate the possibility of obtaining a person on an executive loan basis--for at least the next 12 to 24 months. Members of the retiree pool may be able to provide assistance in one or two specific categories--perhaps initially the retention and expansion area.

Facilities

The most effective economic development organizations across the United States have access to certain common resources--and these should be provided at Mid-America, Inc. Among the most significant are:

- Adequate office space, with private offices for the professional staff, private or limited access for the clerical staff.
- A high quality briefing/meeting room that can be used for meetings associated with Mid-America, Inc. activities; but perhaps more important--for the briefing and hospitality associated with prospects and visitors. This implies adequate chairs and tables, visual aid support that includes mounted or retrievable maps, television tapes and displays, forward or back light slide presentation capabilities, and others.
- Dedicated word processing and data processing capability. Mini-computer support, such as an IBM-PC XT, will provide the focal point for activities such as the maintenance of feasibility studies, the maintenance and updating of target lists, the economic development data base (especially important in Mid-America, where comprehensive area-wide material is not available), computer graphics, and, because it is controlled by Mid-America, Inc., the maintenance of security in regard to prospects and suspects.

The economic development program will involve compiling, maintaining, and updating a substantial amount of data and information. Therefore, it is recommended that at an early stage of implementation the economic development office acquire a personal computer and appropriate software to be used in storing and maintaining development-related information, the Mid-America data bank, the target firm lists (confidentiality will be important in this regard), and other data and information. The computer system would also be used to monitor the results of contacts with firms and serve as a suspect/prospect "filing system".

- Adequate budget for professional activities, periodicals, and resource documents (including the support of access to computerized data networks).
- Appropriate financial support for office activities, transportation, and other items.

Specific Steps

The considerations presented above may be summarized in a series of recommended steps to be conducted within three months:

- (1) Finalize staffing makeup of Economic Development Office.
- (2) Finalize job descriptions for staff.
- (3) Prepare initial budget for the expanded effort.

Conclusions

The Mid-America area offers a number of comparative advantages and strengths for the attraction of industry, and for facilitating the expansion and creation of new businesses. One of the most important aspects of the development program--and one which must be addressed immediately--is streamlining certain organizational activities, and expanding certain types of support that will be required by the professional staff of the Mid-America Area, Inc.

Community leaders in the Mid-America area take great pride in their region, and correctly point out that it offers a broad range of resources and comparative advantages. A very high level of competition from other locations is emerging, and must be recognized. If the strategy described in this document is to be implemented effectively, the development organization representing Mid-America must be strong and the professional staff assigned to this mission must have available all of the necessary resources.

## CHAPTER IV: PRELIMINARY ACTIVITIES

### Introduction

While the strategy itself focuses upon four major thrusts (attraction, retention and expansion, creation, and community projects), it should be recognized that a number of steps must be initiated, and virtually completed before full implementation can get underway. A number of communities have rushed into advertising, public relations, and even visitation programs without having identified their best target industries, their potential candidate firms, and even if some of these were identified the communities had virtually no information or material to make available--and thus get "closure". In short, there are steps that must be completed before the major thrusts are initiated, and these are summarized below.

### Staffing and Facilities

If the program described in this Strategy is successful, it may involve mail contacts to over 5,000 firms, prospecting trips in the first year to U.S. companies, participation in trade shows and conventions, perhaps the preparation of responses for hundreds of requests for information, and a significant amount of face-to-face cultivation of prospects. Accordingly, it is absolutely essential that the staff responsible for these activities be in place--certainly before complete implementation is started, and as early as possible within this preliminary activity phase.

### Research Activities

There are certain types of research that will be required as part of this program, including the conduct of a thorough and objective resource assessment, identification of target industries, laying out a general strategy, the preparation of feasibility documents, the initial steps in preparing a data base, the identification of target firms, and others. The resource assessment, the preparation of Feasibility Briefs, and the identification of target industries are evolving as part of the Battelle

study. Other activities, such as the finalization of target firm lists, the preparation of supporting data, and the development of a cooperative/research network in Mid-America are all important--and must be completed very early in the program.

