

KENAN INSTITUTE CONFERENCE PROCEEDINGS



March 1, 2017

RECRUITING C-SUITE TALENT TO NORTH CAROLINA GROWTH COMPANIES

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EXECUTIVE SUMMARY

An influential group of private sector leaders, university administrators, and government officials gathered at the Raleigh Convention Center on March 1st to craft actionable strategies to help the Research Triangle region attract and retain “C-Suite” talent to emerging high-growth companies in North Carolina. The invitation-only event, co-hosted by the Kenan Institute of Private Enterprise and the Council for Entrepreneurial Development, was structured as series of panel discussions followed by breakout strategy sessions designed to solicit specific actionable recommendations. The impetus for the event was the realization among experts that the region – while impressive in many ways as an economic engine for the State – was underperforming relative to other regions in recruiting top tier talent to lead its area startups.



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KEY FINDINGS OF THE INTERACTIVE EVENT INCLUDED:

- The region has a unique opportunity to develop a talent platform of C-suite level executives and potential start up opportunities. This could be realized through a shared tracking and vetting system and other cross-institutional initiatives focused on matching startups with skilled leaders. The basis for this is the shared “pain point” among the region’s key institutions and the collaborative relationships that exists between them.
- University tech transfer offices, entrepreneurial support organizations, and other institutions should more proactively coordinate their national communication efforts with state and regional economic development organizations to address some of the prevailing perceptions about North Carolina as a relocation destination. Event participants clearly felt that the State and the region consistently “undersells” North Carolina as a top tier business destination, and similarly undersells the quality of life factors that are important to attracting experienced C-Suite talent.
- The region’s unique attributes — three R-1 universities, considerable federal research investment, the highest concentration of contract research organizations in the world, deep private sector biomedical and pharmaceutical expertise — means it’s an ideal testbed for innovative approaches to address the C-Suite talent gap. As such, the region could work to develop a model of institutional coordination on this issue that other regions could implement throughout the country.

RECRUITING C-SUITE TALENT TO NORTH CAROLINA GROWTH COMPANIES

On March 1, a “Program on Attracting and Retaining C-Suite Talent for NC Growth Companies” was held at the Raleigh Convention Center. The event was hosted by the Kenan Institute of Private Enterprise, the Duke Innovation & Entrepreneurship Initiative and Hatteras Venture Partners in association with the Council for Entrepreneurial Development.

The afternoon event attracted some 40 entrepreneurial-minded individuals from throughout the Triangle and beyond.

The primary objective of the gathering, Kenan Institute director Greg Brown stated in his opening remarks, was to further advance a pillar of the Kenan Institute’s mission: to understand how the resources, thought leadership and creativity offered by this area’s academic sector can interact with the private sector and policy-makers for the greater public good.

Brown said that he and his colleagues often hear that while this area is certainly rich in creative thinkers, offers an extremely talented workforce and is a great place to live in general, it nonetheless remains difficult to attract senior-level managers and serial entrepreneurs to help take startups to the next stage of success.

The objective then for the afternoon, Brown said, was to share ideas about what can be done to “promote the attraction and development of C-Suite talent that will help us grow companies here in North Carolina.”

NUMBER-ONE ISSUE: ATTRACTING TALENT

Joan Siefert Rose, a senior partner at CREO Inc. and former president and CEO of CED, offered some encouraging table-setting statistics:

According to the Association of University Technology Managers, the number of disclosures for new innovations at universities in 2015 was up 5 percent. AUTM members also reported more than 1,000 new startups formed in 2015 and more than 16,000 intellectual licenses granted.

Jay Bigelow, CED’s director of entrepreneurship, reported that CED recently conducted a survey of about 230 or so growth-stage startups. Surprisingly, he said, their number-one issue remains attracting talent.

“It’s still an issue for companies coming out of universities, companies that are scaling,”



The number of disclosures for new innovations at Duke, the University of Carolina at Chapel Hill and NC State in 2015 was up 13.8 percent. These universities also reported more than 25 new startups formed in 2015 and more than 375 intellectual property licenses granted.

Bigelow said. “This is true for both life science and tech companies.”

STACKING UP AGAINST THE COMPETITION

The event comprised three expert panels and then a breakout into small groups to brainstorm about ways to more effectively attract needed talent to North Carolina.

