

Innovation Choke Points

What thwarts U.S. R&D Investments,
Commercialization, Job Growth and
Competitiveness

Missing In Action

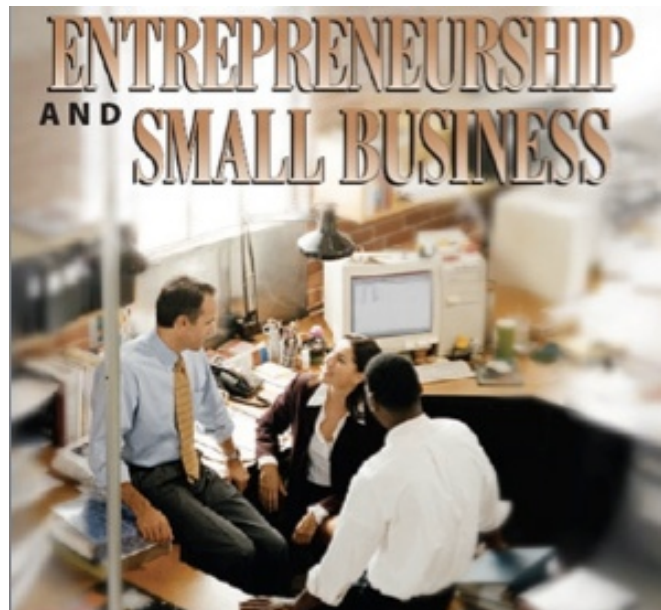
**The Role Small Businesses and Entrepreneurs
Should Be Playing in Reviving the U.S. Economy**

Presented by:

Richard A. Bendis
President and CEO
Innovation America
Washington, DC
July 15, 2010



Entrepreneurship



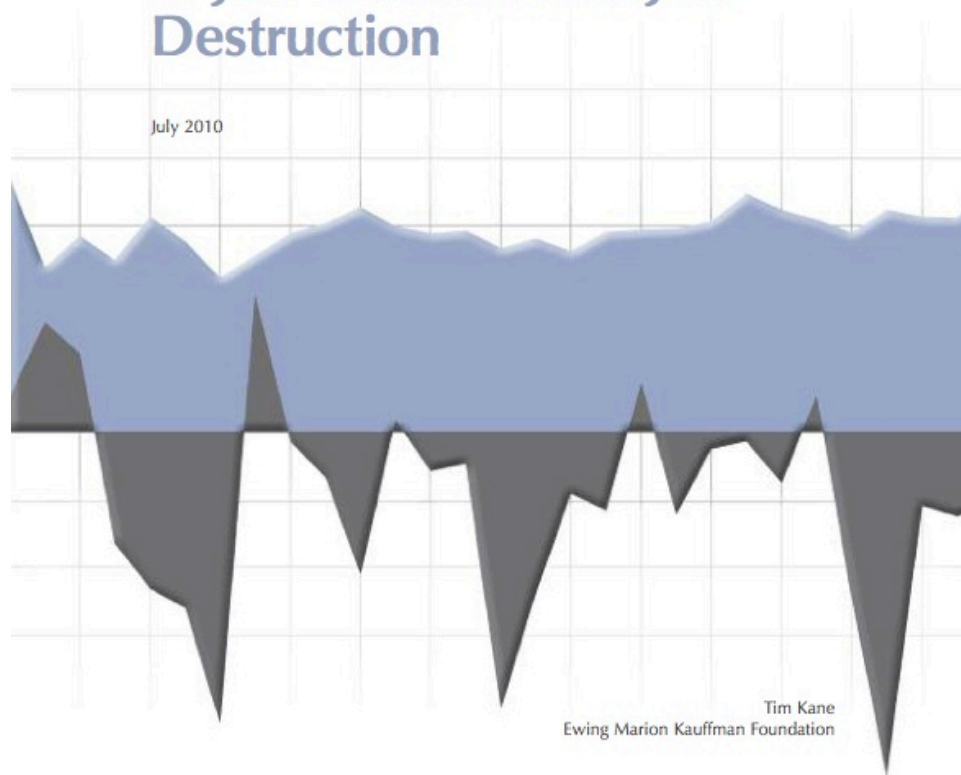
“Entrepreneurship is living a few years of your life like most people won't, so that you can spend the rest of your life like most people can't”

