

Approved: 1-25-93
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairperson Wanda Fuller at 3:30 p.m. on January 13, 1993 in Room 423-S of the Capitol.

All members were present except:

Committee staff present: Lynne Holt, Legislative Research Department
Bob Nugent, Revisor of Statutes
Ellie Luthye, Committee Secretary

Conferees appearing before the committee:
Charles Warren, Ph.D., President, Kansas, Inc.

The Chair stated the committee would be governed by committee rules, rather than Roberts Rules of Order, which the committee chairs are in the process of completing. These rules should be completed by next week and they will be reviewed in committee at that time.

The Chair introduced Charles R. Warren, Ph.D, President, Kansas Inc. Dr. Warren presented testimony on "The 1993 Kansas Economic Development Strategy". He stated the fundamental objectives of the 1993 economic development strategy are: 1) to enable the citizens of Kansas to enjoy a higher standard of living and quality of life; and 2) to ensure economic opportunities for all Kansans statewide. (Attachment 1)

Following his testimony, Dr. Warren stood for questions from the committee.

The meeting was adjourned at 4:40 p.m.

The next meeting of the House Economic Development Committee will be held on Thursday, January 14th, Room 423-S.

House Committee on Economic Development

January 13, 1993

"The 1993 Kansas Economic Development Strategy"

Testimony of

Charles R. Warren, Ph.D.
President, Kansas Inc.

Chairperson Fuller and members of the Committee, I appreciate this opportunity to appear before you at this early point in the session and to provide you an advance briefing on the economic development strategy that we are preparing for release in February.

Kansas Inc.

Kansas Inc. was created by the 1986 Legislature as a quasi-public state agency and public-private partnership to provide overall direction and guidance for economic development. The Kansas Inc. Board of Directors is co-chaired by Governor Finney and Tom Clevenger of the private sector. Our 15 member board includes the legislative leadership of both the Senate and the House from both parties. Current legislative members are: Senate President Bud Burke, Senate Minority Leader Jerry Karr, Speaker of the House Bob Miller and Representative Jack Wempe. The Board includes the Secretary of Commerce, an appointee of the Board of Regents, a labor representative, and leaders of the private sector representing the key industries of the state. The private sector members are confirmed by the Senate.

The 1986 Economic Development Strategy

In 1985-86, under the bipartisan leadership of the Kansas Legislature, an economic development strategy was prepared that came to be known as the Redwood-Krider report. 1986 marked a turning point for Kansas. The state became a serious and sophisticated player in economic development through the adoption of several constitutional amendments, new laws, changes in tax policies, and initiation of several innovative institutions and programs.

In the past six years, Kansas Inc. has worked to refine and update the 1986 strategy by sponsoring research on economic and policy issues and working closely with the Governor and Legislature to continue the record of policy innovation. The strategy has been successful; Kansas has enjoyed relative prosperity during the latter half of the 1980's, and has excelled at job creation. This state was fortunate to have largely escaped the consequences of the 1990-1991 national recession.

The 1993 Strategy

In 1991, legislative leaders and the Kansas Inc. Board of Directors decided that a new economic development strategy was needed to lead this state into the 21st century. We began the preparation of the new strategy in January 1992 and were instructed to have it completed by February 1993. In fact, the formal release of the strategy report will be made on February 26, 1993, here at the State Capitol.

Our strategy process has proceeded through four phases summarized as: Vision, Analysis, Choice, and Evaluation. During this entire process, we have had extensive participation from community leaders, private sector executives, professional chamber and economic development officials, the Joint Committee on Economic Development, and the Governor's Office.

Vision. The new strategy is guided by "A Vision for 21st Century Kansas" that was written by citizens participating in five workshops held throughout the state and culminating in a Vision Congress with regional delegates and state leaders. This visioning process was undertaken from April to June 1992. Over 180 persons participated in writing the Vision statement. A copy of the Kansas Vision is attached to this testimony for your review.

Analysis. In January 1992, we began to commission a series of research reports on critical issues facing the Kansas economy. This new research combined with our ongoing studies provided us with a comprehensive and detailed, factual understanding of the Kansas economy, its businesses, its people, and its labor force. We now have in-depth knowledge of the problems and opportunities facing Kansas. These new studies were prepared by faculty at the University of Kansas, Kansas State, Wichita State, Emporia State and Ft. Hays State University. A list of the reports is attached. I would be pleased to provide you copies of any of these reports.

