



# *SoVermont Business Accelerator Feasibility Study*

## *Executive Summary*

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### **ViTAL Economy Alliance**

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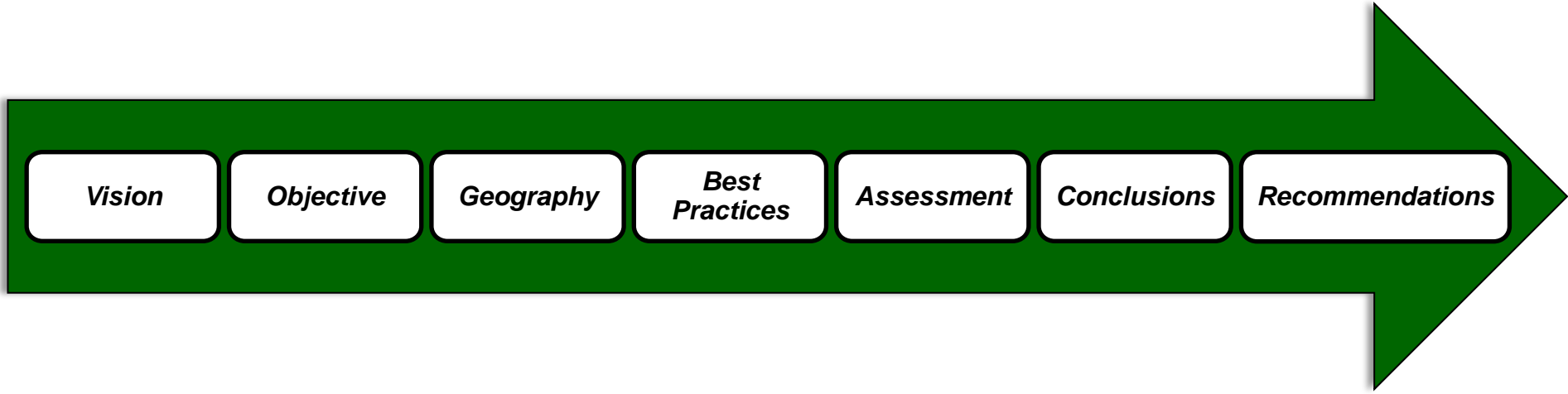
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# *Executive Summary*



## Regional Business Accelerator Vision

The Southern Vermont Business Innovation Accelerator leverages our commercial, creative, and community resources to create a unified economic development engine for a thriving region. The Accelerator will,

- Foster a strong entrepreneurial culture and dynamic business environment
- Provide long term resources and support for successfully launching and scaling innovation-based businesses
- Nurtures a diversified economic base that is robust and resilient
- Suite of services for small, specialty or location-specific enterprises
- Attracts new opportunities to the region based on a thriving business environment and high quality of life
- Serve Green Economy, Healthcare, Advanced Manufacturing and Agriculture Sectors

Source: Accelerating the Green Building Cluster Tri-State Collaboration, Application to EDA

Assess feasibility of developing an effective and sustainable business accelerator that creates a more robust regional innovation environment

1. *Assess the current state of the region's innovation environment*
2. *Conduct a gap analysis of the region's innovation environment*
3. *Recommend "right" size and design of a regional business accelerator function*

