



# The Impact of Regional Business Expansion: Why “Growing Our Own” Matters

STRATEGY & RESEARCH

ALLEGHENY CONFERENCE ON COMMUNITY DEVELOPMENT

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## Introduction

Economists and economic development professionals widely accept that the growth of existing businesses in a region is a critical economic driver. A general rule of thumb is that two-thirds of business investments come from local companies. While any regional economy depends on attracting new business investment, it's critically important that existing employers – those already established in the region – are able to grow and thrive.

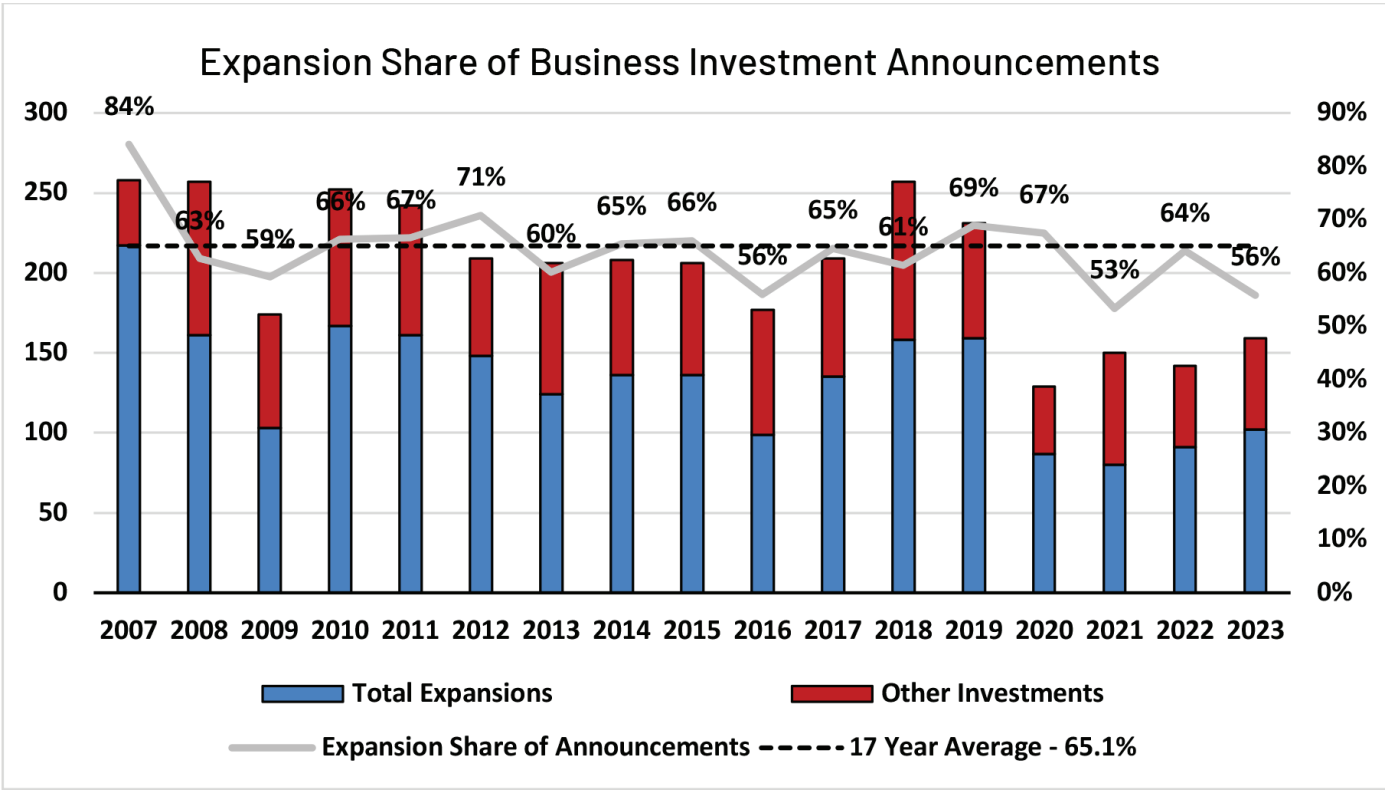
Over the last 17 years, the Allegheny Conference on Community Development has annually tracked public announcements of business investments across southwestern Pennsylvania – attractions, retentions and expansions. This effort reveals the importance of regional business expansions (existing expansions) as they have annually accounted for the lion's share of announced business investment activity.

