

THE
MORGAN LEIGH
GROUP

DEVELOPING AN

Innovation Economy

A

STRATEGIC ACTION PLAN

for Spokane & The Inland Northwest

Sponsored By



May 2003

Executive Summary

Extract of Section I from the Innovation Economy Study

“Developing An Innovation Economy — A Strategic Action Plan for Spokane & The Inland Northwest”

was sponsored by INTEC, SIRTl and the Spokane Area EDC

and prepared by The Morgan Leigh Group

Our Innovation Economy

TO DREAM THE POSSIBLE DREAM

When it comes to our region, what if we dared to dream? To dream of uncommon levels of regional collaboration, cooperation and partnership. To dream of widespread regional prosperity, extensive high-wage employment and an exceptionally bright future for our children. To dream of a stirring regional image that highlights our strengths, recognizes our success and engenders worldwide respect.

When it comes to our economy, what if we dared to dream big? To dream of genuine global competitiveness, true technology leadership and astounding levels of innovation. To dream of world-class industries, high-growth companies and wildly successful entrepreneurs. To dream of becoming an international magnet for advanced research, exceptional talent and visionary investors.

When it comes to our future, what if we dared to turn our dreams into reality? This detailed study is all about how we can turn our dreams for a globally competitive economy into reality. It is a strategic road map describing the necessary steps we must take to develop the Innovation Economy in the Inland Northwest.

UNREALIZED POTENTIAL

For too long now, the Inland Northwest economy—and that of Spokane in particular—has been the poster child of unmet expectations, unrealized potential and unrelenting mediocrity. In spite of an impressive asset base and a deep pool of talent, our economy has produced but scant gains in recent years. A review of key measures (such as wage growth, economic growth and technology sector growth) shows that we have significantly underperformed relative to peer regions including Boise and Seattle.

For a full review and discussion of these and other metrics, please see Section II.

COLLABORATION IS THE KEY

Yet we are optimists. We have faith in our future. We are confident that the ability to build a thriving and diverse economy that delivers the benefits of prosperity to all of its stakeholders is firmly within our reach. We have a solid foundation on which to build. However, achieving a vibrant and growing economy will require uncommon collaboration, an extraordinary level of cooperation that cuts across borders, boundaries, hierarchies and communication silos.

Successful collaboration in developing the Innovation Economy demands that we are highly strategic in our methodology, fully regional in our approach, and decisively action-oriented in our plan.

“I would support a ... process that speaks to our strengths and our dreams for the future.”

