Highlights of the 2004 Northwest Innovation Summit

Co-produced by TechNet and the Technology Alliance

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University of Washington, Seattle
Acknowledgements

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Microsoft  Pacific Public Affairs  Perkins Cole  Silicon Valley Bank

In addition, the Technology Alliance would like to acknowledge the sponsors of its study, *The Economic Impact of Technology-Based Industries in Washington State*.

Raven Foundation  CH2M HILL

Finally, TechNet and the Technology Alliance are grateful to the speakers and the breakout group participants who helped make this event a success. A complete list of summit contributors is appended to this report.

About TechNet:
*TechNet is a national, bipartisan network of CEOs that promotes the growth of technology industries and the economy by building long-term relationships between technology leaders and policymakers and by advocating a targeted policy agenda. TechNet, based in Silicon Valley, has offices in Seattle, Boston, Austin, and Orange County (California).*

About the Technology Alliance:
The Technology Alliance is a statewide consortium of business and community leaders dedicated to Washington’s economic success. The TA was founded in 1996 to bring together leaders from Washington’s diverse high-tech sectors, research institutions, education, government, and the community. A CEO-level board from high-tech companies and research institutions direct the TA’s work. The board has identified research, education, and entrepreneurship as the drivers of Washington’s economic future.
Introduction

On December 1st, TechNet and the Technology Alliance co-produced the 2004 Northwest Innovation Summit at the University of Washington. The purpose of the summit was to bring together leaders from business, academia and government to discuss the challenges and needs of Washington’s technology economy, and how these three communities can work together to drive innovation and job growth over the next decade.

U.S. Senator Patty Murray (D-WA), just re-elected to her 3rd term, convened the conference with opening remarks. In her comments, she offered a preview of the legislative battles the Senate will face in 2005 (particularly, the reauthorization of the 1996 Telecommunications Act), and reviewed the principles that will guide her decision-making during this process. These include:

- Avoiding excessive regulation;
- Avoiding excessive taxation;
- Promoting a skilled workforce (through H1-B visas in the short term, and a long-term emphasis on math and science education);
- Creating proper incentives (through the research and development tax credit and preservation of broad-based stock option plans); and,
- Protecting intellectual property.

In concluding her remarks, Senator Murray emphasized her interest in working collaboratively with the business and academic leaders gathered in the room to achieve a common goal: ensuring that the U.S. and Washington State lead the world in innovation and job growth.

Economic Impact of Technology-Based Industries

William Beyers of the University of Washington shared with summit participants the key findings from the Technology Alliance’s new study of the economic impact of technology-based industries in Washington State. The data is evidence of how crucial technology-based industries – defined as those having at least 10% of employees engaged in research and development occupations – are to the entire state’s economy.

The study found that technology-based industries directly and indirectly account for 44% of jobs in Washington. The sector outpaced the state’s total employment growth over the last three decades, increasing 213% compared to a 92% increase generally, and its share of overall
statewide employment rose from 6.7% to 11.8% in the same period. The jobs directly created in technology industries tend to be high-paying, with an average annual salary that is 93% above the state average.

Beyers found that all counties in Washington State boast technology-based industry employment. While the largest concentration of technology jobs is found in the Puget Sound region, the sector employs more than 11,000 people in each of five other counties: Snohomish, Pierce, Clark, Benton and Spokane. With roughly 313,000 people currently employed by this sector, Washington State ranks 3rd in the nation on a per capita basis in concentration of technology-based industries.

The study findings illustrate the extent to which technology industries in Washington have made a growing contribution to the state’s economic base, and provide strong evidence that Washington’s future economic prosperity depends upon the continued growth of this sector.

**Luncheon Keynote: John Stanton, CEO, Western Wireless**

John Stanton, CEO of Western Wireless, delivered the luncheon keynote address. In his speech, Stanton expressed concern over the ability of Washington to sustain the growth of innovative companies in the current business climate. He observed that the main issues for Washington’s business community today, such as education and transportation, are the same issues that topped its list of concerns twenty years ago, and said the conditions faced by entrepreneurs both nationally and in Washington State are the most challenging he has seen during his career.

The summit program, he noted, targets the right areas for Washington to improve its competitiveness. In particular, Stanton highlighted his distress at the steady decline in state support for higher education, advocating for innovative approaches to address this lack of investment through efficiencies, new funding sources, and the provision of control over tuition levels to the universities. He was even more insistent about the need for significant improvements to the state’s business climate. Washington, he observed, has the highest minimum wage, highest unemployment insurance rates, and some of the most complicated regulatory bureaucracy in the United States.

Observing that regional loyalties are largely to be credited for the emergence of some of the state’s most prominent companies, Stanton sounded a cautionary note to the leaders assembled at the summit. He said that as local company founders – who have established their businesses here often because they live here and love the area – are replaced by professional managers, analytical decisions about business location replace emotional ones.
Stanton warned that Washington can not continue to rely on company founders’ loyalties to their birthplace to sustain future growth.