### Materials

At this time, several of the types of documents required in the program exist, but others will have to be prepared and reproduced. At an absolute minimum, it is essential to have available a high quality (objectively-oriented) profile for Mid-America, a high quality and impressive Fact Book, and a set of at least five Feasibility Briefs.

The feasibility studies required will evolve from the Target Industry Analysis, and will be prepared by Battelle. In the case of each of these documents, questions related to the similarity of formats, and the reproduction of multiple copies will also have to be addressed.

Within the next six months, however, other types of materials must be evaluated in terms of their potential preparation--including specialized documents dealing with sites and structures, education and manpower resources, research and technology development, transportation, manpower and human resources, financial resources and assistance, and others.

### The Data and Information System

This project will involve the preparation of a significant amount of data and information, and will also entail the very firm requirement for updating this material. Accordingly, it is suggested that very early in the program that the person responsible for research/communications associated with the Mid-America, Inc. be allowed to acquire a personal computer (such as an IBM PC-XT), and appropriate software, to be used in the storing and maintaining of development-related materials, a Mid-America area data bank, and a relatively confidential target firm list. In addition, this computer, maintained in the Mid-America, Inc. offices, would



also be used to monitor the results of contacts with firms, and would account for a new prospect filing system.

### Networking

Beyond the relatively formal levels noted above, it is very important that a team spirit develop among Mid-America, Inc., area Chambers of Commerce, and economic development organizations--a somewhat informal "network" of development-related professionals should evolve. This would include the primary actors noted above, those interested in high technology development, a broader range of educators (especially those dealing with vocational and technical issues), and a number of private firms and private development groups. Relatively informal meetings and reporting procedures should be clarified, but it is important to start shaping this network up very early.

### Finalizing the Strategy

Lastly, the final changes in the strategy should be made. This includes not only agreements concerning completing all these preliminary steps, but also the detailed schedule for the first 12 months of the program, review procedures, and then laying out in greater detail the activities associated with Year II, Year III, and Year IV. This relatively "final" strategy should be prepared in written form, and presented to the Mid-America members.

## CHAPTER V. ELEMENTS OF THE STRATEGY

### Introduction

It is suggested that the economic development strategy of Mid-America, Inc. revolve around four major thrusts:

- Attraction
- Retention and Expansion
- New Business Creation
- Community competitiveness strategy.

As suggested above, it is clear that a "team" approach to economic development should be pursued in the Mid-America area. Mid-America, Inc. should have as its major mission responsibility for the attraction of new companies to the Mid-America area--cutting across all sectors such as manufacturing, distribution, headquarters, research and development, and business supporting services. In the area of retention and expansion, it is suggested that a cooperative role characterize Mid-America Inc., working very closely in support of the area's Chambers of Commerce small business and retention and expansion efforts.

In the area of new business development, it is suggested that Mid-America, Inc. play a critical role. This is an area that overlaps significantly with other programs, and should be coordinated across the area. There are some needs in the Mid-America area that will involve direct support by counties, quasi governmental agencies, and others. In this last situation, it is very critical that Mid-America, Inc. become a leader and "motivator" in identifying community level projects to be supported, assisting in their planning as required, and also facilitating their implementation. Each of these four thrusts is summarized below.

### Attraction

The first suggested program is related to the attraction of new manufacturing industries and industrial support services. As indicated

above, approximately 20 percent of the job expansion potential of the area should be associated with the attraction program. It is also important to understand that the future success of the expansion strategy will be partially dependent upon the success realized in the attraction program. There are several important elements associated with a successful attraction strategy. The most important elements are summarized below.

