



ARIZONA
COMMERCE
AUTHORITY

BUSINESS PLAN
Executive Summary

The Arizona Commerce Authority will highlight Arizona's existing assets and advantages, focus on facilitating growth of high-wage jobs in targeted industries and coordinate statewide economic development efforts.



Special thanks to the members of the Arizona Commerce Authority's Business Plan Committee for their leadership: Mr. Craig Barrett (Chairman), Mr. Michael Bidwill, Mr. Drew Brown, Mr. Philip Francis and Mr. Mike Ingram.

I. Purpose

This plan was created using a data-driven, quantitative process, supplemented by research, input from subject matter experts and working sessions with the Arizona Commerce Authority's (ACA) staff, advisors and stakeholders. This plan delineates the ACA's goals and strategies, will guide key activities including specifically identified supporting tasks, and demonstrates how the ACA is organized to achieve its mission

II. Mission of the Arizona Commerce Authority

The ACA intends to play a pivotal role in fulfilling Governor Jan Brewer's vision of making Arizona even more attractive and responsive to business needs. Specifically, the ACA's mission is:

To grow and strengthen Arizona's economy and facilitate the creation of quality jobs for its citizens by supporting and attracting businesses in targeted, high-value base sectors throughout the state.

Context:

Arizona has enjoyed a long history of growth. This growth accelerated after World War II, and the economy strengthened as the state's economic base diversified. Expansion into higher, value-added sectors, such as manufacturing, began as early as the 1950s and continued for most of the remainder of the 20th Century. High-value job creation expanded into even more industries and incomes improved as the state moved away from its dependence on extraction-based operations (the classic five "Cs" – copper, cattle, cotton, climate, and citrus).

Arizona's economic diversification and expansion into these higher, value-added sectors produced more than just growth; it produced quality growth. A focus on this basic economic premise of economic diversification is the central theme for the Arizona Commerce Authority.

The ACA's focus is to support the recovery of the lost higher-wage jobs. Focused and-well-planned efforts by the ACA can indeed enhance and accelerate the economic recovery.

Arizona's Value Proposition:

Arizona ranks among the leaders in a wide range of economic performance measures, largely as a result of its growth and diversification during the past half century. While some states may achieve higher rankings in one or two measures, Arizona has reached the "top tier" level in several key areas. Thus, the state's fundamental strength – its value proposition – is its favorable ranking on a broad spectrum of key economic and business characteristics, not its superlative position in just one area.

III. Goals

The ACA, along with Arizona's elected officials and business leaders, is committed to robust, high-value growth and economic vitality in all regions across the state. This common goal is the foundation of the state's aggressive economic development agenda. Emphasis will be focused on creating jobs that bring with them additional indirect and induced employment. The ACA will work to achieve three aggressive goals:

- 52,500 Higher-Wage Jobs From Business Attraction
- 18,750 Higher-Wage Jobs From Business Growth
- 3,750 Higher-Wage Jobs From Business Creation

IV. Strategies

In order to achieve the goals set forth, the ACA will embark on a series of strategic actions over the next five years: recruit businesses to Arizona; grow Arizona businesses and create new businesses in Arizona.

Recruit Business to Arizona:

Arizona's ability to recruit businesses enables the state to enrich and diversify the existing business community and enhance the state and local economies through job creation and investment.

The ACA estimates that the relocation or expansion of businesses into Arizona will comprise 70 percent (52,500 jobs) of the goal for higher-wage jobs created over the next five years. Ninety percent will come from the U.S. and 10 percent from international relocations.

The ACA will focus business attraction and recruitment efforts on companies that satisfy at least one of the following requirements:

- Companies operating in the ACA's target industries planning to expand their operations;
- Companies doing business with Arizona companies in the ACA's target industries that are seeking to relocate closer to their clients' operations and access additional markets; or
- Companies supporting high-quality manufacturing or advanced business and financial services that support headquarters' operations.

Grow Arizona Business:

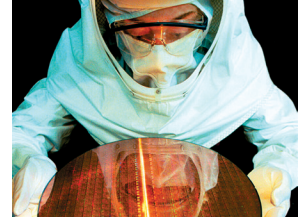
Growing Arizona businesses expands and strengthens the state's economy because it utilizes existing infrastructure and existing assets and advantages. Arizona is a preferred location to expand businesses with its skilled and abundant workforce, low cost of operations, high quality of life and its proximity to major markets in California, Texas and Mexico. The ACA will leverage existing financial incentives and economic development assets and create technical assistance programs and strategic partnerships to help Arizona companies grow their revenue, create jobs and increase capital investment in the state.

The ACA estimates that the growth of existing Arizona businesses of all sizes will comprise 25 percent (18,750) of the goal for higher-wage jobs created over the next five years.

