



Wisconsin Technology Council

Dusting Off a Dirty White Hat, Tech Stands to Rebound in 2019

By Tom Still, WTC President

After years of wearing nothing but white hats, Big Tech added gray and even a bit of black to its wardrobe in 2018.

Leaders of social media giants found themselves apologizing to Congress over the infiltration of their platforms by foreign hackers bent on spreading “fake news.” The markets fell amid fears the party was over for major tech stocks after years of run-up. People began to question if trends such as autonomous vehicles and next-generation robotics were as close to reality as advertised. Cyber-security threats grew in number and sophistication.

As 2019 opens, those trends and more will continue to garner headlines nationally as the technology sector goes through a natural maturation process. From its market lows of 2009 through much of 2018, tech was a rambunctious youngster that romped through one success story after another. The swift sell-off of late 2018 turned tech—especially Big Tech—into more of a moody adolescent, but one eager to learn from its mistakes.

Many analysts predict the general decline in the value of tech stocks will correct itself in 2019 as buyers turned back to companies such as Amazon, Apple, Alibaba, Adobe, Salesforce, Twitter, and even Facebook. Meanwhile, a host of younger companies are poised to crack into the club as the pace of innovation quickens outside the traditional strongholds of Boston, New York, and California’s Silicon Valley.

Wisconsin is one such hotspot, thanks to a combination of factors. The academic research and development landscape remains strong, with more than \$1.5 billion spent in 2017 alone. Talented workers can be found among the graduates of Wisconsin’s public and private colleges, universities, and technical colleges. The cost of doing

business is lower, especially compared to the Silicon Valley, and employees can find affordable places to live without spending much of their lives in the car.

Some of Wisconsin’s most iconic tech companies enjoyed strong years in 2018 and show no signs of slowing down. Verona-based **Epic** remains the nation’s market leader in electronic health records and is venturing into global markets with success. **Promega** is expanding its U.S. and global business in biotechnology assays, reagents, and DNA analysis, among other products, and adding to its Fitchburg campus. Companies such as **Rockwell Automation** are poised to become leaders in Industry 4.0 as use of data and artificial intelligence transform manufacturing. Spun off from its parent in mid-2018, **GE Healthcare** has retained a strong Wisconsin presence with 6,000 employees in Milwaukee, Waukesha, and Madison. It plans to transition some work from a Maryland facility to Wisconsin. Madison’s **Exact Sciences** is also expanding after having landed in Wisconsin as a two-person company a decade ago. It has about 1,000 workers today.

While it was a point of debate during the campaign for governor, **Foxconn Technology Group** is well on its way to building a state-of-the-art campus in Racine County and has announced satellites statewide. Its long-term effect on technology in Wisconsin stands to be significant.

Angel and venture capitalists remain intrigued by what Wisconsin offers. In 2016 and 2017, more than \$500 million in angel and venture capital found its way into young state companies. Based on a record second quarter in 2018, that pace is likely to be at least as strong once the year’s books are closed. Maturing state companies are

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raising money in other ways, such as the \$150-million commitment to **SHINE Medical Technologies** by Deerfield Management Co. late in the year.

Much work remains to be done. Tech companies can be found outside the state’s largest metropolitan areas but not enough. Better broadband connections will help retain and attract people and companies to rural Wisconsin. Attracting and retaining workers is a priority. Early-stage investments could still benefit from state programs that could give them a lift.

One priority for the Wisconsin Technology Council in 2019 will be helping young companies get in front of investors and potential customers through its conferences and events, as well as through the Wisconsin Healthcare Business Forum, a partnership with the Wisconsin Hospital Association and others.

Tech took some lumps in 2018, and 2019 remains sketchy for the economy at large if trade wars continue and two of Wisconsin’s strongest historic sectors—manufacturing and agriculture—are caught in the crossfire. The foundation is there, however, for continued growth.

The Wisconsin Technology Council includes the Wisconsin Innovation Network, the Wisconsin Angel Network, and the annual Governor’s Business Plan Contest.