LATE TESTIMONY

Written Statement of
ALAN S. HAYASHI
MEMBER
Hawaii Strategic Development Corporation Board
before the
HOUSE COMMITTEE ON ECONOMIC REVITALIZATION AND BUSINESS
March 13, 2012
8:30 am
State Capitol, Conference Room 312

In consideration of: **SB2239 HD1 RELATING TO ECONOMIC DEVELOPMENT.**

Chair McKelvey, Vice Chair Choy, and Members of the Committee on Economic Revitalization and Business:

My name is Alan S. Hayashi, member (elect) of the HSDC Board and I respectfully submit my comments in support of SB2239 HD1, legislation appropriating $5 million for a Venture Accelerator Funding Program.

Small businesses are the engine of job creation and startup ventures in particular create new jobs in high wage, knowledge based industries. SB2239 HD1 will provide the resources to develop a critical component of the innovation ecosystem that Hawaii currently lacks.

In the relatively short time I have been on the HSDC Board I have come to appreciate the need for a continuing spectrum of funding resources for the companies as they reach various stages of maturity.

This bill would provide grant funds that would be competitively allocated to entities, providing hands-on mentoring to startups to accelerate their ability to attract venture capital financing. Some of funds could potentially be used to provide capital for the startups' proof of concept efforts. By creating the supporting infrastructure to provide entrepreneurs the tools to build businesses able to compete for venture capital financing, venture accelerators will enhance the ability of Hawaii's entrepreneurs to create sustainable businesses and quality jobs for our community.

Successful venture accelerators have become the hubs around which entrepreneurial activity in their respective industries and regions can aggregate and create critical mass. The Venture Accelerator Funding Program will complement the HiERS' Hawaii Targeted Investment Program and HSDC's seed capital investment program by launching new ventures that will be attractive investment opportunities for these funds. From the entrepreneur's perspective, joining a venture accelerator would be the next step for entrepreneurs successfully competing in the various business plan competitions and Startup Weekend events.

.Thank you for the opportunity to submit my remarks on this bill.

LATE TESTIMONY

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 12, 2012 10:47 AM
To: ERBtestimony
Cc: shan@team1-10-100llc.com
Subject: LATE TESTIMONY - Testimony for SB2239 on 3/13/2012 8:30:00 AM
Attachments: Testimony - SB 2239 3-12-12 rev.pdf

Testimony for ERB 3/13/2012 8:30:00 AM SB2239

Conference room: 312
Testifier position: Support
Testifier will be present: No
Submitted by: Shan Steinmark & Melinda Rockwell
Organization: Individual
E-mail: shan@team1-10-100llc.com
Submitted on: 3/12/2012

Comments:
I am currently researching accelerators in California & would be happy to meet with members of the Senate EDT Committee upon my return.

See attached

Personal Written Testimony in Support of
SB 2239 Relating to Economic Development
Senate Committee on Economic Development and Technology
Senator Carol Fukunaga – Chair & Senator Glenn Wakai – Vice Chair
by
Shan W. Steinmark, Ph.D. & Melinda A. Rockwell - Team 1:10:100 LLC
March 12, 2012

Aloha Chairman Fukunaga, Vice Chairman Wakai & Members of the Senate Committee on Economic Development and Technology,

We would like to enthusiastically support organized efforts to develop "Accelerators" – for Hawaii's technology-based businesses – as a highly effective & cost-efficient approach to economic revitalization & business development that can benefit all of Hawaii.

MOST REAL ECONOMIC GROWTH IS A FUNCTION OF INNOVATION & SPEED COUNTS !

Innovation invariably requires talent, technology & capital. After working with numerous start-ups, emerging growth businesses & Fortune 500 corporations for nearly 40 years, it is our clear perception that Hawaii has as much if not more per capita creative talent vs. any state in the union. Furthermore, we believe that the University of Hawaii, its researchers & its professional schools represent a tremendous source of innovative technology and a potential economic engine.

Finally, while there is no shortage of wealth in Hawaii, only a very small percentage of it seems focused on investment in the technology sector that is driving growth & development in many other states and major economic powers – in countries ranging from Germany to China.

Acceleration of innovation is key to developing talent, commercializing technology & making cost-efficient use of limited capital – in today's highly competitive global economy. During the last 4 decades – serving as coaches, mentors, advisors, consultants & board members – we have had the privilege of helping individuals, teams & organizations accelerate the development of their leadership skills, innovation processes & business growth.

Our experience is that traditional models of meeting one hour per week collaborating with entrepreneurs, intrapreneurs & leaders can have a positive effect; however, HIGH-IMMERSION, HIGH-INVOLVEMENT, HIGH-INTENSITY models of intervention & problem-solving can have an exponentially more powerful impact on project success, business development & job creation. Modern accelerators are capitalizing on this high-immersion, high-involvement, high-intensity approach to make more efficient use of time, energy & money and generate better results.

