REPORT 2014

UNIVERSITY OF MICHIGAN

SAMUEL ZELL & ROBERT H. LURIE INSTITUTE
FOR ENTREPRENEURIAL STUDIES

Ranked TOP 3 for 3 Years Running

Creating Tomorrow’s Risk Takers & Game Changers. Individual by Individual. Year after Year.
Message from Samuel Zell

Message from Alison Davis-Blake

Message from Stewart Thornhill

Message from David J. Brophy

Zell Lurie Institute – Continuing a Tradition of Leadership

2013-2014 Milestones

Tom Frank Center for Entrepreneurship

Jim Price Lecturer Entrepreneurial Studies

Len Middleton Lecturer Entrepreneurial Studies

Ken Nisbet Office of Technology Transfer

Jeff Sinclair American Heritage Motorcycles

Uday Rajan Professor of Finance

Wolverine Venture Fund’s Fifth Successful Exit

Shane Kelly MBA ’13

Ann Brophy MBA ’15

Susan Tahir MBA ’04

Marianna Kerppola MBA/MS ’16

Amit Kulkarni MBA ’12
With our new executive director, Stewart Thornhill, now in place, the Samuel Zell and Robert H. Lurie Institute for Entrepreneurial Studies is embarking on a formative new chapter in its history. The Institute already has established a solid track record as a pioneer and national leader in entrepreneurship education. Over the coming year, we will explore innovative ways to enhance and expand our programs, scale up our message and reach all 43,700 students on the University of Michigan’s Ann Arbor campus.

Entrepreneurs play a critical role in the U.S. and global economies by creating new industries, companies and jobs. Just as important, individuals with entrepreneurial mindsets working within established companies bring fresh vision to any scenario. They introduce ideas that propel growth. The U.S. was built – and has reached its status as the leading world economy – because of the self-selected immigrants who chose to leave their homelands to build a better life here. These immigrants, these risk takers, were largely entrepreneurs.

Being an entrepreneur is an art, not a science. It’s a state of mind that governs how someone looks at the world and opportunity. Entrepreneurs detect problems or gaps in the marketplace that most others miss. Just as critical, they envision the solutions to respond. They are optimistic, tenacious and self-confident by nature. They have the courage to act upon their ideas and the conviction to carry them through. The word “failure” is simply not in an entrepreneur’s lexicon. Sometimes pitches or deals might not work out, but a true entrepreneur just turns to the next adventure.

The Zell Lurie Institute helps students recognize and maximize their entrepreneurial talents. We engage students in real-life programs, such as Dare to Dream and the Wolverine Venture Fund, that raise students’ ability to recognize entrepreneurial opportunities. Then we provide them with tools and experience to launch start-up companies. We also sponsor business competitions that enable students to hone their thinking and get feedback from independent third parties who evaluate their ideas. In addition, Zell Lurie’s alumni offer students terrific access to networking and mentoring opportunities within the venture-capital and private-equity industry. Altogether, this matrix of formal and informal programs improves students’ abilities to shape new ventures, thereby accelerating their progression from ideation to business launch.

What sets the Zell Lurie Institute apart from other institutions is the strong support it has received from the University’s administration, former U-M President Mary Sue Coleman and a succession of deans at the Ross School of Business who have recognized entrepreneurship education as a valuable asset. The Institute also has benefited from the early visionary leadership of former Executive Director Tom Kinnear, who returned to teaching in 2013 after heading Zell Lurie for 14 years. Tom brought his long history of involvement in start-ups, entrepreneurship and venture capital to the Institute. Because of his stature, Tom was able to attract myriad entrepreneurial activities to Zell Lurie, where they have established a rich integration with other U-M schools and colleges across campus. Finally, the support the Institute has received from the venture-capital community, especially locally, has been invaluable. These dedicated professionals have offered internships and jobs to students, and have provided ongoing critiques and encouragement to help fuel the momentum of student endeavors and the Institute’s mission.

New initiatives are already in the planning stage at Zell Lurie. We will be working to foster more active company creation and encouraging students who want to strike out and pursue their entrepreneurial ideas. Over the next year, the vision and influence of the Zell Lurie Institute will continue to expand, and we will see our efforts rewarded by the accomplishments of these young entrepreneurs.

Go for greatness.

Message from Samuel Zell
CHAIRMAN, EQUITY GROUP INVESTMENTS
The life experiences of twenty- and thirty-somethings have changed, and so have their attitudes toward business and business education. The Millennials have different expectations than prior generations of how career success is defined and achieved. As leaders in business education and entrepreneurship, we must be prepared to give students the academic, social, and personal tools to create and redefine the workplace as a setting that creates both profit and meaning. At the Ross School, we call this Positive Business, which focuses on creating businesses that generate rewards for shareholders, employees and society. It is essential to demonstrate to the next generation that there is a pathway leading to both profitability and positive impact on society.

One of the greatest assets students gain from their experiences in business school is the opportunity to try new things and the freedom to fail. Through the Zell Lurie Institute, U-M students have access to a comprehensive, interlocking matrix of entrepreneurial studies courses, coaching, programs and networks that helps them learn how to transform their innovative ideas for products and services into viable businesses. Over the years, the Institute has forged partnerships and marshalled resources across the Michigan campus to promote the cross-fertilization of ideas among multidisciplinary students and faculty, advance the commercialization of research discoveries and expand the entrepreneurial ecosystem in Southeastern Michigan and beyond. Students who wish to pursue careers in venture capital or social venture investment are able to participate in the three investment funds managed by their peers under the auspices of Zell Lurie. Another distinguishing mark of Ross and the Institute is the active role played by Michigan alumni, who speak at symposia and classes, give freely of their financial resources and serve as a conduit to future jobs for today’s students.

