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Focus

## Growing technology in Hawai'i

By Jeff Bloom and Rob Kay

Despite the usual baggage of costs, capital and the reputation of our business and education climate, Hawai'i's high-tech landscape is changing.

Although technology jobs make up only 3 percent of Hawai'i's work force, the community is becoming aware of this industry's potential. High tech also offers a great hedge against putting all our eggs in the tourism basket.

### The high-tech Valhalla

Even if we do tackle the biggest of our shortfalls — the abysmal state of public education — we'll still need an influx of money and expertise from the Mainland. After all, even Silicon Valley's engineers and programmers come from all over the world. We'll also need to attract venture capital and entrepreneurial talent.

We'll have to convince high-tech businesses on the Mainland that Hawai'i is a great place to set up shop. Hawai'i is great at marketing itself as a tourist destination but has no experience in the technology arena. Can we compete with the Bay area or Austin when it comes to the amenities that high-tech workers and the owners of high-tech businesses want? If so, what exactly do we have to offer and what should we be marketing?

To help us answer these questions, we've asked some former Islanders working in Silicon Valley and other knowledgeable experts to give us their assessments:

• **Dan Case** — CEO of JP Morgan H&Q in San Francisco, who is one of the nation's most influential investment bankers. (A Punahou grad, he is the brother of AOL founder Steve Case.)

"We need to create a more business-friendly environment, a high-energy entrepreneurial culture and work force, and a commitment to excellence in the public schools. However, I don't want to accentuate the problems. There are some promising trends.

"The key point is some progress is being made but it is not wise to expect technology to be an important part of the economy without a long-term commitment and structural changes. As I see it, Hawai'i needs to create a clear plan, provide key points of differentiation from other locales and stick to the program for the long term.

"Marketing does play a role but I wouldn't spend a lot of money on it. The best strategy is to target campuses of high-tech firms that have big programming staffs and a large telecommuting/ hotel component."

• **Guy Kawasaki** — CEO and chairman of [Garage.com](#), author, Forbes columnist and former chief evangelist of Apple Computer Inc. (Kawasaki is a graduate of Iolani.)

"Put your wood behind one arrow: a world-class engineering and science curriculum at the University of Hawai'i. You produce great engineers and scientists, and startups and venture capitalists will show up. Professors can be attracted to Hawai'i. Weather, bandwidth, and quality of life isn't compelling enough for a company."

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• **Kevin Hughes** — a senior software engineer at Commerce One, where he is working on next-generation e-business infrastructure technology. (A former Honolulu Community College student, he's a member of the World Wide Web Hall of Fame.)

"I think that it's probably better to create a focused marketing campaign in concentrated high-tech areas, rather than do a blanket campaign. You do want to make every bullet count.

"Regarding choosing what industry (or industries) to go after, I would rather concentrate on software, being a nonphysical good whose creation, production and distribution can all be done in a way that is independent of location. Get this industry going first, and I believe you'll be able to kick-start the economy as fast as possible."

• **Tim Bajarin** — president of Creative Strategies, who is one of the leading Silicon Valley technology analysts and marketing gurus. (A former Hawai'i resident, Tim has family in the Aloha State.)

"I would suggest that the state focus like a laser beam on the niches that make the most sense for the infrastructure rather than a vague 'come-to-Hawai'i' effort. I'd say that the telecommunications-related companies or those that leverage fiber-optic technology are good candidates. Perhaps firms involved in fiber-optic switching or a related space would want to be there. You'd also want to attract small to mid-sized software companies that might want to locate in a spot where the quality of life is good so that they might bring in programmers interested in the Hawai'i lifestyle.

"Call centers are also a good opportunity—particularly those that support customers in Asia. Many companies such as IBM, Compaq and the like need call centers to support their products, and the personnel involved in these endeavors are well paid."

• **Susan Scott** — former publisher of Upside Magazine, one of Silicon Valley's top business publications, is the CEO of a Honolulu-based upstart, [Get2Hawaii.com](http://Get2Hawaii.com). (A graduate of James B. Castle High School, she lives with her husband and family in Cupertino, Calif., commuting to Honolulu frequently.)

"I believe Hawai'i does have a certain cache that will attract people. This goes especially for kama'aina who work on the Mainland. They would probably have to take a cut in pay but you've got (quality of life) that surely makes up for it. As far as what would work here, I'd say call centers are still a good bet. Call centers involving tech support pay their reps very well.

"Hawai'i could also serve as an R&D software development center for a subsidiary of a large or medium-sized company. We've got to think about the types of businesses that would be attracted to Hawai'i and start cherry picking."

• **Tony Clapes** — author of "Blue Wave Millennium," is a Yale-educated lawyer and a former attorney with IBM. He has lectured extensively on the interplay among technology, economics and law. (He lives in Nu'uuanu.)

