

Statewide Initiative to Accelerate Growth of Entrepreneurial Communities

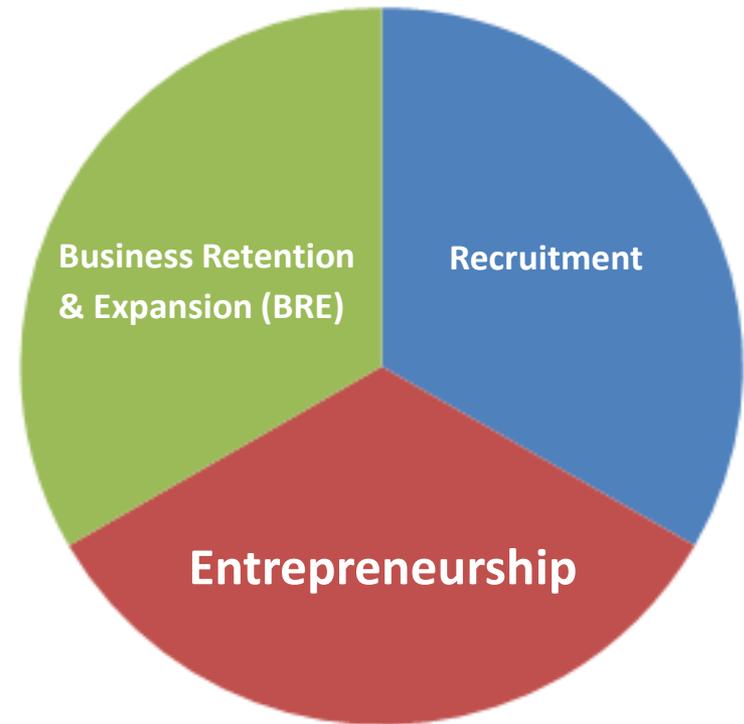
Presentation to the House Committee on Higher
Education, Innovation and Workforce

April 29, 2015



Opportunity

- Accentuate formation and growth of high impact and traded-sector companies in Oregon
- Build on current initiatives and coordinate future work
- Position Oregon as a top 10 place to start and grow companies in the U.S.