Choice. Guided by the Vision statement, The Kansas Inc. Strategic Planning Committee and the Board of Directors has adopted a mission statement for economic development, identified the state's strengths and weaknesses, formulated a set of guiding principles, and received the findings from the research and analysis. The Strategic Planning Committee met in June, August, September and November for intensive one-day sessions. A final meeting is scheduled for January 22 to approve the draft report and decide on the goals and strategies. A list of the Committee members is attached. In addition, Kansas Inc. staff have met regularly with a task force of economic development professionals from every region of the state.

Evaluation. The strategy report will recommend that a formal system of evaluation be established, known as benchmarking, to measure our progress in fulfilling the goals and implementing the recommended strategies. Benchmarking is being used widely in the private sector and by states, such as Oregon and Minnesota, to set quantifiable measures of progress. It allows comparison of Kansas to the best practices of other states and even foreign competitors. We hope to provide a clear means for both the Legislature and citizens to understand the goals and objectives we will recommend and to know whether or not they are being achieved.

The Objectives of Economic Development

The fundamental objectives of the 1993 economic development strategy are:

- o to enable the citizens of Kansas to enjoy a higher standard of living and quality of life; and,
- o to ensure economic opportunities for all Kansans statewide.

Achievement of these objectives depends on successful development and growth of private sector activity to generate income for Kansans and revenues for government. Maximization of private sector profit and wealth will enable Kansas citizens to enjoy the standard of living they demand and deserve and will lead to a higher quality of life. Economic development strategies must focus on private sector job creation and income goals.

It should be clear that public sector growth and employment is not economic development; while the public sector may provide jobs and income for some citizens and certain communities, other taxpayers of Kansas must pay for those gains.

Economic development efforts strive not only to increase the incomes and wealth of citizens, but also to increase the revenues of state and local government by creating an expanding tax base and growing source of taxable income and wealth. Funding to meet the needs of the citizens of Kansas, especially those who are disadvantaged and poor, is dependent on an increasing revenue source.

A successful state strategy that creates favorable conditions for the development and expansion of the private sector economy should lead to corresponding increases in public revenues without unnecessarily increasing the rates of taxation or the burden of taxes on ordinary citizens and the businesses that employ them. It is axiomatic that a growing economic pie remains the only means of satisfying the growing demands on the state and its local governments without entailing undue and unfair redistribution of income and wealth.

The Focus of the Strategy

A precise focus is called for in the strategy: the development of high performance firms that produce higher value added products and services and provide high wage employment. Its attention is on a limited and explicit set of activities that should contribute to the economic prosperity of private firms and commercial enterprises. The strategy does not attempt to address the needs of of any and all forms of jobs and income producing activities. It specifically avoids activities that result in part-time, low wage

jobs.

The Challenge Facing Kansas

Although our past efforts have met with some success, we have failed to achieve fully our economic development goals. The results of our university research and our own tracking of the Kansas economy provide some satisfaction in terms of accomplishments, but also identify some serious and troubling trends.

The bottom-line is that the problem facing the Kansas economy is not jobs, but income. Recent data clarify the problem.

- o From 2nd quarter 1991 to 2nd quarter 1992, Kansas had employment growth of 2.2 percent which is far above the U.S. rate and exceeds all states in this region.
- o The unemployment rate at the end of the third quarter, 1992, was 4.0 percent, compared to a U.S. rate of 7.5.
- o During the same period, Kansas real personal income growth was 0.8 percent in contrast to 1.5 percent for the country as a whole, and 1.6 percent for the Plains states. Our personal income remains below the national average.

This anomaly of economic performance where job growth exceeds the nation but where personal income continues to grow at a rate slower than the nation demonstrates the failure to meet our economic goals.

Further evidence of our economic challenges is found in the alarming decline of the productivity of firms and workforce. In 1985, Kansas ranked 4th in value-added manufacturing productivity, but by 1990, our ranking had slipped to 30th.