This is an incredibly exciting time to be in business education and especially in entrepreneurship education. I am proud of our mission to develop leaders who make a positive difference in the world. We can solve our most complex challenges by empowering those who believe that business can, and should, be a creative and innovative force that benefits individuals, economies, and society.
As I complete my first year as executive director of the Samuel Zell and Robert H. Lurie Institute for Entrepreneurial Studies at the Ross School of Business, I want to express my delight at being able to step into such an important role at an institution recognized nationwide for its high quality and visionary leadership. I also want to thank my predecessor, Tom Kinnear, for all he has done to make my transition to the Institute and Ross as smooth and seamless as possible. During his 14 years as Zell Lurie’s executive director, Tom built the Institute into an iconic center for entrepreneurship education. He led the development of its innovative programs, assembled its great team, amassed its considerable resources and established its reputation as a consistently top-ranked graduate program in entrepreneurship. When I arrived in Ann Arbor late in summer 2013, Tom not only handed off the mantle of leadership, but also supported me by making personal introductions to entrepreneurs and investors in the local venture-investment community and to academic leaders in entrepreneurship education across the University of Michigan campus.

With this extraordinary foundation in place, I have focused on forging pathways that will enable the Institute’s growth both inside and outside the boundaries of the University. These efforts include increasing cross-campus collaboration, accelerating the growth of student-led entrepreneurial companies and engaging U-M alumni and practicing entrepreneurs in customized executive-education programs and Institute activities on the Ann Arbor campus.

One of the new initiatives now under way is the Bharat Desai Family Accelerator, funded by a $1 million gift from the family of Bharat Desai, founder of Troy-based Syntel Inc., and money from the Davidson Foundation. Over the past year, the Institute has partnered with the College of Engineering’s Center for Entrepreneurship to lay the groundwork for this Silicon Valley-style accelerator. The Desai accelerator will invest in early stage companies and provide mentorship and work space, with the objective of accelerating their development to the point where they are ready to acquire external funding. Kelly LaPierre has been named managing director and will oversee the development and launch of the Desai accelerator, which will occupy space in downtown Ann Arbor. We plan to welcome the first cohort of companies to the accelerator during the 2014-2015 academic year, and anticipate it will greatly enhance the University and Southeast Michigan entrepreneurial ecosystem.
Over the past year, the Center for Venture Capital and Private Equity Finance (CVP) launched new executive-education offerings and research collaborations, increased engagement by global alumni and the worldwide business community, and enriched courses and symposia that prepare students for careers as investors and recipients of angel funding, venture capital and private equity.

CVP initiated two customized executive-education offerings through the Ross School’s Executive Education program. The first program, sponsored by Merrill Lynch, brought a total of 50 young growth companies to the Ann Arbor campus in two offerings to participate in educational sessions focused on the funding of growth and the evaluation of alternative harvest mechanisms. The second program was sponsored by the Riverside Company, a New York-based global private-equity firm, and also was held at Ross in two offerings. Each session engaged nearly 60 high-level managers from Riverside and their portfolio companies in discussions of case studies, taken from their portfolios, examining all aspects of private equity. These two programs not only increased Ross’s and the Center’s brand identity, visibility and value among professional investors and entrepreneurs, but also strengthened the University’s connections with private-equity industry leaders and extended the career pipeline of opportunity for Ross students.

CVP broadened the scope of its research by partnering with the College of Engineering on a project to examine the progress and outcomes achieved over time by start-up ventures that received grant funding from the University. This cross-campus collaboration represented an important step forward in the Center’s long-term plan to engage graduate students and faculty from multiple disciplines in deep research on the national and international aspects of venture capital and private equity, and how these investment approaches impact the local market.

For the second year, CVP presented its Fireside Chats series, each session of which starred groups of eight Ross alums from the private-equity, hedge-fund and investment-banking world. The series supports an overarching goal of the Center to serve as an entry point and conduit for alumni involvement with students, Ross and the University. This year’s lineup featured separate and individual personal appearances by two U-M graduates who have become outstanding global business leaders, Twitter CEO Dick Costolo and Nest Labs CEO Tony Fadell. Both sessions were moderated by Richard Lui, a Ross alum, who is an NBC/MSNBC News anchor. The chats, which were held at the Ross School on Friday afternoons, attracted on average 300 to 400 students majoring in business and other disciplines who were able to interact directly with these high-tech disrupters, deal makers and trendsetters.

Alumni and other professionals working “in the trenches” brought live case studies and sparked lively discussions in seven CVP-supported venture-capital, private-equity and entrepreneurial-finance courses. These classes are designed to engage private capital investment-minded students in experiential learning with real deals and the people who make them. Through the Center’s Financing Research Commercialization course, for example, students serve as apprentice entrepreneurs and financial analysts who work with researchers and inventors on and off campus to produce fundable CEOs. Since its founding in 2004, the class has assisted 130 entrepreneurial companies in commercializing their products and raising capital in the financial markets to fund their growth and development.

CVP’s twin headliner events, the Michigan Growth Capital Symposium in the spring and the Michigan Private Equity Conference in the fall, continued their robust growth and drew ever-greater numbers of participants from the local, national and global entrepreneurial and venture-investment communities. Both events benefited from heightened interest and involvement by students and faculty from the Law School, College of Engineering and School of Medicine. In addition, participation by leading state agencies and professional groups, such as the Michigan Economic Development Corporation and the Michigan Venture Capital Association, served to elevate both formal and informal investment discussions.

