



The drain in the talent pool

One brother leaves Florida to start a company because high-tech talent and resources are lacking; the other brother comes back to the state because he sees the opportunities for growth.

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One brother leaves Florida to start a company because high-tech talent and resources are lacking; the other brother comes back to the state because he sees the opportunities for growth.

RESEARCH TRIANGLE PARK, N.C. -- Don Rua helped his dad run a Tampa process service company, overseeing the delivery of subpoenas and other legal documents. It paid the bills. But Rua, a lifelong computer nut, chucked the job in 1999 to start an e-mail services company.

A native Floridian, Rua knew he had to base his fledgling FullSeven Technologies in greener and techier pastures: North Carolina's Research Triangle.

"There just didn't seem to be a hotbed of activity in Florida," 41-year-old Rua says. In the Raleigh-Durham area, "There's incredible engineering talent . . . strong schools cranking out talent and very sharp MBA programs."

Losing talent like Rua, and his company, is one of the greatest drains that makes Florida a state of low-wage jobs instead of a haven that nurtures more professional, high-paying careers. The ripple effect of each professional leaving is profound: Big employers such as Publix and IBM notice and have moved key operations to Atlanta or Raleigh, where there's a deeper talent pool. Smaller tech companies flee in search of more investment funds. Service companies, which do outsourced work for bigger companies, follow, too.

Those who leave cite the same reasons, starting with their choices for a top-shelf college education. Florida lacks a nationally recognized business school. After graduation, Florida doesn't offer careers in a tech hub like Silicon Valley or Research Triangle.

Recent studies reinforce the impact of talent leaving the state. A report by the Progressive Policy Institute, a Washington, D.C., think tank with ties to the Democratic Party, ranked Florida 30th out of 50 states in the percentage of managers, professionals and technicians in

the workforce. It's even worse for scientists and engineers: Florida ranks 49th by that measure.

A report prepared by the Florida Chamber of Commerce echoes those findings: "Florida shows signs of lapsing into a vicious cycle, where the state's limited number of high-skilled workers inhibit creation of high-value jobs . . . prompting talented graduates to look for better opportunities elsewhere," the report said.

There are optimists who figure Florida will see more upstart companies grow and attract locals to stay put. While Don Rua left for North Carolina, his younger brother, Dan, left a Reston, Va., venture capital company to co-found a new fund in Florida. "There are a ton of talented people here," the 33-year-old says. "That's why we're coming to the area."

A long way from headquarters

The Rua brothers demonstrate the daunting challenges stalling Florida's efforts to diversify its roughly \$470-billion economy, the fourth largest among the 50 states.

The need to diversify has never been greater. The state's crucial tourism industry is still trying to recover from the Sept. 11 terrorist attacks.

While jobs in hospitality-related industries are important, many of them are low-skilled, low-wage positions, such as maids and waiters.

Unfortunately, by many yardsticks, Florida appears ill-suited to generate or attract more high-skilled, high-wage jobs.

Technology startups can create better-paying jobs, but Florida's share of venture-capital funding has been shrinking. According to one survey, Florida's share of nationwide venture money slid to 1.9 percent last year from 3 percent in 1995.

On a more fundamental level, there are relatively few major corporations -- and no large banks -- headquartered in the state.

The absence of more corporate headquarters in the state means a dearth of top management jobs to attract ambitious and experienced executives, as well as the loss of countless other senior-level jobs in accounting, marketing, human resources and other departments that are typically found back at the home office.

And the ripple effect hits communities, too. Corporate titans tend to be among the most forceful voices in their own backyards for educational reform and economic revitalization.

Education: a failing grade

Florida's lack of industrial diversity drives away many job seekers.

Laura Herring, founder and president of the Impact Group, a St. Louis company that provides relocation consulting services, says that issue hurts its appeal as a destination state for many professionals. The majority of married couples, she says, are dual income and want a place where they can continue their careers.

"It's a real deterrent to Florida," Herring says. "By and large, the fact that you don't have a lot of Fortune 500 companies and headquarters is a big issue. There's not a lot of those vast employers down there. . . . We don't see it in Atlanta or North Carolina. It's primarily Mississippi, Alabama and Florida."

