

DEVELOPING AN

Innovation Economy

A

STRATEGIC ACTION PLAN

for Spokane & The Inland Northwest

Sponsored By



May 2003

Strategic Action Plan

Extract of Section V 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

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Understanding the Plan

BIAS FOR ACTION

The goal of this entire study is to surface and highlight those specific actions with the greatest potential to deliver measurable results for the economy of Spokane and the Inland Northwest. In this section we present these action items and provide additional details or suggestions where necessary. These action items were mostly surfaced through written surveys with specific individuals, although others were developed through research and brainstorming activities.

FOCUS AND ORGANIZATION

Developing an innovation economy requires a big-picture perspective and direction. The effort needs a focused plan, for the splatter approach—throwing effort and resources at everything and hoping that something sticks—just simply does not work. While it is difficult to take into consideration both the dynamic environment and the many actions that need to happen in parallel—and then assembling them in a cohesive fashion with levels of priority—this is in fact what we have attempted to accomplish. To this end, we have organized the action items by category and priority.

Each category is presented in order of importance in the sections which follow. Within each category, the action items are prioritized in three groupings: primary actions, secondary actions and out-of-the-box actions. There is a descending order of importance among the groupings, with the third area containing suggestions of unusual creativity and difficulty. Obviously, there is some level of subjectivity in the prioritization scheme.

For the most important action items, or where we felt that the action items were not evident or self-explanatory, further verbiage was added.

PARTICIPATORY APPROACH

In attempting to determine the most important actions which we might pursue, we followed an approach of reaching out to various leaders, decision-makers and community activists for their input via a series of 10 surveys. Many of their responses can be found in their entirety in Appendix C.

FIRST THE TRIANGLE

The Triangle of Innovation is really part of the action plan. However, because it serves as the background context for so much of our action plan, we broke it out as a separate section (Section IV).

“The vision must be followed by the venture. It is not enough to stare up the steps, we must step up the stairs.”

Vance Havne

“We need leadership with vision and drive ... leadership that really understands business and can drive this community forward. It is done in other places and can be done here.”

*Innovation Economy
Survey Response*

PRIMARY ACTION #1

Leadership

VISIONARY LEADERSHIP

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

Our ability to create an innovation economy will be more a function of the leadership team that spearheads the effort and leads the charge than anything else. Visionary leadership makes all the difference. Visionary leadership creates trust, enthusiasm and momentum. Visionary leadership inspires confidence, participation, and collaboration. Visionary leadership generates motivation, energy and progress. The fresh approaches, bold initiatives and consistent focus on results we need for this effort will come from capable leadership.

Other than gaining necessary buy-in from stakeholders, identifying and putting in place the leadership team is the very first step, for everything else that follows is largely done under their guidance. Without an optimistic, outgoing leadership team infused with an infectious can-do attitude to make things happen, this entire effort is likely to collect dust on an obscure shelf somewhere in our region. Putting in place the leadership team is a critical first step.

PRIMARY ACTION #2

Leadership

ACTION-ORIENTED STRUCTURE

Create an organizational structure for the leadership team that facilitates regional collaboration, ensures accountability and enables resource commitment

Currently, there are many organizations with important roles in growing the regional economy. Unfortunately, there are none with the clear directive to ensure that all components necessary for strong and sustained regional growth are in place. While proposing a particular structure is beyond the scope of this study, there are a few observations we would like to make.

First, the proposed organizational structure does not need to be a new organization. An acronym-weary public is already swimming in the abundant proliferation of

dedicated organizations. An existing organization might be well suited to step into this role if, and only if, they possess the visionary leadership.

Second, the organization should be a full-time endeavor wholly dedicated to creating an innovation economy through collaboration. As with exciting roundtable discussions that ultimately deliver no results because all the volunteer participants return to their regular jobs and full-time commitments, we will likely find that an organization with a split personality or part-time involvement is simply not capable of effecting quantum levels of progress.

Third, the organization cannot be Spokane-centric. As this effort is one of genuine regional collaboration, the structure of the organization should reflect this regional approach. (This might mean that the main office is located in the Tri-Cities or Pullman or Moscow or Coeur d’Alene or Walla Walla. Further, important meetings should definitely be rotated among various cities.)

Fourth, the organization should have an active board that demands accountability and measurable progress. Ideally, this board will have a vested interest in achieving results because they represent the top leadership of the regional stakeholders: university presidents, venture capitalists, business leaders, government leaders, successful entrepreneurs and others.

Fifth, there should be enough flexibility in the structure of the organization and its board to enable significant participation on the part of representative stakeholder groups and organizations. As mentioned earlier, there are hundreds of different groups spread throughout the triangle of innovation region who make major contributions to the region. The organization should be able to utilize the capabilities of all of these groups and enable their ongoing participation. We should demonstrate through word and action that there is a place at the table for everyone.

Sixth, the organization should be small. The core leadership team itself should be comprised of no more than three individuals. In addition, there will likely be a need for two or three support staff. With its principal role that of facilitating collaboration among groups and people, there is no need to create a large umbrella organization.

Seventh, the leadership team should have a bootstrap mentality—which implies both keeping organizational costs low and fundraising. Like the management team of a startup with exceptional potential, the leadership group should be able to garner investments in our collective efforts on the basis of yielding high rates of return to investors. Creating an innovation economy and accomplishing the many requisite tasks

“Multicounty strategies have advantages over individual local government strategies because they can avoid counterproductive ‘beggar-thy-neighbor’ approaches.”

*Rick Reeder
USDA Economic
Research Service*

“(Regions) should ... bring together key leaders ... to provide in-depth analyses of the economy, develop creative economic strategies and build widespread consensus for action.”

*Robert D. Atkinson,
Progressive Policy
Institute*

will necessitate financial resources.

Keep in mind that the leadership group and the organization that emerges to formally support their efforts is much like NASA’s mission control center. They are not doing each and every piece of creating an innovation economy themselves, rather they are orchestrating the entire process, resolving any conflicts and sending out rescue missions when necessary.

SECONDARY ACTION #1

Leadership

DETAILED COLLABORATION REQUESTS

Invite individuals, organizations and groups to participate in building an Innovation Economy through specific requests that detail desired participation

Extending a blanket invitation to groups and individuals to “participate” or to “get involved” with the intent of finding something for folks to do if and when they do eventually express an interest ultimately rings hollow. Rather, with careful planning, the leadership team should make a specific request—for a person to do a certain task or participate in a particular activity or head up a focused effort—that details his or her proposed involvement.

Collaboration and involvement is more likely to happen when people know what is expected and believe that their contribution is respected and welcomed. This is not at all to imply that people who volunteer unexpectedly should be turned away (they should not), but rather that meaningful progress is more likely to ensue when the right people are creatively and meaningfully engaged on the right issues.

SECONDARY ACTION #2

Leadership

OUTREACH PROGRAM

Develop a substantial outreach effort to share the vision of an innovation economy, respond to concerns and encourage participation

There are many groups, organizations and stakeholders within the intrastate region. Initially, there must be a major outreach effort to communicate the vision and plan to these individuals and organizations with a goal of achieving buy-in and consensus. With

this in mind, there are a couple of important points to make.

First, there is a very pragmatic benefit of an extended outreach program. As the focus is on enabling collaboration, there is great value for the leadership team to establish and strengthen relationships with all stakeholders. The better they know and understand key individuals and organizations, the better they will be able to link them up one with another to focus on specific issues.

Second, complete consensus or buy-in should be neither sought nor expected. Suggested alternative approaches can only help to refine the overall plan. Further, it is a given that there will be individuals and even organizations that will not want to support a regional effort. Seeds of doubt and distrust have been sown in the Inland Northwest for many years. There is a history of competition between geographies, states and institutions. However persuasive the message or sincere the messengers, this situation will not be undone or overcome in a short visit or two. Only measurable results and tangible progress will likely ameliorate the tension for some individuals, and even then, not all.

Last, there should be a focused effort to truly engage the business community from the start. Business leaders have a well-attuned bias for action, a sense of urgency and a focus on results—all key factors for success. The inclusion and support of our dynamic set of business leaders may well prove the hinge upon which our future success turns. Secure the meaningful involvement of the business community—leaders, entrepreneurs, managers, service providers, analysts and more.

“Communication is critical to the development of collaborative efforts.”

