RAIN Business Concept

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Prepared for:

Oregon Solutions, Regional Solutions, and RAIN Stakeholders

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1 Executive Summary

This report is a business concept for the Regional Accelerator Innovation Network (RAIN), a consortium of government, higher education, and the business community created to advance the formation, growth, and retention of tech-based startups in the South Willamette Valley. The business concept will evolve into a more formal business plan once the larger stakeholder group convenes and acts on this document in late May 2013. RAIN's purpose is to double the current rate of new tech business formation and job creation by 2025. Summarily, this report puts forth a proposal for the function and structure of RAIN in the context of the strengths and goals of the region as well as trends in the market.

Four key questions guided the development of this business concept:

1. What is RAIN?
2. Why is RAIN important?
3. What will RAIN do?
4. How will RAIN operate?

This executive summary briefly addresses each question. The full report answers them in greater detail.

What is RAIN?

RAIN is a network of government, university, and private entities with a vested interest in the economic prosperity of the South Willamette Valley and Oregon as a whole. This network will leverage existing and new assets within the South Willamette Valley region to accelerate the successful development of high growth, innovation-based companies. The emerging accelerators of two of Oregon's largest research universities, the University of Oregon (UO) and Oregon State University (OSU), comprise the core of RAIN. These accelerators will provide needed physical and programmatic resources to nurture and commercialize promising innovations in an environment that supports both product and business development. RAIN will galvanize a variety of business support resources, including entities from universities and community colleges in the South Willamette Valley, chambers of commerce, small business centers, economic development organizations, state and local government resources, entrepreneurs, and sources of funding to support the accelerators and the startups they nurture. As a whole, the RAIN initiative will support emerging businesses and transform the South Willamette Valley's growing research capabilities into commercially viable

products. It will offer the resources and support to retain these emerging companies and products in the region, as well as support the retention of existing companies that would access many of the networks assets. RAIN's ultimate objective is to increase prosperity in the region.

Why is RAIN important?

The development of RAIN is both an evolutionary step that builds on successes experienced in the region, and part of a larger change in approaches to economic development realized more robustly in other states. States such as Arizona, California, North Carolina, Utah, and Washington have developed comprehensive economic development strategies that place emphasis on venture development and commercialization of research. These programs capitalize on the commercialization of research to grow and retain companies and jobs. As these programs in other states grow, they challenge Oregon's competitive edge in the technology, clean energy, and other sectors. RAIN will galvanize the diverse resources and talents in Oregon to support innovation and business development as well as retention. In doing so, RAIN will facilitate job creation and economic prosperity, helping Oregon to stay competitive in this fast-changing market.

What will RAIN do?

RAIN will function as a facilitator and enabler of a pipeline that fosters the transition of research and emerging ideas into commercialized endeavors that bring viable new business and jobs to the region and state. RAIN will achieve these objectives by linking the resources and talents of the OSU and UO business accelerator programs with a range of public and private stakeholders including cities and counties of the region, economic development and business organizations, community colleges, the state, and private capital. RAIN will establish a new brand for the region that captures its abilities to move ideas from incubation to the marketplace, while enhancing the well being of communities that house these new businesses.

To accomplish the objectives described above, RAIN will fulfill six key roles:

1. Strategic planning,
2. Galvanize and institutionalize resource networks,
3. Facilitate access to capital,
4. Promote regional economic development,
5. Market opportunities and successes, and
6. Monitor outcomes.

How will RAIN operate?

This business concept suggests that RAIN will function as an interdependent nonprofit 501(c)(3), one whose success is linked to other entities including the two university accelerators, Oregon Inc., as well as existing economic development programs in the public and private realms, and others. As a nonprofit organization, RAIN will have access to public funding and private donations. A Board of Directors will govern the organization with the support of an Advisory Group. A small, dedicated staff will manage the day-to-day operations. Such staff may be employed directly by RAIN or provided by a combination of stakeholders. As an interdependent entity, RAIN's actions and success will be tied to its relationships to the two university accelerator programs and the performance of committed stakeholders.

2 Overview

2.1 Introduction to the Business Concept

This business concept describes the market for and benefits of the Regional Accelerator Innovation Network (RAIN) and puts forth a proposal for its function and structure. The Governor's South Valley Regional Solutions Center Advisory Committee developed and sponsored the RAIN proposal. The committee includes members from state and local governments, the University of Oregon (UO), Oregon State University (OSU), Linn-Benton Community College, regional economic development organizations, and the private sector. ECONorthwest crafted this model using concept papers and interview data from RAIN stakeholders in conjunction with secondary research on similar entities across the country. The business concept is a starting point: it is intended to spark discussion among RAIN stakeholders and facilitate the development of a more refined RAIN business plan agreed upon by stakeholders, which may vary from the one described in this business concept.

2.2 Mission Statement

RAIN is a consortium of government, higher education, and the business community created to advance the formation, growth, and retention of tech-based startups in the South Willamette Valley. By enhancing partnerships between universities, community colleges, the private sector, and state and local governments, RAIN will help provide the resources necessary to efficiently transition ideas to the marketplace as Oregon-based companies that create jobs and economic prosperity for the region and state.

2.3 Objective

The primary objective of RAIN is to double the current rate of new tech business formation and job creation by 2025 and to retain these firms in the region and state.

2.4 Background

The development of RAIN is part of a larger national movement toward venture development, which aims to generate economic wealth for a region by nurturing and retaining startup firms. Venture development organizations (VDOs) come in all shapes and sizes. The Regional Innovation Acceleration

Network (RIAN), a U.S. Economic Development Administration funded program aimed at supporting the development and success of VDOs, includes nearly 200 VDOs, accelerators, and support agencies in its network.[1] Generally, they share a set of fundamental and organizational characteristics (Table 1). These characteristics and practices are discussed in greater detail later.

Table 1: VDO Characteristics

Fundamental	Organizational
Grounded within a region	Organized as a nonprofit
Built on an existing, evolving innovation system	Built on strong public-private partnerhips
Integrates other economic development activities	Relies on a diverse funding pool
Offers a diverse portfolio of services	Includes stakeholders from the private sector on the board
Can quickly adapt to changing market needs	
Has experienced management staff	
Regularly monitors performance	

Source: ECONorthwest with data from the Regional Innovation Acceleration Network.

Like other VDOs, RAIN is a public-private partnership aimed at building the economy of the South Willamette Valley region through the development and retention of technology startups. It will galvanize existing small business development resources available in the region to build on the successes of the region's existing economic development initiatives.

The emerging accelerators of two of Oregon's largest research universities, UO and OSU, comprise the core of RAIN. The overarching purpose of these accelerators is to facilitate the commercialization of research originating from university faculty and students as well as members of the greater community, enabling the growth of startup companies in the South Willamette Valley region and Oregon as a whole. The accelerators will consist of both "hard" assets (facilities, financing, and equipment) and "soft" assets (programmatic support from mentorship, networking, virtual information, and other sources).

