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Del. nonprofit to aid entrepreneurs

Fledgling organization will focus on high-growth-potential firms

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Posted Monday, October 30, 2006

A group of Delaware business leaders today will announce a new organization to foster innovative small businesses in a state long dominated by a big-business mentality.

First State Innovation, which will have its first board meeting Thursday, will nurture technology-focused ventures that would support an economy based on innovation and entrepreneurial activity. So-called "innovation-based" economies have fast-growing companies with high-paying jobs.

The nonprofit will concentrate on biotechnology, advanced materials, nanotechnology and information technology.

First State Innovation plans to hire a chief executive within the next several months at a salary of more than \$200,000. It expects to operate with contributions from the private sector, government grants and help from foundations. It has an initial grant of \$50,000 from New Castle County.

At the outset, the organization will work on attracting venture capital and investment money. Second, it intends to create an "angel fund" that will provide seed money for early-stage business. Next, it will work on forming a closer link with academia. It will launch a campaign to buff up Delaware's image as a "cool place to be" among young people, said Ernest Dianastasis, chairman of the Delaware Business Roundtable and chairman of First State Innovation.

Also in the early stages is the idea of creating an enterprise zone for entrepreneurial ventures on the Christina River waterfront or near a university.

The organization has tapped Gov. Ruth Ann Minner and former Gov. Pete du Pont to serve as honorary chairpeople of the organization.

Along with Charles O. Holliday Jr., CEO of the DuPont Co., board members include Craig A. Rogerson, CEO of Hercules Inc., Matthew B. Swanson, CEO of FineStationery.com, Allen L. Sessoms, president of Delaware State University and Elizabeth A. Browning, CEO of LLuminari Inc.

Delaware has been a poor performer in fostering entrepreneurial activity. A Kauffman Foundation study released in May found that the state ranked last in the nation in 2005.

"Our economy is at risk," said First State Innovation Chairman Dianastasis, who is managing director of CAI Inc. in Wilmington. "We can't count on the tradition of big business."

The organization, whose 20-member board also includes academics, grew out of an effort launched in 2003 by the Council on Competitiveness, the state Chamber of Commerce, the city of Wilmington and the Delaware Economic Development Office. Holliday is chairman of the Council on Competitiveness, a national organization made up of 130 chief executives, university presidents and labor leaders. That group attempts to improve the country's competitiveness in the global economy.

The 2003 effort, designed to promote innovation in the Wilmington region, included a survey that found the area doesn't have a high tolerance in its business culture for failure. More than a quarter of the companies surveyed said the

culture does not understand failure as part of the learning and innovation process.

Nearly 40 percent of the companies said the region doesn't celebrate the growth of small- and medium-size companies as much as it does larger companies. What's more, business leaders don't treat entrepreneurs and startups as full partners, according to 40 percent of those surveyed.

The survey also found that the business environment around Wilmington lacks understanding about the opportunities for small- and medium-size businesses to collaborate with the state's universities.

First State Innovation hopes to turn that around.

Deborah Wince-Smith, president of the Council on Competitiveness and a former assistant secretary for technology policy at the U.S. Department of Commerce, will attend the first meeting. "Organizations like this are critical to developing the environment necessary to support regional innovation and entrepreneurship," she said in a statement.

Michael Meneer, vice president for communications with the council, said during the last several years states and regions have been forming these organizations, but there has not been a groundswell of such ventures.

"Certainly, this group in Delaware is on the leading edge," Meneer said.

First State Innovation will measure its progress based on the flow of "angel fund" money coming into Delaware, the number of startup firms, the number of firms that generate more than \$10 million in revenue and the number of businesses that increase revenue from \$10 million to \$50 million.

"I think it's an awesome idea," said James A. Wolfe, president of the state Chamber of Commerce. "We want to turn this into a state friendly to business startups."

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