The ability to recruit people from out of state becomes all the more critical because the in-state talent pool often doesn't have the experience or education that companies seek. That's partly because many of the state's best and brightest end up leaving to attend colleges or graduate programs or to seek out more attractive job opportunities.

The state's leading institutions of higher learning lack business schools with strong national reputations. And scientific research often fails to make it beyond the lab.

Furthermore, the business community views Florida's troubled K-12 education system as a serious liability in the state's efforts to attract more high-wage jobs.

"I believe it all starts with public education," says Maryann Fiala, executive director of the American Electronics Association's Florida Council. "Until K-12 is perceived as world class, we are at a severe competitive disadvantage."

Fiala adds, "It's pretty hard to recruit a mid level executive into Florida when the headlines read '68 schools fail.' "

Jose Ward, a former consultant for Microsoft in Tampa, was recently hired as chief executive of Fortis Software of Clearwater.

While at Microsoft, Ward found it difficult to fill jobs with in-state candidates. "I was blowing my relocation budget on a quarterly basis. I wanted people who were doing leading-edge work. I'm not going to find someone doing .Net development at Raymond James or Publix or Disney. . . . I wanted someone who graduated from a top school and had five years' experience in a technology company. That's what was missing."

Clusters are key

One reason some professionals avoid relocating to Florida is the lack of a "clustering" of related industries. Geography is one issue. Florida is a large state; innovative companies and universities are scattered.

Achieving that elusive critical mass is what enables successful clusters of commerce to become self-sustaining communities, says Joe Morettini, a Deloitte & Touche managing partner who heads up the firm's Southeast venture capital practice in Atlanta.

"It's a combination of the institutions, the colleges and universities, combined with companies in your space so you can tap into the same workforce that they can tap into," he says. "The problem with Florida is it's so spread out -- a little bit in Miami, a little bit in Boca, a little bit in Orlando."

David Gury, chairman and chief executive of Boca Raton's Nabi Pharmaceuticals, a developer and manufacturer of biotechnology products, agrees.

"We're the fourth largest state populationwise, and we're No. 3 in the use of drugs and health care products," Gury says. "But we're way down the list of competing for biotech. It takes some mass of activities in order to attract more."

This relative lack of neighboring businesses in related fields often becomes an issue when Nabi recruits people from outside the area, Gury says.

"It's difficult," he says. "One of the typical questions I hear (from job candidates) is, 'What happens when things don't work out here? How many companies like Nabi Pharmaceuticals are there down the street?'"

His response: Not many.

The appeal of a high-tech cluster around the Atlanta area is what prompted Florida grocery giant Publix Super Markets Inc. to locate its PublixDirect online grocery business in the Atlanta suburb of Alpharetta, Ga., rather than at the chain's headquarters in Lakeland, Publix spokesman Lee Brunson says.

"There is available talent in Tampa and Orlando," Brunson says, adding, however, that PublixDirect's search for an ideal home turned up the fact that Atlanta had "a higher concentration of Web designers and Internet-type folks."

The result: PublixDirect, and its 62 jobs, went north to Georgia, not Florida.

Some companies in Florida opt to leave. A pivotal departure came in 1986 when IBM moved its personal-computer manufacturing operations from Boca Raton, where its engineers developed the first PC, to the Research Triangle area.

More recently, Tradex Technologies Inc., a Tampa software company, left the bay area in November 1999 for Atlanta, a month before the 3-year-old company announced it was being bought by Ariba Inc. for a staggering \$1.96-billion.

In a September 1999 interview with the St. Petersburg Times, Tradex's whiz-kid founder Daniel Aegerter, then just 30, explained in blunt terms why he was leaving.

"We had a hard time attracting the A-type talent into Tampa that had experience in software and also had industry knowledge," he said. "Atlanta has everything you need for a company like ours, from investment banks to lawyers to venture capital groups to

CPAs. That infrastructure may not be like Silicon Valley, but it's much better there than in Tampa."