In the coming year, CVP will focus on expanding its financial underpinnings, administrative capabilities and physical facilities to ensure it continues to deliver top-quality education, programming and career preparation and advancement to its students and graduates.
Continuing a Tradition of Leadership & Excellence in Entrepreneurship Education

Over the past year, the Samuel Zell and Robert H. Lurie Institute for Entrepreneurial Studies at the Stephen M. Ross School of Business continued its role as a global leader in entrepreneurship education. The Institute’s pioneering vision and consistently high caliber of programs and action-based learning initiatives earned it accolades as one of the top five institutions of its kind in the nation, for the fifth straight year. The Princeton Review and Entrepreneur Magazine ranked the Ross School and the Zell Lurie Institute the No. 3 Graduate Program in Entrepreneurship in the U.S. in 2014.

“Our highly effective action-based learning approach has made us the institute of choice for students who aspire to become successful entrepreneurs, venture investors or entrepreneurial employees in large corporations,” says Executive Director Stewart Thornhill. “We immerse students in real-world entrepreneurial and investment settings, so they can learn by doing and hone their skills with helpful feedback from experienced faculty and industry practitioners. It’s not surprising that many of our graduates have gone on to become serial entrepreneurs and entrepreneurial-minded leaders in the venture-investment and corporate-business sectors.”

Thornhill adds, “I’ve been incredibly fortunate to be able to build on the foundation of entrepreneurial excellence established under the leadership of Thomas C. Kinnear,” D. Maynard Phelps Professor of Business Administration and Professor of Marketing at the Ross School of Business.

Across the University of Michigan campus, the Zell Lurie Institute partnered with other entrepreneurship centers to develop new initiatives, including a Silicon Valley-style start-up accelerator, and bolstered mentorship and funding for students creating and launching entrepreneurial enterprises. The Institute also strengthened the linkages between campus and community by engaging more graduates and industry professionals in major symposia — such as the Michigan Growth Capital Symposium and Michigan Private Equity Conference — as well as in classroom teaching, case studies and career development opportunities for students.

Launching the New Bharat Desai Family Accelerator

In 2014, the Zell Lurie Institute, in partnership with the College of Engineering’s Center for Entrepreneurship, laid the foundation for the new Bharat Desai Family Accelerator, which will launch later this fall. It is supported by a $1 million gift from the Desai Family Foundation and additional funding from the Davidson Foundation. The accelerator is intended to provide work space, financial support and mentorship for qualified start-up companies. Participation will not be limited to University-affiliated teams, but U-M ventures will be given preference. Companies will have a four-month residency at the accelerator, located in downtown Ann Arbor. At the conclusion of their stay, they will participate in a Pitch Day and present their business concepts to potential investors. Kelly LaPierre, BA ’07, has been named director of the Desai accelerator and will oversee the establishment and management of investments, mentoring and counseling of start-ups and coordination of activities with University stakeholders.

Once operational, the Desai accelerator will extend the Zell Lurie Institute’s continuum of entrepreneurial opportunities for Michigan students and alumni, and enhance its visibility and connection to external constituencies in the broader entrepreneurial eco-system. The gift from the Desai family reflects the strong commitment of Bharat Desai, MBA ’81, to creating a dynamic environment of entrepreneur-driven innovation at the University, in Southeast Michigan and throughout the state. His family felt inspired to contribute money for the accelerator because they like to support causes that will have solid and widespread positive impact, and saw a chance to do so at a “truly outstanding institution,” he says. Desai is the co-founder, president and CEO of Syntel Inc., in Troy, Michigan. He received the Institute’s Alumni Entrepreneur of the Year Award when he appeared as a keynote speaker at Entrepalooza in fall 2005.
Stoking the Entrepreneurial Spirit on Campus

Over the past 12 months, the Zell Lurie Institute stepped up its efforts to meet the burgeoning demand for entrepreneurial courses and activities by students across the Michigan campus. The University encourages student entrepreneurship through a combination of coursework and real-world application. More than 10,000 students each year tap these resources, which are coordinated through a campus-wide program, Innovate Blue. Entrepreneurial-minded students have access to more than 80 courses and initiatives offered through many of the University’s 19 schools and colleges and 20 student organizations.

In 2014, the Institute awarded $400,000 to advance student teams pursuing entrepreneurial ventures. TurtleCell, A2B Bikeshare and MyDerm Portal were among the innovative concepts developed at the University and then launched by recent graduates. Zell Lurie’s three student-led venture-investment funds — the $7 million Wolverine Venture Fund, Social Venture Fund and Zell Lurie Commercialization Fund — invested $400,000 in emerging start-up companies. The WVF also achieved its sixth successful exit when Silverpop, one of its earliest portfolio investments, was acquired by IBM this spring. “Silicon Valley is looking for the next big thing,” observes Entrepreneur-in-residence Jim Price. “But for every next big thing, there are hundreds of successful start-ups that are the next small thing. One of the hallmarks of success for the Zell Lurie Institute is its ability to encourage students to recognize all types of opportunities, both big and small.”

Student-led clubs continued to add an important extracurricular dimension to the entrepreneurial ecosystem on campus. This spring, Ann Brophy, MBA ’15, and classmate Greg Sanker, MBA ’15, launched the Michigan Ross Private Equity Club to cultivate interest and provide information to students considering careers as private-equity investors. The club is working to connect with Ross alumni and PE firms that want to help create a pipeline of future talent for the industry.

Reaping the Benefits of Entrepreneurship

“The essence of entrepreneurship is experimentation, trying new things and learning along the way,” Thornhill says. “At the Zell Lurie Institute, we will continue to introduce new initiatives, try new things, and keep learning and growing as we drive improvement.” The momentum created by the Institute as it builds new programs to develop emerging businesses and deepens relationships across campus will produce benefits for students and society that extend far beyond the borders of Ross and the University.

