Techtopia with Chitra Ragavan

Episode 11: Michael Proman

Chitra Ragavan:

COVID-19 virtually overnight changed the tone, tenor and texture of cities, bringing the global economy to a slow grind and forcing people to retreat into bubbles, silos, pods, and remote work connected mainly through social media and Zoom. Now, as we slowly start to get a grip on the virus and think about reopening society, what will the long-term impact of the pandemic be on cities and on the evolution of smart cities? Hello everyone, I'm Chitra Ragavan, and this is Techtopia. My guest today has some of those answers. He's Michael Proman, Managing Director at Scrum Ventures, an early-stage venture fund that has invested in more than 80 startups across a range of industries in the U.S. and Japan.

Chitra Ragavan:

Proman worked in global marketing and development at Coca-Cola and the National Basketball Association, prior to starting and ultimately exiting his initial startup, OptionIt. He has helped lead multiple startups to acquisitions and continues to play an active role in mentoring and advising founders across multiple industries. Proman also is a contributor to TechCrunch. His most recent piece is titled, Will COVID-19 spur a smart rebirth for cities? Mike, welcome to Techtopia.

Michael Proman:

Chitra, thanks for having me.

Chitra Ragavan:

When COVID-19 hit, we saw this incredible change across major metropolitan cities, such as New York, reeling from the impact. Real estate values going down, and commerce grinding to a halt, people scrambling indoors. As someone who specializes in the future of cities and so-called Smart Cities, I'm sure you were watching with both interest and some concern about what the future would bring. What were your thoughts as you saw all of this unfold?

Michael Proman:

Well, I think like everybody, I think the immediate thought is, oh my goodness, right? The world is coming to a grinding halt. I've been working in a remote environment for 12 plus years, so the idea of transitioning my work into this virtual bubble of Zoom and Microsoft teams and all these other virtual channels, that didn't really faze me personally. But of course, a lot of my colleagues who are based in the Bay Area, they're in the epicenter of some of the transformation taking place in some of these urban

communities. Having lived in places like New York previously and having friends still there, I can understand and certainly empathize with both local businesses that were facing arguably some of the darkest days that they've ever had. I think there was this collective sense of, yeah, this is going to be rough, but let's figure this out. I think people just dug in, and it's pretty amazing the progress that has been made here in the last 12 or 14 months.

Chitra Ragavan:

Over the past year and a half, what was the biggest change that surprised you perhaps, or even shocked you? What were you seeing that you didn't expect?

Michael Proman:

Well, I think this was to me a unified effort, right, of public sector, private. You have innovators, whether it be in the pharmaceutical industry, of course, kind of getting us to where we need to be on vaccines. I think everybody just kind of grabbed an oar, so to speak, right. I think the thing that surprised me the most and through SmartCityX, which is a big initiative that I oversee within Scrum, we work with a lot of municipal leaders. I think everyone's first reaction to government or public sector and municipalities is that, they're slow, bureaucratic, and can't get things done. I was, I wouldn't say shocked, but I was I think just as surprised as a lot of folks that that wasn't the case here. I think people really said, you know what, we're going to reinvent and redefine how it is we do things.

Michael Proman:

We're surrounded by a lot of the best municipal leaders within SmartCityX. Just getting that front row seat from them has been eye-opening for me to see how cities have really taken a much more proactive stance in getting us back to where we need to be.

Chitra Ragavan:
What is SmartCityX?

Michael Proman:

Great question. At Scrum, we work with startups, right? We invest in startups. SmartCityX is, I wouldn't call it an accelerator per se, right? It is a community of what we would consider best in class, stage agnostic startups in the case of what we're aiming at. We look at six core pillars within smart city, right? There's consumer products and services, there's mobility, there's smart buildings and infrastructure, there's energy resources and sustainability, connectivity. Then the last piece is what we call social innovation, right? Technologies that make cities more equitable, more diverse, more inclusive. In defining those six core categories, those buckets, we're able to go out and curate startups from around the world that speak to the needs that cities have. What's in it for the startups, right?

