



Project Profile: Washington

Impact Statement

OEA funding enabled Washington State to develop of resources for defense contractors and the defense industrial base, coordinate efforts across the state, bring together stakeholders for collaboration & capacity building, produce reports, plans, & technology tools, increase outreach to businesses & communities, and establish sustainability efforts that will last beyond the grant period.

Key Project Takeaways

The project greatly strengthened the breadth and depth of relationships among partners and stakeholders. One of the main benefits from these relationships and OEA funding was the elevation in importance of Washington State’s defense sector in the minds of leaders, organizations, and the public. Defense is more widely viewed now by a broad set of stakeholders, partners, and public officials as an important sector driving the state’s overall economic engine. Recognizing this, the Governor established a Defense Sector Lead position to focus the state’s efforts. The IR grant allowed the state to support the work of this position and to bring together systematically the information needed, along with defense sector partners and stakeholders. It enabled the state to foster a “collaborative approach across all corners of the state” dedicated to strengthening the defense sector workforce and businesses while supporting national defense interests.¹

Doing research and developing plans at the state and company levels helped provide a focus on the message. It enhanced their ability to be strategic and methodical to address the identified and underlying challenges. For instance, under the project, 18 companies participated in development of defense diversification plans. Washington reported that 75 FTE jobs were created by one company as a result of technical assistance supported by OEA. The project generated nearly \$750,000 in direct investment beyond OEA funding, with additional impacts estimated in the millions yet to be quantified by individual companies supported through the grant efforts.

In addition, OEA’s supplemental award to incorporate a trade and export component yielded several valuable outcomes and products:

- Five Reports Detailing Trade & Export Opportunities in Targeted Industry Sectors;
- Salesforce Integration of Defense Companies;
- Recorded Seminars on: Economic Sanctions and their Impact on Exporters; Export Opportunities; Financial Considerations for Exporters Tips and Traps; Financing Options for Exporting; Foreign Military Sales Overview; Foreign Military Sales Regulatory Compliance; Managing an Export Controls Compliance Program; and What to Know Before You Export – Logistics.

¹ Letter from WA Governor Jay Inslee to OEA, dated July 18, 2014



- Comprehensive Export Plans for 4-8 Washington Defense Companies; and
- Summary & Evaluation for Companies Participating in International Trade Missions.

The additional funding helped state trade officials create a defense-side focus within WDOC's existing trade and export program. The state saw it as critical, as trade and export are important components for economic growth, but it comes with its own set of unique challenges. WDOC's trade and export division has limited resources, and therefore, spends most of its time on a select group of industry sectors (e.g., aerospace). The IR amendment allowed the state to provide a more holistic response to the potential negative impacts of federal defense spending reductions on Washington's defense businesses.

Project Description

Rationale

The Department of Defense (DoD) is a major contributor to the state of Washington's economy, accounting for over 3 percent of state GDP.² The state houses ten military installations, Naval Base Kitsap and Joint Base Lewis-McChord being the two largest. More than 100,000 defense personnel are stationed in Washington, making the military among the top public employers. Moreover, Washington is home to one of the country's biggest defense contractors, Boeing Company, the world's largest aerospace company and leading manufacturer of commercial jetliners and defense, space & security systems. Almost half of the company's total worldwide employment, more than 77,000 workers, is based in Washington State.³ Overall, the state has 1,900 businesses tied to Defense and Homeland Security work with nearly \$7 billion in recent DoD contract awards.⁴ These defense supplier businesses cover 35 of the state's 39 counties.

Given that military installations and defense-related businesses provide tens of thousands of jobs and contribute billions of dollars to Washington's economy each year, the state is particularly vulnerable to changes in defense funding levels and the uncertainty surrounding future military spending. This vulnerability affects many Washington families since our nation's defense requires the support of thousands of uniformed & civilian DoD personnel, highly skilled workers, precision manufacturing, and sophisticated scientific and technical support.

The Washington State Department of Commerce (WDOC) turned to the Pentagon's Office of Economic Adjustment (OEA) in 2014 for funds to develop a proactive response to mitigate the potential "catastrophic impact" of defense budget cuts and sequestration. The OEA's Industry Resilience (IR) grant provided a catalyst for Washington State to:

1. Better understand the extent of the military and defense contracting footprint in the state;

² Office of Economic Adjustment - Defense Spending by State, FY2014

³ In 2016, Boeing reported total company employment of 158,750, of which 77,114 employees worked in the state of Washington. <http://www.boeing.com/company/general-info/>

⁴ Office of Economic Adjustment - Defense Spending by State, FY2014



2. Reduce the exposure of businesses reliant on military and defense spending through the development of diversification strategies;
3. Build the capability to support technology transfers;
4. Assist dislocated defense contract employees;
5. Understand future opportunities for industry growth; and
6. Focus on retaining and strengthening defense sector businesses and workforce in the state while also supporting national defense interests.

Program Activities

Washington's Department of Commerce (DOC), in establishing the state's Industry Resilience plan, sought OEA funding to help support several activities, including enhancing communications and awareness, conducting assessments, building capacity, implementing pilot projects, increasing technology transfer, and applying this information toward strategic planning for the State. WDOC organized all OEA grant activities into five components: Setting the Table, Understanding the Playing Field, Finding & Planning the Solution, Determining a Path Forward, and Branching Out on Our Own. WAMA created a website that hosts all written project deliverables including reports, videos, and other materials: <http://wamilitaryalliance.org/oea-grant-deliverables/>.

