INTERNATIONAL SOFT LANDINGS CENTER AT TECHTOWN

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Summary

The International Soft Landings (ISL) Center at TechTown, in partnership with Wayne State University in Detroit, Michigan, provides business assistance to foreign startup companies and mature enterprises seeking to enter the U.S. market. The ISL Center is part of TechTown’s incubator service. As of July 2009, TechTown was one of 23 worldwide that have received a Soft Landings International Incubator designation¹ from the National Business Incubator Association.

In addition to its proximity to the Canadian border, which links the ISL Center to the Canadian automotive supply chain and the University of Windsor in Ontario, Canada, the TechTown center leverages the strength of the region’s existing automotive industry cluster. This industry is of great interest to many of these foreign startup companies looking to relocate to the United States. Another important factor in the ISL Center’s success is that it is firmly situated within the economic development strategies of the city and state, as well as the university’s plans to stimulate technology-based development in the region. ²

This practice exemplifies how a community can use its local university to attract startup enterprises from overseas. The ability to network with state and local economic development organizations (and eventually federal agencies) to re-purpose buildings to provide a home for these foreign startup firms and the specialists who assist them, and to fit into university and city plans for revitalizing the neighborhood are key lessons of this practice. This practice could prove useful to communities with a recognized business cluster, such as the Detroit automotive cluster, that seek to revive declining neighborhoods by attracting foreign direct investment.

Background

Detroit underwent a long-term decline in the 1950s and 1960s as the interstate highway system encouraged a demographic shift to the suburbs. This decline was compounded by deleterious effects of competition from global automotive imports beginning in the 1970s. Various efforts to foster a renaissance of Detroit’s city center were begun, but had difficulty gaining momentum. From 2000 to 2010, Detroit’s population declined by 25 percent, according to the 2010 census. At the same time, the city’s automotive industry continued to maintain its scale, albeit from a moderating base – metropolitan Detroit accounted for 9.3 percent of U.S. employment in the automotive sector and 5.7 percent of all advanced automotive establishments in the country in 2008. The location quotient, which represents the employment concentration of a given industry in a region relative to that for the nation (where a location quotient of 1.0 is the reference point), for the Detroit automotive industry is 6.1. The city also has a sizable life-sciences industry – including pharmaceutical and medical equipment manufacturing – indeed, the third largest by employment in the Midwest after Chicago and

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² This case study is based on an interview conducted with the chief of staff of TechTown on March 22, 2012.
TechTown resides in the New Amsterdam historic district of New Center, which lies two miles north of the Detroit central business district and two miles from the Canadian border. New Center lost more than 30 percent of its population from 2000 to 2010. Over the 2006-to-2010 time period, the five-year average unemployment rate in New Center was 13.6 percent, compared to 7.9 percent for the country as a whole.

In the 1990s, Wayne State University’s then-President Irvin D. Reid began plans for how the university could become a catalyst for regenerating Detroit’s New Center neighborhood. These plans centered on the creation of a university research park surrounded by mixed-use development. The plans also included the possibility of small, technology-based startups.

These plans were considerably expanded when General Motors gave its Chevy Creative Services building to the project. This structure became the TechTown incubator and International Soft Landings Center. The donation was comletemented by the Henry Ford Health Systems’ contribution of office space for project personnel to begin services prior to the opening of TechTown. In 2000, TechTown became incorporated, and in 2004 it opened operations in the partly reconstructed building.

The International Soft Landings (ISL) service is situated within the TechTown organizational structure. TechTown is a separate 501(c)3 with ties to Wayne State University. It has a staff of more than 25 led by a president and CEO. Key departments include entrepreneurial programs, marketing and communications, operations, metrics and planning, and corporate and public affairs. Half of the staff members are termed “champions,” which underscores the client services orientation of the program. For example there are three entrepreneurial champions in the entrepreneurial programs division, in addition to the director, and two champions involved with client intake. The ISL had a separate director, appointed in 2009 for a two-year position, but that individual left in 2011, so the ISL Center is currently managed as one of the programs and services within TechTown’s offerings.

TechTown also has a 33-member board of directors chaired by the Wayne State University president. Including the university president, eight of the 33 members are Wayne State University administrators or members of the board of governors. Two are from the state economic development organization, the Michigan Economic Development Corporation (MEDC). The city of Detroit is represented, as are General Motors and Ford, small enterprises, investment firms, and local redevelopment organizations.

The initial budget for the opening of TechTown benefitted from a $2 million grant and loan guarantees of $10 million from the MEDC. These funds supported the renovation of the TechTown building. The Kresge Foundation also contributed $1.5 million for this renovation. In addition, the ISL program was founded by a two-year grant for $250,000 from the MEDC, which enabled it to hire a director and public relation support for ISL over that period.

