Caitlyn Zawideh

Mr. Hinken

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<center>Ann Arbor's Optimistic Startup Community</center>

The view of Ann Arbor from Liberty Street is one of downtown's most well-known vantage points. If you're walking toward State Street, you'll see both the Michigan Theatre and the State Theatre. There's the mural on the side of what used to be Border's Book Store that features writers, filmmakers, and artists Edgar Allen Poe, Hermann Hesse, Franz Kafka, and Anaïs Nin. Across the street the Starbucks is filled, always, with students. Visible above all of it, the University of Michigan clock tower.

Liberty Street is representative of the identity downtown Ann Arbor has had for decades – a place for art, culture, and education – with the University of Michigan as the most dominating presence. While the view of Liberty Street remains mostly consistent, there is a new identity forming, just beneath the surface. Hidden one floor below an unassuming FedEx Office store a few doors down from the Michigan Theatre lies a key player in Ann Arbor's tech startup community.

Menlo Innovations is a software consulting firm founded in 2001. Bringing in more than $5 million a year in revenue, the company's startup days are long behind it. Still, the office space has an undeniable startup vibe. Co-founder and CEO Richard Sheridan says that this is by design.

"What we noticed in our careers is most of the companies we worked for started out small, and then grew, had some success, and at a certain point at their success, they shifted to a traditional layout of an office and titles, authority levels. And you'd start to find the CEO in a corner office with a secretary out front, and it'd be hard to get to that person. The CEO would tell their teams 'I have and open-door policy,' but every time you walked by their office, their door was closed. All that kind of stuff. What you typically find is that at a certain point a bunch of the old-time employees would be in a lunchroom saying to each other, remember what it was like in the old days, remember when we used to just sit around a table and work together? Remember how much comradery there was and remember how that felt? How much energy we had? Yeah, I miss those days."

Upon walking through Menlo's glass doors, there is not a cubicle in sight. There's no corner office, just clusters of computers and tables spread out in the open office space. The employees work two to a computer, not because Menlo can't afford to have more, but because of a company-wide philosophy that believes this yields

optimum productivity. Signs that Menlo is not in fact an early stage startup come from the sheer size of the office and the array of company merchandise displayed in the waiting area. There are copies of the CEO's books for sale alongside t-shirts bearing the Menlo logo. Next to bobble head figures of Sheridan and Goebel are posters and postcards with Menlo mottos printed on them in punchy typography.

Eighteen years since its creation, the company has grown, and Sheridan and Goebel are determined not to follow the same model as their previous employer. "There seems to be this moment where the senior leadership, even the founders seem to say 'yeah, now we can finally have the office we always wanted to have but couldn't when we were younger.' James and I were like, we're not going to do that." Sheridan says. Despite the large flat screen TV displaying a color-coded, master schedule in the center of the room, none of the employees seem particularly stressed. The dull roar of conversation fills the room, occasionally a shout rises above the noise, but it's always a friendly greeting. A small, sweet, brown and white pitbull wanders the office freely. "We never wanted to leave that kind of energy – that human energy that you get with a startup."

The decision to put Menlo Innovations in downtown Ann Arbor was obvious to the founders from the beginning. Sheridan's relationship with Ann Arbor began in 1978 when he was a student at the University of Michigan. "41 years ago, Silicon Valley wasn't Silicon Valley, and so Ann Arbor had every bit as a legitimate claim on being a vibrant place for startup companies as anyone. For us, software was a big Ann Arbor thing. This seemed like a perfectly natural place."

Sheridan has experienced Ann Arbor as a student, as an employee and a father, and now, with Menlo, as a business owner. Over the last four decades, he has noticed a shift in how the University of Michigan has engaged with the surrounding community. "When I graduated. I was already married at the time, and my wife and I pretty quickly bought a house, just in a little neighborhood at Washtenaw and Stadium, and then I got a job at Interface Systems. I had almost no interactions with the University of Michigan."

Now as the CEO of Menlo, nothing could be further from the truth. Sheridan serves on a variety of advisory boards at the university, he teaches there, he guest lectures. "It's almost hard to tell where I stop and the university starts, or Menlo stops and the university starts, where the city stops and Menlo starts."

Two doors down from Menlo is the Startup Garage, a coworking space owned by Sheridan and Goebel where young startups can rent out tables at a monthly rate and use the space to develop their companies. Menlo Innovations itself is a startup success story, but more often than not, 99 percent of the time in fact, startups fail.

Since tables are rented out on a monthly basis – compared to signing a five-year lease for a company that could dissolve in five months – the Startup Garage gives startups the flexibility to take that risk, and plenty of entrepreneurs, in and out of the Startup Garage are taking the leap.