Within the accelerator, concepts and prospective startups will be guided through three commercialization stages. Figure 1 provides a visual illustration of this process. These stages are: (1) **prescreening**, in which participants are provided information and referrals; (2) **refinement**, where

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[1] Regional Acceleration Innovation Network, 2013, <u>VDO Characteristics</u>, accessed April 28, 2013 at http://regionalinnovation.org/content.cfm?article=organizational-characteristics.

innovators receive assistance with business plan development and launch from trained student interns and community mentors; and (3) **funding**, where students perform due diligence in preparation for investor engagement.[2]

Figure 1: Accelerator Model
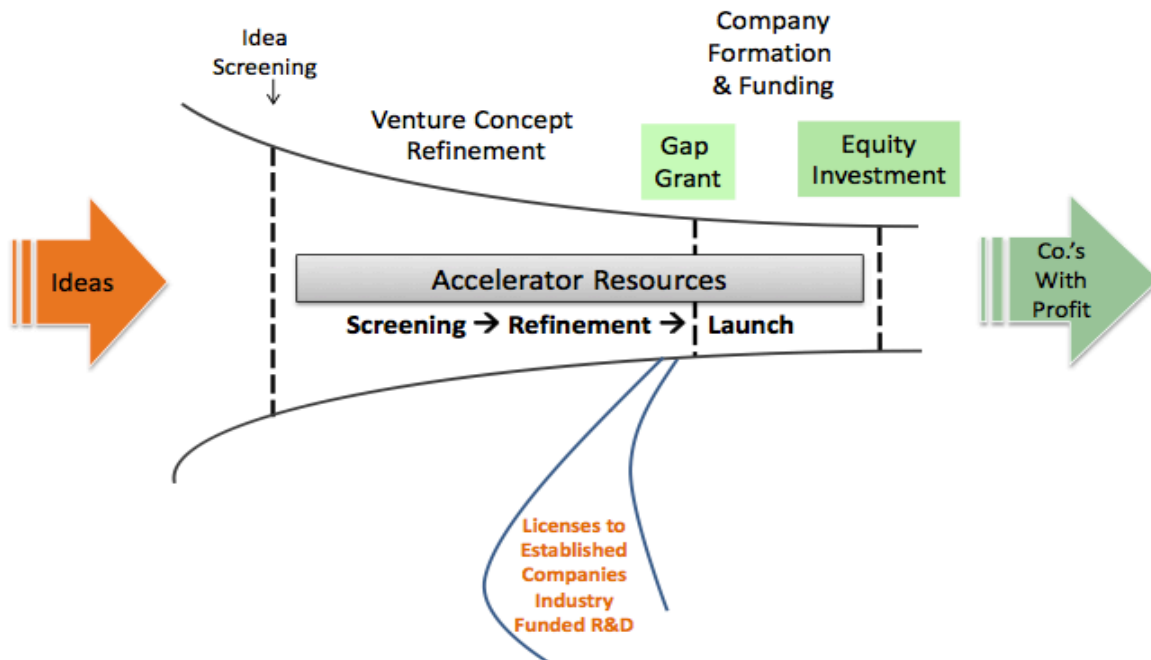
Source: Governor's South Valley Regional Solutions Center Advisory Committee.

A key component of commercializing ideas is the engagement of the external community as advisors, investors and direct participants, and tapping into existing community organizations, workshops, and events. Alumni, business leaders, entrepreneurs, community members and students will play important roles in moving ideas from concept to commercial reality. Trusted external experts will identify promising early stage technologies from OSU researchers; student participants will perform business, market, competitor, and financial assessments; community mentors and Entrepreneurs- in-Residence will assist with business plan development and execution for start-up companies.

The universities will house technology startups and supportive resources in two incubation facilities, one in Eugene and one in Corvallis. The UO

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[2] Governor's South Valley Regional Solutions Center Advisory Committee, 2013, <u>Legislative Concept Paper: South Willamette Valley Regional Accelerator & Innovation Network (RAIN)</u>.

accelerator will be located in 14,000 square feet on the third floor of PeaceHealth's Sacred Heart Hospital. It will have space for eight resident startups.[3] These facilities will include lab space, office space, shared spaces such as emerging business bullpen, conference and training rooms, and space dedicated to community partners, including the Cities of Eugene and Springfield, Lane County Economic Development, the Small Business Development Center, and the private sector.[4]

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[3] Eugene Area Chamber of Commerce, 2013, "Business Accelerator," Open for Business April/May: 8-12.

[4] Governor's South Valley Regional Solutions Center Advisory Committee, 2013.

A Foundation of Success

RAIN builds upon a strong foundation of experience at both OSU and UO in commercializing research. A list of some of the successful ventures to arise from these universities and generate prosperity for the region is below.

NuScale Power has created a new kind of nuclear plant, a smaller, scalable version of pressurized water reactor technology, designed with natural safety features. NuScale is located in the Willamette Valley and has more than 200 employees.

MitoSciences is a leading developer of mitochondrial antibodies and mitochondrial assays. They aim to provide the most comprehensive set of antibodies and assays for studying metabolism and apoptosis.

Electrical Geodesics (EGI) was founded in 1992 with a vision of developing high-density EEG systems for neurological research. In the past 20 years, EGI's dense array EEG systems have come to dominat neurophysiological research and are used by the most prestigious research laboratories in the world. EGI employs more than 80 Oregonians.

Perpetua Power Source Technologies designs, manufactures, and markets renewable energy solutions for wireless sensors. They are focused on offering cost effective and easy-to-integrate power products that last as long as the sensor electronics.

The first phase of the OSU accelerator opened in January 2013. The co-directors and others are located in multiple buildings, as OSU does not yet have a dedicated space for the accelerator. The university plans to create a central location adjacent to campus for the accelerator program. These facilities will have 10,000 square feet of office space, which will provide sufficient room for five startups, resident mentors, students, and other programmatic components. OSU also has access to additional space on the Hewlett Packard (HP) campus. The Microproducts Breakthrough Institute has space to accommodate five startups. There is the opportunity to create 20,000 square feet of lab space in this building, however, this development would require a $10 million investment and is not within the scope of the initiative at this point in time.[5]

These accelerators build on a strong tradition of research and innovation at the universities. According to testimony from Dr. Kimberly Espy and Rick Spinrad to the State Legislature, UO and OSU collectively brought in nearly $400 million in research dollars last year that resulted in discovery, innovation, and economic activity for Oregonians. Faculty at Oregon's research universities excel in converting research activity into real world outcomes – solutions, products, new businesses, and jobs. UO and OSU research portfolio companies provide over 600 jobs in Oregon and bring in nearly $70 million in revenue.[6]

The universities achieved these outcomes by working together, pooling resources and ideas on an ad hoc basis to achieve results. In 2005, the Governor and the Legislature brought together more than 50 leaders from the four research universities (OSU, UO, Portland State University [PSU], and Oregon Health and Science University), the government, and the private sector to design a new way to support and fund economic development. In 2005, they launched Oregon Innovation Council (Oregon InC) and its three

[5] ECONorthwest communication with Ron Adams on April 28, 2013.
[6] Dr. K. Espy and R. Spinrad, 2013, "Testimony Before the Senate Committee on Business and Transportation," March 7.

Signature Research Centers (SRCs), which focus on nanoscience (ONAMI), biotechnology (OTRADI), and environmental technology (BEST). The purpose of Oregon InC and its three SRCs is to support and commercialize university research. Since 2005,

> Oregon InC's six initiatives have captured $197.5 million in federal and private grants for the state, and are on track to generate more than $7 for every dollar the Legislature has invested so far. Oregon InC created or retained 666 jobs in the first biennium, and is on track to create or retain 616 jobs in the second biennium.[7]

The RAIN and Oregon InC Collaboration

RAIN will expand the impact of Oregon InC by adding the necessary components at a regional scale to effectively commercialize innovation. These core components include: a broad base program to tie all resources together, a connection with career-ready students, expansion of mentorship and EIR programs, and incubator space.

RAIN will collaborate with the SRCs in technology areas that align with the foci of these centers. RAIN will complement the necessary programmatic components and leverage volunteer and financial resources to assist the SRCs in advancing ideas toward commercial success. Both anchor components of RAIN will build upon a record of partnering with the SRCs in advancing new ventures.[1]

Oregon InC's success demonstrates the substantial return on investment achieved when universities collaborate with stakeholders from the private and public sectors to support innovation and business development.

RAIN will build on existing partnerships between public and private entities in the region, such as Oregon InC, to maximize their collective benefit and support regional economic development. This initiative will enable Oregon, and the South Willamette Valley in particular, to compete more effectively with neighboring regions. As will be discuss in Market Analysis section, other states including Arizona, California, Utah, and Washington have robust innovation network initiatives to attract talent and capital to their regions.

