Leaders of the future
If we want a knowledge-based economy, those leaders need a seat at the table, some say

Tom Henderson
Civic power in Southeastern Michigan is driven by a fairly diverse group of business owners and executives from a broad swath of corporate, professional and nonprofit Detroit.

But what it doesn’t encompass is executives from the high-technology and new-economy jobs most believe the region needs to diversify from its dependence on automobiles and manufacturing.

New-economy industries generally are defined as engineering, information technology, life sciences, scientific testing and telecommunications.

Only two of the 51 local leaders who have achieved power through civic and nonprofit connections are connected to the new economy - Peter Karmanos, CEO of Compuware Corp., and Carl Carlson, who founded Plymouth-based Perceptron Inc. and took it public and is now CEO of Cohere Inc., an Ann Arbor-based maker of optical equipment used to check quality control during manufacturing.

Civic power in Southeastern Michigan is a think tank founded in 1991 to help Michigan move from being a manufacturing-based economy to, in Glazer’s words, “become a leading-edge economy in a flat world. There’s no way you can have a high-prospectivity economy if your economy is based on natural resources or manufacturing.”

“If the assumption is that an interconnected leadership matters - and I think it does - then the people making appointments to those boards have to go out of their way to do a better job of picking people out of the new economy and putting them on their boards, even if their companies aren’t drivers, yet.”

“You have to make sure that the future sector is represented. The leaders need to be connected to the flat world. We have to organize a new leadership structure that is built around new-economy players.”

That leadership, said Glazer in an outline of a report Michigan Future is issuing in April titled “New Agenda for a New Michigan,” should include “the brains part of the auto industry (domestic and foreign), research universities, major health care systems, the life-sciences industry, the IT industry, export-based financial institutions, etc. It also should be open enough to include new enterprises, either companies locating here for the first time or successful knowledge-based startups.”

“The old industrial power base still is very much in power in civic organizations,” said Dave Egner, president and CEO of the Detroit based nonprofit Hudson-Webber Foundation.

Egner said charities tend to think short-term in seeking board members, trying to add well-known people who have financial resources they can bring to the organization instead of saying, “Who do we go after who can intellectually help us, or help us financially, in five or 10 years?”

There needs to be a balance. The trick is tapping into those new-economy business leaders. They’re usually putting in such long hours trying to get their fledgling businesses off the ground that they’re not that accessible or visible.”

Egner said some members of the next generation of leaders can be found in fledgling biotech and high-tech companies, down a level or two of management in the auto and pharmaceutical industries and at universities.

“I think you have to consciously make a list of the industries future leaders will be in and then go find them. It wouldn’t take much to ask Mary Sue Coleman, president of the University of Michigan, who are her best five young thinkers. And we don’t do enough to approach the old-economy leaders and ask them who their best young people are.”

Gary Kendra, a Northville-based attorney who serves as counsel to Ann Arbor-based HandyLab Inc., which recently raised $6 million in venture capital to fund development of its computer-chip-based blood-analysis devices, said that the reaching out that Egner suggests should work both ways. He said those in the biosciences need to tap those with expertise in the state’s traditional businesses.

“You need the guys who made a lot of money in automotive to come in and help manage these companies and bring in business expertise,” he said. “They don’t necessarily have to have a life-sciences background. Good managers can manage these companies.”

Those managers also would serve to bridge the gap between founders of the bioscience companies and the civic and charity boards in need of fresh faces.

Michael Finney, president and CEO of Ann Arbor Spark, a regional economic development group that includes membership by UM, Eastern Michigan University, Pfizer Inc., MichBio, the Michigan Small Tech Association and the Bank of Ann Arbor, said Ann Arbor has a lot of new-economy entrepreneurs who could be tapped to provide community leadership.

Among them: Ray Schiavone, former CEO of Arbortext, and Larry Hagerty, former CEO of Thomson Medstat, an Ann Arbor-based health care information company that is a subsidiary of Connecticut-based Thomson Corp. Both are serving as CEOs-in-residence for Spark.

He said entrepreneurs such as Schiavone and Hagerty should be at the table: “These are people seeding startups,” Finney said. “It’s critically important they have a voice.”