The first panel was titled “How North Carolina Stacks Up in the Competition for Talent,” and was moderated by N.C. Department of Administration Sec. Machelle Sanders.

Mark Velleca, CEO of G1 Therapeutics, spoke of his decision to relocate to North Carolina, saying that a critical factor was the openness of his new employer in recognizing his particular circumstances – a spouse with a career and a child who was close to graduating from high school – and accommodating them, allowing him to keep his primary residence in Washington, D.C, and occasionally work from home, an arrangement that’s worked out quite well for all parties involved.

When recruiting C-Suite talent,” Velleca avowed, recruiters should view potential recruits’ particular circumstances through a “wide lens” and with an open mind.

Katie Mitchell Tucker, Managing Director, Spencer Stuart Atlanta, a global executive search and leadership consulting firm, cited Velleca’s situation as a great illustration of what she sees on a regular basis. Being flexible, she said, is critical.

In recruiting talent to a given area, Tucker stressed the importance of drawing attention to all available assets – which in this region’s case includes world-class universities, Research Triangle Park and great weather. Look into family ties to the area, she urged. Emphasize access to the person’s interests and hobbies.

“We try to look at the experiential or personal interests that would draw that person here,” Tucker said. “We use everything in our toolbox.”

Don Rose, director of the UNC Office of Commercialization and Economic Development, spoke of the art of selling talented individuals on the rewards of helping launch a university-based startup when there’s not a lot of money to offer.

Rose approaches the challenge by organizing potential candidates into four “archetypes,” and striving to respond to the particular motivations and interests of each:

- The grouping Rose most often encounters, and which, he said, are the most



amenable to the startup proposition are consultants. They're already working on other projects, have cash coming in, and are looking for asset diversity. They're open to a higher risk.

- Next are what Rose refers to as the “ex-corporates,” and they fall into two subgroups. The first are those who have come from a private entity, are still active, but are looking to get out of the corporate world. The idea of getting involved with a startup sounds exciting. The second subgroup are semi-retired executives who feel they have a couple more years to devote to something. These individuals tend to be most interested in advisory roles, less so in day-to-day management.
- Then there are the new arrivals, those, Rose said, “who just up and came to the Triangle because they have heard great things about the quality of life, are looking for an opportunity and have time to work a deal for a year or two” to try to help make it successful. “They’re refreshing, because they’ve come looking for a pot of gold, and they find it here.”
- The fourth group, one that Rose said he rarely encounters, are serial entrepreneurs. They are not as interested in getting involved in the early stages, Rose said. They would rather wait and watch till a little further in the process.

Rose asks potential recruits, ““Are you interested in full-time employment, or are you interested in an exciting opportunity?” I have to have that conversation. If they’re interested in an exciting opportunity, I’ve got lots of those.”

Tucker acknowledged that the “perfect alignment of opportunity and talent is hard to find. So we start with an equation that is inherently challenging, and incredibly exciting at the same time.”

The timing has to be right, she said, for all parties. Her firm maintains a database with information on who’s open to moving to North Carolina in particular, or to the Southeast in general, “so can act when the opportunity arises.”

Tucker said that about 30 percent of people they contact say they’re not interested in moving to North Carolina. “That could be the same for Georgia, Massachusetts, California,” she said. “I had somebody say he didn’t want anything on either coast.... So, OK, people have preferences.”

“There are typically three primary factors to consider: opportunity, location and compensation, and usually in that order. That said, all are important and all need to be evaluated.”

“It’s about helping them walk down that path.”

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Katie Mitchell Tucker

Managing Director,

Spencer Stuart Atlanta

A discussion ensued about the effects of House Bill 2 – the bill that requires that in schools and other government buildings, people must use the bathroom of the gender indicated on their birth certificate and that local governments can't create their own regulations banning discrimination.

"I think the Southeast has suffered broadly from the media coverage," Tucker said.

Recruiters must talk through concerns with those skeptical of moving here with the bill still on the books, she said, and then encourage them to visit. "Experientially, they'll find something vastly different, often, than what they anticipated."

"My experience in North Carolina is that it's a great place," Velleca said. "It's fantastic."

"But most of my peers in biopharma are in Massachusetts and California," he continued, "and they look at me like I have two heads. It's bad for business. No question, it makes my job harder."

