

PROSPERITY FOR ALL OREGONIANS

Business Oregon Strategic Plan // 2018 - 2022

business
oregon[®]

Dear Oregonians,

No organization is more committed to furthering economic development across Oregon than Business Oregon. As the state's economic development agency, we are in a unique position to impact positive change, address economic inequities, and strengthen existing competitive advantages. The 2018-2022 Business Oregon Strategic Plan maps out a course of action for the agency that targets economic opportunity and growth.

Informed by robust customer, stakeholder, and partner insights, along with comprehensive economic analysis, the plan identifies five priorities for Business Oregon. These priorities focus on elevating state investment in innovation, growing Oregon's small- and medium-sized businesses, stabilizing our rural economies, promoting shared economic prosperity, and continuing the agency's operational excellence. Through this plan, Business Oregon is positioned to enhance its leadership role in determining state economic development investments and outcomes.

Development of the 2018-2022 Business Oregon Strategic Plan is an initial step. Agency action and implementation of the plan will eventually drive its impact. The plan will inform each initiative, program, team work plan, budget decision, and policy consideration. We know outcomes of our work will not be achieved alone. Embedded in this strategic plan is the acknowledgement that partnerships will be more important than ever if we are going to address Oregon's most complex market gaps or take advantage of emerging economic opportunities. We are committed to working with our customers, public and private partners, and local and regional communities across Oregon to continue to make our state economy one of the most competitive and accessible anywhere.

We look forward to the journey ahead.

Kanth Gopalpur



Chair

Oregon Business Development Commission

Chris Harder



Director

Business Oregon

Table of Contents

Who is Business Oregon	2
The Planning Process	3
What We Learned	5
Economic Insights	5
Qualitative Perceptions	11
Our Response: Priorities, Strategies, and Actions	13
Center Spread: Summary of Strategic Plan	15
Priorities	
Innovate Oregon's Economy	17
Grow Small and Middle-market Companies	19
Cultivate Rural Economic Stability	21
Champion Economic Opportunity for Underrepresented People	23
Ensure an Inclusive, Transparent, and Fiscally Healthy Organization	25
Economic Indicators and Plan Metrics	27
Appendix	29
Glossary of Terms	
Key Performance Measures	

Acknowledgements

This plan is the culmination of many individuals and organizations engaging with Business Oregon as we gathered insights and created forward-looking strategies to drive the state's economic development priorities over the next five years. We could not have completed this strategic plan without our staff, our partners, our stakeholders, and our consultants who all contributed their voice and insight. There are many acknowledgements to go around, but in particular we would like to thank:

Governor Kate Brown and the Governor's Regional Solutions Team

Strategic Plan Advisory Committee

Kanth Gopalpur, Business Oregon Commission
 Paula Hayes, Business Oregon Commission
 Keith Leavitt, Business Oregon Commission
 Jason Lewis-Berry, Governor's Office
 Kathleen Flanagan, Ford Family Foundation
 Patrick Quinton, Civic Innovation NW, LLC
 John Tapogna, ECONorthwest
 Jorge Fernando Guzman, HispanicPros
 Jack Isselman, Greenbrier Companies
 Melissa Lindsay, Morrow County

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 Kelley Minty Morris, Klamath County Commissioner
 Sen. Betsy Johnson, State Senator, District 16
 Rep. Janelle Bynum, State Representative, District 51

Thank you to our consultants, **The Coraggio Group**, with assistance from **McDearman & Associates**.

Also thank you to all the organizations and individuals across the state who participated in interviews, focus groups, and surveys as part of this process. Your input was incredibly valuable and appreciated.



Who is Business Oregon?

VISION

Prosperity for all Oregonians.

MISSION

We invest in Oregon's businesses, communities, and people to promote a globally competitive, diverse, and inclusive economy.

VALUES

Agile – we adapt, affect change, and move at the speed of business.

Accountable – we are dependable experts in our field who act with integrity and seek opportunities for continued learning.

Collaborative – we solve problems through partnerships and seek opportunities to build effective coalitions.

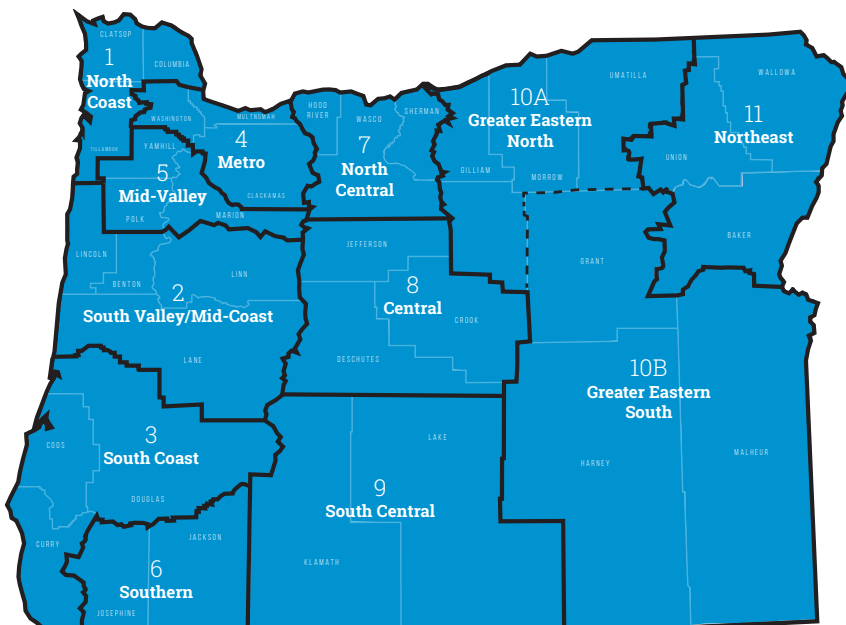
Respectful – we are attentive and courteous, valuing our customers and partners.

Innovative – we look for new methods, new solutions, and new approaches to solve problems and advance opportunities.

Business Oregon is the assumed business name for the Oregon Business Development Department, the state's economic development agency. How we approach our work is both broad and deep. Core functions include rural community development and infrastructure financing; business retention, expansion and recruitment; export promotion and international trade; industry research and development and entrepreneurship; small business assistance; and support for arts and cultural organizations. The overall work of the department is guided by a nine-member commission with additional input and expertise provided by several other advisory bodies and boards.

Commissions, boards, and committees associated with Business Oregon:

- // Oregon Business Development Commission
- // Infrastructure Finance Authority Board
- // Broadband Advisory Council
- // Economic Recovery Review Council
- // Oregon Growth Board
- // Oregon InC (Oregon Innovation Council)
- // Oregon Arts Commission
- // Oregon Cultural Trust
- // Eastern Oregon Border Economic Development Board
- // Business Finance Committee
- // Seismic Rehabilitation Review Committee
- // CDBG Annual Action Development Committee



Business Oregon's regional team is split among 12 different regions throughout the state. Each region has a dedicated regional development officer, along with regional project managers and business finance officers.

The Planning Process



Strategic planning is critical to the effectiveness of any organization. It enables an agency to establish goals, prioritize initiatives, measure progress, and carefully allocate limited time, resources, and attention. Skillful planning also contributes to organizational cohesion and helps foster a shared purpose with common values.

Business Oregon's Strategic Plan is the result of a year-long effort. The goal was to first identify the most pressing economic development challenges confronting the state of Oregon (as well as individuals and communities most in need of support), then develop a plan that specifically addresses the shifting economic landscape, changing demographics, and unique strengths of Oregon's industries, businesses, and entrepreneurs.

The first phase provided **clarity** into existing perceptions of the agency and economic trends, and delivered the high-level elements of the plan such as a new vision, mission, and values.

Business Oregon communicated with hundreds of stakeholders. Participants included state legislators and elected officials, local governments, tribal economic development leaders, heads of regional business development organizations, business CEOs, representatives of academic institutions, entrepreneurs, and Business Oregon staff.

stakeholders:

70+ in-person interviews

6 focus groups

281 completed surveys

4 Advisory comm. meetings

2 staff surveys

2 staff values workshops

4 staff town hall meetings

Questions centered on areas such as:

What are the challenges and opportunities facing Oregon's economy?

