



**TESTIMONY OF**

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**Before the**

**HOUSE COMMITTEE ON SMALL BUSINESS**

**SUBCOMMITTEE ON ECONOMIC GROWTH, TAX AND CAPITAL ACCESS**

*Hearing on "Innovation as a Catalyst for New Jobs"*

**April 18, 2013**

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Good morning, Chairman Rice, Ranking Member Chu, and members of the Subcommittee. I am honored to have been invited to speak with you about Innovation as a Catalyst for New Jobs, a topic very near and dear to my heart. Not only am I a “recovering entrepreneur,” but in my current roles as Co-Chair of Startup Maryland and Executive Director of the Maryland Center for Entrepreneurship in Columbia, Maryland, I am fortunate to encounter innovation every day. People come to us with incredible ideas and inventions looking for resources to build them into a viable, sustainable business.

Raymond Cooper had such an idea but didn’t know where to go for support. He had filed a patent for his invention, an innovative wind turbine that is smaller and more efficient than current designs. From there, however, he wasn’t sure which step to tackle next or where to find the resources he needed. Not until, that is, he stepped on the Startup Maryland bus. On the advice of his mother who saw coverage of the bus on TV, the 39 year old came to Bethesda Maryland on the second-to-last stop of our 2 ½ week trip across the state so he could pitch his business idea. Little did he know that an unplanned visit to the big yellow bus draped in the Maryland State flag would be the catalyst that would launch his journey from a dreamer to a doer.

### **Not an easy journey**

Contrary to what many people may believe after seeing phenomenal success of companies such as Google and Facebook, this road between an idea and a viable business is highly complex and full of risk. I know because not only have I been down that road myself more than once, but I’ve also assisted hundreds of entrepreneurs navigate the path from concept to viable business. Unfortunately, not all of them make it.

What I have found is that while there are many different paths to building a successful business and a myriad of unanticipated opportunities to pivot along the way, we as a community can and should provide assistance throughout this process. Communities, by way of grassroots efforts and strategic public/private partnerships, can increase the probability of success and drive greater outcomes in revenue growth and job creation by encouraging connections, promoting and celebrating a culture of entrepreneurship, and facilitating access to needed capital. This is exactly what we at Startup Maryland were told when we asked entrepreneurs across the state what they needed and what we’ve been focused on since we launched in March 2012.

### **Startup Maryland – Pitch Across Maryland**

Startup Maryland is a regional initiative of the Startup America Partnership, and it is a great example of incredible things being accomplished through grassroots efforts. Organized BY entrepreneurs, FOR entrepreneurs we are very-much a startup ourselves: we are all putting in a

great deal of time without getting paid as we have no money and no resources. However, that's never stopped an entrepreneur and isn't stopping us. Our focus for 2013, as shared at a White House briefing in February, is to leverage the unique assets of Maryland to provide entrepreneurial companies with the connections, coaching and capital they need to start and grow while celebrating the entrepreneurial journey. This will provide them with an UNFAIR ADVANTAGE, ultimately increasing the rate and scale of successes.

In 2012 we conceived of and executed a bus trip across the state called Pitch Across Maryland that connected entrepreneurs with the resources they need to be successful. The tour – which made 25 stops through all corners of the state – was created as a way to connect entrepreneurs with each other as well as state, regional, and local resources while also shining a spotlight on entrepreneurship through celebration and awareness.

Pulling off something of this magnitude with a scant two months of planning required collaboration with key sponsors at each tour stop. A combination of universities, community colleges, incubators, and economic development agencies stepped up and customized the message and approach for the bus's visit to meet their community's needs and pulled in their local businesses to support and celebrate. Working through both our network and those of our state-based partners, we were able to exceed expectations in number of entrepreneurs reached and still hear stories of valuable connections that were made as a result of the tour.

The most impactful outcome for many has been the connections that developed between the entrepreneurs themselves. Grateful to have an opportunity to share their passion for their ideas and businesses, the entrepreneurs we met along the way used words like inspired, exhilarated, motivated, and we can't leave out - relieved - to describe how they felt after their experience on the bus. They were excited to be connected to each other and to something bigger - the community of entrepreneurs assembling as Startup Maryland as well as their peers across the country through the Startup America Partnership. A specific example of a fruitful connection resulting from the tour was the partnership between Startup Maryland and local startup CoFoundersLab. CoFoundersLab created a platform that is the e-Harmony of startups, helping entrepreneurs to build teams. Startup Maryland is now providing this service to the community.

