



YEARLY ACTIVITY PLAN (YAP) - FY '08

Division/Attached Agency: High Technology Development Corporation (HTDC)

Program Name: HTDC v.2.0: Incubation Facilities & Entrepreneurship Program

Program ID: BED 143

I. PROGRAM PLANNING

Problem, issue or opportunity statement: Describe the problem(s), issue(s) and/or opportunity(ies) your program is attempting to respond to. Identify the participants (individuals, companies, industry sectors, etc.) engaged in this problem, issue and/or opportunity.

Background information: HTDC's statutory duties

- Developing industrial parks as high technology innovation centers and the development of projects within or outside of industrial parks;
- Providing support and services to Hawaii-based high technology companies;
- Collecting and analyzing information on the state of high technology companies;
- Promoting and marketing Hawaii as a site for commercial high technology activity; and
- Providing advice on policy and planning for technology-based economic development.

HTDC's mission is to facilitate the growth and development of high technology as a viable industry sector in Hawaii's economy.

Community Problems:

- Economic growth to be gained from the tourism sector in a sustainable way is limited
- Innovation/technology is key to revitalizing and optimizing industry sectors beyond the tech community (application of tech leads to higher productivity, therefore, higher GDP), but concepts of STEM have not been integrated into our economy/traditional industry sectors and the education systems.
- Tech community seen as self-absorbed/one issue community (Act 221) on corporate welfare; therefore, not seen as a major economic driver
- Diverse but fragmented tech sub-sectors without a main cluster with enough critical mass
- Innovation-based economy: concept not understood by many, nor is it clear how one can take part in the paradigm shift
- Complete information of Innovation activities not available to consolidate efforts or maximize impact
- Not enough or accurate data on innovation (\$, grants won, IP, available resources) to form a baseline to set appropriate goals and hold industry and economic development groups accountable

HTDC's Recent Past:

- Legislature/Administrative budget constraints and significant decrease have led to HTDC seeking to be financially self-sustainable model, which often contradicted HTDC's stated mission, further marginalizing the agency.
- Limited funding favored revenue-generating activities, cornering HTDC into an **occupancy-based model of incubation** (maximizing revenue from rent), which limits our role to a mere landlord **vs. programs-based incubation** with services that directly address economic development (e.g., policy setting, surveys, awareness, education, empowering other groups, acting as a bridge between public and private entities).
- Significantly reduced the operational deficit during FY 2007 (from \$150K to less than \$50K)
- Procurement exemption revoked (currently working with select program-based exemptions)
- Self-sustainability goal addressed by multiple executive directors in the past (by reducing expenses and looking for federal grant sources to increase revenues, as well as collecting more fees from the companies we assist). Such actions often placed HTDC to compete for funds against entities we were supposed to help.

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Challenges/Opportunities for HTDC:

- HTDC mirroring the State's paradigm shift from land-based economy (occupancy-based incubation model) to innovation-based economy (service/programs-based incubation model)
- Dismiss the self-sustainability goal where it actively contradicts our mission. Replace the goal with fiscal responsibility and smart investments, funding only projects that align with the mission and longer-term economic upside for the State of Hawaii.
- Revamp or bust! (Stop the downward spiral of being marginalized and be relevant to the community, and if necessary, die doing so vs. looking out for its own longevity.)
- Discontinue activities successfully taken over by private sector, to concentrate on higher risk labor-intensive projects industry can't take on
- Retool and update past programs as appropriate, introduce new programs to address the challenges of the community using our incubation program as a foundation; and implement ideas from past reports and strategic plans that are still relevant (assumption: implementation not feasible due to lack of funding or staff not given enough guidance, authority, or tools to pursue).
- Creation of a State non-profit entity, High Technology Innovation Corp. (HTIC) (administratively attached to DBEDT) to conduct missions of HTDC where HTIC's status is more advantageous in completing the mission or cannot be completed otherwise.
- Legislators and Administration both acknowledging the important role of technology in our economy

Need and partners: Specify the need for government intervention. Provide supporting evidence. Identify any partners you will be working with to address the problem, issue and/or opportunity.

- To act as objective counterparts to industry representatives for legislature and administration for policy setting, to provide a community-wide and long term view
- To take on projects and tasks that are higher risk, bigger scope, longer term, time consuming, or of no immediate financial benefit that individual groups in the private sector cannot or are not interested
- Incubation programs consistently improve small business successes and emerging industries (only 20% of small businesses survive vs. over 75% survival rate for graduates of incubation programs) but programs are not profitable; and therefore, not sustainable by private sector
- Many programs we support and deliver require the financial stability and/or credibility and/or resources of the State govt (e.g., Manufacturing Extension Partnership requiring 2:1 match)
- **Partners:** Administration, B&F, DBEDT, Depts/agencies attached to DBEDT (HSDC, SID, etc.), Legislature, unions, trade associations (HSTC, HTCA, AITP, HVCA, etc.), angels and VC groups, tech industry, educational institutions, research institutions, economic development boards (local, including chambers, HiBeam, etc.), counties' economic development offices, Economic Development Administration (federal), national and federal organizations (SSTI, AURP, NBIA, National Academies, NSF, NIST, NSB, etc.), congressional delegations, military, industry companies, media.

