



YEARLY ACTIVITY PLAN (YAP) - FY '09 – FY11

Division/Attached Agency:	High Technology Development Corporation
Program Name:	Manufacturing Extension Partnership (MEP) Program
Program ID:	BED 143

I. PROGRAM PLANNING

Problem, issue or opportunity statement: Describe the problem, issue and/or opportunity your program is attempting to respond to.

The majority of Hawaii's manufacturing businesses average 1 to 4 employees. These smaller manufacturers need to efficiently compete while facing global economic and geographic challenges to improve the businesses bottom line cost performance. Increasing productivity becomes the major driving force for these companies to be successful in tough economic times. As many of Hawaii's manufacturing businesses become more aware of production efficiency, and forced by tougher economic climate, many businesses are moving towards a model of "doing more for less". The most significant and common challenge among Hawaii's manufacturers is the lack of expertise to improve productivity with less resources, and the ability to source quality business consultants to assist the companies transition to a lean type business model. Additionally, the geographic distance between Hawaii and the U.S. mainland and Asia makes it more difficult for Hawaii manufacturing companies to control the cost of manufacturing their product. Producing a quality product while the costs of doing business in a remote location continues to rise is a true challenge for most Hawaii manufacturing companies. National results from NIST MEP centers across the country have demonstrated that the concept of "lean manufacturing", a core MEP service that reduces manufacturing inefficiencies, significantly helps businesses improve their bottom line performance in a global competitive market.

The Manufacturing Extension Partnership (MEP) program in Hawaii has been hosted by HTDC for the last 5 years. The host is required to provide a 2:1 match: for approx. \$437K of the federal dollars we receive, HTDC raises double that amount with a combination of consulting revenues, in-kind match from HTDC and its strategic partners. MEP's attachment to HTDC has become more fruitful and strategic since NIST MEP has recently focused on innovation as a critical component to the traditional manufacturing value stream areas. The synergy created between MEP and other HTDC core programs has proven to be very beneficial to not only Hawaii manufacturing businesses, but a wide variety of HTDC virtual and incubation clients. An internal issue is to raise sufficient matching funds, in order to be eligible to receive the federal monies. MEP partnerships need to be strategic in not only finding partners that share common goals in assisting manufacturers, but also finding partners that can contribute cash or in-kind match to support MEP.

One strategic program which compliments MEP is the HTDC-SBIR program. Together, companies are able to get the assistance and know-how needed to accelerate their innovative products to market. (e.g., SBIR monies awarded to companies may be better leveraged via MEP consultants optimizing the companies' spending; revenues to MEP can then fund assistance activities for other Hawaii companies to be able to win SBIR awards, augmenting activities our budget allotment alone is not sufficient to cover). Given this close partnership, HTDC-MEP is able provide an opportunity for many of Hawaii's businesses to receive affordable consulting from very early stages through product commercialization, where significant revenues and job creation can be realized.

Taking into account the current budget shortfall issues at the Federal and State levels, the HTDC-MEP program faces many challenges to maintain a high level of support to Hawaii's manufacturing companies. President Obama has specifically mentioned the Manufacturing Extension Partnership

Note: This form was created using the W. K. Kellogg Foundation Logic Model Development Guide, January 2004.

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Program by name in his Economic Stimulus Plan to support the nation's manufacturing industry and to save jobs. Additionally, there are other areas in the Administration's stimulus plan where MEP can play a supporting role, such as in the deployment of renewable energies for industrial use. The final decision regarding this year's MEP budget is currently being decided by Congress. At the State level, while HTDC-MEP will receive required matching support from HTDC, the host agency, MEP will focus on developing new partnerships with other organizations to reduce the reliance on match from HTDC.

Need and partners: Provide quantitative evidence to show the scope and nature of the problem or opportunity you are working on. Identify partners you will be working with to address the problem, issue and/or opportunity. Describe why government should be part of the solution.

