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February 08, 2011 5:29 PM

Second Stage Guest Voice

The decade that made a difference: Michigan's support system for entrepreneurs has changed dramatically since 2001

By Larry Eiler, CEO of Eiler Communications, Ann Arbor

In 2001, I wrote that Michigan had almost no real capacity to develop technology companies and compared Michigan and California's Silicon Valley on several important factors in developing a healthy entrepreneurial infrastructure.

In the 2001 comparison, based on my experience working in both states, Michigan had virtually no investment community, and no groups like **Ann Arbor Spark**, **Automation Alley**, **TechTown** and **Southwest Michigan First** to nurture fledgling ideas and get entrepreneurs started on the road to commercial success.

Now, 10 years later, where Michigan stands has changed dramatically.

- Ten years ago, Michigan did not have the infrastructure to foster entrepreneurs. Today we do: **SPARK**, the **Small Business Technology & Development Center**, the **Small Business Association of Michigan**, **Automation Alley**, **TechTown**, **The Right Place**, **MEDC Smart Zones** and other similar efforts.
- Ten years ago, we had virtually no investment community. Today we do: The **Venture Michigan Fund**, **Michigan Venture Capital Association**, six angel investor groups, and several prominent VC firms have regional representatives. "This is light years ahead of 10 years ago," says Tom Kinnear, president and chairman of the Venture Michigan Fund, a \$200 million fund of funds for VCs.
- Ten years ago, we had no well-organized technology transfer offices at our colleges and universities. Today we do at the **University of Michigan**, **Wayne State University**, **Michigan State University** and other public and private universities across the state.
- Ten years ago, entrepreneurship was not widely heralded in our state. Today we have numerous successful entrepreneurs and a large pool of up-and-coming candidates.
- Ten years ago, Michigan had a thriving automobile manufacturing economy. Today, it has been reconstituted, is substantially smaller, and is showing signs of promise for the future, albeit in a much less dominant way in our state.



Larry Eiler

- Ten years ago, Michigan had more than 13 million residents. Today, we have less than 11 million. And, Michigan has lost nearly 850,000 jobs since 2000.

All of the above changes didn't happen without much effort. They took nearly a decade to produce.

And the good news is the effort appears to be paying off. Michigan may have hit bottom and is now poised to bounce back.

The state is now in position to begin adding jobs, according to the most recent forecast by UM economists George Fulton, Joan Crary and Donald Grimes.

In November, the UM economists predicted Michigan will gain jobs for the first time in 10 years. They say Michigan will gain 24,500 jobs in 2011 and another 63,000 jobs in 2012 as the state economy gains traction.

This turnaround follows job losses of 17,000 in 2010 and an unprecedented 230,000 jobs lost in 2009.

Here are just a few of the key elements of Michigan's infrastructure that helped play a role in turning our state around:

- Small Business and Technology Development Centers

Last year, 13 economic development specialists from six states — including California — visited Michigan to view our state's infrastructure organization firsthand.

Their summary view, expressed by Clinton Tymes, director of the **Delaware Small Business Technology Development Center** was that Michigan's Small Business and Technology Development Center is among the finest in the nation.

"When we identified a need for a program to assist technology-based firms, we looked throughout the nation for the best. And where was our first stop? Michigan. We were thrilled to have the chance to visit, explore what you have to offer and confirm that all the great things we had heard are an understatement," Tymes said.

"You are very fortunate to not only have such a strong, innovative and effective program in your SBTDC, but the overall infrastructure Michigan has to support entrepreneurship and innovation, as well as the excellent collaboration that exists among these resources is simply extraordinary," Tymes added.

"SBTDC provides 'feet on the street' to help emerging companies in all aspects," explains Carol Lopucki, state director of SBTDC for the past 10 years. "We help business people do the things they have to do to build their businesses."

- MEDC Smart Zones

MSBTDC technology consultant Phil Tepley, in a July newsletter, credited the effort made by the **Michigan Economic Development Corp.** and its Smart Zone Network that focuses on early-stage Michigan companies with growth potential.