Suggesting that the state’s business, academic and political leaders have failed to effectively campaign for voter support of proposals designed to boost spending on education, transportation, and other priorities, he issued a challenge to summit participants to follow up on their breakout discussions with action. The issues that face Washington will require focus and, Stanton urged, should not divide our leadership along party lines or the state into east or west. Believing issues travel in cycles, Stanton expressed the hope that in 2016 we would look back at 2004 as the point at which we took the necessary steps to invest in education, job creation and making Washington one of the best states in which to do business.

**Breakout Sessions**

Summit participants divided into breakout groups to brainstorm actions that Washington could take to improve in five key areas: education, research, entrepreneurial climate, broadband, and global competitiveness. Each group started with one or two trigger questions to guide its discussion. The groups arrived at three or four key recommendations for their specific areas, which the group leaders shared with the entire summit audience in a panel discussion moderated by Rick White, CEO of TechNet. Below are the main trigger questions and highlights of each breakout group’s report.

**Education**

*Discussion Leader:*
Dr. Mark Emmert, President, University of Washington

*Trigger Question:*
What can Washington’s business leaders do to help parents, students and the wider community understand the importance of rigor at the K-12 level and of access and quality in our K-20 public education systems in order to make our state more competitive globally?

*Group Recommendations:*
- Promote awareness among parents and students of not only the problems but the solutions for education; learn from the failure of Initiative 884 to better articulate to the public the education needed for the 21st century economy.
• Support K-12 reform and accountability tied to increased funding and provide institutions of higher education with authority to set tuition rates in exchange for meeting performance measures using the performance contract model.

• Link high school graduation requirements to college readiness and target middle school students with college awareness programs.

• Maintain the P-20 coalition that came out of the Initiative 884 process and engage the governor and business leaders more fully in future discussions.

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**Research**

*Discussion Leader:*

Dr. Ed Lazowska, Bill & Melinda Gates Chair in Computer Science, University of Washington

*Trigger Question:*

What can we do to increase statewide research capacity and develop a coordinated approach to position the state to be more competitive for federal and corporate research dollars, laboratories and initiatives?

*Group Recommendations:*

• Support enactment of Bio 21, a statewide plan to invest in research in Washington, and communicate the importance of the research enterprise as an economic engine across the state.

• Understand that Washington’s research universities (UW and WSU main campuses) and the regional universities have different missions and different sets of students, and differentiate between the two for the public.

• Promote collaboration among institutions and identify, grow and reinforce high-tech clusters in the state.

• The Governor must “get on the map” with an active state policy to support our research sector.

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**Entrepreneurial Climate**

*Discussion Leader:*

Tom Alberg, Managing Director, Madrona Venture Group & Chair, Technology Alliance
Trigger Question:

What can we do over the next 3-4 years to create an entrepreneurial ecosystem that creates and sustains emerging technology companies in our state?

Group Recommendations:

• Delegate requirements relating to technology transfer from the current state ethics law to the universities.

• Promote programs that couple private business managerial talent and university research talent.

• Create and support new mechanisms for GAP and early stage funding in the state.

• Publicize Pacific Northwest investment opportunities to out-of-state investors.

Broadband

Discussion Leader:

Honorable Maria Cantwell, United States Senate

Trigger Question:

What public and private sector initiatives will accelerate universal deployment and consumer adoption of broadband networks? Do we need a national or state broadband strategy and, if so, what should the key elements be and how do we encourage the state and federal governments to make it a priority?

Group Recommendations:

• Move quickly on broad spectrum reform to free up spectrum and set international frequency standards.

• Strive for a single, flexible regulatory framework for broadband deployment that encourages access to competing technologies, rather than a patchwork of overregulation of particularly technologies on the state level.

• A new national broadband strategy is not needed; rather, we need to communicate key concepts such as the importance of opening spectrum, fostering international competition, and standards-setting leadership by the United States.
Global Competitiveness

Discussion Leader:
Honorable Adam Smith, United States House of Representatives

Trigger Question:
How can Washington State be better positioned to attract, retain and grow its “creative class” to ensure a competitive advantage, and what immigration policies would best position Washington as a magnet for top talent domestically and from around the world? What can the technology community do to clarify, from a communications perspective, the role offshoring plays in our regional economy?

Group Recommendations:

• Dedicate more state resources to attracting and keeping businesses in Washington State and address a bundle of core fundamental issues such as education, transportation and tax reform.

• Pursue an affirmative program to attract the world’s best and brightest immigrants to the state and enlarge our creative class.

• Revise immigration processes to be quicker and less redundant, give preference to high-end talent, and integrate education and work visas.

• Revise the messaging surrounding globalization vs. outsourcing, with the understanding that the global economy is expanding and globalization is a “two-way street.”