HTDC-MEP is a federally subsidized program that provides low-cost one on one assessment of each client needs and follows ups with technical assistance to help them learn how to apply leading edge technologies and business streamlining techniques. As a program aligned under HTDC, HTDC-MEP shares a common goal to support the development and growth of Hawaii's commercial high technology industry. In the past, MEP was hosted by other entities, many of which could not meet the federal requirements, usually the 2:1 matching, for NIST to continue to fund the program. The strategic relationship between MEP and HTDC strengthens HTDC's core competency area (SBIR assistance), and has made it possible for the State of Hawaii to continue to receive the federal MEP funding. Because of our State's geographic remoteness, it is important for Hawaii companies to have to access a network of consultants nationwide in very specialized areas of commercialization and manufacturing. MEP has also relies on strategic partners outside HTDC such as Hawaii's Foreign Trade Zone and Hawaii Department of Agriculture. These strategic partners provide additional marketing outreach for MEP services.

Desired results (outputs, outcomes and impacts): What will success look like? Describe what you expect to achieve in the short-term (0-2 years) and long-term (2-6 years).

Short Term (one year) – meet federally mandated Minimally Acceptable Impact Measurements (MAIM), which is a requirement to be eligible for continued federal funding. In July 2008, new tougher performance targets were established.

New MAIM requirements have total weighted score of 85 points and are reported quarterly:

- Bottom Line Client Impact (clients' cost saving +15% of clients' sales): 8.2 times impact on the federal money or 15% of \$23.8M in sales and/or combination with \$3.75M of cost savings (25pts)
- Investment Leverage Ratio (client's new investment / federal funding*): New investment should be 6.4 times impact or \$2.8M (25pts)
- Impacted Clients per Million Fed: 44 clients (25pts)
- Clients Served per Million Fed: 220 clients with Manufacturing or R&D NAICS codes only (15pts)
- % Quantified Impact: 60% of surveyed clients (10pts)

*Federal funds awarded to HTDC-MEP annually: \$437K

Short Term – Have greater exposure and presence in the business community on the neighbor islands. Assist more grass roots businesses to expand and become more profitable.

Last fiscal year's impact to neighbor island companies: \$4.1M of clients cost savings, new & retaining sales

Neighbor Island target impact for fy09-10: \$4.1M of clients cost savings, new & retaining sales

Increase percentage contribution for the in-kind match from our partners from less than 2% currently to 20%.

Short Term:

To become the recognized source of assistance for manufacturing and dual use companies in Hawaii, as measured by overall increased impacts to our clients.

Last fiscal year's impact with manufacturers statewide: \$18.1M of clients cost savings, new & retaining sales.

Target impact for fy09 with manufacturers statewide: \$18.1M of clients cost savings, new & retaining

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sales.

Long term (2-6 years): achieve \$22M of cost savings, new & retaining sales for our clients
By the next contract period end (5 yrs), increase % contribution for the in-kind match from our partners to 50% on average for each of the 5 yrs.

Influential Factors: List the factors you believe will support or hinder your ability to impact the problem or opportunity.

- Continuous learning from NIST MEP University to always be updated on current new programs and latest training tools available to training Hawaii manufacturing companies become more competitive with competitor on the U.S. mainland.
- HTDC provides MEP Program with critical administration, overhead and shared high tech and manufacturing client leads.
- Partnership with the SBIR program that will provide an additional source of potential clients to HTDC-MEP, and therefore contribute to achieving MEP's federally mandated quarterly goals.
- Partnership with other state agencies and neighbor island business development organizations to provide additional marketing outreach for MEP resulting in more clients locally and on neighbor islands.
- Any decrease in federal funding from NIST will directly impact the amount of support HTDC-MEP will be able to provide to Hawaii manufacturing companies.

Strategies: List the "best practices" that have helped other programs achieve the kind of results your program promises.

- The synergy between HTDC-MEP and SBIR have created a process that is complimentary to both programs by leveraging each others services; SBIR providing the start up funding for R&D and prototyping, then followed by MEP to grow the business and take its product to commercialization.
- HTDC-MEP participates in customized workshop/town hall meeting tailored around each business community needs.
- Strategic use of consultants to assist HTDC-MEP Project Managers implement training/consulting to MEP clients throughout the entire projects, and to provide services in areas outside of HTDC-MEP staff' expertise.
- Piggyback onto existing formats/events planned by other entities sharing similar economic development goals (e.g., DBEDT divisions/attached agencies, other State and government entities, non-profits, trade associations)
- HTDC-MEP is seeking to align with alternative and renewable energy projects locally and nationally. Development and national deployment of non-fossil fuel based energies is part of the Administration's Stimulus Package. Hawaii has many renewable energy projects currently taking place and in near-term planning that the HTDC-MEP program will seek to align with the federal MEP (NIST) program.

