

Ep.2.47 - Ara Topouzian

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SPEAKERS

Announcer, Ed Clemente, Ara Topouzian

A Announcer 00:01

Welcome to The Michigan Opportunity, an economic development podcast featuring candid conversations with business leaders across Michigan. You'll hear firsthand accounts from Michigan business leaders and innovators about how the state is driving job growth and business investment, supporting a thriving entrepreneurial ecosystem, building vibrant communities and helping to attract and retain one of the most diverse and significant workforces in the nation.

E Ed Clemente 00:29

Hello, I'm your host, Ed Clemente, and we're fortunate to have a very interesting guest, Ara Topouzian, and he's the Executive Director of Michigan Venture Capital Association. Welcome to the show Ara.

A Ara Topouzian 00:40

Ed, it's great to be here, although I've got to question you, why am I interesting? Is that a good thing or a bad thing?

E Ed Clemente 00:47

Well, I already know you personally, so I know that you're not going to stick to any scripts. So you will be interesting. And, you know, and we're gonna get a couple other things in there, but let me start out, because not everyone, even though there is people who are very familiar with venture capital, but you know, of our listeners, there's also people who, in fact, it's funny, since we talked, I actually had someone who wanted to get involved in maybe become a venture

capitalist, right, and they sent them the link. And, but I don't think everybody really knows kind of what the organization does. So what do you tell people real quick when you meet them at a party or something?

A Ara Topouzian 01:29

Well, when I meet them at a party, when I tell them what Michigan Venture Capital Association is, we're a trade association and we're statewide, our members are a variety of different types of investors, obviously, venture capitalists, angel investors, angel groups, number of economic development organizations, universities, and then a smaller group of kind of private organizations, law firms, CPA firms and so forth, that that work in the ecosystem. That's the 20 second elevator pitch.

E Ed Clemente 02:00

Yeah, and so, I mean, we're gonna unpack that a little bit further down, but you're, like you said, is this normal that does every state have like something like this? Or is this unique? Is it more regional in other states?

A Ara Topouzian 02:16

Yeah, that's a great question. So when I got here, you know, my background is Association Management and Economic Development. So when I got here, I'm like, this is the perfect job, that I can really utilize both of my, you know, my background, but as an association, management leader, I would have felt, boy, there's got to be a bunch of these VCA's, all across the country, and they're really there isn't, there are some. I think we're uniquely put together as an organization. I don't think there's as many that's, that is totally comparable to MVCA. As a matter of fact, we're kind of a model for for some other other associations. We're not, we're not affiliated with the National Venture Capital Association. We work with them, we're, you know, we're friendly with them. They're very proactive legislatively. We partner with them whenever we can, but we're not we're not affiliated with them, like you would maybe assume, you know, an other type of a trade association that has sort of a big papa and then all the little, little papa cubs alongside.

E Ed Clemente 03:31

Yeah, I mean, in fact, you and I have two similar things. You were the president, I think of the Detroit Chamber and Novi Chamber, is that right?

A Ara Topouzian 03:40

Yeah. No, I was President, CEO of Troy Chamber. And then I led economic development efforts in city of Novi. Yeah.

E

Ed Clemente 03:51

I used to be at the President's Southern Wayne County Chamber, which is downriver.

A

Ara Topouzian 03:55

And that's when I met you years ago, I had so much more hair. That was so much younger.

E

Ed Clemente 04:00

Yes. I, I noticed you kept a comb in it. [Yes.] The, but you know, why don't and I, you know, I've had on other guests that are similar. Like we've brought in people that do tech transfer from universities and things like, right, but can you kind of talk a little bit about the difference between, say, a venture capitalist, or an angel investor? And then anything else that I'm probably missing? .