Feasibility  
Analysis & Approach

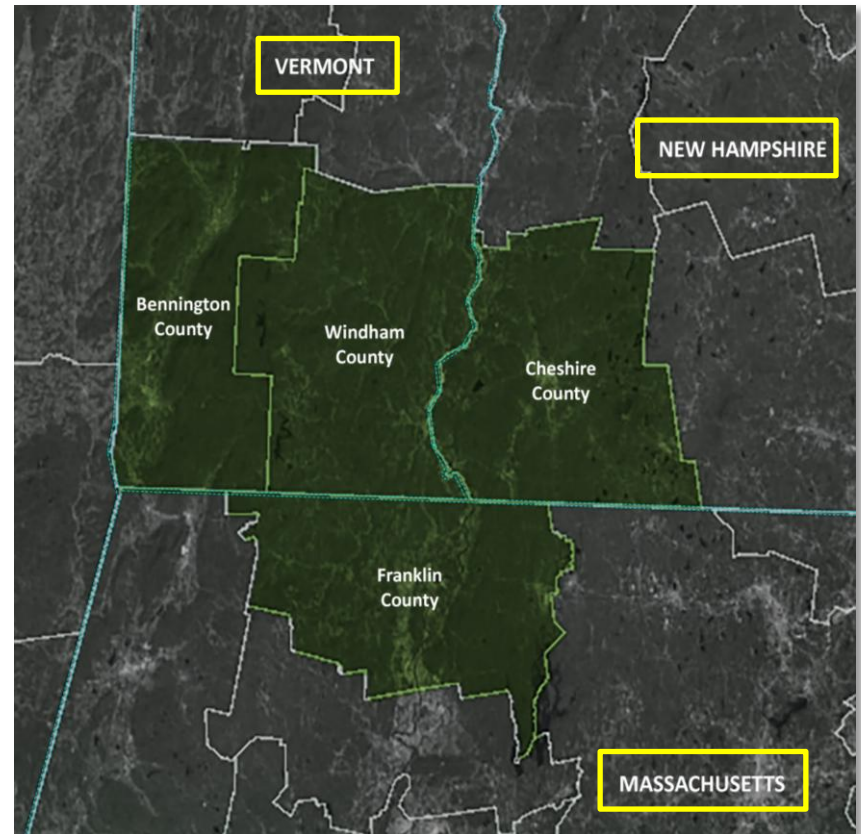


1. National best practices for innovation and business accelerators
2. Resource assessment
3. Needs assessment
4. Feasibility and funding
5. Performance metrics
6. Program design, culture and delivery model

The SoVermont Business Accelerator Feasibility Study has been conducted across a four county, three state region including, Bennington and Windham County, VT, Cheshire County, NH and Franklin County, MA.

In 2014, the regional economy had 144,339 jobs in 7,318 establishments.

In 2013, the regional GDP was \$9.8B or approximately \$68,130 per job.



"Rich innovation cultures are those that are robust innovation networks that connect people, ideas and objects together in ways that form effective and lasting communities and technologies."

"Great innovation organizations or regions are built around technology brokering, a strategy that exploits the networked nature of the innovation process."

"Successful entrepreneurs and inventors are no smarter, no more courageous, tenacious or rebellious than the rest of us —they are simply better connected."

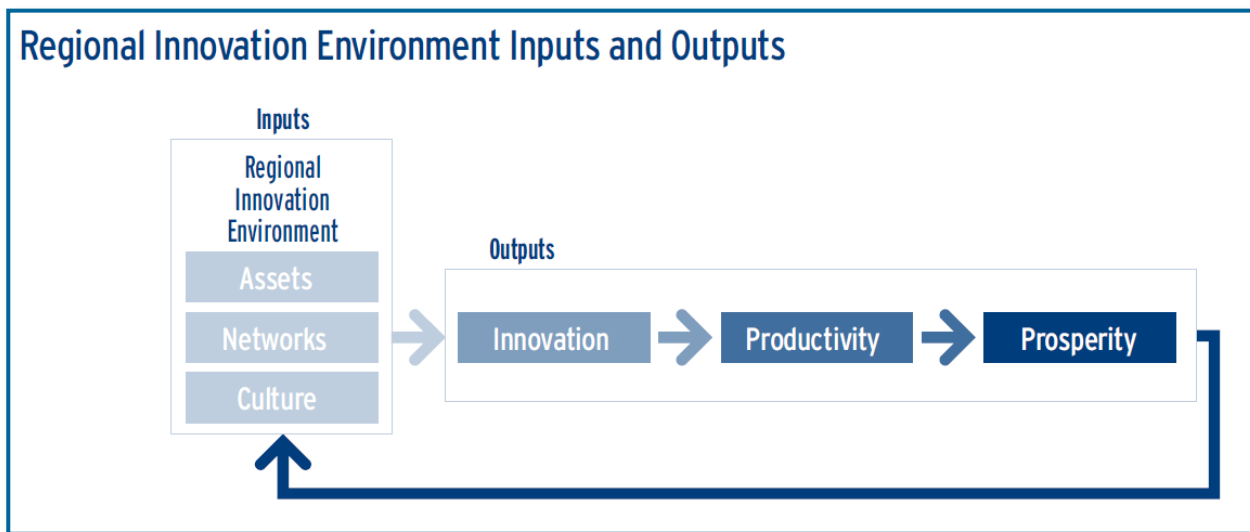
- Andrew Hargadon, Graduate School of Management at University of California, Davis

## TECHNOLOGY BROKERING = ACCELERATOR

Breakthrough innovation is all about being organized around the process of the recombination of old ideas rather than invention. To be an effective technology broker, you need to span a number of industries and move ideas from where they are known and practiced to where they are not.