*Innovation Economy
Survey Response*

I

A Strategic Framework

DEFINING THE INNOVATION ECONOMY

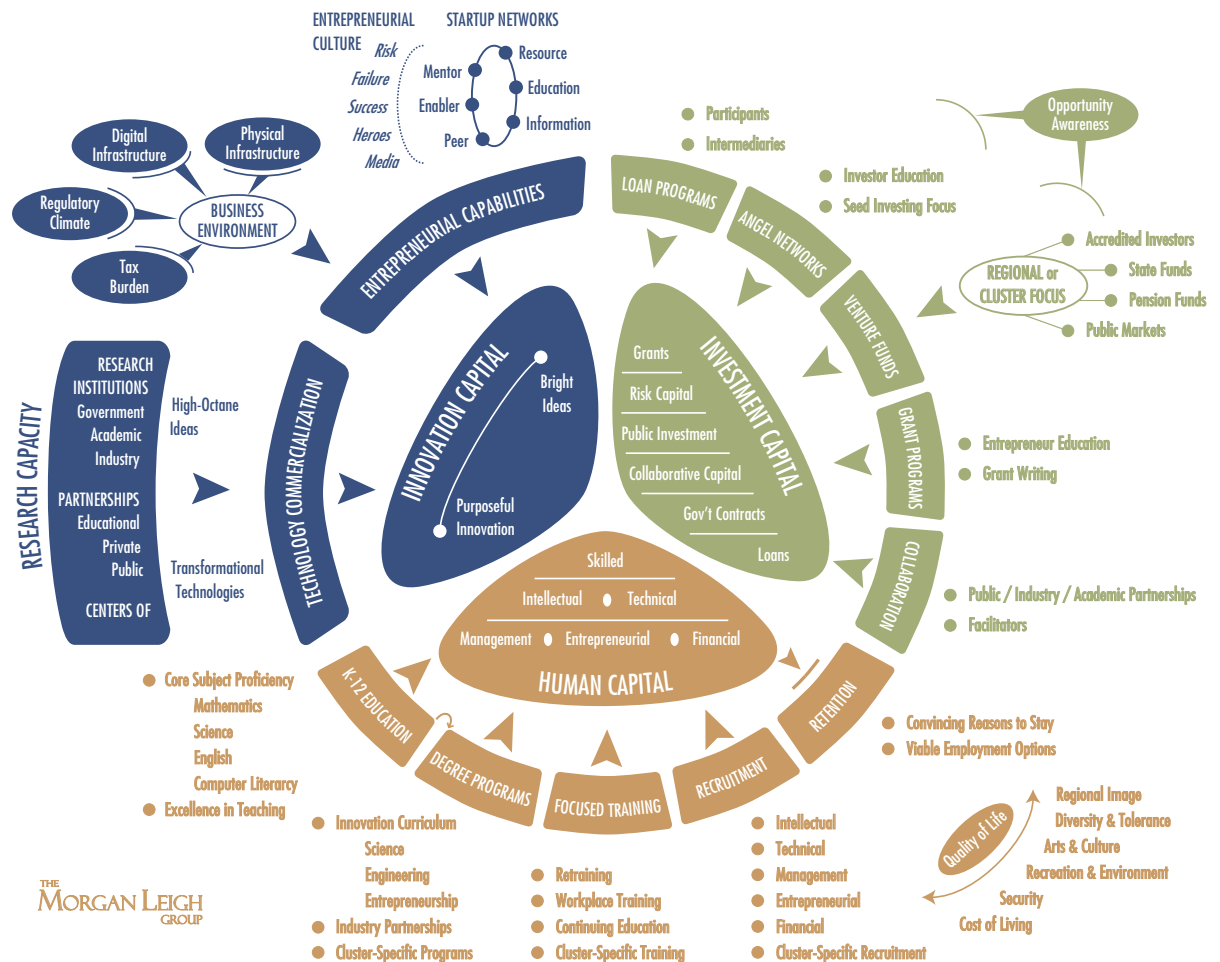
Simply put, the Innovation Economy is an economy that is fueled by innovation, technology and talent. It is characterized by the rapid growth of high-wage jobs, the development of high-growth industries and the existence of high-impact economic multipliers. In the Innovation Economy, there are large numbers of significant startup successes, successive waves of new technologies and extremely active networks of people and organizations. Such an economy quickly adapts to change, effectively responds to opportunity and is centered around smart, talented and skilled individuals.

The visual schematic shown below is a strategic framework depicting the components of the Innovation Economy. These include the innovation infrastructure (shown on periphery) and the three essential raw materials (shown in center).

“The bottom line is that centers of innovation give their host regions a distinct competitive advantage.”

Ross DeVol,
Milken Institute

THE INNOVATION ECONOMY



The Raw Materials

INNOVATION CAPITAL

Innovation capital is the indispensable driver behind economic growth. It is the basis on which new ventures are formed. Innovation capital is comprised of bold ideas and unique concepts that are expressed as technologies, products, services, new business models and much more. These ideas and technologies improve lives, increase productivity and give birth to completely new capabilities. Innovation capital is generated by existing businesses, raw startups, entrepreneurial souls, research teams and keen intellects in many environments. Its most significant contributors are research institutions and entrepreneurs. Infrastructure components which create or shape innovation capital include: research capacity, technology commercialization, entrepreneurial capabilities, entrepreneurial culture and startup networks.

HUMAN CAPITAL

Human capital is all about developing, attracting and retaining talent. Success in the new economy is generated by smart, educated and highly-skilled individuals. Capable of incredible productivity and innovation, these knowledge workers are well-compensated, highly recruited and very hard to please. They are the intellectual horsepower behind wealth creation and economic growth. In attempting to attract knowledge workers, our region has been criticized for several apparent deficiencies—a lack of diversity, a thin labor market and negligible nightlife amenities. Also, a vital issue for us is whether our school districts and 22 institutions of higher education are producing graduates with the critical skills necessary to compete in the Innovation Economy. Infrastructure components that shape human capital include: K-12 education, degree programs, focused training, recruitment, retention and quality of life.

