

Special Advertising Feature



CALIFORNIA



* The Great Idea State



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“For more than a century, California’s ideas have been the gold standard for innovation and progress.”

—GOV. SCHWARZENEGGER



Maybe the first great idea was the name itself. From a 16th-century Spanish thriller, *California* was described as a land of super-ambitious people where imagination blurred with reality to create a trove of gold and riches. Well, they found the gold in 1848, and since then the riches have kept on coming.

If California didn’t exist, it would have had to be invented—

say, by one of its renowned creative pioneers: Walt Disney, Steve Jobs, or any number of innovators who have put their distinctive stamp on the Golden State and continue to do so.

Why has California long been the birthplace of great ideas? Whether it’s a cartoon mouse that grew to become an international entertainment icon, or a desk-top mouse that put computer technology at the fingertips of close to 75% of adults in this country, the great ideas that have been nurtured and grown in California are rivaled nowhere else. And it has a lot more to do with factors beyond sunshine and climate.

California has always been known as a safe haven for entrepreneurs, where a couple of independent visionaries could transform a small idea born in their garage into a huge corporation and immense wealth, as told in the lore of so many companies. Search “California Entrepreneur” on Google and you’ll more than 9 million

results. Try “California Innovation,” and the number soars to over 70 million.

“California is innovation,” says Governor Arnold Schwarzenegger. “For more than a century California’s ideas have been the gold standard for innovation and progress.” He echoes a favorite statement of his predecessor Ronald Reagan, who said, “If you want to know what the world will be like tomorrow, just look at California today.”

Revolutionary concepts from California’s breakthrough thinkers are legion. Among them: television, arcade video games (remember Pong?), and the treaded tractor. But even more compelling is the fact that California innovators continue to change the way we live today. It was California’s quantum-leap tech wizards that



Allan Zaremberg, president of the California Chamber of Commerce, welcomes Governor Schwarzenegger to an annual business event.



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**We encourage cultivation
as well as innovation.**

You'll find us in every state in America, and in more than 25 other countries. Our reputation as a leader in defense technology is unsurpassed. But it's just as important for Northrop Grumman to take part in the communities where we are present. That's why we maintain a strong commitment to programs that improve education, human services, culture and diversity. We're proud of our reputation as a premier defense contractor. Yet we're equally committed to strengthening the fabric of our communities.

California-inspired Mexican Cuisine

The only major U.S. Mexican restaurant chain founded in Mexico, El Pollo Loco's first U.S. restaurant opened in 1980 in Los Angeles. Celebrating over 25 years of serving California, the popularity of El Pollo Loco's 335-plus locations stems from the unique preparation of its fresh, natural chicken marinated in herbs, spices, and citrus juices and grilled over an open flame for flavor-to-the-bone no one else can deliver. From signature grilled burritos, quesadillas, tacos, and salads, to meals of authentically prepared chicken on the bone, El Pollo Loco provides a taste experience that can't be found anywhere else. With plans underway to expand across the nation, El Pollo Loco embodies the heart and soul of California cuisine with fresh, flavorful food that fits today's healthy, active lifestyles.



developed inventions many of us cannot live without like TiVo and the iPod.

Incubating Great Ideas

What makes all this possible, beyond being home to the nation's largest consumer market? "What California has is what every state in the union and every country in the world wants," says Dr. Rob Atkinson, vice president of technology with the Progressive Policy Institute, a Washington, D.C.-based think tank that studies economic development models. Atkinson proposes a new model for economic development based on innovation and discovery that differs significantly from the more traditional methods of luring business to a state: it focuses on attracting a highly educated workforce and fostering partnerships between the public and private sectors. This compares with the old model of competitive advantage based on fixed resources, location, or being a cheap place to do business.

In short, states and countries that attract breakthrough thinkers and companies will win out; regions that rely on cheap labor and proximity to natural resources will not. Addressing this challenge requires a shift away from traditional economic development models. In addition to low wage rates and tax incentives, modern economies must compete on the inventiveness of their workforce and the ideas they bring to market. In short: The better concept, feature, design, or idea rules.

Ronald Sugar, chairman, CEO and president of Northrop Grumman Corp., based in Los Angeles, notes that his company has been contributing to these concepts since 1939, from the XB-35 Flying Wing through the B-2 Spirit Bomber. "Today, our 30,000 California employees are helping shape the Golden State's future with innovations like the Global Hawk unmanned aerial system, and James Webb Space Telescope," he says.

Allan Zaremborg, president of the 15,000-member California Chamber of Commerce, says the reason why all international automakers have design studios in California, even though they may not have manufacturing facilities here, is "because they want to embrace that California creative spirit." Zaremborg maintains that business success is hard, "but California's combination of markets, both domestic and foreign, plus our renowned institutions of higher education, a highly skilled labor force, and a diversity of styles and ideas, give us a huge competitive edge in today's economy."

Global Market Reach

Even with a state population of some 36 million consumers, California has long since quit concentrating solely on the in-state market. If the state were an independent nation among developed countries it would rank eighth in the world (see chart on S5). Through its ports, among the nation's largest (Oakland, Los Angeles, and Long Beach), flow some \$116 billion in goods to and from 222 different trade partners, accounting for one-quarter of the state's economy. Exports of computers and electronics alone topped \$41 billion in 2005.

Recognized Leader

Founded in 1980, Lam Research Corp. is a major supplier of wafer fabrication equipment and services to the world's semiconductor industry. Lam is the market share leader in its product sector, consistently delivering technology breakthroughs that enable customers to develop some of the world's most advanced semiconductor devices.