Kansas has done well in the past in creating jobs and has a reasonably strong economy. And in the near term, present economic trends will probably continue. However, we face several serious challenges in the long run. Our economic gains have not been evenly distributed throughout the state. The composition of our economy is shifting, with services playing a greater role in the state's economy. Manufacturers face increasing foreign competition. Most importantly, Kansas is not gaining the types of high-skilled, high value added jobs that are necessary to compete in the global marketplace. As a result, our incomes and our standard of living may continue to decline over the next decade. This is the challenge that the strategy addresses.

Guiding Principles for Economic Development

To give you a sense of the underlying concepts and philosophy that we have followed in developing the strategy and outlining the goals and objectives, I would like to explain the set of guiding principles that we have adopted. The Board and Committee have reached consensus on 12 principles that should guide our selection of goals and objectives and, in particular, should be followed in the implementation of the strategy.

Attached to this testimony is the draft chapter on "Guiding Principles," which I will now summarize for you.

Conclusion

I look forward to additional opportunities to testify before this committee on more specific issues relating to the 1993 strategic plan for the Kansas economy.

Thank you very much. I would be pleased to answer any questions.

Dated: 1-13-93

A Vision for the 21st Century Kansas

A vision statement establishes the focal point and draws the parameters on which an economic development strategy is developed. This vision must be guided by the aspirations of an area's citizens and leaders and accurately reflect the community's strengths and weaknesses, values, future needs, and changing economic and social conditions. These elements, considered individually and as a whole, are unique to each community and the state. Consequently, the objectives and strategies must be developed to reflect these fundamentally different characteristics. If this important relationship is understood and appreciated, the likelihood that appropriate initiatives are developed is greatly enhanced.

The process by which the *Kansas Vision for the 21st Century* was developed was sensitive to this relationship between vision and strategy. Kansas Inc. contracted with Graham S. Toft, President of the Indiana Economic Development Council, to facilitate a series of regional vision workshops. These workshops, conducted during late spring and early summer of 1992, were held in Pittsburg, Wichita, Ness City, Salina, and Overland Park. These sites were chosen to make certain that community leaders throughout the state would have an opportunity to participate both in developing a regional vision as well as contributing their perspectives on a vision for the state. The participants for each of the workshops were selected by regional economic development organizations [see accompanying sidebar] rather than by Kansas Inc. to ensure that a diverse group of community and regional leaders were represented. [A list of participants is provided beginning on page ?]

Vision Workshop Co-Sponsors

Southeast:	Mid-America, Inc., Pittsburg State University
Southcentral:	South Central Kansas Economic Development District
Western:	Great Plains Development, Inc. and Northwest Regional Planning Commission
Northcentral:	Salina Chamber of Commerce, Big Lakes Regional Council, and Four Rivers Development, Inc., Manhattan Chamber of Commerce
Northeast:	Overland Park Chamber of Commerce; Lenexa Chamber of Commerce; Lawrence Chamber of Commerce; Topeka Chamber of Commerce; Olathe Chamber of Commerce; Department of Economic Development, City of Kansas City; Emporia Chamber of Commerce.

At each regional workshop, Graham Toft asked participants to imagine how they would like their region and the state to look – socially, economically, demographically – in the year 2010. This process was followed by a presentation of Kansas economic and social performance and a primer on national and international trends. To help guide the small group discussions during the afternoon, participants were asked to rank their “*areas of excellence*” – such as kinds of workers, employers, industries, etc – that they would like to see in the future. Following the group discussions, during which draft vision statements were written, a consensus was developed on a draft vision statement.

These five regional workshops were followed by a state vision congress held in Topeka at the end of June. This meeting included delegates from each of the regional workshops as well as the members of the Kansas Inc. Board of Directors and Strategic Planning Committee. Conducted in the same manner as the regional workshops, this meeting concluded with a draft state vision statement. After several revisions, on which congress participants had the chance to comment, a final statement was approved by the Board and Committee.

A Vision for the 21st Century Kansas

“The 21st century is here and Kansas has emerged as a national leader with prosperous, growth companies; educational excellence; quality of life; and well-managed natural resources.

The Kansas image has changed dramatically – image of itself and the outsider’s image of Kansas – because of the changes listed below, coupled with a “proactive posture” toward marketing and promoting the state, its products and services, its tourist attractions, and its way of life.