Job Growth in U.S. Driven Entirely by Startups, According to Kauffman Foundation Study

Kauffman Foundation Research Series:
Firm Formation and Economic Growth

The Importance of Startups in Job Creation and Job Destruction

July 2010



Tim Kane
Ewing Marion Kauffman Foundation



KAUFFMAN
The Foundation of Entrepreneurship

Small Business



- "On average and for all but seven years between 1977 and 2005, existing firms are net job destroyers, losing 1 million jobs net combined per year. By contrast, in their first year, new firms add an average of 3 million jobs," the study reports.

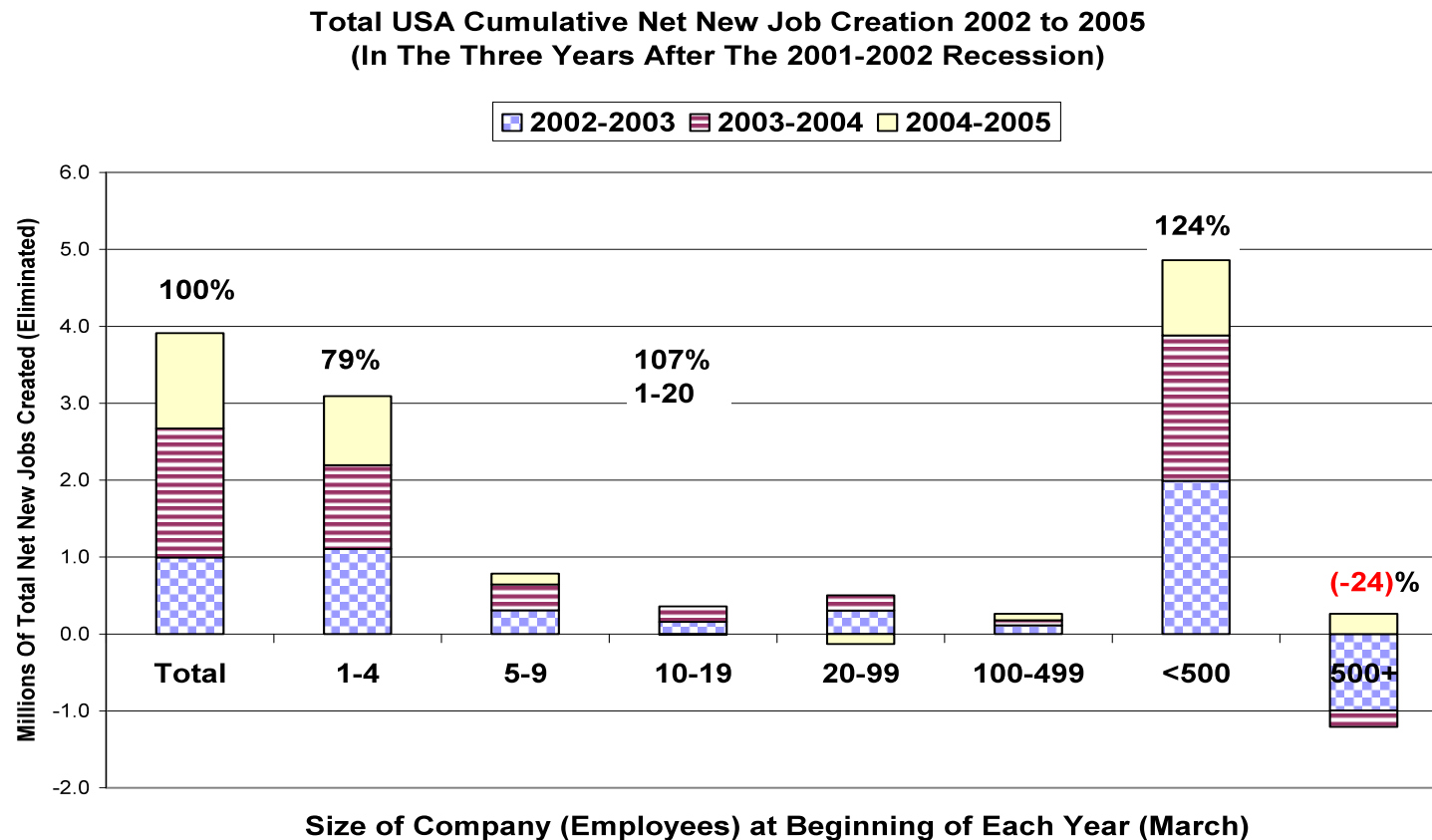
– Kauffman Foundation

Source: Research Series:

Firm Formation and Economic Growth

2001 Recession: Small Business Drives Job Creation

- In the three years after the 2001 recession, Companies of less than 20 employees created 107% of net new jobs while companies over 500 employees eliminated a net of -24%



Innovative Small Business Facts

