REPORT OF THE
CENTER FOR INNOVATIVE TECHNOLOGY

The Commonwealth Innovation Index: Fostering the Formation, Retention, and Expansion of Technology-Based Economic Development Opportunities (SJR 126, 2008) Progress Report - January 14, 2009

TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA

SENATE DOCUMENT NO. 7

COMMONWEALTH OF VIRGINIA
RICHMOND
2009

January 14, 2009

The Honorable Timothy M. Kaine
The Honorable William J. Howell
The Honorable Charles J. Colgan, Sr.
The Honorable Joe T. May

RE: Progress Report of the Commonwealth Innovation Index (SJ126)

Dear Sirs:

Please find attached the additional progress report on the status of the Commonwealth
Innovation Index (SJ126). Technology leaders throughout the Commonwealth enthusiastically
express the need for this sound management tool so that we can together develop strategies and
smart investments that will foster innovation and create a new economy for Virginia. We look
forward to continuing this partnership for the benefit of the Commonwealth.

Please do not hesitate to contact me if you would like more information.

Sincerely,

Peter Jobse
President and Chief Executive Officer

PJ:ceo
Enclosure

cc: Sen. Ken Stolle
     Division of Legislative Services

THE COMMONWEALTH INNOVATION INDEX:

FOSTERING THE FORMATION, RETENTION, AND EXPANSION OF TECHNOLOGY-BASED ECONOMIC DEVELOPMENT OPPORTUNITIES

PROGRESS REPORT

Submitted by:
Center for Innovative Technology
January 14, 2009

Preface

The Center for Innovative Technology (CIT) is pleased to submit this report in response to SJ126, passed by the 2008 session of Virginia's General Assembly. Senator Ken Stolle patroned this legislation, which directs the Center for Innovative Technology to establish a Commonwealth Innovation Index that fosters the formation, retention, and expansion of technology-based economic development opportunities in the Commonwealth. This resolution calls for CIT to collaborate with Virginia's technology community and – in particular – our ten regional technology councils in accomplishing this charge.

CIT staff assigned to this project include Hap Connors, VP Government and Public Affairs; Daniel Harris, Research Analyst; and Nancy Vorona, VP Research Investment. In addition, CIT has contracted with Core Consulting to assist in planning, developing materials, facilitation, analysis and support for the project. Core Consulting has more than 15 years of experience in economic development with Virginia's technology industries, and significant experience with the development, growth and management of Virginia's regional technology Councils. Peter Jobse, CIT's President and CEO, oversees the project.

CIT would like to acknowledge the following members of the General Assembly for their vision, leadership and support: Sen. Kenneth W. Stolle (chief patron, SJ126), Sen. R. Creigh Deeds, Sen. J. Chapman Petersen, Sen. Linda T. Puller, Sen. Patricia S. Ticer, and Sen. Sen. Mary Margaret Whipple; Speaker William Howell, and Del. S. Chris Jones, Del. Thomas Davis Rust, Del. David B. Albo, Del. Kristen J. Amundson, Del. Kathy J. Byron, Del. C. Charles Caputo, Del. David L. Englin, Del. Timothy D. Hugo, Del. R. Steven Landes, Del. Joe T. May, Del. Paula J. Miller, Del. Samuel A. Nixon, Jr., Del. David A. Nutter, Del. David E. Poisson, Del. James M. Scott, and Del. Margaret G. Vanderhye.

CIT also wishes to acknowledge the support of the Commonwealth Technology Councils, especially those with whom CIT has conducted initial development meetings and discussions this past year. These are the Greater Richmond Technology Council: Lyn McDermid, Chairman, and Chip Farmer, Executive Director; NewVa Corridor Technology Council: Neil Wilkin, Immediate Past President, Mary Miller, President, and Cory Donovan, Executive Director; Northern Virginia Technology Council: Donna Morea, Chairman, and Bobbie Kilberg, President & CEO; and Hampton Roads Technology Council: Rick Lally, Chairman, and Timothy Early, President & CEO.

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Executive Summary

In accordance with Senate Joint Resolution No. 126, passed in the 2008 Session of the General Assembly, the Center for Innovative Technology respectfully submits this report regarding progress on the Commonwealth Innovation Index (Index). The Index is designed to foster the formation, retention, and expansion of technology-based economic development opportunities. In developing the Index, CIT solicits input from Virginia's regional technology councils and the technology community. The Index shall serve as a community-driven tool that will enable community and Commonwealth leaders to steer a successful course toward global leadership in advanced technology company formation and attraction while saving tax dollars.