The program has been successful in obtaining grant awards. In 2008, TechTown received awards from the Detroit City Council, Kresge Foundation, Herbert and Grace A. Dow Foundation, and the Wayne County Economic Development Growth Engine (EDGE). TechTown was part of a three-year, $9.25 million award from the New Economy Initiative and the Kauffman Foundation in 2009 to “reshape Southeast Michigan’s economy

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4 2000 Census Tracts 5201, 5325, 5326; 2010 Census Tracts 5326 & 5339
5 American Community Survey, Five-year estimates, 16 and older population.
TechTown has never had a professional grant writer on staff. The program works with several different grant writers on a per-project basis to perform the technical writing of specific grants. At one time, TechTown hired a fundraising professional to manage its grants, although individual grant writers were still used to develop funding applications.

The Practice in Operation

The International Soft Landings Center (ISL) targets its business assistance services to early- and second-stage startups and mature firms outside the United States. Second-stage startups typically have a CEO, a set of employees (as opposed to self- or single-employment firms), and a notable revenue level which, depending on the industry, could be approximately $1 million in sales. However, they often lack the administrative structures of a mature company, such as a complete management team. TechTown is a multi-purpose incubator that deals with retail- and service-related microenterprises, as well as more technology-intensive startups and mature firms in the ISL Center.

The ISL Center comprises about 3,800 square feet of the TechTown facility. Its operations involve three main activities: (1) hosting information-sharing activities, (2) providing incubator and other assistance services, and (3) participating in economic development activities.

Information Sharing

The ISL Center has participated in and/or organized various information-sharing workshops, delegations from other countries, or groups of American startups for opportunities to do business in other countries. These include partners from the University of Windsor’s Odette Business School, the Ghana (Africa) Business Roundtable, the Michigan Indian Chamber of Commerce, the American Arab Chamber of Commerce, and the North Africa Partnership for Economic Opportunity. In all, economic developers, business executives, researchers, and government leaders from 22 countries have visited TechTown’s ISL Center.

Center staff have participated in missions to other countries. For example, some took part in one to Israel organized by Wayne State University around the ILSI-Biomed 2010 conference. Staff engaged in meetings with companies and incubators interested in entering the U.S. market with the help of TechTown.

In 2008, Mexico’s Ministry of Economy, in alliance with FUMEC (U.S. Mexico Foundation for Science) established a relationship with TechTown by designating it as one of six TechBAs or technology business accelerators. The relationship was designed for Mexican companies in the automotive technology sector. A TechBA performs initial recruitment and screening for these small Mexican companies.

Incubator Services

Services provided by the ISL Center include many standard incubation offerings such as physical space, coaching and mentoring, training on issues such as business plan creation and capital investment, access to legal and financial services, and printed communications. Services particular to the needs of soft-landing companies are supplied as well – for example, translation services and assistance with visa and immigration matters. The center conducts an initial assessment to understand the readiness of a foreign company for U.S. market entry. The center also helps identify potential partners in academia (such as through Wayne State
University) and makes tailored linkages to individuals or organizations for these foreign companies.\(^7\)

As with many incubators, the center uses business school students to help with market research and business planning needs of companies. Distinctive for the ISL Center is its arrangement with the University of Windsor’s Odette Business School, through a 2010 memorandum of understanding, to use Canadian business students as interns to help TechTown incubator companies do business. Wayne State University students also have the opportunity to work in Canada. Funding for the Canadian business students is provided by the Odette Business School.\(^8\)

**Economic Development**

The ISL Center also has engaged with economic development organizations and foreign direct investment and exporting programs. Key partnerships at the state and local levels include MEDC and the Detroit Regional Economic Partnership. TechTown has been included in nine trade missions with these organizations to China, Israel, Italy, Poland, and countries in Africa.

One outcome of this networking is U.S. Export-Import Bank designation of TechTown in 2011 as a City-State Partners Initiative participant. The designation allows U.S.-based entrepreneurs to receive loans for working capital and credit insurance to deal with international business risk. Thus the center not only has attracted international soft landings to the United States, it also helps Michigan entrepreneurs with exporting to various nations. Also collocated at TechTown is the Department of Commerce’s U.S. Export Assistance Center. Each U.S. Export Assistance Center is staffed by professionals from the Small Business Administration, the U.S. Department of Commerce, the U.S. Export-Import Bank, and other public and private organizations. Together, they help businesses compete in the global marketplace.\(^9\)

**Results to Date**

The ISL Center has had considerable success in attracting international companies. More than 80 foreign companies have visited TechTown. Its tenants include 47 tier-two and -three auto suppliers from Mexico as part of the TechBA program, an Israeli stem cell firm, a Canadian information technology company, and companies from the United Kingdom and Hungary.\(^10\)

In support of these outcomes, the ISL Center has developed new capacities for working internationally. It has taken a methodical approach to networking. According to a former director of the center, “We would like to develop a network of information-sharing programs in Ontario and Quebec...We’ll take it one step at a time. We want to proceed in a focused fashion to do these deals.”\(^11\) At the same time, the approach has allowed for flexibility to take advantage of opportunities such as the TechBA relationship with Mexican automotive suppliers and the Israeli biotechnology mission. Moreover, the experience with foreign soft landings has led to new capacities for helping home-grown companies engage in exporting business through the U.S. Export-Import Bank partnership and U.S. Export Assistance Center.