How can Business Oregon better serve Oregonians?

Where should Business Oregon be allocating resources?

What are Business Oregon's strengths and weaknesses?



Then Business Oregon worked with its research staff and consultants to conduct a comprehensive analysis of national, state, and local economic trends to answer questions like:

How has the concentration of industry in urban areas impacted rural prosperity?

What are the primary drivers of job growth in Oregon?

What are the best levers for stimulating economic opportunity among underserved populations?

These efforts culminated in the agency's *Stakeholder and Economic Insight Reports* and ultimately provided themes that would directly inform Business Oregon's strategic plan.

Phase two of strategic planning transitioned into **focus and action**, where agency priorities, the strategies to impact those priorities, and the actions to carry out the strategies were developed. Finally, metrics were developed to evaluate and measure success over time.

Over the next five years, the primary and ongoing goal is to operationalize this strategic plan by implementing team work plans; developing state funding and policy proposals to move key objectives forward; and monitoring a dashboard of metrics to track progress.

Business Oregon will continue to manage and monitor this strategic plan for the duration of the plan's five-year time horizon.



**Phase 1:
Clarity**



Insights

What economic trends do we need to consider, and what stakeholder perceptions about Oregon and the agency exist?



Vision

What is the ideal future state we are trying to create?



Mission

What is our purpose? What are we here to make happen?



Values

What is our internal vision and the fundamental beliefs that shape how we work together and serve our mission?

**Phase 2:
Focus &
Action**



Priorities

What must be accomplished over the planning horizon?



Strategies and Actions

What collective actions do we need to take to deliver on our Priorities?



Metrics

How will we measure success?

**Implement:
Evaluate &
Measure**



Work Plans

What actions need to be taken by teams to achieve plan priorities?



Track Progress

How are we doing? Do we need to adjust or take different actions?



Report

Share results and progress towards plan goals.



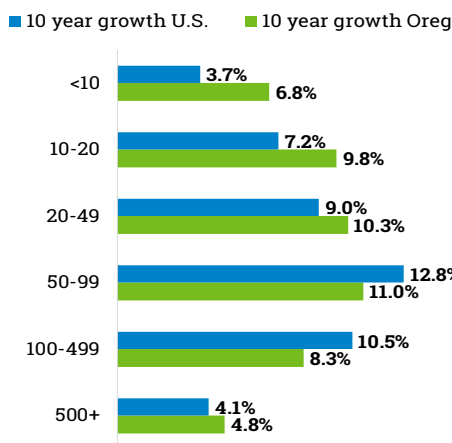
Economic Insights

Current and predicted economic trends inform our priorities and enable the agency to target limited resources.

Small and middle-market firms hold significant economic development opportunity

The majority of job creation in Oregon comes from small- and medium-sized enterprises (SMEs), which are firms employing less than 500. In 2016, there were over 100,000 SMEs in Oregon (99 percent of all firms), with a private sector workforce totaling 1.1 million (75 percent of statewide employment). Within this group, small firms dominate in terms of their concentration (about 90 percent of Oregon firms employ less than 20 workers). Of the approximately 122,000 new private sector jobs added in Oregon over the past decade, 64 percent occurred in SMEs. Two-thirds of SME job growth came from middle-market firms (firms with revenues of \$10 million to \$1 billion.) Oregon's job growth across this size class (and all size classes) outpaced the nation.

Employment Growth by Firm Size



Expanding small businesses and middle-market firms is the most effective way to create jobs. Overall, twice as many jobs are created from the expansion of existing firms compared to those associated with traditional business recruitment, which have declined in Oregon—and nationally—to represent only about three percent of new jobs.

While focusing on SMEs can unlock significant economic opportunity, other segments should not be purposely ignored. Firms employing more than 500 workers account for a quarter of the state's employment and are responsible for 36 percent of jobs created over the last decade. These firms tend to have more diverse workforces, pay higher wages, and export more goods. These firms also provide supply-chain opportunities for smaller businesses.

(Source: Oregon Employment Department, Quarterly Census of Employment and Wages, U.S. Bureau of Labor Statistics, and Center for Budget and Policy Priorities / NETS data)

Business Oregon has identified six Target Industry Groups that hold the greatest promise for business retention and expansion. These are traded sector industries, defined as those that sell their goods and services outside of Oregon. Business Oregon works with businesses across all traded sectors, but certain industry groups have competitive advantages that provide the state with unique opportunities for growth, high wage jobs, innovation, and statewide prosperity.

Advanced Manufacturing:

Includes high value-added advanced materials manufacturers in metals, machinery, aerospace, and medical products.

Business Services:

Oregon's high quality of life and innovative workforce is driving rapid growth in professional and technical services like consulting, advertising, graphic design, and marketing research, who serve clients worldwide.

High Technology:

Home to the 'Silicon Forest,' high technology in Oregon is anchored by semiconductors on the hardware side, with fast-growing software and Internet publishing companies, systems designers, and data centers on the software and information technology side.

Globalization, automation, and trade impact Oregon's manufacturing sectors

Globalization can have unfavorable impacts on local economies, but it also plays to Oregon's competitive advantages. Oregon's geographic location and commercial ties to the Pacific Rim provide an advantage when it comes to international trade. In 2016, the national trade deficit was 20 percent, while Oregon's was much lower at six percent. In 2016, the state's export value topped \$20 billion—its highest ever—driven in large part by computer and electronic products, machinery, transportation equipment, and agricultural products. Oregon is primed to take advantage of global trade opportunities by developing more products for export and developing new geographic markets.

Manufacturing is particularly impacted by automation and trade. Automation reduces the need for labor by replacing workers with machines. Trade has led to more imports, which has decreased jobs in some manufacturing sectors, while increasing jobs and competitiveness in export-oriented sectors. Both of these trends have driven manufacturers to be more productive by investing in technology. Between



2005 and 2015, manufacturing employment declined 11 percent nationally, while manufacturing Gross Domestic Product (GDP) increased eight percent. In Oregon, manufacturing employment declined six percent while manufacturing GDP increased 98 percent, the highest manufacturing GDP growth in the nation. Without computer and electronic products, manufacturing GDP still increased 14 percent, nearly twice as high as the U.S.

Globalization, automation, and trade are macroeconomic trends forcing traded sector businesses to be more competitive. It is impacting not only manufacturing, but other traded sector industries as well, such as agriculture, forestry, software, and professional service sectors. Efforts should be made to help Oregon traded sector businesses become more competitive in the face of these trends.

(Sources: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Wiser Trade, and IMPLAN)

Outdoor Gear and Apparel:

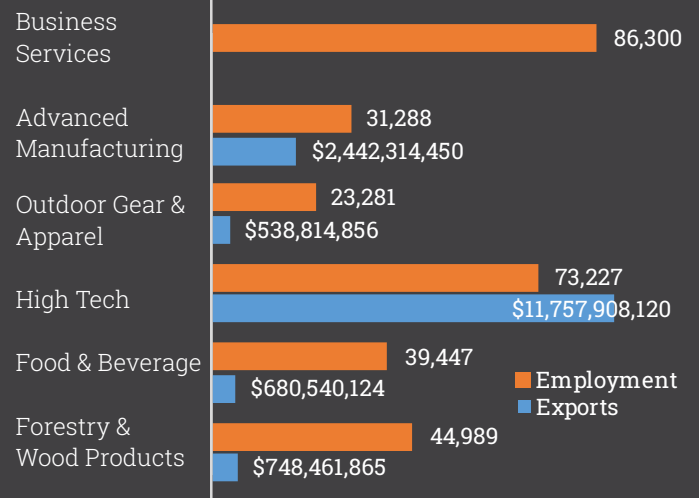
Comprised of leading companies such as Nike, Columbia Sportswear, and Adidas; and combined with Oregon's outdoor culture and tourism, this is a highly competitive industry.

Food and Beverage:

This is Oregon's fastest growing sector, and includes a number of established brands dedicated to producing high quality products, including craft beer, wine, cheese, and organic foods.