Now the head of Armada Venture Group, an Atlanta venture capital fund, the Swiss-born Aegerter says that he's reluctant to comment on the current Tampa Bay area scene because he doesn't want to be perceived as "the poster boy for Florida technology bashing."

"You need a whole infrastructure of a financing community all the way, whether it's venture capital, banks, etc.," Aegerter says. "It's just like if you're growing wine. You need the right climate, the right soil."

For Jim Geiger, former senior vice president and chief marketing officer of Intermedia Communications Inc. in Tampa, the right soil was also in Atlanta. In 1999, he left Intermedia to start Cbeyond Communications, a provider of local and long-distance phone and Internet services to small businesses. Geiger had been through the startup game once before: His first company, FiberNet of Rochester, N.Y., was acquired by Intermedia in 1994.

In order to get the team of engineers, systems developers and technology marketing experts he'd need for his new company, Geiger decided it was time to leave Tampa.

"Believe me, I loved living in the area," he says. "I miss the water, but it was strictly a matter of being near a talent pool."

Being located in a community with people who have relevant skills and experience "is the basis for the success of our business," says Geiger, now Cbeyond's president and chief executive. With Coca-Cola, United Parcel Service, Home Depot and other major corporations calling Atlanta home, "We have a rich pool of people to choose from," he says.

It's a sharp departure from his experience in the Tampa Bay area. "I was terribly frustrated during my years at Intermedia in recruiting senior management technology talent," he says. "You're recruiting those people from Washington, D.C., California, Denver, and they're all places that have a lot to offer; it's tough competition. We were always successful in interesting people, but they would believe that Tampa was an outpost and that if their job didn't work out they were looking at the necessity of moving again."

The lack of critical mass also hurts smaller companies, says Robert Robey, chief executive of Advanced Paradigm Group, a provider of deposit-processing software for banks.

"They have no place to go if I fold up my tents," he says at his company's modest offices in the University of Central Florida Technology Incubator in Orlando. "That's the biggest problem in getting high-tech employees down here."

Robey says the state should do more to pull major corporations into Florida.

"Small companies are good; I am one," he says. "But for this area to develop a technology-oriented business environment, we can't do it with just small technology companies. We need a large corporate presence. . . . They need to attract more industry into this state. Picking oranges and cleaning hotel rooms is not going to catch it."

Talent in place

Given the challenges facing startup companies in Florida, Don Rua says he is glad to be in North Carolina.

Rua took a roundabout route to Research Triangle. After earning his bachelor's degree in psychology from the University of South Florida in 1983, he did stints as a behavioral program supervisor for troubled teens and as a middle-school counselor for the Hillsborough County school district, then joined his dad's process server company.

But his love of computers turned into a full-time job. Rua cofounded FullSeven Technologies with two others.

With his closely cropped head of balding, blond-gray hair, the blue-eyed, 6-foot-1 Rua comes off as a coach who loves to plot strategy.

"If I was in the Ocala area, there are people there who would probably invest in horse farms but not technology because they know horse farms, they understand the lingo, the likelihood of success," he says. "Here, people understand (technology). 'If I invest in this, I have a feeling that this can be successful.' They can see other successes in the area, they can talk to people who have success in the area. It's an environment for that."

As a first-time entrepreneur, Rua has to make the same sacrifices required of all novice startup companies that are burning through cash.

He packs peanut butter and jelly or bologna sandwiches for lunch and unplugged the cable service to conserve cash. His initial Raleigh digs consisted of an air mattress and a lone upholstered chair. His wife, Beth, and sons Dallas and Nick didn't join him until nine months after he moved to Research Triangle.

"It wasn't scary because any entrepreneur believes he can accomplish miracles or he doesn't start," he says. "It's like getting married. You don't assume you're going to get divorced. . . . You assume it's going to be good."

Rua and his colleagues quickly found Research Triangle to be a rich source of experienced talent.

"It's not just (regional planning) organizations," he says. "It involves venture capitalists, it involves lawyers, they're going to conferences, they're advertising, they're sponsoring, they're all trying to make it a growth area."

When he casts an outsider's gaze back home toward Florida, Rua can't help but be struck by the contrast to where he is now.