An Incentive-Based Culture

Kansas has capitalized on its frontier culture – one that encourages self-help and self-responsibility. To that end, citizens have been able to invest in themselves with equal access to world-class lifelong learning programs and services. A fair and stable tax policy has provided a conducive climate for business to continuously modernize its facilities and equipment and to retrain its employees. And, community leaders have been empowered to shape the destiny of local areas with sound investments in infrastructure, quality of life, and physical appearance. This has been made possible without growth in state and local government. In fact, the incentive-based approach has required a less-obtrusive government – less of a regulator and more of a supporter and catalyst. State government has made large improvements in performance through the adoption of TQM and other modern management methods. State government has focused its public policies and programs on providing a stable and attractive business climate.

A Value-Added Economy

Strong growth in rewarding jobs and the state's overall strength in personal income was achieved by a changed economy -- from one that shipped many raw or early-processed goods out of state to one in which higher value and quality were added to its many products. Kansas is a world leader in developing and marketing value-added agricultural products, including non-food and industrial uses, and in the trade of agricultural expertise. "Industry clusters" were formed with extensive forward and backward linkages among related firms. These clusters are found in agri-business; manufacturing, especially aviation; and business and professional services, especially engineering. Large numbers of firms have become "high performing" through application of advanced technology, quality management, work redesign, customer satisfaction, employee involvement, and worker training. Small, high-value producing businesses are located in urban centers and rural communities. The benefits of economic prosperity are widely shared among people of all races and cultures. The state's universities are part of this value-adding chain. They are working closely with business and government in the rapid transfer of technology, public policy innovation, management education, and strategic research and development significant to industry clusters.

A "Most Livable Frontier"

Kansas retains a balance between growth in large and small cities, urban and rural areas. This balance allows Kansas to provide a variety of lifestyle choices in housing, culture, and amenities. Rural Kansas is proximate and accessible through improved transportation systems and major advances in telecommunications.

A High Skilled Workforce

A hallmark of Kansas is its commitment to life-long learning from early childhood development through adult education and job training. Kansas achieved world-class outcomes in K-12, vocational/technical education, and community colleges and universities. Its citizens place a premium on preparing themselves for the world of work. Students choosing professional and technical training are praised and rewarded with satisfying careers. Well-designed incentives spur innovations in education and training, link the universities closer to the needs of the Kansas economy, expand entrepreneurial education in high schools, technical and community colleges, and universities, and motivate educators to anticipate and prepare their students for changes in the job market and work place. Incentives, coupled with economic opportunity, encourage those who are disadvantaged to invest in their future.

Partnerships

Kansas is noted for its progressive leadership, active and informed citizenry, and "partnering style" to problem solving and planning for the future. People of diverse cultures, races and regions cooperate effectively in building economic progress and social well-being. Partnerships have made it easier to agree on a stable and fair tax system; commitments to educational excellence; investment in transportation and telecommunications; and a rapid transfer of "know how" from

universities to business, government, and communities. Partnerships blossomed at the sub-state level. New regional alliances have been forged between city and county governments, regional planning commissions, utilities, banks, and agriculture and business groups. State, local, and private entities are coordinating their development efforts, implementing strategies, and measuring progress by monitoring accepted benchmarks."

Dated: 1/11/93

Guiding Principles for Strategic Policies & Implementation

Two important elements of economic development strategic planning include: 1) gathering information about internal state strengths and weaknesses, as well as external opportunities and threats, and 2) making strategic decisions based on this information in a consensus-oriented manner. However, another important part of strategic planning is choosing a set of manageable and realistic actions.

Guiding Principles refer to a set of parameters or guidelines that are used in choosing between strategic alternatives. These Principles outline and define the roles of the state, as well as its communities and businesses, in fostering economic development. When coupled with the state's Vision and Mission, Guiding Principles serve as a roadmap for the strategic plan, showing what these key players – businesses, communities, and the state – wish to accomplish and what types of tactics or strategies may be employed.

Twelve guiding principles are stated below and accompanied by a short explanation. The twelve principles cover three broad categories: general, allocation, and delivery principles. We have also offered some examples of how each of these principles may lead – in the next step of the planning process – to critical strategic choices.

The principles are not listed in order of priority. And while an individual principle can stand on its own, the entire set establishes a framework for making strategic decisions with each principle building on the others.