Closing Keynote:
Jim Allchin, Group Vice President, Platforms, Microsoft

The conference’s closing keynote was delivered by Jim Allchin, Group Vice President of Platforms at Microsoft. His remarks focused on his philosophy of “Experience Computing” and were entitled “Delivering Experiences: The Key to Continued Growth in our Industry.”

Allchin initiated his remarks by emphasizing that recruiting top-tier talent is the company’s highest priority and is the key to Microsoft’s – and the industry’s – success. He discussed:

• Microsoft’s remarkable growth trajectory, encompassing employees, partners and business customers;
• The sustained performance improvement of the PC, concurrent with continually decreasing costs; and,
• The value of “Experience Computing,” meaning:
  - Computing becoming more about people, their interests, and their experiences, rather than about pure technology;
  - The pervasiveness of computing everywhere, i.e., mobility; and,
  - The shift in focus to computers as a means of delivering entertainment content (music, movies, photography, etc.).

Finally, Allchin gave a demonstration of the new Tablet PC, and in summation delivered several policy recommendations that would enable Microsoft to reach its full potential:
• Improve K-12 education (focus on access to computing);
• Improve higher education;
• Establish stronger IP protections; and,
• Direct resources to improving state infrastructure, especially with regard to transportation issues.

Next Steps

The recommendations issued by the breakout groups during the summit will inform the policy agendas of TechNet and the Technology Alliance. In addition to sharing this report with participants and other interested parties, the following steps are in process to make use of the productive and thoughtful discussions that took place at the event:
• TechNet and the Technology Alliance will each take on the issues that are most appropriate for their respective organizations to implement follow-up activities;
• The Technology Alliance will revise its statement of policy priorities to incorporate appropriate summit recommendations;
• The Technology Alliance will use the breakout group material as a tool in organizing the next Technology Institute, scheduled for September 26-28, 2005; and,
• TechNet and Technology Alliance leadership will meet with Governor Christine Gregoire to discuss the summit recommendations and present a set of policy proposals to drive innovation and job growth in Washington, including the following:
  - Enactment of a statewide research capacity initiative;
- Increased bachelor’s capacity and linkage of high school graduation requirements to college readiness;
- Revisions to the state ethics law to foster innovation and commercialization; and,
- Creation of a program to make the state more welcoming to foreign students and entrepreneurs.
Summit Participants

*Speakers:*

Jim Allchin, Group Vice President, Platforms, Microsoft  
William Beyers, Professor of Geography, University of Washington  
Hon. Patty Murray, United States Senate  
John Stanton, CEO, Western Wireless

*Summit Coordinators:*

Susannah Malarkey, Executive Director, Technology Alliance  
Sara Morris, Executive Director, TechNet Northwest

*Breakout Groups:*

**Education:**

Steve Davis, President & CEO, Corbis  
Mark Emmert, President, University of Washington  
William Gates Sr., Co-Chair, Bill & Melinda Gates Foundation  
Lane Rawlins, President, University of Washington  
Brad Smith, Senior Vice President & General Counsel, Microsoft  
Marty Smith, Partner, Preston Gates & Ellis LLP  
Mark Tucker, CEO, CoCo Communications  
Peter van Oppen, Chairman & CEO, ADIC  
Tom VanderArk, Executive Director, Gates Education Initiative, Bill & Melinda Gates Foundation

**Research:**

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Mike Eggenberger, Vice President, CH2M Hill  
Daniel Evans, Chairman, Daniel J. Evans Associates  
Chuck Hirsch, Managing Director, Madrona Venture Group  
Ron Howell, President, Washington Research Foundation  
Paul Isaki, Governor’s Special Assistant for Business, Office of Governor Gary Locke  
Michael Kranda, Vulcan Ventures  
Ed Lazowska, Bill & Melinda Gates Chair in Computer Science, University of Washington  
Tom Ranken, CEO & Founder, Vizx Labs, Inc.  
Vaho Rebassoo, CTO, Information Technology Services, The Boeing Company

**Entrepreneurial Climate:**

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Steve Arnold, Managing Partner, Polaris Venture Partners  
Tony Audino, Managing Director, Voyager Capital  
Lee Cheatham, Executive Director, Washington Technology Center  
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Janet Kruzel, Investment Officer, Private Equity, Washington State Investment Board
Spencer Lemons, Vice President, Industry Relations & Technology Transfer, Fred Hutchinson Cancer Research Center
Don Pickering, President & CEO, Memetic Systems
Leslie Smith, Vice President, Executive Banking, Silicon Valley Bank
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Lucinda Stewart, Partner, OVP Venture Partners

Broadband:
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John Drescher, Senior Fellow, Discovery Institute
Mike Gallagher, Assistant Secretary, U.S. Department of Commerce
Dan Hesse, Former CEO, Terabeam and AT&T Wireless
Bob Kimball, Vice President & General Counsel, RealNetworks
Mike Pickett, Chairman & CEO, Onvia.com
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