# Key Findings

- Over the last 17 years of tracking announcements of business investments in the Pittsburgh region, **65.1% of the identified projects are existing expansions** – a number that's remained remarkably consistent year over year.
- **Existing expansions tended to vary by sector.** Over the 2007 to 2023 period, existing expansions accounted for an above average share of announcements for both Advanced Manufacturing and Technology and Robotics, while just over half of Energy announcements were existing expansions.
- **Expansions generate a disproportionate total job impact.** While more than 3,400 investment announcements between 2007 and 2023 resulted in a total job impact of 233,954 new and retained jobs, 81.8% were attributed to expansions of existing businesses.
- **Expansion announcements tended to have a higher total job impact with the average investment generating an average of 101 jobs compared to 43 jobs for non-expansion announcements.** While roughly two-thirds of attraction/relocation/ retention/startup announcements had a total impact of 25 jobs or less, 56.5% of expansion announcements had an impact of 25 jobs or more.
- While expansion announcements tend to capture a smaller share of new jobs (75.9% vs. 81.8% of total jobs) it demonstrates the disproportionate impact they have when compared to the overall share of announcements. As with the total job impact, **expansions tend to capture a larger share of the bigger new job announcements with the average announcement generating 56 new jobs compared to 37 jobs for non-expansion announcements.**
- **Between 2007 and 2023, expansions have generated nearly \$16 billion in capital investment in the region** – 54.8% of all announced capital investment.

# Share of Announcements

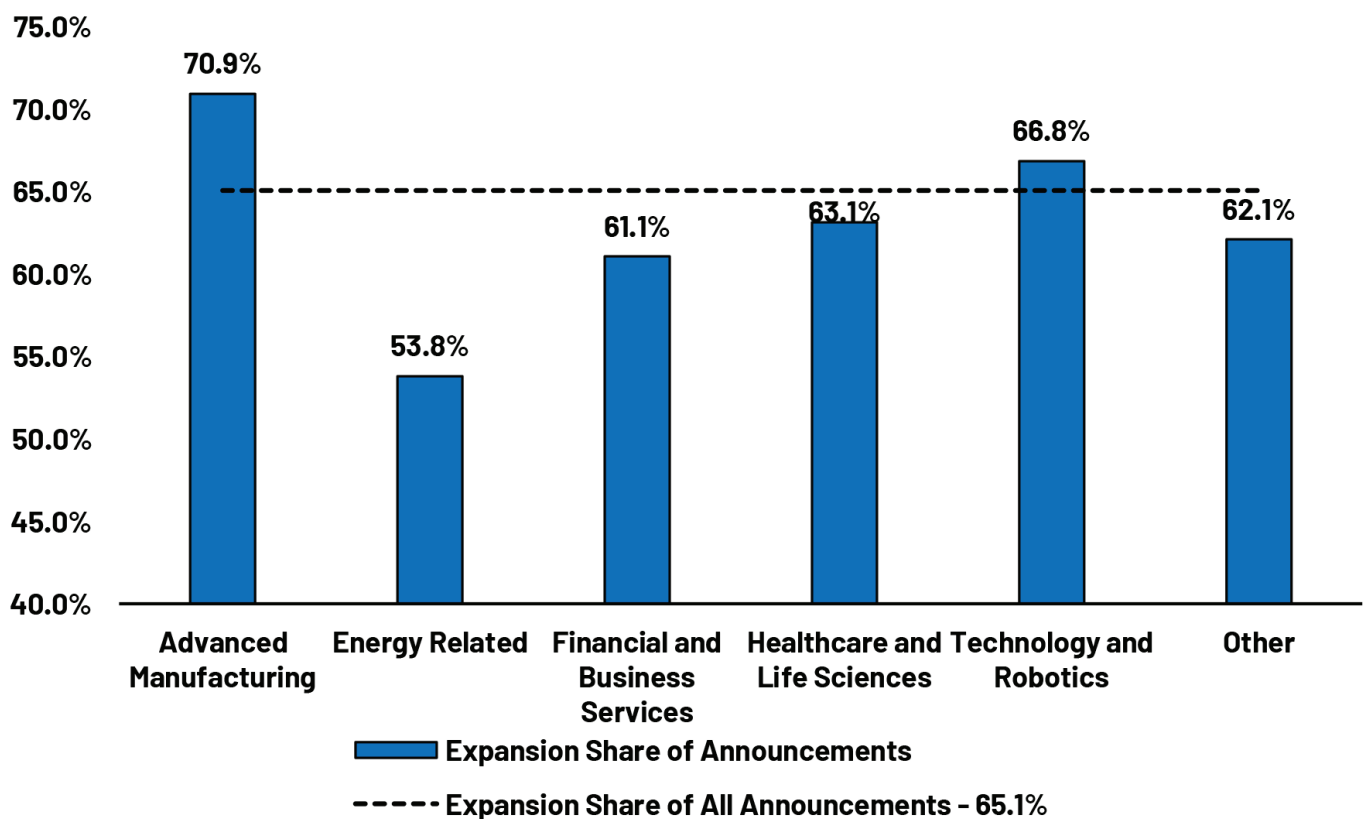
An analysis of the 3,409 investment announcements tracked by the Allegheny Conference during the 2007 to 2023 period reinforces the importance of expansions of regional business to southwestern Pennsylvania. Since 2007, expansions of existing regional businesses have accounted for 65.1% of all identified regional announcements. Except for a handful of years, including 2023, existing expansion share has not deviated more than five percentage points from the 17-year average.