SME's (**S**mall & **M**edium-size **E**nterprises):

- **Generate 60%-80%** of net new jobs annually over the last decade
- **Employ 30%** of high-tech workers, such as scientists, engineers, and computer workers
- **Produce 13X** more patents per employee than large patenting firms
- **Proof of Concept, Start-up, and Seed stage** companies lack investment support
- Most Seed stage firms need investments of **\$500K - \$2M**
- The average venture capital investment in Q1 2010 today is **\$8.9M**



“The Perfect Storm”

Reduced Angel Activity

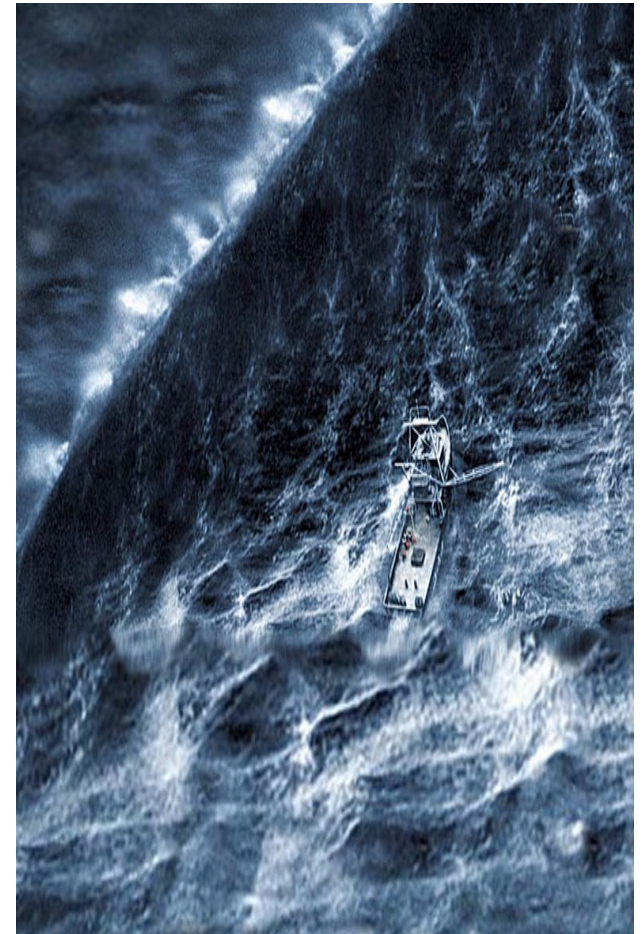
- Angel Investors reduced their investments in 2009 by over 27%
- Availability of investment capital among angels decreased dramatically by 50% in 2009

Venture Funding Moving Downstream

- The average investment by venture firms last year was \$8.3 million per investment and only about 4% of the capital went to early-stage companies.
- 2009 was the worst year in terms of total capital invested by venture firms since 1999

