

Rick Snyder

Introduction by Stephen R. Forrest

I'd like to introduce our next speaker, Rick Snyder. Rick is Chair of the Board, CEO, and co-founder of Ardesta. Since 1991 his primary business activities are focuses on technology industries and the development of an emerging and high-growth companies. In 1997 he founded and now leads Avalon Investments, which is a venture capital company targeted at investments in technology-oriented ventures. Avalon was established as a \$100 million fund targeting early stage technology investments. From 1997 to 2000 it invested in 24 companies, including several that were started based on technology transfer from universities. From 1991 to 1997 he served as the Executive Vice President and the President and COO of Gateway. His responsibilities included overseeing all company operations and assisting in the strategic direction of a company.

During his tenure at Gateway, the company grew from a privately held company of \$500 million to a New York Stock Exchange-traded organization with revenues in excess of six billion. He currently serves as Chairman of the Board of Gateway. Rick studied at the University of Michigan where he earned his Bachelor of General Studies degree with high distinction in 1977, a Master's of Business Administration with distinction in 1979, and a Juris Doctor in 1982. He completed his third degree at the age of 23.

In addition to serving on the Board of Gateway, Rick is active on the boards or advisory boards of several privately held companies and community and educational organizations, including the University of Michigan Technology Transfer National Advisory Board, the Samuel Zell and Robert Lurie Institute for Entrepreneurial Studies, and the Nano Business Alliance. Rick is also a member of the Michigan Bar Association. So, please join me in welcoming Rick who will speak on the case for world-class suppliers to become demand generators.

Snyder

Good morning, I'm happy to be here. A couple things, first of all I'm looking at a couple hundred people, and I'm standing between you and lunch. So, in the interest of being a good entrepreneur, I'm going to abbreviate my remarks and really focus on what I think is the most important things. So, that's a good on-the-fly thing of being an entrepreneurial. The second thing that's going to be dramatically different than what you've heard from most of the other speakers today is I'm going to focus on the Michigan side of things as opposed to the national or federal side. I agree with the wonderful remarks made by people today.

I thought they were very helpful, very thoughtful and very consistent so you've heard them many times over already. And that's the basic premise of what the research universities really do well and what do they need more of. And that's to continue doing world-class research and graduating fabulous students. Those are two topics that we all agree on, so I'm gonna skip those and jump into the Michigan side of things.

First of all on the Michigan front, what can I say? We're in a severe structural, not cyclical, crisis. The interesting part of our crisis is that our Katrina has been on the horizon for a generation and what did we do about it? We largely watched it come. So, now we have a crisis. Should we get really depressed? Well, there's a lot of problems and a lot of severities people are gonna suffer, and we have to support those people. So, it's nothing to be taken lightly. We still don't know where the bottom of our crisis is.

One thing that I do know that I do look forward to out of all this is that there is a silver lining. And that's the opportunity to make the crisis into a positive. One of the speakers said it earlier, in Chinese, how is crisis represented? It's opportunity in some ways. And, so what's the silver lining of this situation that we can now turn around and get together, get on the same page and take action to help change this state in a dramatically positive fashion. And that's what I'm looking forward to.

Well, the next thing I want to very briefly cover are what are the levers to change an economy, to make it a knowledge-based economy or innovation-based economy? And this isn't a great academic study, this is my list. There are five key levers to make economy really take off. And I'll give you my ratings on how Michigan's doing.

The five things just to walk through them quickly first are technology, infrastructure, capital, talent and culture. You need all five of those things to build a knowledge-based or innovation-based economy. How do we rank in this state? Actually, I sort of put them in the order they rank. Technology we're green. We do very, very well. Infrastructure, we do okay. I put a yellow rating on that. With respect to capital, talent and culture I color us red. We're in trouble. We fundamentally have to make major improvements to become competitive there. We have a number of good elements going on, but we're not at the level we need to be in order to become the Michigan we can be, and we need to do something about that.

So how do the research universities play into this? Well, I think it's fundamentally critical, and that's why I had that very long topic to start with. I think the research universities are fabulous world-class suppliers. They're great suppliers of research. They're great suppliers of talent. I think we're at a time now

where the question is, can they do more than that? Can we ask the research universities to stretch, to go beyond those traditional missions in a constructive, positive fashion and to look into a few other things?

I'm going to very quickly go through 10 potential items that they could look at that I think could help make a difference in those five areas I previously mentioned. First of all, let me get back to technology. What can they do on technology that they're not already doing with research? Well, first of all I want to complement them on something that I know at least two of the three are doing well on, and the third I just don't have knowledge, so it's not a negative comment. And that's on the item of tech transfer. That's something that the universities are quite often knocked still in the press, but I can tell you from personal experience that the Michigan research universities are pretty good at technology transfer. I'm proud of how they've grown and evolved. What I will tell you is they need continuing support. It's a work in process, we're not really the world-class players we want to be, but we're pretty darn close in tech transfer. So, let's continue to invest in that one.

