

# ***Early Stage Business: Building Strategies That Work***



***Presented by:  
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Innovation America***

***Baltimore, MD  
October 14, 2010***



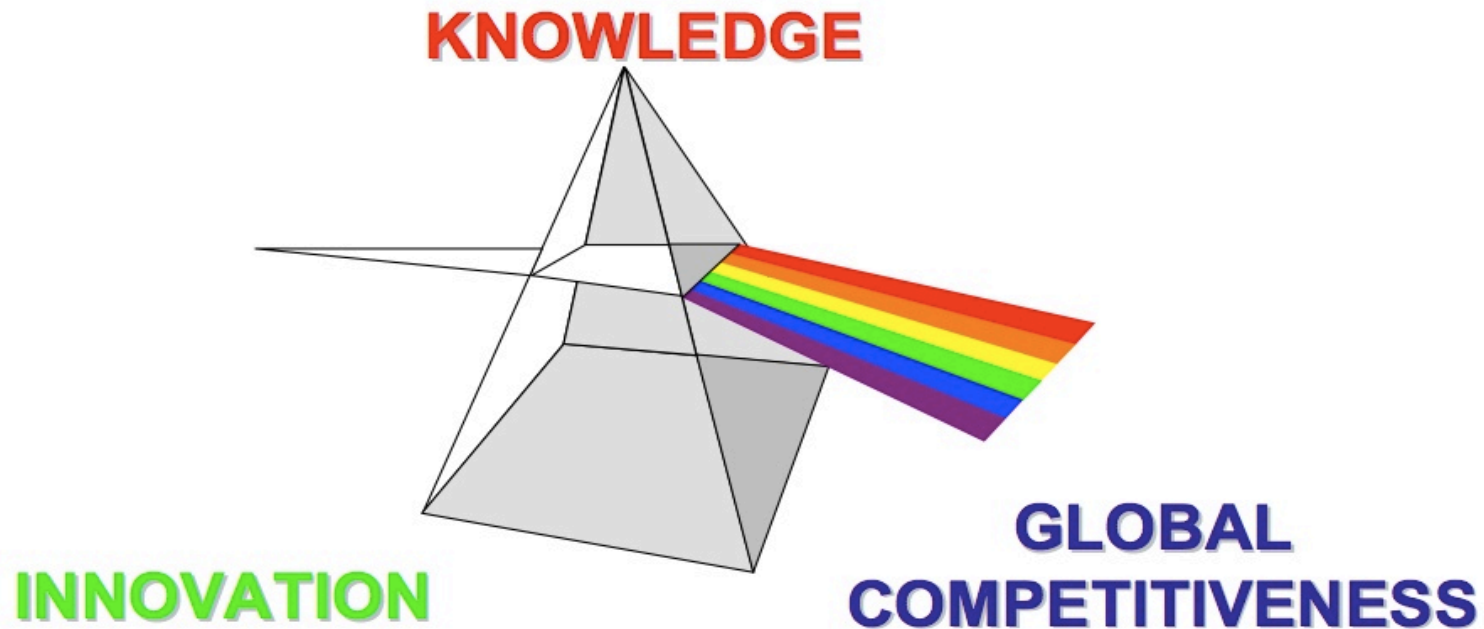
# Why Is Innovation Essential?

***“INNOVATION  
DISTINGUISHES  
BETWEEN A LEADER  
AND A FOLLOWER.”***

**-STEVE JOBS**



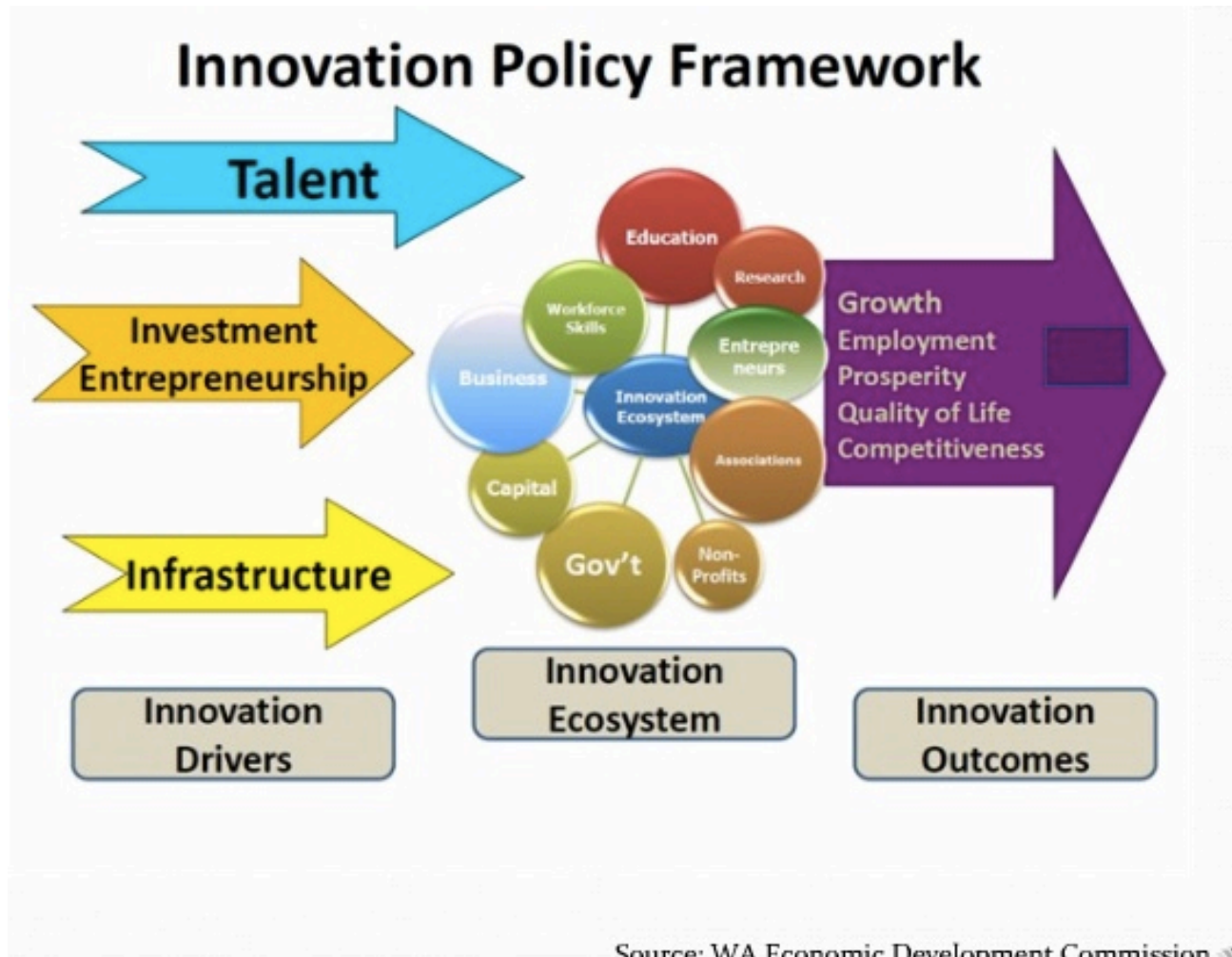
# Innovation Economy



**“If a man empties his purse into his head, no man can take it away from him. An investment in knowledge always pays the best interest.”**