# Share by Sector

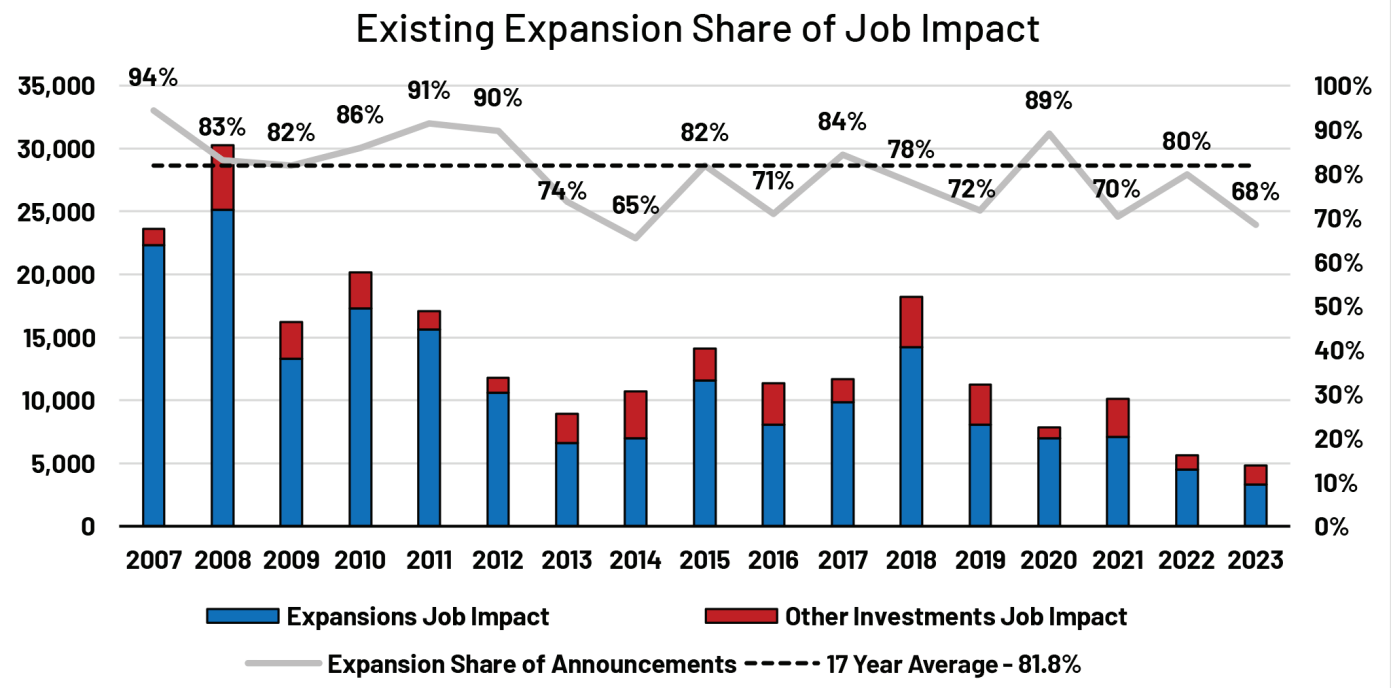
Existing expansions tend to vary by sector. Over the 2007 to 2023 period, existing expansions accounted for an above-average share of announcements for both Advanced Manufacturing and Technology and Robotics. Advanced Manufacturing is to be expected given the sector's long history in the region. Among Energy-related announcements, just over half were existing expansions. This is also to be expected as the emergence of shale gas as an energy source in the early 2010s and the current growth in renewable energy and decarbonization resulted in a disproportionate share of new companies that were attracted to the region.