Rose closed the panel by addressing the question of how to better nurture homegrown talent. He's working on a program to offer innovation fellowships to post-doctoral students who are spinning a technology out into a business venture, giving them a year or two of runway to work on a business plan and develop it.

Rose is also working to nurture MBA talent. Startup mentoring opportunities are aplenty in the Triangle, he said.

"It wouldn't take much to give these MBA students a one- or two-year fellowship to work with these startups," he said. He urged investment in a statewide program of this nature. Those students, he said, "will then be intertwined in our networks, and they won't leave."

OUR UNIVERSITIES: TIES THAT BIND

The second panel, titled "The Role of Alumni Networks," was a discussion with the directors of the area's three university-based angel networks: Randy Myer of the Carolina Angel Network, John Glushik with the Duke Angel Network and Joe Sinsheimer with NC State's Wolfpack Investor Network.

Charles Merritt, executive director of UNC's minor in entrepreneurship moderated.

Sinsheimer discussed the strength of university allegiance. There's a desire among older alumni, he said, to help open the doors of opportunity for the next generations.

Glushik agreed: “When some guy who’s made a fortune in the homebuilding business can suddenly invest in a medical device company that came from campus – they love that. It’s, ‘Wow. I get this opportunity.’”

“It’s almost like a running advertisement for the university when you see your best and brightest doing great work,” he said, “and doing it with the help of the university.”

And, Glushik stressed, the angel networks are great opportunities for an investor: “Give us \$1,500 a year – there’s no transaction cost, you’re not going to have any costs on the deals you do, you’re not going to pay any carried interest, there’s no minimum investment – and we’ll do all the work for you.”

“That,” said Merritt, “is called a compelling value proposition.”

The networks leverage the resources of their universities; they do the due diligence.

“Members can then be as involved as they want,” Glushik said.

“You build trust, week by week, month by month,” Sinsheimer said. “You bring good deals to people. People see other people joining the network and it builds confidence. It’s a matter of doing it slowly and methodically. It’s trust-building within the university community. There’s no substitute for that.”

“The more people we attract back to our own ecosystem, the better,” Sinsheimer said. “All of that leads to opportunities.”

“Universities are fabulous for this collision space.”

As for the beneficiaries of this mentorship and backing, Myer said, the networks can introduce young entrepreneurs to connections throughout the country, “but they can stay here; build their companies here.”

The three university networks now have two deals coming through their pipelines on which they’re working collaboratively.

“We don’t want them going somewhere else to look for money if we can provide it,” Myer said.

MAINTAINING RELATIONSHIPS

The third and final panel addressed the issue of “How Universities Can Make a Difference.” Christy Shaffer, a general partner at Hatteras Venture Partners, moderated.



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John Glushik
Managing Director,
Duke Angel Network

Citing the previous panel, Shaffer noted that there seems to be more collaboration among the area universities than in the past.

Sallie Shuping Russell, chair of UNC's Carolina Ventures Research Fund, concurred: "Everyone has gotten a better feel for what the need is and how universities can play a role," which, she said, is a reflection of trustees and administrators more fully recognizing that role.

Robin Rasor, director of the Duke University Office of Licensing and Ventures, told of how when she was at the University of Michigan, the governor, recognizing the importance of attracting and retaining talent, arranged for the funding of a university-based program to track and vet talent and match it with opportunities throughout the state.

She'd like to see something like that as a collaboration among the Triangle's universities.

Russell stressed that the universities have such a tremendous number of contact points – administration, faculty, students, parents, alumni – that should be more fully leveraged. The schools' endowments have contacts in the venture world globally, she noted. Those resources should likewise be more fully explored.

A general consensus was on the importance of finding opportunities for the spouses or potential recruits, perhaps creating a comprehensive database of job opportunities for them.

Also discussed was the need to develop a clearinghouse of managers and potential employment opportunities as a collaborative project among the universities.

Kelly Sexton, an assistant vice chancellor in NC State's Office of Technology Commercialization and New Ventures, said that she and her colleagues are often working with first-time CEOs, and have to invest time and resources to help support these first-time entrepreneurs.

Sexton said they remain in contact with the first-time CEOs they help get started; they remind them that when they're ready for "that next big thing," to come on back, they'll help them find it.

