

**Michigan House of Representatives
New Economy and Quality of Life Committee
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Representative Clemente and Committee Members... Thank you for the opportunity of offer testimony regarding economic development strategies intended to assist in the TRANSFORMATION of Michigan's economy.

My name is Michael Finney President & CEO of Ann Arbor SPARK. Founded in 2005, SPARK's Mission is ***to be the driving force in establishing the Ann Arbor Region as a desired place for business expansion and location.*** SPARK has quickly become one of the premier economic development organizations in the United States...credited with playing a major role in assisting 135 companies with expansions and site locations in the Ann Arbor region and SPARK's entrepreneurial programs have assisted in the formation of more than 200 start-up companies.

Notable clients include Barracuda Networks (network security), Terumo Cardiovascular (heart-lung medical device machines), Google (on-line advertising), Advanced Photonics (semiconductor mfg.), Aernnova Engineering (Spanish aerospace engineering), SRI Technology Group (advanced manufacturing R & D), and Adaptive Materials (portable fuel cells).

At SPARK, our immediate goal is to promote economic development in the Ann Arbor region. But our larger focus is ensuring long-term growth and viability for the entire state of Michigan — something that can best be achieved through a process we call *Open Source Economic Development*SM. Economic development in Michigan should take a page from the playbook of the ever-evolving software industry. Its “open source” philosophy – providing the source code that drives development – is a model that can propel Michigan’s success in growing, retaining, and attracting business.

SPARK has taken steps to pilot this approach to economic development by designing initiatives and committing resources that are meant to be openly available and shared statewide. These resources include business incubation, talent enhancement, pre-seed funding, and cross-region assistance with development projects. SPARK enjoys “open source”

partnerships with more than 40 organizations throughout the state of Michigan. **Wayne County EDGE**, the University of Michigan, West Michigan Science & Technology Initiative, Automation Alley, and TechTown are among those making it possible to leverage business incentives, financing, educational resources, accelerate technology transfer and retain knowledge workers.

Instead of viewing other communities within Michigan as competition for business location and expansion, we view the world as the primary threat to our economic prosperity...the true competition. In today's global market where companies can transfer business and operations to technology corridors like Boston, San Francisco, and Austin Texas, transformational thinking in economic development is a necessity.

The balance of my testimony will focus on the need to aggressively support entrepreneurial programs throughout the state. It is not my intent to suggest that we should abandon efforts to attract/retain/expand mature businesses, rather it is to signal to aspiring entrepreneurs that Michigan values and believes in "growing its own"...getting back to our entrepreneurial roots.

To understand where the opportunities are, we need to examine Michigan's PAST – PRESENT- AND FUTURE.

Michigan's PAST - PRESENT

Dependency on BIG 3 / Automotive Suppliers

- 1950's – 60's - 70's virtually everyone could graduate high school and find a job (**most could get factory jobs without HS degree**)
- MANUFACTURING JOBS WERE ABUNDANT and Michigan was the economic engine of the United States.
- During the early 20th Century Michigan was the leading entrepreneurial state
- Our history of successful entrepreneurs included; Charles Stewart Mott, Alfred P. Sloan, Henry Ford, Billy Durant, J. Dallas Dort, and many others
- Unfortunately our success at creating “good jobs” that did not require higher education allowed us to move away from our entrepreneurial roots

So what is Michigan's future - - Our future if we choose to invest...

Entrepreneurship (but we have work to do)

10. Create a common vision among economic development organizations

9. Establish specific goals and timing for support of emerging business

8. Gain the support of local and state government to enact laws and modify policies which will be friendly to start-ups

7. Communication – Create an effective branding message that changes the “narrative” and communicates a consistent message of the states value-proposition
6. Facilitate increased connectedness of larger corporations to startups
5. Facilitate increased connectedness between universities and startups
4. Focus on a finite set of emerging technologies or industry sectors
3. Encourage a more entrepreneurial, risk-taking culture
2. Link entrepreneurs with early and effective mentoring and coaching
1. Provide adequate seed funding and subsequent growth capital

Innovation (products, services, delivery) in sectors like:

- Advanced Automotive Manufacturing and Materials
- Aerospace Engineering and Manufacturing
- Cleantech and Alternative Energy (Gulf oil spill)
- Homeland Security and Defense (NYC bomb attempts)
- IT / Software (network security)
- Life Sciences & Biotechnology
- Micro and Nano Systems

Sample Entrepreneurial Success Story:

Compendia Biosciences

- Formed in 2005
- Technologies developed by the University of Michigan
- Bioinformatics-molecular oncology tools, data, and analysis software
- Attended Entrepreneurs Boot Camp 2005
- SPARK provided \$49,000 consulting services; business development, marketing
- SPARK Talent team helped recruit CEO and technology manager
- Revenue 2009 ~\$X million
- Received \$3.7 million in grants and \$3.6 million equity investments including \$250,000 from the MI Pre-Seed Fund
- **Current employment - 26**
- Office located at 110 Miller Avenue, downtown Ann Arbor (SmartZone)
- Won 2007 “Innovation Company of Year” award from Business Review

Finally I want to point out the need to develop tools that will be friendly to 2nd stage companies looking to grow in our state.

Potential tools include:

- A loan program which will help pay for upfront build out costs based on job creation
- Recruitment Grants to help fund relocation cost of sought after employees and pooled recruiting advertisements for in demand talent (such as programmers)
- Sales & Marketing Assistance: consider sub contracting with sales, marketing and PR agencies to propel these companies sales forward
- Seed and Early stage venture capital fund to assist companies with less than \$10 million in sales, and fewer than 25 FTE's.
- Seed fund to be used as follow-on fund to pre-seed fund

Thank you for the opportunity to share my thoughts and I look forward to your questions or comments.