After dedicating our whole careers to helping individuals, teams & organizations enhance their effectiveness, we have spent most of the last decade trying to help Hawaii's high-tech start-ups accelerate their progress; this in turn has led us to actively studying & assisting innovative "early seed stage programs" & accelerators in California during this last year. Some of the most significant factors contributing to the speed & level of their success seem to include the following:

1. Rigorous Preparation & Selection Processes – i.e. recent research has shown that well-rounded start-up teams – e.g. composed of a technology developer, marketing specialist & business leader – may have a higher probability of success than a lone innovator-founder; this clearly encourages entrepreneurs to do a better job of "getting their act together" earlier and building a stronger team in advance of trying to raise money & enter the marketplace.

2. Intense & Well-Resourced 3-Month Mentoring Process – i.e. some combination of dedicated mentoring staff, as-needed involvement from senior industry experts and access to successful accelerator "alumni" seems to be particularly potent – largely because mentoring resources are available & active on a daily, even hourly basis AND there is often a special focus on critical success factors like product validation, customer acquisition & optimal business models.

3. Pre & Post-Accelerator Funding – i.e. modern accelerators – vs. traditional incubators – provide ventures with a small amount of funding (e.g. $25 K) at the start of their mentoring programs AND then facilitate connections to Angel Groups, Super-Angels & Venture Capitalists towards the conclusion of the 3-month process. This may increase the probability of raising funds via these key sources from the traditional 1-10% success rate to perhaps 60-80%.

Finally, allow us to offer some cautions. Obviously state government has limited funds these days and private businesses have become more risk-averse. The good news is that top accelerators can help increase cost-effectiveness, risk-mitigation & speed of success - with some caveats:

a. Public-Private Partnership – While government support can be useful & even essential to launching accelerators, mentoring programs should be professionally staffed & operated; further, attracting private sources of capital is essential to surviving & thriving long term.

b. Diversity of Mentoring – Given that no one mentor has a lock on the truth, it is healthy & valuable for entrepreneurs to utilize a wide diversity of resources & approaches – which is reflective of the diversity that exists in the marketplace & today's global economy.

c. Realistic Expectations – Most tech start-ups often struggle; those that succeed may take 5-10 years to "make it" and significant job creation may only take place during later stages of businesses' development. Therefore, invest in high-tech start-ups like we invest in our keiki – for the long-term – to achieve positive, far-reaching & even surprising results.

Please remember, MOST REAL ECONOMIC GROWTH IS A FUNCTION OF INNOVATION !

While it seems risky to invest in innovation, it is even riskier to NOT invest in innovation; further, accelerators help manage the inherent risks in start-ups AND increase the speed of their progress AND enhance their probability of success.

Mahalo for giving our testimony your consideration.

With much aloha,

Shan W. Steinmark, Ph.D. & Melinda A. Rockwell – Team 1:10:100 LLC

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HAWAI'I Angels

Testimony in Support of SB 2239 HD1
Chenoa Farnsworth
Managing Director
Hawaii Angels

SENATE ERB Committee
March 13, 2012
8:30AM

In consideration of
SB 2239 HD1 RELATING TO ECONOMIC DEVELOPMENT

Hawaii Angels strongly supports SB 2239 HD1, a bill that provides funding for Hawaii based venture accelerators that can support Hawaii's economic recovery and growth. This funding request is relatively minimal but may have a major impact on Hawaii's entrepreneurial community.

Business Acceleration a Proven Strategy

Business accelerator programs are a key ingredient of an innovation ecosystem in many states. Indeed, California has benefited from numerous examples of these types of entities from Y Combinator to 500 Start-ups. Business Accelerators have also played a key role in the economic diversification and recovery of states such as Ohio which did not previously benefit from activity in sectors such as technology. Through its Jumpstart program, they were able to build a robust start-up community which has attracted venture capital and entrepreneurs from around the country. They have also provided a model that can be emulated here in Hawaii and elsewhere.

Technology Sector Economic Impact

Driven primarily by incentive programs such as Act 221, technology sector company formation and job creation in the sector skyrocketed from the 2000-2010 timeframe. In total, since 2002, Hawaii Angels was instrumental in the launch and funding of 40 new companies in the sector. However, deal flow has now slowed significantly due to a lack of incentives and available funding. Where previously we reviewed a dozen qualified deals a month, we now see only 2-3 from Hawaii – the rest of the opportunities are from out of state. Entrepreneurs in Hawaii do not have support to grow nor the availability of initial funding that many of these venture accelerators provide. Hawaii Angels believes the development of these programs is key to jumpstart our start-up community again after the loss of Act 221.

Consistent with Best Practices

Many states have supported the development of venture accelerators in order to fuel new business growth and attract venture capital to their states. Due to fiscal constraints, states have looked at supporting programs at the beginning of the entrepreneurial life cycle. Many of these programs require very little funding but have a significant impact by creating quality dealflow that result in investible companies. If we build quality start-ups the funders will come to finance these start-ups.

Thank you for the opportunity to submit testimony on this bill.