Forestry and Wood Products:

Oregon is the largest wood products producer in the U.S., specializing in high quality softwoods. Advanced technologies transformed this industry into one of the most innovative and efficient in the world.





Rural economies continue to struggle

Across the nation, rural communities are facing strong economic headwinds with trends such as declining and aging populations, job growth increasingly concentrated in urban areas, and lack of infrastructure investment to connect people and products to growing markets. Nearly all of Oregon's recent growth has been in metro areas. Over the last 15 years, employment in urban Oregon grew 12 percent, while it remained flat in rural Oregon. One bright spot for rural Oregon is its 15-year wage growth, which outpaced that of urban Oregon due to strong gains in food manufacturing, health care, data centers, and agriculture.

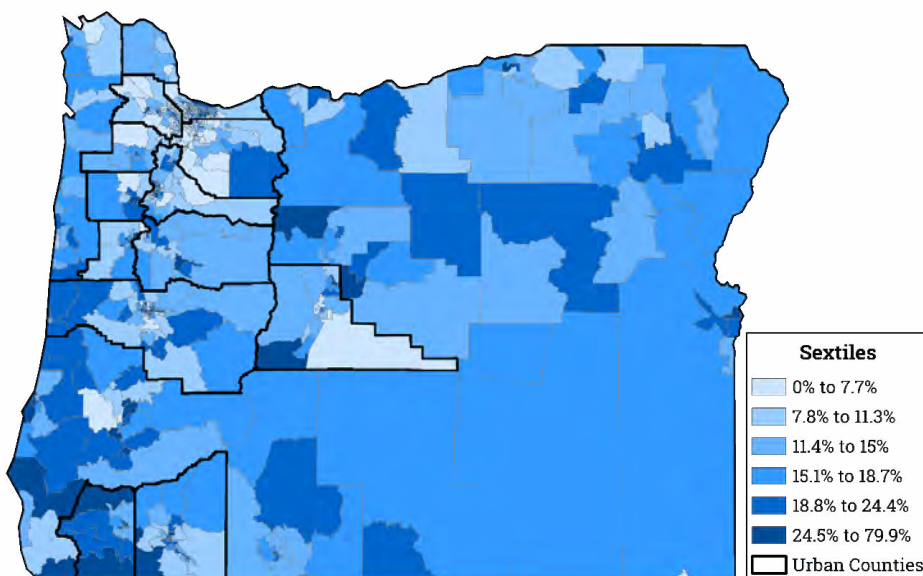
"Business Oregon needs to be the leader in articulating and implementing a rural economic development strategy for the state. Rural communities depend on Business Oregon for leadership and best practices. They should be implementing strategies that lead the country from a thought leadership and innovation standpoint."

– *Business Oregon Insights Report*

While rural (and small metro) areas in Oregon are underperforming compared to the U.S. in terms of job growth, some rural areas are doing well, particularly those in and around the Columbia Basin (Morrow, Sherman, Wasco, and Hood River counties.) These communities have experienced impressive growth due largely to food manufacturing and investments at the local ports. However, significant job losses in forestry and wood products are hurting other rural counties, particularly Crook, Curry, Grant, and Klamath counties. As a result, these communities face declining employment, higher unemployment rates, and higher poverty.

(Sources: U.S. Census Bureau, U.S. Bureau of Labor Statistics, and U.S. Bureau of Economic Analysis)

Percent of Population in Poverty, 2015



Oregon attracts knowledge workers...the state's % of population holding Bachelor's degrees is higher than the U.S. average

Innovation drives economic growth

Innovation leads to higher productivity, higher wages, and competitive advantages. Nationally, private sector research and development (R&D) delivers a rate of return of about 30 percent on productivity growth. Innovation is particularly concentrated in High Technology (a Business Oregon Target Industry Group) and in metro areas. Oregon's impressive GDP growth over time is directly linked to growth and innovation in the High Technology sector. Oregon performs well across numerous innovation measures nationally, including patents per capita, manufacturing GDP, university licensing options, and industry research and development as a percentage of GDP. Compared nationally, the state has a higher percentage of residents with a Bachelor's Degree or higher and continues to attract knowledge workers from across the U.S. and abroad.


Despite areas of strength, significant room for improvement remains. Though Oregon has attracted a growing number of people with Bachelor's degrees, it lags other states in attracting people with advanced degrees. This is partially due to Oregon's small number of universities, which tend to employ and attract large numbers of people with advanced degrees. Oregon also ranks low in

science, technology, engineering, and mathematics (STEM) graduates, despite having a sizeable STEM workforce.

Oregon ranks 10th nationally in industry R&D as a percentage of GDP, but expenditures are concentrated in a small number of the state's larger firms. Opportunities exist to expand R&D across industries within the broader business community. To compete long-term, it is imperative that Oregon prioritize investment in both R&D and technology commercialization at the state's research universities.

Compared to other states, Oregon has a higher than average rate of new business starts and is above average in venture capital investments as a percentage of GDP. While business startup rates have declined in the U.S. and in Oregon, and venture capital investments are down in recent years, Oregon still maintains a competitive entrepreneurial environment that should be developed and targeted for economic development investments.

(Source: Business Oregon, 2016 Innovation Index; U.S. Bureau of Labor Statistics)



Oregon InC investments assisted in the creation of more than 90 new companies



Economic disparities exist among people of color and other underrepresented communities

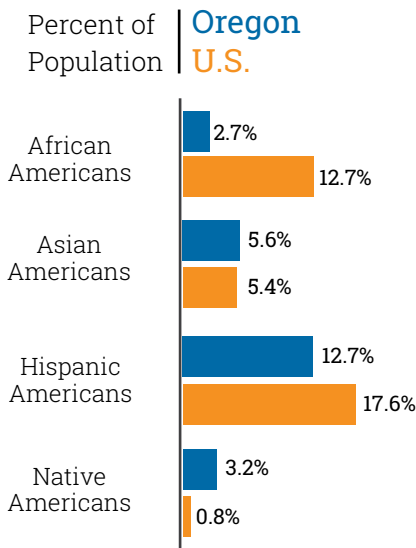
Compared to the U.S., Oregon is significantly less diverse, as 90 percent of the state’s population identifies as White, compared to 73 percent nationally.

“There’s a clear need for partnerships with organizations serving diverse populations and women to encourage successful business development.”

– *Business Oregon Insights Report*

Despite Oregon’s lack of diversity compared to the nation, most minority groups are growing at a faster rate than its overall population, indicating an increasingly important role in the state’s long-term economic competitiveness. Over the past 15 years, Oregon’s Hispanic population has grown the most (86 percent), followed by Asian Americans (62 percent), African Americans (39 percent), Whites (16 percent), and Native Americans (11 percent).

African American and Hispanic employment in Oregon has grown significantly more than the U.S. over the past 15 years. This is due primarily to strong growth in non-traded sector industries including retail, leisure and hospitality, administrative services, and health care, although manufacturing employment has increased for these groups as well.



	Employment Growth (15 year)		Wage Growth (15 year)	
	Oregon	U.S.	Oregon	U.S.
Total	10.6%	5.2%	10.0%	8.8%
Male	8.0%	2.8%	4.6%	7.0%
Female	13.6%	7.9%	22.8%	14.4%
White	7.9%	2.0%	9.5%	8.7%
Black	50.8%	16.7%	3.0%	5.1%
Native American	2.4%	9.4%	9.4%	12.3%
Asian	35.0%	24.0%	25.1%	23.6%
Hispanic	56.5%	26.9%	15.4%	11.8%
Rural	0.2%	N/A	11.2%	N/A
Urban	12.2%	N/A	9.4%	N/A

(Sources: US Bureau of Economic Analysis, US Bureau of Labor Statistics, and Oregon Employment Department)

% of Private Sector average wage by group:

- 78% African American
- 73% Asian American
- 70% Hispanic Americans

Only 11% of Oregon firms are owned by underrepresented groups



Despite growth among minority groups in Oregon, significant disparities exist that undermine our long-term ability to compete and Oregonians' ability to benefit from our state's recent economic growth:

- Eleven percent of Oregon firms are minority owned, compared to 18 percent nationally.
- Household income is lowest for Oregon's African American, Native American, and Hispanic communities; these groups lag significantly behind the state median of \$54,148. Over the past decade, incomes have grown the least for African Americans and Native Americans. These communities are particularly disadvantaged in terms of access to capital, as personal savings and family funding are commonly used as initial funding sources among small businesses.
- African American, Native American, and Hispanic Oregonians are underrepresented in terms of employment across many traded sector industries (particularly within the professional and technical services sector) compared to their total private sector employment percentages. They also earn significantly less than the average industry wage in most traded sectors.