In Branching Out on Our Own, WAMA conducted implementation planning for applying the outcomes of the initial IR grant. This included developing a blueprint for implementing the recommendations of the assessment, pilot programs, and analysis reports. Some items included in the initial grant's vision of implementation were addressed in Phase II of the grant, such as expanding the pilot program.

Washington subsequently received Phase II funding for Year 3 that enabled support for 15 additional defense businesses in the region, enhanced the scope and capabilities of the supply chain mapping effort, and supported a feasibility study about building relationships among stakeholders in Washington's cybersecurity industry. The grant allowed the state to expand the defense contractor supply chain map, adding new features and automations to the tool.

Resiliency Impacts

Increasing Awareness of the Defense Industrial Base

For the Understanding the Playing Field: Assessment & Forecasting component, Community Attributes Inc. and TIP Strategies surveyed 1,900 defense contractors to determine the extent of company reliance on military and defense spending, and skills and knowledge required by the companies' workforce to be able to meet the national defense needs. They also created a dynamic modeling tool (<http://www.wadefenseimpacts.org/>) that estimates the impact of reductions in defense spending for these companies and Washington's economy. Partners identified this forecasting capacity as an important "early warning system" to alert members of impending changes and direct them to resources. They designed it for easy and inexpensive maintenance and updating, aiding sustainability efforts. The Governor personally rolled out this tool. This component also included researching and producing Defense Export Market Reports on sectors such as aerospace, clean tech, and life sciences.



In Determining a Path Forward, TIP Strategies created the Washington State Military & Defense Playbook: A Five-Year Strategic Plan for the Washington Military Alliance. The framework identified components critical to strengthening the defense industry in Washington and the report analyzed the assets of the military and defense industry locally. This component also included a tech transfer study and a white paper on attracting defense spending and investment.

Enhancing Force Multipliers to Support the Defense Industrial Base

The Setting the Table component involved efforts to build the capacity of the Washington Military Alliance (WAMA), create strategic communications documents, and conduct strategic outreach. WAMA was key to maintaining the connection between the state and regional and local stakeholders, bringing together representatives from community advocacy groups, military leadership, along with public and private sector organizations to promote military and defense economic development.⁵ With OEA grant funds, TIP Strategies was hired and created foundational documents including the [Communications Plan](#), the Social Network Analysis for the operation of WAMA and a work plan.

Commercial Diversification of Defense Companies to Sustain the Industrial Base

In Finding & Planning a Solution, WAMA worked with Operation Military Family to prepare white papers, roadmaps, and regional profiles to identify the state resources and capabilities that support the defense industry. This set the stage for the direct support of defense companies, engaging six defense manufacturing businesses and six defense services businesses for tailored support from Impact Washington and TIP Strategies, respectively. This effort assisted companies that provide operations, maintenance, and mission support to DoD to increase their competitiveness for contracting opportunities.

The pilot targeted firms with diversification and expansion opportunities or with DoD contractor potential. The IRP is connected to the state's Procurement Technical Assistance Centers (PTAC) network, supported by SBA, but the OEA grant allowed the state to focus on defense contractors while also allowing the PTAC network to extend its service reach to King County. IRP staff was collocated with WDOC's Military & Defense Sector group, which promoted even greater opportunities for coordination and enhanced industry engagement.

Cybersecurity Preparedness

The state recognized the need to improve resources available for companies to improve their cybersecurity. In response, WAMA identified 20 highly qualified cybersecurity experts and 20 non-technical companies concerned about cybersecurity. They convened as a learning community, which advised on a road map to help companies with cybersecurity, identifying company risks, needs and potential actions, including connecting to resources like the Pacific Northwest National Laboratories and PTACs in the state.

⁵ For more information see <http://wamilitaryalliance.org/>



Lessons Learned

Most Important Lessons Learned

Several important lessons emerged from Washington State's experience with OEA.

Engage a broad set of partners and experts and maintain good project management practices: Avoiding a top-down structure helps give one voice and a unified message to the defense sector and the 21 support organizations engaged in the project and multiple companies served. Washington team members stressed the importance of maintaining good project management practices given the many partners, tasks, and deliverables associated with IR grants. This includes understanding critical pathways for performance and establishing milestones to keep on schedule. There will be bumps in the road - which included issues on the state side related to the letting of RFPs, hiring staff, and undertaking procurement. Future IR grantees should consider the "bumps" as early in the IR planning process as possible.

Direct assistance to companies pays off: WDOC funded the state's Manufacturing Extension Partnership (MEP) center, Impact Washington, to run the pilot defense business programs. Its NextGen LEAN program, which balances a top line and bottom line approach to promote continuous improvement, primarily focuses on improvements to the shop floor. One pilot company received assistance from Impact Washington that reduced the sales order process from 105 to just 13 days, allowing them to accept more orders from DoD and other customers.

Celebrate your achievements: Without the IR grant, Washington State would not have been able to "stand up" the Washington Military Alliance and roll out the Defense Impact Tool that provides an early warning system for the state.⁶ WDOC made public these significant advances, including a rollout of the dynamic modeling tool by the Governor. Other IR grantees should also laud the "but for" achievements resulting from IR funding.

⁶ See www.wadefenseimpacts.org