### Targeting of Prospects

The initial step should be the targeting of specific prospect firms. This is an important element of the program and provides the foundation for an attraction effort that serves to focus the promotional campaign on specific industries and prospects that have a clear reason to locate in southeast Kansas. The following points should be noted:

- The targeting process begins with an objective target industry analysis. This analysis was conducted and reported to Mid-America, Inc. in Report II: The Target Industry Report. Based upon the results of this analysis, Mid-America should finalize its choices regarding those industries it wishes to work toward attracting to southeastern Kansas. It is important that the selection be limited to a realistic number of industry targets so as to focus resources most effectively.
- Once the target industries have been selected from the Target Industry Analysis, the targeting of "suspects" and prospects can begin. Using published materials and directories such as Dun and Bradstreet, Standard and Poor's, and Moodys, it is possible to identify specific target firms in each of the target industry groups identified by Mid-America. Based upon information presented in these materials, the final selection of target firms can include considerations such as growth opportunities of individual firms, and regional location orientation of the firms.
- Once the initial target firm list has been compiled, it is advantageous to maintain this material on text processors and personal or micro computers. The maintenance of these files on a computer system will greatly enhance the data management of prospect information during the attraction process.
- Additional target prospects can be derived from recommendations of local business leaders, utilization of industry-specific directories, industrial realtors, utilities, research sponsors of local universities, and the Kansas Department of

Economic Development. Successful prospecting programs of this type typically maintain a "suspect" file of between 2,000 to 5,000 names, all related to specific industries. Given the data management and maintenance requirements of prospect file information related to mailings, contacts, and other related prospecting activities, the advantages of maintaining these files on a computerized data base are readily apparent.

Once this new prospect file is prepared, it will be used in a number of ways: as a foundation for direct mail, in focusing industry-specific advertising, in creating an organized and scheduled approach for visitations to appropriate companies, and as a basis for inviting selected decision makers to the Mid-America area, among others.

#### Preparation of Materials

Absolutely essential in any successful development program is the availability of basic materials and information needed to support the attraction effort. Since this material often represents the first impression a prospect has of the area, these materials should be prepared professionally and be very high in quality. It is important to realize that virtually all evaluations of candidate communities by serious prospects normally begin with the solicitation and examination of printed materials on the community. All too often potentially successful development activities have come to a screeching halt because an adequate supply of promotional material was not available and staff hastily prepared poor promotional material that failed to interest the prospect. It is suggested that the following types of materials be kept on file and made available to prospects:

- A high quality Image Book. This includes a publication that describes a wide range of factors associated with southeastern Kansas. This should be a relatively extensive document, one that includes data and descriptions of academic institutions, public schools, vocational-technical training, health care, recreation, social activities, the physical environment, housing, shopping facilities, and related community factors.
- An expanded and updated "Fact Book", one that lends itself to continual updating and expansion. Consideration should be given to keeping the information contained in this publication on text processing and computer-related equipment.

- An attractive 3-4 page overview profile of southeast Kansas (an Executive Summary of the Fact Book).
- A set of target industry feasibility studies. Five of these will be prepared for Mid-America by Battelle once the selection of target industries has been made by Mid-America, Inc.
- Special brochures addressing topics such as sites, utilities, economic structure, high technology programs, vocational and technical education, universities, manpower and labor force, incentives, comparative costs, transportation, and other development-related subjects. In many cases these profiles/brochures can be expanded versions of topics covered in the Fact Book.

These materials could have many uses. Materials such as the Image Book, Fact Book, and special profiles can be provided to prospects on request and/or sent to specific firms. Feasibility Briefs and other material specifically geared to targeted industry will be used as mail-outs to firms within the target industries.

The preparation of the materials described above requires a significant amount of time and resources. It is not suggested that all of the above documents be completed before other attraction strategy actions are initiated, however, it is strongly recommended that the publication phase of the program be conducted, to the degree possible, at the beginning of the program.

### Advertising

With few exceptions, promotional activities command a large share of the budget in successful economic development programs. Most experienced developers feel strongly that advertising is one of the most critical elements in a successful economic development program. A carefully focused and well planned advertising program can usually be found as one of the key elements in any successful economic development programs. It should be kept in mind that a focused advertising program is different from general image building advertising campaigns often undertaken by large metropolitan areas.



Based upon the findings of the Strengths and Weaknesses Report and the identification of target activities in the Target Industry Report, Mid-America should develop a theme to be used in the advertising program. This theme should build upon specific strengths identified for the region and should be focused upon specific targeted groups of prospects. A theme might be built around the location of Mid-America for serving the rapidly growing Southwest and stable West North Central Region.

