



## A Strategic Economic Perspective

**The importance of a focused, strategic economic approach to counter the unprecedented economic and financial challenges currently faced by the state is critical to positioning Kansas for future opportunities.**

Briefly examining the period from the 1940's to the present, Kansas, and moreover the United States economy as a whole has been shaped by the impact of both economic expansion and contraction periods. During periods of relatively positive economic conditions, the process of developing economic policy decisions may be in sharp contrast compared to the difficulty posed to leadership when making decisions during a contraction period.

Currently, the U.S. economy is in a recessionary period, and while the magnitude of this challenge and length of recovery is largely unknown, undoubtedly these events have already had an impact on the Kansas economy. Previous recessions have varied in both duration and impact to specific sectors, states, countries and regions; however, the challenges behind the current recession may be different, with impacts to economies on a global scale across several industries.

Economies are cyclical by nature, and now, more than ever is the time for policymakers to be focused on positioning the Kansas economy for future opportunities. Kansas has inherent and emerging strengths – aerospace and general manufacturing; rural development and agriculture; energy and natural resources; professional, scientific and technical services; and biosciences. These core competencies, set within an environment for opportunity that focuses on entrepreneurship, business and tax climate, workforce development, technology and innovation, education, infrastructure and state image can contribute to the sustainability and growth of our economy, allowing us to transcend economic cycles.

Reminiscent of the troubled economic times during the mid-1980's in Kansas, the economic development study known as the [Redwood-Krider report](#) provided 50 recommendations addressing the totality of Kansas' economic development programs. From this plan arose a vision for economic development with many specific recommendations, including the formalization of the Kansas Department of Commerce, the creation of Kansas Technology Enterprise Corporation to foster innovation and technology development, and the creation of Kansas, Inc. to institutionalize the Redwood-Krider process used to create the state's strategic vision. Now, as then, a strategically focused long-term plan can provide the roadmap to a bright future in Kansas. The current [strategic plan](#) provides 43 strategies that are driven by sound research and tested with state-wide business input to bring focus to economic development efforts. Viewing this economic period as an opportunity to position the state will set Kansas apart from other states and allow us to aggressively rebound from these events.

Now, more than ever, is the time for Kansans to be mindful of where we have been, where we are currently, and where we want to go.

## Evaluating economic development efforts

By statute, Kansas, Inc. has the responsibility of developing and implementing a formal assessment process to determine the effectiveness of economic development initiatives in Kansas. Over time, this process has evolved.

A Kansas, Inc. evaluation is not an audit – which could be considered to be more of an academic and scientific research process designed to unambiguously identify and measure the results of government interventions in society.

Rather, a Kansas, Inc. evaluation, by design, provides a holistic assessment of an economic development initiative – intended to capture the overall direction, sustainability and success of an initiative as envisioned by its initializing legislation.

Thus the evaluation process produces dynamic input to the complex, interactive process that is government decision-making. This process results in a source of information that can assist the decision-making and management process for resource allocation and program improvement, while

The Kansas, Inc. *eREPORT* provides analysis intended to stimulate discussion in order to identify policy options and build consensus essential for concerted action on vital economic issues. Discussion points from several resources have been compiled in this publication; therefore some points brought forth may not necessarily represent the consensus views of the entire Kansas, Inc. Board, but are simply provided as a starting point for discussion.

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providing for overall accountability in government. Based on this premise, these evaluations make several well-reasoned conclusions and recommendations that should be considered by policy makers.

More than ever, during uncertain economic times, limited resources require focused efforts with measurable results. Both current and recently completed Kansas, Inc. evaluations seek to provide policy makers with well-reasoned conclusions and recommendations for consideration.

The information from these evaluations, combined with the

results and recommendations from Kansas, Inc.'s strategic planning and research roles can facilitate discussion to position the Kansas economy for future opportunities.

**Kansas, Inc. has recently completed evaluations of the:** [Kansas Bioscience Authority](#), [NetWork Kansas](#), and [Kansas Department of Commerce](#). (Kansas, Inc. contracted with the [Institute for Policy and Social Research \(IPSR\)](#), University of Kansas, who received the Award of Excellence for Public Policy from the [University Economic Development Association \(UEDA\)](#) for work done relative to the Commerce Evaluation.)

## *Creating the opportunity for more efficient government*

Given the recent downturn in the economy and amid state budget concerns, technology can present several opportunities for local and state government, as well as businesses to increase efficiency and expand services. Technology can provide the means for individuals, businesses and government entities to reach beyond traditional barriers with the enhancement of government performance, function and accessibility. This is a key aspect of several areas of the Kansas, Inc. strategic plan.

The [Information Network of Kansas \(INK\)](#) was created with this concept in mind, as a government service administered for the good of the public, while benefiting from the entrepreneurial spirit and efficiencies found in private industry. The INK Strategic e-Government plan focuses on collaboration with state and local entities to add value for a broad array of users. This model goes beyond a simple aggregation approach, by adding

significant value to users through a rich offering of state and local government informational products and services and access to a committed and dedicated web development community.

Electronic applications such as the Kansas Department of Revenue's [Web-Tags](#) and [WebFile](#) provide for online vehicle registration and tax filing, and a vast array of business-related applications and resources are offered through the [Kansas Secretary of State's Office](#) – all of which integrate the INK approach to enhancing government performance, function and accessibility. Other applications such as the [Kansas Business Center](#) provide a one-stop-shop for information from several agencies and statewide resources needed to do business in Kansas. While many more examples of INK applications exist, these opportunities can be expanded on a much broader scale throughout cities, counties and the state.

## *Analyzing the trends and dynamics of Kansas manufacturing*

Understanding the importance of the manufacturing industry in Kansas is critical to promoting its ongoing competitiveness and growth throughout the state. Through the strategic planning process, a common theme was brought forth by all manufacturers, including small-, medium- and large-sized firms: **Every business matters – the state must provide an environment for us to thrive and prosper.** Based on this premise, a recent Kansas, Inc. study attempts to provide an in-depth analysis of the trends and dynamics impacting the manufacturing industry in Kansas.

From the analysis, manufacturing remains a key driver of wealth creation, and the state's diversified manufacturing base is geographically positioned to capture an increasing share of manufacturing activity. Kansas has consistently outperformed the U.S. in terms of growth in value of manufacturing output over the past 40 years, except for during [the decade-long productivity lag that Kansas experienced beginning in 1985](#). However, while the value of manufacturing output in both the U.S. and Kansas has increased, Kansas manufacturing growth is driven more by employment growth than productivity growth.

Even though Kansas lags in productivity growth, the overall trend is for fewer manufacturing employees to create more output in terms of volume and value – this process drives prosperity in the form of higher per-employee payroll. Nevertheless, data from the analysis illustrates an imperfect alignment between the growth of manufacturing payroll and employment, suggesting economic development policies that focus exclusively on employment can be misguided. Proactive economic development policy should not try to pre-specify the attributes of specific businesses.

The data illustrates employment growth in manufacturing is highly correlated with the birth of new manufacturing establishments – far more high correlated than employment growth for the expansion of existing manufacturing establishments. Yet, the birth and death of manufacturing establishments are also highly correlated; suggesting manufacturing gains and losses are an essential part of a dynamic business environment. A business environment that embraces this dynamic should make it as easy and cost-effective as possible for businesses to start operation and refrain from interfering with the inevitability of failure. [Click here to access the full report: A History of Manufacturing in Kansas: Profile of an Economic Strength.](#)