Recombination innovation is the essence of how to come up with product breakthroughs.

Source: How Breakthroughs Happen by Andrew Hargadon, Harvard Business School Press 2003



Successful regional innovation ecosystems embrace innovation, entrepreneurship and increased productivity as a cornerstone of their economic development strategy. Prosperity is the ultimate goal attaining a higher standard of living, increased per capita income, household income and decreased poverty levels. The establishment and existence of the ecosystem inputs are imperative for the outputs to occur.

## Innovation Assets

- Human capital – talent drives innovation
- Research and development institutions
- Financial capital
- Concentrated industrial base
- Transportation and communication infrastructure
- Legal and regulatory environment

## Networks

- The assets must be linked in a proactive, consistent and meaningful way.
- Building collaborations between business, education, government and non-profits is a prerequisite to achieving a “innovation hot bed”.

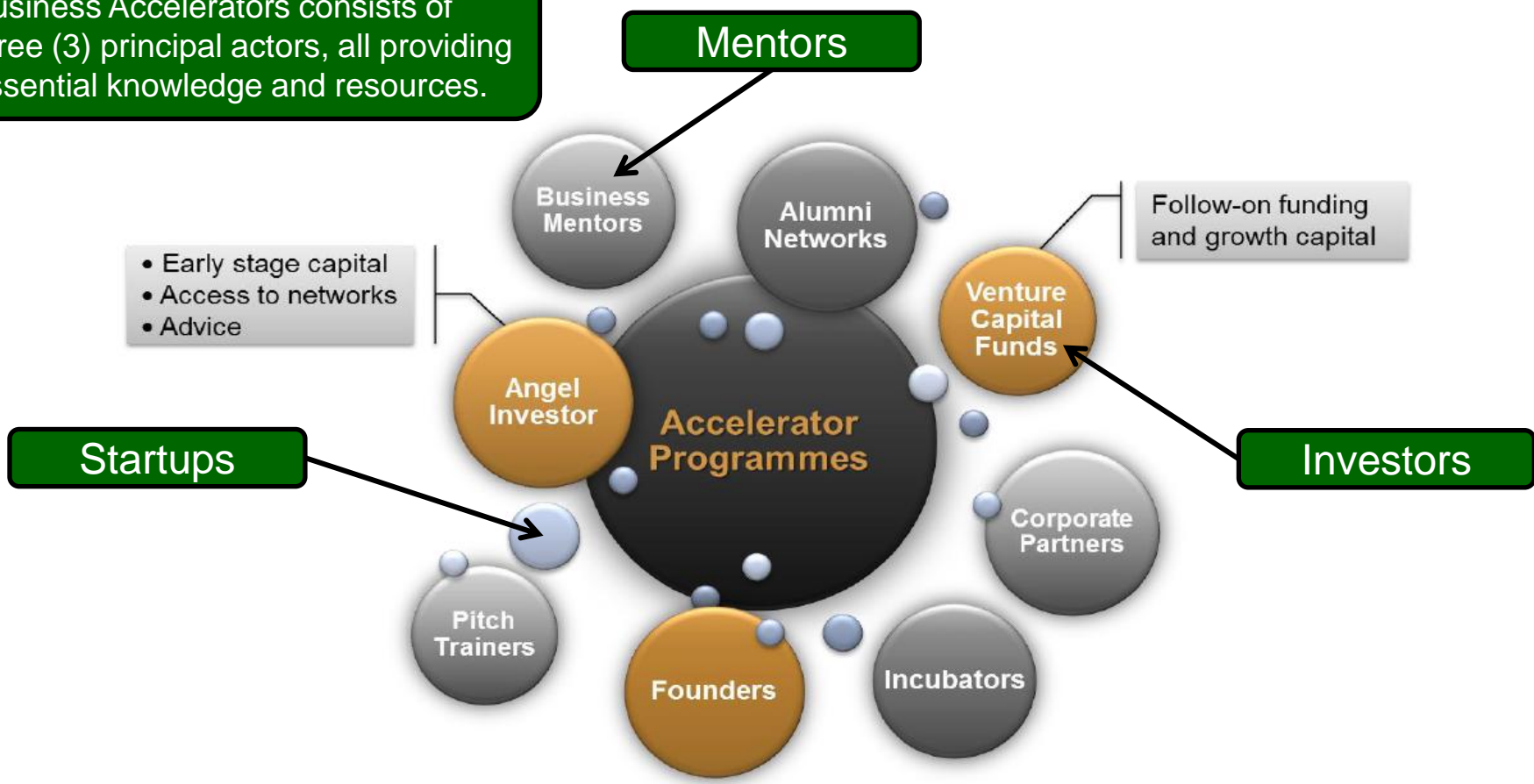
## Culture

- Innovation is about change – Is the region supportive and comfortable with change?
- History and climate of collaboration in the business community.
- Supports diversity of experience and backgrounds
- Comfort with risk-taking and understanding of failure