Guiding Principles for the Kansas Strategic Planning Process have been derived from several sources:

- ♦ Kansas' existing Economic Development Strategy;
- ♦ Kansas Community Strategic Plans and Regional Vision Congresses;
- ♦ Strategic Planning Committee and Professional Advisory Task Force discussions regarding the mission, goals, and lessons coming out of our SWOT analysis;
- ♦ Research and program evaluations; and
- ♦ Lessons learned from economic development experiences of other states and nations.

The twelve Kansas Guiding Principles are:

- ♦ Focus on supporting a competitive business environment and providing the fundamental resources necessary for successful business activity.
- ♦ Strengthen private market forces rather than substituting for them.
- ♦ Focus on the quality of leadership and management of businesses and communities, instilling an awareness of the need of change and the vision of how achieve it.
- ♦ Aim for systematic and integrated approaches in developing business and community assistance.
- ♦ Rely on joint public and private leadership in the on-going planning, governance, and implementation of economic development.
- ♦ Create a decentralized economic development system to respond to diverse economic needs throughout the state.
- ♦ Encourage collaborative private sector networks among key economic sectors, helping firms linked by market relationships learn from each other and engage in mutually beneficial activities.
- ♦ Scale economic development efforts relative to the size of the opportunities and problems addressed.
- ♦ Help those willing to help themselves.
- ♦ Emphasize existing/expanding industry, but continue to give attention to industry attraction and start-ups.
- ♦ Emphasize business assistance for small and medium size companies and build strong relationships with large firms.
- ♦ Give priority to those policies, programs, and projects that will increase wages and income and create higher value-added products.

Focus on supporting a competitive business environment and providing the fundamental resources necessary for successful business activity.

Rationale: The state is limited in its ability to control the economy: it cannot control the external forces that shape the global economy nor can it influence or affect all aspects of economic development. However, the state can do two things effectively: 1) establish an optimal environment for competition by reducing barriers and restrictions, such as an unfair business tax burden; and 2) provide a basic foundation – or an array of resources – necessary for successful business activity, such as skilled workers, adequate and maintained infrastructure, etc. Businesses function in a community environment, drawing upon local resources to support their operations. By providing a sound economic base for competitive business, the state seeks to foster private sector growth to improve the quality of life and standard of living of its citizens.

Just as the state's role is limited by external factors, internal budgetary resources also limit the potential scale and scope of assistance and incentives. In order to ensure that Kansas achieves the best results possible from its investments, economic development programs must be constantly evaluated. Those that do not meet established success criteria must be modified or eliminated.

Strengthen private market forces rather than substituting for them.

Rationale: Jobs are created in the private sector through the actions of private companies responding to market forces. The role of the state is to provide an environment that encourages and nurtures business development. Beyond this, the state's role is one of supporter, facilitator, and catalyst. This principle means that we would seek first and foremost to always find a way to work with private market institutions or mechanisms rather than creating public run programs in an effort to substitute for the market or work against market forces.

Additionally, this principle shows that the state recognizes that *businesses gain more from their interaction with the marketplace than they do from interaction with public agencies*. By learning from their customers, suppliers, and competitors, businesses identify new market opportunities, new technologies, better ways to manage capital needs, and new skills required of their employees. Economic development strategies can accelerate learning by facilitating the flow of information and by strengthening key private market mechanisms.

Example: If a group of companies need help in solving a common problem, we would look first at how private sector systems might be induced to solve this problem. Taken further, this principle means that a public sector loan or investment program would be given lower priority than an approach which would reduce lending risk or increase return from private lending or equity arrangements. Existing and new economic development programs should be evaluated against this standard.

Focus on the quality of leadership and management of businesses and communities, instilling an awareness of the need for change and the vision of how achieve it.

Rationale: Competent and visionary leaders are essential to the success of communities and businesses. If the management of a company is not strong and has no plan for what it needs to do, state economic development programs will make little difference. Some companies – even those in declining sectors – remain on the leading edge without public assistance, while others fall behind, even with the infusion of economic development support.

While most firms have a general awareness of the problems associated with global competition, many do not have a clear vision of what they must do to compete successfully. For these companies, developing that vision is the most crucial step, and this may be much more important in the long-term than simply providing assistance to adapt to change or address single problems. Many small businesses in Kansas only recently have understood the consequences of intense global competition.