## Existing Expansion Share by Key Sector



# Share of Total Jobs

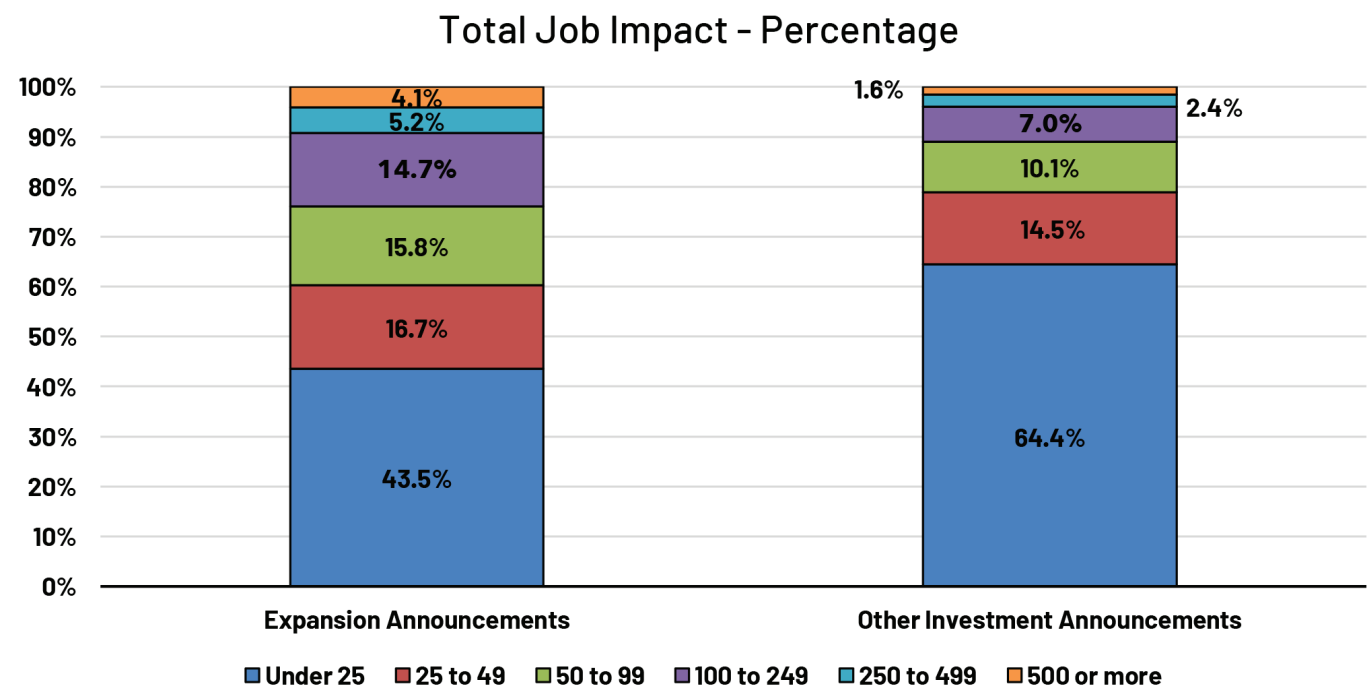
The 3,409 investments announcements tracked between 2007 and 2023 resulted in a total job impact of 233,954 new and retained jobs. Of those, 191,479 or 81.8% were attributed to expansions of existing businesses.