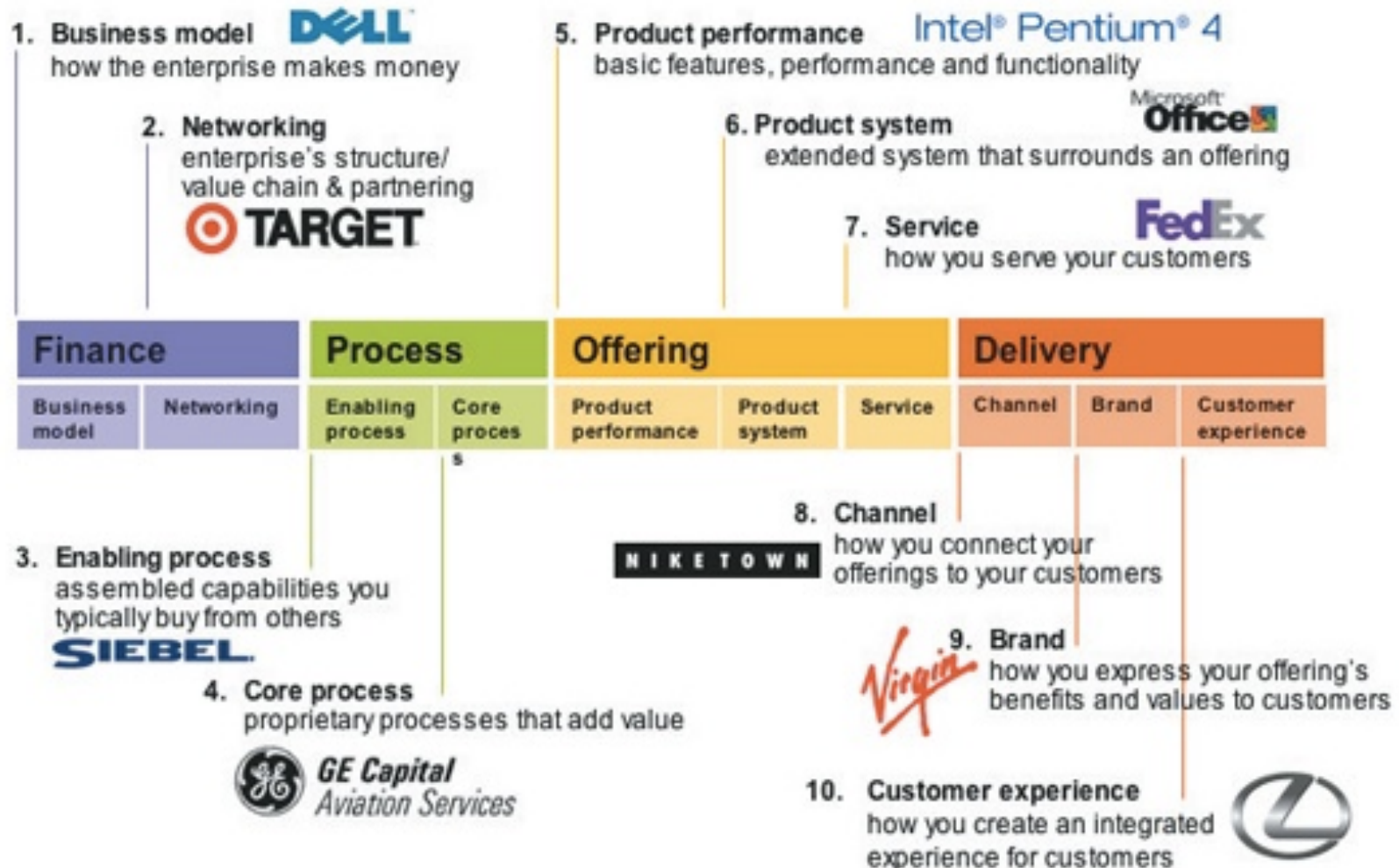
**--Ben Franklin**

# Innovation Policy Framework



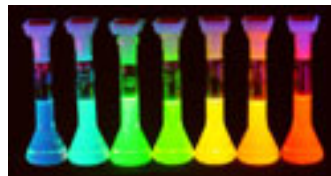


# 10 Types of Innovation



# Implementing a New Innovation Paradigm

- Willingness to deviate from traditional and parochial perspectives
- Encourage public investment and risk taking
- Developing trust through collaboration
- Ensuring the paradigm is responsive to partners' missions
- Building consensus of all constituents through education, participation, and positive outcomes
- Move from technology-based economic development to **Innovation-Based Economic Development (IBED)**



# What is An Innovation Intermediary?

An Organization at the Center of the region's, state's or country's efforts to align local technologies, assets and resources to work together on advancing Innovation.