Two types of publications are suggested for consideration in a Mid-America advertising program. These include development-related publications such as the Site Selection Handbook, Area Development, Business Facilities, and Plant Sites and Parks. A second set of publications for the advertising campaign includes specialized trade publications (such as Machine Age or Chemical Week) focused upon reaching decision makers within a particular industry. A focused paid advertising campaign often results in reaching the largest possible number of prospects associated with specific targeted industries, while advertising in development publications increases the awareness of plant facility planners and corporate real estate executives regarding southeast Kansas.

It is suggested that Mid-America, Inc. identify a public relations firm for conducting a focused paid advertising campaign. Working with a selected public relations firm, Mid-America should then develop an advertising program. The following placements should be considered during the first year of the program.

- Three individual placements in recognized economic development publications. To the extent possible these placements should be half-page ads.
- Based upon the Target Industry Analysis (Report II), placements of three specific ads in each of three selected publications oriented toward the target industry. Again, to the extent possible, these ads should be half-page in length and utilize color where possible.

Where appropriate, the effectiveness and coverage of the advertising program can be enhanced by cooperative ad placements with electric utilities, the State Development Department, and industrial realtors.

### Public Relations

Increasingly, communities have come to recognize the importance of public relations efforts. While advertising usually involves purchased time and space, publicity is concerned with essentially free time or space placements as a result of promotional techniques such as news releases, articles, interviews or press conferences. An important aspect of a good public relations program is the education and familiarization of Mid-America residents with the development program and its objectives. A good public relations program can often result in the placement of very favorable articles about the area often in highly regarded publications that tend to carry a significant degree of credibility. Many public relations placements are often associated with news releases related to specific industries or other activities within the region. It is suggested that Mid-America pursue a public relations effort focused upon the economic development potential of southeast Kansas.

It is important that this public relations effort be coordinated with industry, government, and other institutions located throughout southeast Kansas. The focus of the program should include both print and electronic media at the state and multi-state regional level. Teaming and coordination are especially important in the public relations program.

### Direct Mail

One of the most aggressively used tools of the economic developer is the direct mail program. Direct mail includes sending letters and packages of promotional material to specifically targeted populations of decision makers within selected industries and geographic areas. Direct mail campaigns are often focused on geographic areas characterized by outmigration of a specific industry and the program is designed primarily to attract the attention of decision makers facing possible relocation decisions.

A major strength of the direct mail program is that it allows Mid-America, Inc. to effectively communicate the strengths of southeast Kansas to a clearly identified set of decision makers within the target

industries. This is one of the most precise, accurate, and cost effective types of contact. The quality and salability of the material transmitted to the potential prospect often have a major impact regarding their first impression of southeast Kansas.

Based upon the identification of target industries and the selection of a set of prospects, it is suggested that Mid-America, Inc. initiate an aggressive direct mail campaign focused upon those industries selected as targets for development in the Mid-America region. Given the interest of several communities within the Mid-America region in conducting their own target industry campaigns it is strongly suggested that Mid-America, Inc. coordinate its efforts with each community considering a target industry program. A closely coordinated effort can benefit all areas within the Mid-America region. A direct mail campaign can be significantly enhanced by computerization of the prospect information. A centralized coordination of the direct mail campaigns by Mid-America could greatly facilitate resource utilization and communication.

For each of the industries selected, it is anticipated that approximately 500 candidate firms could be identified. Local developers, community leaders, and industrialists could also assist the effort by providing prospect names as well. Once the list has been compiled and updated to the maximum extent possible, a computerized prospect management file should be considered. It is suggested that a structured set of at least three or four mailings to each candidate be conducted. Each of the mailings should be associated with a specific message and should include specific information focused upon that message. The first mailing should be intended to be an attention getter while later follow-up mailings should provide specific information on the attributes of the Mid-America region for a specific targeted prospect. The selection of materials to be sent to the prospect should be carefully controlled. The first mailing should be very brief and include attention getting material only. In the later phases when the prospect's interest has been fully documented the complete feasibility study should be forwarded.