In general, expansions of existing businesses tend to have a higher overall job impact than announcements that involve attraction, relocation, retention or startups. Among announcements reporting job impacts, the average existing expansion announcement generated an average of 101 jobs, while non-expansion announcements generated 43 jobs. While roughly two-thirds of non-expansion investment announcements (attraction/retention/relocation/startup) had a total job impact of less than 25 jobs, expansions tend to have a higher job impact, with 56.5% of the announcements for which a job impact was provided accounting for 25 or more jobs.

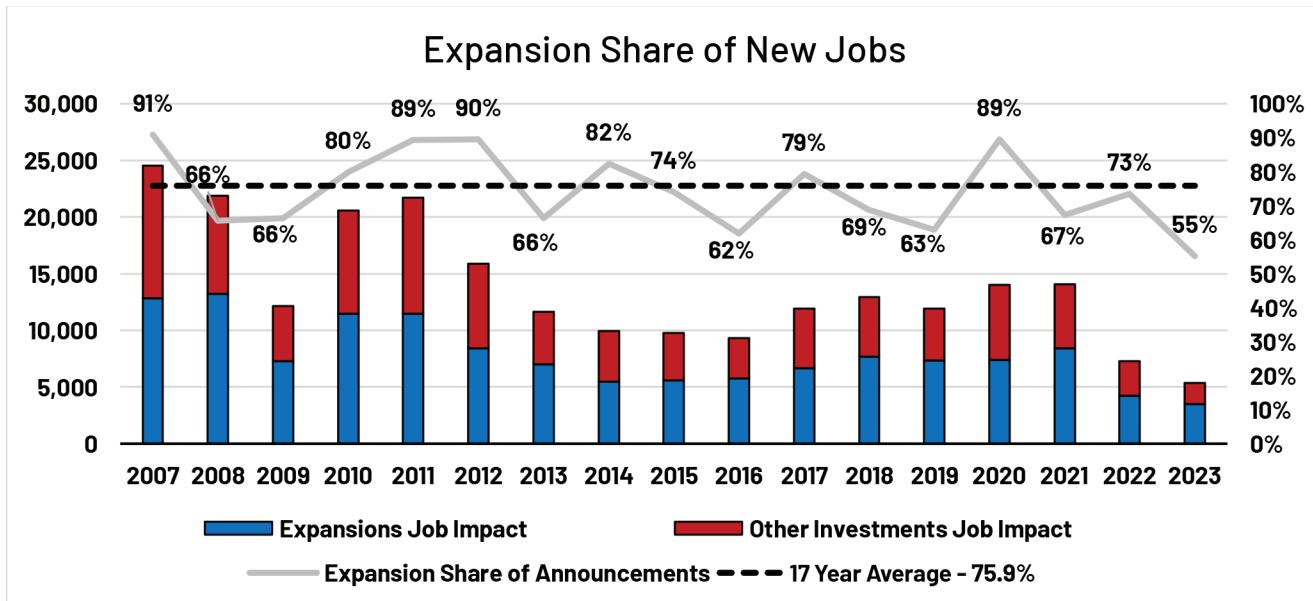
# Share of Total Jobs (continued)

This is not surprising as an established company will likely feel more comfortable with making a large commitment in a region they know and have already invested in, while a startup or new company in the region often will start with a smaller commitment and build on that, generating their own expansion announcements in time.