On technology, the second point, I want to emphasize though, is could we give more thought to figuring out what we need to emphasize and what areas we need to really focus our research in. It's interesting. I've done this many, many times where I've gone to research sessions or sessions with the universities to ask them what they're the best at. You know what the standard answer is? It's virtually everything. It's very hard to get universities to pick and choose things, to say they really are better at some things than other things. And we really need to get people to focus on what are those things that fundamentally could be a major impact in the world over the next 10- to 20-year horizon. We need to plan that far ahead. It's like leading the duck hunt. When you're looking up there, how far do you have to lead ahead to hit the target the right way. And we really need to focus on putting the resources into the things that are really going to move the needle in the next 10 to 20 years. If we're shooting at something 5 years out we're already too late in today's world.

Let me move to the next topic, infrastructure. What can we do there? Well, some of the people in the audience have heard this. I've been a broken record for a long time about a couple things here. We actually do pretty good on infrastructure, but the research universities could help on two fronts. One, access to equipment. If you're a young, startup company, quite often you need access to key pieces of equipment that you can't afford, that, fundamentally, if you had access to could make a huge difference in the success of your company. And again, if the equipment exists in the universities, it needs to be primarily used for research, those people need to come first. But are there ways to get access to that equipment

for entrepreneurs?

The second piece is expertise. How can they get consulting expertise from some of the faculty and staff in areas that they need as they grow their businesses, from the business schools, from the manufacturing side? It's interesting when you talk to most entrepreneurs and you talk to the scientists about starting their businesses, they will talk about their technology. They forget they actually have to manufacture something. So the question is, how can we engage this massive expertise that we've heard about all day, about our expertise in manufacturing, and get some consulting advice on how to actually build something in scale? And a lot of that expertise is in the universities or networked through the universities.

The third area was capital. What can we do? One thing that I did mention that the universities are really good at is their huge organizations. If I took the listing of the largest organizations in Washtenaw County, you know what the largest organization in Washtenaw County is? It's the University of Michigan. It's probably the largest buyer in the entire county. The question is, could we start a first-customer program to say, how can the research universities potentially be buyers in some capacity of the things being invented by these companies? I actually struggled with that. I had an internet-based company that had some really interesting technology in the health care field, and we tried to get the universities to be buyers of it. It was virtually impossible because again, they're large institutions. They have large buying processes. They're not geared to buy from entrepreneurial companies. Can we start a program much like the suggestion program that would allow companies access to be suppliers to these large institutions, these large buyers?

The second one I would throw out is even more radical, and that gets to the endowments. Because one of the major things we lack in this vicinity is venture capital. And one of the hardest things to do as a venture capitalist in this part of the country is to get institutional investors. And I can tell you as a practical matter, the institutions in the state don't invest in venture capitalists in this state or in this region. And I don't blame them the way it's currently structured. The chief investments officers, the motivation for those people is to get the highest return regardless of anything else. And if you're in that job, you're simply going to look at analytics and say I've got track records of 20, 30 years with companies and the firms in the valley, in Boston, and I'm going to follow those. So, I appreciate where they're coming from. The question is can the institutions themselves say, there should be something carved out of that? Can we carve out some sector of those dollars to say focus on being entrepreneurial in our own back yard. Let's eat our own dog food by investing in the company we're actually starting in our community, indirectly. Get those going. But that's something that's going to take

leadership at the regional and trustee levels.

The fourth area is talent. What can we do there? One of the first things is helping with the networking and mentoring. I applaud the tech transfer organization for help taking some leadership on this, but these are areas that can grow and fundamentally be much stronger. We could create a mentor network for young companies, for entrepreneurs to find expertise throughout the country. Think of the alumni networks that these three research universities have, and think how often the alumni really are looking for ways to help and give back. We could come up with much better systems to connect people. To get the alumni talking with young companies where there's a good match, where they could share their expertise to help them be successful.

The second thing I have under talent is one of the biggest ideas I would really push. I think on a major scale something that could really move the needle in this area is to actually ask the research universities, on the educational side, to change their mindset a little bit. When I talked about coming out with world-class students, I'm talking about people typically graduating with their first degree, coming out of school, or the other part you'll hear is executive education. Let me ask you, what programs are there out there to take the underemployed, senior executive or the unemployed senior executive, the CEO-level person and help them learn to be a successful entrepreneur, or to even participate in a small company? There are no such programs really in existence, even nationally, to do that.

My point is Michigan should be taking world leadership in doing that. We have that talent pool of those unemployed and underemployed people. It's a tragedy. Why aren't we developing programs to capture them? We've been talking about the community level of creating a center for experienced talent, to help them become entrepreneurial and successful in young companies. I believe the research universities should be embracing that and helping take leadership and making that something of a key cornerstone to helping change the state.