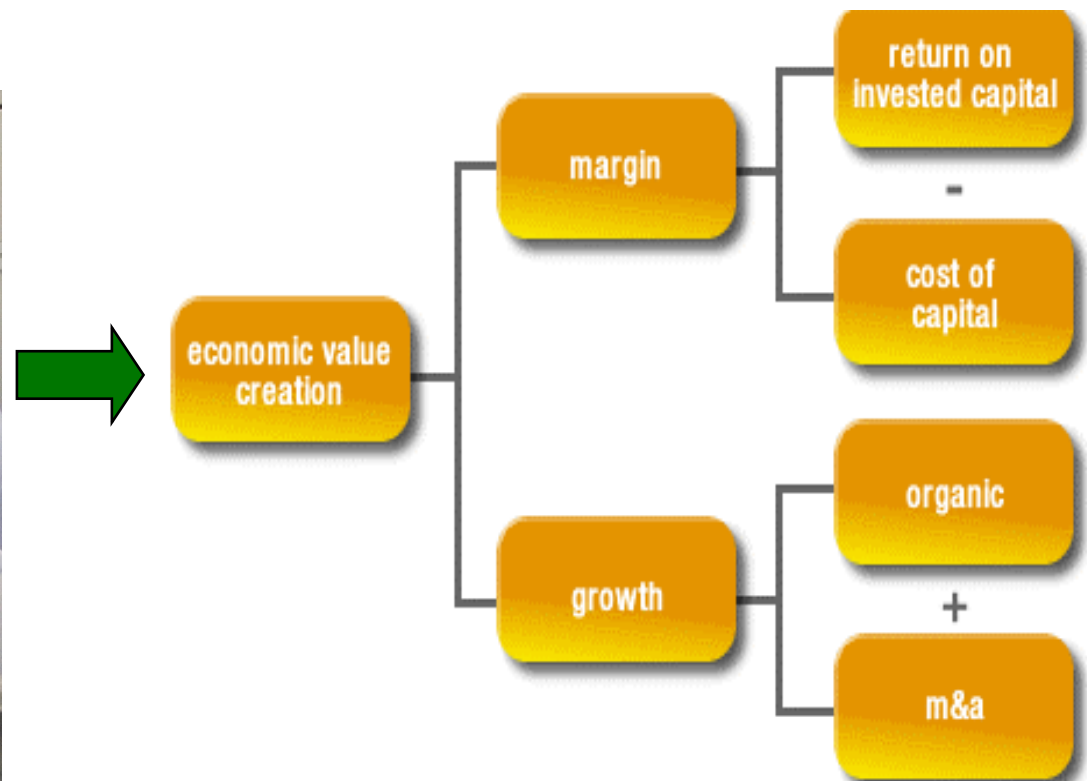


# Innovation Paradigm Shift

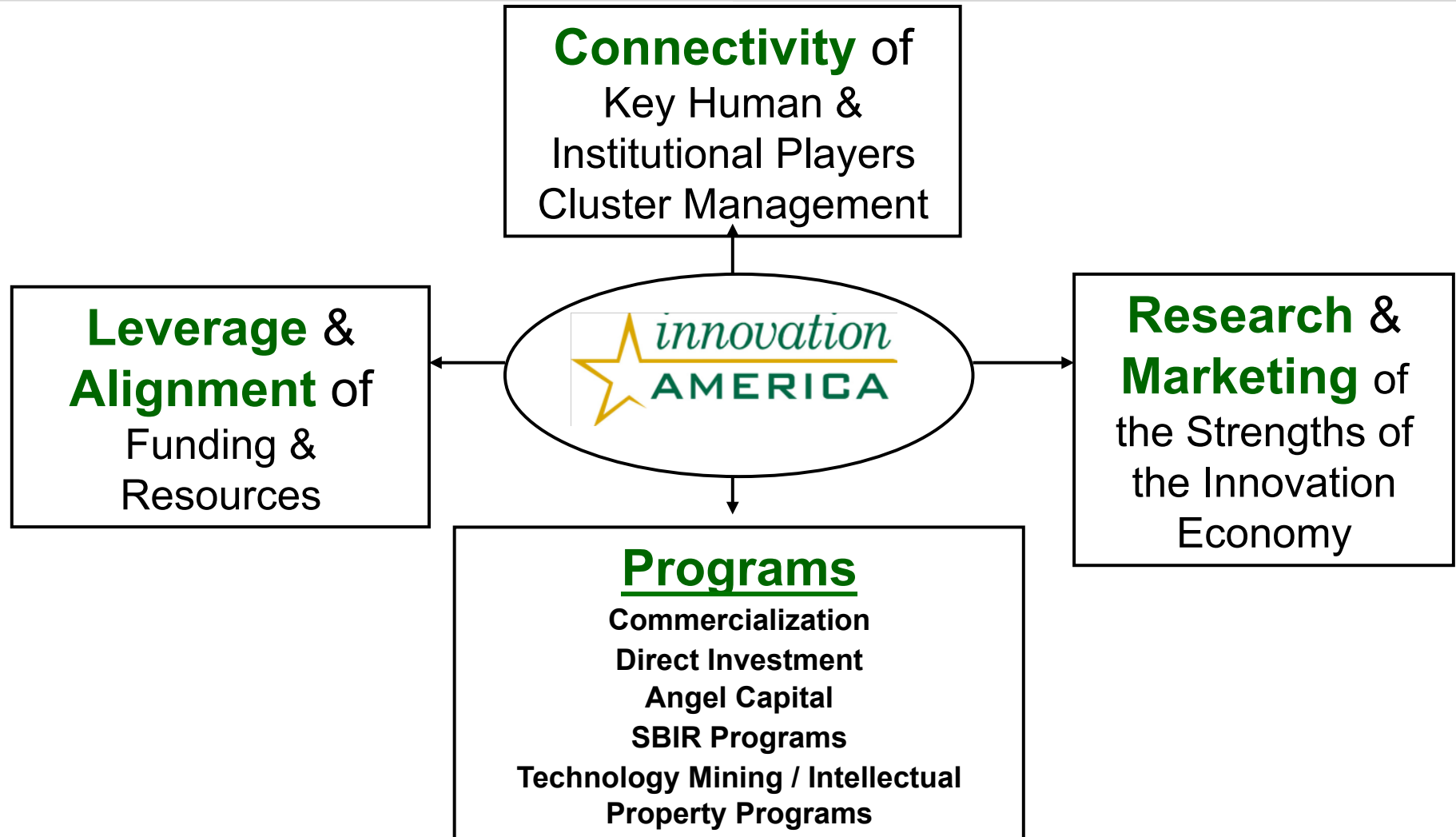
## PROOF OF CONCEPT (Technological Feasibility)



## PROOF OF RELEVANCE (Market Pull)



# 21<sup>st</sup> Century Innovation Intermediary





# Intermediary Best Practices

- Longevity
- Bipartisan Support & Champions
- Independent Organizations
- Continuous Reinvention
- PRIVATE SECTOR LEADERSHIP
- Understand Return On Investment
- Sustainability In Funding
- Accountable
- Innovative
- Effective Leadership



