**Senate Committee on Reforms,**

**Restructuring and Reinventing**

**Sen. Mark C. Jansen, Chair**

**Testimony of**

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**Dell Inc.**

**In Support of**

# HB 4998, A Bill to Establish a Pilot Project to Accelerate Entrepreneurship and Innovation by Establishing Entrepreneurs-In-Residence

**Wednesday, September 17, 2014**

Chairman Jansen, Majority Vice Chairman Colbeck, Minority Vice Chairman Young, Members of the committee, my name is Fran Valluzzo and I am Senior Manager of Government Affairs for Dell. I am here to speak in support of HB 4998, establishing a pilot project for Entrepreneurs-in-Residence for Michigan government. I want to thank you, Mr. Chairman, for scheduling this hearing to provide the opportunity to share our views on this important issue. I also want to thank Representative Schmidt for his leadership in sponsoring this bill to help entrepreneurs throughout Michigan.

Joining me today is Lauren Flanagan, Founder and CEO of Belle Capital and also Executive Chair of Current Motor, Ann Arbor, MI. Lauren is a Michigan entrepreneur who will briefly describe her experiences in starting a business and discuss why she believes EIR's can help Michigan entrepreneurs succeed and create jobs. She is a member of Dell's Founders Club, which I will describe later.

**Entrepreneurs Are Driving the Economy**

Entrepreneurs are responsible for the creation of thousands of jobs in our economy and are viewed as a key to the economic recovery of the state and the nation. In fact, about two thirds of all new jobs created in the U.S. are the result of small businesses and entrepreneur startups and expansions. They are a major driving force that is creating jobs and helping to grow the economy.

**Dell Responds to the Needs of Entrepreneurs**

Dell recognized the importance of entrepreneurs in the nation's economic recovery, and we responded by creating an Entrepreneur-in-Residence (EIR) within our company to focus attention on the needs of this group of business customers. After all, Dell was founded by an

entrepreneur, Michael Dell, who came up with the idea of custom building computers and selling them directly to customers. And on September 12, 2013, Michael took the company private, announcing the "world's largest startup," returning us to our roots and reinforcing our commitment to support entrepreneurial success. Dell is one of a small number of large companies that have EIR's.

Last week, on September 8, we announced the appointment of our second EIR, Elizabeth Gore, succeeding Ingrid Vanderveldt, Dell's first EIR, who completed her tenure last June. Elizabeth Gore recently served as EIR for the United Nations Foundation and brings with her an impressive background and deep expertise in both the public and private sectors to create positive change for entrepreneurs, helping to remove barriers to risk-taking that exist in many cultures across the globe. We are excited to have Elizabeth join Dell to build on the work that Ingrid has done over the past three years. And as further evidence of Dell's commitment to entrepreneurs, Michael Dell was appointed in June 2014 as the UN Foundation's first ever Global Advocate for Entrepreneurship. In this role, Michael will provide a powerful voice in support of innovation, technology and entrepreneurship to solve global problems in support of UN programs.

We have accomplished a lot at Dell in the past 2 years in support of entrepreneurs. In June, 2012, the **Dell Innovators Credit Fund,** a $100 million technology initiative, was launched, giving qualified companies access to financing to help them purchase technology solutions for their businesses. We established the **Founders Club**, a group of hand-picked entrepreneurs leading fast growing, disruptive companies that are each using technology in innovative ways. The group receives specialized services from Dell team members including tech support, access to the latest technology and assistance in marketing campaigns.

In addition to providing access to capital and access to technology, Dell's entrepreneur program is committed to helping entrepreneurs **overcome government regulatory obstacles** that can slow down their ability to get their products to market. And that is the reason why I am here today.

**Where Did EIR's Come From?**

The concept of an Entrepreneur-in-Residence goes back to the 1980's, when the high tech sector created EIR's to bring experienced professionals into the startup process. Many venture capital firms use EIR's to nurture successful companies. EIR's are beginning to be used in universities, chambers of commerce and governments at all levels. Several Federal agencies, including the Food and Drug Administration and U.S. Immigrations and Customs Enforcement, have brought in EIR's. Todd Park, who recently stepped down as Federal Chief Technology Officer is a former Federal agency EIR. I have included a document that describes EIR's in several Federal agencies. Two states, Texas and Virginia, have passed bills establishing EIR's for state agencies and a number of other states are considering the idea.

