

2025

DRIVER 4:
DYNAMIC & CREATIVE CULTURE

The prosperity of Indiana's people depends upon having an economic climate that consistently encourages innovation and entrepreneurship that leads to productive employment. Many variables contribute to high levels of innovation, entrepreneurship and economic dynamism, but foremost among these are a high level of economic freedom and a culture that encourages diversity, intellectual curiosity and risk-taking.

The first of these – economic freedom – is characterized by a free-market orientation and low levels of government interference, taxation and regulation. It is fairly easy to understand and measure. Large, complex, and multi-layered government, high levels of taxation and a burdensome regulatory regime discourage dynamism because they reduce the incentives to create and innovate, dampening the entrepreneurial spirit. Indiana has focused much effort over the past decade to increase its economic freedom through prudent fiscal management, deregulation and lower taxation. Often we have heard about “building the best sandbox.” More needs to be done in this area (see “Attractive Business Climate”), but we have a solid foundation upon which to build.

The second variable – “culture” – is much more ambiguous and elusive. So often in the field of economic development, one hears about the importance of “culture” to the success of a locale in the creation of a thriving economy. Examples such as Silicon Valley, Boston's Route 128, North Carolina's Research Triangle and even Wall Street evoke images of vibrant and distinctive places of creativity and successful innovation. Numerous books have been written about corporate culture and enterprises both large and small carefully groom their leadership to embrace and exhort their unique versions of it. But, what is it and how do you define it?

At its most basic, culture can be defined as a set of shared attitudes, values, goals and practices that characterizes an institution, organization or group. It requires more, especially as we think of applying this definition to Indiana specifically.

Perhaps the more important question to ask is: How do we want Indiana's “culture” to be defined and perceived? What kind of sandbox should we seek to build? What type of culture encourages entrepreneurship and what are the concrete steps, if any, that we may take to develop it?

SUMMARY OF KEY GOALS:

- Develop entrepreneurship and aggressively promote business start-ups through education, networking, investment and financial support.
- Increase the amount of technology transfer from higher education institutions to attain “Top 5” ranking per capita among all states.
- Achieve “Top 12” ranking among all states in number of utility patents per worker.
- Achieve “Top 12” ranking among all states in venture capital invested per capita.
- Strategically recruit foreign direct investment (FDI) and achieve “Top 12” ranking among all states in FDI as a percent of gross state product.
- Increase Indiana exports to achieve “Top 5” ranking per capita among all states.
- Promote a culture that further values diversity and civility, attracting and retaining talented individuals.

Invest in Entrepreneurship

Entrepreneurship is the heart of our country's economy and always has been. The Fortune 500 companies of today were founded as much smaller enterprises that grew to be phenomenally successful. A growing body of research demonstrates that young, entrepreneurial firms are truly the jobs engine of our economy and, as a state, we must encourage this dynamic.

The entrepreneur takes an economic risk – as do his investors, the capitalists who finance his enterprise – in order to convert a new idea, process or invention into a successful innovation. In addition to encouraging entrepreneurship, we can also help to mitigate such risks and the downside of creative destruction without venturing into the area of moral hazard.

Through our schools, through our public universities and through our public policies, we can create a positive environment for entrepreneurs. Indeed, the history of economic development efforts in Indiana over the last decade is in large part a focused, but decentralized, effort to increase the number of Hoosiers willing to take a gamble on their dreams.

While Indiana has made some progress, it still faces significant challenges in three key areas:

- Increasing access to venture and risk capital to finance entrepreneurial start-ups.

- Creating stronger business-university-government partnerships and networks to support entrepreneurial start-ups.
- Marketing Indiana as a place with a strong entrepreneurial environment and tradition.

Capital Formation and Access

In 2000, Indiana was ranked 45th among the 50 states in venture capital invested per capita, according to the widely regarded PriceWaterhouseCoopers MoneyTree Report. Since then, the state – at the prompting of the Indiana Chamber and through the private-sector fundraising work of organizations such as BioCrossroads and TechPoint, among others – has taken critical steps such as enacting the venture capital tax credit, promoting fiduciary investments by the state’s pension funds (into appropriately return-driven vehicles like the \$73 million Indiana Future Fund and the \$150 million Innovate Indiana Fund), and launching and continuing to invest in the 21st Century Research and Technology Fund to move the state into the 28th position nationally in 2010. This is splendid progress, but complacency must be avoided.

Encouraging seed-stage and “angel” investor networks such as the Halo Capital Group (launched by TechPoint), the Indiana Seed Fund (launched by BioCrossroads) and the P3 Alliance of the Purdue University Research Foundation is critical, as is investigating additional sources of early stage funding. It is also important to maintain incentives for the private sector that have fueled growth in the life sciences, IT, agricultural and manufacturing sectors.

Expansion or evolution of successful programs such as the 21st Century Fund should be pursued while maintaining favorable tax treatment for risk capital and research and development activities.