Source: Adapted from Measuring Regional Innovation: A Guidebook for Conducting Regional Innovation Assessments, US Dept. Commerce



Business Accelerators consists of three (3) principal actors, all providing essential knowledge and resources.



**Top Three Factors Influencing Entrepreneurs to Select and Enter a Business Accelerator Program**







1. Quality of Mentors
2. Brand Reputation
3. Networking Opportunities

Source: Business Accelerators: The Evolution of a Rapidly Growing Industry, University of Cambridge

- High performing and effective innovation ecosystems are the result of the connection and leverage of three distinct but integrated elements; innovation assets, networks and culture.
- Ecosystem must include the innovation and reinvention of three cornerstones of regional economies; structure of education and training, application of technology, and the organizational culture.
- Entrepreneurs (people) not capital is the critical raw material and resource that fuels an innovation ecosystem engine. Entrepreneurship is a “contact sport” that needs recognition and understanding of the personality and priorities of entrepreneurs and constant opportunities for interaction.
- Business accelerator programs or entities are a high risk venture requiring specialized leadership expertise, sufficient financing capital and a high risk tolerance by sponsors.
- Innovation ecosystems are not operated or controlled by a hierarchical structure (Spider), but rather function in a climate of freedom and chaos (Starfish).
- “Igniters” must be a robust component of the ecosystem, to generate the required deal flow to attract capital, providing sufficient return on investment and enough to sustain the ecosystem.
- Best practices should be prioritized, resourced and implemented intentionally for the network and ecosystem to succeed.



# Resource and Needs Assessment

Assessment Criteria	Rating	Assessment Rationale
Network of Innovation and Entrepreneurship Assets		<ul style="list-style-type: none"> <li>• Robust collection of intellectual capital, research facilities, and programs that can be leveraged.</li> <li>• No champion for Innovation and Entrepreneurship</li> </ul>
Mentors and Technical Expertise		<ul style="list-style-type: none"> <li>• Solid foundation of traditional business support services,.</li> <li>• Not a sufficient supply of specialty knowledge and expertise</li> <li>• Entrepreneur awareness of support resources is limited, moderate confidence in their value.</li> </ul>
Brand Promise		<ul style="list-style-type: none"> <li>• Not recognized as an area for high rates of innovation and entrepreneurship.</li> <li>• Underground entrepreneurs exist and chose to live in the area for its quality of life and social ethic.</li> </ul>
Financial Capital		<ul style="list-style-type: none"> <li>• Borrower understanding of application/collateral is weak.</li> <li>• Access to equity capital within the region is not effectively organized.</li> <li>• Alternative lifecycle financing resources are either limited or non-existent in the region.</li> </ul>
Human Capital		<ul style="list-style-type: none"> <li>• The region is challenged with an older demographic.</li> <li>• The region has a higher than the US average for 25+ with a Bachelor Degree or higher, but low in PST employment.</li> <li>• Consistent intake of bright young people coming to the area</li> </ul>
Innovation Culture		<ul style="list-style-type: none"> <li>• History of innovation in the last 15 years</li> <li>• Collaboration across geopolitical boundaries has been challenged</li> <li>• The region lack a connected innovation ecosystem.</li> </ul>