“If we are learning from experimentation and applying those lessons to our curriculum and programs, we won’t have the same educational models in place year after year,” Thornhill says. “The Zell Lurie Institute needs to continue its evolution in order to keep pace with the ever-changing entrepreneurial business and investment landscape.”

2013-2014 MILESTONES

- The Samuel Zell, Mitchell Mondry and Zell Institute and Erb Institute Scholarship Awards totaled $75,000 providing 15 MBAs with $5,000 each toward their tuition. Awards totaling $19,000 were provided to selected MBAs and BBAs for entrepreneurial leadership, entrepreneurial development, cause-based entrepreneurship, and private equity.
- The three student-led venture funds with $7 million in total under management engaged 91 students. The Wolverine Venture Fund invested in NeuMoDx Molecular and one of its earliest portfolio companies, Silverpop, was acquired by IBM. This marked the Funds sixth successful exit. The Zell Lurie Commercialization Fund invested in AlertWatch and AdAdapted, and the Social Venture Fund invested in PowerHouse Dynamics and Mytonomy.
- Michigan Business Challenge awarded $63,000 in prize money to U-M student teams. Sixty-eight teams participated.
- Dare to Dream Start-up Grant and Mayleben Venture Shaping Grant programs awarded $50,000 to 46 U-M student teams to develop their business ideas while earning their degrees.
- The Marcel Gani Internship program placed 20 U-M Ross students at 18 start-up and venture capital firms across the U.S.
- The TechArb student start-up accelerator awarded tenancy to 22 U-M student teams.
- Entrepalooza, the Michigan Growth Capital and Private Equity symposia engaged over 900 attendees from across U-M and the entrepreneurial and investment community.
Center for Entrepreneurship’s New Executive Director Champions Closer Collaboration with the Zell Lurie Institute

Tom Frank

EXECUTIVE DIRECTOR, CENTER FOR ENTREPRENEURSHIP
AT THE COLLEGE OF ENGINEERING

As a Tinseltown media executive at Dick Clark Productions in Los Angeles, a high-powered chief operating officer at Internet streaming-media pioneer RealNetworks in Seattle and a skilled turnaround CEO at venture-backed companies in Silicon Valley, Tom Frank successfully scaled business enterprises, launched and expanded innovative product lines and developed executive talent. Now, as the new executive director of the Center for Entrepreneurship at the U-M College of Engineering, he is applying his industry perspective, bench strength and knowledge in a University setting to propel CfE’s entrepreneurial programs, partnerships and student start-ups to the top of the charts. “I’m a big believer in doing, so my approach is oriented around experiential learning,” Frank explains.

“It’s essential we create multiple opportunities for students to get their hands dirty and gain an appreciation for starting and building new enterprises. We need to give them the requisite skills to enter the career world with their own ventures and help them succeed.” Since arriving on campus in July 2013, Frank has championed closer collaboration with the Zell Lurie Institute and other innovation and entrepreneurship centers, including Fast Forward Medical Innovation at the Medical School, U-M MTRAC and the Walter H. Coulter Foundation, which has endowed a translational research program at the University. Over the past year, CfE and Zell Lurie partnered on a new initiative at the TechArb incubator to create a faculty of advisers with wide-ranging expertise to help student start-ups ramp up business development and avoid entrepreneurial pitfalls. The two organizations also pooled their time and resources to develop the new Bharat Desai Family Accelerator, which is scheduled to launch in 2014-2015. Now, CfE and Zell Lurie are scouring the campus in search of other joint opportunities to enrich the student entrepreneurship experience. Proposals under consideration include providing sponsorship for co-curricular groups, pitch competitions, hackathons and guest speakers as well as compiling and circulating a comprehensive master calendar of entrepreneurial programs, groups and events available to U-M students. Frank’s decision to leave the West Coast and return to Michigan, where he spent his childhood summer vacations and now owns a home near Traverse City, was prompted by what he sees as a “wealth of riches” in the state. “Michigan has the potential for raw innovation, an enormous amount of university research, a huge surplus of talent and, increasingly, the venture capital to turn new discoveries into real ventures,” he says. “I can’t think of a better place to be.”
The U.S. economic rebound has sparked a rally in entrepreneurial activity at Zell Lurie, Ross and across the Michigan campus, says Jim Price, the Institute’s new entrepreneur-in-residence. “We saw a dip in entrepreneurship during the Great Recession of 2008 to 2010, but now the demand for entrepreneurial programs and courses has come roaring back,” he explains. “Students are realizing entrepreneurship is a good way to go, and they are looking at the curriculum with a smile.” Price has taught a graduate-level New Venture Creation course for 12 years and advised MBA student consulting teams in the MAP program. Now, as entrepreneur-in-residence, he is leveraging two decades of hard-scrabble experience as a serial entrepreneur, company CEO and venture consultant to provide high-level coaching to student start-ups in the Dare to Dream program, the Michigan Business Challenge, the TechArb incubator and the soon-to-launch Desai accelerator. Price attributes the growing mojo around entrepreneurship to changing business perceptions and shifting start-up dynamics. “Employers at established companies, ranging from American Express to Kimberly-Clark to Samsung, are realizing it’s valuable to have entrepreneurial employees who can do creative problem-solving, deconstruct and reconstruct business models and start a business from scratch under the corporate umbrella,” he says. “They want to hire MBA graduates who bring that entrepreneurial orientation and training to their organizations.” Another impactful change is the shift in business launches toward the “lean” start-up model, which centers on very rapid, iterative prototyping of products and services, as well as the company itself. “We’re seeing entrepreneurs cobble together a simple prototype, go to customers to ask if they would buy it and get feedback—all before the company is launched,” Price says. “This do it-try it-fix-it mode has taken hold nationally and globally.” A third fundamental change he sees is the proliferation of Internet-based enablers available to help entrepreneurs start innovative companies inexpensively and quickly. New businesses that used to take several years and millions of dollars to get off the ground can now be up and running in three months with $17,000 in credit card debt. “The barriers to entry for becoming an entrepreneur and the time and cost of launching a new venture have dropped dramatically,” Price says. “The rapid, iterative approach to start-up launch has made the whole experience more interactive and fun. We’re trying to incorporate these dynamics into our entrepreneurial teaching and coaching at Zell Lurie and Ross.”
Leading companies today are looking for corporate entrepreneurs who can drive innovation in products and services to help them compete successfully in rapidly changing global markets, says the Ross School’s Len Middleton, a faculty member in both the Strategy and the Entrepreneurship departments. “Corporations need new ideas, new thinking and innovative products and services to stay ahead of the competition,” he explains. “They want to hire and retain executives who can come up with smart, edgy ideas and write solid business plans to implement them.” Middleton teaches a new elective EMBA course, Entrepreneurial Ventures, which fulfills the need to develop more effective corporate entrepreneurship. During an intensive eight-day residency, the course takes company directors, vice presidents, CEOs and other professionals through a rigorous series of modules that instill entrepreneurial thinking and prepare them to apply entrepreneurial skills across all functions and phases of their business activities. Many participants, who are midway through their corporate or professional careers, seek to earn an EMBA degree while continuing to work at their current jobs in order to land a promotion or accelerate their career advancement. “We attract people from various industry sectors, such as technology, advanced manufacturing, law and medicine, both in the U.S. and internationally,” Middleton says. “Most participants have 15 to 20 years of business experience, but often, only in one or two disciplines. Through the EMBA degree program, we try to broaden their base of knowledge and understanding across the entire spectrum of core business functions, including accounting, marketing, finance, operations and strategy.” Some EMBA candidates plan to go to work for themselves at a start-up or to buy an existing business, so the course also focuses on new venture creation, company acquisition, venture funding and growth strategies. Middleton’s own background in teaching, entrepreneurship, start-up ventures and a family-run business lends an extra layer of real-life expertise and experience to the course. “I’ve rolled up my sleeves and built companies, so I have well-honed entrepreneurial knowledge, skills and credibility,” he remarks. Middleton has been teaching the EMBA MAP program for 12 years and says he is thrilled to see the EMBAees embrace the entrepreneurial path.
Student Entrepreneurship Gets a Boost from U-M Tech Transfer Resources