This is true for our communities as well. Kansas citizens and community leaders must also have a vision of future. Quality leadership in many of Kansas' communities has been the key to revitalization under adverse conditions. In sum, the difference between success and failure is almost always based on leadership and management. We must focus on instilling a vision of the future of Kansas in our current and future leaders.

Example: If individuals had more incentive to upgrade their education and occupational/training skills, their *demand* for increased education and training, might, over time, be more successful in building capacity than direct intervention by economic development agencies. The Kansas Economic Development Strategy must accelerate a more widespread recognition of the need for change.

The Kansas Economic Development Strategy must focus on building stronger management and assess the quality of business and community management before providing assistance. The strategy will need to include programs that educate, train, or help in the "vision building" of managers in Kansas businesses and communities.

Aim for systematic and integrated approaches in developing business and community assistance.

Rationale: Business and community assistance efforts must be systematic and integrated, in terms of the focus and delivery of programs. First, programs must be "holistic," focusing on all of a firm's needs, across traditional programmatic boundaries. Instead of contacting separate entities for worker training, technology assistance, or financial capital, a firm should be linked to an array of programs through a single entity or "broker."

Second, private and public sector entities must coordinate their efforts in order to avoid duplication. All parties should work under common governance and strive toward a single, overarching goal. This principle also requires the public sector to move from a role of service provider to a broader vision of facilitating change by managing the overall system and contracting out actual implementation. At the same time, the state must be accountable for program results and continually monitor program outcomes. Traditional agency/division/program boundaries must be overcome.

Example: In upgrading the skills of our workforce, we may wish to bring several programs and entities together, including the Kansas Department of Human Resources (KDHR), the Department of Commerce and Housing (KDOCH), Social and Rehabilitation Services (SRS), and the State Department of Education (KSDOE). For example, an executive level council on workforce training could be utilized to provide more direct, on-going coordination. Extending this example to the private sector, businesses may wish to join together – either by region or sector – to train their employees as a group and offer input to the educational system on curriculum, materials, and training equipment.

Rely on joint public and private leadership in the on-going planning, governance, and implementation of economic development.

Rationale: Public/private economic development partnerships provide the input and support of legislative, executive, agency, business, and community leaders. Partnerships are effective because they build consensus and legitimacy through decision-making based on broad-based input and perspectives. In sum,

partnerships provide for the synthesis of private and public interests. Partnerships also facilitate long-term approaches to economic development by ensuring continuity despite political instability through private sector involvement in setting public policy. Additionally, partnerships can help ensure a bipartisan approach to development policy.

It is important that public and private sector contributions, through leadership and finances, to remain constant over time. While it may be natural for public and private sector involvement to decrease as initial enthusiasm wears off, long-term success requires the continuous support and participation of both sectors.

Example: Kansas Inc. and Kansas Technology Enterprise Corporation (KTEC) are two state-wide examples of public/private partnerships. Additionally, numerous Kansas communities have adopted this model when setting up local economic development organizations.

Create a decentralized economic development system to respond to diverse economic needs throughout the state.

Rationale: The economic and demographic issues facing one region of the state may be far different than those facing another. A decentralized, systematic approach to economic development can address these differences by encouraging unique, regionalized problem-solving approaches based upon local needs. Kansas regions must be able to build upon their local strengths in solving their problems. This principle addresses the concern for economic development efforts to be both equitable and efficient. Limited economic development resources – and a concern for fairness – may unintentionally lead to programs spread too thin across the entire state. To counter this, opportunities and needs must be identified by region and met by regional program delivery. Additionally, program effectiveness should be measured in regional terms.

Example: The Mid-America Manufacturing Technology Center (MAMTC), a subsidiary of KTEC, is designed to help small manufacturers become more productive and competitive. To this end, MAMTC has five regional centers in Pittsburg, Lenexa, Manhattan, Great Bend, Wichita, and Kansas City, Missouri. Another example is the Business and Technology Institute at Pittsburg State University. The Institute houses local offices for several state entities, including KDOCH, KTEC, and MAMTC, a small business development center, a certified development corporation, and other economic development functions. The KDOCH has established six regional offices to respond to the state's diverse needs.

Encourage collaborative private sector networks among key economic sectors, helping firms linked by market relationships learn from each other and engage in mutually beneficial activities.