*Jeannine Marx,
President
Technet*

SECONDARY ACTION #3

Leadership

COMMUNICATIONS STRATEGY

Create an effective plan to broadly communicate information on strategy, initiatives and progress using multiple channels of communication

Our citizens are hungry for regional success. There is a real desire to know what exactly is happening in the effort to create jobs, grow industries and transform our economy into an innovation juggernaut. A grandiose vision with talk of increasing wages, broad prosperity, and a flurry of innovation will quickly be dismissed without visible, tangible and ongoing indications of progress. Make sure that people are able to quickly ascertain what is happening.

“We must create a governing body of trustees that can think macro, operate micro and attract funding.”

*Innovation Economy
Survey Response*

REGIONAL SCORECARD

Create a detailed index of measures benchmarking the economic performance of the Inland Northwest relative to that of other regions

Notwithstanding the overly drawn out discussion about the state of the Spokane economy at the beginning of this document, there exists a deplorable paucity of data on the status and performance of our local economy. Most useful data that is available is summarized on a state by state basis and is not broken down by regions—particularly those that cover multiple states.

Excellent examples of relevant innovation indices include:

- 2002 State New Economy Index (national)
Progressive Policy Institute
- 2001 Index of Innovation & Technology - Washington State (state)
Washington Technology Center
- 2002 Index of Silicon Valley (region)
Joint Venture
- 2001 Innovation and Technology Index - Tri-Cities (metro area)
Batelle / Pacific Northwest National Laboratory—PNNL

Useful metrics to collect or develop would be those that provide insights on how we are faring in developing an innovation economy—creating the infrastructure, growing the pools of human capital, investment capital and innovation capital, and producing results. Potential measures might include: workforce education, gazelle companies, IPO's, technology in schools, broadband connectivity, high-tech job growth, scientists & engineers, patents, R&D investment, venture investment, SBIR grants, export value by industry, employment growth by industry, technology employment, science & engineering degrees and more.

The goal is to create a solid foundation for scoring, rating and measuring the progress of economic rejuvenation throughout the region on an ongoing basis. We need to have a firm grasp of where we stand now in order to ensure that our efforts are resulting in substantive progress. The scorecard must reflect the most important objectives of this entire project—to create quality jobs, to increase wages across the board

and to engender regional prosperity. There must be a balance between short-term management measures and long-term value creation metrics.

SECONDARY ACTION #5

Leadership

INVESTOR PACKAGE

Develop a short, high-impact investor package that concisely describes the effort to create an Innovation Economy, details benefits and invites investment

The potential benefits of the innovation economy are great. We have individuals and organizations that are very supportive of genuine efforts to transform our economy because they understand the direct and indirect benefits. For this reason, it would be quite useful to concisely articulate the plan, the initiatives and the major benefits in order to enable and elicit the participation and support of a wide variety of financial backers, advocates and sponsors.

OUT-OF-THE-BOX ACTIONS

Leadership

LESS DIFFICULT (“THERE”)

- Use Launch Pad event in November to announce the Innovation Economy mission (“Spokane, we have liftoff”) and possibly even the Triangle of Innovation (v 2.0)
- Publish milestones and objectives for the overall project at the same time and place
- Create a variety of grassroots brainstorming sessions (online, brownbags) around the region to regularly surface new ideas and fresh approaches from our base of creative citizens
- Use the innovation economy framework from this document to highlight the activities and initiatives that are underway, as well as the groups and individuals who are involved in their advancement
- Build the “Innovation Economy Collection”, containing an extensive compilation of materials related to regional economic rejuvenation (library, databases)

“We must all hang together, or assuredly we shall all hang separately.”

Benjamin Franklin

V

“I sure wish leaders would stop being concerned about who gets the credit and simply collaborate on getting some success in our region.”

*Innovation Economy
Survey Response*

DIFFICULT (“OUT THERE”)

- Turn the quest for an Innovation Economy in the Inland Northwest into a business school case study that can be dissected and analyzed throughout the region and throughout the nation (use our business schools and entrepreneurship centers at UI, WSU, EWU and Gonzaga)
- Establish a major regional award banquet to honor innovators and collaborators—in conjunction with Technet (Catalyst), Regional Chamber (Agora) and Launch Pad (Entrepreneur)
- Initiate an annual “Innovation Fair” to showcase our many examples of technology and innovation on all levels and to enable innovation seekers to learn about our lineup

MORE DIFFICULT (“WAY OUT THERE”)

- Become the global headquarters and clearinghouse for creating an Innovation Economy
 - Fly in recognized regional economic development experts (Richard Florida, Michael Porter, Robert Atkinson) for seminars, panel discussions and advice
 - Host a national summit on creating an innovation economy
-

Investment Capital

PRIMARY ACTION #1

Investment Capital

INVESTMENT FUND WITH REGIONAL FOCUS

Create a sizeable, professionally-managed investment fund with a stated mission of making seed investments in high-potential ventures within the greater Triangle of Innovation region

On the one hand, we should recognize that we cannot compel the gatekeepers of outside risk capital to invest in companies within our region. There is a lengthy array of quantitative and qualitative factors used by venture capitalists in determining whether or not to fund a deal. ‘Potential long-term benefits for the Inland Northwest economy’ is not one of them. And while begging and pleading might prove to hold some sway, our ability to influence investment decision-makers who have no long-term stake in our regional economy is actually fairly limited.

On the other hand, we do have the ability to bring the market much closer to home by developing our own professionally-managed fund with an exclusive emphasis on the Triangle of Innovation region. The key is this regional focus, which is neither a constraint nor an impediment but rather a core specialty.

Why not? We are capable of creating such a fund. Sure, there are a thousand reasons one could find as to why we cannot develop a sophisticated investment fund in our region. ‘There are not enough quality investment opportunities.’ ‘There are not enough potential investors.’ ‘There are no experienced venture capitalists in the region.’ And so on and so forth.

But realize that we experience minimal levels of investment into the high potential ventures of our region today. And the existing structure of the investment community simply is not likely to work in our favor tomorrow (inclination to later-stage rather than seed investing, sector focus rather than geographic focus, and tendency to co-invest with networks of nearby funds when we have but few).

Creating a seed investment fund with a focus on the Triangle of Innovation region will not just provide a significant pool of capital for promising regional startups—it will also significantly increase the awareness of outside venture capitalists in potential investment opportunities in the Inland Northwest via the professional managers. (As an example, consider the excellent investor forum recently sponsored by NWVA and Jaguar Ventures, which brought many VC’s from outside the region to Spokane to look

“Highway 12 Ventures is an early-stage VC fund investing in high-growth entrepreneurial companies in Idaho ... With \$27 million in capital, we are Idaho’s largest venture capital fund.”

Highway 12 Ventures

“We have found that there are numerous (geographic) areas that possess the building blocks for strong technology markets that, until now, have simply been ignored by the VC community.”

Village Ventures

at 12 local companies at various stages of development.)

The obstacles to creating the fund can be overcome. We *will* be able to recruit experienced venture capitalists to manage the fund. We *will* be able to produce legitimate investment opportunities for the fund (see the rest of this document). And we *will* be able to raise money. Here are a couple of suggestions for doing so.

One possibility is to partner with an innovative group of investors, like Village Ventures, who create affiliate funds with a regional focus. Our region meets all of their criteria. We have: minimal current VC investments, a strong concentration of intellectual capital, a low cost of doing business and a great quality of life. Partnership with Village Ventures was the basis for the Boise-based Highway 12 Fund, an excellent fund with a strong regional focus. (Another good example of a regional fund—self-grown in this case—is Portland’s SmartForest Ventures.)

A second possibility is to create a publicly traded investment fund. There are many smaller, not-necessarily-accredited investors who are committed to our region and would be willing to voice their support with their pocketbooks. (Plus, it would enable smaller investors in the region to diversify their portfolios.) Examples of publicly traded investment funds range from the large, high visibility MeVC Draper Fisher Jurvetson Fund to the small, low visibility Harris Harris Group.

Where there is a will, there is a way. If we focus on the task and consider some creative approaches, we can raise the money and create the fund. It is critical to our success and we can do it. There are already discussions between talented professional venture capitalists and fund managers in Spokane about ways to create a pool of investment capital focused on the region. We acknowledge and applaud these efforts.

The fund should be created with a professional management team—properly compensated and incented, focused on financial results and possessing the ability to make independent decisions about investments.