# U.S. State IBED Programs



**Third Frontier**  
Innovation Creating Opportunity

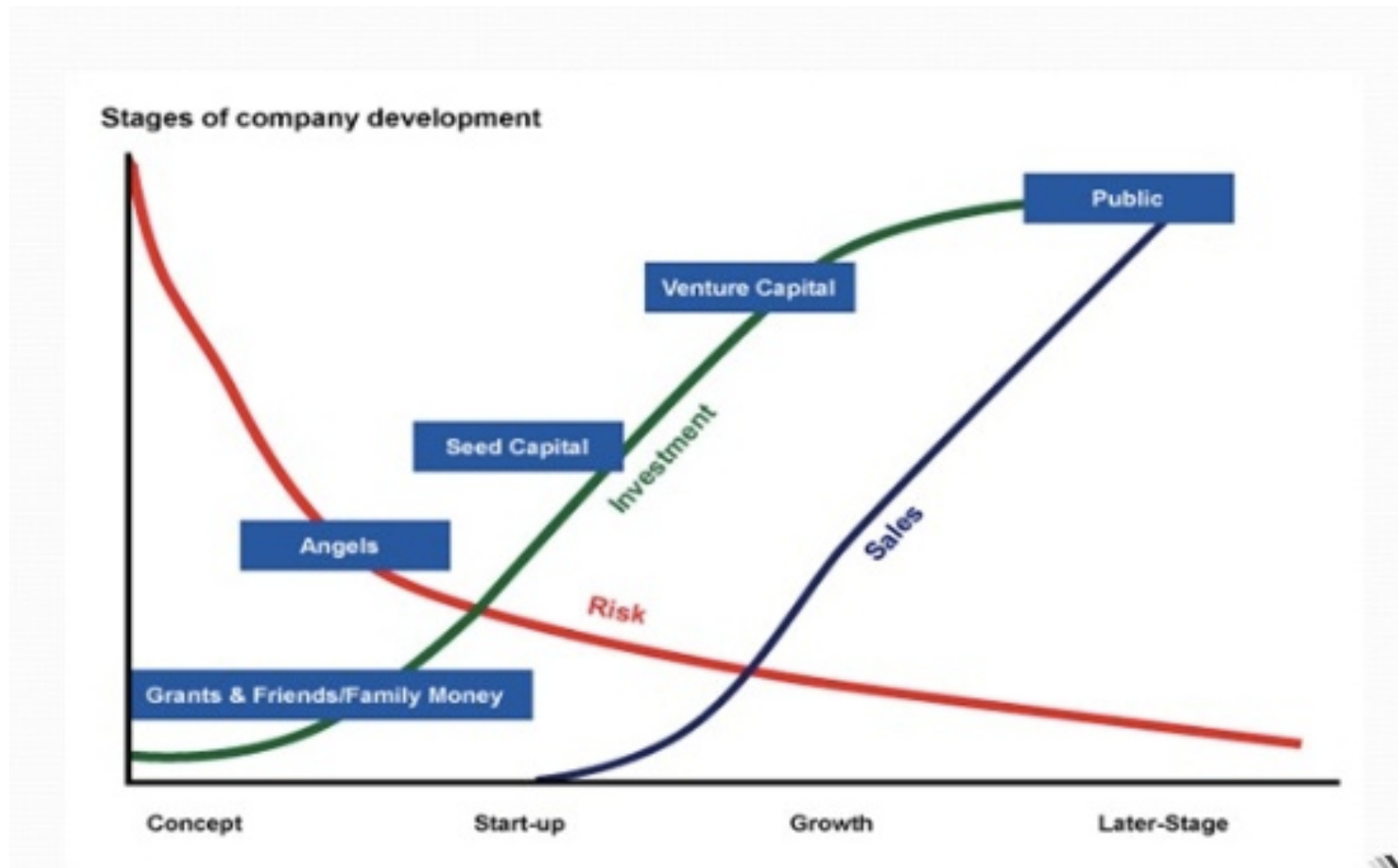


# U.S. Regional IBED Intermediaries





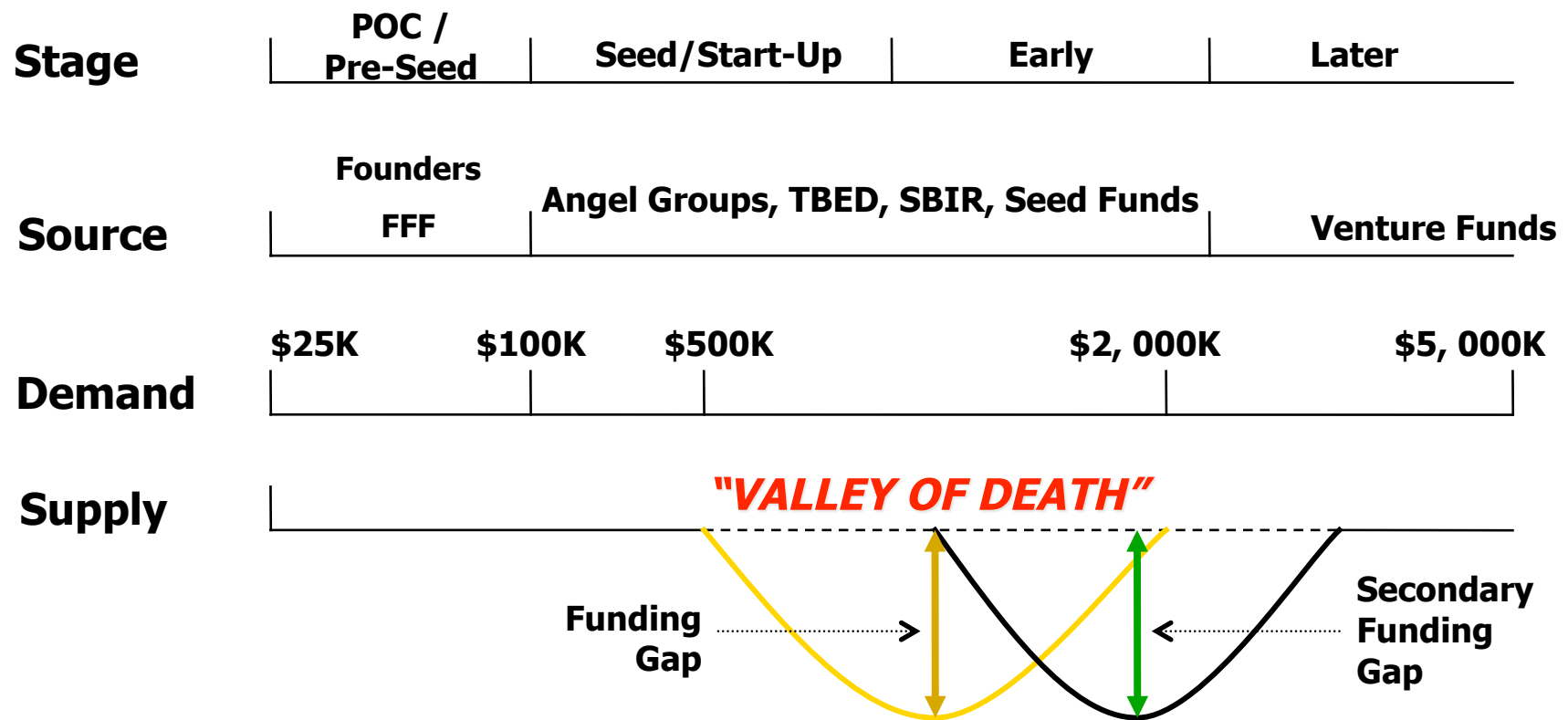
# Stages of Investment





# Innovation Capital Valley of Death

## “VALLEY OF DEATH”



# New Popular Venture Financing Programs

## ***Mentorship programs:***

- Help startups ideate
- Form founding teams
- Build initial products.



## ***Super Angels:***

Provide capital and guidance to:  
hire non-founder employees  
further product development  
market the initial product (usually to  
early adopters) and  
raise follow on VC funding.



# New Popular Venture Financing Programs

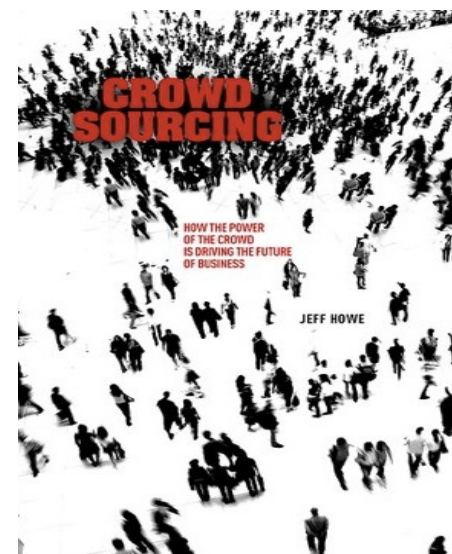
## *Tradition VC's - (Sequoia, Kleiner, etc)*

- Help companies scale and get to profitability.
- Access to broad networks to help with hiring, sales, bizdev and other scaling functions.
- They are also experts at selling companies and raising follow-on financing.

**Accelerator funds** - Focus on providing partial liquidity and preparing the company for an IPO or big M&A exit.

- VC's played all of of these roles (lifecycle" investors).
- They incubated companies, provided seed financings & and later stage liquidity.