= Weak to None



= Below Average



= Average



= Good



= Strong

Assessment Criteria	Rating	Assessment Rationale
Best Practice: operation, economic		<ul style="list-style-type: none"> <li>The region has examples of high performing business support and/or incubation programs that have produced results over a long period of time.</li> <li>Regional community economic development leaders recognize the importance of entrepreneurship in a strategic plan and have made investments to support the strategy.</li> </ul>
Understanding Entrepreneurs		<ul style="list-style-type: none"> <li>There are limited locations and activities to connect entrepreneurs.</li> <li>Academic institutions have recognized the value and importance of integrating entrepreneurship training into traditional curriculum and launching new courses.</li> <li>Entrepreneurs have received value from their participation in business plan competitions; contacts and recognition.</li> </ul>
Climate of Entrepreneurship		<ul style="list-style-type: none"> <li>Vermont is an expensive state to operate in, “people make a choice to live here!”</li> <li>Vermont ranks #5 in the 2015 Kaufmann Startup Index, recognizing that this number is skewed by Burlington.</li> </ul>
Physical Infrastructure		<ul style="list-style-type: none"> <li>Flexible spaces for entrepreneurs exist in the area.</li> <li>Limited access to specialized equipment and technical tools in the region.</li> <li>High speed and mobile access to the Internet is not consistent from town to town, whether, at home, at work or on the go.</li> </ul>
Quality of Life		<ul style="list-style-type: none"> <li>The Vermont natural environment and social ethic is an attractor for niche market workers, businesses and entrepreneurs..</li> </ul>