In addition to traditional international soft landings, TechTown is exploring innovative ways of partnering with overseas businesses. Through the U.S. Department of State, TechTown was chosen to participate in a delegation

\(^7\) Source, “Notes from Nancy”, TechTown website.


\(^9\) http://www.sba.gov/content/us-export-assistance-centers

\(^10\) TechTown – Soft Landings International Incubator Designation Renewal Application,

\(^11\) Henderson, T., op cit.
to the Maghreb region of North Africa (Morocco, Algeria, and Tunisia) in October 2011. The delegation focused on how to promote entrepreneurship in these changing economies. To encourage entrepreneurship in these North African countries, the TechTown Incubator Prize was founded and awarded to three entrepreneurs from each country. The award, which enables travel to TechTown and inclusion in the incubator for a three-month period, is supported through scholarships from Wayne State University and travel, housing, and living stipends from the American Arab Chamber of Commerce and the U.S. Department of State. TechTown plans to pursue this cross-incubator exchange model with other incubators around the world.

Also, Wayne State has set extensive goals for positively affecting the economic health, renewal, and quality of life in its community. Observers point toward the commitment of the university to revitalize the surrounding neighborhood. Indeed, the university has set a goal of attracting 15,000 professionals to live and work in the neighborhood. TechTown’s embrace of retail and services microenterprises, as well as more technology-intensive businesses, contributes to this goal by supporting the types of lifestyle development needed by the community. TechTown and the International Soft Landing Center thus are part and parcel of this long-term vision.

Lessons Learned

TechTown has established an international soft landings center that focuses on early-stage and mature offshore companies by offering incubator and international assistance services. This approach differentiates it from traditional foreign direct investment efforts that tend to be reactive and untargeted in responding to economic development opportunities outside the United States.

The ISL Center utilizes many significant assets of interest to early-stage and mature foreign companies: a solid incubator program, ties to a research university, and proximity to one of the largest global concentrations of automotive firms, as well as burgeoning economic activity in the life-sciences industry. In addition, Detroit is close to Canada, which has encouraged collaborations with nearby University of Windsor. Not every city can replicate this set of attributes, but many American states have industry clusters and are located near the Canadian or Mexican borders.

Also, many of the successes of the ISL Center and the broader incubator and research and technology park have more to do with TechTown’s operating model than with its geographic location. The board of directors links the parent organization with major state and local economic development organizations, as well as various departments and administrative offices of Wayne State University at the highest levels. This networking capacity has resulted in the ISL Center’s ability to successfully pursue international soft-landing opportunities and add new exporting capabilities to serve its local startups and maintain its international connections.

## Milestones

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<tr>
<th>Year</th>
<th>Event</th>
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<tr>
<td>2000</td>
<td>TechTown is incorporated.</td>
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<td>April 2004</td>
<td>TechOne business incubator facility opens.</td>
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<td>December 2007</td>
<td>Kresge Foundation contributes $1.5 million to TechOne facility renovation.</td>
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<td>2008</td>
<td>TechBA is established with TechTown through Mexico's Ministry of Economy, in alliance with FU-MEC (U.S. Mexico Foundation for Science) for Mexican companies in the automotive technology sector.</td>
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<td>June 2008</td>
<td>A 12-month partnership begins with the Michigan India Chamber of Commerce (MICC) to provide enhanced business and networking opportunities for the Asian-Indian business community in metropolitan Detroit.</td>
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<td>September 2008</td>
<td>International Soft Landings Center starts with 3,800 square feet on the first floor of the TechTown incubator and business park.</td>
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<td>Soft Landings Center director is appointed.</td>
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<td>Soft Landings Center expands to 6,000 square feet.</td>
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<td>February 2010</td>
<td>Memorandum of understanding signed with the Odette School of Business at the University of Windsor in Ontario to promote cross-border business startups.</td>
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<td>October 2011</td>
<td>TechTown joins U.S. Export-Import Bank's City-State Partners Initiative to provide funding for Michigan business export financing.</td>
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<td>January 2012</td>
<td>Startups from Morocco, Algeria, and Tunisia receive incubation awards and scholarships to study entrepreneurship through a partnership between the U.S. Department of State, TechTown incubator, Wayne State University, and the American Arab Chamber of Commerce in Detroit.</td>
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References


Website: http://techtownwsu.org/international-soft-landings/

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