A

Ara Topouzian 04:25

Yeah, well, you know, I think the first thing is, you know, I think people watch Shark Tank, and they just assume that's what venture capital is. And yeah, there's some similarities and it but it's really that's not what it is. I mean, venture capital is a bit of a form of like private equity, because it's a type of an investment investors do, where they're where they're working with startup companies and small businesses that they think will have long term growth potential. So, venture capital, the difference between maybe a VC and an angel investor is a couple things. One, its level of money potentially, scope of work. You know, but there are some similarities too in that, right? So, an angel investor is, is usually an individual that's doing investing, right? VCs are normally working in funds, or firms, or for which we've got around 34, 35 of them here in Michigan. But they are VCs that are the, they're the risk takers. They're the sometimes the first boots on the ground, to help a start up or an entrepreneur. If an entrepreneurs is doing some fundraising for their, for their, their startup or for their business, at some point, they may, you know, it's not for everybody, but they may decide, hey, I want to seek some venture capital to help grow and, and move my business forward. So, you know, when when entrepreneurs talk to me, and maybe they don't know what venture capital is, A, they assume we're a fund ourselves, which we're not. The other is that they just assume, Oh, well, I, you know, you can introduce me to somebody, and they'll automatically give me money. Really, it doesn't work like that. So we can unpack that a little bit more, but kind of at a higher level, that's a little bit of kind of the difference, you know, and a little bit of a background on on what a venture capitalist is.

E

Ed Clemente 06:39

They too, sometimes might actually jump in and actually give like management advice?

A

Ara Topouzian 06:45

Oh yeah, absolutely. Yeah, that's part of it. I mean, it's not there, not a bank. You know, when

Oh yeah, absolutely. Yeah, that's part of it. I mean, it's not there, not a bank. You know, when you think about maybe the difference between a financial institution and a venture capitalist, you know, the financial institutions giving a loan, they're giving money. And usually that's about it. What you're getting with a venture capitalist is not only are you getting some funding, but you're getting their expertise. So they will, most of the time, take a seat on the board. You know, they they want to help grow the business. And so their advisors, you know, as well, it's a little bit similar to private equity, but a lot different than let's say, a hedge fund, where a hedge fund doesn't really do do any of that. So there are some similarities between venture capital and, and P&E, private equity. But yeah, they're there to guide, they want to guide, they want to support. And we as the association, want to support, not only the venture capitalists, but you know, in turn, we're trying to help support, you know, venture infused businesses here in Michigan. So whenever we see some good news on a portfolio company, from one of our members, we definitely like to push that out and promote that to everybody.

E

Ed Clemente 07:59

And so why don't you mentioned a touched on a little bit earlier, but a little bit about tech transfer. We've had other guests on touch and a little bit, but I think that's pretty critical for Michigan because of our research university somewhat.

A

Ara Topouzian 08:14

Yeah, I mean, when you think about the growth of the entrepreneurial community in Michigan, and kind of where MVCA started, you know, the organization started in Ann Arbor. And that was not by mistake, you know, you've got University of Michigan, one of the top universities in the country, turning out some fantastic entrepreneurs at the same time. It's really why MVCA kind of started and headquartered out that way. But the university component is large, and the work that a U of M does or an MSU does at Wayne State, and you name it, is very important and critical part of of the ecosystem and the growth of the economy here in Michigan. There is there is no shortage of opportunity. The pipeline is I think, very rich, the where we lack and where we, where we, we have this sort of ongoing struggle is not enough funding to help all of these businesses. So, you know, the tech transfer type offices play a very important role in in the ecosystem for sure.

E

Ed Clemente 09:29

And then maybe this question is not necessarily something you deal with that much, but maybe it is. What about the role of sort of like an incubator or accelerator? Are those things you interact too with the group?

