

# SCRA – INVESTING IN 118 KNOWLEDGE ECONOMY COMPANIES

By Bill Mahoney, CEO of SCRA

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Around 2001, business and political leaders became increasingly concerned about the state of the South Carolina economy. Among the dire signs in the period between the late 90's and 2001, about 75,000 manufacturing jobs left the state, and per capita wages languished around 80% of the national average.

The Palmetto Institute and the Council on Competitiveness (now New Carolina) were early leaders in the movement to change

the direction of the South Carolina ship. They brought in Harvard Business School strategy guru Michael Porter who pushed the importance of building sustainable competitive advantage around knowledge-based, localized areas of expertise called clusters. Ideally, these sustainable clusters would continually innovate, based upon their own intellectual property and new intellectual property arising from basic research performed at in-state universities. South Carolina did have pockets of localized expertise: automotive, textiles, tourism and chemicals, but needed to improve its record on research and innovation.

Special credit is due to the Legislature for passing a sequence of legislation to help make Porter's proposed strategy come to life between 2003 and 2006: the Life Sciences Act, the Research Infrastructure Act, the SC Education Lottery, the Endowed Chairs, the Industry Partners Act, and in 2004, the Venture Capital Act was passed with \$50M in tax credits for venture firms investing in companies in the state.

SCRA has been at the forefront of high tech (now called the knowledge-based economy) since 1983. We are experts at pulling together multi-organizational teams from industry, academia, and government to solve complex technological problems. We take basic science, discoveries and prototypes, out of the lab and off the bench, and put them into production so they can be put into widespread use in the marketplace.

Our expertise has been in picking early technology winners and getting these innovators into operational status; it was a good fit with our founding core mission for us to become further involved in the push and promotion of the knowledge-based economy in this state.

SC Launch was formed as a collaboration between SCRA and the research foundations of our primary university research institutions: USC, MUSC, and Clemson. SC Launch is a private 501 c (3) that was formed to provide high-potential, knowledge-based, companies the tools they need to be successful: formation services, advice, grants and investments, and access to a powerful network of resources. It is designed to be a bridge between the universities' basic discoveries and the marketplace.

We took \$12M out of our retained earnings to initially fund SC Launch. Through the support of Industry Partners, donations to the SC Launch program have now assured us that we will be able to fund this program for the foreseeable future. Our goals are company formation, company accretion and job creation at higher per capita wages in South Carolina.

The first investments we made were in April 2006 and we have sustained investments to this day. We now have 118 entities in the SC Launch program; 17 of these companies have broken the \$50 M threshold in additional venture capital investment.

Our target is companies that are exploiting a business opportunity based on world class science and intellectual property (IP), much of which is coming out of Clemson, MUSC and USC. We are primarily involved with companies that are linked up with the following strategic clusters: alternative energy, including nuclear hydrogen, fuel and fuel cells (USC), advanced materials and automotive (Clemson), and biomedical and bio pharmacy (MUSC).

Success for us is being measured by improving the number of jobs with high per capita incomes. Thus far, the average per capita annual wage for compensated jobs in SC Launch client companies is above \$77,000 per year.

## SC's SEAPORTS PRODUCE \$45 BILLION ECONOMIC IMPACT



Companies in every county of the state, including hundreds of companies in the Midlands, rely on South Carolina's ports in their businesses each day.

Through direct port operations or the activities of port users, trade through the state's seaports facilitates:

- More than \$44.8 billion in total economic output each year across the state
- 260,800 jobs, representing 10.9% of all jobs in South Carolina
- \$11.8 billion in labor income, which is 13.6% of the state's total income
- \$1.5 billion in state and local taxes