Create New Business in Arizona:

By supporting entrepreneurship and the creation of new businesses in Arizona, the ACA will promote the state's position as a hub of innovation. Over the past decade, Arizona experienced one of the largest increases in entrepreneurial activity and now ranks first in the nation for entrepreneurial activity according to the Kauffman Index of Entrepreneurial Activity. A strong start-up environment is critical to the state and will promote a robust and relevant talent pool for high-wage positions, a strong supply chain for companies expanding and relocating to Arizona, attractive employment for university graduates and a long-term quality jobs engine.

The ACA recognizes the critical need to support and enable entrepreneurship in Arizona and estimates that new business creation will comprise 5 percent (3,750) of the goal for higher-wage jobs created over the next five years.





V. The Target Industries

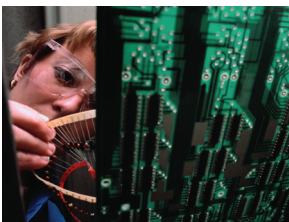
When executing the strategies of recruiting businesses to Arizona, growing Arizona's existing businesses and creating new businesses in Arizona, the ACA will focus on key sector opportunities.

The ACA targets industries that:

- Grow in output and employment throughout the economic cycle;
- Create high-wage jobs;
- Provide a competitive advantage for Arizona and U.S. companies;
- Generate significant exports and encourage capital in-flows;
- Have strong supply chains and robust multiplier effects;
- Generate research and development (R&D) funding; and
- Generate greater tax revenues that support public services.

Based on these desired impacts, the ACA has targeted five industries, divided in two categories:

- Advanced industries:
 - Aerospace and Defense
 - Semiconductor
- Nascent industries:
 - Bioscience
 - Optics
 - Renewable Energy





VI. The Target Markets

In addition to focusing on the aforementioned base sectors, the ACA will engage in both a national and international campaign to increase Arizona's visibility outside of its borders to expand exports and attract new businesses and investment. The ACA's international and national strategies will complement the growth within the state, attract more high-wage jobs and increase the state's overall average wage and level of capital investments.

The ACA is focused on key target geographies to maximize its impact in select locations. These targets reflect Arizona's current exports and business relationships within the location, proximity and connectivity, and target industries strengths.

In addition to the ACA's domestic efforts, initial target international geographies include Canada and Mexico. The ACA will focus on these locations to attract new companies to the state, relocate operations of existing Arizona companies from these areas, increase trade and foreign direct investment activity, assist Arizona companies to expand their market span in these markets, and launch brand marketing campaigns.

Initially the ACA will seek two types of business development opportunities:

- Foreign businesses with some operations in Arizona that are considering relocating some of their foreign operations in the U.S.; and
- Foreign suppliers of Arizona businesses that are considering relocation as a way to improve their competitiveness and expand their operations.



VII. ACA Actions that will Achieve Goals & Yield Results

To attract, grow and create high-wage jobs, the ACA must execute a series of specific actions to strengthen Arizona’s competitiveness, promote the state’s economic advantages and deliver on Arizona’s promise of a stable economy for years to come. The ACA’s strong Board of Directors, experienced and knowledgeable staff and reliable funding all support these efforts. The ACA will build on its foundation by collaborating with public and private organizations to develop and implement programs, incentives and messaging campaigns that will support the ACA’s mission and goals.

The ACA has identified 10 actions as mission critical. These actions will be supported by detailed Work Plans. These Plans will include specific projects to be completed over the next 24 months that will further the ACA’s mission