INVESTMENT CAPITAL

Investment capital enables the formation and growth of new ventures and early-stage companies built on the innovation and talent of the region. It is an essential element of the Innovation Economy and is comprised of various financial resources such as risk capital, grants, loans, public investment and military contracts. The acute shortage of active investment capital in the Inland Northwest is one of our greatest weaknesses. Infrastructure components which create investment capital include: venture funds, angel networks, grant programs, loan programs and collaborative capital.

A thorough and detailed description of the Innovation Economy framework and its components, as well as an overview of cluster strategy, can be found in Section III.

“The most successful (regions) ... are the ones that do the best job of helping entrepreneurial companies grow.”

*Robert D. Atkinson,
Progressive Policy
Institute*

I

A Regional Approach

“I think there is always merit in marketing our region based on the strengths that we have.”

Innovation Economy Survey Response

FELLOW STAKEHOLDERS

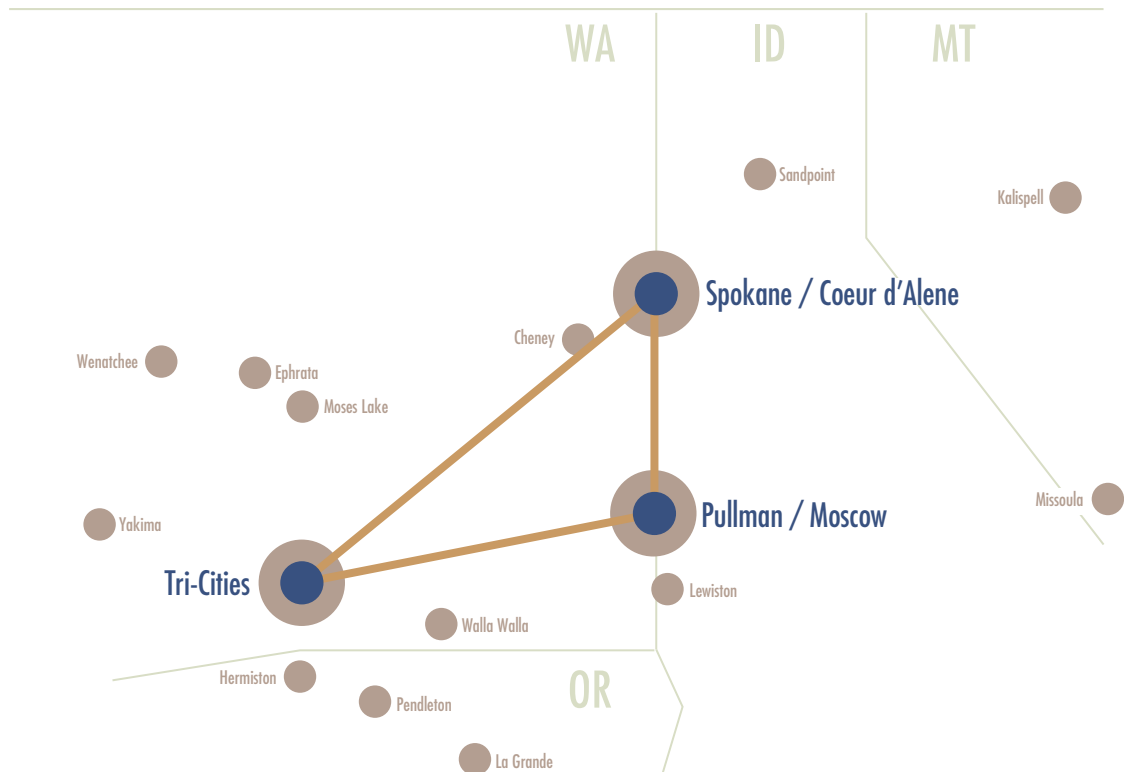
Our region arguably encompasses important portions of four states. Within this region, there are well over 100 different organizations, governments or agencies which play a major role in economic development. An essential prerequisite to the creation of the Innovation Economy is the recognition that we are all fellow stakeholders in the regional economy. That is to say—we will all gain by collaborating to grow the size of the regional pie rather than squabbling over the slim pickings of the current economy.