2.5 RAIN Concept

RAIN will leverage existing and new assets within the South Willamette Valley region to accelerate the successful development of high growth, innovation-based companies. The accelerators that anchor RAIN will provide needed physical and programmatic resources to nurture and commercialize promising innovations in an environment that supports both product and business development. RAIN will galvanize a variety of business support resources including universities and community colleges in the South Willamette Valley, chambers of commerce, small business centers, state and local government resources, entrepreneurs, and sources of funding. It will

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[7] Oregon InC, "Creating The Next Generation of Oregon Jobs," accessed April 18, 2013 at http://www.oregon4biz.com/assets/docs/OR-InC-overview.pdf.

institutionalize partnerships and a network to support emerging businesses, both from the accelerators and the region as a whole, transforming the South Willamette Valley's growing research capabilities into commercially viable products. It will offer the resources and support to retain these companies and products in the region, ultimately increasing the region and state's prosperity.

Figure 2 shows one conceptualization of RAIN, as presented in the Legislative Concept Paper. RAIN's core assets are the linked accelerator programs of OSU and UO. RAIN will facilitate collaboration between these programs and other key resources in the region, allowing both efforts to leverage respective competencies and use overall resources most effectively. To achieve this objective, RAIN will undertake six key roles: (1) strategic planning, (2) galvanize and institutionalize resource networks, (3) facilitate access to capital, (4) promote regional economic development, (5) market opportunities and successes, and (6) monitor outcomes. A Board of Directors composed of key stakeholders from this network will ensure that RAIN carries out its functions effectively and efficiently. The Board will receive support from both an Advisory Group and a small staff. The services provided by RAIN and its governance structure are described in greater detail in the RAIN Model section of this concept report.

Figure 2: RAIN Model
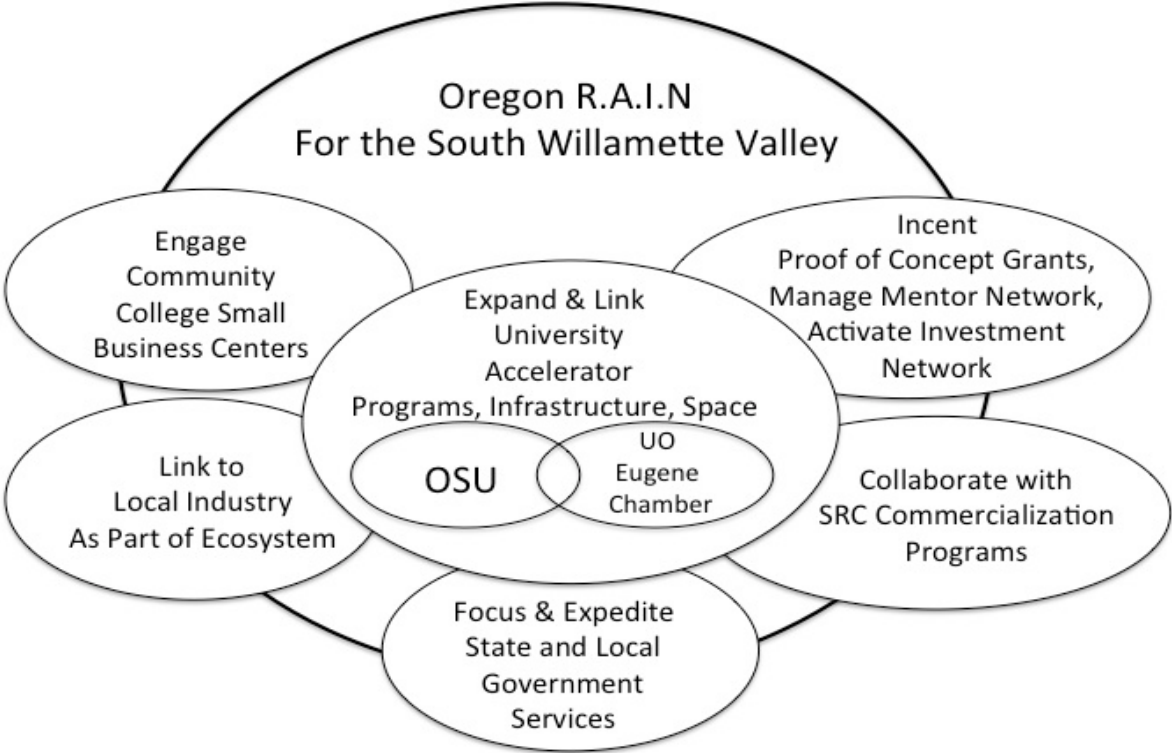
Source: Legislative Concept Paper: South Willamette Valley Regional Accelerator Innovation Network (RAIN).

3 Market Analysis

Described here is the market for RAIN. It expands on the background provided in the previous section to illustrate the need for an entity such as RAIN to build on and harness the economic development achievements and potential of the region. Based on a review of similar programs across the country, it identifies sample best practices for accelerator/incubator programs. Next, it calls out those programs that will compete directly with RAIN for potential startups, stakeholders, and investment. Given this competitive landscape, the section concludes with a discussion of RAIN's competitive advantage.

3.1 Demand for Services

RAIN will provide the critical connective tissue required to maximize the diverse suite of resources available to technology startups in the South Willamette Valley. Early stage technology startups strongly benefit from: (1)

affordable office and lab space in close proximity to university research, faculty, and students; (2) access to public and private capital as well as personnel resources and expansion facilities; and (3) programmatic support to develop and build a viable business. The university accelerators will provide technology startups with both the "hard" assets (facilities, equipment, and access to capital) and "soft" assets (programmatic support, such as mentorship, networking, and virtual information) required to be successful. Although many of these resources are available through the universities, community colleges, public and private economic development agencies, and other business support entities in the region, they are not packaged in a way that optimizes the potential to expeditiously and collaboratively grow research into viable business ventures. RAIN completes this missing link – it connects resources, further enhances collaboration among public and private entities, and increases the probability that these efforts are utilized in an effective manner that benefits to the region as a whole through business formation, job creation, and an increased tax base.

3.2 Best Practices

Commercialization leaders have identified a number of best practices that contribute to strong business incubation programs and innovation networks. This section highlights characteristics and practices that pertain to the RAIN entity (as opposed to the individual accelerators): (1) nonprofit management structure, (2) strong public-private partnerships, (3) clear and communicated goals, and (4) monitoring and marketing outcomes.

3.2.1 Nonprofit Management Structure

Both innovation networks and incubators are often structured as nonprofits. RIAN cites a nonprofit structure as one "fundamental" characteristic of successful innovation networks.[8] Similarly, in a report for the U.S. Department of Commerce, titled *Incubating Success*, researchers determined that 93 percent of high-performing incubators are structured as nonprofits.[9] The nonprofit model offers two key advantages: (1) it provides access to both

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[8] Regional Acceleration Incubation Network, 2013.

[9] D. Lewis, E. Harper-Anderson, and L. Molnar, 2012, Incubating Success: Incubation Best Practices that Lead to Successful New Ventures, prepared for the U.S. Department of Commerce Economic Development Administration.

public and private funding sources, and (2) it ensures that program revenues continue to be reinvested in the project.[10]

A board of directors governs a nonprofit. Incubator or innovation network boards often consist of stakeholders from both the private and public sector.[11] Stakeholders from state and local governance can provide the public funding and legislative support required to grow incubator projects in their startup years.[12] Stakeholders from the private sector offer a pragmatic perspective on how to best grow startups during each stage of development and can help introduce capital providers to these companies. Acting as a non-profit entity, these stakeholders are responsible for developing clear goals for the organization, implementing an action plan to achieve them, and monitoring outcomes.