Lam fosters an exemplary workplace based on a set of Core Values that impact every aspect of business—from how employees are treated to building trust with customers to supporting educational initiatives in its local communities. Prestigious publications have recognized Lam as one of the Best Managed Companies in America, 50 Best Places to Work in the Silicon Valley, and 100 Best Corporate Citizens in

the U.S. Lam is a recognized industry leader today as a result of the talent and dedication of its employees.



Setting the Pace

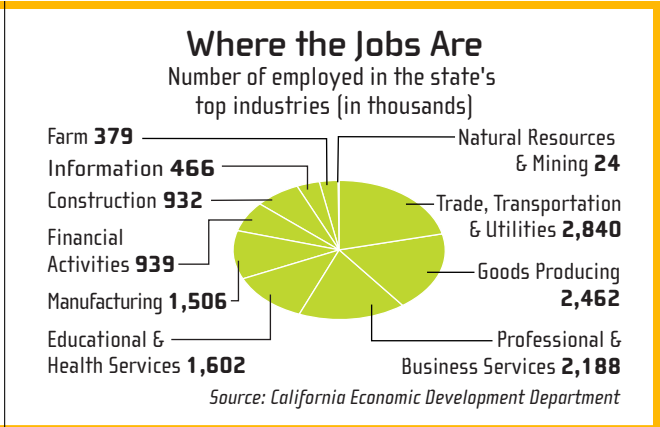
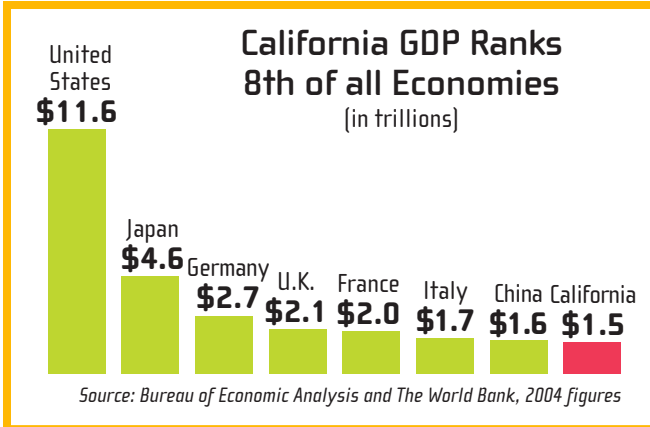
New United Motor Manufacturing, Inc. (NUMMI) is the pioneering venture of Toyota and General Motors. Established in Fremont, Calif. in 1984, NUMMI helped transform the automotive industry by implementing the Toyota Production System and teamwork-based working environment in the United States. NUMMI's collaborative partnership with the United Auto Workers has contributed to the company's successful operations.



Today, NUMMI has grown to become a company of more than 5,500 team members who produce the Toyota Corolla, Toyota Tacoma, and Pontiac Vibe. The company's core values are based on five cornerstones: teamwork, equity, involvement, mutual trust and respect,



and safety.



If it's access to world markets that entices business to California, it's access to the products of the state's higher education system that keeps business here. While these halls of ivy are more likely to feature palm trees, the list of California's prestigious educational institutions—including Stanford and the California Institute of Technology—is unmatched anywhere in the world.

The Money Chase

Without money, ideas usually remain just ideas. But in California, where support for novelty and innovation has long been a hallmark, great concepts attract funding. It's not surprising that venture capital pours into the state. In 2005, venture capitalists sunk \$10.2 billion in California companies, nearly half of all venture capital dollars invested in the U.S., according to PriceWaterhouseCoopers. California is also the No. 1 state for attracting foreign direct investment.

This smart money goes to innovation, with the top five sectors on the receiving end being software, biotech, telecommunications, medical devices, and semiconductors. The National Science Foundation ranks California first in the nation in R&D spending, at \$51.4 billion, and first in patents, comprising more than 21% of all resident-issued patents nationwide.

Driving Economic Growth

Of course, the critical components for continued prosperity of this innovative, market-driven economy depend on the quality of legislation and regulation emanating from the state capitol. The Golden State has come a long way since the days of record deficits, power blackouts, and the enactment of job-killer bills. From July 2003 to January 2006, workers' compensation rates have been reduced by over 40% and are now below where they were in 1996, trade has expanded, and the governor has held the line on taxes. Californians are reaping the benefits, with the creation of 400,000 new jobs and stronger economic

growth, which now permit the state to make significant new investments in schools, transportation, and other infrastructure components.

Foremost among the California chamber's concerns, as ranked in their 2006 issues guide, *Keeping California Open for Business*, is improving the state's infrastructure. That's why the chamber is putting strong support behind the governor's Strategic Growth Plan. Over the next 20 years the population is expected to increase by as much as 30%, and it is estimated the state faces more than \$500 billion in infrastructure needs. The governor's plan is the first phase of a 20-year investment to meet those needs, leveraging \$68 billion dollars in bonds over the next ten years to invest more than \$222 billion in the state's infrastructure without raising taxes. Plan highlights include:

Transportation: Reducing congestion by 18% by building over 1,200 miles of new freeways and 600 miles of public transit.

Water: Allocating \$35 billion to restore levees in the Central Valley and improve water delivery statewide.

Education: Investing \$38 billion in funding K-14.

Energy: Creating a new energy infrastructure including increased refinery capacity, new natural gas pipelines, and hydrogen refueling stations every 20 miles along the freeway.

Zarembek says it's a bold and doable plan, "and we stand behind it. Everywhere in this country, infrastructure has been neglected, but now we have a governor who understands it's time to do something about that. That's what sets us apart

from the other states."

That's not all that sets California apart. It's a different kind of place, long known for imagination, risk-taking, and maybe a little quirkiness, where entrepreneurship and companies with a dynamic, innovative concept have a better-than-even chance of success. The gold may be gone from the river bottoms, but it's there for seekers with the next great idea. —**Jerry Vorpahl**



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