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Minnesota Cup 2009

Most Promising Entrepreneurs

December 2009



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As a competition for the best breakthrough business ideas in the state, the Minnesota Cup knows a thing or two about innovation and managing rapid growth. It has seen countless living examples of fresh ideas put into action, and expansion, from the 3,500-plus companies that have contended for the title.

So when it came time to plan the fifth annual competition, cofounders Scott Litman and Dan Mallin

decided to do some innovating of their own and execute version 2.0. Changing the program would help accommodate the ever-growing number of competitors while also implementing the pair's long-term vision for the Minnesota Cup.

The biggest change to the competition is its new division structure. In the past, contestants competed in a free-for-all in which a high-tech entrepreneur, for example, may face off against a medical device inventor, a renewable energy firm, and other competitors from a wide variety of industries. Now the Minnesota Cup breaks down into six divisions: BioSciences, Clean & Green, General, High Tech, Social Entrepreneur, and Student.

With this new set up comes the need for a bigger prize pool, so the total amount of seed capital awarded jumped from \$70,000 last year to more than \$125,000 this year. Contestants first compete to win their division and its \$20,000 prize in seed capital (\$5,000 for the student division). Then the six division winners vie for the grand prize: the Minnesota Cup, an additional \$20,000 in capital, and other business services.

The upshot of these changes is significant. By entering the Minnesota Cup, which is at no cost, contestants get to present their business plans to a more targeted group of mentors and professional advisors. The entrepreneurs also gain the opportunity to make connections with people who work in industries relevant to their startup.

“The new structure allows us to put together more focused panels that give better feedback and help improve the businesses involved in the process,” Mallin says. “Our goal is to help all of these businesses become more successful, even though only some get to become winners.”

Sharing Their Entrepreneurial Spirit

Litman and Mallin started the Minnesota Cup in 2005 to offer entrepreneurs the same support they received as young business upstarts. The veteran entrepreneurs have started, rejuvenated, and sold several companies since the 1990s; they now own Magnet 360, an agency network of marketing, branding, design, and technology companies that provide integrated marketing solutions to Fortune 1,000 marketers.

In launching the Minnesota Cup, Litman and Mallin lined up backing from the State of Minnesota, the University of Minnesota, and industry leaders like Wells Fargo; they also partnered with Riverside Bank founders Dave and Carolyn Cleveland, whose endowment at the U of M helps fund the competition's prize money.

The competition has grown steadily each year—from 600 participants in 2005 to more than 1,000 this year—fueled by entrepreneurs' realization that the Minnesota Cup is an important tool for their success. They discover that just by participating they get exposure for their business idea, indispensable advice from business professionals and executives, and the ability to expand their network of potential investors, advisors, and customers. The prize money isn't bad either.

The contest's reputation has flourished to the point that it now serves as a "*Good Housekeeping* seal of approval" for local business ventures. "It's a validation when someone is out seeking funding or interactions in the community that you've been vetted through a process by an all-star panel of judges and supporters," says Mallin.

For many entrepreneurs, even those who don't advance into later rounds of the Minnesota Cup, it serves as an important push to flesh out their ideas or write a proposal.

"The Minnesota Cup is part of the ecosystem for entrepreneurs in this state," says Litman. "I'm bullish on the role that we play."

How it All Works

After entrepreneurs submit their initial proposals on the Minnesota Cup Web site, panels of judges for each division evaluate them.

Comprised of leaders in business, government, and education, the panels look at the quality of innovation, how the product or service stands out in the current competitive environment, and the company's market potential for revenue, profits, and employment. Judges also look for ideas that can make a positive economic impact within two years.

The Holmes Center for Entrepreneurship at the University of Minnesota serves as the link between the competitors and their experienced entrepreneur mentors. Led by Professional Director John Stavig, the center matches Minnesota Cup companies with alumni who review the semifinalists' business plans and provide feedback.

While it's a large task to line up all of these mentors as well as division sponsors—and one made bigger this year—Stavig finds that many U of M alumni and supporters enjoy connecting with the next generation of entrepreneurs and sharing their own business expertise.

"One of the great things about the entrepreneurial business community in Minnesota is its willingness to help," Stavig says. "The Minnesota Cup has become a part of the fabric of the business community, and this is a fun way for them to get involved."

Clean & Green

The main impetus for the competition's new division structure started when Governor Tim Pawlenty suggested creating a Clean & Green category. Bill Glahn, director of the Minnesota Office of Energy Security, says Pawlenty thought the competition would be the perfect vehicle for highlighting start-ups from Minnesota's green energy sector.

"We're hoping that similar to medical devices, clean energy technology will become a cluster here in Minnesota, and that grows out of someone's idea that they put into the Minnesota Cup," says Glahn. "We hope the division sparks the next 3M or Medtronic to become a business or industry that employs

thousands of people and creates billions in revenue.”

Minneapolis law firm Fredrikson & Byron, P.A., and Xcel Energy stepped up to cosponsor the new Clean & Green division, which involved contributing the prize money and offering legal services to some of the winners. Dan Yarano, chair of the firm’s energy practice group, says Fredrikson & Byron has expertise in renewable energy technologies and experience helping start-ups blossom.

“It complements our business model of supporting young entrepreneurs and business ventures in the renewable energy area,” notes Yarano.

Adds Xcel Regional Vice President Judy Poferl: “For us, sponsoring the division allowed us to support green energy technology coming out of the Minnesota Cup. Initiatives in green energy and general business development and entrepreneurship really are all in our bailiwick.”

At a time when entrepreneurship is more critical than ever, it’s something to celebrate when innovators and their ideas get the push they need to succeed.

—*Suzy Frisch*

Awards and Benefits

The awards that each division winner receives are listed on the following pages. But here’s a look at other awards that were given out as part of this year’s Minnesota Cup competition.

Finalists receive:

- The opportunity to be featured in a December supplement in *Twin Cities Business*
- Detailed feedback about their final written entries and oral presentations
- The opportunity to present their business plans to a review board of esteemed business leaders

Semifinalists receive:

- An invitation to attend a semifinalist reception at the James J. Hill Reference Library
- The opportunity to be paired with experienced entrepreneur mentors for feedback on their plans
- One month of access to “HillSearch” professional research tools from the James J. Hill Reference Library

Entrants receive:

- Access to “The Minnesota Cup Hill Resource Center” from the James J. Hill Reference Library to assist with their business plans
- A one-year complimentary subscription to *Twin Cities Business*
- A valuable experience that will help advance their business ventures

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