A

Ara Topouzian 09:41

We do and they play an important role too. I think there's a lot of entities that play an important role. You know, I mentioned earlier that entrepreneurs aren't necessarily going to be venture ready or may ever be venture ready. They're just entrepreneurs and startups. that, you know, shouldn't even take the money. But in order to really kind of get them ramped up, the incubators play an important role in helping them get to that point. So you and I both have an

economic development background, we know the importance of these economic development organizations around the, around the state and the Smart Zones that play an important role in working with entrepreneurs. We did an event and we brought entrepreneurs that were closely aligned with different Smart Zone economic development organizations, and these would be entrepreneurs that were, you know, getting toward being venture ready, or they're in an investable type of a business. And we brought them together with our investor members to really talk and really get connected to quite an important event. We're going to do more of those types of things. But a number of the folks that came were from incubators and accelerators, and, you know, even told us, boy, you've saved us three, four months worth of work, just having an event like this. So yeah, they play an important role. I think everybody's got an important role in Michigan's growth.

A Announcer 11:18

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E Ed Clemente 11:35

You know, you mentioned how economic development, you know, is also important, and I think you're, are you on MEDA's board or the Chair or something?

A Ara Topouzian 11:43

I was, I was pretty active with MEDA and I was, I'm a past chair. Yeah.

E Ed Clemente 11:48

And that's the Michigan Economic Development Association. [Developer's Association] Yeah, Developers Association. Sorry. Yeah. And, you know, why don't you mention, I'm going to have them on eventually, but can you give 30 seconds what that is?

A Ara Topouzian 12:02

Well, the Michigan Economic Developers Association is is an association, but therefore the individual economic developer, and they provide educational opportunities and networking. I mean, I've been in that organization and working with the Executive Director, John Avery, he should pay me for that plug, by the way, for several years, and they do a fantastic job in helping kind of nurture the economic development community, the developer themselves, yeah.

E Ed Clemente 12:37

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I'll share my royalties with you that I get. [Thank you, I'll look for the check.] Yes, yes, it'll be there. The, you know, but I think, you know, what you've done in an indirect way is, you've actually shown what a huge ecosystem, you know, that has to be there, like, so when you said we're unusual because we're state and you're a model for other states or other regions. It just shows you all the moving parts, and how the MEDC is involved with some of these things and it's kind of fascinating for someone who, like you said it would just watch Shark Tank, just think Mark Cuban is going to give you money, because you came up with a new mop or something, right? [Right.] And, but I mean, I just think that that's fascinating that you almost have to be a generalist in a weird way to have your job too.

A

Ara Topouzian 12:41

Yeah, I mean, absolutely. I mean, you know, ultimately, the goal that we want is we want to see more funding get to entrepreneurs here in Michigan, we'd love to see that. At the same time, we're supporting our investor members. So they do investment here in the state, but they do it out of state as well. So I mean, we're here to, we're here to support, you know, what, what they do, we do a research report every year Ed, and this last one we're very proud of because not only did we give more of a data analysis of what's going on in the ecosystem, but we really included some of the stories that kind of impact what's going on. And matter of fact, you know, we've coined the phrase, hopefully, you'll catch on, you know, that Michigan is that Middle Coast. And so just last year alone, we had 154 venture backed startups, which is over a 50% increase in the last five years. So I mean, Michigan is is definitely a player when it comes to venture invested, you know, businesses here in the state. But yeah, we're agnostic in a manner of speaking. I mean, VCs are impacting industries that you wouldn't be surprised if you're i. The life science community, health care, IT and so forth,. And so we have to be a bit agnostic and and kind of be able to flip around and, and help our members in different ways. Yeah, we've actually had MichBio on, Steve was on. [Yeah, they do a great job.] Yeah, and I worked with him a lot in the legislature, actually. So I've yet to know him real well, then, but you know, it's fascinating what's going on, you know, it doesn't get the publicity it should, but there's a lot of interesting projects going on in the medical and bio-related fields. And, you know, I think, because we're so focused, like on electrification and things, sometimes some of the things fall through the cracks, but it's pretty fascinating, all the different opportunities. Well, I would say, the last five years, things have really picked up as far as kinda getting the recognition that the state needs to get, and you know, thankfully, too, you know, Governor Whitmer and and Lieutenant Governor Gilchrist have been very pro-venture capital, angel activities. We've had several conversations with the Lieutenant Governor, who is an angel investor himself and understands the value of you know, of a venture infused startup and in the work that the angel community does, which is equally as important. And so, and then with really the help from the MEDC, right, I mean, I think it's on everybody's mind, working together we're able to really up the level of activity and interest even with, you know, SSBCI 2.0, which the state, which MEDC went to apply for that funding, so they were able to get \$75 \$76 million for venture capital, that's huge for our state. Is it enough? No. You know, we definitely need more. But is that a major win for Michigan? Absolutely. And we should be screaming that from the balconies as often as we could.