Michael Proman:

It's not this blocking and tackling kind of association for like an accelerator would be, it's about aligning and connecting them to top line growth opportunities, right? That's what startups need. They need to be able to demonstrate the product market fit. They need to be able to sign POCs. In our case, the partners that we're primarily looking to engage with are all a lot of Japanese corporates. That's an interesting piece of our DNA at Scrum, right, is that we're a venture capital firm. A lot of our LPs are large Japanese corporations. We know that we can do more than just help invest their money wisely. We can also support them on a day-to-day level. We can help them address opportunities or pain points in their business. When it comes to things like Smart Cities, there's no shortages of great companies that we're working with in Japan. Again, helping introduce them to breakthrough technologies from around the world, that's really the aim of this program for us, right?

Michael Proman:

Unlike an accelerator, we're not taking equity from these startups for participation. We are doing this because of two things. Number one, our Japanese corporate partners are very meaningful to us. We want to maintain strong relationships and bonds just based on our business model. Then secondly, and self-serving way, of course, our goal is always to help startups and get to know them. Because at the end of the day, we're always out there from a recruitment and pipeline perspective looking for the best next thing to invest in. These programs like SmartCityX give us a really deep look under the hood at the types of innovation and technology taking place in this space, and in many cases, lead us to our next investments.

Chitra Ragavan:

We're going to talk about those buckets that you mentioned, but I guess just for people who are curious, one, why Japan? I mean, is it because the serendipitous relationship that existed or is it because that Japan is leading the front in some way on smart cities or both?

Michael Proman:

Well, I think it's not just smart city with Japan. When you asked that question, I would probably take a step back and say, at Scrum, our DNA is heavily Japanese. It's that way because our general partner, our founder Tak Miyata, very well-established, very successful Japanese entrepreneur. It has those relationships in place, obviously within the corporate sector and beyond. That's always been our first and primary approach from a beneficiary standpoint. That being said, we know that we're not necessarily just looking to invest in Japanese startups. In fact, it's the exact opposite. We're probably taking a much more global and North American viewpoint. Then looking to engage not just on the cap table, but also be a strategic partner. Helping them break into what is probably a very relationship centric region and market.

Michael Proman:

If we can be that gateway for those startups, if we can provide value in ways that others can't, that's a nice competitive differentiator, right? Our ability to play a role and have

some real purpose in the investment. Those are always, obviously at the top of mind when we think about our pipeline.

Chitra Ragavan:

Great. Going back to the impact of COVID-19 on cities, how cities are coming out from under the weight of the pandemic and reinventing themselves, you recently conducted a survey of industry experts to see where we are heading. Tell us a little bit about that survey and who took part and what you have found is happening on the ground.

Michael Proman:

Yeah, absolutely. What was interesting is we have this program, SmartCityX, and something I neglected to mention in the beginning here is that it's not just about corporates and startups. In all of the work that we do, whether it's smart city, whether it be food tech, whether it be sports tech and all these other verticals that we've worked in, we like to surround these programs with what we would consider as industry experts or thought leaders. Somewhat akin I would say to a mentor, right, in an accelerator. The difference here is that we're not looking to engage these leadership circle members or you could refer to as mentors in this kind of one way street. We want to create an opportunity for them in many respects to find the next great opportunity just as much as our corporates are looking to engage, if that makes sense. Right?

Michael Proman:

In some cases, it's two way. It's very kind of, I would say, self-serving for everybody involved. We want to create some self-interest because I think when you have that, you have the best conversations. They're much more authentic. They become more actionable. What's great about this leadership circle, we have over 60 global thought leaders in the smart city space, is that we can also tap into them for insights and knowledge. Earlier this year, we conducted a survey, as you alluded to, to this group of individuals. We were able to really extract where their head was at as far as both the pandemic, the impact that it's had on urban communities and beyond. What we found, again, not probably too earth-shattering here, you could say, is that there is a lot of vibrancy, right? There's a lot of optimism.

Michael Proman:

When we look back and we say, okay, is it coming from the private sector exclusively? Is it municipalities? Is it academia? Is it even startups? It's broad-based. We asked all different types of questions, right? What's driving the change in cities? Will data make an impact? Again, the surveys all came back with a common theme. One of the kind of, I would say more or less a microcosm of this, a woman, a member of our leadership circle, Anna Sandquist, who's a Merchant Director of the Connected Home and Connected Car group at Best Buy. She's in the epicenter of this. The impact that it's had on wifi connectivity, right, tech infrastructure, these are all at the top of the list, I would say. In terms of some of the trends that we're seeing, people are thinking about their homes and places of high dense activity as these hubs. Right. It's not just fitness and work, but how do we really build around that in innovative ways?