Desired results (outputs, outcomes and impacts): Identify desired results, what success will look like, by describing what you expect to achieve near (0-2 years) and long-term (2-6 years).

HTDV v2.0 will be an entity beyond a landlord for tech companies but rather a gathering place for all tech entities to come together for projects and tasks where our status as a state entity and/or strength in numbers provide an advantage. We will assist not only tenant companies who occupy one of 3 incubation facilities (MIC, MRTC and HICH) but also reach out to "virtual companies" who pay us a monthly charge to take advantage of the programs we offer even if they are not our tenant for whatever reason. We will also reach out to the larger tech community to leverage our programs via partnerships with other entities to support the State's desire to shift from a land-based economy to that of innovation-based economy. *See detailed results of specific programs under individual YAP.*

5 stated agency themes for "how we want to be" (vs. what we want to do, which are listed below) are: **consider true north** (our actions to reflect our mission), **practice excellence in customer service**, **grow our own wings** (build skill sets to do more in-house or outsource strategically with more guidance and direction from HTDC vs. being a funding source for someone else to implement w/o coordination with us), **address single points of failure** (break down the silos so multiple people know what's going on and can continue to operate even if one person is out), and **rebrand HTDC** by practicing the above.

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Agency-wide internal desired results to accomplish agency goals and deliverables: (shorter term)

- Reorganization of agency's structure (positions, job descriptions, etc.)
- Office move (to consolidate all staff, except HCATT to one office by the main MIC office) and related tasks

(results expected longer term or on-going, but to begin immediately)

- Create a system to foster project-based culture (budgets driven by business planning, employee-initiated project ideas, peer-prioritized project with managers)
- Investment in the staff: customer service and communication training, a more detailed performance evaluation, self-review
- Put the "technology" back in HTDC: implement open-source solutions to operate the agency more effectively (staff-shared calendars for events and deadlines, use of wikis and blogs to communicate more frequently with and beyond client companies, online instructions and forms to reduce errors in paperwork, etc.)
- Upgrade our facilities to be more energy efficient to control CAM for our incubating companies
- Devise metrics beyond "successful graduation rate" and length of stay, square footage need when they left and increase in jobs (many of those are more indicative of occupancy-based model using land-based economy index, and some are meant to be longer term impacts (like # of jobs) and it's contradictory to encourage a larger number of jobs as a success indicator during a company's incubation stage where you want to control payroll costs and true job # growth will be realized at the commercialization stage)

External goals and deliverables (priorities yet to be determined)

(beyond activities and outputs required by the Hawaii Innovation Initiative, such as being the Secretariat for Hawaii Innovation Council)

Short term projects (but will be on-going), or projects to be worked on immediately:

- Update and expand **Holiday Tech Job Fair** (to bring awareness of our job availability in tech sector to local students, students currently attending mainland colleges and visiting ex-pats) and **TechJobsHawaii.org** (free job website to post resumes and jobs) to contribute to workforce development issues {longer term project: ways to relate to craigslist, local papers, industry association postings}
- **Entrepreneur Clinic/Start-up Tune-up**: casual forum for entrepreneurs or "C" level individuals of client companies to discuss challenges they face and to share success stories and ideas
- **Affiliate provider program** (match-making or referral service to introduce expert providers to client companies)
- Formalized and periodic **business reviews** with mutually agreed upon milestones facilitated by HTDC staff, paid consultants, partnership with the business schools, and volunteer mentors, as well as **mock board mtgs** for client companies, as needed

Longer term projects

Design and implement the following programs as appropriate (for client companies: HTDC "member" companies who are tenants or pay a monthly fee for programs, or for community members)

- **Entrepreneur-in-Residence program** (provide office space for an established entrepreneur or a "C" level executive (CEO, CTO, CIO, CFO, etc.) to provide advice to and assist client companies, and to run workshops/be featured as guest speaker
- **TBED Clinic**: casual forum for tech-based economic development groups to discuss challenges, look for possible partnerships for specific projects, share ideas
- Coordinated workshops and **entrepreneurship curricula**, to have a set of workshops with themes that consistently address the 3 basic needs of companies to 1) *find money*, 2) *save money* and 3) *make money*, to be provided via partnerships to affect more companies in the industry
- **"Softlanding" designation** or equivalent: establish a set of commonly needed services for a new comer to start a business in Hawaii and for a Hawaii entrepreneur/business to be able to partner with