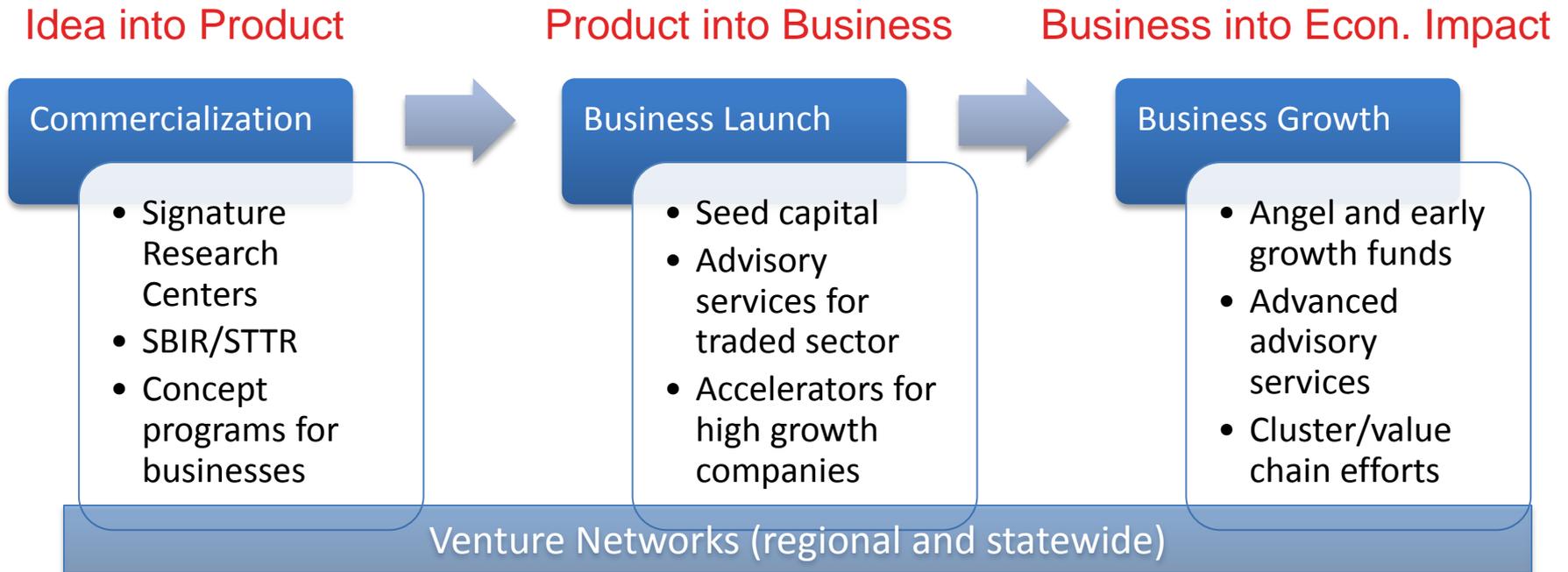


The Value of a Vibrant Entrepreneurial Environment

- **Job Creation:** A handful of companies (5%) create over 2/3 of all jobs ("high impact" companies)
 - 75% of these are startups and young companies (< 5 years old)
 - Weathers recessions better than most
- **Talent Development:** Entrepreneurs are place based.
 - They may sell a company, yet most stay to start again
 - They attract other talent critical for growing the economy
- **Wealth Creation:** Significant economic impact beyond jobs
 - Attraction and reinvestment of capital
 - Above average wages, payroll, and revenues
 - Creation of new generations of companies and suppliers



The Venture Continuum



~85% of innovation-based startups are industry/private sector based
The combination of advise, connections and capital can double success
Rural venture development has unique challenges



Common State Level Support

State Strategies for High Impact Entrepreneurs/Businesses	OR
Commercialization and concept development (e.g. SRCs)	Good
Regional accelerators (Programs with advisors/\$)	Modest
Startup capital: e.g. revolving loans (debt) and seed grants/early equity positions (non-microenterprise) associated with mentors	Modest
Growth stage mentoring programs (operations, management, board development)	Limited
Angel conferences, networks and funds	Moderate
Coordinated statewide and regional entrepreneurial strategy	None (2002)
Regional hubs/organizations (Someone's job to connect the dots)	Limited



Examples of Recent Budget

- Missouri (2016 request): \$15.8 MM/year to MTC for advisory services and early stage grants
- Wisconsin (2014): \$1 MM accelerators; \$1.5 MM capital catalyst; \$4.4 MM technology development loans; \$310,000 to statewide association
- North Dakota (2015): \$1 MM for entrepreneurial centers & grants
- Oklahoma (2015): \$1.9 MM/yr for services and \$3.6+ MM/yr for seed fund/services; down 33%; 1:14 private sector leverage
- Tennessee: StartupTN \$250,000 grants for matching capacity of 9 regional networks/accelerators (\$2.25MM total)
- Ohio (2014/15): \$48 MM/biennium for entrepreneurial programs (ESP) to regional hubs (does not include commercialization efforts)
 - Third Frontier Program 9:1 ROI (higher for entrepreneurial efforts) 500 created/capitalized companies, \$6.6 B in economic impact



Typically < 5% of economic development budgets

Oregon's Pipeline Challenge



Lack of support for entrepreneurial ecosystem creates a gap in the pipeline and can sub-optimize state investments and economic impact

State support does not need to be costly – basic organizational capacity and targeted early stage capital are typically small percent of economic budget

Building regional hubs connected by a statewide network is a logical next step toward a more cohesive entrepreneurial strategy

Network approaches in rural areas is working for other economic efforts:
(e.g. Forest Collaboratives)



Statewide Entrepreneurial Catalyst Network Proposal

A collaboration between Oregon Entrepreneurs
Network (OEN) and regional economic partners



Situation

- Portland has a thriving entrepreneurial ecosystem with available Advice / Connections / Capital
 - Availability & effectiveness varies by sector
- Regions outside Portland are developing these ecosystems
 - With inconsistent support and varying degrees of success
- There is a lack of coordination among initiatives
 - Definitely among regions, and even within Portland
- Oregon is competing with other states/regions as an entrepreneurial hotspot



Problem

- Modest and adhoc funding for supporting the growth of promising startups
 - Lack of capacity to sustain or scale successful programs
- Lack of coordination among the resources that do exist
 - Needs to be someone's job
 - Connecting role proven to leverage private investment resources
 - Connections among regions increase urban-rural economic opportunities



Solution

Build a statewide Growth Catalyst Network to:

- Accelerate development of entrepreneurial ecosystems within each region: Success defined by each region
- Connect, align, and leverage local, regional & state initiatives – both private and public – within and between regions
- Begin with regions that have active entrepreneurial support systems; catalyzing them elsewhere
- Shared funding from state, regions, and private sector