3.2.2 Strong Public-Private Partnerships and Sustained Support

Innovation networks are successful when they have the participation and support of both private and public sector entities. Individually, stakeholders can support innovation networks by providing resources, participating in governance, and enacting beneficial policy. Collectively, these stakeholders form networks that support the flow of knowledge and resources necessary for supporting new startups and retaining them in the region.[14]

> Strong networks "provide the gel that binds success over time. Access to tacit knowledge can support collective learning and more competitive performance."[13]

Private sector participation on innovation network boards is essential: it gives the organization credibility among the business community and provides access to a range of resources from financing to personnel. These stakeholders can utilize their experience in the business community to support both the innovation network as a whole and the startups that grow

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[10] Regional Acceleration Innovation Network, 2013; SRI International, 2012, Overview of SRI: A Community of Innovation.

[11] D. Lewis, E. Harper-Anderson, and L. Molnar, 2012.

[12] Innovate Washington, 2012, Business Plan: 2013-17, accessed April 9, 2013 at http://www.innovatewashington.org/sites/default/files/IWABusinessPlan11.30.12.pdf; N. Bowditch, 2009, "Leadership, Partnerships, and Networks: Navigating 50 Years of Dynamic Growth in the Research Triangle Park," paper presented at the XXVI IASP World Conference on Science and Technology Parks.

[13] Ecotec Research & Consulting, no date, A Practical Guide to Cluster Development, prepared for the Department of Trade and Industry and the English RDAs, p. 22.

[14] Ecotec Research & Consulting, no date.

within it. Their management knowledge and experience as well as abilities to identify emerging talent are valuable resources. They bring financing, management experience and the benefits of previous trials, errors and successes to the table.

Frequent inclusion of public stakeholders on nonprofit boards indicates the importance of broad and consistent support among public leaders to the success of innovation network projects. Not only is public sector support desirable, it is often necessary. Weak coordination among local jurisdictions can challenge the success of otherwise strong incubation programs.[15]

State and local governments can support accelerator endeavors in a number of ways. Two that are often effective are: (1) investing directly in a VDO or innovation network, and (2) forming complementary policies that support these programs over the longer term such as tax incentives to attract private investment. In doing so, the public sector can help ensure that incubation/acceleration programs are successful in early years and that their benefits flow to the regional economy over time.

The Seven-Year Itch

Experience demonstrates that there is a lag of about seven years from when an initial investment is made in an innovation network and when substantial benefits flow to the economy. Ongoing and sustained investment from stakeholders is critical to ensure the success of new initiatives. The history of North Carolina's Research Triangle Park (RTP), a science and technology park founded in 1959 through a partnership between government, university, and business leaders, demonstrates the importance of on-going public support to program success. Public leaders in North Carolina contributed both financial support and time to development of the RTP. These efforts provided the project with the necessary funding and cohesive vision to develop as planned, though it was not expected to be financially viable until the seventh year of operations. The investment paid off: by 2007, the RTP consisted of 22.5 million square feet, housed 170 R&D organizations, and employed more than 42,000 full-time workers with annual salaries totaling more than $2.7 billion.[1]

In terms of non-monetary support, state and local governments can facilitate ongoing program success by developing complementary policy frameworks.[16] *Incubating Success* recommends forming public policies around providing seed funding, offering graduate space as companies expand, and developing tax credits for participants.[17] Oregon's northern neighbor has created Innovate Washington, whose business plan calls for a similar public

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[15] E. Porter, 2001, Research Triangle: Clusters of Innovation Initiative, Washington D.C.: Council on Competitiveness.

[16] E. Porter, 2001.

[17] D. Lewis, E. Harper-Anderson, and L. Molnar, 2012.

policy agenda.[18] These policies will support business retention in the target region, thus creating jobs and generating tax revenues.

3.2.3 Clear and Communicated Goals

Setting clear goals and communicating them to internal stakeholders and external constituents (the public) is integral to the success of any incubator or accelerator program.[19] Goals may be broad (i.e., long-term industry development targets for the region) or specific (i.e., expected outcomes or exit policies for startups). They should reflect the mission statement of the incubation/acceleration organization. Innovate Washington and the North Carolina Research Triangle, for example, both have broad missions to improve the regional economy. Therefore, each developed goals and an action plan for its program aimed at advancing regional economic development.[20]

In addition to broad goals for the regional economy, *Incubating Success* found that most successful incubators also set specific goals for participating startups, which often include acceptance and exit benchmarks.[21] In a network environment many of the more specific goals can be set by the individual incubation/acceleration operators but should be agreed upon by the network as a whole.

Strategic Planning for Innovation Networks

A strategic plan is one mechanism incubator and innovation network programs may use to develop and communicate program goals. A strategic plan creates vision and direction for an organization -- it sets goals and establishes a framework to accomplish them. Innovation networks that receive funding from the Department of Commerce Economic Development Administration must complete a specific type of strategic plan, known as a comprehensive economic development strategy (CEDS). The purpose of the CEDS is to analyze the regional economy and develop an organizational action plan that furthers regional economic development goals.[22] Although

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[18] Innovate Washington, 2012.

[19] D. Lewis, E. Harper-Anderson, and L. Molnar, 2012; T. Gillotti and R. Zeigelbauer, 2006, "Seven Components of a Successful business Incubator," Let's Talk Business 119.

[20] Research Triangle Regional Partnership, 2009; Innovate Washington, 2012.

[21] D. Lewis, E. Harper-Anderson, and L. Molnar, 2012.

[22] U.S. Department of Commerce Economic Development Administration, Comprehensive Economic Development Strategies Summary of Requirements, accessed April 27, 2013 at http://www.eda.gov/pdf/CEDS_Flyer_Wht_Backround.pdf.

all innovation networks do not produce a formal CEDS, the framework provides useful guidance for strategic planning.

The Research Triangle, one the nation's most well known innovation networks, completes a comprehensive strategic plan for regional economic development every five years. The most recent strategic planning process took place in 2008 and included:

- A comprehensive literature review on economic development trends and best practices,
- Hosting meetings with institutional partners and community leaders to discuss regional needs and priorities,
- The development of growth and planning scenarios,
- A one-day session with 300 stakeholders to discuss scenarios for addressing growth issues in coming decades, and
- The formation of a 56-member steering committee consisting of members from the business community and higher education to develop the new strategic plan.

The resulting strategic plan titled, *The Shape of Things to Come,* (1) discusses the economic and competitive climate in the region, (2) describes the Research Triangle's competitive advantages, (3) calls out areas of opportunity for future industry development, (4) sets forth an action plan to realize these opportunities, and (5) provides a clear timeline and system for measuring results.[23]

3.2.4 Monitoring and Marketing Outcomes

Ongoing monitoring, both of startups and of the program as a whole, is an important management practice. *Incubating Success* reports that two thirds of top-performing incubators collect outcome data on the performance of their accelerators and graduates. Conducting regular reviews of outcomes with respect to strategic plan goals can ensure that the program moves forward in a positive direction that meets the needs of both stakeholders and the community at large. Key metrics include: the survival rate of graduate firms, jobs created by business currently in or graduated from the accelerator, client

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[23] Research Triangle Regional Partnership, 2009, <u>The Shape of Things to Come: The Economic Development Strategy for the Research Triangle Region, North Carolina</u>.

and graduate revenues, the retention rate of graduate firms in the region, and feedback on services offered by the accelerator. [24]

Communicating the results of the review process is equally important. It serves three key purposes. First and foremost, it strengthens confidence among startups, investors, and stakeholders in the organization.[25] Second, the organization may use the results to market its achievements to future investors. Finally, for entities that receive public funding, it demonstrates that tax dollars generate a positive return on investment to the community.[26]

3.3 Competing Organizations

This section briefly describes organizations that will compete with RAIN for both startup talent and funding. It focuses on the most prominent entities located in RAIN's target market, which this business concept defines as the western United States. It discusses programs that are within RAIN's geographic area (the pacific northwest and northern California): the Governor Gray Davis Institutes for Science and Innovation and Prescience International, both in the Bay Area; Innovate Washington, a statewide public-private partnership in Washington State; and C4C New Ventures Facility, University of Washington's new technology incubator. It also looks at programs in Utah and Arizona, the two states in the western U.S. that are excelling at innovation network development. The list is not exhaustive; it highlights key initiatives from each state. While the amount of information on each endeavor varies and no two efforts are alike, as a whole, this section provides a picture of the competitive environment.