Lower wages are strongly correlated with employment in jobs requiring lower educational attainment levels. In Oregon and the U.S., Asians have the highest percentage of individuals with a Bachelor's Degree or higher, followed by Whites. These two groups also have the highest wages. In Oregon, half of all Asians have a Bachelor's Degree or higher, followed by 34 percent of Whites, 29 percent of African Americans, 15 percent of Hispanics, and 14 percent of Native Americans.

About a third of Oregon jobs require a Bachelor's Degree or higher, with another third requiring a high school diploma (or less), and a third requiring some college or vocational/postsecondary training. African Americans, Hispanics, and Native Americans are disproportionately represented in these latter two categories. These jobs are concentrated in several occupational groups: construction, installation, maintenance and repair, sales, and office and administrative support.

(Source: U.S. Census)

Only 15% of
Hispanics and
14% of Native
Americans have
Bachelor's Degrees

People of color will
drive population
growth over the
next 30 years





Qualitative Perceptions

Early stages of our work included gathering input from our partners, stakeholders, and customers to understand what Business Oregon is doing well and where additional attention is needed. **Nine key themes** were identified through focus groups, workshops, online surveys, and interviews regarding perceptions of the agency and the state's economic development potential.

Statewide Issues

Oregon has tremendous economic potential. Livability in urban areas is high and Oregon has attractive rural communities. Oregon's population continues to grow and the state has a competitive advantage in international trade and exports, particularly to the Pacific Rim. Oregon is a national leader in key industries like outdoor gear and apparel; food and beverages; forestry and wood products; and high-technology.

Rural inequity persists and the state should do more to address it. Rural-urban disparities exist and there is increasing concern about future economic opportunity. There is also a sense by some stakeholders that Business Oregon could do more to serve the needs of rural Oregon and that resources could be better aligned. Though Business Oregon's regional field staff is appreciated and highly valued, they are often spread too thin to support the varying needs of rural communities.

A perception that Oregon government/policy is unfriendly to business. Certain stakeholders believe state policies on land use, taxation, and the environment reflect a lack of priority for business and economic development. Insufficient funding for infrastructure investments and business development programs are seen as obstacles for economic growth. There is ongoing concern about the impacts of Public Employee Retirement System liabilities on future state budgets, and Oregon's ability to prioritize economic development.



Organizational Issues

Agency lacks focus and consistent leadership.

The agency is often required to take on new programs that are beyond its core mission as an economic development agency, which contributes to a perception that the agency lacks focus. Turnover on the agency's leadership team over the last five years has contributed to a gap between management and staff, creating a lack of consensus on mission and execution.

Internal silos are an impediment to smooth operations and a common culture. The agency operates in silos, perpetuating external confusion about Business Oregon's vision, mission, and programs. More needs to be done to develop cohesion, trust, and collaboration within the agency to create a common purpose.

Business Oregon is a capable financial steward, reliable program manager, and nimble agency. Business Oregon is perceived as a trustworthy and responsible manager of resources, and many of its programs are praised for operational excellence. The agency is generally viewed as responsive to constituent needs and flexible, particularly for a government agency.

External Services

Muddled brand and uncoordinated service offerings.

Customers and stakeholders lack a comprehensive understanding of what Business Oregon does beyond the specific program they have worked with. There is opportunity for improved communication and promotion of the agency's programs and services.

Business Oregon has respected and passionate staff. Stakeholders noted that Business Oregon's biggest asset is its dedicated and knowledgeable staff. Employees are seen as solutions-oriented and greatly valued in the communities they serve.

Agency could provide more leadership on statewide economic issues. Stakeholders suggested Business Oregon should take on an enhanced leadership role on statewide economic development issues. Opportunities exist for the agency to focus additional energy on connecting with business leaders, understanding industry challenges, and convening on issues and expertise related to growth.

(Source: Coraggio Group Insights Report for Business Oregon)



Our Response



"We need funders and incubators focused more on developing natural resources into value added products. We need to export furniture, not logs."

– Oregon Company CEO

Oregon's economic competitiveness is not new. Throughout the state's history—but certainly as of late—Oregon has competed on a national and global scale to create jobs, advance emerging industries, cultivate entrepreneurs, and build livable communities. Oregon routinely ranks high on economic indicators such as GDP, exports, and population growth. Despite this strong economic foundation, significant work remains to ensure prosperity is shared and growth is sustained. To compete long-term, the state must confront the current realities of a growing rural-urban divide, disparate economic outcomes for underrepresented communities, and policies that can create challenges for local business and industry to compete globally, or even with neighboring states. Oregon must also continue to invest in the future. States that prioritize innovation, invention, and discovery will be at the forefront of new technologies and industries. And those that get there first will be best positioned for the greatest economic returns.

As the state's economic development agency, Business Oregon is positioned to take an enhanced leadership role to ensure long-term economic competitiveness for the state. The qualitative and quantitative themes identified as part of this planning process necessitate important shifts—both in agency priorities and the approach Business Oregon takes. Going forward Business Oregon recognizes that we must:

- **Elevate state investments in innovation** to grow Oregon's economy. Provide the business case and develop the roadmap to significantly expand research and development and technology innovation in Oregon.

Innovative activity is increasingly funded by businesses, especially the largest firms

"If American entrepreneurship is facing a crisis, it is not in the rate of creation of high-growth startups or the initial funding of those firms, but in the potential of those firms to scale in a meaningful way over time."

–Business Oregon Insights Report



- Prioritize business development efforts that **scale existing small- and medium-sized companies**. Target our tools and programs toward existing companies best positioned to grow and create quality, accessible jobs.
- **Build local economic development capacity in distressed rural communities**. Focus agency resources to better help rural areas prioritize investments and achieve new economic outcomes.
- **Align infrastructure investments to support long-term economic growth**, particularly in rural Oregon. Target discretionary infrastructure programs toward projects that directly support job creation and business expansion, connect products to growing urban markets, and meet 21st century community needs such as broadband.
- **Explicitly commit to equitable outcomes for communities of color, immigrants, native and tribal populations**, and other traditionally underrepresented people. Prioritize investments that counter systemic barriers to economic opportunity.

All this must be executed with a regional approach. Oregon is a collection of regional economies with unique strengths, opportunities, and challenges. A “one-size-fits-all” approach to economic development will not suffice. Business Oregon has acknowledged this by building out regional development teams located in 12 regions across the state. Our 12 regions have representatives familiar with local industries, communities, and civic leaders.

Local and state partners are critical to the success of this plan. The Governor’s Regional Solutions program, which includes interagency economic and community development teams throughout the state, is a key partner. Regional Solutions supports locally-generated economic priorities by streamlining government and building partnerships across the public, private, and philanthropic sectors. Business Oregon is an active participant in Regional Solutions. Business Oregon also works closely on program implementation with local and regional economic development organizations.

This Strategic Plan and the following priorities and strategies will direct Business Oregon’s efforts over the next five years. Collectively, the actions outlined provide a roadmap for how the agency will invest in and lead economic development across all of Oregon.





Vision

Prosperity for all Oregonians



Mission

Invest in Oregon businesses, communities, and people to promote a globally competitive, diverse, and inclusive economy.



Values

Accountable

We are dependable experts in our field who act with integrity, and seek opportunities for continued learning.

Agile

We adapt, affect change, and move at the speed of business.

Collaborative

We solve problems through partnerships and seek opportunities to build effective coalitions.