The fund should be developed with a long-term focus. While we refer to it as one fund, it is likely best structured as a series of investment pools, staggered over time and managed with traditional VC investment horizons. The total size of the fund should be significant for the region but fairly modest relative to the mega funds of today, falling in the range of \$25 million to \$40 million. This size would enable the fund managers to cover the full spectrum of seed investments in regional companies and provide a necessary level of respect among the northwest VC community.

PRIMARY ACTION #2

Investment Capital

ANGEL NETWORK

Form an active network of angel investors throughout the region and provide them with education and information on investment opportunities

In our region, we have a surprising number of wealthy individuals who actively seek investment opportunities. Due to a lack of structure in our region, many of these investors have joined angel networks in other regions such as Seattle and Boise. As such, they have little exposure to investment opportunities in our region.

The only way to get angel investors meaningfully involved on a local basis is to give them reasons that make it worth their while to participate. They have to see the benefits and make the choice to be involved.

One approach might be to simply tie into the Alliance of Angels group in Seattle, with a chapter focused on the Triangle of Innovation region. Another approach might be to work with local organizations, such as SIRTI and the Tri-Cities Enterprise Center (TEC), to create the network. At a minimum, the formal network should hold regular review sessions, provide training for new investors and screen potential investments.

SECONDARY ACTION #1

Investment Capital

PROOF-OF-CONCEPT FUND

Develop a small investment fund to make proof-of-concept investments and enable more startups in our region to achieve the threshold of credibility

A review of the investment spectrum reveals a major gap in coverage regionally. Before mezzanine, later-stage and seed funding, there is a what we call “proof-of-concept” or “pre-seed” funding, an area essentially ignored by existing investment organizations for three reasons. First, because these are companies in the very earliest stages of formation, they are the greatest risks. Second, the amounts of money involved (\$5,000 - \$100,000) are so small as to be inconsequential for a fund aspiring to any notions of status whatsoever. Third, the structure and processes of any but the smallest and most nimble of funds is completely inadequate to handle the hands-on

“The biggest challenge facing biotech in Spokane is a shortage of willing investors to provide the financial resources.”

The Inlander

“When you come to typical investors and tell them you need \$15,000, they don’t take you seriously.”

*An Entrepreneur,
as quoted in
Inc Magazine*

demands of small transactions.

Funding for proof-of-concept activities tend to be the domain of the entrepreneurs themselves and their family and friends—a good model in that it weeds out those individuals who are not fully committed to their idea or concept. However, a major downside to this situation is that it largely precludes many shallow-pocketed entrepreneurs with no software millionaires living next door from moving to the next level.

With our engrained Darwinian notions, we tend to believe that only bad ideas, inferior technologies and weak entrepreneurs are weeded out in the initial life-cycle throes of a startup company. But this is simply not true. There are great concepts, superior innovations and strong entrepreneurs who are unable to get to the level of investability for no other reason than because they do not have access to the modest level of resources necessary to accomplish a small number of critical activities (securing a patent, developing a prototype, creating professional marketing materials and so on).

We refer to the creation of a unique fund investing modest amounts of capital (\$10,000 - \$50,000) in startup companies in the region for the express purpose of enabling them to accomplish a short list of proof-of-concept activities. Examples might include \$10,000 for a patent, \$15,000 for advanced market research, \$20,000 for a prototype design or \$40,000 for a beta software package.

The objective would be to significantly increase the volume of innovative startup companies in the region which reach a threshold of credibility and are therefore considered “investable” by angel investors and venture capitalists.

The fund can be structured to function well at this pre-seed level of investment activity. Important aspects would include: threshold filters for initial screening, organized reviews for advanced screening, templated legal structures, templated capital structures, templated term sheets and direct payment to service providers to avoid possibility of funding operating expenses or lifestyles.

Spearheaded by Linesoft founder and Launchpad Entrepreneur of the Year recipient Fred Brown, a small group of Spokane-area angel investors is considering creating a hands-on fund to provide both modest levels of capital infusion and hands-on mentoring for promising startups throughout the region to accomplish proof-of-concept activities. We believe that this and related efforts to dramatically increase the number of local startups which reach the threshold of credibility will ultimately produce one of the biggest paybacks available to our region.

INVESTOR FORUMS

Stage regular high-profile investor forums that highlight regional investment opportunities, showcase local innovation and promote our regional strengths

Efforts by Technet have resulted in several successful investment forums in Spokane over the past two years, with a sizeable turnout from local angel investors. And in the summer of 2002, Northwest Venture Associates and Jaguar Ventures hosted what was arguably the biggest investor event ever held in Spokane, in which a large number of their VC colleagues from throughout the Pacific Northwest came face to face with 12 exciting companies from throughout the region.

Investor forums are important because they introduce innovation and talent to money. In addition to substantial amounts of careful planning, successful investor forums require the participation of both top-notch startup candidates with persuasive stories and engaged investors with serious intentions. It is imperative to ensure that adequate numbers of both groups are in place. We applaud efforts like the Technet Entrepreneurs Boot Camps, which are designed expressly to graduate startup companies to investor forums. From an investor perspective, we would be well served to ensure that we have high-quality investment opportunities for every forum.

We have the opportunity to build on past achievements. Why not create regular investor forums that become major attractions for angel investors and venture capitalists? If they prove useful, well-done and electrifying, they become a must-attend event for investors. They become *the* place to learn about top-notch investment opportunities. We think that these events should happen at least twice a year and should be major, co-sponsored events.

We would recommend having investor forums that showcase the innovation of the entire region. The site could rotate among different cities throughout the region. Further, there is no reason why the investor forums should not have follow-on activities such as golf tournaments, hunting expeditions, para-sailing competitions or simple tours that underscore the tremendous quality of life offered by our region. After all, we are not just selling investment opportunities in high potential startups—we are selling an entire region.

“The investors were very impressed with the caliber of our local companies.”

Participant in recent Investment Forum

“An impediment to the economic future of the region is that ... local venture capital does not meet local business investment needs.”

*David Kolzow,
Strategic Plan for
Spokane*

OUT-OF-THE-BOX ACTIONS

Investment Capital

LESS DIFFICULT (“THERE”)

- For startups, create database of funding resources and events including investor forums, venture capital groups, angel networks, grant programs and debt financing alternatives
- For investors, create and maintain database of startup investment opportunities throughout region
- Establish WSA chapter in Spokane
- Engage regional brokerage D.A. Davidson on potential strategies to create a publicly traded fund with focus on region
- Create a sharp quarterly newsletter dissecting the investment scene throughout the Triangle of Innovation
- Post cluster-focused newsletters, such as the excellent BASR Fresh Sheet, on key websites for easy access by investors
- Ramp up marketing and training efforts for entrepreneurs on grant programs such as SBIR
- Celebrate and recognize local investors
- Develop a networking association for funding facilitators (securities attorneys, brokers, accountants)
- Ask local angels & entrepreneurs to host panel discussions in local business schools on giving back to community

DIFFICULT (“OUT THERE”)

- Provide high-energy training for local angels on the intricacies of seed investing (negotiations, exit strategies, term sheets)
- For investors, maintain comprehensive database of regional innovation, technologies and research projects
- Engage local angels and VC’s on creation of Innovation Economy
- Facilitate creation of regional radio shows and TV programs highlighting investments, startups and innovation from throughout the region
- Research and publish a short history of risk capital investing in Triangle of Innovation—amounts, gains, success stories

MORE DIFFICULT (“WAY OUT THERE”)

- Create an ‘Entrepreneurs Bank’—a collaborative project among regional financial institutions to assist startup companies
 - Host national and Pacific NW conferences for venture capital associations and organizations
 - Develop hands-on capabilities at an intermediary organization to link startups with grants, government contracts and military contracts—including assistance with grant-writing
 - Sponsor major golf tournament for angel investors (winners might receive coupon for favorable terms on next investment)
 - Change state constitution (WA) to enable state pension funds to invest in venture funds with state or regional focus
-

“One of our most important goals is to increase the number of investable startup companies in our region.”

*Technet,
Entrepreneurs Boot
Camp*

“Last year WSU scientists disclosed approximately 40 inventions, raising the historical total to 550 inventions.”

*Office of Research,
WSU*

REGIONAL RESEARCH DATABASE

Develop a comprehensive database of regional research capacity detailing projects, researchers and funding

Our research capacity is an exceptionally critical element of the Innovation Economy. The Inland Northwest has a number of world-class research laboratories, universities and institutions which are involved in cutting-edge research projects and have established leading centers of excellence. Many of these projects are focused on transformational technologies and products, and have significant market potential because of their prospective impact on how we live, work and function.

