

# Tom Still: Despite caution signs, state investors aim to follow balanced road

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MADISON, Wis. – In and around Boston, layoffs in the region’s cluster of biotechnology companies are unnerving to many. The Boston Business Journal recently counted 4,100 layoffs through 2025, with more to come as a mix of forces hit home in one of the nation’s oldest hubs of biotech and pharmaceutical research and development.

Are the Massachusetts layoffs a “canary in the laboratory” for Wisconsin, which has counted on life sciences companies large and small for much of its technology-related growth?

That’s possible, but the diversity of the state’s emerging and mature medical technology firms offers some economic insulation – even as a blend of factors, globally and locally, erect caution signs down the road.

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Recent conversations with some veteran early stage investors and company founders painted a mosaic of Wisconsin challenges:

- Competition with China, especially around drug development;
- Major investments in artificial intelligence sucking some of the air out of the deal room;
- The effects of AI tools on conventional life sciences research;
- Regulatory paths that take too long while consuming company dollars;

- Cuts in federal research spending that can crimp major universities and companies alike.

Another major factor: While Wisconsin produces its share of life sciences startups, a lack of venture capital up the food chain makes it harder to achieve what investors call an “exit.” That’s defined as a profitable sale, merger or acquisition of a successful young company; an event that pumps profits back into the system.

The reported acquisition of Madison-based Exact Sciences, a cancer diagnostics company, by Abbott Laboratories may help to foster that. So could some other recent exits, such as health data analytics firm Cardamom Health Inc. The fact remains that Wisconsin’s investment footprint is small compared to national trends.

“We might have a good mix of deal types, but our average round of (venture capital) financing is \$3 million and the national average is \$30 million,” said John Neis of Venture Investors Health Fund, which has offices in Madison, Milwaukee and Ann Arbor, Mich. “How can we compete nationally and internationally without closing that gap? Generally speaking, (Wisconsin) companies don’t have as much money.”

Venture Investors opened its Michigan office after that state invested in a “fund of funds” to attract investors who can write bigger checks with the help of public seed dollars. Ohio is among other states that have done so. In venture capital lexicon, these are “Series B” and “Series C” dollars Wisconsin lacks at home.

Mark Bakken of HealthX Ventures agrees and credits the 2024 launch of the Wisconsin Investment Fund for improving state competitiveness. He also noted his firm invests primarily in digital health companies, where AI innovations can be an advantage in health care.

“Everyone knows there aren’t enough physicians and nurses in America, so perhaps we can use AI to augment existing people for the good of patients, professionals and organizations alike,” Bakken said.

A longtime player in Wisconsin’s risk capital arena is Wisconsin Investment Partners, an angel capital group that has made more than 75 investments across the state and beyond since 2000. It consistently ranks among the nation’s most active.

Co-director Andrea Dlugos analyzed the network's investment mix and broke it into two "time zones" to illustrate WIP's growing interest in multiple sectors.

From 2000 through 2013, nearly 18% of WIP's investments were in biotech and more than 29% were in pharmaceuticals with deals in 13 other sectors. That's a total of 47% in biotech-pharma alone.

From 2014 through 2025, combined deals in biotech, pharma and therapeutics represented just 11.5% of WIP's total portfolio with investments in 18 other categories.

About 57% of WIP's deals in the first 13 years were write-offs, compared to 25% in the second 12 years. Was the risk spread more effectively in WIP's second 12 years versus its first 13? Dlugos called it a "big transition away from focus on biotech and pharma" with "more even distribution in sectors" over the latest 12 years.

While some regions may be more dependent on a single tech sector, it's reassuring to know Wisconsin is spreading its investment bets. It just needs bigger bets.

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