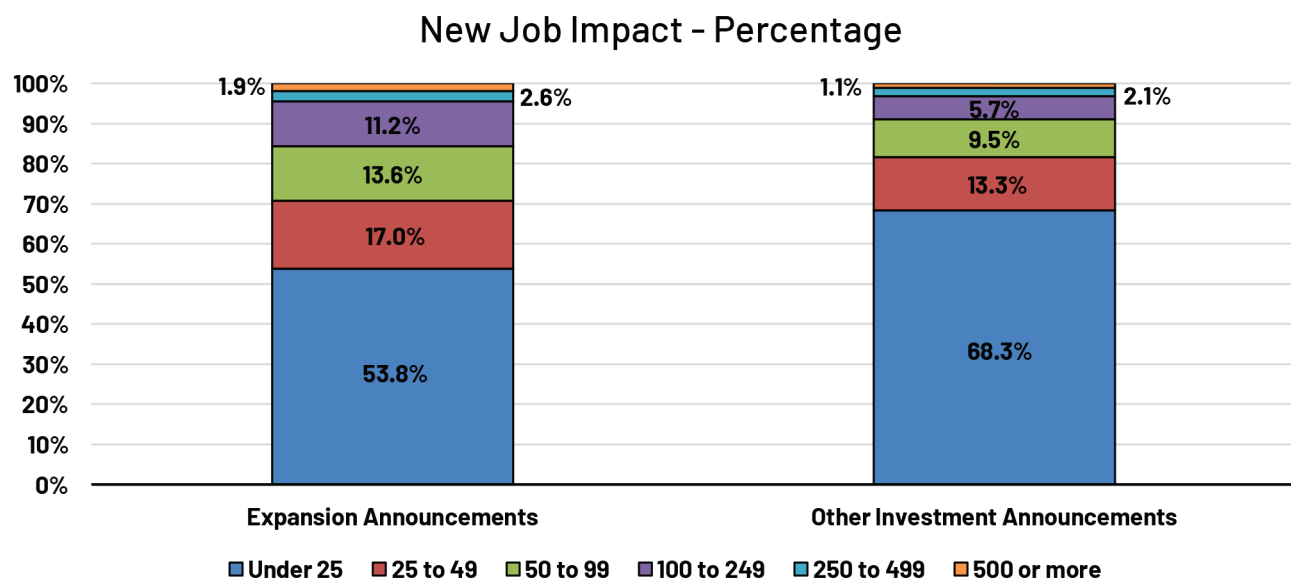


# Share of New Jobs

Expansions of existing businesses often have a job retention component in which jobs already in the region might have been lost. During the tracking of announcements between 2007-2023, investment announcements generated a total of 133,578 new jobs –101,330 (75.9%) of which were due to expansions. While lower than the total job impact share (75.9% vs. 81.8%) it represents a higher share than existing expansions' overall share of announcements (65.1%).



As is the case with total job impact, expansions tend to capture a larger share of the bigger new job announcements. The average existing expansion announcement reports a job count generating 56 new jobs compared to an average of 37 new jobs for non-expansion announcements.