3.3.1 Arizona

Arizona Center for Innovation

The Arizona Center for Innovation (AzCI) is part of the University of Arizona Office of University Research Parks. The program is structured as an incubator and provides startups with business support from idea discovery through commercialization. Although AzCI is part of the University of Arizona, half of the startups it serves are from the Tucson area and not affiliated with the University. It offers a suite of services including lab and office space, access to university resources, mentorship opportunities,

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[24] D. Lewis, E. Harper-Anderson, and L. Molnar, 2012.

[25] T. Gillotti and R. Zeigelbauer, 2006.

[26] D. Lewis, E. Harper-Anderson, and L. Molnar, 2012.

business planning services, leadership development, fundraising assistance, and product development support. Businesses that graduate from the incubator may locate at the UA Tech Park, which supports business retention.[27]

Figure 3: AzCI Innovation Consortium
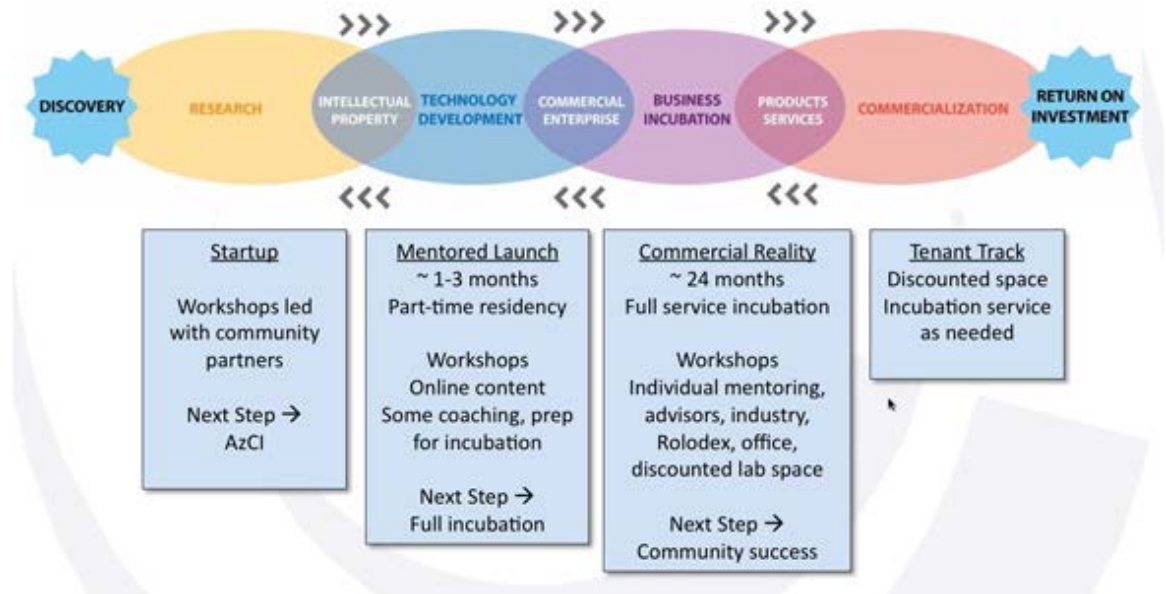
Source: Arizona Center for Innovation.

Northern Arizona Center for Entrepreneurship and Technology

Northern Arizona Center for Entrepreneurship and Technology (NACET) is a venture development organization and technology incubator that brings together a variety of business development resources in Northern Arizona to support new business development and retention. NACET offers a suite of services including business management and support, mentoring, access to capital, university resources, educational events and seminars, and a network of public and private partners. It houses resources in a 10,000 square foot facility, which includes 6 labs and 24 office suites.[28]

The history and organization of NACET is similar to that of other innovation networks. Community and business leaders in the Flagstaff area founded NACET in 2001 with funds from the City of Flagstaff, the Arizona

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[27] Arizona Center for Innovation, 2013, <u>Arizona Center for Innovation</u>, accessed April 29, 2013 at <u>http://azinnovation.com/index.php/about</u>.

[28] Northern Arizona Center for Entrepreneurship and Technology, 2013, <u>Northern Arizona Center for Entrepreneurship and Technology</u>, accessed April 29, 2013 at http://www.nacet.org.

Department of Commerce, and community investors, including Northern Arizona University, Coconino Community College, the Flagstaff Chamber of Commerce, the Coconino County Board of Supervisors, Arizona Public Service, Bank of America, McCoy Motors, LNN Enterprises, and others. The group organized as a nonprofit organization. A Board of Directors composed of stakeholders from the business community and state and local governments sets the policy for NACET and a small staff of seven manages the activities of the organization.[29]

3.3.2 Washington

Innovate Washington

In 2011, the Washington State Governor's office launched Innovate Washington, a statewide public-private partnership to catalyze growth in target economic sectors. Innovate Washington has four goals:

1. Attract R&D dollars, specifically from Federal programs and other non-State sources;
2. Provide accelerator services including more than 130,000 square feet of lab and office space (12,000 square feet at the Innovate Washington Building in Spokane, 90,000 square feet at the Applied Process Engineering Laboratory in Richland, and 28,000 square feet at the Spokane Technology Center), mentoring, consulting, networking, marketing, and access to capital to promising small and medium sized companies in target economic sectors;
3. Align State policy and leadership with the economic development goals of Innovate Washington; and
4. Maximize the impact of state programs through identifying and aligned key resources.[30]

The Innovate Washington entity consists of both a state agency called Innovate Washington and a nonprofit, Innovate Washington Foundation (IWF). A Board of Directors oversees Innovate Washington. The Governor chairs the Board, which consists of four legislative members, the presidents of Washington State University and University of Washington, the director of the Department of Commerce, the chairs of sector advisory committees, and seven individuals from the private sector appointed by the Governor. This Board sets the policy for the initiative and contracts IWF to implement this

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[29] Northern Arizona Center for Entrepreneurship and Technology, 2013.

[30] Innovate Washington, 2012, Business Plan: 2013-17, accessed April 9, 2013 at http://www.innovatewashington.org/sites/default/files/IWABusinessPlan11.30.12.pdf.

policy. IWF is, therefore, responsible for the initiative's performance, operation, implementation, and advancement.

In its first seventeen months of operation, Innovate Washington worked with 38 companies and 5 partners in its business acceleration program. IWF leveraged $10.8 million in non-state investment and its client companies obtained nearly $85 million in funding. These investments supported 398 jobs and $9.26 million in wages. To build off the successes of its first operational year and support the implementation of Innovate Washington's agenda, the entity developed a five-year investment plan, which reflects the fact that ongoing development of this new initiative requires sustained funding.[31]

C4C New Ventures Facility

In February 2012, the University of Washington launched the C4C New Ventures Facility, an incubator for UW-affiliated technology startups. The incubator facility will initially host up to 15 companies. Once renovations are complete, the facility will have space for up to 25 companies. It will consist of 11,500 square feet of wet lab space and 11,500 feet of office space. In addition to offering dedicated space in its facilities, the incubator will provide other business development support, such as training events and networking opportunities, to startups.[32]

3.3.3 California

Governor Gray Davis Institutes for Science and Innovation

The Governor Gray Davis Institute for Science and Innovation (ISI) is a statewide partnership between the state of California, the University of California (UC), and the private sector. The initiative was founded in 2000 to develop the "next New Economy," specifically California's high-tech and biotechnology sectors.

The ISI consists of four independently governed and managed institutes: (1) California Institute for Quantitative Biosciences (CB3), (2) Center for Information Technology Research in the Interest of Society (CITRIS), (3) California Institute for Telecommunications and Information Technology (Calit2) and (4) California Nanosystems Institute. CB3 and CITRIS are located

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[31] Innovate Washington, 2011, <u>Inaugural Report: 2011-12</u>, accessed April 18, 2013 at <u>http://www.innovatewashington.org/sites/default/files/docs/IWA_Annual_Report_Final_Screen_View.pdf</u>.