E

Ed Clemente 16:48

You just did too for us. We appreciate it.

A

Ara Topouzian 16:52

Yeah.

E

Ed Clemente 16:52

But by the way, too, and I know you're busy guy, but there's two podcasts you might want to check out at some point, we did have the Lieutenant Governor Gilchrist on, he didn't talk any politics, it was mainly about computer, you know, his background and when he worked out on the West Coast and fascinating conversation. And the other ones with a guy you probably don't know, his name is Dr. Parag Khanna, but he wrote a book about move and he talks about how Michigan is going to be attractive, mainly because of that Middle Coast angle, you know, you're pushing, but he doesn't maybe use the exact quote, but he just says like, by 2050, Michigan, because of water resources, could be one of the more attractive regions in the country. And so we might be getting windfall that way, too as climate change and everything else goes on. [I hope so.] Yeah. So just a couple other things. Can you, and this might be maybe you have touched on this, but maybe there's a few more things you wanted to bring up. But is there any trends you see where VC as in the future? Is it going to, you know, you think it's going to keep altering as to what it does? Or is it really direct relationship to market and capital availability, or?

A

Ara Topouzian 18:07

You know, I, I don't use a crystal ball anymore in what I do for work, you know, I got here right at the beginning, right, pre-COVID, it was only several, maybe a few months, and then COVID hit. And I thought when COVID hit Ed, that oh, boy, here it goes, it's all gonna fall apart. And I was very quickly reminded about the steadfast capabilities of the venture capital community here in Michigan. First off, they didn't really waver. They saw this no different than other disasters that have happened in the past. Whether it was 911, the dot.com bubble or the recession, you name it and they they really were able to jump into action, which is kind of important, maybe along about to get to your to your answer a little bit of what do we kind of see as maybe some headwinds. But they jumped and not only were they there for their entrepreneurs to make sure that there was some follow on cash for them to make sure that they can hold through, but when you read our report, you know, we didn't have a blip in the system as far as COVID and how it impacted. As a matter of fact, we had another record year. So last couple of years had been sort of record years for us. Folks can go on to michiganvca.org and they can download our report and read that extensively if they would like. What do we see as far as headwinds in the future? I think what we'll see is I think some of the valuations of companies will get a little bit more normalized and that's not a bad thing. I, it's still a little bit early to see how this year fared. We'll know that obviously next year. I don't know that we'll hit another record year because they think you've got a couple of things going on. Not only do you have the coming out of the pandemic, but you've got this looming recession that seems to be on the horizon. So, do I see any major changes? It's really kind of hard, hard to say. Our members are busy, they're traveling again, they're still doing deals, they're still doing work. You know, venture capital is not going to go anywhere, it's just gonna get stronger. But what does that look like, you know, in the in the future and the next couple of years, kind of remains to be seen.

E

Ed Clemente 20:37

So when you say travel for your members, does that mean boots on the ground, they'll go to the company and look at their books?

A

Ara Topouzian 20:43

Boots on the ground. I had an investor tell me once who said well, geez, Zoom kind of really changed everything. You know, you don't really need to be in person, you can spend some time at home. And this individual had said that, yeah, but I want to sit in the room with them. I need to look at them in the face. I need to be next to them to really kind of understand. So they're all, when I say they are traveling, yeah, boots on the ground. They're they're traveling, they're doing the work that they did pre-COVID. It seems to be travel seems to be back at normal. So to me, those are always some real good signs. Well, we're down to the last couple of questions, but this one is, and I should have asked you this up front, but you're a native Michiganian, or did you, [I am, born and bred.] What high school did you go to? I went to Groves High School in Birmingham many moons back. I was the only the only, well, I shouldn't say that, I was probably one of the only Armenians in the in the school but I'm, you know born here.