Idea Igniters, R&D, Higher Education, Events		<ul style="list-style-type: none"> <li>The region has pockets of idea igniter events which are channeling entrepreneurs, Hannah Grimes, Valley Venture Mentors, FreshTrack Road Pitch, VCET and Windham Grows.</li> <li>The region needs to increase the number and variety of entrepreneurship events.</li> </ul>

= Weak to None

= Below Average

= Average

= Good

= Strong

- **Business and entrepreneurship resources** exist in a variety of forms, but are not well recognized, understood or easily identifiable for a point of entrance.
- **Business capital** is not a problem, the resource issue is the network between funders and entrepreneurs and the need for better and more complete plans.
- **“People choose to live in Vermont”** – the high quality of life and social ethic is an indigenous resource that can be leveraged to grow and attract niche entrepreneurs.
- The innovation ecosystem assets and resources do not collectively utilize **best practices** in program operations and economic strategies.
- The region is well above average in access to the most importance resource for a healthy innovation ecosystem; **Human Capital**.
- **The area is not seen as an innovation hub**, it is overshadowed by Burlington and Boston.
- The region does not have all the resources available to strengthen the innovation ecosystem and should not look to duplicate but rather **connect to others**.
- There is no **branded entrepreneurship initiative** or communication strategy for the region.

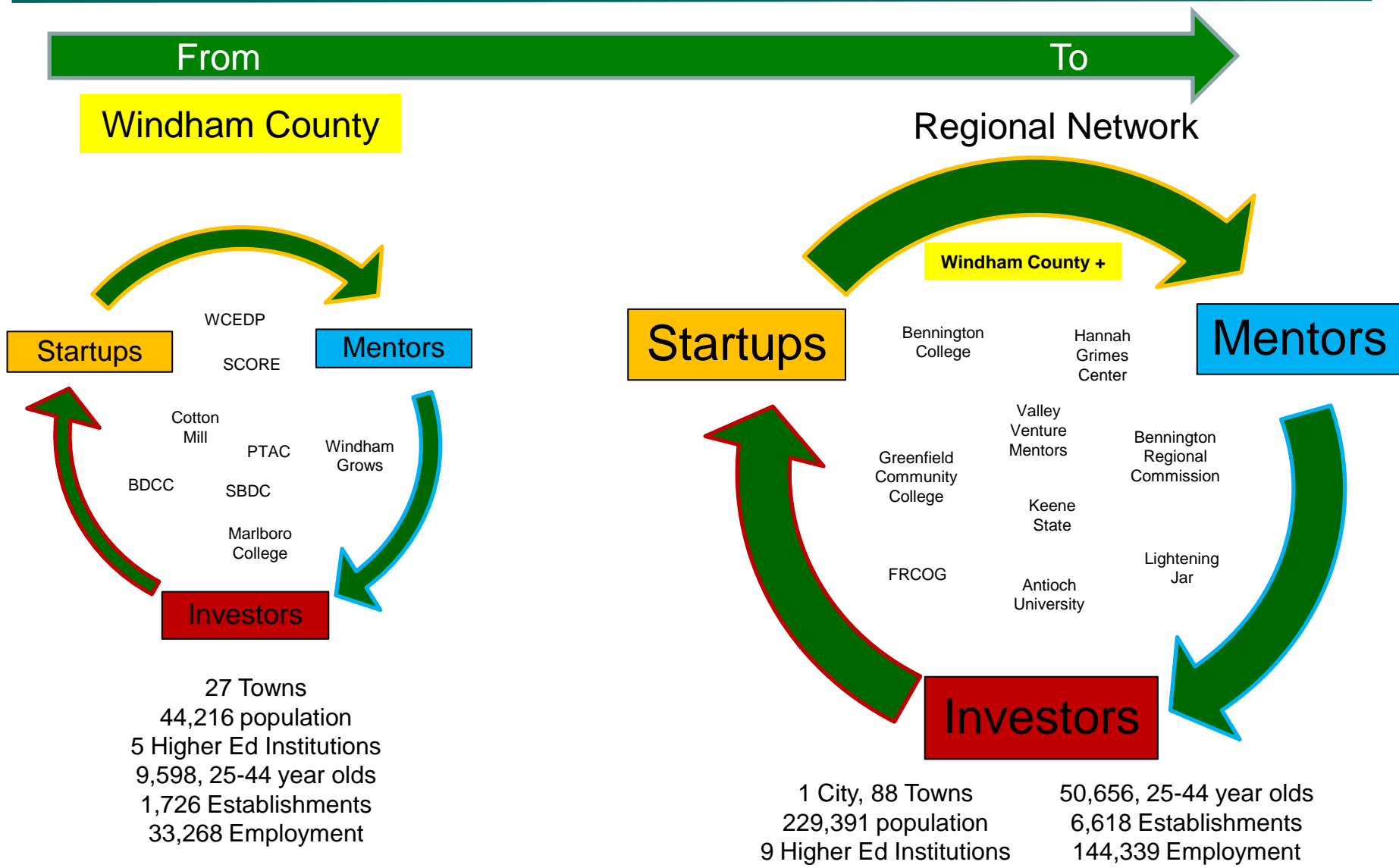
To strengthen and secure the long term performance of an innovation ecosystem the region needs to fill gaps in the following resource areas.