- Mostly the mentorship and angel investing roles were played by entrepreneurs who had expertise but shallow pockets and limited time and infrastructure.

SEQUOIA CAPITAL  
THE ENTREPRENEURS BEHIND THE ENTREPRENEURS



# Crowdsourcing

- **Crowdsourcing** is the act of outsourcing tasks, traditionally performed by an employee or contractor, to a large group of people or community (a crowd), through an open call.
- **Crowdfunding** is the raising of a small amount of risk capital from a large number of people.



**Jobs! Jobs! Jobs!**

# Does Seed Investing **REALLY** Create Jobs?





# Public Investment In Job Creation

Category	CDVCA*	State of PA	State of MI	State of UTAH	Stimulus Bill
Funds Invested	\$26M	\$90M	\$291M	\$60M	<b>\$800B</b>
Jobs Created	3,700	8,150	28,854	2,047	<b>1,000,000 To 4,000,000</b>
\$ Per Job Invested	\$7,100	\$11,000	\$11,728	\$29,300	<b>\$800,000 To \$200,000</b>

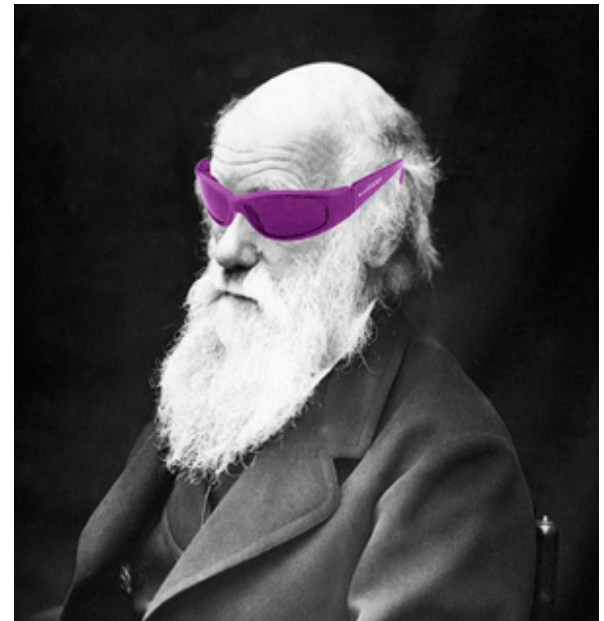
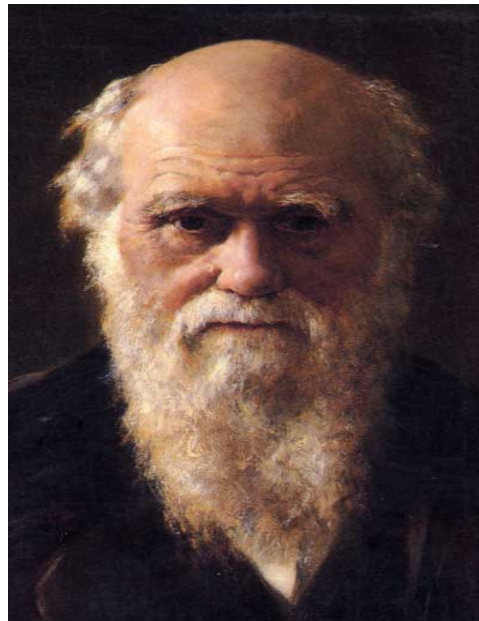
\*Community Development Venture Capital Association



# Change Is Inevitable

“ It is not the strongest of species that survive, nor the most intelligent, but the ones most responsive to change.”

