

## The Power of Collaboration

By Jasper Welch

### SUPPORTING ENTREPRENEURS

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# the power of

## COLLABORATION

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As economic development organizations (EDOs) rethink their roles and missions in a challenging economy, the role of entrepreneurs in job creation and economic development is being recognized as a critical part of the growth of regional economies. Why is so much attention being paid to the entrepreneurial (small business) portion of job creation in local communities and regional metro areas? The answer to this question is that emerging research on company and job creation has identified entrepreneurs, micro-business and small companies as significant contributors to new and expanding jobs and wealth creation.

Start-up companies and emerging companies create jobs, loan demand, and real estate demand, and contribute to the overall U.S. economy. During the 20-year period from 1990 to 2009, start-up companies created an estimated 5 million jobs per year in the U.S. and expansion (emerging) companies created 8.5 million jobs per year. (Source: Donald Walls, Ph.D.; Preliminary NETS Database, 2009, Walls & Associates; <http://youreconomy.org/pages/walls.lasso>) According to Amy Cortese, author of *Locavesting*, approximately 80 percent of net new jobs created in the U.S. come from companies with 20 or fewer employees. In another researched aspect of job creation, Cortese noted that U.S. counties with smaller firms (average size by county) grew jobs faster than U.S. counties with larger firms (average size by county). In my home county (Durango, CO micropolitan area), 87 percent of the jobs come from companies with less than 100 employees.



Newer business incubators are found on college campuses and research parks. While some incubators are in older modified buildings, many communities are investing in state-of-the-art facilities, such as the Quality Center for Business in Farmington, NM.

The power of collaboration by entrepreneur service organizations (ESOs) provides new opportunities for EDOs as they look for additional ways to spur company and job creation in their communities and regions. ESOs are locally and regionally based non-profit organizations and private businesses that provide services and support to entrepreneurs in the areas of finance, start-up, business development, and innovation strategies. A continuum of support for new and emerging entrepreneurs is being established in most communities, cities, and metro areas in the United States. This array of entrepreneurial support includes coworking, business incubation, business accelerators, and economic gardening (see *Economic Development Journal*, Fall 2011, "Serving Second-Stage Com-

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### SUPPORTING ENTREPRENEURS

As economic development organizations (EDOs) rethink their roles and missions in a challenging world economy, the role of entrepreneurs in job creation and economic development is being recognized as a critical part of the growth of regional economies. Start-up companies and emerging companies create jobs, loan demand, and real estate demand, and contribute to the overall U.S. economy. This article focuses on programming, strategic initiatives, and sponsorships that an EDO can implement to support entrepreneurship and the follow on results of new company start-ups, new jobs, and wealth creation in its service area.



*Coworker Justin Repath and co-founder Nancy Wharton working in shared flex space at DurangoSpace in Durango, CO.*

panies” by Penny Lewandowski and T.J. Becker, Edward Lowe Foundation). Economic gardening is a job creation strategy that is targeting Stage 2 companies for growth and expansion. Other ESO programs include Small Business Development Centers (SBDCs), local chamber programs for entrepreneurs, and college or university entrepreneurial initiatives.

Each community, region, and metropolitan area has one or more economic development organizations (EDOs) that are tasked with creating companies, well paying jobs, and private sector wealth (and corresponding tax base). An essential part of the strategies to achieve these lofty EDO economic goals and results is to determine the role of entrepreneurship, from start-up companies and location neutral workers to emerging companies and creative independents. This article focuses on programming, strategic initiatives, and sponsorships that EDOs can implement which will support entrepreneurship and the follow on results of new company start-ups, new jobs, and wealth creation.

The jobs created by small businesses cannot be overlooked by EDOs as they reposition their role and programming in economic development. Let’s review some of the entrepreneurial programming elements that an EDO can be involved in, whether as a sponsoring agency, a community advocate or directly as an initiative of EDO programming. Examples of these elements include coworking spaces, business incubators, and business accelerators.

## COWORKING

Coworking is a recent movement of independent “workspaces” that are created for remote workers, location neutral workers, and independent professionals. Location neutral workers are those independent, remote or telecommuter workers who can work anywhere, as they are not location dependent. As the workplace changes, flexible workspace is in high demand in urban settings and small town downtown areas.

Coworking is in the forefront of the changing workplace. According to DeskMag ([www.deskmag.com](http://www.deskmag.com)) the number of coworking spaces worldwide is estimated at 2,072, with approximately 797 (38 percent) of these in North America and 878 (42 percent) in Europe. Market leading coworking companies often have multiple locations (like NextSpace with five locations in California) and their expanded programming for member entrepreneurs. In summer 2012, NextSpace CEO Jeremy Neuner announced the opening of a joint venture between NextSpace Coworking and the new Amplify Accelerator in Venice, CA (LA area). At DurangoSpace (Durango, CO), the local SBDC, local EDO (the Alliance), and the regional economic development agency (Region 9) are involved as members and advocates of coworking in Durango.

Coworking is more than just shared workspace. It is also a community of independent workers, telecommuters, and creative professionals who interact while still getting their individual work done. Neuner calls it the “NextSpace Effect”... in coworking; at DurangoSpace we call it “accelerated serendipity,” since the community of coworkers creates entrepreneurial opportunities and connections to business networks.

From the perspective of an EDO professional, how does coworking fit within the job and company creation toolbox? Based on data from the Edward Lowe Foundation ([www.youreconomy.org](http://www.youreconomy.org)), approximately 10 percent of jobs in a county or region are created from self-employed individuals. In addition, many start-up companies come from the ranks of the self-employed entrepreneurs. But as many economic development professionals know, although location neutral workers are working within our communities, it can be difficult for an EDO to target this emerging group of workers for job creation strategies. Enter coworking – a flexible workplace where these independent workers can regularly work. EDO professionals should work to identify coworking workspaces in their service area, sponsor EDO programming that supports location neutral workers, purchase a corporate membership in a local coworking facility, and work with local coworking space owners to expand their service offerings.