E

Ed Clemente 21:49

Well, speaking of Armenians, we got to put a plug in you're also a musician.

A

Ara Topouzian 21:54

I am. I play Armenian folk music, been doing that I call it a side hustle, I guess if you will, for 30 plus years. Really enjoy doing it?

E

Ed Clemente 22:06

Yeah, do you do it at your church too?

A

Ara Topouzian 22:08

Yeah, you know, I play, there's four Armenian churches in Michigan and two of them are pretty large ones. I play at both of those. I do a lot of non-Armenian types of performances and festivals and private affairs. So I play a lot of different types of gigs, different sizes, with different, you know, makeup of musicians. Maybe it's a small duo, trio to an ensemble, but done that. I've recorded for, you know, recorded albums, I've done some documentary stuff too. A lot of fun, keeps me sane.



Ed Clemente 22:10

E

Ed Clemente 22:49

Can we find you in a subway station in New York once a while busking?

A

Ara Topouzian 22:53

No, I would, I would hope you would not find me in a subway station. But there are some phenomenal musicians, especially Armenia musicians, that have performed there. But no, you won't see me there.

E

Ed Clemente 23:05

Alright, the last couple of questions for you are, what would you tell your 17 year old self?

A

Ara Topouzian 23:19

My 17 year old self? Well, I probably would have said make sure you enjoy every minute you can, savor it, because the time just moves way too fast. I wish there was, I've told some people that boy, you know, if I knew what venture capital was, back, when I was in high school, would have been interesting, you know, for me to be part o. Because, you know, having the ability to work with entrepreneurs see the growth, I mean, they understand that, they understand, you know, which companies are going to do well, and which ones maybe not, they aren't. I mean, it's not 100%, but but they've got that, they know what they're doing. So maybe if I were to look back, that would be the other thing is to have the ability to open your mind to other avenues. I graduated with a degree in Journalism Ed, from Wayne State. The first piece of advice that the department professor gave me when I was all excited that I got my diploma like great, great, great, what do I do? And this was a Detroit News Exec, he's like, find another industry to go.

E

Ed Clemente 24:34

Well, you know, and that's the one advantage I think today, they have is the internet. I mean, Gen Z is the first generation that's actually grown up with the internet. [Right.] They can see, I think the bigger challenge they would have is too much information sometimes. Yeah, trying to decipher it all. Last question is, what do you like best about living in Michigan? It could be a place you go or a festival or someplace?

A

Ara Topouzian 24:57

Well, I like everything about Michigan. I like the weather believe it or not. I love going up north I can vacation every summer in Michigan. I don't know that my family wants me to necessarily do that but I just love and I don't think I've hit every area, but I would love to do that. I'd love to go more up north, I'd like to be in the U.P. and vacation up there. I just I love everything about Michigan. I've there's never been another state that I would ever would ever go to. It's easy traveling, you have everything that you need here, why would you go anywhere else?

E**Ed Clemente 25:40**

No no, that's that's why I think that guy's book talks about the head actually. Well, anyway, I want to thank again our guest Ara Topouzian, he's the Executive Director of Michigan Venture Capital Association. Thanks again, Ara for doing the show, you were a lot of fun. I appreciate you doing it.

A**Ara Topouzian 25:59**

Thanks Ed, it's always a pleasure talking to you, thanks for having me on.

E**Ed Clemente 26:02**

Join us next week for a special episode with Kristin Dzikczek, she is the Automotive Policy Advisor for the Detroit branch of the Federal Reserve Bank of Chicago and Eric Shreffler, who is the Senior Vice President for Market Development at the MEDC.

A**Announcer 26:20**

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