Respectful

We are attentive and courteous, and we value our customers and partners.

Innovative

We look for new methods, new solutions, and new approaches to solve problems and advance opportunities.



Economic Indicators

Oregon's Innovation Index Score

The Oregon Innovation Index is a composite and weighted sum of 20 different indicators that measure the state's innovation economy and competitiveness. In 2016, Oregon's Innovation Index score was **67 (out of 100)**.

Oregon Employment Growth

Employment growth measures the annual rate of change of jobs in the state. We will also track subsets of this indicator related to rural employment and non-white employment. In 2016, Oregon's annual employment growth rate was **3.1 percent**.

(U.S. Census Bureau, Local Employment Dynamics)

Oregon Wage Growth

Wage growth measures the annual inflation adjusted rate of change of the average wage paid to workers in Oregon. In 2016, Oregon's annual wage growth rate was **1.2 percent**.

(U.S. Census Bureau, Local Employment Dynamics; U.S. Bureau of Economic Analysis, National Income and Product Account)

Total Oregon Exports

Oregon exports measures the value of all Oregon goods exported internationally. In 2016, the value of all Oregon exports was **\$21.8 billion**.

(U.S. Census Bureau, Foreign Trade Division)



Priorities



Strategies



Metrics

Innovate Oregon's Economy

Expand Oregon's research and development capacity

Increase access to capital for high-growth startups

Federal and corporate R&D funds leveraged by our investment

Total amount invested and leveraged in Oregon small businesses and startups

Grow Small and Middle-market Companies

Increase access to new sales markets

Enhance competitiveness of small and middle-market manufacturing companies

Attract businesses and FDI to grow target industries

Prioritize infrastructure investments to directly promote business growth

Company sales resulting from market access programs (KPM 4)

Jobs created and retained resulting from business development activities (KPM 1 & 2), including accessible middle- and high-wage jobs

Cultivate Rural Economic Stability

Enhance local economic development capacity in distressed rural communities

Promote an environment that supports entrepreneurship and small business growth

Expand business development to include non-traded sector companies and organizations

Connect rural communities to urban markets through targeted infrastructure investments

Jobs created and retained in rural Oregon resulting from business development activities, including accessible middle- and high-wage jobs

Percent of rural small businesses or startups receiving financial assistance from agency that transition to traditional or follow-on financing

Number and value of infrastructure investment related to economic development (KPM 9)

Advance Economic Opportunity for Underrepresented People

Connect people of color, immigrant populations, and native/tribal communities to jobs

Foster wealth creation for underrepresented populations

Number and percent of minority-owned firms utilizing agency business development services (financial and technical assistance)

Number and percent of minority-owned firms receiving financial assistance that transition to traditional or follow-on financing

Number and value of public contracts awarded to COBID certified firms

Ensure an Inclusive, Transparent, and Fiscally Healthy Agency

Be transparent, accountable, and a good steward of public resources

Be a sustainable, cohesive agency where all employees feel valued and understand how they contribute to the mission

Be a welcoming agency that empowers employees and is inclusive of Oregon's cultural diversity

External customer satisfaction survey score (KPM 10)

Employee engagement survey score

Our Priorities



Innovate Oregon's Economy

Innovation is a clear driver of economic competitiveness. It fuels the creation of new technologies, companies, and industries. It attracts talent, creates high-wage jobs, and ultimately drives growth. States that prioritize sustained investment in innovation and excel across a broad range of indicators are better positioned to compete long-term in the global economy.

Historically, Oregon has excelled in key indicators of innovation, such as patents and industry productivity. Oregon patents-per-capita significantly outpace the U.S. average. Corvallis and the Portland metro are global leaders in patents, driven primarily by invention activity within several large companies. And Oregon consistently ranks top in the nation in terms of manufacturing output, a metric that signals the industry's commitment to adopting the latest advanced and efficient technologies.

Despite areas of strength, there is significant room for improvement. To compete, Oregon must prioritize investment in research and development, technology commercialization, new product development, and entrepreneurship in urban and rural communities and with full participation by underrepresented populations. Investment priorities will determine whether we are positioning Oregon to lead on innovation, or if we will merely react to future outcomes.

Oregon's 2016 Innovation Scorecard

Indicator	10-yr Trend	National Ranking
Invention		
Invention Disclosures	↑	24
Patents	↑	6
Patent Citations	↑	12
Translation		
R&D Investments	↑	10
SBIR/STTR Awards	↑	11
University Licenses/Options	↑	9
University Licensing Income	↑	22
Commercialization		
Venture Capital Investments	↓	18
Kauffman New Entrepreneurs	↓	29
New Company Creation	↔	17
University Startups	↔	27
Economic Prosperity		
Manufacturing GDP	↑	2
Average Wage	↑	22
High Tech Employment	↓	15
Exports	↑	12
Innovative Environment		
Educational Attainment	↑	17
STEM Workforce	↑	15
STEM Graduates	↑	31
Migration of Knowledge Workers	↑ ¹	24
Broadband Access	N/A	14
2016 Innovation Score (out of 100)		67

Represents 9 year analysis from 2005 to 2014.
¹Source: Business Oregon.



Innovation Investment
7:1 Return
 \$617M leveraged on a
 \$83M state investment
 through Oregon InC

Business Oregon identified the following strategies and actions for innovating Oregon's economy:



Strategy:

Expand Oregon's research and development capacity.

Actions:

- Elevate the *Oregon Innovation Plan* to guide funding and policy proposals. Introduce and advocate for a regularly occurring state legislative innovation package.
- Advance emerging industries through targeted investments in research and development by the Oregon Innovation Council.
- Connect existing small- and medium-sized businesses to larger corporate research partners or investors.
- Invest in shared research and development facilities—particularly in food and beverage, consumer product, forestry and wood products, and manufacturing sectors—to improve industry access to new technologies to develop and test products.



Strategy:

Increase access to capital for high-growth startups.

Actions:

- Publish the *Oregon Capital Scan* to identify and document statewide capital gaps. Seek opportunities to close gaps with private and philanthropic partners, and through legislative funding and policy proposals.
- Enhance resources for university spinouts and science-based startups through improved access to federal research and development grants, corporate investment opportunities, and commercialization funds.
- Establish a permanent and sustainable funding source for the Oregon Growth Fund to increase capital available for local startups from Oregon-based funds or financial vehicles.
- Ensure agency business lending programs and Oregon Growth Board investments support Oregon's target industries and sectors traditionally lacking access to capital.





Grow Small and Middle-market Companies

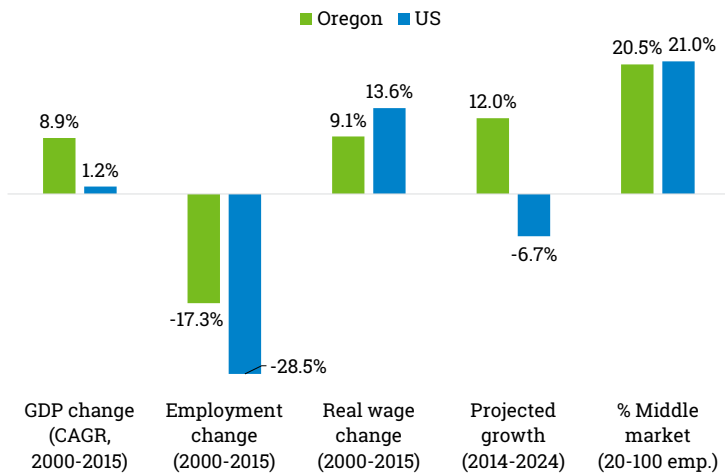
The majority of job growth comes from the expansion of existing firms, especially with small businesses and the middle-market. Over the last decade, 64 percent of job creation in Oregon was attributed to small- and middle-market firms (vs. 55 percent nationally). In order for small and middle-market firms to grow, they must have the resources to innovate, use technology to be productive, and have access to consumer markets across the U.S. and the world, all areas where Business Oregon is uniquely suited to assist.