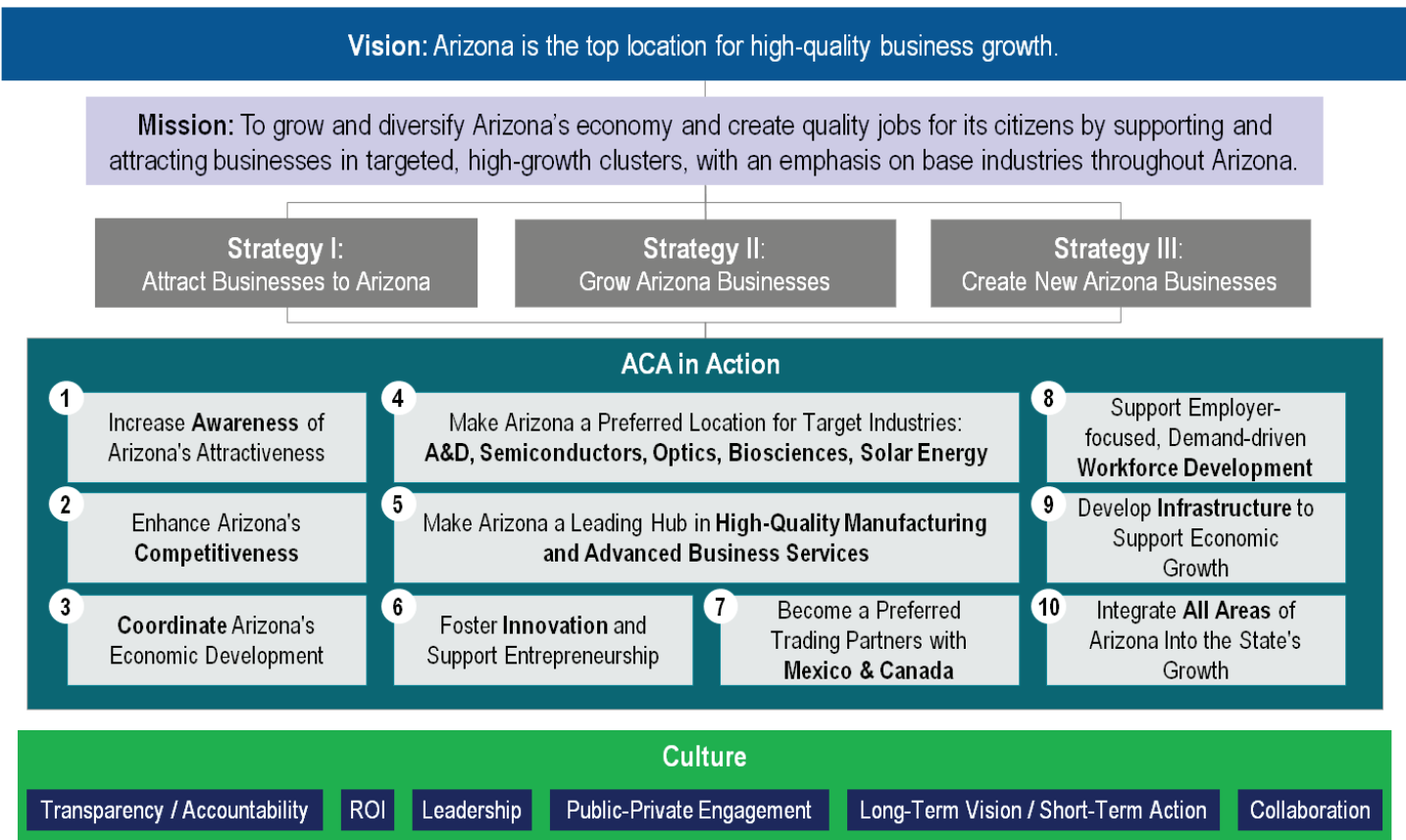


Figure 1 - The ACA’s Strategic Framework





VIII. The ACA's Organization

The ACA is organized in a strategic manner to efficiently execute its mission. The ACA will operate under a matrix-oriented operating model, an internal organization structure and the collaborative effort with external parties. The ACA is governed by a Board of Directors, led by a President and CEO, and works closely with industry and sector experts as well as external agencies and partners

Holistic Approach – The Value of Strategic Partnerships

To execute its strategies and achieve its goals, the ACA will work closely with its partners, including the various regional and local economic development organizations, universities, science and technology organizations such as Science Foundation Arizona, leadership groups such as Greater Phoenix Leadership, Flagstaff Forty, Southern Arizona Leadership Council and others, Chambers of Commerce at local and regional levels, and industry trade associations such as the Arizona Small Business Association, AZBio and Arizona Technology Council. These partners will interact with the ACA through a holistic approach to ensure all sides are kept abreast of information on economic development needs and actions to fulfill them.

Departments, namely Business Attraction (Recruitment), Business Development (Expansion and Growth), Business Creation, International and Rural Development, are performance-driven departments and are managed by department leads.

IX. Conclusions

The strategies and goals within this plan are based on the recognition of the state's strengths, how the local economy works, and how it can reasonably be advanced. However, to accomplish the various goals, there must be some synergy among the various initiatives and partners.

The individual economic development tools must be well considered and utilization must be based on making the local economy better than it would be absent the effort. The overriding goal is to enhance the growth of the local economy while maintaining a competitive private-sector environment. This means that incentives will be used sparingly and will not create winners and losers but instead will "rise the tide" for all participants. In the longer term, it is the ACA's goal to have a larger percentage of businesses created from within or expanding local operations.

In order to accomplish the listed goals, the ACA will regularly review the statutory economic development programs and make recommendations related to enhancing efficiency. Similarly, the ACA will market the state more effectively and promote the advantages that the state has to offer but that are not being noticed.

