

Increasing Management Capacity And Access To Capital

What We Are Trying To Accomplish

The goal of this initiative is to **increase the number of new business start-ups and expansions** in traded sector industries **by enhancing access to capital and connecting that capital to qualified management teams**. For this initiative we are concerned with attracting new companies and retaining existing companies.

Skilled management teams and capital formation are key building blocks for any traded sector industry cluster or business. This initiative complements other Oregon Business Plan efforts including “Refocusing economic Development” and “Expanding Our Capacity for Innovation” and will serve to **accelerate the job and wealth creation of Oregon firms**.

Background

Access to capital and the ability for a company to reinvest profits back into their operations is a critical economic foundation for traded sector firms. “Gazelle” companies seeking high job and revenue growth often need angel and venture capital at early stages and stages of rapid growth. A DRI-WEFA comparison study of venture-financed companies to non venture-backed public companies indicated that venture-backed companies had greater sales, paid more federal taxes, generated more exports, and invested significantly more in R&D. The lack of availability of pre-seed, seed and later-stage funding is one of the biggest obstacles to starting and expanding successful businesses in Oregon.

Another important factor is that capital is linked to the development of a strong management team that can establish and effectively grow a company. This combination of capital formation and management capacity is at the heart of this initiative. Having a critical mass of entrepreneurs which have taken companies through all stages of growth including public offering makes Oregon firms more competitive in a global economy. Having a more effective manner in which to link the expertise of these individuals to emerging businesses in Oregon will be an essential element of any statewide economy strategy.

Specific Recommendations

In 2002, the Council for Knowledge and Economic Development (OCKED) identified access to capital and management capacity as the top two issues under the business formation committee. OCKED identified significant gaps in Oregon available capital, especially venture capital. Furthermore, OCKED recognized that there was no single source of information that identified existing capital investment tools. Without a clear understanding of what exists it is difficult to maximize the effectiveness of current tools and identify the most critical gaps.

The following represents a set of complementary actions to address capital formation and management capacity objectives.

A. Increase the effectiveness of existing reinvestment and capital formation tools and policies

Action:

- OCKED to work with an Oregon business school to inventory the existing investment and capital formation tools and policies in Oregon including programs like the HETT Fund, OGA, OHSU Opportunity Fund, HB 3613 and others to access strengths, weaknesses and gaps of these resources. Identify ways to improve the effectiveness of and coordination between these programs.
- OCKED would work to identify tax policies that fill critical gaps and are beneficial to promoting capital formation in Oregon

Timeline: Inventory, January-April 2004; Identification of legislative options to fill capital formation gaps, March-September 2004

B. Increase the investment of venture capital in Oregon

Action:

OCKED would work with investment organizations and administrative agencies to market investment opportunities to venture capital partners of the nation's top 50 funds. This action would also ensure venture capital investment includes governance and management team building expertise as well as capital (connect to recommendation B-1).

Timeline: Initial identification of VCs January-June 2004; Ongoing marketing 2004-2005

C. Foster the development of world-class management teams

Action:

OCKED would work with an Oregon business school, OEF and industry associations to inventory Oregon's existing resources for building executive management skills including those resources for new management talent, and those that help to retain and grow existing talent. Conduct best practice research and identify gaps in and ways to strengthen these resources. Connect management skills to capital access in recommendation A-2.

Timeline: Inventory April – September 2004; Implementation of recommendations 2005

D. Develop an International Forum for technology and bio/life science companies seeking or expanding business opportunities in Asian countries, especially China, India, and Viet Nam

Action:

OCKED would work with OECDD and the Oregon Business Plan to establish an international business forum for knowledge-based industries to strengthen the understanding of and access to selected international markets. Identify barriers to entry and develop a prioritized list of actions to address barriers.

Timeline: Establish Forum Spring/Summer of 2004; Ongoing operation of forum

E. Establish a Top Tier Business School Initiative

Action:

OCKED would work with key businesses, industry associations and business schools to develop an initiative for enhancing the quality and focus of Oregon Business Schools. The objective of the effort is to identify areas where Oregon business schools can develop spires of excellence that are aligned with Oregon industries and international markets.

Timeline: Establish work group, Fall 2004; Develop action plan Winter/Spring 2005

Measures of Success

- The number of top-tier VCs investing in Oregon
- The amount of venture capital invested in Oregon
- The amount of reinvestment from existing capital resources
- Completion of a top-tier business school initiative