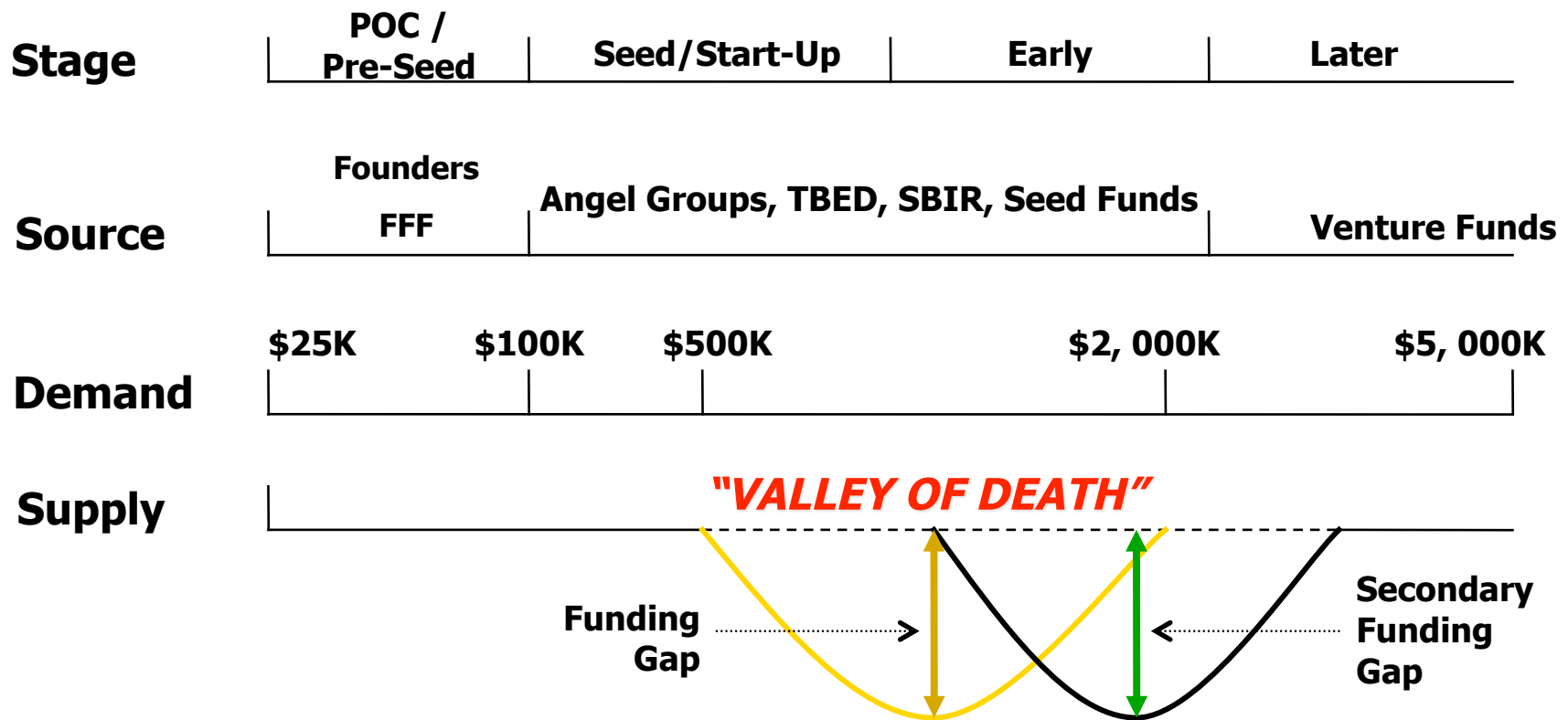
State TBED Budgets Decreasing

- 40 states have budget deficits
- **SBIR NOT REAUTHORIZED YET & TIP UNDERFUNDED**



Innovation Capital Valley of Death

“VALLEY OF DEATH”



Jobs! Jobs! Jobs!

