

BIG WAVE ALERT – DIALOG WITH STARTUP AMERICA

This **big wave alert** will discuss notes from Startup America: The White House Initiative to Reduce Barriers and accelerate Entrepreneurship taken on April 6th.

Rationale - Assessment of the results of a Startup America: Reducing Barriers Roundtable

April 29, 2011 - Startup America is a White House initiative to accelerate entrepreneurship. Part of the initiative is a series of town hall meetings; in particular, “Reducing Barrier Roundtable” meetings held with small business across the United States. There are eight scheduled such meetings and the fourth one was held in Minneapolis on 6 April 2011. The results and our opinions of that meeting are documented below.

The format of the Roundtable was simple. It was hosted by Medtronic which provided a set of opening remarks. This was followed by a panel on entrepreneurship, a set of break out sessions and a summary of small business concerns that were developed in the breakout sessions. Attendance was by invitation only and about 175 upper Midwest business people were in attendance.

Our welcome was provided by James Dallas of Medtronic and basically provided an overview of the process we would be going through the day.

The first session consisted of four government employees and one business person talking about the state of entrepreneurship in America. This session was moderated by Sean Greene, Assistant Administrator of Investments and Innovation, US Small Business Administration. Some of the information was of interest and a set of handouts was provided that made some of the points summarized by the speakers. The speakers and their points were:

1 – Ginger Lew (Senior Counselor, National Economic Council) provided a brief summary of her view of small business. Her claim was that small business has created 40 million small business jobs in the last 15 years. She stated that serial entrepreneurs are the key to job creation and the administrations' innovation policy is centered on the issues of smart grid, patent policy, immigration policy, access to capital, broadband internet service and workforce education.

2 – Patricia Rae (Deputy Director, United States Patent and Trademark Office) provided a summary of patent reform noting that the patent system

will (beginning 4 May 2011) allow applicants to get their patents processed on three tracks: Track one accelerates the process through the addition of a fee whereas track two keeps the current processing speed and in track three you can ask for your patent to be processed slowly. The information about this process was published in the Federal Register on 4 April 2011.

3 – Winslow Sargeant (Chief Counsel of Advocacy, US Small Business Administration) provided an overview of his office and noted that he is your advocate within the government if you are a small business. He noted that one of his goals is to seek ways to minimize the impact of regulations on small businesses. He claimed that small business incur a 36% higher cost of doing business than do large firms due to economies of scale.

4 – Michael Fitzpatrick (Associate Administrator, Office of Information and Regulatory Affairs) discussed the impact of regulations on small business and ways they can be changed. In particular, he noted that most of the current government regulations were undergoing a set of stress tests to determine if they can be eliminated by looking at a cost benefit analysis of the regulation. He invited input on regulations from small business.

5 – Darlene Miller (President and CEO, Permac Industries) discussed her experiences as a small business person and how she bought and grew her company.

Generally, this session was well received and the speakers were well motivated and knowledgeable, however, the problem with government speakers (in my opinion) is that they quickly become process oriented and rely on the idea of government process rather than common sense. Further, we need to remember that all of the government representatives are part of the administration and thus will be pushing the administration's agenda which (in my opinion) focuses on small business but does not provide a high quality focus on small high technology business as that is where the future products and manufacturing jobs for the country will have to be developed. Yet, the goals and mechanisms that are discussed by the speakers all do make sense.

Break out sessions were then held that were designed to provide feedback issues to the government representatives with the attendees being broken into groups containing a variety of small business interests. The group that I was in contained everything from food start up companies to high tech robot firms to a manufacturer of paired bicycle transports. How

you can provide feedback without attending a meeting will be discussed later. The focus of the breakout sessions was to identify clear problems that small business encounters. Solutions to the problems that small business would like to see were identified. And, potential outcome and impacts on small business were articulated. There were five breakout sessions and their results were provided to the session at large in the last session. A summary of the results of the breakout sessions is provided below.

1 – Yvonne Cheung Ho (Minority Economic Development Agency) reported that the critical issues discussed in her session were to provide solutions 1) to the visa/immigration problem that keeps people with critical skills on a quota to enter the country, 2) provide incentives to prime contractors to incorporate small business content into their systems, 3) provide a means for small businesses to get asset based SBA loans and 4) to provide lower cost and faster FDA processes for approval of devices.

2 – John Stavig (Holmes Center of Entrepreneurship, University of Minnesota) reported that the concerns in his breakout session were similar and in particular were 1) sources of capital, 2) existence of Angel Tax Credits at the federal level, 3) Sarbanes Oxley reporting requirements, 4) the

wrong types of banks were in the SBA loan program, 5) speed of patent issuance and 6) speed of the FDA processing of applications.

3 – Pam Sarvela (University of Minnesota, Duluth Natural Resources Research Institute) noted that her breakout session identified some additional concerns including 1) lack of SBA outreach programs to entrepreneurs, 2) GSA schedule inflexibility, 3) ITAR requirement complexity and 4) health care costs.

4 – Brad Lehrman (MOJO Minnesota and Lommen Adbo) discussed that his breakout session identified three additional issues including 1) Reduction of paperwork for small businesses, 2) cost of and need for tariffs and 3) difficulties involved with importing and exporting product.

5 – Betsy Lulfs (Executive Director, Minnesota Science and Technology Authority) concluded with a number of additional issues including 1) a means of rating performance of primes relative to using subcontractors, 2) how to get rules and regulations to be less “silo” oriented, 3) construction of a set of rules for an “innovation group silo”, 4) an FDA fast track approval process and 5) more mentoring for small businesses.

Generally, government people have to be process oriented. There should be no surprise here. And, that is what occurred. However, the people

did seem to care and be passionate about their positions. So in that sense the exercise was a good exercise. But, the session did nothing to further the real issue as I see it – how do you foster an innovation environment. The US economy is not going to be saved by building another pizza parlor! Now as someone who loves good pizza, I can attest that we need to have good pizza parlors, but to survive as an economy we must take on the issue of conceiving and creating massive new products and product categories that we can lead the world in implementing and selling. How this can happen is the key issue and no one seems to have a solution to that problem. Even more disturbing is that no one seems to be able to really articulate the problem and its possible solution space. Conversations such as the Startup America Roundtable are a good start, but the effort must come from the ground up – from the entrepreneurs and the role of the government must be to provide an enabling environment. The government will never be a leader in this process. At best they can be an enabler of the small business. But, to really succeed the US must enable a serious high technology push that is designed to keep us in the forefront of the technology race for as far as the eye can see.

If you have ideas about how government can help instead of being an impediment, it was clearly stated that they welcome your input and there are

at least two ways you can provide input: 1) go to their special website www.reducingbarriers.ideascale.com and 2) <http://www.whitehouse.gov/issues/startup-america>. These web sites will keep you informed and provide means for you to comment and understand the administration's push.

The idea of the reducing barriers web site is to provide for idea collection, reporting of consolidated results, provide information on regulatory processes and to provide ideas to federal agencies. The function of the Startup America website is to keep small business up to date on the administrations initiatives.

I think that these initiatives are all well and good, but I still feel that the real key is in small businesses that can develop new rapidly growing technologies. It is after all a simple business proposition, you must constantly innovate or you will find yourself on the trash heap of history.

Prediction – The administration will continue to miss the key points necessary to understand and foster small high technology businesses due to political pressures that exist in Washington DC. Thus, no real progress will be made on the issue of repositioning America to again be the world's technology leader during this administration.

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