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## Reclaiming State's Heritage of Commercial Innovation

Technology maven Nemerson says state should play favorites



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by BNH

Matthew Nemerson of New Haven joined the Connecticut Technology Council (CTC) as its president four years ago. Previously he had been president of the Greater New Haven Chamber of Commerce and before that was instrumental in the establishment of New Haven's Science Park technology incubator. BNH spoke with Nemerson December 5 about his group's efforts to improve the state's infrastructure for innovative companies.

The CTC just created an 'Innovation Pipeline Accelerator.' What exactly is it?

The CTC was one of the original clusters managers for the DECD, after a couple of years we realized that the state needed help in cataloging and categorizing the high-potential start-up companies in the state. It was important that companies that were going to be growing quickly and entrepreneurs who were going to be successful felt they were special (by us). (The purpose of the IPA) also was to make them more likely to be successful, and give whatever scarce resources were going to be available.

What do you actually do?

Working with a software platform we're trying to create a web 2.0 environment where we can capture and communicate with any

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company, person, whomever that has a start-up company in the state. So we can track all new ideas that are generated by entrepreneurs, university spin-offs and spin-offs from existing companies. We know the success that Connecticut Innovations has had by investing in three or four companies a year. What we don't know is what the whole environment is. We also want to rate these companies, because we can't offer the same services to anybody that walks through the door. This is done on what is their likelihood to grow 20, 30, 40 times over the next few years. We have to look at it as an angel investor or venture capitalist would. For the state to have successful, fast-growing technology companies, we have to pick the winners. The program Fast Track is for about ten percent of the [IPA companies] we're looking at. Of the 300 or so companies in the in the IPA, about 20 to 25 are designated as having the potential to begin growing, and growing very quickly.

What about real help?

The third part is getting resources to people. Everybody gets certain resources - access to information, webinars about money and state programs etc. But some get legal, accounting, marketing services.

They don't have to pay?

There are different arrangements. Once we do a handoff between a company and a service provider, some [services] are free, some are discounted. Service providers can work out arrangements for equity down the line. We do try to have a bank of free hours. Some of it is coming from UConn, which has created the UConn Legal Clinic, providing intellectual property assistance. And (we work with) law firms that are providing free or very discounted hours. We also have about 70 mentors - entrepreneurs and engineers, industrial designers - who may be consultants or may just want to meet potential clients like some of the other service providers. We try to match the database of mentors with companies who may need someone parachuting in. Every month a certain number of these companies present to an angel group, the Angel Investment Forum, would-be investors, to get capital.

With this feedback loop, what is your sense of the current state of the technology industry in Connecticut?

We are more optimistic now than we thought we would be. We thought we needed this program to convince entrepreneurs to think about starting companies or to relocate into Connecticut to grow the concept they already had. We've been pretty amazed at how many viable ideas and companies are already out there. We're well over 300 (we have) identified. We've also realized that Connecticut does not have any particular competitive advantage either within metro New York or the East Coast or nationally. We don't have a disproportionate number of start-ups. We have a fair share, but not more. We don't have anything that says we're doing better than other places. We initially thought we were in trouble in terms of the pipeline of entrepreneurial companies. We found we're okay, but can do better.

We also found a lot of people are here for idiosyncratic reasons - their spouse, their kids are in school or they love the town they live in and they don't want to re-locate. But not so many that are packing up their station wagons and moving to Connecticut because this is a land of opportunity.

We'd like to figure out how to distinguish ourselves at least within the Hudson Valley, northern New York, western Massachusetts, Rhode Island - that this is obviously the best place to start a company, with some great programs like very early stage capital.

It sounds like you're talking about creating an entrepreneurial culture. But wouldn't creating that include some important changes of behavior such as accepting failure?

It's an interesting question. If you look at what we've actually done in terms of our legacy, there is a tremendous give and take of success and failure historically with the Winchesters and Whitney, the Colts and Sikorskys.

But that was then and this is now.

We have to accept there are two other things working against us. We have some very large corporations in banking, insurance and aerospace. They're all working toward zero tolerance. You can't make mistakes if you're making a jet engine, or handling billions of dollars of other people's money. In many communities a lot of the community leaders are people who are not 'allowed' to make mistakes. (By contrast) you invent a piece of software and it doesn't work, you try something else. When you dig underneath the surface all these companies, they are striving to be very innovative, however.

Innovation now is everywhere.

Yale generates incredible amounts of intellectual property, but it wasn't until ten years ago that there was a large, very active Office of Cooperative Research, a licensing office. They were probably 20 years behind; now they've caught up on what they are doing, but there are consequences of not having companies and commercialization for the decades of the 1950s, '60s, '70s and '80s when there were people (inventing and commercializing new products) as there were outside of Stanford and Boston. UConn only recently began to think about commercialization.

But can you grow companies without a kind of 'Texas' big-growth mentality ?

From the Connecticut standpoint if you look at Connecticut Innovations or the DECD, you have to realize they're being watched very carefully by legislators who are perhaps wary or suspicious of the relationship between government and business and business growth. The debacle of the Rowland issue made people more wary. And it is the driving reality as opposed to (an attitude of) 'Sure, we want you to grow here, we'll do whatever it takes, and if you make a lot of money that's great, too.' Those things are a bit of a drag.

In the face of that what should we do?

A couple possible answers: Finland realized that the only way they could compete is by having the smartest kids in Europe. (Accomplishing the same here) is much easier said than done with our heterogeneous society. But Connecticut and a few other places should be able to control the environment and try to be the 'Finland' of America, so that when a company is looking for the science skills to handle global challenges, they know they can get them here. When all of America is relatively undifferentiated then people can go anywhere.

Secondly, Connecticut should put out the welcome mat with early-stage capital, with incubators for new companies moving in to make sure that anybody in the Northeast that is looking to start a company, that if it doesn't work in Philly or wherever, their second choice should be to come here.