



Search input field with 'Search' button.

Tuesday, March 12, 2013 Follow Us:

Manage Account | Renew Subscription | Log Out

NEWS | SAN DIEGO

FREE SAMPLE ARTICLE FOR FULL SITE ACCESS: SUBSCRIBE NOW

ROUNDTABLE DISCUSSION

Murrieta region looks to build up startup base

By TIERNEY PLUMB, The Daily Transcript Wednesday, February 27, 2013

0

Table with 2 columns: Article, Comments

There needs to be a startup spark that forms in Murrieta, Riverside and Temecula that fans across the region to form a flame.

That's according to a group of self-described serial entrepreneurs who gathered at a recent roundtable at The Daily Transcript to spell out the game plan to attract more startups to their region.

"Two-thirds of our employees get on the 15 freeway and leave town for jobs in other counties," said Rick Gibbs, mayor of the city of Murrieta. "In Murrieta, we are all about creating jobs in our city."

Some 80 new startup companies emerge each year in the region and more than 350 new technology and tech-related startups have been created in the Interstate 215 corridor from the University of California, Riverside down to the San Diego County line in Temecula during the past four years, according to a fall 2012 InSoCal Innovation Assets report.

"That was a big surprise to us. The thing missing is there's no network joining these folks together," Gibbs said.

What's driving entrepreneurs isn't just money -- it's also a desire to create.

Hideshi Sasaki, for example, founded Tactical 3rd Dimension Corp. in late 2010, following various leadership roles in conventional and special operations forces during combat operations in Afghanistan, Iraq, Africa and Central America.

He used his experience in infrared technology to create night-vision goggles with depth perception.

"He's in an incubator in Murrieta doing well," Gibbs said.

He refuses to sell the technology to one of the big contractors -- despite a big pay day -- because then it wouldn't be his product.

In Murrieta, another company makes the optical system for the F-35 fighter.

"Lockheed [Martin] would like to own that technology," said Gibbs, a U.S. Air Force veteran who has worked for the aerospace and defense giant.

Getting bought by a large conglomerate isn't the way to create jobs, however.

"You don't add jobs to the job pool -- you replace people for attrition," he said, pointing out that Lockheed will always stay at about 100,000 employees. "Small business is the job creation machine in the United States of America."

Leticia Cano, president of small business Biomarker Profiles Corp., says there's a lot of unused talent in the life sciences space.

"There's an incredible number of scientists that are unemployed at the moment," she said, adding that people in academia don't want to retire because their pension funds have gone down.

"There's no room for them to go," she said. "Now we should be thinking about starting small companies in life sciences. We have that talent pool."

Traditional mixed-use incubators that graduate just one or two companies a year are getting it wrong, said Jim Butz, founder of Resonnect, a business consultancy in San Diego.

"I say we have a 30 to 40 million job problem," he said. "We need to do something differently."

He co-founded SoCal EED Inc. to fix the problem.

The "Field of Dreams" strategy -- to build incubators and expect startups to flock to it -- isn't enough.

"As an entrepreneur, I need more than that," said Charles Zahl, treasurer of SoCal EED.

What they need is people who can come in and give lectures on getting sales, marketing and financing strategies firmed up.

Those additional support networks, as well as mentors, will hopefully result in a string of successful startups.

"That is what we are working on -- bringing in people from established companies in the industry to give people insight they didn't have before," Zahl said.

That includes experts from law and CPA firms.

"You ask [entrepreneurs] what the laws in California are on hiring and firing and they will give you a blank stare," Zahl said.

That lack of knowledge could turn off a potential investor down the road, he said.

Butz said incubators should focus on certain industries or sectors to gain interest from mentors and investors.

"I am not going to drive 42 miles to talk to one company. If there are seven or eight in the industry, I will gladly drive the 42 miles," he said.

In Murrieta, he wants to focus on planting companies in national defense security products, health care and computer simulation and gaming.

Security will take a back seat in 2013, while defense budget problems in Washington are resolved.

SLIDESHOW Roundtable discussion



RELATED SPECIAL REPORTS

Emerging Markets - 2013

Joseph Mignone is trying to employ a similar strategy in the manufacturing space, as chair of the month-old Southwest Riverside County Regional Manufacturing Cluster, by linking small and medium-sized manufacturers with banking and accounting services.

Though he worked for corporate titans like **Caterpillar Inc.** (NYSE: CAT) and **General Motors** (NYSE: GM), he knows what it's like to build a small company.

He started a chocolate shop from scratch a few decades ago. Luckily, he said, he inherited a business background from his grandparents.

Other startups today aren't so lucky.