In some cases it has proven beneficial to have letters signed by local business leaders. For example, a leading industrialist in, say, the machinery industry could sign the letter going out to peers and colleagues

within the specific industry. In some instances, industry leaders have volunteered the use of their letterhead for direct mail campaigns focused upon their industry. It is suggested that the mailings be conducted within the first year of the attraction program. The direct mail campaign should also be closely coordinated and phased with the advertising and public relations program. Additionally, prospecting activities, such as trade shows and conventions, should also be coordinated with the direct mail campaign as discussed below.

### Trade Shows and Visitations

Two activities that require careful coordination throughout the attraction program are attendance at trade shows associated with the targeted industries and scheduled visits to prospect firms. Economic developers are increasingly participating in general economic development trade shows such as the Industrial Development Research Council (IDRC), as well as trade shows and conventions oriented toward specific industries. Mid-America, Inc. should consider as a future activity the identification of at least one trade show or convention associated with each selected target industry and participate by having a booth at that trade show. To the the extent possible, participation should be focused upon trade shows held within the region in locations such as Kansas City, Tulsa, or Dallas.

Visits to the most probable prospect candidates should also be considered. Once probable prospects have been identified through the various phases of the direct mail campaign, visits should be scheduled with firms in cities where the target industries are concentrated. It is suggested that a minimum of 40 working hours per month be considered for visits to potential prospects.

### International Program

An increasingly significant development opportunity for Mid-America should be the attraction of foreign firms. Foreign firms are becoming very competitive within certain industries for U.S. markets and are increasingly evaluating regions of the country for locations of new

business ventures. It is suggested that Mid-America include selected international firms in the attraction program. It is recommended that the focus be upon Japanese firms for industries related to machinery and materials, and that the focus be upon German firms for industries associated with chemicals and related chemical activities. This activity requires careful planning and coordination, however, given the consideration that materials must be prepared in foreign languages. The programs should also be closely coordinated with international program initiatives of the Kansas Department of Development.

#### Retention and Expansion Programs

Job creation through expansion of local businesses often provides the largest growth potential. As indicated earlier, the expansion of existing economic activity in the area should account for approximately 70 percent of all jobs generated. Retention programs may best be implemented at the local level by city governments, local Chambers of Commerce, and other local economic development organizations, but it is suggested that Mid-America, Inc. provide leadership to local development organizations for the establishment of a strong retention program. What is clear is the fact that Mid-America needs a more "proactive" program with the following characteristics:

- Scheduled Contacts and Communication. Strong emphasis must be paid to compiling of up-to-date lists of the major employers in the Mid-America region for purposes of contact and monitoring. As in earlier aspects of this program, this data base of employers should be established in a computerized data base management file to effectively monitor activities that are conducted. This contact list should not only include manufacturing, but also representatives from service, trade and finance. This activity needs to be closely coordinated among the local development organizations to avoid duplication of contacts by different development groups or the omission of firms due to their location in rural areas.
- The Needs Assessment. A comprehensive needs assessment should be conducted by each local development organization. The initial assessment would be conducted by mail survey. An example of a needs assessment mailout questionnaire is presented in Figure 4. After the results of the mailout

Company \_\_\_\_\_ Employment Size \_\_\_\_\_  
Person \_\_\_\_\_ Title \_\_\_\_\_  
Address \_\_\_\_\_ Telephone \_\_\_\_\_  
Major Product/Service \_\_\_\_\_ SIC \_\_\_\_\_

\* \* \* \* \*

What is your assessment of the overall business climate in the Mid-America Region?