"Let's talk not about 'marketing' but about 'selling'. Marketing is a process: advertising, branding, promotion. Selling is a result, and that's what we're looking for: results. When we think about selling as opposed to marketing, it becomes obvious that making Hawai'i a high-tech mecca is a job for folks from the commercial high-tech world.

"Government has a responsibility, too, though. Government needs to change the image of Hawai'i that it is marketing today: the image of a place for relaxation and diversion, not for work. Also, when the prospects that our salespeople attract kick Hawai'i's tires, as they will, they'll find that some of the tires are wobbly: the education system, the tax structure, the regulatory processes, for example.

"Government needs to fix those problems to make Hawai'i competitive with our sister states."

• **John Dean** — president and CEO of Silicon Valley Bancshares, a leader in funding companies with emerging technologies. (Dean is a part-time resident of Hawai'i.)

"The state might focus on developing software, telecommunications and fiber-optics related plays. Hawai'i should also look at itself as a gateway to Asia and plan accordingly.

"In that regard medicine and the life sciences, particularly biotech, could be a critical sector in Hawai'i's new economy. To do that we're going to need a leading research center and I'm excited about the governor's plans to develop this in Kaka'ako. If the state is willing to invest in a world-class facility, you'll get a tremendous return on your investment. It's not so much that you'll be bringing in only people from the Mainland to work in this environment but you'll also be utilizing the pool of local talent, which is considerable. There are also the large numbers of kama'aina that would want to come home and work in this type of facility.

"Naturally the state will also benefit from the spun-off companies created from this research

core."

### **Lessons to be learned**

So where do we go from here? Let's boil down some of the main points addressed by the commentators above.

### **The university connection**

As Guy Kawasaki indicated, a technology industry is built around great universities. By raising the standards at the high schools and UH, we'll produce great engineers. Produce them and great companies will follow. In the same vein, John Dean opines that creating a world-class biotech research center will lead to jobs and new companies.

What types of companies do we want to bring to our shores? Almost all of our experts advised that marketing should be focused on attracting companies whose products or services make sense for Hawai'i and/or leverage existing assets such as fiber-optic connectivity.

By "cherry picking," as Susan Scott indicated, we can target areas such as software development or fiber optics — niches that work best in this environment.

In what manner do we market ourselves?

All agreed that we should avoid vague or broad themes reminiscent of the travel industry. Branding, which costs a great deal to pull off, should also be looked upon with skepticism and ad campaigns, without millions of dollars behind them, are a waste of resources. Bring in high-tech journalists from the Mainland and let them see firsthand what we're doing. If they can't see what we do, they won't write about us.

### **Call centers**

Call centers could represent a viable sector but have been dismissed as low-rent by some. Au contraire! Call centers are much more than selling steak knives over toll-free numbers. High technical support call center workers are well paid. For workers at less technical call centers, the job sure beats cleaning toilets at a hotel.

### **The tech meltdown**

Hawai'i can benefit from the recent Nasdaq meltdown. As it stands, companies are looking more at cost cutting and downsizing than expansion and relocation. If we start now by positioning the state as a place to do business, by the time things turn around, Hawai'i can take advantage of the next technology boom. Many of those executives who lose their jobs nowadays have more assets and are in a position to start new companies here in the Aloha State.

With quality of life becoming a necessity for New Economy executives, Hawai'i could be in a position to incubate a plethora of new technology businesses ignited by Silicon Valley refugees.

### **A little help from friends**

We'd like to make our final point by recounting a recent PBS interview of Michael Eisner, the CEO of the Walt Disney Co. In the interview, Eisner practically lionized Steve Case, whom, in so many words, he called the most brilliant businessman he'd ever run across. Our point is there are a plethora of world-class, technology pros with Hawai'i connections who can and do contribute to the cause of making the Aloha State a better place to do business. .

Several years ago our colleague, Silicon Valley analyst Tim Bjarin, suggested that the governor set up an informal advisory board made up of local and Mainland experts. The purpose of this kitchen cabinet would be to offer counsel to Gov. Ben Cayetano on high-tech policy issues and help expedite the development of high tech in our state. This would not necessitate legislation and it would cost nothing.

We still think this is a great idea. It would have come in handy during the recent legislative debate over how much in the way of tax incentives are appropriate.

The good news is that already, through the auspices of San Francisco Venture Capitalist Barry Weinberg and Silicon Valley Bank CEO John Dean, UH is establishing closer ties with Silicon Valley. However, it's only a beginning. We believe the state should leverage every opportunity to tap individuals who are in a position to help us make progressive policy and marketing decisions. The clock is ticking and time is not on our side.

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