### **Maryland Center for Entrepreneurship**

Bringing together a community of entrepreneurs was also exactly what I was hired to do when the Howard County Economic Development Authority, under the leadership of County Executive Ken Ulman, formed the Maryland Center for Entrepreneurship, or MCE. At the MCE, we are leveraging our resources and programs, such as a technology incubator called the Innovation Catalyst (iCat), a Speaker Series and an innovative program called the Race for Innovation with the goal of ensuring members of the ecosystem – entrepreneurs, innovators, investors, mentors and service providers - are not only getting connected but are engaging with

each other in meaningful ways long before they need to pursue formally working together. For example, we've had mentors end up investing in or taking a position with our companies, strategic partnerships being formed, and companies finding new clients via the relationships they've built through our community.

### **Creating a Culture of Entrepreneurship**

Another key need in fostering innovation and entrepreneurship is promoting a culture that supports it. Stoking the entrepreneurial mindset runs through everything we do at both Startup Maryland and the MCE but our environment doesn't make it easy. Maryland has over 15 academic institutions led by world-class innovators and commercialization leaders Johns Hopkins and University of Maryland. We have the highest concentration of employed doctoral scientists and engineers and opportunities for high-quality jobs at the approximately 20 government agencies and over 50 federal labs<sup>1</sup> in our state. Unfortunately, these assets can provide significant career and earning opportunities that mark a stark contrast to the realities of lean earning while starting up a business. Additionally, some places consist of an environment which encourages a mindset that can counter and even deter people from considering entrepreneurship as a career option. Continuing to promote not only entrepreneurial successes and failures alike will make entrepreneurial role models and realities more readily available and accessible. This is especially crucial among under-represented groups and by offering programs to specific affinity groups such the ACTIVATE® entrepreneurship program for mid-career women and the veteran's entrepreneurship program, both supported financially in part by private company sponsorships, the MCE is actively working to spread the culture of entrepreneurship beyond traditional boundaries.

### **Funding Innovation**

A business has no chance of being successful if it can't bring in money from either customer-based revenues or outside capital (dilutive and/or non-dilutive). There are many examples of state and local funding made available to innovators and entrepreneurs, but more can be done. For example, many rapidly developing innovations rely on and could benefit from the federal Small Business Innovation and Research (SBIR) grants but the time and complexity to apply for and receive these monies is often untenable for a startup who needs to move fast to take advantage of market conditions.

Currently, there is also a large and growing gap between idea conception and sustainable sales that every company must go through and many don't survive without funding. Called "The Valley of Death" (one of many for a growing company), it is imperative that we help companies bridge that gap with more seed-level and pre-revenue funding including access to potential customers, large and small. One of the ways Maryland is helping companies to cross

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<sup>1</sup> Federal Labs Consortium, <http://www.federallabs.org/labs/results/?State=141>

that chasm is through the \$84M InvestMaryland fund that was created by offering insurance companies tax credit. This fund is being deployed across the state to be used to fill the funding gap, but is still too new to quantify the results.

### **Call to Action – What Can You do?**

The work of this Subcommittee is important. Having me and my colleagues here today, shows you care about entrepreneurship and innovation and hopefully appreciate its importance in driving our economy. You are allowing us an opportunity to give voice to all of those entrepreneurs who need a chance, like Vasoptic Medical who is putting the ability to detect the onset of diabetes-induced blindness in the hands of primary care physicians; Unbound Concepts, who is helping level the literacy playing field by getting tools into the hands of educators; and Raymond Cooper, whose innovation could provide a huge leap forward in the adoption of wind-based energy solutions.

It is crucial that we continue to support these nascent companies and I respectfully offer the following recommendations:

1. Provide outlets to spread the word about entrepreneurial successes and failures, creating more visibility for role models and reinforcing the value of an entrepreneurial mindset.
2. Simplify the federal SBIR process to get much-needed funding into the hands of the start-ups more quickly. This could be an ideal project for members of the Presidential Innovation Fellowship.
3. Encourage and expand seed and early-stage investments that may be more risky than what a bank would take on, even with backing from the Small Business Administration (SBA). Example programs could consider tax credits for seed-stage investors (including the entrepreneurs themselves).
4. Facilitate key decision makers in the public and private sector sharing their needs with innovative companies. This outreach could also create a forum whereby innovators share their concepts with CEO's and Directors as they explore various types of partnerships that could help drive increased revenue.
5. Create a start-up friendly track to permanent residency for foreign nationals who obtain advanced degrees in the United States, particularly those start-ups that have independent backing from, for example, the SBIR program, an SBA loan, adequate angel or VC investment.

Thank you again for the opportunity to share my experiences and thoughts around innovation as a job creator and I look forward to answering your questions.