-Charles Darwin



# Minnesota's Angel Tax Credit

*Provides incentives to investors or investment funds that put money into startup and emerging companies focused on high technology or new proprietary technology.*

- Provides a 25% individual income tax credit for qualified investors

Is refundable.

- Non-Minnesota residents (including residents of foreign countries, are eligible for the credit)

- Maximum credit of \$125,000 year/individual

- Maximum credit of \$250,000 married/filing jointly

- Funding for the years 2011-2014 is set at \$12 million per year.

- Businesses get the capital they need to grow

- Investors can manage the risk associated with investing in new businesses or technology

- Minnesota workers and the state's economy benefit because the tax credit kick-starts emerging businesses and creates jobs.



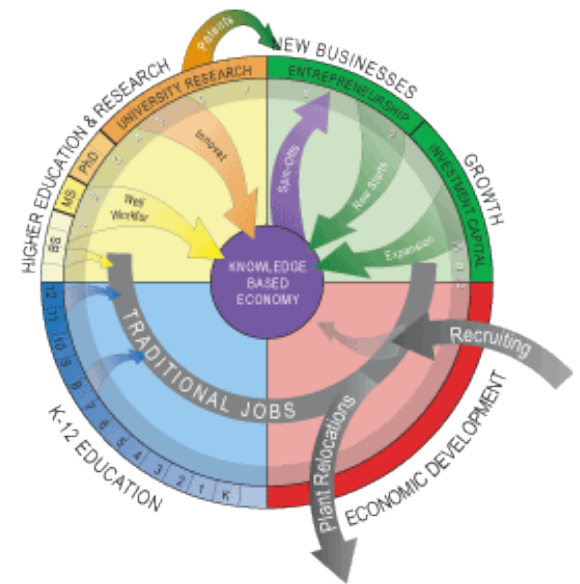
# Tennessee Investco Program

- Provides no less than \$140,000,000 of financial capital to be invested in small businesses in Tennessee
- Funded by deferred insurance premium tax credits
- Focused on early stage, equity investments
- Targeting high-growth companies for “transformational” outcomes
- 10 new professionally managed private sector funds
- Creates the opportunity for financial return to state government
- Access to Capital:
- A New Program..... A New Approach...



# Kansas Bioscience Authority

- \$581 million state-funded independent bioscience TBED organization
  - \$75.5 million program budget; \$3.5 million operating budget
  - 18 employees (8 “deal” people)
- Investment priorities
  - Expand the quantity and quality of bioscience research
  - Focus on the commercialization of bioscience discoveries
  - Foster formation and growth of bioscience companies
  - Position Kansas for international leadership in key clusters





# Pennsylvania's Sustainable Government Innovation

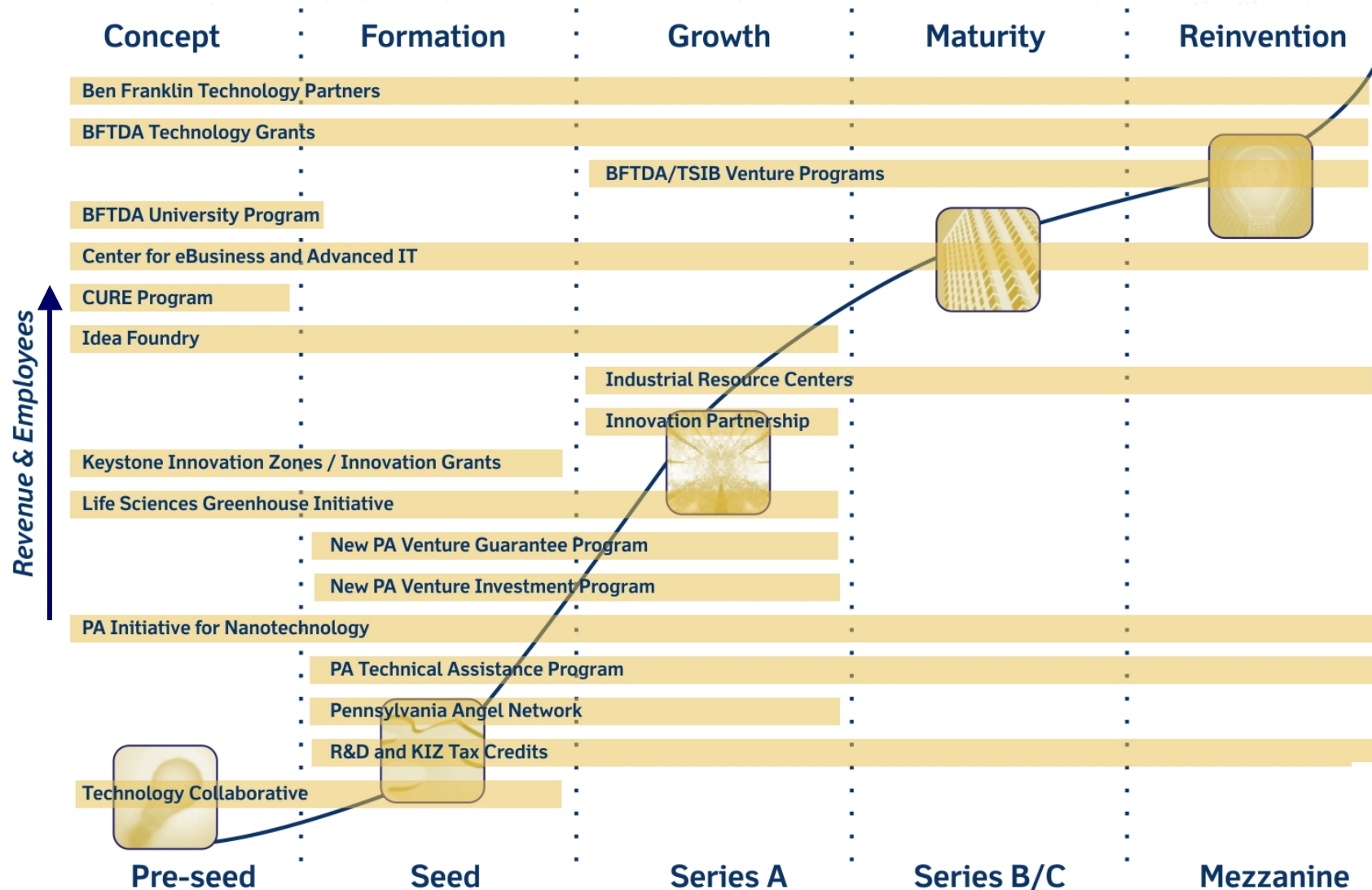
- Pennsylvania Governors Thornburgh and Ridge, as well as current Governor Ed Rendell, discuss the importance of committing to economic development through science, innovation & technology
- The governors focused on the effects that short-term decisions would have on long-term goals
- Three important ideas:
  - *Think outside of the box*
  - *Measure your results and*
  - *Tell your story well.*



