

## #011 JumpStart

June 2011

**Opportunity:** Leverage significant federal and national foundation resources to establish entrepreneurial services based on the successful JumpStart model. These services would complement existing entrepreneurial services at the Northeast Indiana Small Business Development Center (SBDC), Northeast Indiana Innovation Center (NIIC), and Women's Enterprise Center. The goal of this initiative is to demonstrably improve outcomes for high growth entrepreneurs in our region.

**Background:** While Northeast Indiana has considerable capabilities in durable goods manufacturing, existing clusters in defense and aerospace, medical devices, and food processing, and a strong work ethic, its growth potential is constrained by low educational attainment, below national average "top tier" occupations in technology and management, and very limited amounts of capital to support startup businesses (venture capital). The region has a history of successful entrepreneurship, but does not currently have a strong reputation for new high growth startups that can transform the economy. Other regions in similar economic situations, like Pittsburgh and Northeast Ohio, have spurred the development of high growth entrepreneurial companies through programs that provide small amount of capital combined with support services that are designed to help young companies develop innovative products and get them to market, quickly.

JumpStart Community Advisors is a part of Northeast Ohio-based JumpStart Inc., a nationally recognized nonprofit organization that has been working since 2004 to transform the economic impact of Northeast Ohio's entrepreneurial companies and build a sustainable ecosystem to support company growth. In collaboration with state, regional, and community leaders, JumpStart Community Advisors is applying the experience and expertise JumpStart has gained through its work to accelerate entrepreneurial success in Northeast Indiana. JumpStart is also working on similar projects in North Central and Northwest Indiana, and is advising IEDC on statewide support programs.

Since mid-2010, JumpStart Community Advisors has been working with a group of 24 regional stakeholders on developing a Regional Entrepreneurship Action Plan (REAP). The planning process is funded by the U.S. Economic Development Administration, the John S. and James L. Knight Foundation, and the Surdna Foundation – each of whom has expressed interest in providing subsequent program funding if presented with a compelling case. The project is led by JumpStart Inc., with strong collaboration from the Northeast Indiana Regional Fund and the Indiana Economic Development Corporation.

The ultimate goal of Northeast Indiana JumpStart Project is to transform entrepreneurship in the 10-county region into a significant engine for regional economic growth by developing high growth companies based on regional strengths that can attract follow-on funding, and fostering a robust and thriving entrepreneurial and innovation ecosystem unified in the region which increases the wealth in our region.

JumpStart is focused on two types of entrepreneurs. The first are those start-up companies that are capable of explosive growth and are therefore likely to be able to attract angel or venture capital. The second are small businesses – likely existing – which will never be

attractive to angels or venture capital but which are capable of growing into profitable medium-sized enterprises. There are many other types of entrepreneurs, but JumpStart focuses on these two segments. In order to establish the scale necessary to attract outside funding, JumpStart anticipates a program that would operate across all of northern Indiana.

There are very limited resources currently available for entrepreneurs, and their availability varies across the region. While the NIIC and the SBDC provide some services to these types of businesses, there is a distinct lack of capital that is critical to the development of high growth startups. Private investors typically shy away from the high risks associated at this stage, and even the State of Indiana's 21Fund has focused its money on companies nearer to commercialization. In addition, the NIIC and SBDC have both expressed that they would benefit from the types of services JumpStart could offer including technical due diligence support, commercialization planning, market and product assessment, and a region-wide online connectivity tool for entrepreneurs, advisors, mentors, and investors.

JumpStart anticipates creation of an Accelerator Grant program that would provide small grants (\$10,000 to \$25,000) to companies for needs such as prototype development to help them qualify for investor funding. This funding would be accompanied by guidance from Entrepreneurs in Residence, who would work in coordination with the NIIC, the SBDC and local economic development organizations. Services would be provided throughout the region, wherever the entrepreneur is located. In addition, a Northern Indiana Seed Fund would be created that would provide investments of \$150,000 to \$500,000.

JumpStart will raise funds for these efforts from the federal government and national foundations. Such funding will require match from within the region and the state.

#### **Update – September, 2011:**

A one year pilot program, called Quick Start, is being launched in the fall of 2011 to provide expert advisory services to accelerate entrepreneurial services to small, high growth companies. It is a partnership of the Indiana Economic Development Corporation (IEDC), Elevate Ventures, each of the three northern Indiana regions, and JumpStart. The primary goals of Quick Start include:

- Offering immediate high impact entrepreneurship services and access to capital for entrepreneurial opportunities and small, high growth companies (aka economic gardening) in the three regions;
- Maintain the momentum created by the JumpStart planning projects;
- Provide tangible evidence to national funders that Indiana and its northern regions are committed to a regional approach to entrepreneurship and innovation; and
- Build working partnerships between each of the regions and Elevate Ventures, a statewide venture development organization created and funded in part by IEDC.

Quick Start is not an end in itself – it is designed to transition the regions into a longer term program to support entrepreneurship. This longer term program is being developed now, and is intended to significantly enhance the regions capacity for outreach, entrepreneurial support services, and investment.

The long-term plan will be completed in September. The proposed regional budget for the long-term program is \$6,000,000 for three years of services, investment, and overhead. The initial proposed sources of funding for this budget include: JumpStart - National Funders (\$3M), Elevate – State Funders (\$2M), and regional funders (\$1M). The ROC could consider providing initial seed funding of \$50,000 - \$75,000 towards this regional match.

## **Citizens Advisory Panel Feedback – September 28, 2011**

### Impact

- Promote innovation and creativity/openness/ think outside the box
- Collaborate more - Influential groups can be connected – power in numbers

### Difficulty

- Need to draw capital/angels here – hard to find the resources
- Hard to get people to take the risk of starting a business, get community buy-in
- There is no Deal Flow – Fort Wayne is 2nd largest city, but funding isn't there

### **Possible Opportunity Strategies:**

1. Provide a small amount of capital to the JumpStart initiative as part of the match required to attract outside funding and as a statement of approval by the ROC.
2. Encourage other funders (including Northeast Indiana foundations and Legacy Fort Wayne) to provide financial support to the initiative.
3. Publically endorse this initiative and work with the JumpStart stakeholders group to secure needed funding.

### **Options**

- A. Pursue opportunity
- B. Obtain further information
- C. Realign/Refocus the opportunity
- D. Put aside for future consideration