Number five is on the culture front. I'll tell you a funny story. When I first came back to Michigan and I started this list of five, my own list of five, I only had four on that list. I didn't have culture on the list. It was only after being here a few months and going nuts and going crazy and seeing what was going on that I added culture. Because that's our biggest problem, to tell you the truth, is the culture in the state one of entitlement, contentment or complacency.

We have to create that fire, the desire to be the best and to make it happen. And the research universities are one of the keys in our current crisis. We have a void or a vacuum of leadership at the state level. There are some very talented people at the state level, but effectively they neutralize themselves, as you can see over the

budget situation over the last few months, to the point of who is leading us at the state level. We need grass roots efforts of people to stand up and take some leadership in this state. One of the best groups to do that, that have the podium, that have the ability, that have the knowledge base, are the research universities. So, please stand up, take more leadership, this session is an example of that, but it's got to get out to the masses. So, leadership is one of the key things.

The second thing where I actually think that good progress has happened is community involvement. Because again, it's leadership at the broad masses, but also actually getting involved on the ground to make things change and happen. And one thing I will absolutely complement the University of Michigan is their involvement in the creation of SPARK in the Ann Arbor/Washtenaw County area. They were a fundamental part of getting it all to happen, they've been a fundamental supporter, and it has made a tremendous difference in this community alone. And those are the kind of things that really can make things happen. So, again we've got a lot of work to do on that one. So, there's roughly 10 quick points I'll throw out to you there to think about.

What are the challenges of doing these things, of these 10 ideas? Because I want to be open. I'm guessing most of these 10 probably won't happen, unfortunately. What I would like to see is at least three of four of the key ones happening. And why won't they happen? Well, first of all, the universities are really focused and need to continue their focus on research and talent in terms of their core mission. They shouldn't be distracted. We can't take a risk of having that not happen. So, that's one thing.

The second one is they do have limited resources. We need to find ways to get them more resources, and resources to the students. And then finally one of the challenges that university people--I may get some chuckles depending on how well the lighting is and who may see them--is the speed of decision-making process at the universities. Typically--and it was funny, I've actually had this when university people talk about which decade are you looking for a decision. That's not really the case, because I have seen universities move very quickly, but it has to be something that has a truly compelling need that's virtually a no brainer. Because consensus is important. Cooperation is important. But this is something that if I look at the crisis we're in, I can't see who's really arguing that we shouldn't be doing more or really making things happen. So, those are some really constraints on making this happen.

What I'm hoping is that there is an entrepreneurial spirit out there to make that happen. Because what is innovation and entrepreneurship? That's point of this whole discussion. Trying to build an innovation-based economy. And innovation is

really managing risk. It's really saying there's some exciting opportunity out there that I have to accept as a risk that normally I'm hesitant to do, but I've overcome that fear. I'm really willing to take the chance of failing. And in exchange for taking that chance of failing, I can get much farther than I otherwise would have advanced.

So in some ways, that's the great question, and that's why I put culture back on the list as one of the key things. It's a cultural question. And nothing negative on the research universities, I really view it as a chance for culture innovation and advancement. What can we do with the group of people we have here to say we can move our culture forward, both within the institutions, to say we can manage each risk to take on some of these new initiatives that really make sense? How can we get out to the masses, to the large population of Michigan, millions of people, and take leadership and community involvement to a new level to say we can get them to understand and appreciate managing risk?

Because the outcome truly is innovative. I'm very positive about the future. Some people have said before, the statement I'll give quite often at a speech is, "If you look back in history, what was the entrepreneurial and innovation center of the United States in the last century?" You've heard a lot about the Valley, and you've heard a lot about Route 128. I'll actually take that argument up with virtually anyone, to say in the last century those were probably number two and three. The innovation center of the United States in the last century was Michigan and particularly Southeastern Michigan.

You just have to go back to the beginning of the century. And part of the issues of why we're here today with these challenges is we were so successful. I think it's actually interesting if--and again, this is more my personal opinion—is we had two successive waves of innovation. We had an innovation wave of technology, which was the first wave, with the engineering, with the autos and a lot of other industries. Then we had a second wave in the 30s, 40s, and so on and that was a managerial, and organizational wave of corporate behavior, building large corporate entities. And the issue we finally got ourselves in is we built something so successful, we kind of killed off or buried our entrepreneurial spirit.

So, if anything, all I'm trying to do is really provoke you today. I've provoked you, hopefully, to say let's bring that spirit back. Let's say, how can we take these great institutions? How can we support them in doing their fabulous core mission? But ask them to stretch just that little bit more because we really need you to do that. And if you do that, we can make Michigan that special place over the next hundred years that will really make a difference not just for the people here, but for the world. Thank you.