

## Early-stage activity is a good sign for Wisconsin's economy

By Tom Still • 10/30/07



**Madison, Wis.** - The signs of a slowdown are everywhere. The housing credit crunch is moving through the economy like a pig through a python. Retailers reported slower sales in September, the dollar is weak, and worries about oil supplies have driven the price for crude oil above \$90 per barrel.

In other words, it's a perfect time to start a new company or to invest in one.

The innovation economy thrives on change. When the good times are rolling, money tends to flow to investments that are steady and profitable - such as real estate - and away from enterprises that may not be profitable until a few years down the road. When the economy is in transition, money has a tendency to move toward businesses or sectors where there may be more risk as well as greater potential.

Entrepreneurs with ideas on how to do things better, cheaper, or quicker tend to do well in a changing economy. That's not universally true, of course, but it only stands to reason that money fleeing more traditional investments must find a different home. Sometimes, that new home is a start-up company.

For decades, the Wisconsin economy wasn't a hotbed of start-ups in the tech sector or elsewhere. It traditionally ranked in the bottom 10 among the 50 states in producing early-stage companies. That is slowly changing, however, in part because a shakedown in manufacturing produced new dynamics, but also because Wisconsin is rediscovering its entrepreneurial past.

### Right track

Venture capital investment figures are tricky because reporting can be spotty, but the latest report from [BioEnterprise](#) in Cleveland indicates Wisconsin is getting on the right track. Wisconsin health care start-ups raised \$39.7 million from January through September, versus \$11.5 million in the same period a year ago. A separate report by [PriceWaterhouseCoopers](#) and the [National Venture Capital Association](#) showed that all Wisconsin companies raised \$69.04 million through Sept. 30, up from \$53.73 million a year ago.

Wisconsin still lags its Midwest neighbors - but the trend lines are up, in part because of the economy but also because there are more investment-worthy companies.

The [Wisconsin Early Stage Symposium](#), to be held Nov. 14-15 in Madison, illustrates the point. Nearly two-dozen start-up companies seeking between \$500,000 and \$5 million will make presentations to potential angel and early-stage investors during the conference. Another 20 or so companies will make presentations during the symposium's "Elevator Pitch Olympics," which generally targets companies seeking their first investments.

About half of the angel-ready companies are in the biotech, medical device or health care sectors, while the other half are in information technology, advanced manufacturing or "cleantech," such as companies engaged in alternative energy, advanced materials and water technologies.

While half come from the Madison area, the rest hail from across Wisconsin and reflect the fact that innovation can take place wherever there's a good idea, the right business plan and a talented management team.

Today's home grown start-up companies may be tomorrow's success stories - and major employers. Angel and venture capital is important to the mix because it reflects investments in what seasoned investors believe are promising companies. While not all such investments pan out (in fact, many flop), those that succeed may return 20 to 30 times the original investment and create hundreds of jobs.

The same symposium that will feature presentations by up-and-coming companies will also include discussions involving successful start-ups, such as [TomoTherapy](#) and [NimbleGen](#) in Madison and [Orion Energy Systems](#) in Plymouth. TomoTherapy raised \$223 million in an initial public stock offering in May, and [NimbleGen](#) was acquired in June by Swiss pharmaceutical company Roche Holding AG for \$272.5 million.

### **Tomorrow's prosperity**

While parts of the economy are unsettled or even stagnant in Wisconsin and elsewhere, new ideas, companies and investments can fuel the next boom cycle. A vibrant economy depends not only on companies that are successful today, but those that may be prosperous tomorrow.