[32] University of Washington Center for Commercialization, 2012, "New Ventures Facility," accessed April 9, 2013 at <u>http://depts.washington.edu/uwc4c/start-ups/new-ventures-facility/</u>.

in the San Francisco Bay Area and may compete with RAIN for talent and funding. Calit2 and the California Nanosystems Institute are both located in southern California and are a degree or so removed from RAIN's target market.

CB3 is a research institute that provides a suite of goods and services to help researchers in the "quantitative biosciences" sector commercialize their work. These services include an incubator network, lab and office space, and access to venture capital funding. UC San Francisco heads the network with support from UC Berkeley and UC Santa Cruz. The 62 companies in the CB3 system have attracted more than $230 million in investment and created more than 280 jobs.[33]

The purpose of CITRIS is to develop information technology solutions for social and environmental challenges. The center provides UC faculty and students with 14,000 square feet of lab and office space, business development resources, and access to capital to accelerate the creation of startups.[34]

Prescience International

Prescience International differs from other competitors in that it is a private firm. Located in the Bay Area, it provides early stage companies with access to infrastructure, education, and capital to accelerate their development. It specializes in the bio- info- and nano-technology sectors. Prescience International functions like an innovation network. It brings together stakeholders and investors from the public and private sector to create and manage incubators, research centers, and institutes in California. As a private firm, Prescience International has a hierarchical management structure including a CEO and a small team of employees. Each of its incubator and research center programs has its own management group. In the past 10 years, the firm has supported more than 200 companies, which have created nearly 1,500 jobs and over $2 billion of growth capital.[35]

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[33] California Institute for Quantitative Biosciences, 2013, "About," accessed April 9, 2013 at http://www.qb3.org/about.

[34] Center for Information Technology Research in the Interest of Society, 2013, accessed April 9, 2013 at http://citris-uc.org/about.

[35] Prescience International, 2013, accessed April 9, 2013 at http://www.prescienceintl.com/index.html.

3.3.4 Utah

Miller Business Resource Center

Salt Lake Community College's Miller Business Resource Center (MBRC) is the largest publicly-funded business incubator in Utah. It offers incubation and acceleration services for a variety of enterprises with high growth potential. Services offered include office space, business development support, seminars and workshops, workforce development, access to network stakeholders, managerial training, and global business development.

MBRC tailors its resources to reach a maximum number of clients. It offers several types of service packages, including traditional incubation, "soft landing incubation," and virtual incubation. Soft landing incubation is for international businesses entering or expanding into the U.S. market. MBRC provides these businesses with on-site office space, communication and business services, market research and entry assistance, access to capital investors, and assistance with import/export laws. The virtual incubator service offers an office presence for businesses that do not need a dedicated office space.[36]

MBRC also offers unique formal networking programs. It sponsors BizNet Connect, a statewide networking group dedicated to helping small businesses develop and thrive. The group hosts monthly events, including business expos, conferences, workshops, and speakers. MBRC's second program, the Entrepreneur Launchpad, provides a weekly forum for startups to meet and discuss issues that affect their businesses.[37]

3.4 Competitive Advantage

RAIN stakeholders, in recent interviews, identified a number of advantages that RAIN and the region as a whole have in the market. RAIN's primary competitive advantage lies in its ability to connect and maximize the myriad of resources that already exist in the region. By effectively galvanizing, packaging, and marketing these connections, RAIN can demonstrably expand and expedite the commercialization of research and capture

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[36] Miller Business Resource Center, 2011, <u>Business Services: Miller Business Resource Center</u>, accessed April 29, 2013 at http://centralpt.com/upload/482/13369_MBRCServicesCatalog2011V11FINAL.pdf.

[37] Miller Business Resource Center, 2013, <u>Miller Business Resource Center</u>, accessed April 29, 2012 at http://www.mbrcslcc.com/index.

associated business creation, jobs, and fiscal impacts on the regional economy as a whole.

- **Oregon is a leader in the high technology sector.** From Tektronix in the 1960s, to Mentor Graphics in the 1970s, Intel in the 1980s, and the hundreds of spin-offs associated with each company, Oregon has earned a global reputation as a hub for high-tech industry development.

Oregon and the South Willamette Valley have several key competitive advantages that will support RAIN's success: Today, Oregon is home to nearly 8,000 firms in the high-tech industry. These firms generated more than 84,000 high wage jobs.

- **Oregon is a pioneer in clean technology.** Within this industry, Oregon has a competitive advantage in several sectors: solar energy, wind energy, energy efficiency and green building, and wave energy. The robust development of the industry is largely due to the collaboration of state and local governments, universities, and private industry. Through SRCs, the state has invested in university research and business development in these sectors. The promotion of legislation supporting clean technology helps ensure that new technology will be adopted. The success of this endeavor exemplifies the role that strong public-private partnerships have in economic development.

- **State and local governments have a history of partnering with higher education to commercialize research and retain businesses.** As mentioned in the previous point, Oregon InC and its SRCs have and will continue to play a key role in developing Oregon's technology and clean energy sectors. These agencies exemplify the success that results when state and local governments collaborate with academia and the private sector to support innovation and business development.

- **OSU and UO extend their applied research reach throughout the state.** Both OSU and UO have community partnership programs that have forged strong links between the universities and their surrounding regions. The OSU Extension Service is an educational outreach program. Its purpose is to convey research-based knowledge in a way that helps people improve their lives, homes, and communities. Extension educators work with OSU scientists to develop solutions to real issues important to the community, such as

[38] Business Oregon, 2013, "High Technology," accessed April 18, 2013 at http://www.oregon4biz.com/The-Oregon-Advantage/Industry/High-Technology/.

improving food processing, forest products, pesticide use, and agricultural production.[39] UO serves the greater community through its Community Service Center, an interdisciplinary organization that provides planning and technical assistance to help solve local issues for Oregon residents. The program brings together students, planning/public policy professionals, and community members in its endeavors. In 2011, the Community Service Center served 34 counties through its four programs.[40]

- **Oregon has a competitive tax structure.** According to a study by Ernst & Young, Oregon has the second lowest taxes on new investments and the 5th lowest business rate. Unlike many other states, Oregon does not have: general use and sales tax, receipts/revenue tax, inventory tax, worldwide unitary tax, motor vehicle excise tax, state capital tax on asset value, or direct levies on stocks and bonds. In addition to these benefits, the state offers tax exemptions and cash incentives for new projects.[41]

- **The average cost of running a small business in Oregon is relatively low.** Business Oregon compared the cost of running small and large manufacturing firms in Oregon, California, and Washington and found that businesses in Oregon have significantly lower operating costs. The cost savings for a large business are similarly proportioned.[42]

- **The Region and State are leaders in sustainable practices.** Private entities from design firms to manufacturers and public agencies from local governments to educational institutions at all levels have embraced sustainable building and operational models that are now being exported to others.

- **The South Willamette Valley has a rich abundance of natural resources and a high quality of life.** The region is uniquely located near both the mountains and sea. The Cascade Range to the east and the Pacific Ocean to the west both provide ample opportunities for recreation that help attract talent to live and work in the region. The valley floor is road, flat, and fertile and is prime land for agriculture.

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[39] Oregon State University, 2013, Oregon State University Extension Service, accessed April 29, 2013 at http://extension.oregonstate.edu.

[40] University of Oregon, 2013, Community Service Center, accessed April 29, 2013 at http://csc.uoregon.edu.

[41] Business Oregon, 2013, "The Oregon Advantage," accessed April 18, 2013 at http://www.oregon4biz.com/The-Oregon-Advantage/.

[42] Business Oregon, 2013.

4 RAIN Model

This section provides an overview of the products and services offered by RAIN as well as its organizational and governance structures.

