

PART VI: FIRM-LEVEL INTERVIEW RESULTS

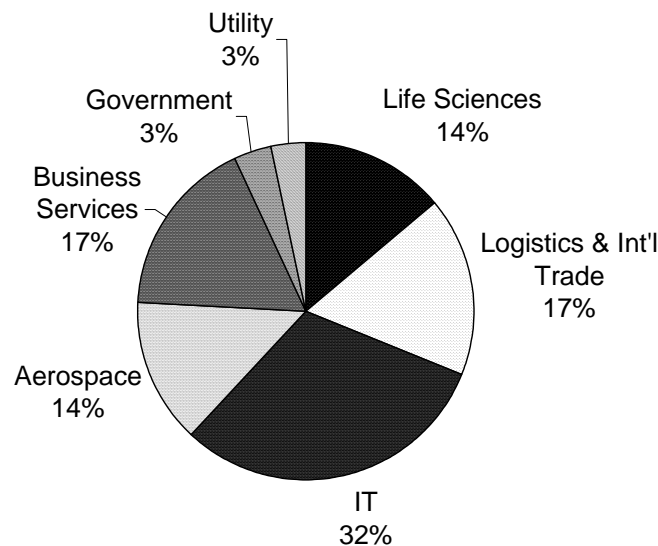
A. Overview & Methodology

The ECG team held 44 one-on-one interviews with senior stakeholders in the region. These interviewees were selected by the Project Management Team. (See *Appendix F* for a complete list of persons interviewed.) They were not selected by a formal sampling method and therefore do not constitute a representative sample of the population. Nearly 70% of these interviews were with company executives and key business leaders who were asked to share their opinion of the regional economy. For qualitative purposes, a summary of their responses and a number of direct quotes are included here (See *Appendix E* for a copy of the Interview Guide used to guide the interviews with respondents.) The main outcome of these interviews is a more complete understanding of:

- The advantages and disadvantages of the Puget Sound region as a business location.
- The key linkages both inside the region and across the state.
- The opportunities and threats facing major industries.

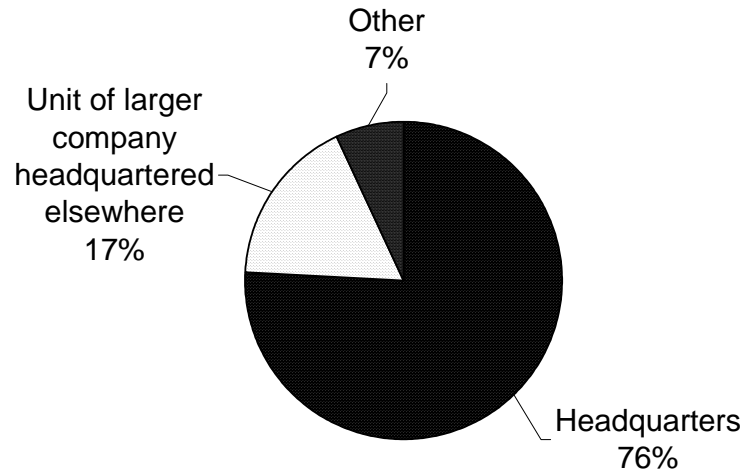
The interviewees represented the key target sectors of the regional economy, as well as a number of community and regional leaders (see *Figure VI-1*).

Figure VI-1: Breakdown of Interview Respondents by Sector



Source: ECG Interviews, 2004

Three-quarters of the firms interviewed were headquartered in the region, or their Puget Sound location was their only location, as shown in *Figure VI-2*.

Figure VI-2: Share of Respondents Headquartered in the Region

Source: ECG Interviews, 2004

B. Findings

While each interviewee made specific points about the region's economy, a number of common themes surfaced during the process. They are summarized below. While quotations are provided throughout this chapter, they are provided anonymously to preserve the confidentiality of the interview process.

The Economy

It would be accurate to say that all interviewees have felt the region's economic decline over the past three years (2001 to 2004). Nearly all are worried about the region's economic future. Many noted the need for communicating a "sense of urgency."

There seems to be widespread understanding of Boeing's troubles and a sense that the region's success in landing the 7E7 (now known as 787) project is good news for the economy only for the short- to mid-term. Over the longer term, interviewees worry about this sector being able to come close to playing the significant role it has for well over half a decade. Existing aerospace suppliers, it is reported, may find it very difficult to shift business models to conform to what Boeing is seeking from them.

"We need to focus on building up the next Boeing and Microsoft, in future industries."

- An industry executive

Outsourcing as a new fact of corporate life is another common theme. A number of interviewees worry that even Microsoft will no longer grow in the region, preferring to grow offshore. Some interviewees worry that existing jobs will, over the longer term, shift to offshore locations.