We have a strong research base on which to build. And we have plenty of opportunities to grow our research capacity, facilitate collaboration between researchers and develop centers of excellence. However, a major wrinkle is simply the difficulty in understanding the breadth and depth of our existing research. Information on our research projects, talent and funding only exists in bits and pieces.

We should create and maintain a relational database detailing current and recent research projects, researchers and sources of funding from throughout the region. This would cover laboratories, universities, medical centers and private research. Where research is classified or proprietary, the data included would be general in nature.

Having detailed information which can be sorted, aggregated and analyzed will prove highly beneficial in a plenitude of areas, including:

- Recognizing existing and emerging centers of excellence—and in particular where we have the opportunity for global competitiveness
- Pinpointing likely areas for cross-institutional coordination
- Identifying potential partnerships between academia and industry
- Highlighting strong possibilities for strategic initiatives
- Linking talent, expertise and resources throughout the region

In addition, the database will be an exceptionally important tool for many commercialization activities.

We need to better understand the magnitude of what we have and gain specific

insights on where there may be gaps, overlaps and opportunities for regional collaboration.

SECONDARY ACTION #1

Research Capacity

RESEARCH CONSORTIUM

Create a high-level research association enabling advanced levels of collaboration among researchers and research organizations throughout the region

Our objective is to increase the value of our research network in the Triangle of Innovation region by creating many additional links between the various research nodes. A regional research consortium would allow researchers and research organizations to share strategies and insights on funding, learn about research efforts in other parts of the region and establish partnerships and joint research projects.

As the consortium develops, the opportunity exists to create smaller working groups focused on related research disciplines. The consortium would serve to organize forums for increased interaction among researchers, promote both basic and applied research throughout the region, help develop major strategic initiatives for growing overall research capacity (such as the Spokane and Tri-Cities initiatives to create medical research institutes) and assist researchers in accessing critical resources (such as intellectual property experts).

The creation of the research consortium should look at working closely with existing organizations that include research institutions in the region but also extend well beyond the region, such as the Inland Northwest Research Alliance.

OUT-OF-THE-BOX ACTIONS

Research Capacity

LESS DIFFICULT (“THERE”)

- Publish an incisive research newsletter highlighting researchers, research projects, published research, commercialized benefits and funding achievements
- Develop a short history of research in the Inland Northwest describing the development of research organizations, important breakthroughs, commercialization successes & key personalities

“Regional research stakeholders must trust, understand and talk to each other regularly. Some organization ... must assume responsibility to facilitate these positive interactions.”

*Innovation Economy
Survey Response*

V

“Reputable research institutes are the most important factors in determining where leading technology is created—the genesis of the high-tech based economy.”

*Ross DeVol,
Milken Institute*

- Based on research capacity analysis, cluster strategies and research organization recommendations, focus on no more than three major strategic initiatives to grow regional research capacity
- Seek out collaborative projects between industry and academia which qualify for WTC grants and other government funding
- Involve research community in K-12 outreach programs to encourage greater focus on science and engineering
- Correctly position and promote region as a hotbed of innovation and cutting-edge research activity

DIFFICULT (“OUT THERE”)

- Assist research organizations in recruitment strategies for attracting top researchers and newly-minted PhD’s
- Formalize, promote and brand existing and emerging centers of excellence
- Develop a research think tank as part of the research consortium that would identify and recommend key opportunities for future research projects
- Infuse research administration with an enhanced view toward eventual commercialization, including enabling private industry to provide greater input into potential areas of applied research
- Celebrate the contribution of researchers and research organizations through awards and other forms of recognition

MORE DIFFICULT (“WAY OUT THERE”)

- Establish a Triangle of Innovation research foundation which awards research grants through industry endowments
-

Technology Commercialization

PRIMARY ACTION #1

Technology Commercialization

REGIONAL COMMERCIALIZATION AUDIT

Perform a detailed audit of regional technology commercialization in the region covering policies and performance, with a goal of eventually removing outdated constraints

Our research institutions operate under the mandates dictated by state government, federal agencies and institutional charters. There is but a very limited amount of wiggle room available to technology commercialization leaders. Many of the constraints placed on commercialization activities arise from an underlying set of beliefs which essentially maintain that it would be inappropriate for a researcher to potentially benefit from taxpayer-funded research. And whether or not one agrees with this principle, there exists a continuing sensitivity to this issue from legislators and other key decision-makers.

Without a compelling and logically structured justification, there is little chance that the decision-makers will be persuaded to change the constraining policies. For this reason, an in-depth audit of our existing commercialization performance is in order. The audit would look at licensing, royalty structures, equity plays and more. There would be an increased level of understanding of the impact of specific transactions on the research institution, commercialization group, regional clusters and regional economy.

A comprehensive audit of commercialization policies and performance would allow us to understand the negative impact of existing restrictions and to build a case illustrating why and how they should be changed. Requesting a substantive change in policy without being able to provide sufficient supporting detail will likely prove ineffective.

We should consider a reference point. In his prior existence as a leader in technology commercialization in the state of Arizona, Doug McQueen (director of the University of Idaho Research Park in Post Falls) worked with a consortium of key stakeholders from academia, industry and the state to change restrictive commercialization policies. Only by building a persuasive case were they successful in overcoming the reticence of legislators, who then were finally open to change. From their efforts came a completely revamped set of much more conducive policies for the technology transfer programs

“University faculty are rewarded for publishing and getting grants. However, they are penalized for being entrepreneurial. New policies must be developed.”

*Innovation Economy
Survey Response*

“The vision you have will not be realized by focusing on (research) institutional culture and attempts to change them. Wrong problem.”

Innovation Economy Survey Response

of state universities. We are capable of doing the same. Performing a regional commercialization audit will lay the foundation for future change.

Eventually, we will want to have an environment like that presented by Ross DeVol and his team at the Milken Institute in a landmark study, wherein they state: “To fully exploit the commercialization potential of laboratory research, the ... government may need to adjust some of the technology transfer rules ... to enable scientists and other researchers to license their output to the private sector, become part-time consultants to private firms, and in some cases, to move into the private sector themselves to develop commercial applications.” (*Blueprint for a High-Tech Cluster*, page vii)

However, proponents of this approach who argue that loosening the current restrictions will enable greater startup activity, job growth and economic prosperity should understand that this view is not universally shared. The subject requires additional study and dialogue before any effective change is likely.

SECONDARY ACTION #1

Technology Commercialization

INTERMEDIARY LICENSING CONSORTIUM

Create a consortium to bulk license promising technologies from regional research institutions with the express goal of creating funded, managed companies to develop them.

Due to federal requirements and licensing policies, research institutions are tending to bulk license many of their current technologies. This means that an organization will license several technologies in one fell swoop. By and large, most technologies developed in our region are licensed to larger companies outside of the region. While this is good for those regions, it ultimately does little for the Inland Northwest.

There is an opportunity to create a unique consortium of organizations to license these technologies, often in bulk, for the express purpose of matching them up with funding and management teams to create new ventures to bring the technologies to the marketplace. The objective of the consortium is to develop creative, but workable mechanisms to turn the individual technologies into products and services capable of rocking the market. One important activity of the consortium would be to help position area entrepreneurs and startup companies to embrace and fully utilize these breakthrough technologies. In many ways, this consortium could serve as a technology broker and matchmaker.

From another perspective, the consortium would help to ensure that the economic development impact of research institutions is greatly magnified from where it is today. There are many issues that surround this possibility, but the potential does exist. EWU and SIRTI have submitted a joint NSF proposal that goes a long way toward the creation of this consortium, as well as linking enablers directly to specific technologies.

SECONDARY ACTION #2

Technology Commercialization

TECHNOLOGY FORUMS

Schedule regular forums to showcase multiple portfolio technologies from regional research institutions to area entrepreneurs and investors.

Our research institutions each have fairly substantial portfolios of intellectual property arising from their research. We need to dramatically increase the awareness of current technologies available from the research groups.

We can be much more aggressive about marketing these technologies within the region. If we were able to schedule technology forums to showcase these technologies at rotating sites around the region, we could bring about a much greater awareness on the part of entrepreneurs and companies within the region whose potential actions could yield substantial benefits for the entire regional economy.