Ken Nisbet
ASSOCIATE VICE PRESIDENT FOR RESEARCH OFFICE OF TECHNOLOGY TRANSFER

The partnership between the U-M Office of Technology Transfer and the Zell Lurie Institute has expanded in recent years, ratcheting up Tech Transfer’s supportive role for student entrepreneurship. “For opportunities across campus, we provide guest speakers, mentors and advisers to enrich the classroom experience and help student teams assess commercialization and investment opportunities,” says Ken Nisbet, associate vice president for research at Tech Transfer. “Our TechStart program assembles graduate student teams, including MBA candidates from Ross, who do technology assessments, market analyses and other project work to advance our Tech Transfer commercialization activities. We also host the Tech Transfer Fellows program, which employs graduate students with technical backgrounds to help us accelerate and improve the assessment process for early inventions and new discoveries.” The overarching goal of these programs, Nisbet continues, is to provide Michigan students with hands-on opportunities to learn what it takes to identify a technology with commercialization potential and move it forward. “By exposing them to people and start-ups in the region, we also promote career opportunities and talent retention,” he adds. Both Tom Kinnear, Zell Lurie’s former executive director, and Tom Porter, former director of the Frankel Commercialization Fund, have served on Tech Transfer’s national advisory board. Following the launch of the new Master of Entrepreneurship degree program in fall 2012 by the Ross School and the College of Engineering, Tech Transfer began providing case study material, based on U-M-owned intellectual property, for MoE class projects focused on how to commercialize a technology. Tech Transfer’s Venture Center, founded in 2009 to serve as a hub for entrepreneurs and investors interested in U-M start-up opportunities, has marshalled additional resources. These include trained venture-creation specialists on staff and mentors-in-residence who act as classroom advisors to help students turn their entrepreneurial ideas into solid business ventures. Over the past five years, Tech Transfer has set records on a number of metrics, including inventions, license agreements, new start-ups and licensing revenues. “Things are really cranking here, and 2014 is looking to be our best year to date,” Nisbet reports. The upward trend is driven by increased University research spending, the high quality of U-M researchers, Tech Transfer’s own top-ranked operation and the support of community partners, venture-investment firms and the Michigan alumni network. “These factors, combined with the strong spirit of entrepreneurship and the positive attitude toward commercialization on campus, have contributed to U-M’s outstanding performance,” Nisbet concludes.