Ken Nisbey, executive director of UM’s office of technology transfer, offered other Ann Arbor entrepreneurs, including Dwight Carlson, who founded Plymouth-based Perceptron Inc. and took it public and is now CEO of Cohere Inc., an Ann Arbor-based maker of optical equipment used to check quality control during manufacturing; and Mike Crowley, CEO and founder of Ann Arbor-based Incept BioSystems Inc., which is commercializing microfluidic technology developed at UM for fertilization tests.

Michael Khoury, an attorney with the Southfield-based law firm of Jaffe Ratt Heuer & Weiss who targets the needs of technology companies and is on the advisory board of the Michigan Small Tech Association of micro- and nanotech-related companies, said Spark and Troy-based Automation Alley “are bringing different, younger leadership to the table. Both have done a really superb job in bringing younger people from different industries to work together.”

Doug Rothwell, president of Detroit Renaissance, argues that it is unfair to say that 49 of the top 51 most-connected leaders in the region represent the old-economy way of doing business.
"It's important to realize a lot of new-economy activity is embedded in (established) companies," he said. "The auto companies have some of the highest-tech in the world. It's a high-tech innovative industry. I've been arguing for years with the scorekeepers in Washington about the way these jobs get classified. The auto industry is the greatest consumer of research and development in the country."

He also argued that the definition of "new economy" is too narrow, generally taken to mean new high-tech jobs in biotechnology and nanotechnology but not counting job growth in other sectors.

"Job growth in the future will be more innovative than it will be high-tech," he said. "Financial services and health care will be growth industries. I'd argue they are new-economy industries, and they are well represented (on area boards)."

While growth from biotech, nanotech and microelectromechanical systems gets much of the focus of those talking about the new economy, he said, "I don't believe in the next decade they are going to produce a lot of jobs. They'll have a lot of growth, but it will be off a small base."

Nevertheless, he said organizations such as Detroit Renaissance must do a better job of diversifying their membership and leadership base as they talk about diversifying the economy. "There are sectors of the economy we're not focused on. We're trying to identify these companies and once we do, we'll go after them. We're not as organized as we should be, but we will be moving forward."

"I don't think looking at tech versus nontech is the way to look at it," said Rick Snyder, interim CEO of California-based Gateway Inc. and chairman and CEO of Ann Arbor-based Ardesta L.L.C., which invests in high-tech companies spun off from universities and national laboratories. "The question is, do we have innovators or do we have maintainers? There's nothing wrong with the old-line economy companies as long as they're innovative."

Snyder said that by definition measures of connectedness will skew to older business leaders representing old-line companies. "Boards tend to attract people who are established in their lives and well on in careers. If you're a hard-charger in the new economy, you don't have the time to serve on a lot of boards. I wouldn't read too much into it, either way."

Gerald Davis, a professor of management at the Ross School of Business at the University of Michigan, is currently on sabbatical, teaching a course on institutional networking to doctoral students at the London Business School.

"To thrive in business, you have to manage internally, but you have to manage externally, too. You have to understand how to connect to the large community you're part of," he said.

He agreed with Snyder that studies of connectedness skew away from new-economy companies, partially for reasons of self-interest. While participation on civic and charity boards is philanthropic in nature, it is also a fact of board life that while participation on civic and charity boards is philanthropic in nature, it is also a fact of board life that many participants are there "to show off their skills to other business people," he said. They are hoping to either recruit clients for their companies or to get recruited, themselves, to higher corporate positions.

"But if you're with a biotech, for example, serving on a board is not going to help with potential clients. It's not much of a driver," he said.

He said new-economy business leaders also won't rank high for connectedness in Southeast Michigan because they tend to be centered in Ann Arbor and many of the major civic and charity organizations are centered in Detroit.

"They may not have that much interest (in) contributing to Detroit's cultural or charity events," he said.

Rajesh Kothari, a managing director of Seneca Partners, a Birmingham-based venture-capital firm with $14 million under management, said the preponderance of old-line companies on civic boards "doesn't surprise me. You have to look at the history of success. The history of success here was manufacturing until the mid-1990s."

"But look at the up-and-coming people. Dan Gilbert is not a manufacturing guy. Peter Karmanos is not a manufacturing guy. Look at the health care executives. Look at the importance of David Canter and Pfizer in our community. It's all evolving."

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