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businesses beyond our own backyard (commonly identified places include Washington D.C., “second cities” (less major locales who will roll out the red carpet vs. “tech Mecca”s which don’t have to compete to get your attention/business), major Asian locales, vs. having to establish a full office facility for rent

- **Workforce pipeline:** coordinate university internship programs (STEM disciplines as well as business school, law school, etc. appropriate to both HTDC and to HTDC client companies)

- A more complete industry directory as well as baseline innovation economy data by assisting HSTC and DBEDT (READ)

Those programs/activities should feed into supporting the results targeted by the Hawaii Innovation Initiatives (see metrics for innovation in economy section, and tangentially, the innovation in workforce development): <http://www.hawaii.gov/dbedt/innovation/metrics>

Company results:

- Revised graduation requirements (to be linked to individual company performance vs. set time to reflect different lengths of incubation period for different business plan or type of tech industry: i.e., if a company is not performing as planned and/or not satisfying the business reviewers, it should not be given the opportunity to stay in the facility (regardless of your tenure here)
- Revise metrics we use to report our effectiveness to B&F and DBEDT (number of workshops conducted, etc.) as some metrics incentivizes occupancy-based factors rather than long term economic viability of the technology industry and its contribution to the overall State’s economic health
- Our incubator successful graduates to continue to achieve national small business averages coming out of incubation programs (~75% still in business 5 yrs after its incorporation)
- Increase the number of client companies achieving IPO or other liquidity event past graduation

Influential Factors: List the factors you believe will influence your ability to impact the problem or opportunity. (Things that support success and barriers to success.)

See specific factors for programs under specific program’s YAP

- Collaboration/effective communication with DBEDT, B&F and other stakeholders listed under partners
- Economy: decline of forecasted State revenues is a concern not only for HTDC funding levels and budget approvals/restrictions but also for the industry sector as a whole to reduce investment in innovation activities
- Real estate market: good market creates more demand for incubation space
- Act 221/215 status (renewal or sunset?): tax incentives attract companies to Hawaii or keep them here, and introduce private investors to diversify their portfolio
- Federal funding levels

Strategies: List the general successful strategies or “best practices” that have helped other programs achieve the kind of results your program promises.

Strategies different from previous years:

- Alignment with initiatives and topics already made relevant by others, e.g., workforce development (industry), Hawaii Innovation Initiative (Govr), sustainable/clean energy (Govr/legislature), 6 strategic areas (DBEDT)
- Build partnerships to serve a larger community than our incubating companies with more visibility
- Establish *working* relationships with neighbor island and other economic development entities and trade associations vs. mere *funding* relationships (e.g., work on specific projects together)
- Adopt zero-based budget approval process
- Adopt zero-based project planning process (already existing/on-going projects are not guaranteed automatic “renewal”: project approved for previous years must continue to meet metrics and be scrutinized for relevancy)
- Implement project review at mgmt level to discuss priorities and establish synergies across programs
- Make use of past strategic plans (commissioned, written, and accepted but not implemented): implement portion still relevant to the current situation
- “Continuous issues-focused strategic planning” to accommodate externally driven projects and

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unexpected requests

- Reorganize the agency structure to reflect the paradigm shift needed
- Make better use of staff and internships, and take on temporary/emergency hires until qualified candidates are available to be hired
- Optimize for quality vs. quantity, to re-establish HTDC's brand
- Start with projects where impact will be more visible (e.g., pick a neighbor island interested in working with HTDC vs. Oahu)
- Mobilize the HTDC and HTIC boards to assist the ED and senior management to accomplish our mission

As always:

- Continue to learn from national best practices (State Science and Technology Institute, National Business Incubation Association, Association of University Research Parks, Bio, etc.)
- See HTDC Client Services Incubation Programs YAP FY 2007 for more details

Assumptions: State the assumptions behind *how* and *why* the change strategies you have identified will work.

- Each stakeholder is given just a little less than needed to complete their goals well; therefore, it is in their interest to collaborate with others to reduce overhead and unnecessary duplications and leverage each other's strengths
- HTDC no longer competing with stakeholders for funds will open doors for HTDC to collaborate more with other parties (going only where/when we are invited, increases the odds of our success as there's already some 'buy in' from the stakeholders from the get-go)
- Shift to purposeful investing on already aligned projects will bring more impact and visibility
- Shift to the above strategies late FY 2007 yielded some positive results already, indicating we are on the right track
- See HTDC Client Services Incubation Programs YAP FY 2007 for details on justifications for incubation program strategies

II. PROGRAM IMPLEMENTATION (see individual program YAPs for details)

Resources: Describe the resources or influential factors available to support your program.

