



## YEARLY ACTIVITY PLAN (YAP) - FY '09 – FY10

Division/Attached Agency:	HIGH TECHNOLOGY DEVELOPMENT CORPORATION (HTDC)
Program Name:	HAWAII SBIR/STTR MATCHING GRANT & ASSISTANCE 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 State is implementing an Innovation-based economic development policy with the objective of diversifying economy, in part through supporting the growth and development of innovative firms. Tech-based innovation companies create high paying jobs in areas where Hawaii has natural advantages to be globally competitive. Studies indicate that industries with high levels of R&D activity show productivity and profit gains. In Hawaii, tech-based companies are challenged with having less traditional resources to leverage than their mainland counterparts. Additionally, small tech businesses need seed capital to pursue early-stage R&D, however traditional financiers do not fund early-stage ideas. This need is especially true in Hawaii, which is acknowledged to be relatively lacking in investment capital. Hawaii's R&D companies can expand more quickly if they are encouraged to grow with government funded assistance. The federal SBIR program provides seed financing to innovative companies to turn early stage ideas into commercial successes. Each year, the federal government sets aside \$2.5 billion in SBIR funding for small businesses to develop their innovations.

The Hawaii SBIR program, as administered by HTDC, provides local tech firms with technical assistance and matching seed funds to encourage their participation in the federal SBIR program. Local SBIR firms significantly contribute to the growth of tech research and development firms that develop high-value products. In concert with HTDC's technical assistance programs available to local companies to improve their chances of winning SBIR awards, the companies are also assisted by HTDC's Manufacturing Extension Partnership (MEP) program which leverages the award monies effectively for these companies.

In the last legislative session, HTDC requested additional grant funding to augment the existing Hawaii SBIR Matching Grant Program. This program has operated at the same annual budget of \$260,000 since the program's inception in 1989, despite the fact that the number of SBIR awards have risen significantly since then, and despite the fact that HTDC now also provides matching awards to companies winning STTR (Small Business Technology Transfer) awards. The budget increase will allow HTDC to efficiently operate the program this coming year.

Updated HSBIR Success Statistics as of June 2008:

- 69 Hawaii companies awarded to date
- 316 Phase I and II SBIR awards totaling over \$66 million
- The state has awarded nearly \$4.7 million in matching grants since 1989
- Hawaii SBIR companies have attracted over \$58 million in Phase III commercialization funding
- For every State dollar invested in SBIR, Hawaii companies have attracted over \$16 in federal SBIR Ph I and II awards, or \$28 in total SBIR monies

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**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.

Small tech firms need seed R&D funding to develop commercializable innovations; yet gaining access to R&D funding is very difficult for early stage companies. The need for early stage R&D funding has been broadly acknowledged by industry, venture capitalists and government. Federal SBIR funds address the need, and local HSBIR matching grants and proposal writing assistance help Hawaii businesses be competitive in getting share of federal funding.

Partners include federal SBIR program managers, local research and support organizations including UH, HSDC, HTDV and other local economic development organizations for statewide outreach.

**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).

Last years goals: To increase Phase I awards by 30% in the next fiscal year by companies new to SBIR/STTR (five new companies awarded due to training received); maintain Hawaii's 30% conversion rate of Phase I to Ph I awards.

Results of calendar year 2007

Phase I awards: 19 (compared to 13 in 2005, and 27 in 2006). *Comment: the alternating highs and lows are consistent with the program tracking over time. Typically the year following our biennial SBIR conference results in more companies winning SBIR awards, and the following year normalizes the peaks. However, over time there has been an upward trend in the overall SBIR and STTR awards won.*

New first-time SBIR companies: 2 (compared to 4 in 2005, and 8 in 2006). *Comment: the lower number of first time awardees is a little more concerning. The two new companies were awarded by USDA, meaning that DoD (which awards the lion's share of SBIR awards) did not make any awards to new companies in Hawaii last year.*

Phase II awards: 5 (compared to 6 in 2005, and 5 in 2006)

Desired Long-term Results: Increase commercial success ratio to 1 commercial success per 15 Phase II awards (currently 1 in 25 projects are known to have achieved successful commercialization sales/investments). To help accelerate commercialization, HTDC-MEP staff are working with SBIR awardees on improving the process of innovation (activities that occur before manufacturing), including recommending pricing strategies, market potential and manufacturing processing methods.

We are also strengthening our assistance program by enlisting awarded SBIR companies to collaborate and participate in peer mentoring, and developing greater support among business development organizations.