"A lot of people want to start a business but don't have the surrounding skill sets to do that," he said. "It's very painful. If you don't have the right skill sets, it gets frustrating to do it."

Entrepreneurs need to not just look at U.S. markets but realize the potential of the large customer base in Europe and Asia.

"You really have to look at the fact that purchasing capabilities outside the U.S. is very strong," said Steve Austin, managing partner, **Swenson Advisors**.

As chairman of San Diego's World Trade Center, he's working with Connect and Biocom to expand startups' horizons and see the bigger picture.

"Murrieta is never going to be Silicon Valley -- however, I'd like to be the next Boulder," Gibbs said. "We don't have the University of Colorado, but we have UC Riverside up the road."

Murrieta is looking to the university to help spur growth and provide technology.

"To justify federal funding we have to publish papers and create jobs and products," said Michael Pazzani, vice chancellor of research and economic development at UC Riverside.

As a result, faculty is interested in meeting people half way to do proof of concepts and build prototypes.

"We need these people to build that into products and companies," he said. "Faculty is more understanding of what it takes to get technology out."

The university has come a long way in 15 years.

Back then, no engineers graduated from the university. Now it's graduating 600 engineers a year and half stay in Southern California. Its patent portfolio in electrical engineering, smart grids and medical devices is growing.

Despite the notoriously high taxation rate in the state, startups will continue to pop up in Southern California.

Students and faculty want to form companies near the university.

"We won't go to Arizona or Las Vegas to start companies," Pazzani said.

Other companies aren't going anywhere either.

Waterstone Faucets in Murrieta, for example, is the last domestic manufacturer of kitchen faucets.

Despite the down economy, the company has grown 25 percent every year in the last six years. Gibbs helped Waterstone find the expansion space it needed, to grow from 14,000 square feet to 42,000 square feet.

Gibbs asked the owner, a former Marine in Fallbrook, why he's opted to stay in California.

"He said, 'I really like the area and the weather climate,'" he said.

Jay Goth, principal of **Red Tail Capital**, warned that leakage will occur in California, however.

He talked to a business attorney in February, who said most of his business as of late is forming LLCs for companies that are going to be transferring out of state.

"We need to figure out how to keep people here and attract new people here," Goth said.

From a statewide standpoint, he doesn't have a solution, but the local government appears to be the silver lining.

"We see the local level being proactive, pushing to attract and gain traction on an economic front," he said.

Pazzani is also impressed by the city and county governments' knowledge when it comes to economic development and intellectual property, having sat in meetings with the mayor of Corona. He was formerly vice president of research and graduate and professional education at Rutgers University.

"I didn't see any of that in New Jersey's state government. They aren't knowledgeable about entrepreneurship. Here the local government gets it," he said.

Roundtable Participants

Steve Austin, Firm Managing Partner, *Swenson Advisors*

Jim Butz, Founder, *Resonnect*

Leticia Cano, President, *Biomarker Profiles Corporation*

Rick Gibbs, Mayor, *City of Murrieta (sponsor)*

Jay Goth, Principal, *Red Tail Capital*

Joseph Mignone, President, *JFM Global Associates*

Michael Pazzani, Vice Chancellor of Research & Economic Development, *University of California, Riverside*

Charles Zahl, Treasurer, *SoCal EED, Inc.*

Leave Your Comment

Name: _____

E-mail: _____

Comment: _____

1000 char.
max.

Submit

Comments are moderated by SDDT, in accordance with the SDDT Comment Policy, and may not appear on this commentary until they have been reviewed and deemed appropriate for posting. Also, due to the volume of comments we receive, not all comments will be posted.

SDDT Comment Policy: SDDT encourages you to add a comment to this discussion. You may not post any unlawful, threatening, defamatory, obscene, pornographic or other material that would violate the law. All comments should be relevant to the topic and remain respectful of other authors and commenters. You are solely responsible for your own comments, the consequences of posting those comments, and the consequences of any reliance by you on the comments of others. By submitting your comment, you hereby give SDDT the right, but not the obligation, to post, air, edit, exhibit, telecast, cablecast, webcast, re-use, publish, reproduce, use, license, print, distribute or otherwise use your comment(s) and accompanying personal identifying and other information you provide via all forms of media now known or hereafter devised, worldwide, in perpetuity. [SDDT Privacy Statement](#).

[Reprint Rights](#) | [Subscribe](#) | [Sales Leads](#) | [Send a Letter to the Editor](#)

[Company Info](#) | [Advertising](#) | [Feedback](#) | [Privacy Policy](#) | [Acceptable Use Policy](#) | [Contact Us](#)

All contents herein copyright San Diego Source | The Daily Transcript © 1994-2013