An essential and unique element of this long-term planning tool is that it is "community-driven." This distinguishes Virginia's Index from those developed by other states, regions and countries. Those indices are "top down" rather than community-driven or "bottom-up." "Top down" indices, while common practice, result in the information being little used, or when used to make investment and other decisions, not used to their maximum benefit. This occurs, in large part, because communities are not engaged in the decision process and do not "own" and remain engaged with the concepts and strategies.

In contrast, Virginia's approach is to engage regional technology councils and the technology community. Regional technology communities examine current and future strategic priorities and provide input about their strategic priorities during collaborative sessions. This will be an ongoing and iterative process, reflecting implementation and assessment, so that strategies and investments can be revised if regions' needs and priorities change.

The Commonwealth Innovation Index will be the first of its kind: a community-driven Index that enhances regional as well as statewide strategic planning and investment decisions. As designed this process is flexible but comprehensive. CIT is piloting the regional process with the NewVa Corridor Technology Council (NCTC) and will further engage with the Commonwealth's other regional technology councils in the first quarter of CY2009.

Report

As envisioned by SJ 126, the Innovation Index is a "community-driven tool." Virginia's approach is to engage regional technology councils and the technology community, so the Index becomes a strategic planning tool valuable at regional levels as well as for the Commonwealth as a whole. This distinguishes Virginia's Index from those developed by other states, regions and countries. Those indices are "top down" rather than grass-roots or "bottom-up." "Top down" indices, while popular and common practice, result in their information being little used, or when used to make investment and other decisions, not used to their maximum benefit. This occurs, in large part, because communities are not engaged in the decision process and do not have "ownership" of the proposed concepts and strategies. In Virginia, regional technology communities examine current and future strategic priorities and provide this input during collaborative sessions. The regions will also provide input on gaps and agree upon metrics. This will be an iterative process, one that allows the Index to be a statewide and regional strategic planning tool.

The Commonwealth Innovation Index will be the first such community-driven Index.

Between July and December 2008, the CIT team – comprised of CIT staff and representatives of Core Consulting, LLC – focused on planning and communications. Initial activities already completed in 2008 include:

- Project planning, approval, and staffing
- Initial communications with all ten regional councils
- Detailed planning for GRTC and NCTC
- Economic data collection and analysis
- Development of briefing materials
- Council Board presentations
- Process improvement
- Focus group meeting (Richmond Council)

An essential element of a successful Index is the identification of current and future strategic technology priorities. These priorities are specifically defined in correlation with the region's capabilities as well as business opportunities. This allows the state, community, and CIT to better identify and engage the resources required to spur growth in the technology sector.

During this process, it became clear that:

1) The Innovation Index processes and products are highly valued by the technology councils and align well with specific strategic planning goals
2) The Technology Councils have varying expectations regarding their roles with the Index
3) The current economic climate in both public and private sectors significantly affects industry interest in long term vision and planning

The technology councils are excited about the Index and the promise that it offers their organization, region, and the state. At the same time, they differ in their expectations about the Index. This includes expectations about the processes and timeline, as well as different ideas regarding the depth and extent of their roles in its creation and use. One factor is the difficult economic climate, which is causing organizations of all types to focus on solving their own near-term issues. The desire of specific technology councils for sector-specific "focus groups" also influenced the planned approach and timeline.

In response to these factors, CIT developed a detailed outline for the final product and for a series of meetings during which the technology community would:

1) be introduced to the Index concept and goals,
2) be briefed on a regional profile developed through state and other data sources
3) identify current and future strategic technology priorities, and
4) validate those priorities. An outline of the processes and product is provided in Appendix B.

Outcomes of these initial meetings include validation of each region's technology profile and "current state," and a discussion about tech industry priorities: what they are currently, and what the community envisions them to be in five to ten years. Information provided to the attendees at the meetings includes background information and a technology baseline, or "profile," based on regional data. The profile includes such information as high tech employment levels and employment growth over time, wages, employment by firm size, as well as high tech industry and occupation clusters. In addition, profiles identify each region's five fastest growing and declining industries over the past year. Leadership from each region will assess their profile and indicate whether it reflects the region's strategic priorities or requires modifications. In addition, participants in this process will comment on their region's longer term strategic priorities as well as key enablers and existing gaps.

CIT and the NewVa Technology Council technology council will pilot the process. Plans are in place to complete focus group meetings by end February. This will include the conversation with technology council leadership, the development of industry focus groups, providing the material to the focus groups, and holding the meetings. These steps will be followed by CIT's analysis of the data received from the focus groups. The goal is to engage with one council to test the process and ensure it is streamlined but remains flexible for future technology council meetings.

Plans are in place to further engage in Q1 CY2009 with the Commonwealth's other nine technology councils. We jointly look forward to profiling all the technology regions and identifying those technology sectors that are currently strategically important to their region and are strategic targets in five to ten years time.