It's about keeping relationships alive.

In response to a question from the audience about diversity among student entrepreneurs, Rasor said that in her network "it's better than ever, amazing."

Regarding attracting more women to startup ventures, Sexton said: “If we want to be serious about supporting women entrepreneurs, we need to have women in the room when the funding decisions are being made.”

The university-based angel programs, she said, are a wonderful, inexpensive opportunity to learn about angel investing. For \$1,500, you can watch how your colleagues are investing and learn from that, then decide how you want to invest.

“I think it’s a great opportunity to create women angel investors,” Sexton said.

CALLS TO ACTION

Rounding out the event, attendees separated into small groups to discuss actionable items (see sidebar) that could help advance efforts to attract more C-Suite talent to the area.

A general consensus of those who shared their wisdom throughout the afternoon’s discussions was that we have here in this area all the pieces – the considerable resources of Research Triangle Park, great universities, fabulous weather, a wonderful quality of life in general – required to present as attractive a proposition for entrepreneurs as any region in the country.

We just need to assemble all those pieces.

Robin Rasor said that it pains her when she hears people saying they had to think long and hard about moving here. “We’re underselling this state,” she said.

The day’s call to action was to strive to more effectively, collectively, seal the deal.

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“I think it’s a great opportunity to create women angel investors.”

Kelly Sexton
Assistant Vice Chancellor for
Technology Commercialization and
New Ventures, NC State

RECOMMENDATIONS FOR SUCCESS

- More effort must be put into clearinghouse development – both in terms of building out a unified tracking process and making more regular contacts as part of the vetting process – in order to maintain the level of effort required to track what people can bring to the table, their experience, their geographic interests and how to bring that all together.
- Duke is developing an alumni mentor database. This could serve as a model to reach beyond alumni. A recruiter would track these people and make connections. It was suggested that there could be a role for the Dept. of Administration in this, as a facilitator and/or funder.
- Attention should be put into developing an academic venture exchange program: How do they work in practice? What ties can be established to corporations?
- Downsizing, it was suggested, should not be seen as entirely a negative. Use it as an opportunity to tap into talent. Provide a network and support system to identify and match those now seeking employment with the universities and the business community. “This is mature talent that’s already in the marketplace.” To assist in this effort, universities need to keep the business community informed of their opportunities for these folks.
- Help make it more short-term financially viable for PhDs and post-docs to gain real-world experience. Perhaps a two-year bridge in which they can keep the institutional support, such as research resources, to get on-the-job experience, connecting with entrepreneurs. (This has been put forth as a recommendation within the University Innovation Council’s report to the Governor’s Innovation-to-Jobs Task Force.)
- Translating NIH funding into VC funding is difficult. Tech startups can operate out of a garage with relatively minimal expenses and shorter development horizons than is the case with the life sciences. Discussions should be taking place on how this might be addressed.
- The Biotech Center is currently doing quarterly calls to technology transfer offices, seeking individuals for specific positions. There may be an opportunity to collaborate further with the offices about positions available.
- Innovate Raleigh has roundtables that bring industries together to share ideas and explore opportunities. That network should be fully leveraged.
- MBA alumni offices should advertise employment and startup opportunities in newsletter emails. Students who want to pursue nonprofit and startup routes are almost discouraged to do so because it hurts business school rankings. There should be options to click to subscribe to receive emails regarding startup and entrepreneurial opportunities.
- Partner with schools in the region to be proactive in surveying alumni. For

example, “Do you want to be contacted for opportunities in the Triangle?” Begin the process of building a pipeline of people willing to come back to this area, then follow up with them.

- Work with area universities to identify new models in experiential learning. For example, Stanford’s medical school allows students to take a year to work in a startup. For MBA programs, there should be more opportunities to do part-time work that goes toward credit hours.
- Develop new models or funding mechanisms to help attract talent. Not all individuals have the means to take a significant salary cut to go work on a startup. But if university startups could provide all the benefits that university employees receive, it could be enough to incentive people to take that risk.

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We just need to assemble all those pieces.

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The Kenan Institute serves as a national center for scholarly research, joint exploration of issues, and course development with the principal theme of preservation, encouragement, and understanding of private enterprise.