Assumptions: State the assumptions behind *how* and *why* the change strategies you have identified will work. Use 'If - then' statements, i.e. "if _____ then _____ happens."

If the Hawaii HTDC-MEP program follows the National Institute of Standards and Technology program model in which centers are held accountable by strict national standards through quarterly and annual reviews, and improvements made to address current needs, then the HTDC-MEP program is ensured to be successful in servicing local manufacturers with quantifiable results. The NIST MEP mission is to assist manufacturing businesses to become more competitive in the global market. The program is operated in 59 MEP centers in 443 locations in every state.

In efforts to support DBEDT's Innovation goals, HTDC-MEP has aligned itself on a national level with NIST to learn about new Innovation ideas that will improve productivity and over all bottom line performance in all manufactures and small businesses. HTDC-MEP plans to bring these new ideas and technique to Hawaii companies so that they will be able to compete with other companies on the mainland and internationally.

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II. PROGRAM IMPLEMENTATION

Resources: Describe the resources available to support your program.

- Continuous funding level of \$437K a year from the National Institute of Standards and Technologies (NIST), part of the U.S. Department of Commerce
- Host partnership HTDC and SBIR Program
- Partnerships with other economic development organizations, including HTDV and HREDV. Partnerships with other business service organizations and consultants to cross-refer appropriate leads and co-market services.

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

- Increased outreach and business consulting services on neighbor islands.
- Lean, information and training workshops for the local manufacturing community on Oahu and on neighbor islands.
- Become more involved with Hawaii's high tech dual use communities to learn about current issues, and to market HTDC-MEP and SBIR program.
- Review event calendars and plans of other entities to identify potential partners for in-kind match

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

- A broader reach of clients impacted (bringing new products to market, increased sales)
- Increasing companies' competitiveness
- Assist federally funded companies with issues such as growth management, product development, supply chain positioning, sourcing highly skilled work force
- Reduced financial burden on HTDC alone to bear the in-kind match responsibilities

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

Increase the number of Hawaii's manufactures that utilize the most effective and appropriate manufacturing techniques that will quickly increase productivity and help them become more competitive in the U.S. global market.

Impact: Describe the lasting impact you anticipate.

To increase the number of local companies manufacturing "Made in Hawaii" products; for companies to retain specialized skilled workers; to enable companies to invest in new manufacturing technology that will improve the next generation products.

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III. PROGRAM EVALUATION

Indicators: Describe what SMART ('specific; measurable; action-oriented; realistic; and timed') indicators can be collected that would convey the status of your program.

Minimally Acceptable Impact Measurements scores from NIST = our clients' return on investment after the projects are completed, including cost savings, new investments, sales/increase in sales. MAIM is achieved by MEP providing:

- Affordable business consulting service
- Hands on approach administering MEP services.
- Customized training for manufacturing and non-manufacturing (supply chain) companies.
- Improving our statewide outreach: General interest seminars and workshops to attract new leads
- Working together with economic development organizations on Oahu and on neighbor islands to provide additional outreach to grass root businesses.

IV. ALIGNMENT

Is your program linked to DBEDT's strategic objectives?		
1.	x	Hawaii Five Point Economic Plan
2.	x	Hawai'i Clean Energy Initiative
3.	x	Hawai'i Innovation Initiative
4.	x	Global Links
5.		Economic research and data analysis
6.		Hawai'i Open for Business
7.		Workforce Housing
8.		Planning and Land Use
9.		World Class Infrastructure

Emerging Industries: Does your program impact Hawai'i's emerging industries?	YES	x
	NO	

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V. APPROVALS

- a. Wayne Inouye/Janice Kato _____ 2/3/09
Submitted by - Print Name Submitted by - Signature Date
- b. APPROVED DISAPPROVED For Yuka Nagashima _____ 2/3/09
Division/Agency Head - Signature Date
- c. APPROVED DISAPPROVED _____ _____
Director - Signature Date