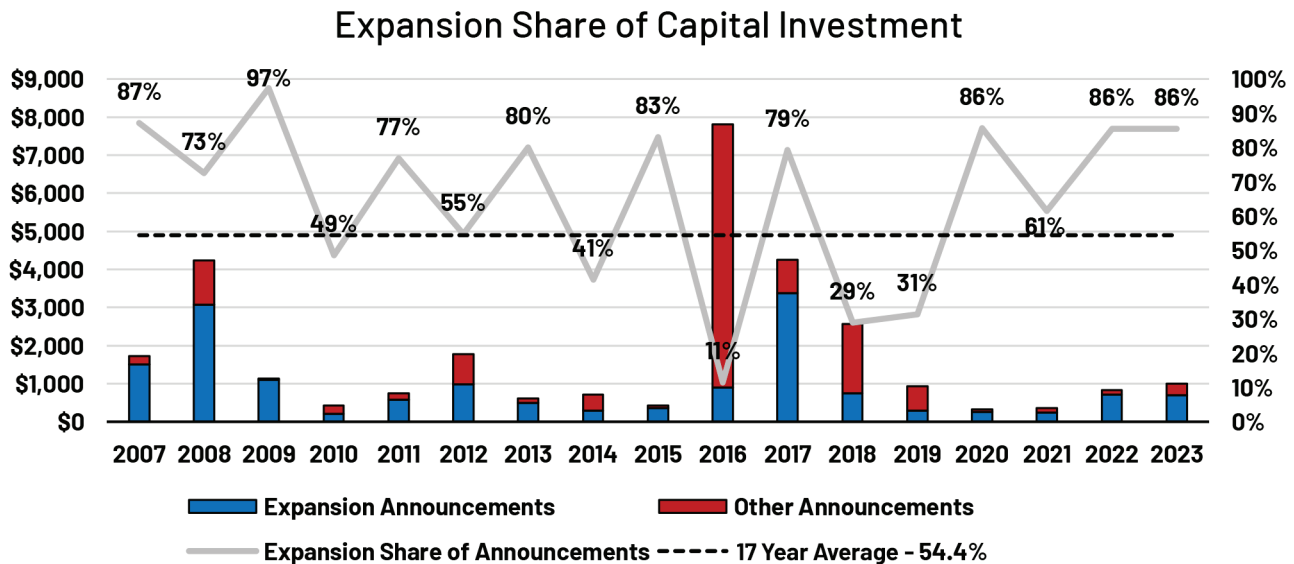




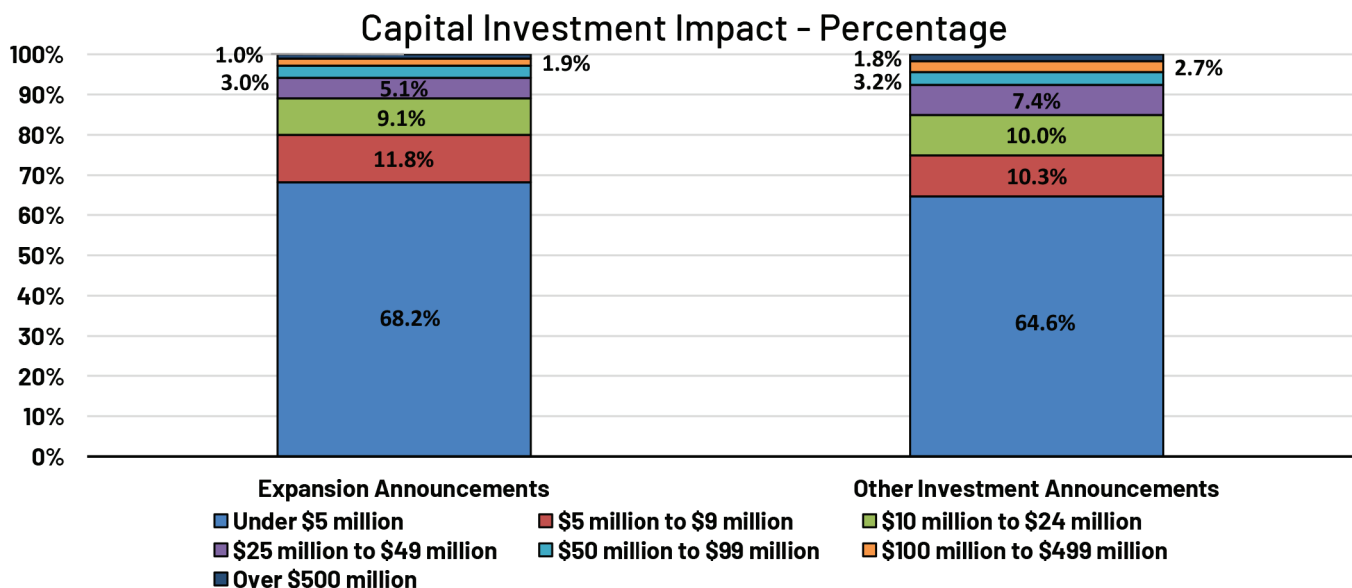
# Share of Capital Investment

On average, expansions have captured 54.4% of all announced capital investment over the 2007 to 2023 period. However, the share captured annually for expansions varies widely from just 11% in 2016 – the year of the Shell petrochemical facility announcement – to a high of 97%.

Overall, expansion announcements by regional businesses have generated nearly \$16 billion in capital investment in the region between 2007 and 2023.



Unlike with jobs, expansions tend to account for a lower share of the larger capital investment announcements. While 14.7% of the attraction/relocation/retention/startup announcements where a capital investment number was available totaled more than \$25 million, just 10.7% of expansion announcements generated a capital investment of more than \$25 million.



# Success Stories:

## Examples of Companies Growing in Our Region, Creating Impact



*The region's existing companies are an important growth engine as their continued prosperity positively impacts all parts of the region and a swath of industries that contribute to regional economic vibrancy.*

**The power of the region's large healthcare providers is evident.** The region's largest employer, **UPMC**, accounted for the most expansions of any organization, with 24 announcements between 2007 and 2023 accounting for 4,691 new jobs and nearly \$2.4 billion in capital investment (CAPEX).

In Indiana County, the most eastern part of the Pittsburgh region, **Indiana Regional Medical Center**, the county's second largest employer, made four expansion announcements over the same period generating 280 potential new jobs and \$74 million in CAPEX.

**Well-recognized companies – “household brands” – have continued to grow locally, including these with notable investments:**

- **ATI** with two investments generating 100 new jobs, 3,100 retained jobs and more than \$1.2 billion in capital investment – the largest capital investment by an existing manufacturer in the region for a new mill in Brackenridge.