A NEW IMAGE FOR THE REGION—INNOVATION

Instead of tepidly skirting the periphery of regional collaboration, we assert that a better approach is to start with a bold vision that elicits excitement and action—such as The Triangle of Innovation. This concept highlights the tremendous research strengths of the Inland Northwest, such as Pacific Northwest National Laboratory in Richland, the University of Idaho in Moscow and Washington State University in Pullman.

The Triangle of Innovation concept is explored in detail in Section IV.

THE INLAND NORTHWEST TRIANGLE OF INNOVATION



A Plan of Action

BEYOND THE TALK—A CALL FOR ACTION

The time has come for us to demonstrate our belief in our future through concerted action. We need to stop talking about our potential and start achieving our potential. Developing the Innovation Economy is all about taking action—strategic, purposeful and carefully considered action. Our principal objective in this entire study is, in fact, to surface and highlight those specific actions with the greatest potential to deliver measurable results for the economy of the Inland Northwest.

We developed the detailed action items in the strategic plan through a focused and collaborative process. Below is a highly condensed list of these action items, organized by category and sorted by priority (blue = primary, tan = secondary, green = other).

Each action—and its underlying purpose—is examined at length in Section V.

LEADERSHIP

- Visionary Leadership
- Action-Oriented Structure
- Detailed Collaboration Requests
- Outreach Programs
- Communications Strategy
- Regional Scorecard
- Investor Package
- Other Actions = 11

INVESTMENT CAPITAL

- Investment Fund w/ Regional Focus
- Angel Network
- Proof-of-Concept Fund
- Investor Forums
- Other Actions = 20

RESEARCH CAPACITY

- Regional Research Database
- Research Consortium
- Other Actions = 12

TECHNOLOGY COMMERCIALIZATION

- Regional Commercialization Audit
- Intermediary Licensing Consortium
- Technology Forums
- Other Actions = 12

HUMAN CAPITAL

- K-12 Outreach Programs
- Internship Programs
- Cluster-Specific Training
- Economic Dev. Recruiting Strategy
- University District
- Regional Jobs Website
- Other Actions = 12

ENTREPRENEURIAL CAPABILITIES

- Enabler Database
- Startup Catalyst
- Proof-of-Concept Fund
- Joint Event Publicity
- Entrepreneurs Boot Camp
- Other Actions = 13

“Put in place an exceptional leadership team with a focused and full-time mandate to drive the creation of the Innovation Economy in the Inland Northwest”

LEADERSHIP

Primary Action #1

I

“We strive to create a future of our own design—to actively engage in creating a dynamic innovation economy responsive to the challenges of this new century.”

*Kim Pearman-Gillman,
City of Spokane & Avista*

DIGITAL INFRASTRUCTURE

- Digital Infrastructure Map
- Current Initiatives
- Other Actions = 4

REGIONAL IMAGE

- New Regional Image–Innovation
- Other Actions = 3

CLUSTER STRATEGY

- Cluster Analysis Study
- Biosciences Action Plan
- Energy Cluster Study
- Other Actions = 4

OTHER

- Business Environment Initiatives
- Geographic Separation Initiatives
- Bi-State Port Districts

STEPPING UP TO THE PLATE

An important point for us to grasp is that there is no knight in shining armor who will step in and rescue us from our plight of economic weakness. If we are going to make headway, we will need to do so on our own. No one else has the same incentive as those of us who live and work in the Inland Northwest and believe in its future. No other group cares as much as we do about creating jobs, growing wages and ensuring economic opportunity.

A FOCUS ON RESULTS

With vision, teamwork and a focus on results, the ability to develop the Innovation Economy is within our grasp. We already have a firm foundation on which to build—exceptional talent, extraordinary research institutions and an emerging core of successful startups. There is a palpable and growing sense of energy, momentum and forward progress. We need to seize the moment.

Enabling our regional economy to reach its considerable potential has substantial long-term benefits for our children, our neighbors and our future. We invite you to carefully examine this study and consider how you can join with us in the spirit of uncommon collaboration to develop the Innovation Economy.

What if ... we dared to dream?