OUT-OF-THE-BOX ACTIONS

Technology Commercialization

LESS DIFFICULT (“THERE”)

- Start a well-written newsletter discussing available technologies and targeted to a broad network within the region
- Create focused “2-Hr Startup” seminars based on available technologies and engage a talented mix of entrepreneurs, enablers and researchers to participate in highly-interactive sessions
- Recognize commercialization successes that benefit the region through award programs and other methods of formal recognition

DIFFICULT (“OUT THERE”)

- Create an enabler portal that provides access to enablers around the region who can help launch ventures based on research technologies

“What is impeding the flow of technology into the commercial enterprise is funding to mature the technologies into product-ready form and management teams who can turn that product into a viable business.”

*Innovation Economy
Survey Response*

V

“There is an NSF grant proposal to ... create a partnership commercialization model that convenes several public and private entities around a common vision.”

*Innovation Economy
Survey Response*

(attorneys, accountants, consultants, interim managers and more)

- Bundle IP from multiple regional research organizations
- Offer pre-assessment program to quantitatively and qualitatively evaluate market potential of possible technology before the project has commenced and base the score on likely market acceptance
- Offer entrepreneurial training to primary investigators (where not in conflict with existing policies)
- Develop programs to get experienced entrepreneurs into the laboratory and experiencing greater interactions with research principals

MORE DIFFICULT (“WAY OUT THERE”)

- Develop a loaned CEO program to fund experienced managers to initially steer the technologies toward market opportunities on an interim basis
 - Change university research charters to make technology transfer programs part of the charter
 - Modify faculty evaluation process to recognize broad economic development contributions which arise from consulting and entrepreneurship activities
 - Form focused incubators at research institutions
-

Human Capital

PRIMARY ACTION #1

Human Capital

K-12 OUTREACH PROGRAMS

Enhance existing outreach programs to significantly increase student awareness of career opportunities in science, engineering, mathematics, computer science and entrepreneurship

Students today are largely unaware of the various career options which lie before them. We can substantially increase their awareness of those careers which are the primary foundation for the Innovation Economy. These careers include science, engineering, mathematics, computer science, software engineering, entrepreneurship and similar careers. There is no desire to reduce interest in the humanities, arts, history, geography and other career options, but rather to ensure that students understand what their career choices are most likely to lead to in terms of jobs, companies, earnings and opportunities. Our goal is to steer students with the proper aptitude and interest into educational paths which will enable them to become the knowledge workers of tomorrow's Innovation Economy.

A key for success here is to engage the business community. The more we can have talented members of the workforce interacting with students in a variety of settings, the greater will be the exposure of students to the realities of certain career paths. An optimal approach would be to develop a working group of higher education and technology businesses to spearhead this effort.

The outreach efforts should build upon programs already in existence at schools and businesses. The primary focus should be with students in middle school and high school. The elements of these programs can include energetic school seminars, hands-on workshops, appropriately targeted handout materials, field trips to businesses and internships.

PRIMARY ACTION #2

Human Capital

INTERNSHIP PROGRAMS

Dramatically increase internship programs for college students at regional businesses, startup companies and research institutions

Internships are one of the most effective tools for integrating students into the

“Current education systems are just not up to the task of producing both the quality and quantity of skilled graduates technology companies need.”

*Susannah Malarkey,
Technology Alliance*

“The key variable in any successful endeavor of this sort is community involvement. Teachers ... (need to be) supported by the business community.”

*Innovation Economy
Survey Response*

workforce. Internships allow students to get a firsthand view of life inside a particular company or career. They are able to work on real projects whose outcome has relevance in the marketplace. They are able to rub shoulders with experienced workers and managers in their chosen field.

Along a similar vein, internships prove to be highly worthwhile for the business community. They have a chance to safely evaluate particular students for potential long-term positions. They open the doors for greater two-way interaction with school departments. And they make progress on important projects at a fraction of the cost of a full-time hire.

For a number of companies, internships are rarely considered because of the erroneous impression that internships require significant salaries. An effort to disseminate accurate information on the requirements and costs of internships to companies likely to participate is, by itself, an important strategy for increasing the number of internships.

There also exists the possibility of creating a unique organization to help overcome some of the current hurdles involved in establishing internships. It could spearhead the outreach effort. It could proactively seek out or recommend specific internship opportunities. It could work closely with students and their advisors to ensure that the needs of the students are being met. And it can help to achieve intermediary funding for internship programs where a third party help to defray costs of an internship at companies with minimal resources, such as startups.

SECONDARY ACTION #1

Human Capital

CLUSTER-SPECIFIC RETRAINING

Create retraining partnerships that are focused on deepening the pool of skilled workers for specific clusters

As we develop a robust cluster strategy for the region, one of the most important activities that we can undertake is to develop the skills of the workforce to take advantage of emerging opportunities in the cluster. As workers are displaced from one industry, there exists the prospect of re-skilling at least a portion of them for different industries.

Retraining is arguably a difficult task to accomplish. Some complain that the quality of the candidates is not as high as they would like to see. Others protest that there

are not sufficient job opportunities for ‘graduates’ of the retraining programs. Both of these arguments have some merit, but, the situation will not change without sustained and dedicated efforts to make the programs work.

The programs should be partnership arrangements, wherein the workers, state and local agencies (like WorkSource), and target companies all work together to overcome obstacles and to resolve issues. Companies should never be required or asked to hire workers that are ill-suited for their needs. However, they should provide the input necessary to identify suitable candidates out of the available pool and to ensure that the training does in fact build the necessary knowledge and skills in the participants. The programs can take place at educational institutions, company sites or as part of an integrated program where participants receive on-the-job training and classroom education.

Remember that our goal is to constantly refine our human capital to be as high-quality as possible for the needs of the innovation economy. It is a area of high short-term costs with even higher long-term benefits.

SECONDARY ACTION #2

Human Capital

ECONOMIC DEVELOPMENT RECRUITING STRATEGY

Alter economic development strategy to give a much greater focus on recruiting knowledge workers rather than on recruiting jobs

Economic development has traditionally looked at the addition of jobs based on companies recruited to the area. However, all jobs are not the same, nor do they yield similar benefits for the regional economy. Bringing talented knowledge workers in various specialties into the region can be a significant boost to the creation of an Innovation Economy, whereas the addition of other types of jobs provides minimal gain. Where we dedicate some resources to recruiting outside companies rather than fostering our own startup companies, our efforts should be very strategic in nature.

As an example, consider the possibility of getting Microsoft to install one of its groups in our region. Microsoft is replete with smart, well-paid knowledge workers whose long-term impact on their local economy is measurably high. We already have a large number of companies in Spokane and throughout the region who work closely with Microsoft. We have many of the quality-of-place amenities that its knowledge workers are attracted to. Also, we have a base of talented software engineers and programmers

“The process of flexible recycling can result in novel reconfigurations of knowledge and human capabilities, allowing new firms to rise from the ashes of failed enterprises.”

*Homa Bahrami,
Understanding
Silicon Valley*

V

“Knowledge workers ... express a strong preference for regions where amenities and activities are easy to get to and available on a just-in-time basis, with easy access on foot, bicycle or via public transportation”

*Richard Florida,
Competing in the
Age of Talent*

into which the company could dip in its recruiting effort.

Further, a flight from Spokane to SeaTac and subsequent drive to Redmond is arguably just as short as a drive from many of the new Microsoft buildings in Issaquah to its main campus in Redmond during rush hour. We have many connections and relationships to draw on at the company that could enable a well-thought out proposal to find receptive ears. Relative to existing options, we could present a very high value proposition to the company. While very basic in its discussion here, this is the type of strategic approach that would do much more for the regional economy than maintaining a traditional focus of recruiting solely on the basis of jobs added.

SECONDARY ACTION #3

Human Capital

UNIVERSITY DISTRICT

Put together a collaborative effort to develop a university district in Spokane with shopping, eating, living and entertainment options highly attractive to knowledge workers

University neighborhoods often attract individuals who simply want to connect with the energy and aura which surround the universities. There is often a vibrant and eclectic mix of shops, restaurants, clubs, lofts, workshops, bookstores and more which develops in nearby neighborhoods. Examples exist at UC Berkeley, Stanford, and UW.