Turnaround Consultant Helps Students Connect the Dots between Management Theory and Practice

Jeff Sinclair
INVESTOR AND DEALER PRINCIPAL AMERICAN HERITAGE MOTORCYCLES

Entrepreneurship is embedded in the DNA of Jeff Sinclair, who recently returned to his alma mater to help fuel the fires of entrepreneurial passion in today’s students. “I served leadership teams as a performance improvement and turnaround consultant for 31 years at McKinsey & Company,” he says. “And I’ve had experience in the entrepreneurial space for two decades as an investor in more than 30 small start-up and private-equity-owned companies. Now I am an investor and run a start-up, American Heritage Motorcycles, here in the Midwest.” Sinclair’s deep dive into the entrepreneurial realm has given him a unique perspective of the start-up business lifecycle. “I’ve learned what it means to start a company, grow it and make it successful,” he explains. “Through both success and failure, I’ve also learned how to see the warning signs that indicate things are going off track and a business is heading downhill and about to fail.” A self-described “rabid” alumnus who holds both an engineering degree and an MBA from Michigan, Sinclair has served as an advisory board member for the Ross School and currently is on the boards of the Zell Lurie Institute and the Center for Entrepreneurship at the College of Engineering. Straddling business and engineering, he says, helps him support cross-fertilization and collaboration between the two schools and “give something back” by participating in the campus-wide push toward entrepreneurship education. Last year, Sinclair took on a new role when he became an adjunct lecturer at Ross. He co-teaches, with fellow adjunct Bill Hall, an MBA course on turnaround management, which focuses on injecting entrepreneurial thinking into large corporate organizations. Sinclair and Hall also co-teach an undergraduate course on entrepreneurial leadership for non-business students, who learn how to create, develop, finance and value companies. “I bring empirical knowledge, practicality and grounding in best practices to the classroom,” he explains. “This helps students connect the dots between management theory and practice.”
Impact investing is gaining traction across the U.S., as venture-capital investors and companies focused on sustainability ramp up their strategic investments in for-profit enterprises pursuing social and environmental missions. The Social Venture Fund (SVF), housed at the Zell Lurie Institute, pioneered the model of a university-based, student-run impact investment fund when it was launched in 2009 by four Ross School students under the guidance of Finance Professor Gautam Kaul. Today, the SVF is valued at $239,000 and holds investments in four innovative companies, with a fifth deal pending. The fund is managed annually by 35 to 40 Ross MBAs and BBAs, with legal assistance from Law School students. “This is action-based learning at its finest,” says the fund’s new faculty adviser, Uday Rajan, associate professor of finance and chair of finance and real estate. “The SVF is a real live venture-capital fund where students invest money in small entrepreneurial companies that place social and environmental impacts at the heart of their business models.” During the due diligence process, he explains, students learn what venture capitalists do and put that knowledge into action by analyzing companies’ financial performance, gauging their business potential and social impact and then deciding whether to invest. “Students tell me the Social Venture Fund is the best learning experience they’ve had while at Ross,” Rajan adds. The fund’s current holdings include two companies in the education sector, Mytonomy and LearnZillion, and one in the food sector, Jack & Jake’s. In March, the SVF added a fourth company to its portfolio by investing $50,000 in Powerhouse Dynamics. The fund's stake was part of a larger syndicate-led bridge financing round for the cloud-based provider of enterprise energy and asset management solutions. The SVF closed on a deal in September to invest in Loveland Technologies, a Detroit-based company that has developed property-mapping software to help cities identify urban blight and manage revitalization. “Impact investing has been a growing segment for the past 10 years, and I think that trend will continue,” Rajan says. “The commitment and passion Ross students show for the positive social impact of business through their work on the Social Venture Fund is something that will serve them well, no matter what career path they take.”
The student-led $7 million Wolverine Venture Fund celebrated its fifth successful exit this spring when one of its early portfolio investments, Silverpop, was acquired by IBM for an undisclosed amount. The WVF originally invested $200,000 in the company in August 2000, participating in an early financing round with a syndicate of other venture-capital investors. Shortly after that, the dot-com bust brought technology start-ups such as Silverpop and the stock market to their knees. “We couldn’t have had worse luck on timing,” says Erik Gordon, WVF faculty managing director.

“For years, the company was on the verge of disappearing, just another dot-com casualty, but everyone hung in. Silverpop pivoted several times and made significant changes in its business, paving the way for a successful exit.” The Wolverine Venture Fund not only recouped its original investment but also received “quite a reasonable return” on the money. Gordon says Silverpop, which specializes in advanced digital marketing, provided a good investment lesson for student fund managers. “This is an example of patience and staying power saving an investment,” he says. “If we had gotten impatient or not had the persistence, we would have gotten nothing. Venture capital isn’t always about cashing out on giant hits quickly. Sometimes it’s a long, rough road. But in this case, we made it.”

Nick Bell, MBA ’14, who co-managed the WVF in 2013-2014, says the fund offers students a rare opportunity to invest in real-time deals using real money, and to generate real returns on those investments. “Being part of the Wolverine Venture Fund puts you in direct contact with some of the best venture-capital investors in the Midwest,” he says. “You are given full responsibility and ownership, a double-edged sword, to find, analyze and put together deals. You also learn to manage relationships with VCs, which teaches you a tremendous amount about the soft side of the business. In addition, you have an opportunity to team up with students and faculty from business, science and other disciplines who test your rigor and thought processes.” Students on the WVF actively monitor all investments and scrutinize them across the product-development life cycle, the competitive landscape and the larger market trends that could impact supply chains, distribution or other business operations. “We also look at exit dynamics,” Bell says. “This includes how a particular portfolio company matches up to other companies that are being bought in the market, and what potential returns it could give us.” In April, the WVF participated in a $21 million Series B funding round in NeuMoDx Molecular, an early-stage diagnostics company. The round was led by Pfizer Venture Investments and included investments from Baird Capital, Venture Investors and Arboretum Ventures. “There’s something special about the way the Wolverine Venture Fund is organized and operates that allows it to be successful and sustainable,” Bell says. “I can’t imagine receiving this quality of MBA education in venture capital anywhere else in the U.S.”