Biotechnology and life sciences are widely seen to be potentially fast-growing sectors. Interviewees seemed to feel that the jobs in these sectors will be well-paying, but not likely to replace the manufacturing jobs they see disappearing.

Strengths and Weaknesses

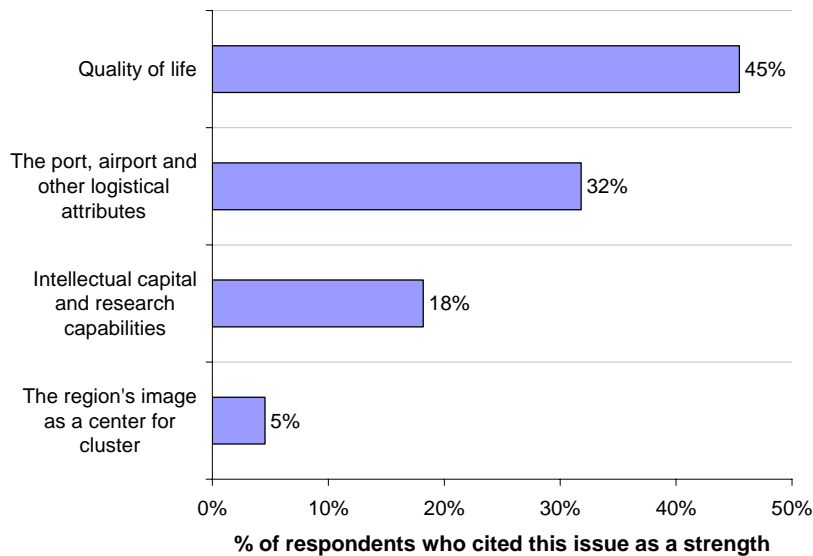
Most interviewees note the region's high quality of life and well-educated workforce. These are seen to be powerful forces for bringing new levels of economic development.

Most interviewees note the growing transportation congestion and see this factor, along with weak technology commercialization systems, as being the region's most serious weaknesses.

Strengths

The majority of company leaders responding to what the *most significant strength* of the region is relative to other regions indicated that it is the region's **quality of life**. Other strengths cited include: (1) its port, airport and other logistical attributes; (2) the region's intellectual capital and research capabilities; and (3) the region's image as a center for certain clusters such as aerospace and software (see *Figure VI-3*).

Figure VI-3: Strengths of the Puget Sound Region



Source: ECG Interviews, 2004

Direct quotations from interviews

“We located here because of the high quality of life—and lack of competitors!”

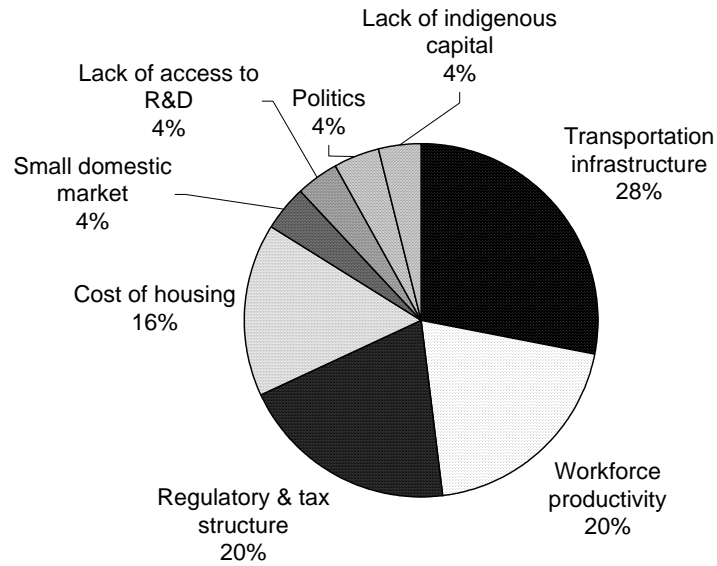
“We can attract the best in the world due to our quality of life.”

Constraints

In terms of factors company leaders perceive as constraining their company's growth, respondents rated **transportation infrastructure** most frequently as the *top constraint* to their company's ability to do business (28%).¹³² The other issues cited were workforce productivity (20%), regulatory & tax structure (20%), cost of housing (16%), limited local markets (4%), lack of access to R&D (4%), politics (4%), and lack of indigenous capital.

¹³² A constraint is defined as a factor limiting a firm's ability to grow in the region.