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

Key support is needed from the federal SBIR program managers in providing local training to our companies, business development organizations on all islands to help promote the program. HTDC enjoys good relations with the SBIR managers, and relies upon HTDC's partnerships on the neighbor islands to market the SBIR program.

Barriers to success include the SBIR companies' difficulty in commercializing, including lack of connections to major customers, lack of manufacturing facilities and lack of qualified professional services available locally. Some of these impediments are being addressed by the HTDC-MEP services and others via partnerships with other business organizations that assist their clients in the same basic areas.

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

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Organize program conferences statewide to educate and train; coordinate and procure various levels of one-on-one technical assistance support ranging from general support to writing a competitive technical proposal that may involve market research, sourcing strategic partners. Formalize outreach program by regularly convening an SBIR support group comprised of experienced SBIR firms, SBIR consultants and companies new to the program. Support local commercialization training. Provide SBIR and STTR matching grants at a higher funding level that enables SBIR companies to conduct more substantial work with the additional funds.

**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 similar SBIR assistance programs are successful in other states, HTDC should achieve similar success by deploying national successful models in Hawaii. HTDC's assistance program (which was modeled on other successful state programs) has already received national recognition for its SBIR assistance and outreach program in supporting SBIR companies in Hawaii. HTDC received a Tibbetts award in 2002 from the US SBA to acknowledge its success in the program, and which showed SBA's confidence that HTDC's assistance program successfully supports small businesses. Each year, HTDC evaluates the program and makes refinements based upon client feedback.

**II. PROGRAM IMPLEMENTATION**

**Resources:** Describe the resources available to support your program.

U.S. Congress and State Legislature; local economic development organizations for outreach; HTDV for DOD-related commercialization assistance; University of Hawaii OTTED for tech transfer, campus outreach, assisting firms locate university resources, assist university researchers with IP filing and management.

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

- 1) Information and training activities at Hawaii SBIR workshops with federal SBIR managers and SBIR experts;
- 2) contract proposal preparation and review assistance;
- 3) assist SBIR awarded companies with manufacturing issues, market research, locating suppliers, etc. through the HTDC-MEP program;
- 4) promote HSBIR program successes through e-newsletters and emails; manage HSBIR/HSTTR matching grant application reviews, with recommendation to the HTDC board and processing the grant awards.

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

- For activities #1-4 listed above, the following are the desired outputs:
- To increase the number of trainees attending SBIR training workshops;
  - To increase the number of of new SBIR companies applying and participating in SBIR,
  - To increase the number of of companies winning Phase I awards and the value of the Phase I awards;
  - To increase the number of of Phase II conversions and their value; value of Phase III commercialization dollars attracted to the State.

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

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

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Short-term: increase the of companies that are educated in the SBIR process and are able to successfully apply on their own; encourage the creation of an SBIR peer group where successful awardees can serve as resources to firms applying to SBIR for the first time.

**Impact:** Describe the lasting impact you anticipate.

Increased high-value R&D conducted in the State; Hawaii companies' SBIR successes puts Hawaii on the high-tech map; increased success of local high tech firms (revenue generation, high paying jobs); critical mass of SBIR companies in Hawaii that can serve as resources to each other.

**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.

- # of new SBIR awardees
- # of Phase II conversions and value of the Phase II awards
- # of Phase III commercial successes and their value
- # of statewide outreach activities such as promotion, education and training
- # of companies assisted with comprehensive training to submit a competitive SBIR proposal
- # of commercialization assistance activities for SBIR companies to speed their products to market
- Qualitative and quantitative feedback from companies assisted

**IV. ALIGNMENT**

Is your program linked to DBEDT's six strategic objectives?		
1.		Workforce Housing
2.	x	Human Capital Development
3.	x	Hawai'i Clean Energy Initiative
4.	x	Global Links
5.	x	Innovation Infrastructure
6.		Improve Hawai'i's Small Business Environment

**Emerging Industries:** Does your program impact Hawai'i's emerging industries?      Yes       No

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**V. APPROVALS**

<b>a.</b>	<b>Janice Kato</b>		<b>8/26/08</b>
	Submitted by - Print Name	Submitted by - Signature	Date
<b>b.</b>	<input type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED	<b>For Yuka Nagashima</b>	<b>8/26/08</b>
		Division/Agency Head - Signature	Date
<b>c.</b>	<input type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED		
		Director - Signature	Date