Over the past year, WVF students took more direct responsibility for deal sourcing by traveling to 1871, a two-year-old incubator for technology start-ups, in Chicago to look for investable companies. “This was a big step, which was led by the students themselves,” Gordon says. “They aggressively reached out to build relationships with people at 1871 and to consider early-stage companies coming out of the Midwest’s largest incubator. They are working on the same thing at the 1776 incubator in the Washington, D.C., market.” In the past, the Wolverine Venture Fund typically received leads on investment deals from its advisors, who come from top-notch VC funds in the region. The move toward more direct deal sourcing will add an important new dimension to the WVF’s action-based learning model of investment. “Whether the students become venture capitalists or pursue other careers, they will have had the experience of knocking on doors, selling their capabilities, gaining a foothold and building relationships,” Gordon says. “Those skills will serve them well, regardless of what business they are in.”
Shane Kelly, MBA ’13, has used his entrepreneurial-studies education at the Zell Lurie Institute and his venture-capital investment experience at the Wolverine Venture Fund as strategic stepping stones to his current position as executive director of the Wolverine Angel Network. WAN seeks to “unlock the potential of Wolverines in venture” by providing early-stage investors with cultivated deal flow and University of Michigan community engagement. At the same time, the network helps to accelerate early-stage start-ups through its fund-raising support and customer discovery. Since August 2013, Kelly has grown the portfolio of angel-ready investment opportunities from two to ten companies, four of which generate revenue. He also has recruited a four-person team of alumni and MBA students to conduct due diligence and research the state of seed-stage investing in university ecosystems.

To fulfill his new WAN leadership role as a matchmaker between VCs and entrepreneurs, Kelly is able to draw on his Zell Lurie internship experience at Detroit Venture Partners, where he was a summer associate in 2012, and his work at Stage 2 Innovations in Farmington Hills. In 2013, Kelly was named a Kauffman Finalist, following a rigorous screening, evaluation and review process conducted by practicing venture capitalists and partners of the Kauffman Fellows Program. The coveted Fellowship provides a pathway into the highly competitive venture-capital industry and prepares Finalists for dynamic careers as venture investors. With guidance from the Kauffman Fellows Program staff, Kelly is now pursuing leads at several VC firms where he hopes to land an investing position and procure a sponsor for the 24-month, $72,000 program. Alternatively, he may choose to remain at WAN and use the Fellowship to build the network’s venture-investment capabilities.

Kelly began his career at GreeneStreet Films, a film and digital-media start-up in New York City. As vice president of finance, he helped the company raise $50 million in venture capital and designed financial systems for several new ventures launched in-house. He also restructured operations for a sales and acquisition venture which he saw through to exit. Kelly hit the pause button on his career to enroll in the Ross School’s MBA program where he could learn the nuts and bolts of venture investing and gain access to other top-ranked schools and colleges on campus. During his two years on campus, Kelly was a Consortium for Graduate Study in Management Fellow and studied Web development and data science at the School of Information.
MBA Student Retools Her Skill Set for a Career in Private Equity

Ann Brophy MBA ’15

Last year, Ann Brophy, MBA ’15, decided to pivot into a career in private equity after rising through the management ranks at financial data provider S&P Capital IQ. The logical next step was returning to academics for an MBA degree that would help her retool her skill set. “I wanted to supplement my previous work experience with coursework in finance, marketing and operations,” Brophy says. “I was drawn to the Ross School’s collaborative, team-oriented environment and its impressive, engaged alumni network. I also was excited to be back in my hometown as a student.”

Over the summer, Brophy interned at Huron Capital Partners, a Detroit-based private-equity firm, where she worked with the marketing and deal-origination team. “I was surprised by the high level of deal activity at Huron and found it exciting to work in an environment of such expertise and growth,” Brophy says. “I learned a lot about the industry and saw how Huron creates value for its portfolio companies through executive resources and operational contributions — beyond providing the capital needed for the acquisition.”

Huron maintains strong ties to Michigan. Managing partner Brian Demkowicz and Ross alums John Higgins, Matt Hare and Greer Love have been guest lecturers in Ross private equity finance classes. To build her knowledge base and connections, Brophy took elective courses in private equity finance and global private equity and attended Fireside Chats presented by the Center for Venture Capital and Private Equity Finance in collaboration with Ross alum Jeff Gelfand. “These courses embody Ross’s commitment to action-based learning by inviting finance professionals to bring interactive cases and expertise to the classroom,” she explains.

“The Fireside Chats offer an opportunity to interact with, and learn from, prominent U-M alumni, including Dick Costolo, the CEO of Twitter, Tony Fadell, the creator of the Apple IPod and iPhone and founder of Nest Labs, and Roger Ehrenberg, the founder and managing partner of IA Ventures.” This past spring, Brophy and three classmates launched the Michigan Ross Private Equity Club to provide education and resources for club members and other students interested in private-equity careers. The student-run organization also seeks to cement ties with Ross alumni and firms who want to reconnect with Michigan and tap into its talent pool.
Immersion in the strong entrepreneurial culture at the Ross School and Zell Lurie Institute gave Susan Tahir, MBA ’04, the lessons-learned, experience and confidence to launch Story38 Alliance, an endurance sports gear company based in Mountain View, Calif., two years ago. She recently initiated a Kickstarter campaign to raise $18,000 by June 28 to fund the production of her first product, a specialized gear carrier designed for triathletes. The initial shipment of products is scheduled to begin in December.

Tahir’s new company is more than just a revenue-generating venture aimed at tapping into the fast-growing U.S. triathlon sports market. It also reflects her heroic efforts to recover from a personal tragedy — the loss of her infant son, Noah, in January 2011 — by making a positive contribution to the sport that aided her rebound and helping other endurance athletes who compete for equally compelling reasons.