Figure VI-4: Top Constraints to Doing Business in the Region



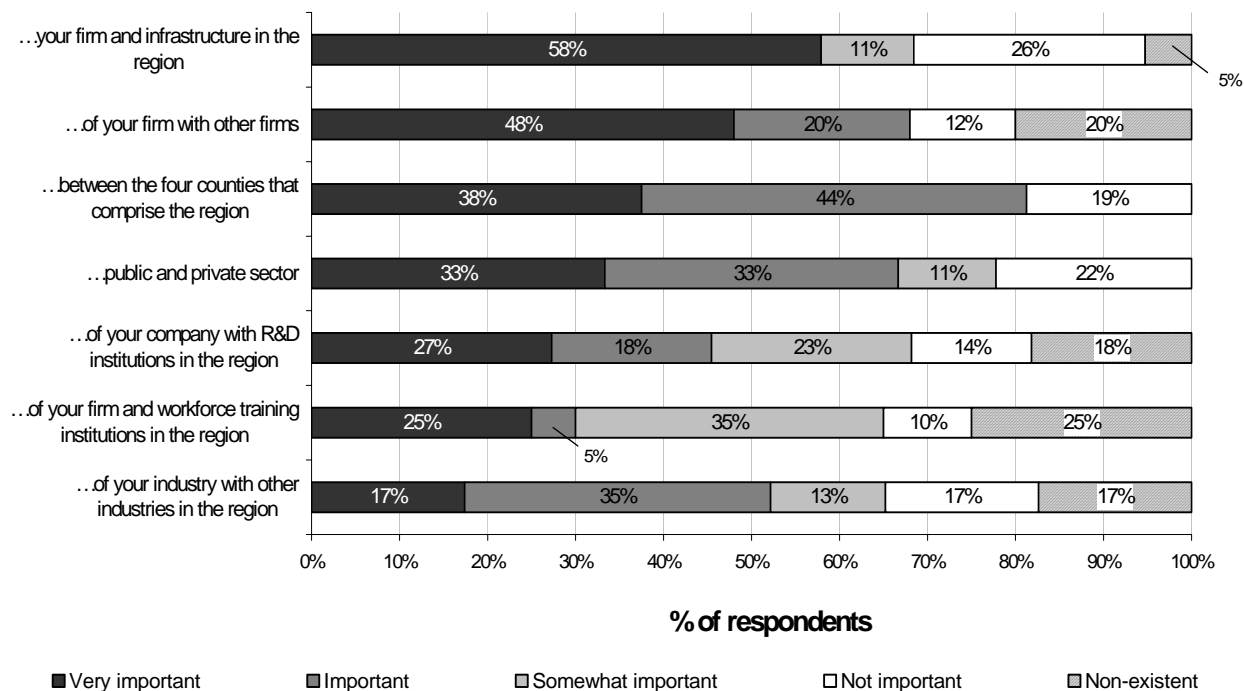
Source: ECG Interviews, 2004

Linkages

Each interview sought to gauge the respondent’s view of the institutional improvements most critical to improving the region’s economy. While this topic is notoriously difficult to quantify, *Figure VI-5* reveals their views regarding the relative importance of linkages.

Figure VI-5: Importance of Economic Linkages

Each respondent was asked to gauge (on a scale of 1-5) how important the economic linkages are between...



Source: ECG Interviews, 2004

The responses are presented in order of categories receiving the highest percentage of responses ranked either “Very important” or “Important.” It is a good indication of the validity of the results that the respondents ranked linkages to infrastructure and other firms highest in priority. This is true in every economy, and it reflects their concern that their cluster and the infrastructure that serves it is highly coordinated.

Another real point of interest is the fact that 82% of respondents felt that the quality of linkages between the four counties is “very important or “important,” higher than the number who felt that way about inter-firm linkages (68%). While most companies interviewed are now global in reach (in terms of markets, supply chains, and workforce recruitment), they still rank the importance of intra-regional linkages very highly. This, along with the high ranking given to linkages between the private and public sectors (66% rate them as very important or important), are excellent indicators of their understanding of the degree to which their success is tied to the efficient operation of the region as a whole. **This concern about regional cooperation is far higher than most regions around the country.**

Respondents also ranked their company’s links to research institutions and other industries in the region fairly highly (68% and 65% ranked them at least somewhat important respectively). This is a good indication of the crucial role played by the region’s technology transfer system as well as the degree to which the activities of the region’s clusters are mutually reinforcing (for example, bioinformatics as an emerging industry draws heavily from both biotechnology and information technology). In both instances, the perceived importance of these linkages underscores the importance of the cluster concept and the value of strengthening these relationships.

Direct quotations from interviews

“The Regents of the University of Washington should add technology transfer to their job performance indicators. Every Provost and Dean should be evaluated on that criterion.”

“Too many professors think ‘business is slimy’.”

“The University of Washington has to see itself as part of the problem, and the new president has to see himself as a change agent.”

“Puget Sound has a great life sciences university. We need lots of attention, though, to improving the tech transfer system.”