# Technology Investment

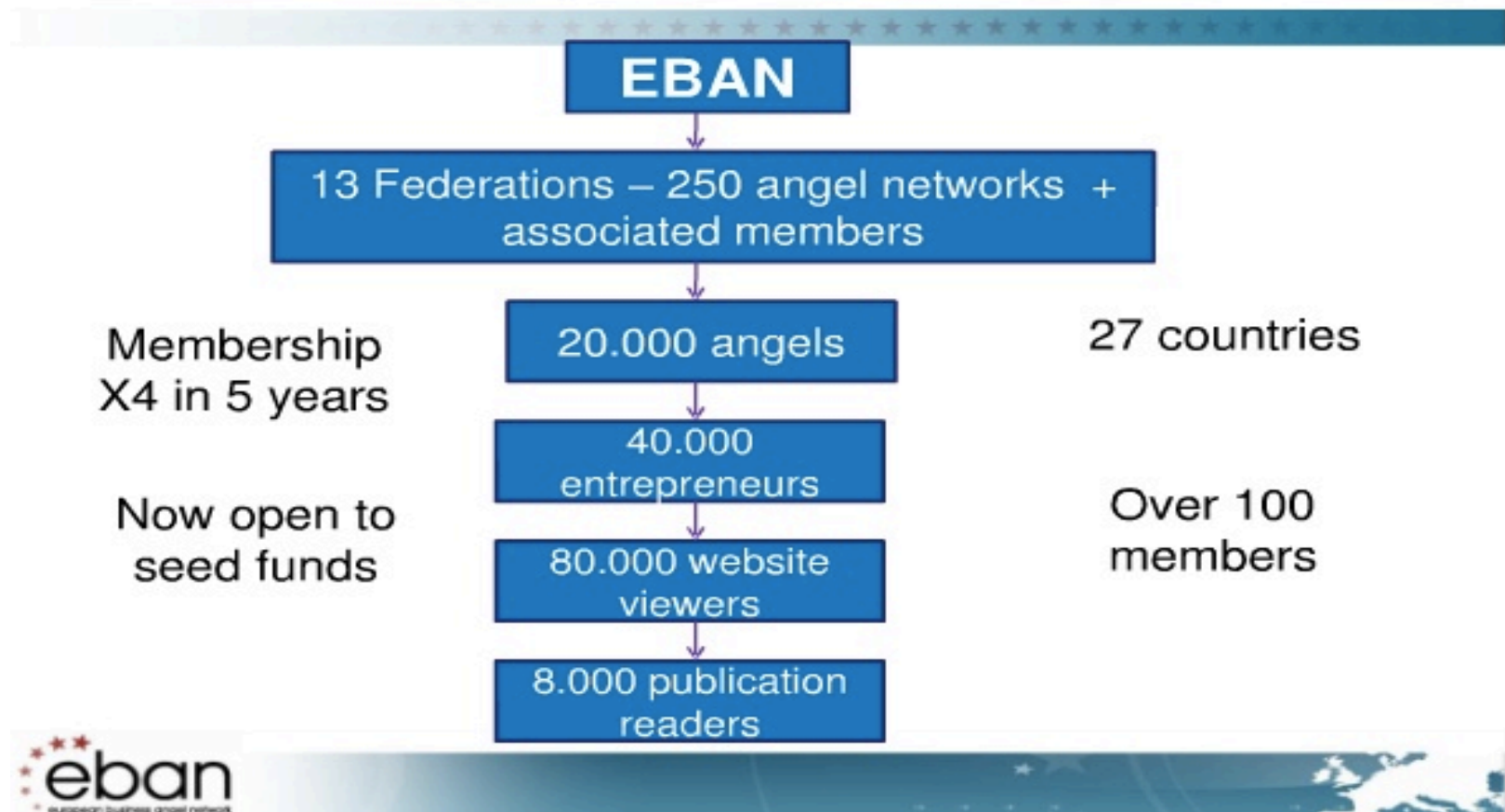
## Technology-based Economic Development Tools Along the Continuum