- **Mentors** with specialty skills and experience that can concentrate and commit to extended support of individual businesses and startups.
- **Specialized expertise** that can be directly accessed or can be provided through educational programs;
- **More idea igniters** both formal and informal sources. Once ignition has occurred the ecosystem must be able to identify them and support them through a open system model.
- Be proactive to **create more intersections** between entrepreneurs, mentors and funders, social events, TED type talks, pitch programs, or entrepreneur celebrations
- Multiple locations in the region that provide a **“home” or ‘hub” for entrepreneurs** to work and network; co-working spaces, makers labs, or technology centers
- **Improved Internet access** through wireless, cell and landline broadband service.
- **Create chaos**, free and open environment for inventors and entrepreneurs that spans town boundaries.
- **A consistent communication plan** that highlights entrepreneurship and innovation

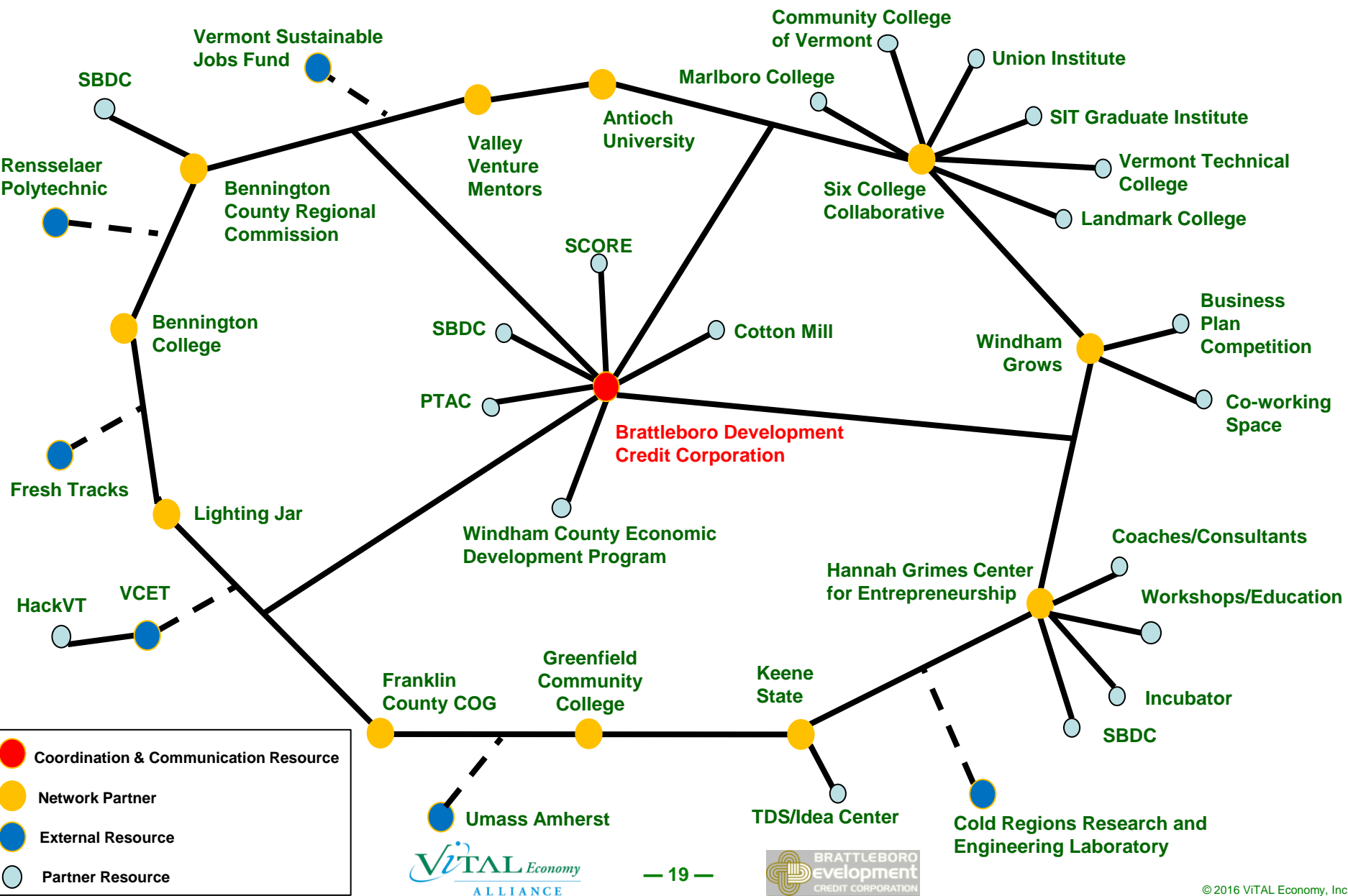
- It does not appear that a traditionally designed accelerator program is feasible at this point in time and will not be until a number of market fundamentals improve.
- The region requires a more productive innovation ignition climate that can be supported by existing experienced finance and mentor programs to launch new ventures while gaining valuable local experience.
- Starting now, local and regional economic development entities can develop relationships and alliances with Universities and research institutions which are directly related to the targeted industry sectors.
- BDCC can lead the building of a networked innovation ecosystem by convening, connecting and leveraging existing programs, facilities and resources.
- The region can begin to expand the establishment of meet up locations and programs that build relationships and generate ideas in multiple towns.
- Virtual communication and access to resources must be created to remove distance as a barrier.
- Themed meetup and startup events where innovations can be explored can be designed and launched for the four targeted industry sectors (One event per sector per year)