“We need a new degree that doesn’t exist: MBA in Life Sciences Management. It requires skills that are never taught together.”

“UW has a terrible relationship with the newspapers.”

“We manage higher education by controlling inputs, not outputs.”

The relatively low ranking of links (35% of respondents to this question indicated that either their company had no links or those links were not important) to workforce and training centers could be interpreted in one of two ways: either executives do not care about these linkages or they believe they are fairly well addressed today, and are not as high a priority. If the former is true, it may be one indicator of the global reach of many of the companies interviewed and the extent to which they recruit internationally, rather than just from the region’s workforce training system.

Puget Sound as an internationally recognized region

A considerable number of respondents spoke out on the question of the Puget Sound region’s international image. One of the questions we put to them was: “Should the region position itself as “Gateway to the Pacific Rim” or as an “International Hub” with strong linkages globally?” The responses to this question varied widely, but all agreed that lots of work needs to be done, both to build one of those images, but also to build the reality behind it: better linkages, better visibility for the immigrant community, better language training, and more pro-active outreach to other countries.¹³³

This topic also grew out of a discussion regarding the role of the ports and related infrastructure in the region. While most felt that the logistics and international trade cluster is rightly one of the key industries in the region, it stimulated broader thinking about how international all of the Puget Sound region’s clusters and institutions need to be.

Direct quotations from interviews:

“Our logistics & trade cluster is not just ports and transporters—it includes Boeing and Microsoft and every major company and industry in the Puget Sound region.”

“The Port of Seattle is effectively out of business as a container port.”

“The private sector takes the infrastructure for granted until it doesn’t work any more.”

The Pacific Rim is our destiny—that is what our expertise is.”

¹³³ The consulting team was surprised by the lack of references to Canada in the interviews. It is not clear whether this is because Canada is not viewed as an important international partner, or because British Columbia, at any rate, is viewed as essentially an already-integrated part of the Pacific Northwest region.

“We won’t produce pharmaceuticals in China any time soon for U.S. consumption—but they could be a research powerhouse for us, with all the repetitive testing that needs to be done by well trained people.”

“Special attention to Asia and China in particular is warranted, but not to [the] exclusion of other regions of the world.”

“UW needs a good school of International Affairs to play this role.”

“We need to add “inshoring” to the vocabulary. There is offshoring but also inshoring—the movement of high-end activities and bright people from Europe to the U.S..”

The Prosperity Partnership

Essentially every person interviewed sees the Prosperity Partnership as a good initiative, one that will at least bring the region’s economic challenges into view where new thinking can be brought to the subject.

All but a few interviewees would like to be involved in the effort, with those saying they would not be able to get involved saying that business pressures would prevent them from doing so, not a concern about the project, per se.

Most interviewees felt that the best result from the Prosperity Partnership would be a stronger sense of the region and more willingness on the part of the many agencies and organizations to work together to build a more competitive economy.

Direct quotations from interviews:

“I’d achieve a regionwide recognition of what is in our best interest—create positive energy about what we need to do, based on teamwork and constructive approaches, rather than the negative energy based on ‘what’s mine’.”

“Unified vision is what we need.”

“It was wonderful to see Microsoft take a stand on the third runway, their first major public regional issue.”

“Snohomish & Pierce counties have their act together; King County’s inability to work constructively is holding the whole region back.”

“I’d like to see whole Puget Sound as an ‘Innovation Area’.”

What do they recommend?

The business leaders interviewed were not shy about giving advice to the Prosperity Partnership on what needs to be done next. While these are quotes from a pool of 44 separate individuals, and therefore do not and cannot represent a cohesive set of strategies, it is very instructive to see in their own words what some of these individuals think must be done. (Many of these quotes were responses to the question “what would you do if you could be ‘King for a Day’?”.)

“Get ahead of the curve on the transportation issue.”

“Address the transportation issues by setting clear priorities.”

“I’d like to see a new, private university in the region, like Stanford. It would focus on enhancing our economic strengths, be quick to respond to regional needs for education and research, and would have a culture of commercialization.”

“We must fund higher education at the levels needed to remain competitive.”

“Upgrade investment in K-20 education.”

“We are strong in the information technologies and in life sciences. These two industries come together in ‘bio-informatics.’ We should be a world leader in this industry.”

“We need to focus on building up the next Boeing and Microsoft, in future industries.”

“Eliminate the B&O and raise the gas tax to cover it. It would have a huge impact on land use.”

“Amend initiative process—statewide initiatives are too disruptive, forcing policy makers to be reactive.”

“Revise tax structure with special attention to the regressive nature of the B&O tax and its implications for small business.”

“Revise the tax structure to be less hostile to capital-intensive industries.”