



INNOVATION EMPORIUM

INCORPORATED

February 23, 2010

Rep. Pam Byrnes, Speaker Pro Tempore
Michigan House of Representatives
PO Box 30014
Lansing, MI 48909-7514

Dear Representative Byrnes,

Thank you for the opportunity to comment on the plan you have introduced to create jobs in Information Technology by extending state incentives through the 21st Century Jobs Fund. The availability of funding from the initiative is likely to result in a dramatic expansion of potentially transformational early-stage technologies developed by companies that would otherwise not have resources to bring products to market. Although the production of IT products tends to yield fewer jobs at first than those found in other sectors, the development, marketing and servicing of IT products often result in rapid long-term growth. Companies typically reinvest revenues generated from IT products to keep themselves (and the State of Michigan) on the cutting-edge resulting in recurring, sustained innovation with exponential returns on the original, early investments.

State investment in the IT sector should yield particularly robust, rapid effects for a variety of reasons. First, regulatory resistance to IT products is much lower than that found in other sectors. Second, capitalization of IT products generally is less daunting than products in other sectors. Third, a greater proportion of the initial investment in the development of IT products is much more likely to be focused on human resources and, hence, yields jobs earlier and faster. Fourth, the development cycle of IT products and the sales response to IT products tend to be of shorter duration than products emerging from other sectors. And, success is more dependent on know-how and agility rather than protection of intellectual property. In short, the return on investment in IT sector products tends to be both more vigorous and have a shorter rise time than products in other sectors.

What will be lost, if the investment resulting from the extension of the 21st Century Jobs Fund to the IT sector? Clearly, a great deal of the vigorous growth of which the IT sector is capable will be throttled. The development cycle of Michigan IT products will be restrained and lose their leading edge advantage to out-of-state products. A valuable state resource—cadres of IT professionals, displaced from the traditional employment sectors—will be underexploited as the growth cycle in entrepreneurial IT falls behind the patience of unemployed or underemployed computer scientists, programmers, information technology professionals and software engineers.

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We, of course, see the effects of these forces on the growth of our own company. The development cycle of our most promising products has been extended by years as other revenue-now projects take priority. Likewise, the rise time of new products is dramatically extended because marketing budgets must derive from product revenue. In consequence, market penetration and, hence, return on investment, falls well short of product potential.

Again, I appreciate the opportunity to express my enthusiasm for extending the 21st Century Jobs Fund to the IT sector. If I can be of any assistance or can provide additional information, please to not hesitate to contact me.

Cordially,

A handwritten signature in black ink, appearing to be 'R. Hansen', with a horizontal line extending to the right.

Ranald D. Hansen, President
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