Appendix A

SENATE JOINT RESOLUTION NO. 126

Requesting the Center for Innovative Technology (CIT) to establish a Commonwealth Innovation Index to foster the formation, retention, and expansion of technology-based economic development opportunities. Report.

Agreed to by the Senate, February 6, 2008
Agreed to by the House of Delegates, March 5, 2008

WHEREAS, according to *Forbes* magazine, the business-friendly policies promoted by government leaders have made the Commonwealth the number one ranked state for business two years in a row; and

WHEREAS, while the Commonwealth continues to support business-friendly policies, we recognize the need to also champion new technology and knowledge-based economic development strategies that prepare the Commonwealth for global competition and ensure that the existing technology industry continues to thrive; and

WHEREAS, while Virginia has the highest concentration of technology workers in the nation, it lags in both entrepreneurial endeavors and the creation of intellectual property, both of which are indicators for the creation of the next generation of technology companies; and

WHEREAS, recent recommendations and proposals to address innovation challenges in the Commonwealth have been introduced by numerous organizations and agencies; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Center for Innovative Technology (CIT) be requested to establish a Commonwealth Innovation Index to foster the formation, retention, and expansion of technology-based economic development opportunities. In developing the Innovation Index, CIT shall solicit input from the Commonwealth's regional technology councils and technology community. The index shall serve as a community-driven tool that will enable community and Commonwealth leaders to steer a successful course toward global leadership in advanced technology company formation and attraction while saving tax dollars.

The Center for Innovative Technology shall report to the Governor, General Assembly and the chairman of the Joint Commission on Technology and Science on its progress by October 1, 2008, and submit to the Division of Legislative Automated Systems an executive summary and report of its progress in meeting the requests of this resolution no later than the first day of the 2009 Regular Session of the General Assembly. The executive summary and report shall be submitted for publication as a report document as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents and reports and shall be posted on the General Assembly's website.

Appendix B

Commonwealth Innovation Index Report Phases and Process

Phase I of the meetings with the technology councils and regional communities begins with an overview to the leadership of the technology councils and garner their buy-in as well as having them identify the industry leaders for the focus groups. CIT will provide a current industry baseline for the regional focus groups and council leadership as well as have them think about where they see their industry in five to ten years. They will also be asked to look at what existing gaps they may have.

Phase II will be a refinement of phase I with the addition of the gap analysis of identifying critical drivers that are required for future industry opportunity. There will also be the establishment of metrics to measure standard critical drivers as well as metric goals for those critical drivers.

Phase III will result in any final refinements as well as validation of the data gleaned from the communities, then the development of a transition and integration plan from that data. The transition plan will allow for technology council implementations and the integration plan for the overall technology community.

Innovation Index - Process

Steps
S1 – Community leadership awareness and establishment of key stake-holders.
- o Get buy-in
- o Set expectations
- o Provide overview of process and outcomes
- o Establish schedule, process, facilitation staffing, and target deliverables for focus group meetings
- o Create focus groups
  - Recommend and reach agreement on Key Industry Segments as identified in Chmura Data
- o Review Outline/ Overall Purpose

S2 – Development of communication and facilitation materials for community participation.
- o Identify necessary information and materials
  - Provide program summary for website
- o Create a pre-meeting communication with all focus group members
  - Brief background and overview and specific topics to be discussed in focus group

S3 – Establishment of community technology industry segment priorities.
- o Pre-Brief focus group attendee

- o Conduct Focus group meetings
  - ▪ Identify current industry baseline and representative companies
  - ▪ Identify and document specific industry 5 and 10 year growth objectives for the current baseline
  - ▪ Identify new and emerging regional growth priorities
  - ▪ Identify key regional enablers
  - ▪ Identify existing gaps

S4 – Analysis of growth objectives, progress indicators and statement of priorities. (Internal Analysis)
- o Consolidate industry segment input
- o Summarize results
  - ▪ Provide "current state" baseline profile
  - ▪ Identify priorities and future goals
  - ▪ Identify Enablers
  - ▪ Identify new and emerging regional growth priorities
  - ▪ Identify gaps

S5 – Brief Industry Action Groups and Council Leadership
- o Affirmation/reprioritization of industry objectives and a prioritized list of challenges that must be addressed to enable community growth
  - ▪ Incorporate Changes
- o Council leadership executive summary discussion

S6 - Phase I report
- o Consolidation of regions
- o Analysis of areas of commonality

S7 – Gap Analysis with focus groups
- o Identification of critical drivers required to achieve each future industry opportunity
- o Identify measurement standards for critical drivers
- o Establish metric targets/goals

S8 – Phase II report

S9 – Transition and Technology community integration planning

S10 – Phase III report – Complete