

# 'Cottage' industries promise brighter future for city

Early Scottsdale visionaries saw beyond Old Town. Today the city stretches out 184 square miles, enjoys a well-earned reputation in many areas of commerce and culture, and leads the Valley of the Sun in tourism activity.



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**RAY TORRES**

Scottsdale is the fourth-best city to live in and it is not by accident; it took vision and execution.

Today's visionaries should make room for high-growth, high-paying, knowledge-worker,

job-producing companies. They should look at industry leaders in sectors such as technology and biotechnology.

Such sectors establish a community of like-minded businesses usually identified as "cottage sectors." This is an economic-development centric approach.

One does not have to travel far to see the positive economic impact of such a strategy. The greater San Diego area is making the area a haven for biotechnol-

ogy companies, whether they focus on drug discovery, bioinformatics, or proteomics. Some already think it is a thriving biotechnology hub.

In Northern California, Silicon Valley continues to be the leading hub for high-technology innovation and development, accounting for one-third of all of the venture capital investment in the United States.

In spite of the persistent sour economy, certain "cottage sectors" hold out promise of a brighter future. The software industry is the single largest venture capital investment sector, at \$4 billion in 2010. The life sciences sector (biotech and medical devices) accounted for 28 percent of all venture capital dollars in 2010. Other large sectors doing reasonably well in terms of venture funding are medical devices and Internet-specific companies.

Cottage sectors throw powerful punches in terms of economic strength, long-term sustainability, attracting seasoned management and enhancing the appetite for various levels of private funding.

To move in this direction, the city should pursue small-cap companies to headquarter or establish operations in Scottsdale. The companies have a market capitalization between \$300 million and \$2 billion. Small-cap growth companies expand their sphere of influence in areas such as strategic investment, alliances, local purchase sourcing, business and technology networking. The impacts of these companies could be quite impressive.

Nighthawk Radiology Holdings is an example of an emerging firm approaching small-cap company status. With an operation in Scottsdale, it provides around-the-clock radiology services.

Medicis Pharmaceutical Corporation is an example of a small cap with a market capitalization of more than \$2 billion. It is the leading independent specialty pharmaceutical company, focusing primarily on the treatment of dermatological and aesthetic conditions.

The gravitational pull of these cottage sectors, beside managerial talent and highly educated knowledge workers, is private equity funding. A cross-section

of small-cap companies would birth startups and boost early-stage companies.

Organizations such as the Arizona Technology Investor Forum would relish the proliferation of startups and emerging companies. They know in order to accelerate them, funding is required. To this end, the forum would play an integral part as it is comprised of serious angel and private equity investors. They are experienced executives and serial entrepreneurs. Further, members have close relationships with local entrepreneurial organizations, venture capital firms, and local investment banking institutions.

The forum could reach out to more high-end private equity investment firms, mostly located in Northern California. Silicon Valley has the most millionaires and the most billionaires in the United States per capita, a funding source for venture capital firms.

*Ray Torres, Scottsdale, is a business consultant.*