Launched in 2000 by the MEDC, Tepley pointed out that Michigan's 15 Smart Zones are specifically designed to cluster the activities and assets of universities, industry, research institutions and local communities to accelerate the commercialization of technologies and foster new ventures and job creation.

"The MI-SBTDC Tech Team, a national best practice, is fully funded by the MEDC as well as our new Manufacturing Assistance Team that was launched to help small Michigan manufacturers manage their finances and access capital in support of their diversification efforts. Michigan has a very strong support infrastructure for small growing businesses, much due to the efforts of the MEDC," Tepley noted.

In addition, "the Smart Zone program facilitated tax capture from local development finance authorities, who along with state and county governments and the private sector, fund business incubators, business accelerators, networking and educational events and financing programs," he said.

- **A better funding environment with the 21st Century Jobs Fund**

Launched in 2005 by the MEDC, Michigan's 10-year \$2 billion 21st Century Jobs Fund has created a fertile climate for entrepreneurship and begun the transformation and diversification of Michigan's economy.

The initiative has also:

- Made direct investments in high-growth technology companies;
- Made indirect investments in additional high growth companies through venture capital firms, banks and economic development programs; and
- Built upon the existing business support infrastructure to help Michigan companies develop business plans, enter new markets, submit successful research proposals, raise capital and conduct other critical activities involved in growing their businesses.

The 21st Century Jobs Fund plays an important role in building what just about any entrepreneur will tell you Michigan needs: a stronger financing environment with support available at different stages of a company's development.

The initiative addresses this by creating multiple programs, each with a different sweet spot:

The **Michigan Emerging Technologies Fund** (managed by the MI-SBTDC) provides commercialization funding to companies at their earliest stage when they receive federal R&D grants. Thirty companies have been funded with the first \$2.4 million of this program, leveraging \$17.7 million in additional capital and creating and retaining 230 jobs.

The **Michigan PreSeed Capital Fund** (managed by Ann Arbor Spark in partnership with the Smart Zones) enables companies to achieve or accelerate early sales and/or meet milestones necessary to raise larger, institutional rounds of financing. Forty-three companies were funded with the first \$9 million deployed by this program, leveraging more than \$34 million and creating nearly 500 jobs.

The **21st Century Investment Fund** (as well as a few other similar state initiatives) strengthens Michigan's venture capital environment and has helped grow the state's venture investment community to 16 venture capital firms with \$1.1 billion under management. The 21st Century Investment Fund invested in 11 venture capital firms, who in turn invested \$33.9 million in 13 companies, leveraging almost \$260 million third-party capital, creating more than 780 jobs.

- Research universities and natural resources

Chuck Newman, chairman of Ann Arbor-based **ReCellular**, one of the world's largest recyclers of cell phones and

accessories, is not alone when he credits Michigan's strong research institutions with providing the state with a fresh supply of new talent for emerging companies and startups.

Michigan State, Wayne State and U-M give Michigan a leg up on other states for top talent as it diversifies into such emerging technologies as alternative energy, battery development, advanced manufacturing of medical devices and wind turbines.

Newman and others also point to the state's natural resources and large supply of fresh water as one of its competitive assets.

Michigan has had a collective inferiority complex developed over many years. Obviously, Michigan still faces daunting challenges like cutting \$1.2 billion from a \$9 billion budget.

We still lead in too many negative economic metrics like unemployment and home foreclosures. And too many entrepreneurs still consider their situation dismal and feel they can't get the support they need, especially financially.

But increasingly, one also hears Michigan entrepreneurs say how amazed they are by the vast amount of resources available in the state. Compare this situation to 10 years ago when there was virtually no investment community.

There is no doubt that Michigan's economic development efforts are working. As we learned in the past decade, there's no easy fix, no cure-all panacea for Michigan.

We need to build on the past decade, set realistic, achievable expectations, measure what's done and rebuild the superiority complex we once had.

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