“Business Oregon should amplify the areas of the private sector where we inherently have competitive strengths: food and beverage, active lifestyle, apparel, and biotech.”

– Oregon State Legislator

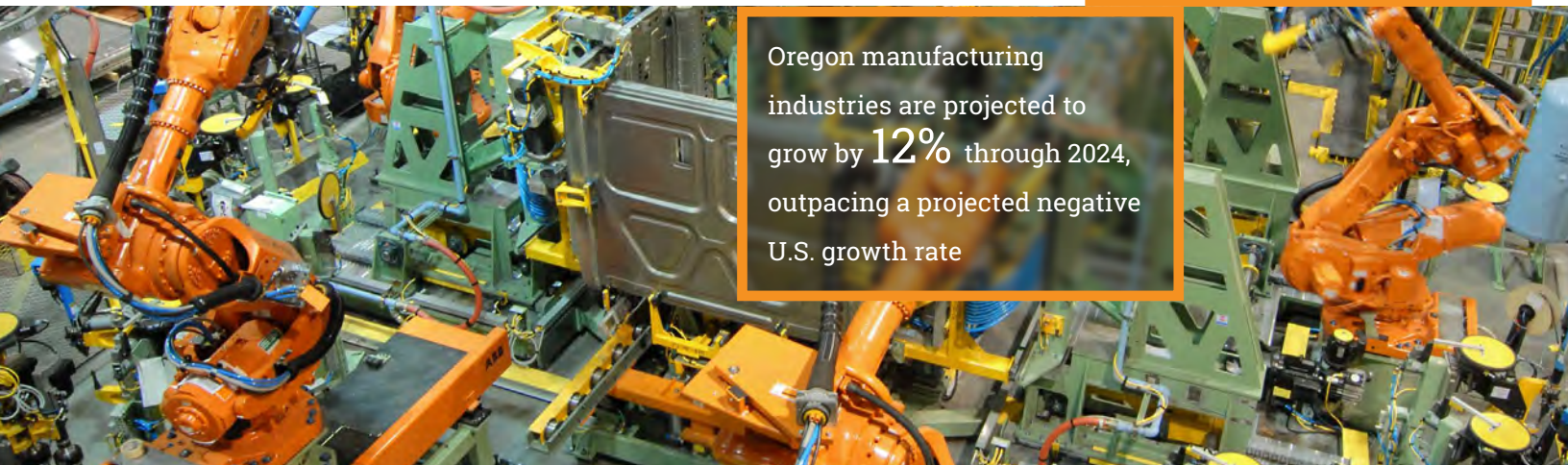
Individual firm success is often dependent on industry competitiveness. Industry clusters are a logical organizing principle to support traded-sector job growth in Oregon. Business Oregon’s role includes company retention, expansion and recruitment, global trade, business technical assistance, financial support, and targeted community infrastructure investments.

Manufacturing - Oregon & the Nation



(Sources: US Bureau of Economic Analysis, US Bureau of Labor Statistics, and Oregon Employment Department)

Over the past decade, **64%** of private sector growth came from small and middle-market companies.



Oregon manufacturing industries are projected to grow by **12%** through 2024, outpacing a projected negative U.S. growth rate

Business Oregon identified the following strategies and actions for growing Oregon-based small and middle-market companies.



Strategy:

Increase access to new sales markets.

Actions:

- Promote the importance of trade to Oregon's economy and market our industries, goods, and services abroad.
- Expand foreign sales of export-ready businesses through comprehensive trade promotion services, including travel grants, international sales plans, and trade missions.
- Connect Oregon goods and services to domestic consumer markets and rapidly expanding demographic (minority) markets.
- Support supply-chain certification and connect businesses to sales opportunities within large (Tier 1, OEM) manufacturing companies.



Strategy:

Attract businesses and foreign direct investment to grow target industries.

Actions:

- Evaluate Oregon target industry supply chains and fill gaps through targeted international and domestic business attraction.
- Revitalize stagnant Oregon businesses through strategic foreign investment, or merger and acquisition opportunities.



Strategy:

Enhance the competitiveness and productivity of small and middle-market manufacturing companies.

Actions:

- Increase access to business growth planning, succession planning, and lean production services for traditional manufacturing firms.
- Identify capital to help manufacturing firms purchase advanced technologies or new equipment to enhance production efficiency and quality.
- Connect business customers with local Workforce Investment Boards and partners to address workforce needs; align economic development and workforce strategies.



Strategy:

Prioritize infrastructure investments that directly promote business growth.

Actions:

- Identify and advocate for regionally significant infrastructure investments that connect Oregon products to growing domestic or international markets.
- Prioritize brownfield, industrial land, and public works investments that directly support job creation or expand shovel-ready sites across the state.





"We have two Oregons: one (urban) growing like gangbusters, which doesn't need Business Oregon's help. But rural is struggling, broadband is slow, roads need fixing, we are not attracting businesses."

– Mayor of Town in Eastern Oregon

Cultivate Rural Economic Stability

The rural-urban divide is real and growing in regions across the U.S. Oregon is no exception. As our economy is increasingly driven by innovation, advanced technologies, and highly skilled labor, it is also becoming more metropolitan. Significant headwinds exist that place rural communities at a disadvantage relative to urban areas. This includes a concentration of declining industries, out-migration of skilled workers, and a lack of access to growing economic markets. Over the last decade, employment in rural Oregon communities declined 1.4 percent, compared to a four percent increase in the state's small metros and 14.2 percent increase in large metros. In general, poverty levels in Oregon are higher in rural Oregon than the state's urban areas.

Despite those headwinds, rural Oregon is home to some of Oregon's most important industries such as agriculture; tourism; food and beverage processing; manufacturing; and forestry and wood products. And rural Oregon is vital to the cultural and social fabric of the state. In order for Oregon's economy to remain competitive long-term it is critical to focus on achieving rural economic stability. Inequities caused by geography and declining natural resource-based industries have undercut long-term economic growth. This reality requires Business Oregon and partners to adopt a regionally-focused approach tailored to meet the unique opportunities and challenges of the state's diverse rural communities. A one-size-fits-all approach will not suffice, no single overarching solution exists. Efforts to build local economic capacity; new models for encouraging business development; small business and entrepreneurship support; infrastructure investments targeted toward job creation; and connecting rural products to growing consumer markets will all be important.

While Portland metro job growth increased by 14.2%, rural Oregon saw job losses of -1.4% over the last decade



Business Oregon identified four strategies for stabilizing Oregon's rural economic base:



Strategy:

Enhance local economic development capacity in distressed rural communities.

Actions:

- Convene rural economic development and industry leaders to identify catalytic investments and establish a roadmap to guide funding and policy proposals.
- Develop new—and tailor existing—agency economic research and data analysis products so they are more accessible and relevant to rural communities.
- Leverage agency communications expertise, resources, and networks to assist rural communities with targeted business and industry marketing.
- Deliver enhanced economic development training and consultation services to rural communities to expand capacity and introduce best practices.



Strategy:

Expand business development to include non-traded sector companies and organizations.

Actions:

- Provide mentoring and financial support to main street small businesses in distressed rural or tourism-dependent communities.
- Identify opportunities to support and advocate for the long-term viability of anchor institutions (education, medical, cultural) in rural Oregon, particularly as it relates to access to quality jobs.
- Invest in arts and cultural programs to increase resident retention, promote tourism, and create more attractive and vibrant rural communities.



Strategy:

Promote an environment that supports entrepreneurship and small business growth.

Actions:

- Increase the capacity of local small business services and improve access to capital, technical assistance, and mentoring for rural small businesses.
- Build student entrepreneurship capacity within regional colleges and universities to promote invention and small business creation.
- Promote local sourcing of goods and services to large employers and anchor institutions.
- Help rural main street small businesses transition into the traded sector. Align business plan, product development, and marketing resources to establish sales opportunities beyond local community.



Strategy:

Connect rural communities to urban markets through targeted infrastructure investments.