Innovation in Indiana (2010 Rankings)

Exports as a percent of GSP	9
Utility patents per worker	25
Venture capital per capita	28
Entrepreneurism Activity Index (business start-ups)	47

Support Networks and Risk Mitigation

While tax policy and capital formation programs run by public-private or non-profit entities mitigate some of the risks of entrepreneurship, more can be done to increase the networks of entrepreneurs and the “pipeline” of university-sponsored research for commercialized ventures. Indiana, Purdue and Ball State universities all have robust programs in the area of entrepreneurial education and support, as do some private institutions. Policymakers (and legislative appropriators) should facilitate more technology transfer activity from our publicly-funded research universities and encourage private institutions as well.

Private philanthropy, led by but not limited to the Lilly Endowment, has contributed nearly \$1 billion over the past decade to advancing “translational research” efforts at the state’s research universities, with such research representing the best source for promising technology transfer opportunities. With this foundation, it will be important for the state, as well, to continue to provide appropriate funding for public university research, particularly in the development of appropriate facilities and laboratories to advance discovery.

Creative collaborations between these institutions – and between them and private enterprise – should be further explored and nurtured. The state’s Certified Technology Park program is one model for creating these pipelines and collaborations, as they provide a nexus for information sharing and resource pooling.

Formalized networking structures and educational opportunities are highly valued by entrepreneurs and should be supported by our state’s universities and cluster-based economic initiatives.

Marketing and Promotion

Indiana needs to think of itself as an entrepreneurial state and then promote itself as such in very coordinated and strategic ways.

To date, there has been robust activity by individual groups – typically organized around the state’s industry and innovation clusters – as well as individual colleges and universities to develop appropriate data and promote their entrepreneurial programs and their own strategic brands.

However, opportunities abound for stronger coordination between these organizations and at the state level. Efforts to promote “Indiana” as a strategic brand in the global marketplace should be made more robust, data-driven, coordinated (and funded) long term and illustrate Indiana’s strengths beyond the fiscal condition of our state government.

A coordinated, well-funded, credibly researched, better planned and sharply executed strategic communications plan that tells the story of Hoosier entrepreneurship, drawing upon our historical and present successes, is overdue and required to keep Indiana competitive with regional, national and international competition for opportunities. Such a plan should involve all stakeholders from the various economic sectors critical to the state economy and build upon their separate marketing efforts. A cooperative effort between state government, universities and the state's business community could construct a compelling, coherent brand for Indiana while providing reinforcement for each stakeholder's separate marketing efforts.

Accelerate Indiana Exports

International trade is vital to the prosperity of our country and state. In 2010, Indiana contributed nearly \$29 billion to a national total of more than \$1.3 trillion in export goods. Indiana exports nearly doubled in the past decade. Canada, Mexico and Germany are Indiana's largest export markets, but Indiana businesses ship goods to almost 200 countries around the globe with 26 of those countries accounting for 93 percent of all Indiana exports.

According to the U.S. Chamber of Commerce, more than 75,000 Indiana jobs rely upon international markets and a recent report by the Indiana University Kelley School of Business estimates that nearly 25 percent of all Indiana manufacturing jobs are dependent upon exports to key trading partners. Indiana ranks 14th among all states in terms of export sales and has outperformed the nation in its average annual rate of growth in exports, 9% vs. 6% for the nation as a whole. (In the field of pharmaceutical and medical technology products alone, Indiana's exports exceeded \$9 billion in 2010, placing the state third in the nation behind only Texas and New Jersey.)

In short, Indiana's future prosperity will be built upon our ability to ship goods overseas and bring dollars back home.

We must construct our state policies within a global context and support key strategic investments to help Indiana firms do business overseas. For instance, the state should consider devoting more resources to international outreach, regular high-level trade missions to key international destinations and the permanent establishment of overseas offices (or networks) of the Indiana Economic Development Corporation (IEDC) in countries of strategic significance to bilateral trade and economic activity.

Promote 'Hoosier Hospitality'

A vibrant culture conducive to innovation and entrepreneurship would embrace diverse people and perspectives that build upon each other so as to create unique opportunities for growth and prosperity. It is the chemistry of evolving new perspectives because diverse people and their viewpoints interact, contributing to our collective intellect and well-being.

A vibrant culture is not planned or fabricated, but created by an open society, fueling its participants by challenging them with the unfamiliar and the unknown. When it "sparks," there is a sense of energy and excitement. Creativity results and is a prerequisite for innovation.

"Hoosier Hospitality" is a non-trite phrase with much meaning to citizens of our state and to our many guests who have experienced it upon their visits here. It is a general friendliness and neighborly willingness to help a stranger. It is a strong cultural trait, as well as a very strong "brand proposition" for Indiana – one which we should not squander.

Indiana's policies must reaffirm our global reputation as a welcoming and business-friendly state. Perhaps the best measure of a state's economic climate is the willingness of outsiders to live and work within that state. At all times, our state should seek the most open, tolerant and diverse society in order that every person may use their talents. Every citizen regardless of race, national origin, religion, gender or sexual orientation has something meaningful to contribute to our collective prosperity.