Chitra Ragavan:

What do you see happening? What do you see evolving? How will the home change as more and more people work from home? Will office buildings in big cities get filled up again? What's the vision?

Michael Proman:

I mean, I think there's always a play to have people come together and collaborate and people are just tribal beings, right. They need to be surrounded with people who share certain areas of interest and opportunity. I don't think that goes away entirely, but I think we're going to go much more into that omni-channel experience. You could say for work, where there is a heavy dose of digital, where face time doesn't really qualify itself anymore. Then with respect to virtual work, I think for me personally, as I said, I've been doing this for 12 plus years before the pandemic. I think there were a lot of people who questioned, what does Mike actually do all day? Does he actually work? I think if there has been one silver lining in a very dark cloud here is that the pandemic has really kind of almost recentered people a little bit and understood that virtual work is work. People can get a lot accomplished as you have been able to do personally in this 12, 15 month span.

Michael Proman:

I don't think it's going away. In fact, I think it's going to influence the way in which people choose to live, where they choose to live, how they want to surround themselves with technology. I mean, you talk to home builders, right? It's interesting now the questions that home builders are getting asked, right. Can I get a nine foot ceiling so I can get a treadmill put in? Can I get an office instead of that nursery or third bedroom, right. That's kind of the progression in terms of where we're at. Commuting times. I think people used to really stress about the ability to, oh, I got to be commuting for 45, 50 minutes a day each way, two ways. Now if I can work from home two or three days a week, I don't care about driving 40 miles into an office a few days of the week. I can live further away. Does that hurt cities? No, I don't think it does because I think cities will always be vibrant. They're not going away. They're not dead. It's very similar in some respects to the shopping mall. It's not on its last life, it's just evolving. I think the way in which cities are going to be forced to engage with people, you have to rethink that a little bit more.

Chitra Ragavan:

I mean, I'm very much like you. I've worked from home for the past dozen years. Literally, COVID changed very little for me. I have multiple office spaces all over the house.

Michael Proman:

Yeah, totally.

Chitra Ragavan:

But I think the future of the house as I see myself working in different enclaves of my house, and I have a studio space and I have an office space, I think the future of the

house is going to change. I think because we were kind of an anomaly, right. We work in Silicon Valley and we work remote. I would imagine for the majority of the population that's been going into work, the shape and design and imagination of the home is going to change. You're probably seeing that already.

Michael Proman:

Very much so. Right. Having lived in a variety of environments, right. I mean, it's all about the stage of life, of course. In my early mid 20s and I'm living in New York. At the time, I was in a 450 square foot alcove studio apartment, and that was fine, right. Because how much time do you actually spend in your place when you live in a city like that and when you're at that age. The reality is I couldn't even envisioned doing that for over a year, right, of just being more or less on house arrest in that type of an environment. There were people who did go through that. I'm very fortunate and lucky in so many ways that I had the space, that I've been able to adapt to this pandemic in ways that other people just haven't been able to. That's caused a lot of other issues as you know. Whether it be mental health, whether it be physical health or otherwise, I think people are ready to figure out kind of what that next chapter looks like and know that can evolve and change as things move forward.

Chitra Ragavan:

Yeah. I know you said the cities will always be vibrant, but I wonder, there's all of this real estate that emptied out during COVID. Is that all going to fill back up? Or if remote is a big part of how companies rethink how they do business, what happens to all of that space? How do cities reimagine their work, their real estate space?

Michael Proman:

Well, it's going to take time. I live in the Twin Cities here in Minneapolis, and one of the biggest employers in downtown is Target Corporation. Target said about a month ago, we're going to give up a large chunk of our downtown real estate. The building in which they're vacating, that's going to suffer, right? Everyone's going to suffer. It's going to be the shops, the vendors, everybody over there. At the same time, that building, it may be the kick in the backside that they've needed for years to really reinvent and really think more about long-term what we want this space to embody and envision. Is this turn into potentially housing? Does it turn into retail? Does it turn into fitness or any type of other communal facility, right? Or is it office space? Instead of having numerous floors owned by one company, the ability to partition that off and break it up. Because at the end of the day, you're right.