**Dell Supports Entrepreneurs-in-Residence for Government**

Over the past year, we have met with dozens of federal and state officials in support of the idea of bringing the successful model of a corporate EIR into government. The idea is very simple. Successful entrepreneurs would serve as EIR's in government agencies to **proactively** provide outreach to small businesses and entrepreneurs and to make government more responsive to their needs.

**Federal EIR Legislation**

In June 2012, Congressman Mike Honda (D-CA) and Sen. Mary Landrieu (D-LA) introduced Federal EIR bills in Congress, creating a program of a limited number of EIR's

serving for limited periods of time to help bring in innovative thinking to government and serve as an advocate for entrepreneurs within government. Dell supported both bills. Cong. Honda reintroduced his bill, H.R. 3559, on Nov. 20 with bipartisan co-sponsors: Cong. James Lankford (R-OK), and Cong. Gerry Connolly (D-VA).

**State EIR Legislation**

In our effort to support entrepreneurs, Dell is hoping to bring the same EIR concept to **state** government. Starting in mid-2012, Dell has met with many state officials, including Governors, state legislators and agency executives, to discuss how entrepreneurs could help improve state government services and promote jobs and the economy. Since we started this effort, we have had about a dozen states express an interest in this concept, including Michigan.

Each state has approached the EIR idea differently. Some provide compensation for EIR's from existing budget resources. Others make it a voluntary program, similar to "executives on loan." One is examining the possibility having a major state university manage the program of training and placing EIR's in agencies. Some states set the number of agencies that can appoint EIR's while others provide authority for one agency that works with other agencies to place EIR's.

**What HB 4998 Does**

HB 4998 provides for a pilot EIR program established under the Michigan Strategic Fund. The pilot program's mission is threefold:

1. Improving outreach by state government to small businesses;
2. Strengthen coordination and interaction between state government and small businesses; and

3. Make state government programs and functions simpler, easier to access, more efficient, and more responsive to the needs of small businesses.

Under HB 4998, up to ten EIR's can be appointed in any one year, and each EIR can serve for up to two years. Each appointee must be a real entrepreneur, someone who has been successful in starting and operating a small business.

The EIR's will serve as advocates for entrepreneurs and small business within the agencies, educating them on the programs and functions of the agency, and providing technical assistance and mentorship to entrepreneurs and small business in accessing these programs and functions. In effect, the EIR's will help the agencies **look, think and act more like a business**, and thus be more responsive to entrepreneurs and small businesses.

In addition, the EIR's will work with agency employees on issues of particular concern to entrepreneurs and small businesses, and will advise the agency on how to improve programs and functions serving entrepreneurs and small business.

The President of the Michigan Strategic Fund may establish an informal working group to bring together state government EIR's to discuss best practices, experiences, obstacles, opportunities and recommendations.

**Conclusion**

In conclusion, let me address a question we have been asked a number of times:

"Is this program necessary? Can't agencies already do this?" The answer is probably yes. Many state agencies have programs focusing on the needs of entrepreneurs and small businesses. But by bringing into government **true** entrepreneurs, those who have navigated the financial, technical, marketing and government challenges to launching a successful business, we believe

that you can affect REAL change in government. Bringing in EIR's into government also provides a visible commitment to small businesses, demonstrating that Michigan is dedicated to ensuring that government is supporting, not hindering, innovators and dreamers.

Mister Chairman, members of the committee, the EIR program is a simple idea that can have a powerful positive impact on the small business community. On behalf of our entrepreneur and small business customers, we strongly urge the enactment of the state government EIR program in Michigan.

With your permission, Mister Chairman, I would like to ask Lauren Flanagan to briefly discuss her experiences in starting a business and why she believes EIR's can help entrepreneurs. We would then be glad to answer any questions you might have. Thank you.