"I will see funding activity in Florida, but it does seem to be all over the state, not necessarily in one area," he says. "It's a big stretch between Miami and Tallahassee. If I'm based in Miami, I can't drive to Tallahassee to pitch people very easily."

Money to prime the pump

While Florida faces many hurdles, some observers sense more interest emerging in economic diversification and a heightened awareness of the value of regional cooperation.

The state legislature earmarked \$30-million in this year's budget for the creation of university-based "centers of excellence" to help high-tech research and the commercialization of new innovations.

But critics say that's not enough. They note that unlike other large states such as Texas and California, the Florida State Board of Administration does not designate a portion of state pension fund assets for venture-capital investment in locally based companies.

David Day, director of the University of Florida's Office of Technology Licensing, calls the initial \$30-million for the centers for excellence program a "very good start" but adds that insufficient financing remains a problem.

"What we don't have is the very early, pump-priming starter seed money that attracts venture-capital money," he says. "We could be doing a lot more deals. We've got the technology, but we don't have the right kind of money."

Venture capitalist Keith Allaun agrees. He moved to Gainesville to set up a new subsidiary fund for Eno River Capital of Durham, N.C. Being in Gainesville allows him to be close to UF researchers and entrepreneurs interested in building companies.

"There is almost no early-stage venture capital organized in the state, and we recognized that there was an important business opportunity in Florida," he says.

Allaun says such efforts will be an instrumental part of expanding the state's job base.

"If you don't have opportunities, then people with brains have to go elsewhere to exercise them," he says. "You can't build an effective middle class without creating solid knowledge worker jobs."

Room to make a difference

While some decide to seek their fortune elsewhere, others see tremendous opportunities waiting in Florida.

Consider Don Rua's younger brother Dan. He spent three years in Reston, Va., as a partner with Draper Atlantic, a unit of a Silicon Valley venture capital fund. He was poised to move to northern California to help Draper establish a new fund. But the local market was dominated by big funds, so he decided to return to Florida, where he felt a single fund could make a bigger impact.

Rua quit his job at Draper to co-found Inflexion Partners, a fund that is affiliated with Williamstown, Mass., money management company Village Ventures Inc. and will focus on providing early-round financing to Florida startup companies.

"To the entrepreneur, the dearth of venture capital is terrible. That's why my brother went to North Carolina," he says. "But for an experienced (venture capital) group, there's an opportunity here."

Rua will work out of Gainesville to be close to UF.

"We specifically put an office there, even though the entrepreneur infrastructure is in its infancy," he says. "That has to be a piece of the overall puzzle as you're building a venture region. . . . Why do a lot of students fly off to Stanford? Partly it's because of the quality of the school, but it's also the community that they could be a part of out there that's very attractive."

Innovative research is being done at Florida universities, but, Rua says, "If we turn around and license it to a company in Cleveland, we lose the benefits of that research. . . . If we don't create companies here, they'll take off and go somewhere else."

The brown-haired, brown-eyed Rua, who bears little resemblance to his older brother, gets a kick out of seeing how the two of them ended up in related fields.

"He gives me perspective from the entrepreneur's side of the table," Rua says. "And I can give him perspective from what we care about as investors."

The two regularly talk shop over the phone, the older Rua says. "I tell investors that when you invest in me, you invest in two brains," he says.

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Don Rua

Age: 41

Born: Miami

Education: Graduated from Hillsborough High School, 1978; bachelor's degree in psychology, University of South Florida, 1983.

Job: Co-founder and president, FullSeven Technologies Inc. in Research Triangle Park, N.C.

Quote: "There just didn't seem to be a hotbed of activity in Florida."

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Dan Rua

Age: 33

Born: Tampa

Education: Graduated from Hillsborough High School, 1986; bachelor's degree in computer engineering from University of Florida, 1991; MBA, law degree from University of North Carolina at Chapel Hill, 1999.

Job: Co-founder and managing partner, Inflexion Partners in Gainesville, Tampa and Orlando.

Quote: "There are a ton of talented people here. That's why we're coming to the area."