Michael Proman:

I mean, people are giving up office space. There's no question about it. People are downsizing. What downsizing also incorporates is you can reconfigure spaces to accommodate those trends. The good news is people that are much smarter than me, which is quite a few people, will certainly figure this out. There's too much at stake here. I think municipal leaders understand that if they aren't trying to help solve this problem, it's not going to just fall onto one audience because everyone's going to suffer. I think

everybody is united in solving these types of issues. I think, again, the vibrancy of these urban communities is what is it driven by? It's driven by a lot of the socialization. That's bars and restaurants, it's sports venues and concert facilities. Right? Making sure those attractions are able to reopen and be the catalyst to bring people back. I think there's no question that that's a positive for urban communities.

Chitra Ragavan:

There was an article in the New York Times, and I know I saw you had commented on that too on LinkedIn on how some cities are on a fast track to recovery and others aren't. Tell us which cities are on the fast track and what allows them to recover at a faster pace than other cities?

Michael Proman:

Yeah. I think the comment I posted was really kind of drawing the analogy to the stock market, right. When you have a recession, what are the types of companies that seem to bounce back faster? Those are traditionally small caps, right? It's the Russell 2000, the Russell 5000, right? It's the ones that are more nimble, the ones that are able to pivot and be more agile. I think that's directly correlated here on the urban side too, right? The New Yorks, L.A., San Franciscos, Houstons of the world, it may take some time, right? I mean, these are legacy cities. Obviously, there's no shortages of innovative personnel and companies and leaders. I'm not saying that they're dinosaurs, but the cities that may not be as large. They aren't as reliant on numerous stakeholders or audiences. Those are the ones who might be able to solve this a little bit faster.

Michael Proman:

Look at a Madison, Wisconsin, right, or a Kansas City, Missouri. Right? Even in Austin, Texas, not probably in that top tier but ones that tend to probably skew north on the innovation kind of equilibrium and at the same time, have accomplished leaders, solid corporations. That's where I would put my money. Right? But it's not a race. I mean, in some respect, you're right, it is. But we want to get it right. Even if that requires taking time in kind of bigger, more potentially bureaucratic markets, that's not a bad thing. At the end of the day, I think we're all moving in the right direction. It's just about who's going to get there six or 12 months faster. But if you're investing in the longterm, it's negligible.

Chitra Ragavan:

I think when we talk about humans, people bouncing back from adversity, we talk about the importance of resilience. I wonder if cities also have to start to build more resilience into their fabric and maybe cities that are more resilient and maybe technology, cities that are more tech-friendly have more resilience. I don't know the answer. Do you think that has something to do with it?

Michael Proman:

Yeah. Well, I think going back to the survey, I think the biggest impact in the coming year, people would talk about is smart data, right? Cities have access to this data and

that you're able to democratize the data and the data set. I think sadly, there are a lot of municipalities that were making decisions without data for way too long. Hopefully as budgets enable it, they're able to make smarter decisions based on the data set that they have in front of them. I talk to a lot of municipal leaders. There's one in particular, a gentleman by the name of Jordan Sun who's phenomenal. He's the Chief Innovation Officer of the city of San Jose. You talk about kind of a high pressure job, right?

Michael Proman:

I mean, when that's your title in a market that produces probably some of the most innovative technologies in the world, you better be on your game. Jordan is beyond most people as it relates to technology and innovation. They definitely got the right person in charge. But again, it's about digging deep. It's about establishing a great dialogue between municipalities and corporations and figuring out how to best attack these things in a way that removes the silos. Again, we're all fighting the same thing here, right. That's the nice thing, maybe if anything, is that COVID has unified us in ways that we probably, we weren't unified before in some respect. Right. Everyone can agree that cities can do more.

Michael Proman:

I know we talked about before the need for cities to become more equitable and use this opportunity to be able to deploy technologies to underserved or marginalized communities, areas that pre-pandemic were not probably seen as the primary beneficiary for technology. And saying, okay, again, if there are positives to come from this is how do we deploy technology to those communities, to those areas in a way that makes sense and that will not produce these generational inequities that we were essentially, we were on it. We were on a status quo, path towards. To me, that's a good thing.