Actions:

- Increase capital available for 21st century rural infrastructure such as broadband.
- Prioritize transportation, ports, and industrial land infrastructure investments that support commerce and the movement of goods from rural to urban markets.
- Invest in seismic, clean drinking water, wastewater, affordable workforce housing, and community infrastructure projects that result in a healthy, safe, and livable rural Oregon.



"Business Oregon needs to partner, invest, and collaborate with culturally specific economic development organizations to truly make an impact in supporting minority businesses, startups, and minority entrepreneurs."

– *Business Oregon Insights Report*

Advance Economic Opportunity for Underrepresented People

On the back of a strong economy, shared economic prosperity remains a significant issue for many Oregon residents from underrepresented communities, particularly people of color, immigrants, and our native and tribal populations. Expanding economic opportunity is not just a moral imperative, it is an economic growth imperative. With rates of non-white population growth exceeding white population rates, it is increasingly important that underrepresented communities have access to quality jobs and have opportunities to create wealth.

To ensure an inclusive and competitive economy it is critical that economic development explicitly invests in communities and populations that encounter significant systemic barriers to economic prosperity. Attracting, retaining, and developing a skilled workforce is the primary driver of business competitiveness. Increased ethnic and racial diversity is a competitive advantage, but Oregon must address educational and workforce development disparities to have a competitive labor pool. Similarly, disparities in multi-generation wealth is the primary obstacle within historically disadvantaged populations to ensure long-term prosperity.

943 firms in Oregon are certified as Minority Business Enterprise (MDB), a 9% increase over the previous year



Business Oregon identified the following strategies and actions to advance and support economic opportunities for underrepresented people in Oregon:



Strategy:

Connect people of color, immigrant populations, and native/tribal communities to jobs.

Actions:

- Invest in long-term partnerships and support culturally-focused organizations that seek to expand quality employment opportunities for underrepresented people.
- Seek opportunities to better align economic development and workforce development.
- Incent businesses to take a more direct and active role in apprenticeship or job training programs targeting underrepresented people.
- Enhance public benefits—diversity or local hiring, career ladder employment, community mentoring, etc.—through use of agency business loans, grants, and incentives agreements.

Nationwide,
minority-owned
companies are 22%
less likely to receive
venture capital



Strategy:

Foster wealth creation for underrepresented populations.

Actions:

- Increase access to capital for underrepresented entrepreneurs through targeted Oregon Growth Fund investments and the agency's early-stage loans and grants.
- Proactively identify small businesses led by underrepresented people and connect them to in-house or partner-delivered technical assistance and mentoring programs.
- Increase certification of disadvantaged minority-, woman-, and veteran-owned firms. Work with government procurement partners to proactively connect firms to public contracting opportunities.
- Improve access to business development programs for limited-English speakers by providing outreach, materials, and technical assistance in multiple languages.

Black, Native American,
and Hispanic Oregonians
earn significantly less
than the average industry
wage in most sectors

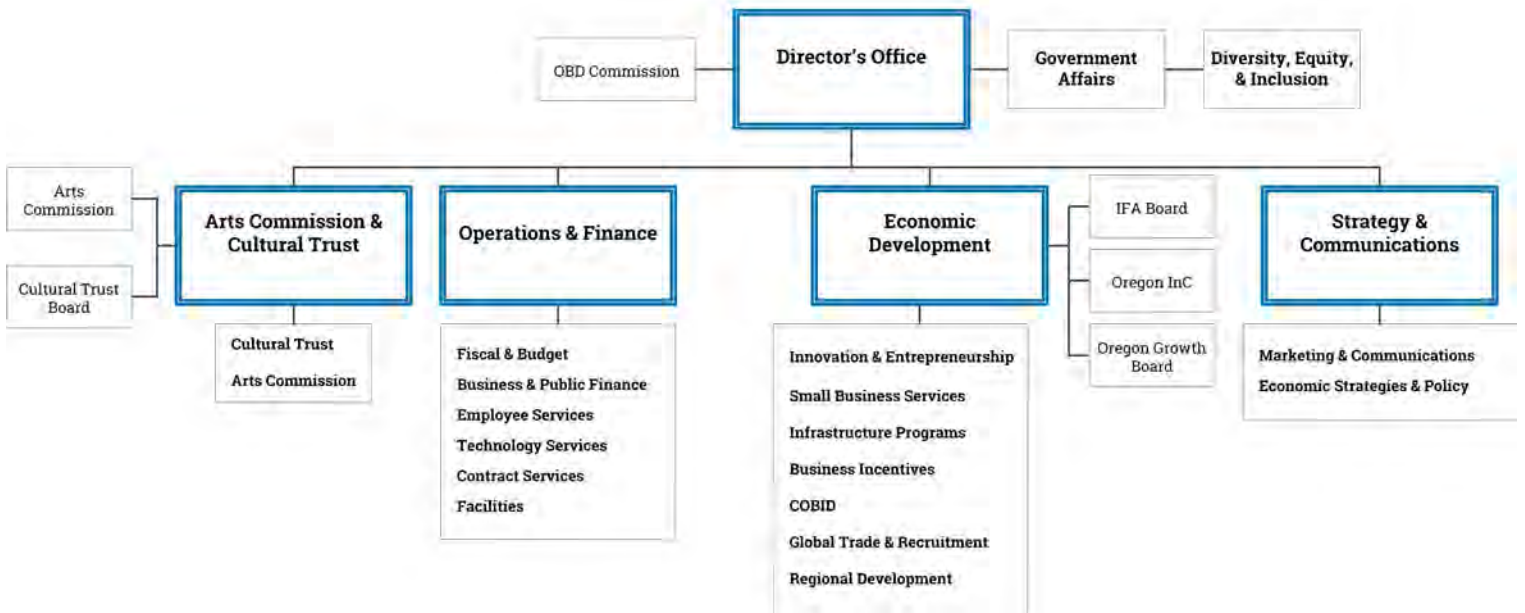


Ensure an Inclusive, Transparent, and Fiscally Healthy Organization

Business Oregon will model our new organizational values in how we operate as an agency. Agility, accountability, collaboration, respectfulness, and taking initiative will drive our work. We are also a learning agency. Recent audits, ongoing stakeholder feedback, and insights from our strategic planning process indicate an opportunity to improve the transparency of our investments and the need to better market the agency's programs and services to our customers. Ultimately, we desire to be an employer of choice and are committed to being grounded in the principles of diversity, equity, and inclusion.

"They have an outstanding, dedicated, and professional staff that have been serving businesses and communities. The continuity of this service has been a real asset."

- Business Oregon Insights Report



All these insights led to three strategies that will help ensure Business Oregon is an inclusive, transparent, and fiscally healthy organization:



Strategy:

Be transparent, accountable, and a good steward of public resources.

Actions:

- Maximize agency website and media tools to regularly report and communicate programmatic and financial investment outcomes.
- Conduct routine internal reviews of programs to assess overall performance and effectiveness.
- Safeguard public resources through strong internal controls, audits, and compliance with policies and procedures.
- Strengthen relationships with local economic development partners to improve access to agency services around the state.
- Promote the Oregon economy and agency brand and services through targeted media and communications outreach, highlighting initiatives that support the priorities of this strategic plan.



Strategy:

Be a sustainable and cohesive agency where all employees feel valued and understand how they contribute to the mission.

Actions:

- Identify and secure sustainable funding for Business Oregon programs, initiatives, and operations, including opportunities for cost-recovery and revenue generation.
- Align annual agency, division, and team work plans and budgets with Business Oregon's Strategic Plan to ensure progress toward agency strategic priorities.
- Establish an internal employee job shadow/exchange program to support intra-agency understanding and cross-training for operational resiliency.
- Establish an internal innovation team to empower staff-directed initiatives designed to improve agency culture, operations, team collaboration, and service delivery.



Strategy:

Be a welcoming agency that empowers employees and is inclusive of Oregon's cultural diversity.

Actions:

- Develop a diversity, equity, and inclusion (DEI) plan—including the launch of a cross-agency DEI council—to help Business Oregon become more welcoming to diverse populations and to elevate the agency's work within underrepresented communities.
- Offer professional development training to educate and create a shared understanding of agency values.