“My vision for my company is to elevate endurance gear for athletes,” Tahir explains. “My son, Noah, is the ultimate inspiration behind what I do.”

Coming from a technology background, Tahir worked at high-tech companies in Hong Kong and Boston before enrolling in the Ross School’s MBA program in 2002. An entrepreneurial MAP assignment with Milliken & Co., an industrial textile and materials manufacturer located in Spartanburg, South Carolina, thrust her into uncharted territory where she had seven weeks to learn the ins and outs of an industry and complete a comprehensive business project. As co-chair of the 2004 FuturTech conference, Tahir honed her ability to develop a vision and execute on it. “The cross-pollination I experienced at Ross helped me when I was starting my company and developing my first product,” she says. “I needed the same mindset, networking capabilities, resource management and interdisciplinary focus to accomplish what I wanted to do.”

After graduation, Tahir resumed her technology career with Fortune 500 companies, including Hewlett-Packard, Medtronic and the Walt Disney Co., until she pivoted, at age 38, into new venture creation. “With my customers and Kickstarter backers, I am creating an alliance for individuals who race with a deeper purpose — their own stories,” she says. “I want to give back by providing my fellow athletes with gear that helps them truly experience the sport.”

Founder Susan Tahir, MBA ’04, Launches Story38 Alliance

Susan Tahir MBA ’04

“The cross-pollination I experienced at Ross helped me when I was starting my company & developing my first product. I needed the same mindset, networking capabilities, resource management & interdisciplinary focus to accomplish what I wanted to do.”
Marianna Kerppola, MBA/MS ’16, has leveraged Zell Lurie Institute resources to launch BetterHope, an online marketplace for products made with dignity. “As a mission-based business, BetterHope endeavors to show consumers how they can make more-informed purchase decisions to create a better world,” she says. “The website curates clothing, accessories, gifts and home-décor products that make a meaningful social impact by creating safe, sustainable jobs for producers around the world.” Kerppola will launch a beta site in the fall, using affiliate marketing to generate revenue by directing ethical consumers to the websites of established retailers, such as Amazon and Nordstrom, where those products are sold.” With this model, she will earn commissions based on the number of clicks or product purchases made by Internet shoppers on the other retailers’ sites. Kerppola aims to build a strong community of ethical consumers to prove interest in products made with dignity. After demonstrating proof-of-concept, she anticipates taking the next step by setting up a direct supply chain of ethical producers in the U.S. and overseas.

Kerppola’s inspiration for BetterHope came four years ago while she worked in corporate finance at Nationwide Insurance. Interested in social entrepreneurship, she began to volunteer for International Development Collaborative, a nonprofit start-up selling fair trade collegiate apparel to help impoverished Bolivian women. “I started a journey to explore how to create ethical, sustainable supply chains for clothing,” Kerppola explains. “Apparel manufacturing offers important, low-skilled jobs for people, mostly women, around the world. I want to ensure these jobs help to alleviate rather than perpetuate poverty.” A two-year stint at Google in Ann Arbor supplemented her passion with a critical skill set, Internet marketing, and she decided to return to school to launch her company. Kerppola chose the University of Michigan to pursue her dual graduate degree in business and global social enterprise in large part because of the entrepreneurial coursework, support and mentoring offered by Zell Lurie.

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Amit Kulkarni MBA '12

Secure Healing Inc., a start-up founded by Amit Kulkarni, MBA ’12, has developed computer security software that keeps patients’ medical records safe from prying eyes and provides alerts, in real time, of any inappropriate access to confidential information. The Michigan-minted company is currently piloting its cloud- and server-based privacy monitoring and reporting platform at two Houston hospitals, and preparing to deploy at another eight facilities, while it builds its capacity to enter the $1.5 billion global market for health-care IT security. “In July, we received full patent approval for our machine learning/artificial intelligence technology, which increased investor and customer recognition of us as an authoritative source in this industry,” reports Kulkarni, who has bootstrapped Secure Healing over the past three years. “Later this year, we hope to secure $1 million in angel funding that will enable us to hire seasoned sales and marketing people to grow our company, enhance our reputation and refine our product.” His fundraising pitch to investors at the Michigan Growth Capital Symposium in mid-June generated several promising leads, as well as good exposure for the company. Kulkarni credits the Zell Lurie Institute and the Zell Entrepreneurship and Law program, or ZEAL, for providing the manpower, proving ground and grant funding to help him shape and advance his start-up venture while earning his degree in Ross’ Part-time MBA program. “I took a New Venture Creation course taught by Entrepreneurial-studies Professor Jim Price in 2011 and formed a team with my classmates to create a business plan for Secure Healing,” Kulkarni says. He used a $10,000 Dare to Dream grant from Zell Lurie and a $1,500 grant from the Center for Entrepreneurship at the College of Engineering to develop his health-care privacy auditing software, which allows medical organizations to mitigate the risk of privacy breaches and improve compliance with HIPAA and HITECH regulations. Feedback from peers and potential clients at TechArb’s Student Venture Showcase and judges at the Michigan Business Challenge allowed Kulkarni to identify and fill gaps in his business plan. He also tapped the pro bono legal services provided to start-ups on campus by ZEAL’s student-led, faculty-supervised Entrepreneurship Clinic. “ZEAL has assisted us on a variety of legal matters, including writing contracts, changing our status to a C corporation from a limited liability company and completing paperwork needed to file for our patent,” Kulkarni says. “All the steps involved with launching a business are challenging, so to get this kind of help is great.”