4.1 Products and Services Offered

RAIN will function as a facilitator and enabler of a pipeline that fosters the transition of research and emerging ideas into commercialized endeavors that bring viable new business and jobs to the region and state. RAIN will achieve these objectives by linking the resources and talents of the OSU and UO business accelerator programs with a range of public and private stakeholders, including cities and counties of the region, economic development and business organizations, community colleges, the state, and private capital. RAIN will establish a new brand for the region that captures its abilities to move ideas from incubation to the marketplace, while enhancing the well being of communities that house these new businesses.

To accomplish the objectives described above, RAIN will fulfill six key roles: (1) strategic planning, (2) galvanize and institutionalize resource networks, (3) facilitate access to capital, (4) promote regional economic development, (5) market opportunities and successes, and (6) monitor outcomes. This section describes how RAIN will fulfill each role.

4.1.1 Strategic Planning

A strategic plan creates vision and direction for an organization -- it sets goals and establishes a framework to accomplish them. As the entity responsible for engaging and connecting a diverse group of stakeholders, each with its own objectives and resources to offer, RAIN will need to clearly articulate the network's common goals and objectives. By establishing a strategic plan that highlights common objectives, expected outcomes, and a path to reach these targets, RAIN can ensure that the accelerator and stakeholders collaborate effectively and improve their chances in growing new businesses and jobs in the region.

A Board of Directors and an Advisory Group composed of stakeholder members will craft RAIN's strategic plan. The plan will further clarify RAIN's mission and vision, and state its operating principles. It will align these organizational elements with existing economic development strategies of the region to ensure that RAIN moves in a direction that benefits the

communities in the South Willamette Valley. The plan will conclude with action steps for RAIN to achieve its desired outcomes.

Once both university accelerators have operated for one year, RAIN's Board of Directors will conduct an internal and external assessment of the collaborative accelerator and business development programs to identify what is working well, what needs to change, and where there are other areas of opportunity. If needed it will amend the strategic plan to reflect new findings. The Board will continue to conduct both an internal and external assessment of RAIN annually.

4.1.2 Galvanize and Institutionalize Resource Networks

RAIN is the connective tissue that marries university accelerators and the emerging business ventures they incubate with a range of resources provided by public and private stakeholders, including cities, counties, community colleges, private investors, and others. RAIN would work closely with both accelerator programs to foster the most effective integration of resources. RAIN will facilitate collaboration and avoid the duplication of efforts by the individual accelerators. It will build on efforts among existing partners to identify additional potential stakeholders, match their contributions with the accelerators and their participants, and ensure that these relationships are mutually beneficial. RAIN will assume three distinct roles to achieve this goal.

1. **RAIN will enhance connections among stakeholders**. Building on the base of committed stakeholders, RAIN will continue to develop its resource network. It will identify new stakeholders and connect them with the accelerators and appropriate startups. Once these connections are made, the accelerators and their governing bodies will manage the programmatic aspects of these relationships. RAIN will work closely with Oregon InC in this endeavor, building on the experience and success of Oregon InC in galvanizing resources around venture development.

2. **RAIN will facilitate the packaging of resources for emerging businesses**. It will ensure that accelerator startups understand and have links to the resources available to them while they are in the accelerator and as they exit the accelerator. It may sponsor seminars and conferences offered by stakeholders on what resources are available and how to utilize them effectively. As businesses exit the accelerators, RAIN will ensure that they understand the availability of incentives offered by state and local governments, community

colleges and other private and public resources for small businesses.[43] RAIN will focus on creating packages and connections that merge available resources from across the region, so participants in the UO accelerator area are connected with resources in the OSU area and vice versa. RAIN will also ensure startups have access to resources that support business retention.

3. **RAIN will align regional economic development objectives through enhanced stakeholder collaboration.** RAIN will survey these entities to assess the extent of and satisfaction with benefits received from RAIN's efforts and will recommend improvements as necessary.

RAIN will bring together a variety of entities by working with them to align objectives and provide resources that support the accelerators, businesses incubating in them, and community assets needed to retain the firms that emerge. RAIN's services can include advocacy, marketing, facilitation, and sponsorships of trainings, among other roles. Key entities include:

- **The accelerators, University of Oregon and Oregon State University, and university programs that support them (e.g., business, engineering, and law schools);**

- **Other Oregon innovation networks,** Oregon InC and the PSU Business Accelerator among others;

- **Signature Research Centers,** such as ONAMI, BEST, OTRADI;

- **State and local governments,** which can offer various types of business assistance including leveraged financing;

PSU Business Accelerator

The PSU Business Accelerator is Oregon's largest accelerator for tech startups. In the past five years, these startups have raised $106 million in private funding, secured more than $11 million in public grants, and generated $36 million in revenue.[44]

PSU's initiative will have a unique relationship with RAIN. Both are integral to Oregon's economy, specifically its growing tech sector. They will work collaboratively to further regional and state economic development goals. At the same time, the two entities will be competitors as they vie for funding and talent.

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[43] Although this plan does not list specific incentives that state and local governments may offer new businesses to encourage a higher retention rate, they can be identified in RAINs strategic plan and will be a critical factor in determining RAIN's success in achieving regional economic development outcomes.

[44] Portland State University, 2012, Business Accelerator, accessed April 9, 2013 at http://www.pdx.edu/accelerator/.

- **Federal government resources including various grants and loans, SBDC and Score;**

- **Community Colleges,** which provide workforce training, business planning and other supportive dimensions;

- **Investors and capital resources,** particularly from angel and venture funds;

- **Business development and support organizations** such as chambers of commerce, Microproducts Breakthrough Institute, Technology Association of Oregon, Oregon Entrepreneurs Network, and Willamette Innovator Network, which can offer a range of services including technical and mentoring support, as well as access to seed funds and angel capita; and

- **Successful entrepreneurs and RAIN graduates** who can provide emerging firms with the management talent and experience necessary to craft and implement viable business plans.[45]

4.1.3 Facilitate Access to Capital

RAIN will work with stakeholders to streamline processes and access to capital resources to grow and retain viable businesses in the region on a long-term basis. The Legislative Concept Paper for RAIN suggests initially developing a legislative funding package to foster investment in startups through grants, loans, angel investment, and venture capital. Near term strategies to advance this effort include:

1. Restructuring the existing University Venture Development Fund feasibility study grant program as an "Innovation Development Fund," thus simplifying the tax credit plan and terminating the Treasury repayment;

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[45] RAIN may engage its graduates as Entrepreneurs in Residence. This program would be modeled after the Oregon BEST Entrepreneurs-In-Residence program. According to the program website, "Oregon BEST has two seasoned entrepreneurial executives who help small businesses and university researchers navigate the challenging path from lab prototype to commercialized product . . . These experienced Entrepreneurs-in-Residence expand Oregon BEST's range of support available to clean-tech innovators by providing consulting in business strategy, business development, and raising capital to startup teams affiliated with Oregon BEST."

2. Developing a side-car state co-investment program of angel and later stages of funding to attract capital from both inside and outside the region; and

3. Coordinating with state and local governments to develop a suite of tax and other incentives that encourage accelerator graduations to locate in the South Willamette Valley.

Providing ongoing and effective public incentives and private investment pools to plant and grow companies in the South Willamette Valley will accelerate the growth of Oregon's high tech and other emerging and targeted traded sectors, allowing the state to enhance its competitive advantage and develop key clusters.

4.1.4 Promote Regional Economic Development

One of the key roles that RAIN will undertake is to promote regional economic development by supporting business retention. Once startups graduate from the accelerators, they will need access to a suite of resources to continue to grow and develop. These resources may include:

- Access to equity pools,
- Low interest loans,
- A location for company headquarters and operations,
- Access to seasoned managers,
- A trained workforce,
- Ongoing business development support,
- A strong community and network to continue the transfer knowledge.