**Does Seed Investing
REALLY
Create Jobs?**



Public Investment Job Creation

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

*Community Development Venture Capital Association



US Angel Capital Programs



CommonAngels™



Note: 29 states with Angel Capital Tax Credit Investment Programs



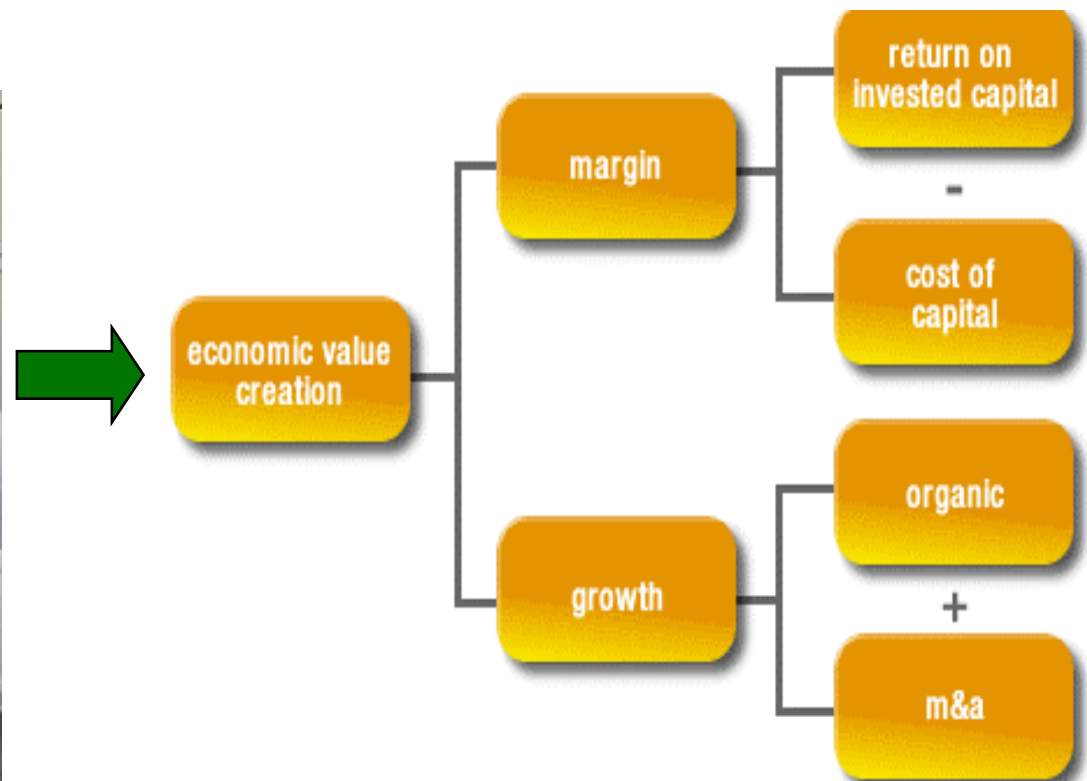


Innovation Paradigm Shift

PROOF OF CONCEPT (Technological Feasibility)



PROOF OF RELEVANCE (Market Pull)



Innovation Intermediary Commercialization Structure

Investigation	Technical	Market	Business
Proof of Concept	Technology Concept Analysis	Market Needs Assessment	Venture Assessment
Development Phase			
Feasibility	Technology Feasibility	Market Study	Economic Feasibility
Planning	Engineering Prototype	Strategic Marketing	Strategic Business Plan
Introduction	Pre-Production Prototype	Market Validation	Business Start-Up
Commercial Phase			
Full Scale Production	Production	Sales and Distribution	Business Growth
Maturity	Production Support	Market Diversification	Business Maturity

U.S. State IBED Programs



Emerging Innovator Programs With Seed Funding

Y Combinator



• They assist startups through what is for many the hardest step, from idea to company which includes:

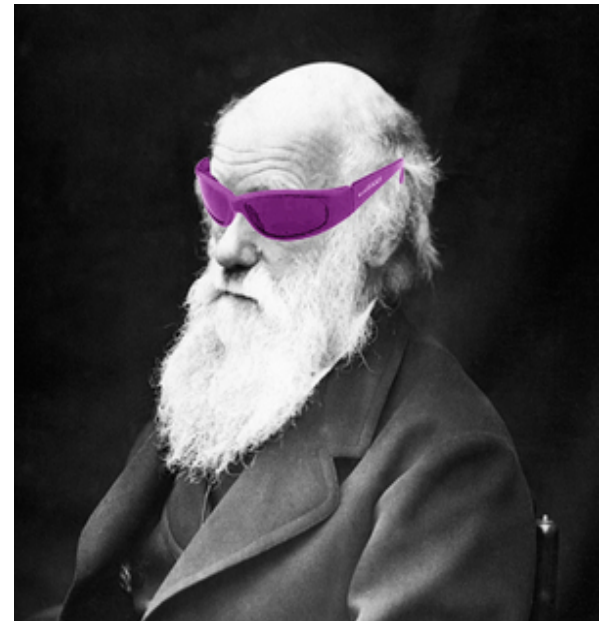
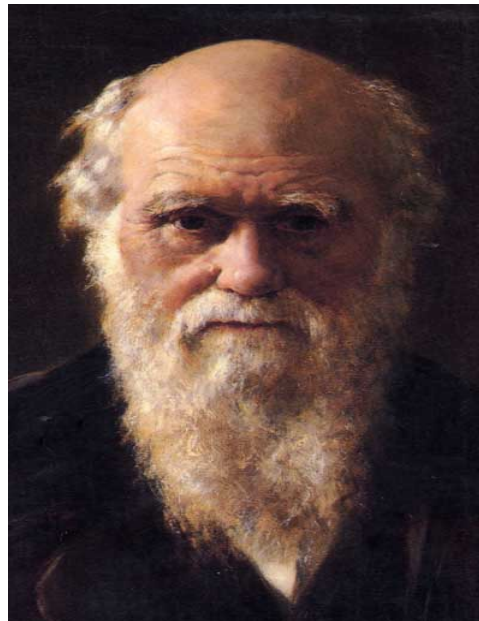
- *Seed funding*
- *Collaborative work space*
- *Mentors and Advisors who have "been there and done it" before*
- *Donated legal, accounting and administrative help to form companies properly*
- *Introductions to funding sources (including Angel Investors, Venture Capitalists, private investors and public sources of funding)*



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



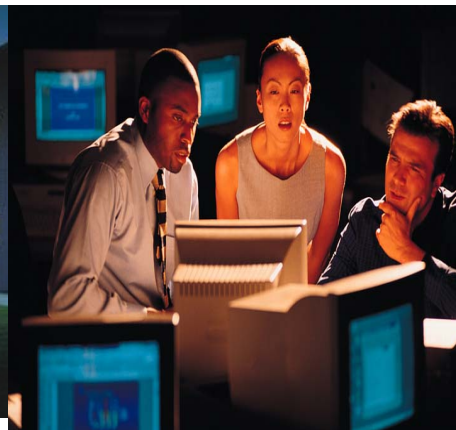
What's Missing?





Regional Innovation Clusters Initiative (RICs)

RICs are a geographically-bounded, active network of similar, synergistic or complementary organizations which leverage their region's unique competitive strengths to create jobs and broader prosperity.