Excellent \_\_\_\_ Good \_\_\_\_ Average \_\_\_\_ Poor \_\_\_\_ Very Bad \_\_\_\_

Please explain: what are our major strengths, weaknesses? \_\_\_\_\_

Is there any possibility that you may close or relocate in the next five years (involving your entire firm, or a section)? \_\_\_\_\_

If yes, why? \_\_\_\_\_

What type of assistance do you need, and when, to avoid this loss of jobs? \_\_\_\_\_

Do you have any plans to expand employment over the next five years? \_\_\_\_\_  
If no, why? \_\_\_\_\_

Could you expand if you were offered assistance? \_\_\_\_\_

What type(s) of assistance would be helpful? \_\_\_\_\_

Could you move your expansion plans up to early 1986? \_\_\_\_\_ If yes,  
what type(s) of assistance would you need? \_\_\_\_\_

How many jobs are likely to be created if you expand? \_\_\_\_\_

Could we meet with you to discuss this further? \_\_\_\_\_

FIGURE 4. EXAMPLE OF NEEDS ASSESSMENT



survey have been compiled and analyzed, each local community development group should assign responsible for interviews with selected businesses. At this time, specific issues could be addressed concerning the operational characteristics of the firm, their requirements for remaining viable in the area, their potential for expansion, the types of incentives and support that would be required for them to expand in the area, and an identification of the types of support that they feel are critical for remaining and expanding within the region. Although it is suggested that the conduct of the overall needs assessment be the responsibility of development organizations at the local level, it is suggested that Mid-America coordinate and provide support in the preparation and analysis of a formal Needs Assessment Report conducted on an annual basis.

- Technical and Business Support. A significant amount of strengthening has to take place in regard to the identification, structuring, and support of an "office" that will provide technical and business support for existing firms. Here, we are talking about a "one-stop" type of entity that can clearly provide certain types of assistance in general issues of technology transfer, business planning, business support, bookkeeping, the conduct of feasibility studies, production techniques, manpower planning and screening, site and structural improvements, marketing and supply analyses, and a host of other topics. A number of cities provide the minimum support in this area, offering clearinghouse services to refer small business people to sources of guidance. This will not be adequate. Many small business people are intimidated and uncertain of the cost, benefits, and perhaps the stigma of soliciting assistance--and the referral program is not adequate. Accordingly, a specific office should be created to provide certain types of assistance--probably to be operated by Mid-America, Inc.
- Financial Aids and Incentives. A great weakness in most retention and expansion programs is the fact that various types of financial assistance are not available. Here, a major assignment of the "office" will be not only to create an up-to-date catalog of sources of venture capital, grants, seed money, and other types of support--but also move toward the creation of working ties with local banks, venture capitalists, development organizations, insurance companies, and others that can provide concrete assistance. Again, a "clearinghouse" function is important here, but both Mid-America, Inc. and the area's Chambers of Commerce leaders should move further toward the establishment of workable ties with appropriate financial activities.

- Other Programs. There are several other topics that should be addressed in the Mid-America retention and expansion program, and these include:
  - The preparation and dissemination of specific newsletters and brochures for existing businesses--coordinated primarily by Mid-America, Inc. This material, or modified versions of these documents, could be provided by the local Chambers.
  - The scheduling and aggressive community support of business appreciation programs, such as dinners, recognition banquets, plant tours and open houses, and others. The print media may be of great assistance here--through a technique followed in a number of cities--of preparing special editions related to business and industry each year--clearly expressing appreciation for these activities.
- Other Forms of Assistance. Other types of assistance that may be very helpful include a "one-stop" local office to coordinate interactions between government and industry, more open access to recognized centers of financial assistance--such as IRBs, and the formal establishment of collaborative programs to be handled by institutions such as Pittsburg State University--dealing with topics such as management, marketing, foreign trade, and others.

### Initial Conclusions

In summary, the retention and expansion program is going to be a critical element of the Mid-America region's economic future. Many of the concepts noted above have been discussed from time to time, but the fact remains that a much more formal structure needs to be implemented in this area. Further, and this is especially critical, the key staff members and decision makers responsible for the retention and expansion effort must recognize that given the unique economic structure of southeast Kansas--these programs must also be applied to the services, trade, and office activities.