RAIN will not provide these services directly; it will galvanize the resources of its stakeholders. By marketing its achievements, RAIN can draw the attention of capital investors to support new businesses.

Why Business Retention is an Important Objective

Home Dialysis Plus (HDP) developed a portable kidney dialysis machine for home use with the support of several RAIN stakeholders. HDP was founded in 2004 with support from HP, OSU, the PSU Business Accelerator, and a $170,000 grant from ONAMI.[46]

HDP left Oregon and relocated to the relocated in the Bay Area due to a lack of business development resources in the Willamette Valley. The region does not have a talent pool of seasoned managers to grow companies past their initial phase of development. Without this resource – a resource RAIN will strive to provide – startups will likely relocate out of the region once they pas their initial growth phase.

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[46] M. Rogoway, 2010, "Home Dialysis Plus lands $50 million investment, boosting Oregon medical technology," The Oregonian, June 15, accessed April 26, 2013 at http://www.oregonlive.com/business/index.ssf/2010/06/home_dialysis_plus_lands_50_mi.html.

By working with state and local governments, RAIN can help businesses navigate the world of public finance and support. RAIN will work with economic development agencies to ensure that new businesses have access to office and lab space following graduation from the accelerators. RAIN will solicit the participation of the community colleges, which have the capability to provide a trained workforce. Collectively, RAIN's work will serve to build the regional network of business support resources, thus helping to ensure that new startups locate and stay in the South Willamette Valley area or the state of Oregon.

4.1.5 Market Opportunities and Successes

Branding this regional endeavor and marketing its successes to potential investors and startups is key to long-term program development and success.[47] In interviews with Oregon Solutions and Regional Solutions staff, some stakeholders suggested there exists a misconception that the region is not a good place to start a business. Addressing this challenge will require an overarching marketing strategy directed and managed by RAIN that illustrates the successes of the program at both the individual business development level (e.g., showcasing graduate startups that have located in the region), and the regional level (e.g., new jobs and tax revenues). By demonstrating RAIN's visible successes, it and its stakeholders can change the perception of and culture within the region. As the region gains recognition as a center for innovation and business development, momentum will build to attract new resources and investors.

4.1.6 Monitor Outcomes

Ultimately, RAIN is accountable to its stakeholders. If stakeholders are not satisfied with the results of the accelerators and RAIN, they may choose to withdraw their support. To ensure that stakeholders are satisfied, RAIN will need to monitor its performance at regular intervals.

As the governance body for the RAIN entity, the Board of Directors will be responsible for monitoring the performance of RAIN with respect to its strategic plan.[48] It will collect data from the accelerators and their graduates

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[47] D. Lewis, E. Harper-Anderson, and L. Molnar, 2012; J. Christiansen, 2009, Copying Y Combinator: A framework for developing Seed Accelerator Programmes, University of Cambridge.

[48] Research indicates that regular evaluation of program effectiveness correlates with incubation success. In a study of successful incubators around the country, the U.S. Department of Commerce Economic Development Administration determined that regularly evaluating incubation program effectiveness, collecting graduate data for longer

on key metrics (to be defined by the Board), which may include: patent activities, job creation, payroll and tax base impacts, capital formation, and revenue of all client companies. By regularly tracking accelerator performance, the Board can identify any areas for improvement, which it may then address with the accelerator management bodies. It will disseminate its findings in annual reports to RAIN stakeholders and the public at large as part of its marketing strategy.

4.2 Structure and Governance

There are a number of governance structures under which RAIN might operate. These range from a loosely knit coalition of stakeholders to one of many types of more formal organizations. This business concept suggests that RAIN will function as an interdependent nonprofit 501(c)(3).[49] As a nonprofit organization, RAIN will have access to public funding and private donations. A Board of Directors will govern the organization with the support of an Advisory Group. A small, dedicated staff will manage the day-to-day operations. As an interdependent entity, RAIN actions and success will be tied to its relationships to the two university accelerator programs and the performance of committed stakeholders. This section describes the RAIN governance structure and staff in greater detail.

4.2.1 Governance

The purpose of RAIN's governing body is to define the strategic plan for RAIN, provide direction to the RAIN Executive Director in implementing action steps, monitor the performance of RAIN, and communicate its achievements to the public as well as current and potential future stakeholders. The governance structure will consist of two tiers: a Board of Directors and an Advisory Group.

The Board of Directors is legally responsible for the overall management of RAIN. The Board will set policies for RAIN and have ultimate decision-making authority. It will seek input from the Advisory Group and give direction to the RAIN Executive Director. While such boards come in many sizes it's suggested that RAIN's consist of 12 representatives from key

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periods, and showcasing these outcomes in the region correlated with improved firm outcomes most often. D. Lewis, E. Harper-Anderson, and L. Molnar, 2012.

[49] A study for a technology incubator in Lane County recommended structuring the incubator as a nonprofit to maximize access to capital. Business Plan for Technology Incubator.

stakeholder groups.[50] Each group would elect its own representative to the Board. Board composition could draw on representatives from the following entities:

- The UO and OSU entities responsible for their respective accelerators;

- Business Oregon;

- Benton County and Lane County;

- The cities of Corvallis and Eugene;

- Linn-Benton Community College and Lane Community College; and

- Three private sector representatives, at least one of whom should be an entrepreneur.

The Advisory Group will consist of representatives from organizations and entities that have a vested interest in the outcome of RAIN. The Advisory Group will serve as RAIN conduits to organizations they represent, ambassadors for the larger RAIN agenda, and assistants in fundraising and marketing efforts. At least one of the Board members should also be on the Advisory Group to serve as a conduit and expeditor of information between the two.

4.2.2 Staff

RAIN will have a small, dedicated staff to manage the day-to-day operations of the organization and carry out directives from the Board. At minimum, this staff will consist of a full time Executive Director and an Executive Associate. These positions could be direct hires of the Board or they could be staff provided by stakeholders who then function in the Executive and Associate positions. The latter approach may be more appropriate as RAIN begins to function. The key, however, is that RAIN have dedicated staff who are able to implement the policies and directives of the Board.

The Executive Director reports to the Board, and is responsible for the organization's consistent achievement of its mission and financial objectives. The responsibilities of the position may include:

- Ensuring that RAIN and its stakeholders are making progress towards the objectives set forth in the Strategic Plan;

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[50] According to the U.S. Department of Commerce, the average incubator advisory board has 12 members. This concept proposes an odd number of board members to avoid deadlock. The actual number of RAIN Board of Director members may vary based on stakeholder input. D. Lewis, E. Harper-Anderson, and L. Molnar, 2012.

- Managing the development and implementation of a marketing strategy;
- Managing the annual monitoring of RAIN; and
- Overseeing daily operations, staff, and contracts for services.

The Executive Associate would assist the Executive Director.

5 Operating Forecast

This section is a work in progress and awaits further input on the state's budget process as well as input from initial stakeholder review. The section, once informed by the budget process and stakeholder deliberations, will propose an operating forecast for RAIN that includes an implementation plan and proposed budget based on the model described in the refined plan. Both the timeline and budget are subject to change based on the development timelines for the UO and OSU accelerators as well as stakeholder funding.

5.1 Possible Operating Principles

The following list of possible operating principles. These would be discussed and adjusted by the stakeholders at the end of May, and further refined by the RAIN Board. This refinement would be the basis of crafting an initial budget as well as programing longer term operating commitments and funding strategies.

- RAIN's ability to launch and succeed is contingent on start up resources committed by the state, and a range of private and local public partners
- RAIN's governance structure should be one that inspires stakeholders and binds their commitment to performance
- Achieving RAIN's mission is a long term agenda requiring committed leadership among its stakeholders and sustainable resources both financial and human
- RAIN's goals and objectives will be integrated with the larger regional economic development policies and strategies of its public partners
- RAIN needs to institutionalize relationships among its public and private partners
- RAIN will be a vigorous proponent of collaboration among its stakeholders and leader in enhancing the Region's competitive advantages