Spokane really does not have a university district. However, it does have the unique Riverpoint neighborhood, which hugs the beautiful Spokane River and encompasses educational facilities for EWU, WSU and Gonzaga. Already there are apartments, office space and the SIRT building in this area. In many ways, this is an ideal location to proactively create a high-energy blend of the shopping, eating, living and entertainment space that many knowledge workers, particularly the younger ones, find so attractive because of its vitality and energy. The goal is to create the environment sought after by those talented individuals who are key to an Innovation Economy.

SECONDARY ACTION #4

Human Capital

REGIONAL JOBS WEBSITE

Develop and promote a well-organized, highly-utilized website detailing available job opportunities throughout region

There already exist local websites such as www.spokanehasjobs.com which list available job opportunities. However, these sites are largely passive, meaning that the listings shown are only a very small subset of the opportunities which actually exist in the region. When we have technology companies shedding workers through layoffs, there are no easy methods for the talented workers to ascertain what specific options are available to them throughout the region. Many immediately opt to cast their nets wider than the region. When they leave, our region loses.

While we cannot directly influence the number of job opportunities, we certainly can make much more extensive efforts to ensure that our local pool of talent is able to quickly learn about what options do exist. With some limited funding, the website operators could be highly proactive in continually seeking to grow and augment the listings in the database. Once it becomes established as the source for information on jobs, the use and participation by companies and workers alike will happen organically.

The functionality should allow candidates seeking positions to post resume information in a database which companies and startups can query to look for certain skill sets. Again, our goal is to increase the awareness of viable employment options for our talented workers which enables them to be “recycled” by the Innovation Economy.

“Lack of regional diversity and perceptions of intolerance limit the attractiveness of the region for certain elements of the knowledge-based workforce.”

*Simon Tripp,
Report on Spokane
Biomedical Growth*

OUT-OF-THE-BOX ACTIONS

Human Capital

LESS DIFFICULT (“THERE”)

- Create accessible summer camps for youth in business (like ‘Business Week’), science, engineering, computer science and the like
- Design recruitment materials targeted to knowledge workers that strongly emphasize our innovation and quality of life
- Recognize excellence in teaching in award programs associated with the Innovation Economy
- Perform an analysis of technology in schools throughout the region in order to identify areas of weakness for our students

DIFFICULT (“OUT THERE”)

- Work closely with business leaders to recruit companies of high value to emerging clusters, such as members of the supplier network
- Develop collaborative effort at business retention wherein existing companies are strengthened and nurtured

V

“In a dynamic high-tech economy, skilled labor and quality education are the key ingredients of success.”

*Ross DeVol,
Milken Institute*

- Work with local companies to develop recruitment strategies for specific individuals
- Help to increase the number of local music clubs
- Work with research institutions to recruit talented researchers to specific centers of excellence

MORE DIFFICULT (“WAY OUT THERE”)

- Track the growth of jobs created through entrepreneurial activity in the region as an added measure of economic development effectiveness
 - Create scholarship or loan programs to encourage talented students to pursue degrees in math, engineering, science and entrepreneurship with loans converted into grants on condition of settling in region
 - Commission a detailed study to look at the job and wage structure which currently exists in the Inland Northwest currently, job and wage data by industry, tenure, and position
-

Entrepreneurial Capabilities

PRIMARY ACTION #1

Entrepreneurial Capabilities

ENABLER DATABASE

Create and maintain detailed database of enablers throughout the region for the use of entrepreneurs and startup companies

One of our most important activities in creating innovation capital is to help entrepreneurs and startup companies plug into the network of talented individuals and businesses that can provide valuable assistance. We refer to these service providers as *enablers*, because they enable the startup company. They enable faster progress. They enable greater quality. They enable results.

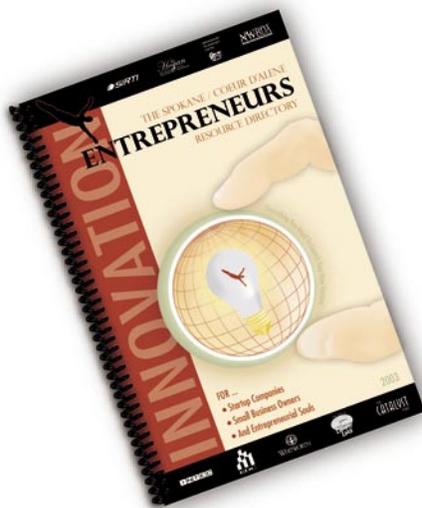
This enabler network is comprised of attorneys, accountants, consultants, advisors, marketing professionals, bankers, financial planners and many others. They represent the extended team that wraps value around a startup company. Their assistance is immeasurable. However, they can only provide this assistance when they are asked to by entrepreneurs.

Unfortunately, we have a glaring lack of awareness among entrepreneurs and startup teams throughout the region regarding exactly those resources that are well-positioned to help them launch their new ventures. This is in spite of the fact that we do have a large number of enablers and resources in our region, albeit with a less well-developed

network than one would find in Silicon Valley or Austin. We should significantly increase the network links between the entrepreneur nodes and the service provider nodes. We need to develop greater awareness among entrepreneurs of the specific resources available to them.

This objective can be accomplished through the development of a sortable database of service providers, public agencies, incubators and others who stand ready to provide assistance. We are currently assembling just

such a list for the Spokane / Coeur d'Alene metropolitan area. Called *The Spokane / Coeur d'Alene Entrepreneurs Resource Directory*, this publication lists a wide



“The greatest potential benefit for startups would be to have a seamless web of contacts they can follow to achieve any of their goals—choosing a corporate structure, protecting intellectual property, hiring management., etc.”

*Innovation Economy
Survey Response*

V

“By putting all these people together in close proximity, new ideas and great suggestions will cross-fertilize the startups, making them more successful faster than they could do on their own.”

*Innovation Economy
Survey Response*

range of service providers available to help startups. This group ranges from graphic designers to patent attorneys to strategy consultants to financial analysts to prototype designers to over one hundred additional categories. Free to entrepreneurs, this high-quality print directory is co-sponsored by a number of regional organizations who work together to foster entrepreneurial activity and created by The Morgan Leigh Group.

This type of effort could easily be expanded to cover the entire region and provide greater awareness of—and access to—the tremendous network of enablers. The underlying goal is to permit the many entrepreneurs and startup companies who are currently outside of the network to easily plug into the network and gain needed assistance for achieving success with their ventures. Ideally, this information would be available both online and in print.

SECONDARY ACTION #1

Entrepreneurial Capabilities

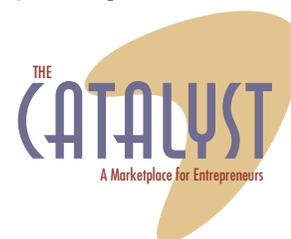
STARTUP CATALYST

Form collaborative partnership with space, tools and service providers to assist entrepreneurs and startups at their earliest stages of formation

As discussed earlier in the document, many entrepreneurs face an overwhelming list of tasks and activities to accomplish before they reach a threshold of credibility and ‘investability’—a level at which they are likely to be taken seriously by potential investors, partners and even startup incubators. This generally means having: a core team, a business plan, market research, intellectual property, legal structure, capital structure, product prototypes or plans and more. Getting to this level is difficult to accomplish with assistance and almost impossible to achieve alone.

One possible solution is to create dedicated, low-cost space for entrepreneurs where they could work on accomplishing these initial activities, refining their core value proposition and developing a workable strategy in a supportive environment with peers, mentors, advisors and tools. As opposed to an incubator, where there are generally stringent requirements for admittance, the prerequisites here would be just high enough to weed out the bad apples.

There have been a number of discussions to create just such an environment for the express purpose of doing more to support our local entrepreneurs. One of these was



based on creating a facility called *The Catalyst, A Marketplace for Entrepreneurs*. Currently, there exists no such place anywhere in the region.

SECONDARY ACTION #2

Entrepreneurial Capabilities

PROOF-OF-CONCEPT FUND

Develop a small investment fund to make proof-of-concept investments and enable more startups in our region to achieve the threshold of credibility

In close alignment with the notion of creating a center for entrepreneurs is the possibility of creating a fund to help with some of the initial proof-of-concept tasks. This fund would facilitate the accomplishment of a small number of critical activities for those entrepreneurs and innovations with high merit.

For additional information on this potential fund, please refer to the discussion in the Investment Capital section found earlier in this chapter.

