

# Getting Manufacturing Off the Ground

*OP-ED: A new business incubator located in downtown Los Angeles would help the area tap its tech innovators.*

By ANDREA BELZ

Los Angeles enjoys a long and distinguished history of innovation in industries such as entertainment, aerospace, ware and many more. Unfortunately, the environment during 50 years of growth has changed dramatically. The end of the Cold War brought a massive restructuring in the aerospace industry, while entertainment and publishing are being revolutionized by digital distribution. The financial meltdown only served to accelerate those sectors' declines. We face the risk of becoming a hollowed-out shell of a manufacturing town with sophisticated management – like Detroit, but crossed with New York.

Some fantasize that we can replace the lost aerospace industry with a “green belt,” manufacturing solar cells or another environmentally favored technology. Unfortunately, it seems likely that manufacturing of solar cells, like other capital goods, will likely increase in Asia. Furthermore, because Europe is responsible for about 80 percent of the demand in solar cells (due largely to government subsidies), the market sees no benefit from moving the manufacturing back to the United States. Today, it is too easy for capital to flow to where it is most efficiently deployed and easy for goods to return; thus, manufacturing represents 11 percent of the GDP, down from 30 percent in the 1950s. Without protective tariffs, manufacturing will not return to the United States. Why would it come back?

Many major industrial and consumer applications are looking at 10 percent to 12 percent annual growth prospects in Asia, compared with anemic growth in the United States and Europe of roughly 2 percent to 4 percent. Why not make products where you sell them – especially when it's so cost-effective?

We have also complained that Los Angeles is not Silicon Valley; the well-respected PricewaterhouseCoopers' Shaking the Money Tree survey reported in third quarter 2009 that the combined Los Angeles and Orange county region ranked eighth in the nation in venture capital dollars received, raising about 5 percent of the total dollars nationally compared with Silicon Valley's 36 percent. Why? Consider how the famed venture capital firms along Sand Hill Road revolve around Stanford Industrial Park,

the original site of land leased to technology companies. The closest proxy that we have to Stanford Industrial Park is the Los Angeles County Business Technology Center of Altadena. Positioned to exploit the rich innovations of the Jet Propulsion Laboratory and Caltech, it serves modestly as a crucible combining creative energy, flexible working space and capital, particularly through its relationship with the Pasadena Angels. USC and UCLA also house incubator facilities, but navigating those campuses can be a formidable challenge.

## 'Innogravity'

Creative people like to work together. Although L.A.'s astonishing diversity of both universities and industries has diffused our center of innovative gravity – “innogravity,” if you will – we can begin simply by placing another incubator in downtown Los Angeles, especially if we can attract two major companies as anchor tenants by offering early peeks at new technologies. Ideally, this could be coupled with tax incentives favorable to small companies. This offers the added benefit of likely creating jobs, combining the results of the Kauffman Foundation's studies showing that companies less than five years old create the majority of jobs, and those of the Small Business Administration demonstrating that small companies are typically more innovative. Innovation and prosperity are linked.

Furthermore, many local corporations have extensive intellectual property portfolios funded with government grants; the associated engineers have founded many firms in telecommunications, avionics, software and manufacturing. Unfortunately, bureaucratic challenges, combined with the culture of the aging aerospace work force (nearly 60 percent is 45 older, with one-quarter eligible to retire today), have created an environment counter to the entrepreneurial spirit that goes hand in hand with innovation.

I have personally worked with senior management of several of our local aerospace leaders struggling with this problem, and the cultural and funding challenges are nearly insurmountable. Let's create an initiative to mine our local



Jet Propulsion Laboratory in Pasadena

portfolios for technologies, assess them for attractiveness in the marketplace and fund initial commercialization efforts. While several companies have attempted this haphazardly, it has never been considered a civic priority.

This initiative could be funded by a public-private partnership using some of the federal commercialization vehicles and interests in combination with private investment. The portfolio review should be conducted by a combination of marketing strategists and product development engineers so that we can efficiently find the technologies of greatest interest and economic feasibility. Despite changing defense priorities, we can still address issues of national importance, such as higher education. Digital distribution of information will transform academia just as it did entertainment. If we can harvest new communication models to reduce the cost of attending college, we can improve our local work force to nurture the innovative community. Los Angeles can and should lead the way.

Creating innogravity is not a short-term project for the faint of heart. The roots of Silicon Valley's “picks and shovels” success in the 1970s computer revolution date back to the 1930s' decision by William Hewlett and David Packard to start a company in Palo Alto. Let's create the next generation of transforming industries, rather than mourning the ones that are gone.

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