### New Business Creation Strategy

Many communities have only recently realized the longer term employment expansion opportunities associated with the creation of new businesses. As identified earlier, approximately 10 percent of the new

jobs created in the Mid-America region should come from this type of endeavor. Two elements associated with the attraction strategy are also of primary importance to the establishment of new businesses. These include business support referral activities and the establishment of financial program incentives and activities. A third element of this strategy should include small business startup space. As with the retention strategy, the expansion strategy is best implemented at the local level. However, to facilitate this type of growth a critical component will be the cooperative relationship between the local leaders and Mid-America, Inc.

As in the retention strategy, business support referral services and financial aid incentive programs should be an integral part of the expansion strategy. These activities were discussed above under the retention strategy, however, a separate element associated with the expansion strategy is a provision of small business starter space. One of the most pervasive trends in economic development across the United States is the rapid movement by many communities to provide small business startup space for new businesses. Typically, referred to as "incubator" space, these facilities are normally provided at significantly reduced rental rates often subsidized by city and local government. It is suggested that a small incubator facility be established in Pittsburg in coordination with Pittsburg State University. Consideration should be given to providing small yet expandable subsidized space for new startup ventures and a set of business support services which could be offered by the University. These services might include business planning, computer support, library support, technical information system support, and market analysis. A facility would have to be located and/or constructed.

Finally, an overall program for expansion should be conducted which should include a promotional program and a communication program making known to the general business community the types of business support and financial services available for new startup ventures.

### Initial Conclusions

In short, the development of new types of industries and services is certainly a rational avenue to be pursued in the Mid-America area.

However, this is a very complex undertaking, and will certainly not take place on its own. At present, there are a number of interested individuals in Mid-America that would like to contribute to this particular type of thrust, but as yet no really strong point of coordination exists. It is strongly recommended that Mid-America, Inc. move to fill this vacuum--but it will only be successful if a strong commitment is made.

### Community Competitiveness Strategy

If Mid-America is to be successful in its economic development program several actions should be undertaken to improve the competitiveness of communities located in the region. Two specific shortcomings of the Mid-America region were identified in the Strengths and Weaknesses Report that should be addressed by specific community action. These include the need for speculative buildings for industrial prospects and improvements to the highway system.

Although the Mid-America region has numerous industrial parks and plenty of available land for industrial development, there is a general lack of readily available buildings to present to industrial prospects. Interviews conducted with state Economic Development Departments throughout the United States over the last several years indicate the growing importance of the availability of buildings for prospects. Most serious prospects have as one of their most important locational criteria the availability of a facility. This requirement typically emanates from management's desire to initiate production as rapidly as possible at a new location. Although the availability of a building is not normally the final deciding factor in most relocation decisions, it is often a requirement for initial consideration of candidate locations. Accordingly, it is suggested that communities located throughout the Mid-America region seriously evaluate their stock of existing industrial facilities and the facilities they have to show potential prospects.

A second consideration for improvement is the highway system. Although effectively out of the jurisdiction of local government, it is suggested that the Mid-America region as a whole collectively coordinate their efforts to seek improvements in the regional highway transportation

network. Although the highway transportation network system does not appear to be an inhibitor to the actual movement and shipment of goods, it will tend to be an inhibitor to the longer-term economic development potential of the region. When assessing the area, prospects will undoubtedly drive on the highway system and be exposed to numerous one-lane bridges and narrow highways. With increasing levels of traffic anticipated for the future this could be viewed by prospects as a barrier to the transport and movement of goods. It is suggested that a campaign be initiated by county and local government and industries within the Mid-America region to solicit state support for improving the highway network system in the area. The Task Force approach recommended above represents a mechanism for a coordinated region-wide effort in this regard.

### Conclusions

The Mid-America region has significant economic development potential. It is strategically located such that industries in the area can readily serve the rapidly growing markets of the southwest as well as the stable markets of the West North Central states. The Mid-America region provides a solid support base for industry as well as other economic activities. Nonetheless, Mid-America must compete directly against other communities and regions throughout the United States. Many of these other communities are very aggressive in pursuing economic development and are especially strong in terms of their competitive position. Accordingly, the leadership in the Mid-America, Inc. region should move ahead in support of a focused action-oriented development program such as that presented in this report. Finally, while Mid-America, Inc. is the most appropriate organization to undertake the responsibility for the attraction of new industries to the area, a coordinated program will require a significant amount of networking and cooperation between Mid-America and each of the cognizant organizations responsible for economic development at the local level.