SECONDARY ACTION #3

Entrepreneurial Capabilities

JOINT EVENT PUBLICITY

Maintain a common regional calendar for all events, training sessions and educational seminars available to entrepreneurs and jointly publicize these happenings

There are a large number of organizations who provide valuable assistance to entrepreneurs. In the Spokane / Coeur d'Alene area, these include EFGN-Coeur d'Alene, EFGN-Spokane, Technet, ITA, SBA, BIC, SBDC, Chamber, EDC, INTEC, Launchpad, LCDC, Panhandle Area Council and others. Suffice it to say that the list grows much greater once we look throughout the entire region.

It would be highly useful to entrepreneurs and startup companies to be able to quickly learn about events, forums, workshops and educational meetings for all of these and similar organizations from one source, such as a common website or newsletter. Currently, it is difficult to learn about the various events without significant time and effort on the part of the entrepreneur. There are multiple calendars, websites and newsletters which publish a subset of the activities.

“What is lacking is a community-wide network to feed people into these existing organizations.”

Innovation Economy Survey Response

“The areas where we aspiring entrepreneurs are most likely to need help are: legal, business plans, fundraising and recruiting.”

*Innovation Economy
Survey Response*

In addition, it would be much more efficient if these groups could pool their marketing volunteers to perform their publicity jointly for these events. This would be an excellent project for collaboration with major benefits for the primary users of the information. We do not mean to imply that all entrepreneurial assistance organizations should be part of a larger umbrella organization, but rather that there are significant opportunities for increased collaboration.

SECONDARY ACTION #4

Entrepreneurial Capabilities

ENTREPRENEURS BOOT CAMP

Formalize the Technet Entrepreneurs Boot Camp Series with funding and regional participation

In recent months, the volunteer non-profit organization known as Technet has created a highly effective series of boot camps for entrepreneurs and startup companies. These boot camps are intended to provide detailed hands-on assistance and coaching in the creation of business plans, pro forma financials and investor presentations for those startups who either are attempting to, or anticipate needing to, raise funds from angel investors and venture capitalists.

The goal is to polish and refine all elements of the investor package created by our local startups so that their chances for achieving funding are not limited by poorly done presentations and documents. Desirable outcomes include increased numbers of regional companies presenting at investor forums and achieving funding. The entire boot camp series is run by a dedicated group of volunteer entrepreneurs and enablers. This is exactly the kind of program that merits much greater levels of financial support and backing because of its potential to increase innovation capacity for the region.

OUT-OF-THE-BOX ACTIONS

Entrepreneurial Capabilities

LESS DIFFICULT (“THERE”)

- Host open roundtable lunch discussions for entrepreneurs
- Expand the Chamber’s EDGE mentoring program to include greater numbers of volunteer service providers and startup companies
- Recognize and celebrate entrepreneurs, including those that are not successful, in formal award ceremonies (Launchpad, Chamber, Technet)
- Encourage local media to give much greater emphasis to entrepreneurs,

startups and innovation

DIFFICULT (“OUT THERE”)

- Create and maintain a database of startup companies throughout the region (for tracking innovation and providing assistance)
- Host business plan competitions for entrepreneurs with actual investments being made in the winning companies
- Develop launch package for entrepreneurs with templates and example documents for legal structure, capital structure, stock options and more
- Start a newsletter focused on startup companies, entrepreneurs and happenings
- Start a radio talk show or TV program highlighting area entrepreneurs and startup companies

MORE DIFFICULT (“WAY OUT THERE”)

- Found an ‘Entrepreneurs Bank’ as a collaborative effort among regional financial institutions to provide banking and financial services to startup companies
- Develop a think tank of exceptionally creative entrepreneurs to identify emerging market opportunities
- Create branches of existing area incubators that focus exclusively on launching startups within regional clusters
- Establish facilitators for helping entrepreneurs to identify and secure government contracts and grants, including assisting with grant writing

“Our local publications are far more likely to publish stories about sports heroes than successful entrepreneurs. Very little is ever said about those who have taken great risk and succeeded ... or those who tried and failed.”

*Innovation Economy
Survey Response*

“Our digital infrastructure is as advanced, if not more so, than other metropolitan areas in the nation.”

*Innovation Economy
Survey Response*

PRIMARY ACTION #1

Digital Infrastructure

DIGITAL INFRASTRUCTURE MAP

Create a detailed map of the existing digital infrastructure that has already been built throughout the region

When we talk about digital infrastructure, many people conjure up an image of a metropolitan area network, complete with fiber-to-the-home, enabling advanced voice, video and data capabilities for home and business users alike. But creating a network that delivers ultra-fast connectivity and advanced services throughout an entire metropolitan area is not only exceptionally difficult to accomplish technically, but it is an incredibly expensive proposition. From a financial perspective, it is hardly possible currently to justify the exceptional outlays required to create such a network, even though it is happening in places such as Pau, France, the second largest city in Southwestern France.

However, it is okay to start with a dream and strategically determine how to make incremental progress toward that eventual goal. The most logical starting place is simply to understand what exists today. Unfortunately, this information is not easy to obtain because there is fractured ownership of long-haul routes, fiber plants, copper plants, last mile assets, points of presence, network operating centers and other digital infrastructure by a small number of private companies.

If this information can be collected in some detail, it will then permit a realistic assessment of potential strategies and opportunities for collaboration.

SECONDARY ACTION #1

Digital Infrastructure

CURRENT INITIATIVES

Support existing initiatives which help to create the digital infrastructure, such as the Inland Northwest Digital University

Until there is a better understanding of where we stand today with the existing infrastructure throughout the region, there are minimal opportunities for large-scale strategic initiatives with respect to digital infrastructure. However, we can support current initiatives to provide important linkages between institutions and geographies. Chief among these is the ambitious project created by Dr. Steve Simmons, EWU

professor and founder of the Terabyte Triangle, to create the Inland Northwest Digital University, which would link 8 institutions of higher education within an 80-mile radius of Spokane and enable advanced levels of interaction among researchers.

OUT-OF-THE-BOX ACTIONS

Digital Infrastructure

LESS DIFFICULT (“THERE”)

- Perform an analysis of technology in schools throughout the region in order to identify areas of weakness for our students
- Determine possibilities for enhancing videoconferencing capabilities between cities within the Triangle of Innovation

DIFFICULT (“OUT THERE”)

- Create wireless data networks in downtown locations

MORE DIFFICULT (“WAY OUT THERE”)

- Explore strategies for developing small MAN’s in areas such as Cheney or Liberty Lake using a combination of wireless and fiber technologies

“Widespread availability of broadband telecommunications services is essential to the vitality and competitiveness of our state.”

*Technology Alliance,
Telecommunications
Report 1999*

“This is an important breakthrough in thinking about the greater Inland Northwest as a technology corridor.”

*Innovation Economy
Survey Response*

NEW REGIONAL IMAGE—INNOVATION

Create a bold and inspirational image for the Inland Northwest region that highlights our strengths, fosters our collaboration and increases our esteem—through a professional branding process

We need a new image. There are currently a number of negative perceptions of our region that exist within and without the Inland Northwest. These negative perceptions include: a mediocre economy, a business backwater, a lack of diversity, a lack of tolerance, parochialism and regional infighting. And even some of the positive perceptions, such as cheap land and cheap labor, are not so great. We need to create an image that accurately reflects our intense innovation, surging entrepreneurial activity, exceptional talent and collective desire to improve our status.

The Triangle of Innovation discussed in Section IV of this study is one such possibility. With a focus on creating a new image, we will surface other possibilities which merit just as much—if not more—consideration. To be perfectly clear, we are not proposing creating hype or exhibiting a false veneer of potency. Rather, we want to ensure that people understand the strengths that truly exist in our region. The new image must be based on substance. We are not trying to replicate another area. We are not trying to clone a different region. We are unique and we want to tell the story of what it is that makes us distinctive. We want to make certain that people understand our innovation, our entrepreneurship, our talent and our collaboration.

An important aspect of creating a new image for the Inland Northwest is to help engender a sense of pride, momentum and forward progress among those of us who make this region our home. We want all of our citizens to feel as though they are a vital part of the Innovation Economy, for they most definitely are. We want to give rise to a new attitude of self-respect and a new perception of belonging to something that is bigger than us all.

To correctly create a new image, we will need to pursue a quality and collaborative strategic branding and marketing process spearheaded by talented professionals, of which a number reside in our region and involving the Spokane Area CVB, the chambers, the business community and others. This process will further determine the appropriate strategy for communicating this new image.