*CONNECTIONS DRIVE
GROWTH!*



Framework for Action

- **Accelerate economic growth in all areas of the state**
 - Increase entrepreneurial activity -> create jobs and wealth
- **Build on existing efforts**
 - EDCO Catalyst Manager and OEN regional coordinators
 - Regional investment conferences (Angel Oregon, Bend Venture Conference, Willamette Angel Conference, Roseburg Angel Investment Network ...)
 - OEN Bootcamps
 - Accelerators / Incubators (RAIN)
- **Implement recommendations of the 2014 Capital Scan**
 - More education / mentoring resources for entrepreneurs
 - Coordination between accelerators / incubators
 - Identification, recruiting, and training of accredited investors



Catalyst Managers

Roles and Responsibilities

- Track and support scalable, high impact start-ups
 - Connect them to resources: people (mentors/employees), physical assets (equipment, labs, office space), capital money
- Create, expand, maintain, and deploy regional mentor network
 - Identify individuals, establish and update database of skills, actively connect mentors and entrepreneurs
- Manage regional assets
 - Angel Conferences, PubTalks, etc.
- Support and catalyze development of regional ecosystem
 - Incubators/accelerators, lab space, angel networks, etc.
- Connect and coordinate regional resources with statewide counterparts
 - Help create reciprocity so regional startups can access statewide resources
- Support and catalyze regional sources of capital
 - Recruit VCs, catalyze formation of angel groups and regional funds
- Identify, recruit, and educate regional angel investors



The OEN will additionally coordinate the network and bring the regional efforts together regularly

Metrics

- **Pipeline of High Potential Companies** (assisted 1-1 and through accelerators)
 - Business assisted, companies launched, entrepreneurs trained
- **Economic Impact: Results at assisted companies**
 - Regional wealth creation: Jobs, payroll, revenues
 - Capital attracted to region and invested in local companies
- **Sustained Capacity: Building Ongoing Success**
 - Accredited investors identified, reached, and trained
 - Resident capital that is reinvested in the community
 - Enhanced mentoring and professional resources to "pay it forward"



Next Steps

- Budget Request
 - \$750,000/year for two years (\$1.5 MM for biennium)
 - 50% from regional partners and private sector contributions
 - 50% from the state (\$375,000/year)
- “Ready to go” Partnership
 - Regional partners on board (EDCO, RAIN, SOREDI)
 - Statewide organization to coordinate (OEN)
- Strong metrics in pilot region that shows significant state ROI



Central Oregon Example



VCM as Deployed by EDCO

**Supporting
scalable startups
by networking
them to:**

- Money
- Mentorship
- Mortar

Managing Assets:

- Stable of Experts
- PubTalks
- Bend Venture Conference

**Developing
Infrastructure:**

- Identify and address gaps that affect long-term success



EDCO VCM

Strategic Initiatives

- Record-setting Bend Venture Conference is NorthWest's largest
- PubTalks—major growth (300 + attendance at select events)
- Founders Pad—established
- Cascade Angels—established
- 7 Peaks—aided development
- CRAFT3—recruited
- Stable of Experts—over 115 mentors
- Industry Clusters — support existing (i.e. Tech Alliance BOD) and catalyze new ones (i.e. Food Products)



EDCO VCM

Measureable Impact

 Company Meetings	 Jobs Created	 Events	 Invested Capital	 Payroll
483	116	53	\$9M	\$4.3M

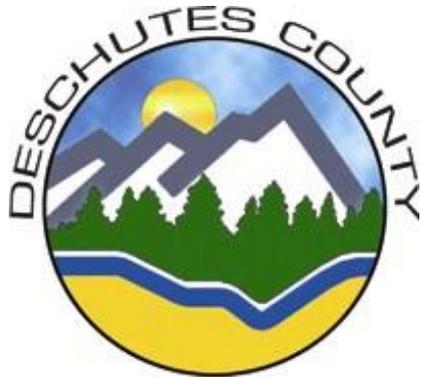
EDCO Metrics FY July '12- June '14



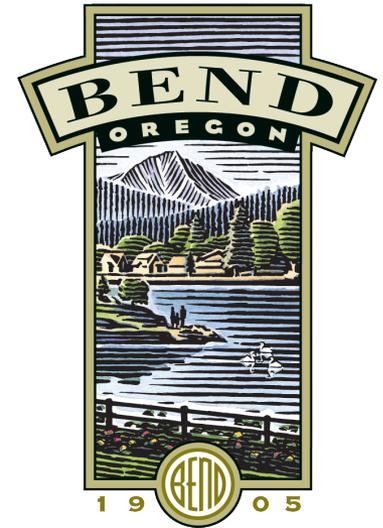
EDCO **MOVE
START
GROW**

EDCO VCM

Broad Community Support



Private Sector Sponsors



Thank-You