Chitra Ragavan:

I want to talk a little bit now about smart cities in particular. I mean, we talked generally about cities and bouncing back from COVID-19. I want to talk about whether it has also changed people's vision of how smart cities evolve. Before we do that, for the lay person, what exactly is a smart city? I mean, we know about smart homes in general, but what's the vision of a smart city and a definition?

Michael Proman:

That's a great question, right. I think my belief is that the idea of calling something smart city technology, I mean, I feel like you're asking somebody. It's like watching an episode of The Jetsons too, with like flying cars or something like that. Somebody could give you that definition, of course. To me, that has nothing to do with the new and improved way in which we think about cities. To me, it's about technologies that enable people to live healthy, more meaningful lives. Cities to be diverse and inclusive and equitable. That to me is the essence of a smart city and maybe the 2021 definition. Yeah, will that encompass things like flying taxis? Yeah. Maybe. But I think we want to take a much more practical definition and saying, okay, when we're thinking about infrastructure,

when we're thinking about mobility, when we're thinking about products and services or sustainability, what is the problem we're trying to solve?

Michael Proman:

How can we best deploy this in a way that serves the greater good and does so in a way that doesn't pick and choose winners? Because I think in the past smart city, so to speak, we're able to deploy technology with sensors or IOT and connected devices. Right? But it wasn't really broad. It was a very narrow scope of work. There were certainly, again, that barbell effect of winners and losers being attributed to that. To me, that's the main kind of change that has occurred here as we think about smart cities as how do we define them moving forward. I think that holds true both here domestically in the U.S. as well as around the world, but probably more of a heightened emphasis today here in North America, just given some of the social challenges that have emerged in the last 12 months in parallel with the pandemic.

Chitra Ragavan:

Is it not technology-driven or is it getting technology access to people in underserved areas? I guess, what's the difference?

Michael Proman:

Well, it's a people-first approach I think is the number one thing, right. People come from all walks of life, but I think it's probably a little bit more of the latter, of what you just mentioned, right? It's about democratizing technology. It's about giving people access to it in ways that they haven't been able to be the beneficiary previously. It's about putting public transportation into areas and investing in that transportation from a technology standpoint. It's about rethinking building infrastructure. It could be low-income housing. It could be how we build infrastructure and where we build infrastructure, in some respect. I do think within urban communities in particular, the conversation is going to start more of the, not the what, but how are we going to do this and how are we going to do this in a way that impacts the most people and doesn't kind of... Again, look at people by way of tax brackets, but looks at them as people and what they need.

Chitra Ragavan:

But if you look at low-income housing, for instance, what would make it a smart city low-income housing as opposed to regular low-income housing? Is it just that you're bringing tech better materials, data-driven, IOT-driven?

Michael Proman:

It really goes with data, right. I mean, you can build, materials, I think are negligible when you start talking about low-income housing. I mean, it's the same material that you could use in a high rise condo building, right. At the same time, I think to me, it's about less of the hardware and more of the software and the capabilities that surround that infrastructure. Is it access to fresh and healthy foods? Is there a component there? What does that look like from a technology standpoint? What's enabling that? Is there access to affordable mobility solutions, right? Whether it be things like light rail, clean

energy and busing, those types of technologies as well. It's a tough way to think about it, right. Urban leaders have been trying to think about this for decades. But I think now more than ever, we're thinking about technology as let's not just build the low-income housing unit but let's make sure it's going to be sustainable and successful. To do that, we need to plug in the latest and greatest as it relates to IOT, as it relates to data-driven capabilities and access to technologies that make people's lives better on a day-to-day level.

Chitra Ragavan:

It's really interesting. I've been talking to other people about the same thing is that you not only had COVID, but you had all of these social issues over the past year over race and gender and economics. Now it's almost like when you build a smart city of the future, there's that element of social conscience that's being built into it. I see that in other areas as well.

Michael Proman:

Very much so. I mean, I think people are taking a hard look right now as they make decisions of asking the question, who is missing? I think it's a question we all should be asking. Whether it's at just a weekly meeting or we're trying to make decisions on things. How do we ascertain a diverse perspective and viewpoint? That to me has been one of the biggest wins, right? Is that people are asking those questions now. I think now more than ever, whether it be board representation, whether it be the abundance or the growth in diversity and inclusion officers, right. Within not just corporations now, with startups, within VCs. Seeing hopefully a trend here in venture capital of investing in minority founders that had been underinvested, so to speak, for way too long.