- HTDC special fund (availability of some reserve funds to invest in getting new programs started)
- HTIC (non-profit status may open up possibilities for grant monies, more efficient ways of implementing existing programs)
- HTDC and HTIC boards and advisory committees to provide support to ED and sr management
- Membership with HSTC, SSTI, NBIA, etc.
- Administration/DBEDT and other State depts. such as B&F, and sister agencies, legislature, industry
- Local entrepreneur community and newcomers (semi-retired or part time residents of Hawaii who made it big already elsewhere), student interns

Activities: Describe each of the activities you plan to conduct within your program.

- Client company visits
- Mtgs with community stakeholders (see partners above)
- Neighbor island visits
- Listen to criticisms and feedback, requests
- Shop new ideas for HTDC to get early buy-in from the biggest/loudest critics first
- Community outreach to attract and line up necessary resources
- Frequent staff mtgs and training sessions
- Attend local and national conferences

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Outputs: For each program activity, identify what outputs you aim to produce

- Projects implemented through collaboration with various partners (neighbor island economic development boards, media, trade associations, etc.) to establish working partnerships
- Reduced number of workshops to focus on quality and partnerships (partnering takes more time)
- Empowered staff on the same page as sr managers and board
- Formal or informal agreements established with stakeholders

Outcomes: Identify the short-term (0-2 years) and long-term (2-6 years) outcomes you expect to achieve.

- Strategic plans unique to each of the islands/locales
- Improved funding levels for HTDC due to improved outcomes and alignment to already stated State goals and initiatives
- Established entrepreneurship programs
- Clear directives and activities embedded in agency planning to assist pipeline for commercialization process and for regional economic development
- Template for private-public partnerships
- Availability of global options for local companies
- HI as a viable option/destination for others to start a business

Impact: Describe the lasting impact you anticipate.

- Increased tax revenues
- Increased number of living wage jobs
- A wider set of options (types of industry and specific practices) for those jobs
- Critical mass in tech sector
- Organized tech sector with multiple emerging subsectors that are self-sustainable within the industry
- Shift to innovation-based economy!

III. PROGRAM EVALUATION

Focus Area: From your program logic model, list the components of the most important aspects of your program.

- Communication with stakeholders
- Implementation planning with staff and stakeholders
- Building necessary procedures (e.g., procurement, project planning, identify funding sources)
- Promotion and delivery of programs
- Review of programs to continue improvement

Audience: Identify the key audiences for each focus area. Who has an interest in your program?

- Client companies (tenants and virtuals), tech industry companies
- All the partners listed previously

Questions: For each focus area and audience, list the questions they may have about your program.

- Are the goals of the activities relevant?
- How much does it cost to prepare/deliver vs. participate?
- How do we measure our success immediately when most of the significant indicators are for long term?
- How do we remain accountable to our stakeholders?
- What areas should State govt take leadership role vs. partner or participant only?

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Information Use: For each audience and question you have identified, identify the ways you will use the evaluation information.

Above info will be used to prioritize programs, investment in those programs and assignment of other resources (staff time, etc.) and revise partnership arrangements as appropriate

Indicators: Describe what information can be collected that would convey the status of your program.

Varies for each of the programs (attendees, use of information presented by HTDC that led to their success, etc.)

- Satisfaction of audience through electronic surveys and success stories
- Informal feedback after stakeholder mtgs
- Internal feedback: Board, staff, etc.
- Number of tech patents, clients generated for professional affiliates, # awards won, etc.
- Federal reporting and feedback (\$ amount invested by State that led to multiples in funding or company revenues)
- See innovation index/indicators for Maine and Mississippi as reference:
http://www.maineinnovation.com/studies_reports/default.asp
<http://www.innovationindex.ms/>

IV. ALIGNMENT

How is your program linked to DBEDT's six strategic objectives? See individual program YAPs for how each program addresses the objectives		
1.		Workforce Housing
2.	x	Workforce Development <i>Internship programs, TechJobsHawaii.org</i>
3.	x	"Energy For Tomorrow" <i>HCATT, prioritizing companies dealing with green technologies</i>
4.	x	"Global Links/Export of Goods and Services" <i>"softlanding" designation, Beijing Office, workshops on partnering beyond HI, MEP</i>
5.	x	The Creation Of An "Innovation Infrastructure" <i>Kakaako Life Sciences Project (wetlabs), MIC, HICH, MRTC</i>
6.	x	Improve Hawaii's Small Business Environment <i>Incubation services and programs as well as facilities</i>