In the last five years, the state of Michigan has seen a 37 percent increase in venture-backed companies according to the Michigan Venture Capital Association 2019 Research Report. With more than half of the state's venture capital firms in Washtenaw County, the epicenter of Michigan tech entrepreneurship is downtown Ann Arbor.

"I definitely believe there's more startup activity in Ann Arbor probably than any other period or time at least in my working lifetime." Drew Bennet worked in five different Michigan startups over the course of his career before his current position as the Associate Director of Licensing at the University of Michigan's Office of Tech Transfer, specializing in Software, Mobile and Digital Technologies.

The Office of Tech Transfer is just one of many University of Michigan resources dedicated to supporting student startup initiatives. Another one is Tech Arb, conveniently located in-between Menlo Innovations and the Startup Garage in the same underground office space.

Tech Arb is a collaboration between the College of Engineering's Center for Entrepreneurship and the Ross School of Business's Zell Lurie Institute. Every year, Tech Arb is a training ground for students looking to launch startup companies. The goal is to equip students to develop, fund, and launch their startup ventures through collaboration and mentorship. Their motto – it takes a village to launch a venture. Since its start in 2008, Tech Arb has serviced over 250 teams. The success rate of these teams, as director Ryan Gourley will tell you, depends on how you define it.

"We're an educational program, so we have two different definitions of success," Gourley explains, "There's the definition of success of a traditional accelerator program. How many employees did you hire, how much capital did you raise, did you have an IPO, did you generate revenue? Then there's the other metric of success of what did the students learn, what did they go on to do next, etcetera."

Scarlett Ong Rui Chern is a student graduating from the Ross School of Business this year, and she plans to spend the summer developing her education tech company Peerstahcio with TechArb's Student Venture Accelerator Program. While she's aware of the dismal outlook for most startups, she is not deterred.

"I'm from a first-generation international background, and I struggled my first year and I noticed – what are some of the reasons why I didn't do as well as I could have?

I noticed it was a problem of having insufficient peer support and not having that confidence or knowledge of who I should really reach out to." In response, Ong Rui Chern founded Peerstachio, a peer to peer mentorship platform that will provide students with that support.

Anu Vora, class of 2017, launched her startup because she also saw a problem she wanted to solve. "There is a huge population of students at this school who care deeply about optimism, who care deeply about social justice, who care deeply about creating equity who want to create platforms and solutions, but they don't necessarily think about creating businesses here that are driven by margins or profit." Her company, Admit Ally is focused on providing high school students with an opportunity to be matched with student mentors at prospective colleges to figure out if they're a good fit. "They just want to solve a problem, and they are entrepreneurs too."

When Menlo Innovations was founded, Richard Sheridan and James Goebel had a problem they wanted to solve, too: "end human suffering in the world as it relates to technology," an admittedly loftier goal than Vora's and Ong Rui Chern's, but a genuine one nonetheless.

According to Ryan Gourley, students who seek out Tech Arb tend to have a perception of stability that's different than the traditional sense. "There's some people who say that working for an organization has been painted as secure, but there could be nothing further from the truth because somebody else is in charge of your paycheck and your life and what it looks like, and the most secure thing is to take ownership of it."

Both Vora and Ong Rui Chern found an inherent autonomy in running their own companies that does not exist when you work for a large organization. "Personally, for me, I love the flexibility." Ong Rui Chern says, "This is just my own personal thing, but my personal goal is to support the people around me who I care for and who care for me, and my end goal is I want to find fulfillment and happiness."

At sixteen years old, when Vora was still in high school, she was the head of marketing at a medical device startup in Cincinnati, Ohio. "Imagine giving a kid that doesn't know shit the responsibility of growing your company. Everyone here is at least two to three times my age. What do I know?" Since then, Vora has gained years of experience in startups from Philadelphia to San Francisco. Even now as the CEO of her own startup, that question of *what do I know?* is one she has had to teach herself to ignore. "I'm actively unlearning that feeling of 'people are more important and smarter than me so why challenge them?'"

While autonomy and control over a company that solves a problem that you care about sounds great, the inherent instability of a startup deters a lot of potential entrepreneurs. Ong Rui Chern believes that plenty of her friends in Ross would make great entrepreneurs, but the more traditional paths of finance and consulting always seem to win out. "I think it's all a whole peer pressure thing. One student sees another student being successful in their area, and they see so much is being pushed toward those sectors, so they just go for it."

Despite the risks, Ong Rui Chern says right out of college is arguably the best time to work on a startup full-time. "I don't have a job to quit. If this doesn't work out, I can always go into the workforce another way, but I'm going to give this my best shot first."