Rationale: Much of traditional economic development has consisted of creating public sector programs designed to provide a service or assist businesses by correcting a market limitation. This may result in a group of small, poorly

coordinated, and under-funded programs that are not well-known or have little impact on the problem. An alternative is to turn to a model developed in other nations where private associations of firms – such as trade and industry associations – are much more involved in planning and organizing business assistance programs. While such groups are not as developed in the U.S., they are emerging and becoming accepted by more firms. Other states are beginning to ask associations to become more involved in economic development. Kansas can maximize its scarce resources by concentrating its economic development efforts around a relatively small number of critical economic sectors or business clusters that are tightly related by market linkages. By concurrently requiring more industry involvement and leadership, more intelligent allocation decisions will result.

One implication may be a strategy which emphasizes the creation of “learning networks” among small firms. We might seek to adapt the European and Asian strategy of creating incentives for firms to voluntarily get together and develop joint solutions to common problems. Kansas may also consider strategies which would discourage one-on-one assistance to firms, providing greater resources and assistance to clusters of firms that work together and learn from each other. Strategies may focus on strengthening and nurturing existing trade and industry associations, rather than creating new public institutions.

By relying on a sector focus, the state may wish to move from offering a discrete array of programs – job training, marketing and trade assistance, technology transfer, and tax incentives – to the delivery of a package of resources that meet the needs of an area or sector. For example, we may strengthen existing private sector trade associations or encourage the creation of an “aviation industry development corporation” or a “plastics product and process development corporation,” giving these organizations the resources and responsibility to develop and operate comprehensive, demand-driven programs for firms within their cluster. Additionally, the strategy may entail assisting a declining sector that has been very important to the state. In other cases, the strategy may be to help a “winner” or accelerate the growth and development of a set of related firms that can capture a larger market share.

Example: An existing example of such a group is the Kansas Manufacturing Association, a recently formed consortium of Wichita tool and machine shops. The Association acts as a sales representative, production coordinator, and information link for the group and has received financial support through MAMTC.

Scale economic development efforts relative to the size of the opportunities and problems addressed.

Rationale: Kansas is limited in its economic development resources and budgets. The state should focus its efforts on those programs that have the most effective results (the best “rate of return”) and/or have the broadest impact.

The notion of a strategic plan means that the state will be selective in what it does. State programs should be funded based on their ability to *achieve significant*

results by effectively building on the state's strengths and reduce/eliminate weaknesses. At any given time, over 70,000 firms operate in Kansas (Emerson, 1992). State programs which reach a very limited number of firms with minimal results will need to be re-evaluated using this principle. The strategy will target those activities that it is *able* to influence and do so with maximum impact.

Help those willing to help themselves.

Rationale: Scarce economic development resources should be allocated to help those who are willing to contribute some of their own effort. Because of the large number of Kansas communities and businesses, as well as the scope and scale of their needs, the state must focus on helping those who are willing to supplement and use state assistance effectively. State economic development efforts are likely to be more effective if the customers, whether businesses or communities, are ready to work with other entities and commit to becoming competitive. This "readiness" can be demonstrated in several ways: 1) dedication to continuously improving quality and productivity; 2) management commitment to competitiveness through continuous improvement; 3) development of long-range, strategic plans; and 4) commitment to match public resources through in-kind donations, financial matches, or joint efforts with other firms or communities.

Emphasize existing/expanding industry, but continue to give attention to industry attraction and start-ups.

Rationale: Kansas' 1986 Economic Development Strategy emphasized a balanced approach encouraging retention/expansion, attraction, and start-ups. At that time, this represented a departure from traditional attraction activities in Kansas. The new strategy will modify this approach somewhat by giving greater priority to assisting existing and expanding firms. We recognize the importance of the state's economic base; while Kansas' current base is mature, it is strong and has served the state well. In fact, more than 80 percent of new jobs created during the 1985-90 in Kansas were from firms that remained in business over the entire six year period (Emerson, 1992). More importantly, resource constraints dictate that we allocate our resources efficiently. Generally speaking, greater long-term economic gains will come from continually strengthening and advancing the current economic base, rather than trying to build a new one. Therefore, we should invest in our current firms and help sustain start-up businesses. This does not mean that we would give up our marketing and promotional efforts about the benefits of Kansas to outside firms.