- **BNY**, which announced seven expansions, primarily between 2007 and 2015, that resulted in 1,205 new jobs and \$70 million in CAPEX.
- **PPG Industries** with five announcements resulting in 452 new jobs at three locations in Allegheny and Butler counties.

**Manufacturing, consistently at the top of the list of sectors that are most active when it comes to business investment, has seen existing companies expand throughout the region.**

- Washington County titanium manufacturer **Perryman Company** has made a half dozen expansion announcements since 2007, generating 310 new jobs and \$360 million in CAPEX as it expands its production and administrative capacity locally.
- **Elliott Turbomachinery** made four investment announcements that added 285 jobs and \$54 million in capital investment in Westmoreland County.
- **Steelite**, with four announced expansions in Lawrence County, added 150 jobs and CAPEX totaling \$46.5 million.

**Some of the region's newest companies have accounted for numerous announcements and in some instances, significant investments.**

- **Duolingo**, one of the region's most high-profile technology startups has seen constant growth with 10 announcements since 2012 resulting in an anticipated 361 new jobs.
- Robotics company **Seegrid** announced plans to add headcount eight separate times, resulting in 297 anticipated new jobs.
- Fayette County technology manufacturer **Advanced Acoustic Concepts** had five announcements resulting in 76 new jobs and \$17.1 million in CAPEX.
- **Eos Energy Enterprises**, which began operations in Turtle Creek in 2020 has since announced three expansions as it ramps up production of zinc-based energy storage solutions. Its most recent announcement in 2023 was one of the largest of the year, with a \$500 million investment in new production capacity eventually resulting in 500 new jobs.



# Ask a question/give your feedback.

Reach out to this report's research lead.

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