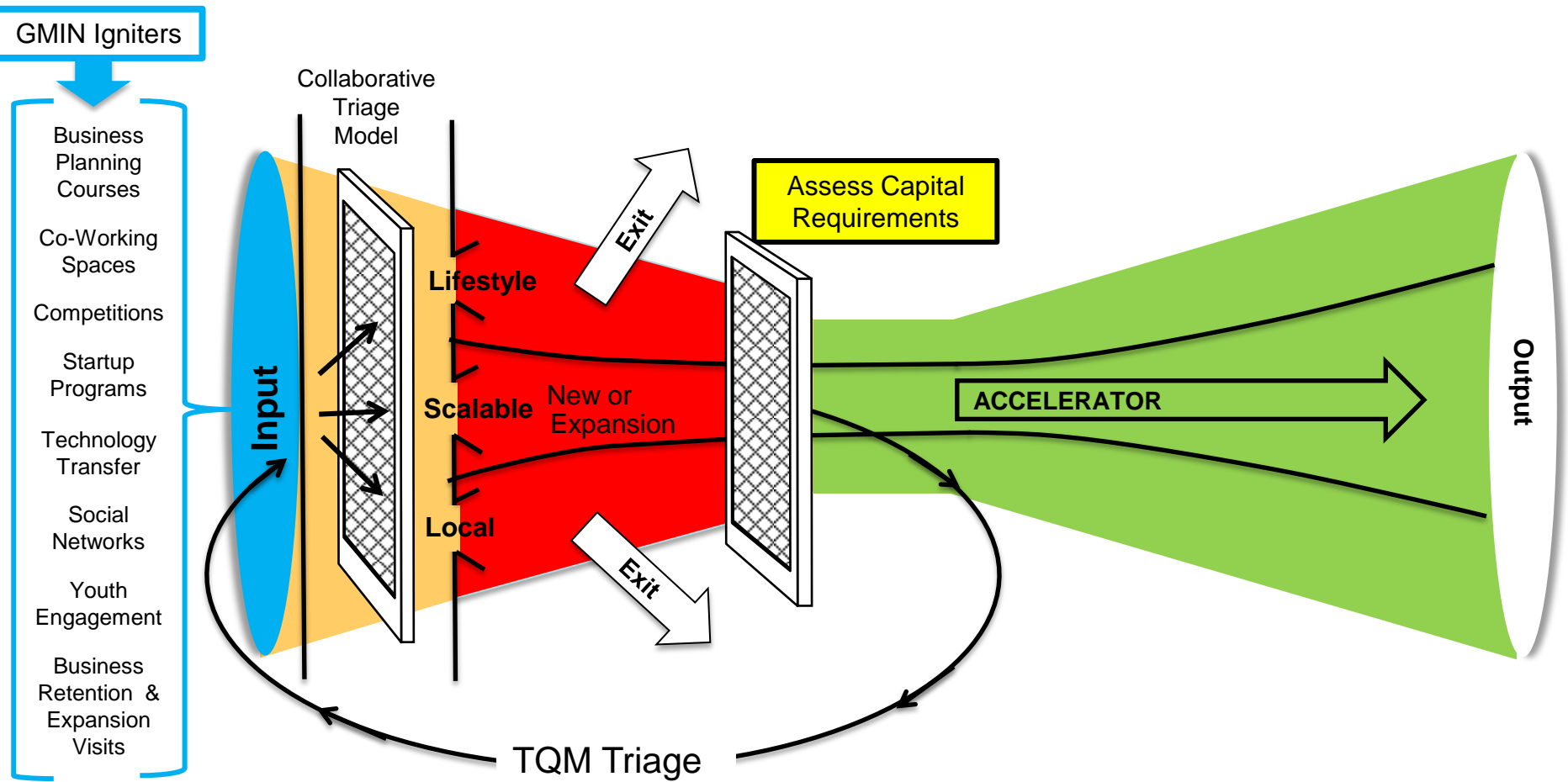
# Critical Mass of a Regional Network Increases Feasibility







- Coordination & Communication Resource
- Network Partner
- External Resource
- Partner Resource



**Exit** - Businesses or entrepreneurs separate from direct Ecosystem involvement and services, operating or taking an alternative direction.

**Direct Support** – Businesses and entrepreneurs are engaged in direct support services and programs provided by GMIN partners

**Investment** – Following involvement in GMIN support and programs, reaching a point for traditional and/or specialized investment.

TQM – Total Quality Management

## Idea Igniters = Deal Flow

### Deal Flow Dynamics

100 contacts = 50 qualified prospects = 9 valid clients = 4/5 businesses

#### Events

- ✓ Startup Weekends
- ✓ Business Plan Competitions
- ✓ Entrepreneur Bootcamps
- ✓ Meetups
- ✓ Innovation Workshops
- ✓ Innovation Speaker Series
- ✓ Entrepreneur of the Year
- ✓ Entrepreneur Week
- ✓ Causal Network Events

#### Higher Education

- ✓ Entrepreneurship curriculum and courses
- ✓ Technology Transfer
- ✓ Research and Development
- ✓ Conferences
- ✓ Alumni events and networks
- ✓ Entrepreneur in Residence
- ✓ Awards

#### Business

- ✓ In-house research and development
- ✓ Innovation adaptation
- ✓ Business Retention and Expansion Programs

The region needs more idea igniters to realize sufficient deal flow to attract capital, sustain a healthy ecosystem and have a positive impact on the economy.

## Performance Metrics over the Development Path

### Ignition

- Number of committed partners in the Ecosystem network
- Participants at informal social events
- Attendees at idea generation, collaboration and educational events
- Intake volume to SBDC, SCORE and other traditional services

### Creation

- Number of new ideas, output from idea generation events
- Number of qualified prospect identified by triage system
- Number of new business starts or product lines

### Acceleration

- Number of businesses in focused acceleration programs
- Jobs created from startups and expansions
- New Business Revenues
- Business startup survivorship by year 5, > 80% if actively involved in Ecosystem programs
- Investment match ratio, minimum of 1:1, target 1:1.25
- Attraction of new business finance capital to the region

### Ecosystem Yearly Performance Metrics Model

# Contacts → # Qualified Prospects → # Companies → # Exit & Growth

# Performance - Potential Impact Estimate