> ready > set > succeed



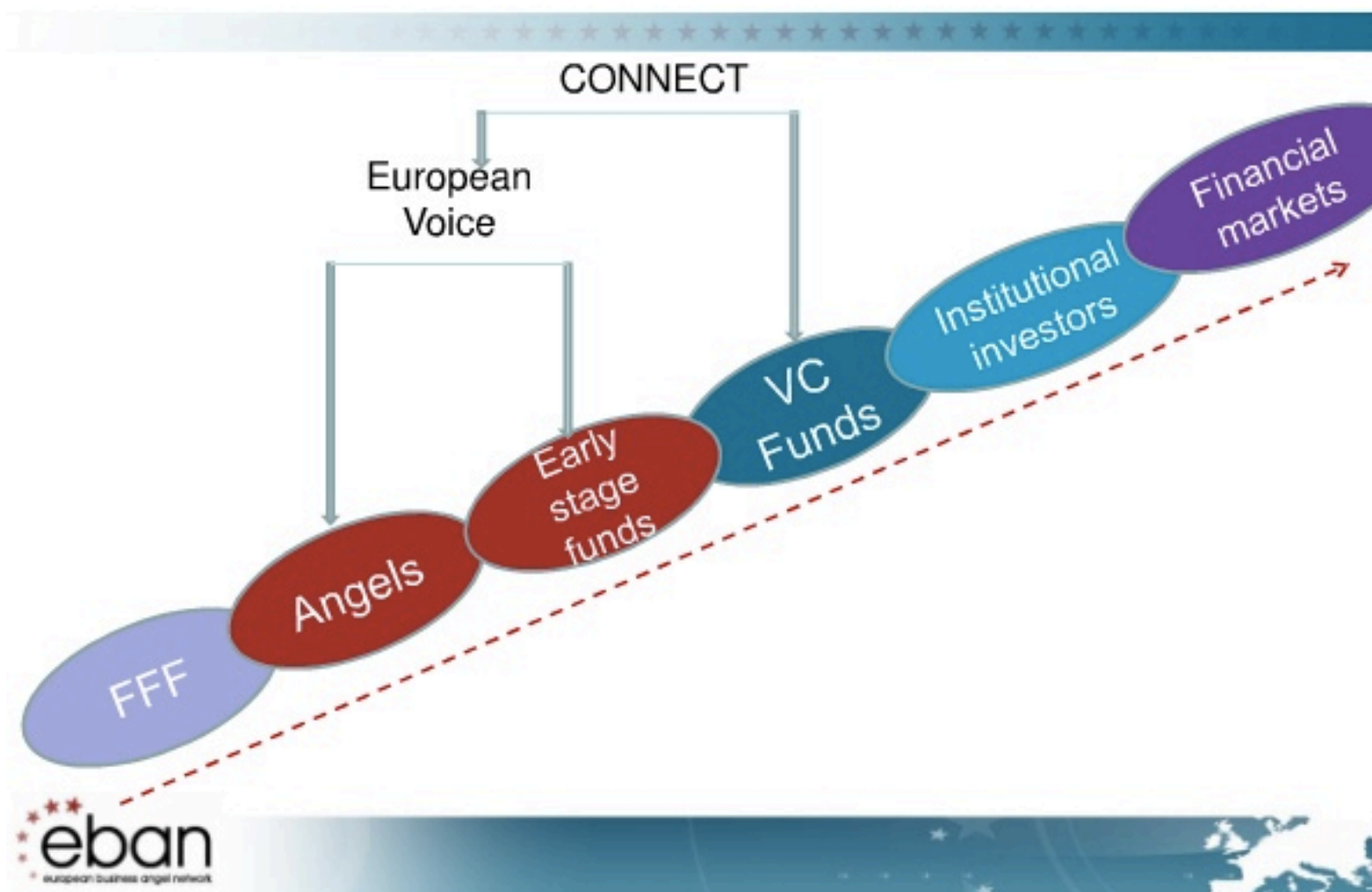
# European Business Angel Network (EBAN)

## About EBAN





# EBAN Focus



# Industry Stats

## Summary of industry statistics

2007		EU	US
Networks	↑	297	270
Estimate n of angels	↑	75.000	250.000
Investment per round	↑	165.000€	210.500€
Total estimate invested annually	↑	3-5 billion€	20 billion€
Total invested by VC annually in seed (EVCA data)	-	4 billion €	20 billion €

## EU INVESTMENT ACTIVITY 25% of US LEVELS

Source: Compiled information from EBAN, ACA and Center for Venture Research





# Benchmarking

## Benchmarking EU/US angel market

Similarities	Differences
Growth of the market	Size of market
Size and stage of investment	
Syndication/co-investment/Capacity building	Role of public support (Entrepreneurial mindset)
Sector specific networks	
Growing interest in cross-state/Cross border activities	Issues with single market
Difficulty to collect data on the market	Lack of European support to data collection vs. Kauffman Foundation



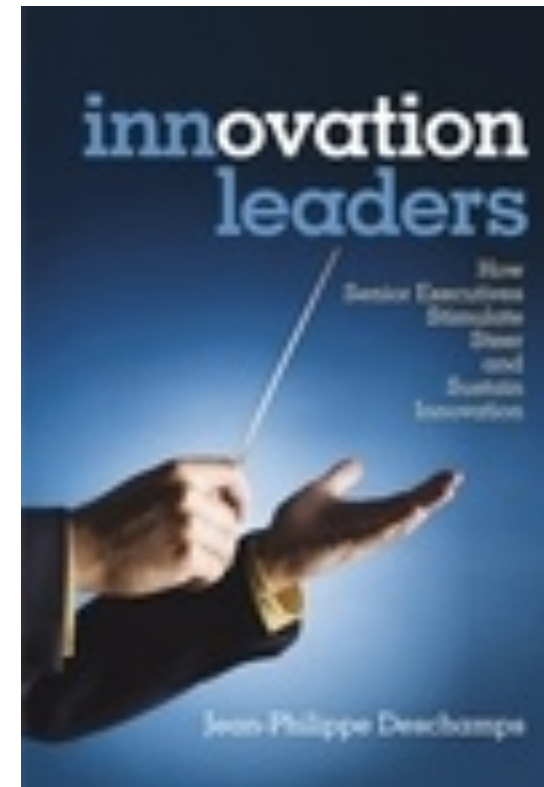
# World Business Angel Association

- Raise global awareness of the importance and practice of business angel investment
- Stimulate the exchange of best practices in angel investing
- Enhance the development of cross-border angel investing. It does this by promoting the professionalization of the angel market through the fostering of angel groups and associations
- Countries whose national business angel federations are represented in the organization include Australia, Chile, China, France, Germany, Italy, New Zealand, Panama, Portugal, Scotland, Spain, United Arab Emirates, United Kingdom, and the United States, as well as the European Union.



# The New Tasks of Innovation Leaders

1. Be Proactive
2. Begin with the End in Mind
3. Seek First to Understand, then to Be Understood
4. Put First Things First
5. Think Win-Win, Be Inclusive
6. Synergize
7. **FOCUS**



THE  
BEST WAY TO  
**PREDICT**  
THE FUTURE  
IS TO **CREATE**  
**IT**



## Call To Action

***"The world is more malleable than you think and it's waiting for you to hammer it into shape."***





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## National Association of Seed and Venture Funds to Host 17th Annual Conference in Baltimore

 Saturday, 09 October 2010 00:00 | Written by Administrator |  

**U.S. Chief Technology Officer Aneesh Chopra to speak at "Funding Innovation: Accelerating the New Economy"**

**WHAT:** The National Association of Seed and Venture Funds (NASVF) will host its 17th Annual Conference, "Funding Innovation: Accelerating the New Economy," October 13-15, 2010 at the Marriott Baltimore Inner Harbor at Camden Yards. Speakers include Aneesh Chopra, U.S. Chief Technology Officer, Sean Green, Associate Administrator for Investment and Special Advisor for Innovation at the U.S. Small Business Administration (SBA) and Steven D. Welch, Co-founder of DreamIt Ventures and author of "We are all Born Entrepreneurs." The Maryland Technology Development Corporation (TEDCO) is a host and major sponsor of this year's conference.

**Topics Include:**

- State of Investing: A Current Perspective: features industry leaders from the national and international



### Top Innovation Bloggers



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