Michael Proman:

These are all positive steps, but again, you hope that this is fixture not fad. I think the same holds true for urban development and smart city technology is that, is this just an artificial high and we're going to go back to status quo when things hopefully get to a more normal level or what was presumed to be normal? We need to ensure that our leaders continue to hold us to high standards. Everybody is accountable. When it comes to tech and technology being deployed, again, I hope we're continuing to ask those same questions that we have in the last few months.

Chitra Ragavan:

You've talked about the importance of infrastructure and infrastructure funds, and the role of critical infrastructure and smart infrastructure that's going to help cities recover from the pandemic. Is the Biden administration and its huge stimulus package and infrastructure package focusing enough on this notion of smart cities and how to use infrastructure to build smart cities in a way that represents the future?

Michael Proman:

Yeah, I think infrastructure, right. I mean, you can talk about building materials that are probably more eco-friendly. It's very hard. You can talk about, again, more of the

technology or the software components that go into these projects or venues, or in some cases, residential units. A lot was made of the infrastructure bill that was recently passed. I think it's always going to be a partisan debate], everything these days is. Nobody can agree on anything. My one kind of takeaway here is just give it time, right. I mean, we're a country and a culture I feel of like everyone wants instant gratification, right. Unfortunately, that's just not the way these things work.

Michael Proman:

I mean, you invest long-term, but long-term politically is the political cycle is every, it seems like every three months we're talking about the next election cycle. Everybody's trying to position themselves for that versus think more holistically on a long-term basis. Hopefully, that's where there's a balancing act between the public and private sector of our politicians may change every two or four years, but I'm pretty confident that some of the biggest players in infrastructure development are going to be generational and beyond. My hope is that we can take our lead in certain situations from the private sector that are reacting, of course, to the legislation that's being passed. But still have their heads down and understand what their five, 10 and beyond year plans look like because that's really going to get us to where we want to be.

Chitra Ragavan:

Great. Thanks, Mike. Do you have any other closing thoughts on your vision for the smart city and smart society of the future? Any example of anyone who is doing it better than anybody else that could be seen as a model for the future?

Michael Proman:

Yeah, well, it's interesting. I love to travel. Unfortunately, like everyone, that hasn't really occurred here recently. I think part of the travel I like to do is on a global level and for that exact same purpose, right? It's about discovery, fact-finding. I'm excited when it's safe and accessible to go on a global road trip and have that exact same conversation. Because it would be, I think, irresponsible of me to just say, they're doing it well, they're doing it best because so much has changed and I haven't personally been able to go out and see some of the best practices in motion. There are regions within Europe, there are certainly areas within Asia and beyond, and even in developing countries that have figured out how to solve challenges in ways that sadly one of the wealthiest countries in the world still struggles at.

Michael Proman:

That to me is the essence of what we're trying to build here with SmartCityX and beyond is this is a diverse, very global approach. While we're certainly skewed and biased based on our North American base, it doesn't preclude us from surrounding the program with great leaders and people from other geographies that we can learn from. Again, when the coast is clear, I'm excited to get back out there and really rediscover that exact question is who's doing the best. Hopefully, we can chat a little bit more about this in the coming weeks and months.

Chitra Ragavan:

Yes, definitely would love to have you back on as you start to get back on the road and see some of these things.

Michael Proman:

Yeah, no, it'd be lovely. Well, thank you again.

Chitra Ragavan:

Yes. Thank you for joining us today and for the great conversation.

Michael Proman:

My pleasure.

Chitra Ragavan:

Michael Proman is Managing Director at Scrum Ventures, an early-stage venture firm that has invested in more than 80 startups across a range of industries in the U.S. and Japan. Proman worked in global marketing and development at Coca-Cola and the National Basketball Association prior to starting and ultimately exiting his initial startup, OptionIt. He has helped lead multiple startups to acquisitions and continues to play an active role in mentoring and advising founders across multiple industries. Proman is a contributor to TechCrunch. His most recent piece is titled, Will COVID-19 spur a smart rebirth for societies? Check it out. This is Techtopia. I'm Chitra Ragavan.