U.S. Regional IBED Intermediaries



Partners in National Innovation Development



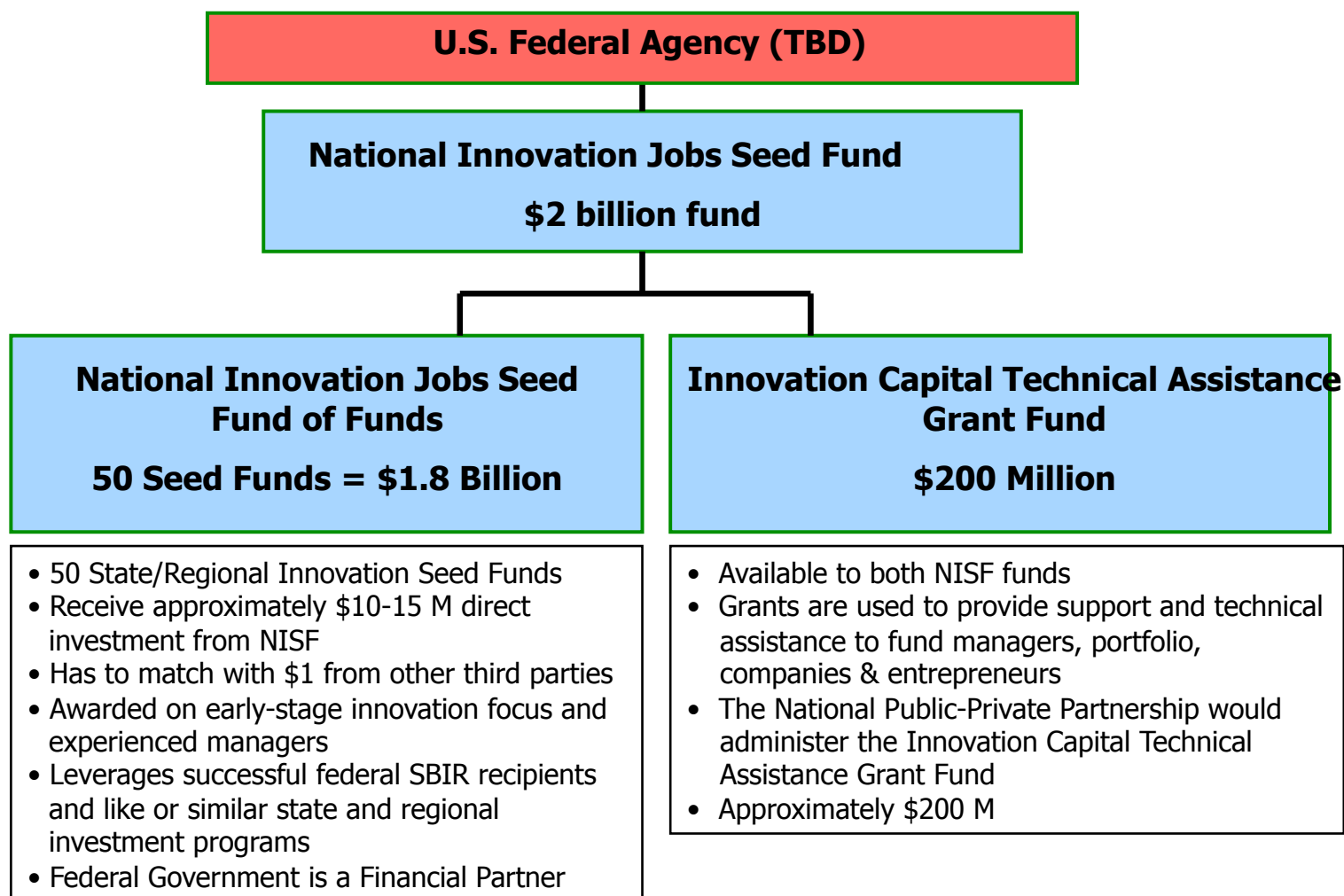
**Community Development
Venture Capital Alliance**



**The Association of
University Technology
Managers**



National Innovation Jobs Seed Fund



Other Countries Response – Small Business Growth



Cowen launches €500m fund to fund plan for Ireland to become Europe's "Innovation Hub"



Israel.... now know as the Start Up Nation with the most friendly entrepreneurial culture replacing the US.....



UK Government Unveils Plans for £1BN Venture Capital Fund of Funds.....



Government of Canada Announces \$450 Million in New Funding to Assist Small Canadian Businesses...