This principle would give priority and direct resources toward investment in the long-term needs of existing Kansas firms. For example, tax abatement authority could be modified to give preference to expansion projects by existing Kansas firms. Job training funds now used as location incentives could be given first to firms already doing business in Kansas.

Emphasize assistance for small and medium size companies and build strong relationships with large firms.

Kansas small and medium-size businesses often lack the resources or expertise to carry out critical functions, such as exporting, adapting to new technology, training current and new workers, and gaining access to capital. Global competition and constant change in the business environment may, in the long run, mean increased vulnerability for our small and medium-size companies.

Larger firms generally have the resources to internally operate and fund many of the types of functions offered through Kansas business assistance programs. State assistance through small export or financial capital programs have little to offer large businesses and may not be important when larger firms are considering locating or expanding in our state. Large firms benefit more from a favorable business climate, with an adequate supply of skilled labor, access to state-of-the-art technical programs and assistance, and linkages to university research and development. Kansas must work to ensure strong relationships and partnerships with large businesses. Kansas is fortunate to have an economic base built on small, medium, and large-size companies. We must ensure that gains made by all of our firms are leveraged and shared throughout our communities.

Give priority to those policies, programs, and projects that will increase wages and income and create higher value-added products.

Rationale: The relative return from our investments – measured in terms of increases in value-added or higher wages – must be a fundamental standard for the allocation of our scarce resources. The primary objective of our economic development strategy is to enable Kansans to enjoy a higher standard of living and quality of life. To this end, we must encourage and foster the creation of high quality, higher-wage jobs. Our assistance programs must focus on helping existing firms remain competitive by adopting new technology and management techniques. Our recruitment efforts must target those firms that match the definition of a high performance work organization.

Additionally, Kansas should not provide assistance or incentives to those projects that would result in jobs that pay less than the current community average, unless current economic conditions, such as a significant job loss, relatively high unemployment, or underemployment, warrant the project. This principle respects the difference among the regions of the state and recognizes that lower paying jobs in one of the poorer regions might still increase average wages in that area. Nevertheless, Kansas should help raise the standard of living of its citizens by encouraging the creation of “jobs with a future” in firms that will remain competitive over time.

Dated: 1/7/93



Strategic Planning Reports and Further Reading

Strategic Planning Reports

Analysis of the Impact of the Aviation Industry on the Kansas Economy. prepared by Carlene Hill Forrest and Janet Nikel, Center for Economic Development and Business Research, Wichita State University.

The Changing Structure and Performance of the Kansas Economy. prepared by Jarvin Emerson, Kansas State University.

The Kansas Agricultural Economy: Trends and Perspectives. prepared by Allen Featherstone and James Mintert, Department of Agricultural Economics, Kansas State University.

Kansas Community Strategic Plans. prepared by Genna Ott, Institute for Public Policy and Business Research, University of Kansas and Elizabeth Tatarko, Kansas Center for Rural Initiatives, Kansas State University.

Kansas Demographic Profile: Economic and Social Implications of Demographic Change. prepared by Helga Upmeier, Institute for Public Policy and Business Research, University of Kansas.

Growth of the Service Sector in Kansas. prepared by Pat Oslund, Institute for Public Policy and Business Research, University of Kansas.

Assessment of Ten States' Economic Development Strategic Plans and Planning Processes. prepared by Elizabeth Stella, Institute for Public Policy and Business Research, University of Kansas.

The Kansas Labor Market: Challenges and Implications. prepared by Charles Krider and Dan Roehler, Institute for Public Policy and Business Research, University of Kansas.

The Kansas Value Added Agriculture Industry: Status, Trends, Opportunities, Impediments and Strategic Options. prepared by Sam Brownback and Greg Krissek, State Board of Agriculture; Richard Hahn, Kansas Value-Added Center; and, Marc Johnson and Arlo Biere, Department of Agricultural Economics,

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The process of developing a new economic development strategy required the contributions of many individuals and organizations. These included participants in the vision workshops; members of the Board of Directors, Strategic Planning Committee, Professional Advisory Task Force; our faculty advisors and facilitators; and, the principal researchers and authors of our reports. Without their involvement, this process would not have been possible. Below is a listing of those who participated in this strategy process.

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