



## Project Profile: New Mexico

### Key Project Takeaways

Through its Industry Resilience grant, the New Mexico IR team catalyzed state efforts to enhance the resiliency and strength of the defense supply chain by further developing new industry sectors like energy, photonics, and biosciences. These sectors were identified as targets by the state's science and technology plan, which informed the scope and focus of the state's plan for IR funding. New Mexico leveraged key grant activities, like the defense supply chain mapping study, to identify workforce, technology, and product vulnerabilities. The pilot services provided to companies has been used to develop an adjustment and diversification strategy to stimulate statewide cooperative efforts to mitigate the effects that volatility in defense spending has on New Mexico's companies and to strengthen the supply chain. Finally, the grant helped provide the state and its communities with a better understanding of the regions and industries that could be adversely affected by cuts in DoD spending so that adjustment and diversification strategies can be put in place.

### Project Description

#### Rationale

New Mexico is a state with a relatively small population covering a large geographic area, but it boasts a significant defense industry sector. Defense-related activities in the state represents 3.5 percent of Gross State Product, fueled by the presence of three federal research laboratories, several military bases, and an array of defense contractors receiving between \$1-2 billion annually in contract awards. The New Mexico Economic Development Department (NMEDD) was concerned about reductions and volatility in federal defense spending and, after becoming aware of what other states were doing to diversify their economies during sequestration, applied for a Industry Resilience (IR) grant.

#### Program Activities

With OEA funds, New Mexico advanced national defense priorities for Resiliency. Key program activities for the grant included:

- Program Coordination - Community outreach, kickoff meetings, statewide leadership group convenings, establishing a web portal to connect stakeholders
- Asset & Supply Chain mapping - Examined available data to find supply chain holes, created surveys, gathered new data, identified work force, technology, and product vulnerabilities, recognized assets, and analyzed new market opportunities
- Industry Needs Assessment – Conducted across the entire supply chain utilizing the web portal and information gathered during the asset and supply chain mapping.
- Photonics Pilot Services - Photonics is the science and application of light generation, detection, and manipulation. Lasers commonly come to mind, but photonic technologies are critical to telecommunications, information processing, lighting, medicine, defense, agriculture, and robotics. Previous studies determined that New Mexico is strong in this field. New Mexico



established criteria to select 6-8 companies that work with DoD, targeted their needs, and provided targeted assistance

The customers for the state's IR efforts included small and medium sized companies in technology-oriented industries. Diversification strategies focused on assisting those businesses that could potentially pivot into defense supply, photonics, bioscience, and energy. The IR grant covered the entire state.

## Resiliency Impacts

### Increasing Awareness of the Defense Industrial Base

New Mexico assembled a IR project team, created a statewide OEA leadership council, and held regional kickoff meetings. NMEDD and a selected contractor, AMARC, traveled to seven communities across the state to facilitate town halls where they discussed the IR project, the importance of the asset and supply chain surveys, and conveyed the importance of defense spending in the state.

AMARC spearheaded the asset and supply chain mapping activities; the state's OEA leadership council oversaw the activities. The economic asset survey was distributed to economic development entities across the state, including incubators, accelerators, and workforce development organizations. The economic development survey garnered a near-universal response rate. A business survey was distributed to roughly 900 New Mexico firms. Initially, the response rate was very low, but through persistent follow-up the contractor and NMEDD ultimately gathered responses from approximately 20 percent of businesses. The asset survey inquired about locations, geographic coverage, services provided, and sources of funding. The results of this survey yielded the asset map for the state. The supply chain survey gathered information about location, products and services, supply chain tier, technological capabilities, and defense-spending dependence. The survey was supplemented by web and phone research to gather needed information.

The asset survey revealed that the state needed to improve its performance measurement of economic development service providers, steps should be taken to make it easier for firms to identify and access available assets, and even though talent is a major issue, businesses are underutilizing the state's Department of Workforce Solutions. The supply chain survey found that New Mexico firms boast high technical capacity but face significant challenges related to business development, companies desire services that will yield efficiency improvements, and defense-spending dependency is far higher than anticipated. The New Mexico IR team also shared the findings with the Governor's Cabinet and the state's members of Congress for appropriate action and support.

This data was also fed into the defense sector supply chain map and incorporated into the NM Defense Enterprise Connect website ([www.NMDEC.net](http://www.NMDEC.net)). This New Mexico-focused web portal, created through the grant, became and continues to serve as a critical conduit for sharing information, leveraging assets, and connecting business needs to services offered throughout the state. The site features information on New Mexico's defense industry and pertinent news and articles, a data gathering tool in the form of an online survey for defense companies, discussion forums and webinars, a calendar of relevant events,



economic modeling resources, archives of completed supply chain studies and analyses, and links to defense relevant organizations and resources, such as workforce training and matching.

### Commercial Diversification of Defense Companies to Sustain the Industrial Base

The state considers the IR grant and its outcomes to be critical in its efforts to capture potential technology transfer and innovation opportunities stemming from the work and close of proximity of the federal laboratories (Los Alamos, Sandia, Air Force Research Lab), and in helping businesses remain healthy by creating opportunities for them to access and participate in technology-oriented industries and within the existing defense supply chain. Grant funds allowed New Mexico to launch a pilot program offering business assistance services to help companies pivot into or succeed in state targeted technology-focused industry clusters.

For the Photonics pilot services, eight firms were selected based on several criteria, which included: whether they receive more than 90 per cent of revenue from federal defense contracts; diversity across the photonics sector; and whether the state had previously provided services to the company. The goal of the assessment was to identify business practices where firms could improve to increase their valuation. Companies received a strategic plan based on findings from the CoreValue® assessment; the plan will be useful well beyond the life of the IR grant. Based on the results of the assessment, the New Mexico Manufacturing Extension Partnership (NM MEP) Center provided services to assist the companies with achieving their goals. To date, two companies has completed their work with NM MEP and efforts with other companies are ongoing. Photonics companies in the pilot have particularly sought sales and marketing assistance, and involvement in trade shows.

For these pilot services, New Mexico is capturing metrics related to: follow-on investment, increased jobs (including students and interns), grants, venture capital, angel funding, changes in revenue, and new customer acquisition. NM MEP will also use the MEP client survey instrument, which is validated by third-party administrators. Beyond the pilot services, New Mexico is measuring the number of profiles on the NM Defense Enterprise Connect website, the activity on the website (i.e., pages visited), and more qualitative impacts such as greater awareness about defense-industry ecosystem vulnerabilities, and a willingness among elected officials and community leaders to understand business diversification.