Federal Recommendations

1. **EARLY STAGE INNOVATIVE JOBS
STIMULUS FUND OF FUNDS (FOF)**
2. **REAUTHORITIZATION OF THE SBIR
PROGRAM**
3. **TECHNOLOGY INNOVATION PROGRAM
(TIP)**
4. **SMALL BUSINESS INVESTMENT COMPANY
PROGRAM (SBIC)**
5. **NEW NATIONAL ANGEL CAPITAL TAX
CREDIT PROGRAM**
6. **CREATION OF A FEDERAL R&D TAX
CREDIT PROGRAM WITH
TRANSFERRABILITY OF THE EARNED
TAX
CREDITS**
7. **CREATE THE FIRST ELECTRONIC (WIKI)
INNOVATION AND ENTREPRENEURSHIP
CLEARINGHOUSE**



Treasury, SBA Host Small Business Financing Forum



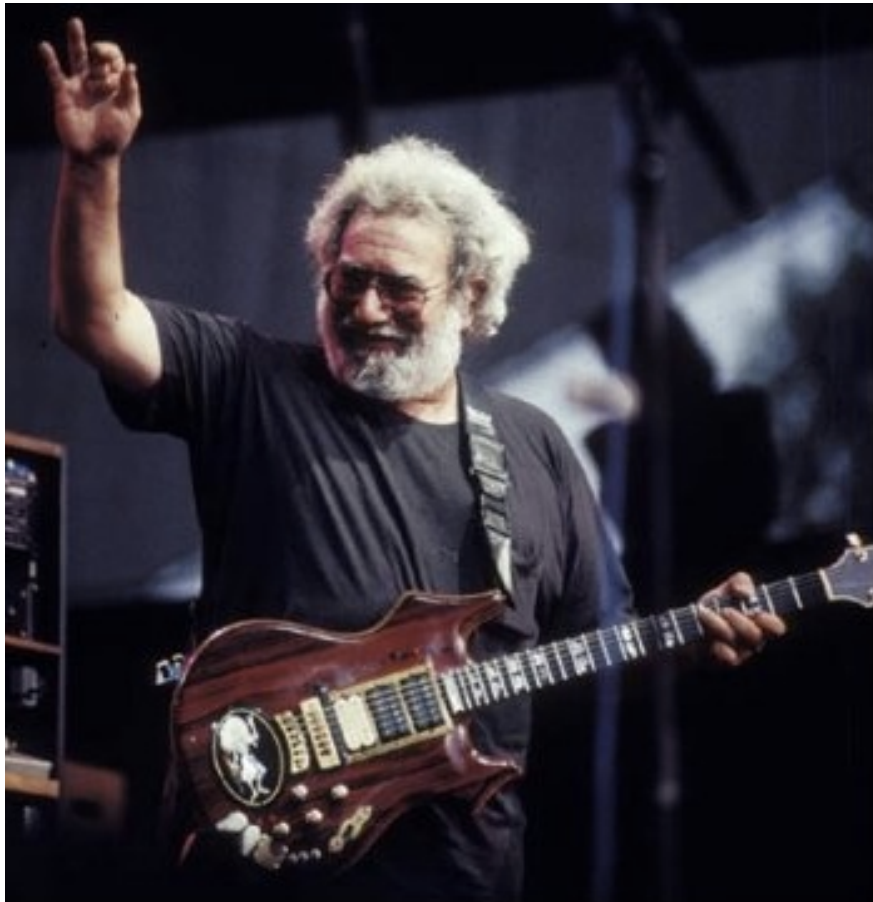
U.S. Small Business Administration



Your Small Business Resource



A Call to Action



"Somebody has to do something, and it's just incredibly pathetic that it has to be **US**."

--Jerry Garcia of the Grateful Dead

The US is YOU!



Richard A. Bendis
President and CEO
Innovation America

2600 Centre Square West
1500 Market Street
Philadelphia, PA 19102

(215) 496-8102

rbendis@bendisig.com

www.innovationamerica.us

www.innovationamerica.us/daily