For further information on the Triangle of Innovation, see Section III.

OUT-OF-THE-BOX ACTIONS

Regional Image

LESS DIFFICULT (“THERE”)

- Convey our unique quality-of-place assets for the benefit of knowledge workers
 - Downtown Coeur d’Alene, the resort, the lake, Riverstone
 - Downtown Spokane and its distinctive architecture
 - The Davenport Hotel and its extraordinary restoration
 - The beautiful Spokane River and the Centennial Trail
 - The stunning Riverfront Park and Spokane Falls
 - The hidden jewel we know as Riverside State Park
 - The new MAC
 - And the nightlife, music scene, clubs and lifestyle groups that do exist and thrive, right here, right now
- Highlight the knowledge workers of the Triangle of Innovation who have discovered where to have it all—great jobs, great projects and an unbeatable quality of life

MORE DIFFICULT (“WAY OUT THERE”)

Note: This suggestion might be viewed as way, way out there

- Build a landmark tower in downtown Spokane—Why not?
 - A nationally recognized landmark
 - The focal point of the downtown skyline
 - A monument to innovation
 - A bird’s-eye view of downtown, the river and the countryside
- Seattle has the *Space Needle*. Toronto has the *CN Tower*.
St. Louis has the *Arch*. Paris has the *Eiffel Tower*. San Francisco has the *Transamerica Pyramid*. But ...
Spokane has *no similar landmark tower*

“There is merit in creating an image and brand for the region if the image is based on unique and sustainable attributes that support a mission of innovation and entrepreneurship.”

Innovation Economy Survey Response

“Where clusters of emerging technologies form will play a key role in determining the economic winners and losers of the first half of the 21st Century.”

*Ross DeVol,
Milken Institute*

CLUSTER ANALYSIS STUDY

Perform an in-depth analysis to understand what existing and emerging clusters are currently present in the Inland Northwest for the purpose of creating a regional cluster strategy

We should encourage innovation across all fields, disciplines and industries in the Inland Northwest. Wherever the seeds of innovation are sown, we need to help nurture them. However, for the reasons articulated earlier on in this document, we must concentrate our limited resources and strategic initiatives on only two, or possibly three, existing or emerging clusters.

The first step in developing the optimal cluster strategy is to understand what clusters—existing, emerging or embryonic—are present in the Inland Northwest through an in-depth and professional study. This study should be comprehensive in nature and strategic. It should include a regression analysis utilizing econometric principles to ascertain the existing and potential economic impact of growth in specific sectors, industries and clusters. However, care should be exercised to not extrapolate the output of the model beyond the constraints imposed by the quality levels of available input data. This data is likely to have significant limitations and drawbacks.

In addition to the quantitative model, the study should include a qualitative analysis of potential cluster networks. These involves mapping out the nodes and links of related networks to identify possible clusters. The nodes should include research institutions, university programs, existing companies, new ventures, suppliers, enablers, recognized experts, technologies, risk capital, entrepreneurs and industry associations, as well as other individuals and organizations where applicable. The links should show existing relationships and highlight areas of common interest. It should be acknowledged up-front that this is a difficult exercise with extensive areas of overlap. However, efforts along this front will provide tremendous insights as the sub-networks are mapped and diagrammed.

The ultimate goal of the study is to create a regional cluster strategy. Currently, there is minimal information which exists on clusters in the region, other than that developed by PNNL for the Tri-Cities and the high-level study (identifying the healthcare cluster) created by Dr. Paul Sommers for the state of Washington.

This particular study must go into much greater levels of detail. As the regional cluster strategy must be built upon our strengths, the study must both surface our strengths and underline our weaknesses.

SECONDARY ACTION #1

Cluster Strategy

INTEREST GROUPS / CONSORTIA

Foster specific industry associations and working groups based on common areas of interest to promote relationship-building, networking and cluster formation

One of the greatest tools available for forming clusters are industry associations and working groups that facilitate interactions between individuals and organizations with areas of common interest. These associations, groups and consortia exist to promote the industry (and related industries), respond to common issues, disseminate information and much more. They are instrumental in linking up people and companies and in developing long-term relationships.

We should foster as many industry associations and working groups as there are potential clusters in the region. The concern should not be on whether there is enough activity in a particular area of interest to eventually create a cluster (a cluster is still a rather vague concept without rigid boundaries) and therefore “justify” the initial formation of an industry association. Rather, the focus should be on simply enabling the rapid development of networks within sectors.

A prime example of this type of organization is the Biotechnology Association of the Spokane Region, or BASR, serving the emerging biosciences cluster. Similar organizations can be fostered for energy, hi-tech manufacturing, medical devices, wireless technology, medical informatics, cyber-security and broadband, among others.

SECONDARY ACTION #2

Cluster Strategy

BIOSCIENCES ACTION PLAN

Create a detailed plan of action to implement the recommendations from the recent Tripp-Umbach study on biomedical opportunities

Simon Tripp of Tripp, Umbach in Pittsburgh completed a meticulous analysis in

“One region, the Northeast, does have a location coefficient greater than one, indicating a regional specialization in this cluster (healthcare).”

*Paul Sommers,
Cluster Strategies for
Washington*



Regional Centers of
Biomedical Excellence

- Cardiac
- Diabetes
- Neurosciences
- Oncology
- Rehabilitation
- Pharmacy
- Diagnostics
- Reproductive Biology
- Informatics

*Simon Tripp,
Tripp Umbach*

May of 2002 showing potential opportunities for biomedical economic development in the Inland Northwest. This study identified nine existing centers of excellence and strongly emphasized the need for regional collaboration. It made several specific recommendations, including the formation of an umbrella organization, the sequential creation of focused consortia and the formation of committees to address intellectual property and capital access issues for the emerging biosciences cluster.

This study serves as an excellent example of the in-depth detail that is necessary to create effective strategies for particular clusters. The recommendations made by Mr. Tripp merit action and efforts should be commenced forthwith to implement the recommendations of the study.

This is not to say that biosciences should automatically be included as part of the regional cluster strategy—although a strong argument does exist for that very action—but rather to acknowledge that biosciences can have a significant economic impact on our region irrespective of formal inclusion in the regional cluster strategy. Therefore, this study merits collaborative action to implement its recommendations.

SECONDARY ACTION #3

Cluster Strategy

ENERGY CLUSTER STUDY

**Commission a study to identify strategic opportunities for
expanding the energy cluster**

INTEC has proposed a farsighted initiative to create an energy technology consortium to strengthen our regional specialization in transmission optimization and distribution engineering. This multiphase initiative also proposes efforts to significantly increase training, research and commercialization.

The unspoken assumption underlying this initiative is that the energy cluster is an area of potentially substantial growth, a quite likely assumption. With a strong base of companies and assets throughout the region, this cluster is one that merits a thorough analysis to identify existing centers of excellence and additional strategic opportunities to enhance its growth. We advocate a thorough study to examine the cluster and uncover immediate possibilities for expansion.

LESS DIFFICULT (“THERE”)

- Support the efforts of Biomedex and its energetic president George Coleman to create a biosciences park near the airport
- Ensure that the chosen clusters are those that have a highly positive net trade balance, wherein they export products and services from the region and import the financial gains to the region
- Focus recruiting on specific clusters—experts, researchers, entrepreneurs, supplier companies and others

MORE DIFFICULT (“WAY OUT THERE”)

- Create small incubators that focus exclusively on particular clusters such as biosciences, energy and wireless

“Our most important action is to establish incentives that will draw all points of the triangle toward a common goal. We should identify what is most important to each locale and determine how collaboration can help achieve its goals.”

*Innovation Economy
Survey Response*

Other

In addition to the list of recommendations made in specific categories, there are additional actions that should be considered.

1) Support the existing initiatives of the Spokane Regional Chamber and its counterparts throughout the region to address many of the deep and systemic business climate issues

2) Determine possibilities to minimize the impact of geographic separation between key areas in the region

Travel options (short-hop flights, train travel)

Communications (videoconferencing centers and capabilities)

Meeting Space (dedicated meeting space and virtual offices)

3) Examine potential bi-state port districts that cover key areas along the Idaho-Washington state line

Post Falls / Liberty Lake

Moscow / Pullman

Lewiston / Clarkston

“To think we can build
our communities
in isolation is to
unilaterally disarm.”

*Innovation Economy
Survey Response*