Actions:

- Evaluate and update hiring, promotion, and employee development practices to ensure the agency reflects the ethnic and cultural diversity of Oregon.
- Cultivate a diverse pipeline of economic development professionals in Oregon by offering educational and professional development opportunities.



Metrics are a vital part of understanding and tracking the impact of our work, including the efficient use of agency resources and the effective delivery of programs and services to customers. The metrics in this plan include a set of indirect macroeconomic indicators to understand the context of agency work and illustrate the health and direction of Oregon's economy. There are also direct metrics that reflect outcomes of the agency's actions to track impact and effectiveness of the strategies in place.

This strategic plan sets forth a new direction for the agency, therefore how the agency measures success will also need to be updated. In general, success will be measured by the quality of our impacts and outcomes as opposed to quantity and output. This approach will enable the agency to prioritize investments that have long-term economic impacts or proactively tackle Oregon's more systemic economic issues. Specific, targeted metrics will allow for a better understanding of the true outcomes of the agency's work, and for strategy adjustments along the way if desired outcomes are not being realized. Certain metrics are new and corresponding methodologies and baseline targets will be established for future tracking.



State Economic Indicators

Oregon's Innovation Index Score

The Oregon Innovation Index is a composite and weighted sum of 20 different indicators that measure the state's innovation economy and competitiveness. In 2016, Oregon's Innovation Index score was 67 (out of 100).

Oregon Employment Growth

Employment growth measures the annual rate of change of jobs in the state. We will also track subsets of this indicator related to rural employment and non-white employment. In 2016, Oregon's employment growth rate was 3.1 percent.

(U.S. Census Bureau, Local Employment Dynamics)

Total Oregon Exports

Oregon exports measures the value of all Oregon goods exported internationally. In 2016, the value of all Oregon exports was \$21.8 billion.

(U.S. Census Bureau, Foreign Trade Division)

Oregon Wage Growth

Wage growth measures the annual inflation adjusted rate of change of the average wage paid to workers in Oregon. We will also track subsets of this indicator related to rural wages and non-white wages. In 2016, Oregon's wage growth rate was 1.2 percent.

(U.S. Census Bureau, Local Employment Dynamics; U.S. Bureau of Economic Analysis, National Income and Product Account)





Priority Metrics

Innovate Oregon's Economy

Federal and corporate R&D funds leveraged by our investment

Total amount invested and leveraged in Oregon small businesses and startups

Grow Small and Middle-market Companies

Total company sales resulting from market access programs (KPM 4)

Jobs created and retained resulting from business development activities (KPM 1 & 2), including accessible middle- and high-wage jobs

Cultivate Rural Economic Stability

Jobs created and retained in rural Oregon resulting from business development activities, including accessible middle- and high-wage jobs

Percentage of rural small businesses or startups receiving financial assistance from agency that transition to traditional or follow-on financing

Number and dollar value of infrastructure projects specifically related to economic development (KPM 9)

Advance Opportunities for Underrepresented People

Number and percentage of minority-owned firms utilizing agency business development services (financial and technical assistance)

Number and percentage of minority-owned firms receiving financial assistance that transition to traditional or follow-on financing

Number and value of public contracts awarded to COBID certified firms

Ensure an Inclusive, Transparent, and Fiscally Healthy Agency

External customer satisfaction survey score (KPM 10)

Employee engagement survey score

NOTE: Business Oregon also has legislatively-prescribed Key Performance Measures (KPMs) which the agency reports.



Appendix: Glossary of Terms

Accessible middle-wage jobs: Business Oregon is defining accessible middle-wage jobs as those that do not require a four-year college degree and pay at or above the local county average wage; or if they do not meet the county average wage, provide a clear path for employee advancement.

Distressed Rural: Distressed rural are a subset of the total distressed areas identified by Business Oregon. Analysis of the unemployment rate, per capita personal income, average wage growth, employment growth, educational attainment, and poverty rate are used in the methodology to identify distressed counties and cities.

DEI: (acronym) Diversity, equity and inclusion.

FDI: (acronym) Foreign direct investment is an investment made by a company in one country into business interests in another country (i.e. establishing business operations or acquiring business assets in the other country, such as ownership or controlling interest in a foreign company.)

High-growth potential: A company's future potential ability to generate high revenues at a faster rate than the overall economy and to grow/ramp-up its work force to meet demand.

High-wage jobs: Jobs that pay at or above 150 percent of the county or statewide average wage.

KPM: (acronym) Key Performance Measures (KPMs) are established by the Oregon Legislature to demonstrate the agency's progress towards achieving its mission. Business Oregon has 10 legislatively mandated KPMs.

Macroeconomic: Regarding the part of economics concerned with large-scale or general economic factors, such as interest rates and national productivity.

Middle-market: Middle-market firms refer to companies with annual revenue profiles that fall centrally within the market in which they operate. At the national level, this is generally between \$10 million and \$1 billion in revenue. When revenue information is not readily available, employment size can be used as a proxy and is generally between 20 to 499 employees. The majority of Oregon's middle-market is dominated by companies employing between 20 to 100 people.

Oregon Growth Board: Board that administers investments through the Oregon Growth Fund and Oregon Growth Account, as well as enhances opportunities to leverage and attract additional capital in Oregon to support business development.

Oregon InC: The Oregon Innovation Council (Oregon InC) is an innovation funding model within Business Oregon that supports unique initiatives and state signature research facilities, all advised by a public-private council.

R&D: (acronym) Research and development.

Rural: For programmatic purposes, Business Oregon defines rural as areas outside of the metros and with populations less than 30,000 (ORS 285A.010). For reporting purposes, we define rural as those counties not including a Metropolitan Statistical Area.

Small business: While the Small Business Administration defines small business as companies that employ up to 1,500 people, for the purposes of this plan, Business Oregon will define a small business as one that employs 20 or less people and can generally function within the traditional banking and financing system. Unlike the middle-market category, our definition of small business is not about revenue, but rather the number of employees within the company.

Startup: A company that has potential for high employment and revenue growth, often utilizes angel and/or venture funding as part of its scale-up strategy, and is less than 10 years old.

Supply-chain: The entire network of interlinked entities serving the same consumer or customer. It comprises of vendors that supply raw material, producers who convert the material into products, warehouses that store, distribution centers that deliver to the retailers, and retailers who bring the product to the ultimate user.

Target industries: Oregon's target industries are identified through extensive comparative analysis and provide Oregon with the best opportunities for growth, innovation, high wages, competitiveness, and statewide prosperity. Oregon's six target industries include food & beverage, outdoor gear & apparel, forest & wood products, advanced manufacturing, business services, and high-tech.

Technical assistance: Technical assistance is defined as providing on-going consultation and/or non-financial assistance to help a company, community, or individual with a specific project or outcome. This assistance can include training, workshops, research gathering, business planning consultation, and introducing clients to outside resources to further their project or outcome.

Traded sector: Industry sectors whose output in terms of goods and services are traded internationally or domestically, or could be traded internationally given a plausible variation in relative prices.

Underrepresented: Describes a variety of populations who have historically comprised a minority of the U.S. population are growing in size and influence. This plan emphasizes efforts to support people of color, native and/or tribal populations, and immigrants in Oregon.

Venture capital: Capital invested in a project in which there is a substantial element of risk, typically a new or expanding business.

Key Performance Measurements

The Oregon Legislature established a set of 10 KPMs to assess Business Oregon's impact. These KPMs track outcomes and outputs directly resulting from the agency's programs and services to customers.

Business Oregon's KPMs are:

KPM 1	Number of jobs created
KMP 2	Number of jobs retained
KPM 3	Personal income tax generated
KPM 4	New export sales from assisted clients
KPM 5	Amount and number of federal contracts awarded to those receiving GCAP assistance
KPM 6	Number of new industrial sites/acres certified "project ready"
KPM 7	Number of community capital projects assisted for planning (infrastructure, community, and organizational)
KPM 8	Number of community capital construction financing projects that address public health and safety issues
KPM 9	Number of community capital construction financing projects that assist with future economic development
KPM 10	Customer service survey score



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