TABLE 4. PLANNING BUDGET: YEAR I - YEAR III

Item	I	II	III
Salaries and Benefits*	\$110,000	\$116,000	\$122,000
Travel	18,000	19,000	20,000
Advertising, Materials and Promotion			
- Public Relations Retainer	0	0	5,000
- Advertising	42,000	40,000	45,000
- Direct Mail	15,000	17,500	17,500
- Printing, Publishing	10,000	7,500	5,000
- Trade Shows, Special Events	5,000	7,500	7,500
- Communication, Other (Telephone, Supplies, Library)	5,000	6,000	6,000
- Contingency	5,000	5,000	5,000
Subtotal Advertising	82,000	83,500	91,000
Office (Space, Utilities, Related Expenses)	35,000	36,500	38,000
Facilities**			
- Computer, Data Processing	9,000	0	0
- Furniture and Equipment	1,000	0	0
TOTAL	\$255,000	\$255,000	\$271,000

\* Includes one additional staff to assist in retention and expansion activities.

\*\* One-time expenses.



		1986											
MAJOR PROGRAM COMPONENTS		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
I.	<u>PRELIMINARY TASKS</u>												
	A. Review Strengths, Weaknesses to Clarify Themes, Actions	xxxxxxx											
	B. Review Target Industries to Identify Thrusts	xxxxxxx											
	C. Establish Goals, Objectives, Performance Criteria	xxxxxxx											
II.	<u>ORGANIZATIONAL FACTORS</u>												
	A. Streamline Working Ties	xxxxxxxxxxx											
	B. Organize Task Forces	xxx	xxxxx	x									
	C. Initiate P.R. Efforts (Local)			xxxxxxxxx	x								
	D. Finalize Staffing Plan/Hire	xxxxxxx											
	E. Finalize Facilities Plan	xxxxxxxxxxx											
	F. Layout Initial Budgets, Plan	xxx	xxxxx	x									
III.	<u>ATTRACTION</u>												
	<u>A. Research and Information</u>												
	1. Prepare Plan	xxxxx											
	2. Prepare Area Data Base	xxxxxxxxxxxxxxxxxxxx											
	3. Set Up Target Industry System	xxxxxxxxxxxxxxxxxxxx											
	4. Set Up Target Firm Program					xxxxxxxxxxxxx							
	5. Identify Links to Other Activities	xxxxxxx											
	<u>B. Prepare Development Materials</u>												
	1. Finalize Data Inputs	xxxxxxxxxxxxx											
	2. Prepare Fact Book					xxxxxxxxxxxxx							
	3. Prepare Profile					xxxxxxxxxxxxx							
	4. Prepare Image Materials					xxxxxxxxxxxxx							
	5. Layout Special Topic Reports								xxxxxxxxxxxxx				
	6. Maintain, Expand, Feasibility Studies								xx				
	7. Implement Data-Information Systems								xx				

FIGURE 5. ACTIVITIES FLOW CHART: COMPREHENSIVE DEVELOPMENT STRATEGY FOR MID-AMERICA



		1986											
MAJOR PROGRAM COMPONENTS		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<u>B. Expansion, Spin-Offs</u>													
1.	Incentive Plan					xxxxxxx							
2.	Newsletters, Events						xxxxxxxx	x	x	x	x	x	x
3.	Create New Business Network						xxxxxxxxxxxxxxxxxxxx						
4.	Create Facility for New Business						xxxxxxxxxxxxxxxxxxxx	x	x	x	x		
<u>V. OTHER ACTIVITIES</u>													
A.	Prepare Incentive Catalog					xxxxxxxxxxxxxxxxxxxx							
B.	Development of Critical Skills Plan						xxxxxxxx	x	x	x			
C.	Coordinate Additional Thrusts (Agriculture, Recreation and Tourism)					xxxxxxxxxxxx		x	x	x	x	x	x

FIGURE 5. (Continued)