## BUSINESS INCUBATION

Business incubation was formalized when the National Business Incubation Association ([www.nbia.org](http://www.nbia.org)) was founded in 1987. As of October 2012, there were over

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1,250 incubators in the United States, up from only 12 in 1980. NBIA estimates that there are about 7,000 business incubators worldwide. Business incubators work with Stage 1 (two to nine employees) and emerging Stage 2 (10 to 99 employees) companies by providing entrepreneurial support services, business development services, leased space, and access to financing.

Most business incubators are based on a business plan and/or business feasibility model, including an application process. Some incubators are sponsored by a college or university; others are sponsored by an EDO or community development corporation, while others operate as a standalone non-profit. Business incubators can be specialized, such as focusing on biotech, mobile devices or software technologies, culinary arts, green technologies or university research and commercialization.

Typically, a Stage 1 company may be involved in the business incubator for two to five years. Start-up companies that successfully launch from an incubator are usually late Stage 1 or early Stage 2 companies that represent an excellent potential for job creation and expansion for the local or regional EDO. Graduate companies from the business incubator are excellent candidates for economic gardening programs and business development strategies.

From the perspective of an EDO professional, business incubators represent an excellent program for the support of start-up and emerging companies. For example, in the case of the San Juan College Enterprise Center in Farmington, NM, the local EDO was involved in supporting the local business incubator in the following ways:

- Joint signer of the Memorandum of Understanding (MOU) between the San Juan College, city of Farmington, and the countywide EDO on the creation, funding, and construction of a regional business incubator in 1997.
- The set aside grant award by the EDO of \$80,000 in restricted funds for start-up, marketing, and furniture, fixtures & equipment expenses for the local business incubator.
- Co-location of the EDO offices at the new SJC-Enterprise Center in 2000.
- Ongoing EDO support over the past decade of the business incubation, through marketing the SJC-Enterprise Center, supporting New Mexico state legislation, and advocating expanded funding sources for business incubators.

Technology, software, and digital business start-ups are more likely to fit the accelerator model, which focuses this economic development tool on web applications and software development.



Photo credit: Chaelene Anderson, Creative Gekkos

*The San Juan College Enterprise Center (business incubator) opened in late 1999. It has launched over 50 companies and created several hundred new jobs in Farmington, NM.*

The Northern Indiana Innovation Center (NIIC) (<http://www.niic.net>) is one of the most complete models of business incubation, combined with coworking, capital funding, technology park facilities, and business growth strategies. Karl LaPan, CEO and “chief innovator,” has led NIIC’s development, creation, and implementation since 2000. This super-incubator is part of a 55-acre “high tech-high touch” Indiana certified technology park. LaPan is well known as an ESO innovator in the business incubation and emerging company sector.

NIIC represents a “best of breed” incubator where “best & next practices” economic development strategies are showcased with demonstrated results. This Indiana grown model can help EDOs determine which ESO elements to adapt to their service areas.

## BUSINESS ACCELERATORS

Business accelerators are a third type of ESO for launching newly formed management team ideas. Business accelerators are relatively new to the entrepreneurial scene, with a concentration in the San Francisco Bay area, LA area, New York City, and medium markets such as Austin, TX, and Boulder, CO. The best-known and most successful programs are Y Combinator (Silicon Valley) and TechStars (Boulder, CO). In January 2011, TechStars began licensing their accelerator programming and process to EDOs, business incubators, and higher education organizations. In the TechStars and Y Combinator accelerator model, only a select few start-ups are accepted into the flagship accelerators, based on a very competitive selection process.

Technology, software, and digital business start-ups are more likely to fit the accelerator model, which focuses this economic development tool on web applications and software development. Once a founder’s team is selected (one company in 50 to as many as 500 applicants), the accelerator program injects initial equity funding (\$15K to \$50K). The accelerator program features a group of



mentors, coworking like facilities, and access to angel capital and investor networks. Additional capital infusions may be from \$25,000 to first rounds of \$100,000 or more. The accelerator program lasts for 90 to 120 days as the companies develop “business viability” and a sustainable business model.

The transformation event is Demo Day at which time the start-up companies pitch their business models and viability to investors that are part of the accelerator’s network of equity capital investors. At Demo Day, graduating companies are matched with qualified investors, subject to mutually agreed upon terms of equity funding. Part of the reason Y Combinator and TechStars are “best in class” as business accelerators is found in the strength, quality, and breadth of their respective investor and mentor networks.

## BLENDING BEST PRACTICES AND DIVERSE STRATEGIES

What can EDOs do to better support entrepreneurs in their service area? There are six options (or approaches) for EDOs to consider in their programming and support of entrepreneurs and small businesses. The more traditional EDO approaches leave out the entrepreneurial programming, whereas Option 6 described below is more comprehensive and better suited to today’s fast moving economic changes. Option 6 is a fully integrated ED strategy that includes entrepreneurs by blending best practices and diverse strategies for the EDO going forward.

Let’s review the first five EDO options among communities in their approach to economic development followed by the sixth option:

1. Do nothing and hope your local economy just works out.
2. Say that everything is OK, and we’ll just let the marketplace decide.
3. Hang on to the companies you have, and ignore the rest (start-ups, recruiting new companies, expanding companies, location-neutral workers).
4. Retain what businesses you have, and try to expand existing companies.
5. Traditional “3 part” economic development that includes recruiting, expansion, and retaining companies.
6. Option 6 is a comprehensive strategy that involves the full spectrum of start-up companies, emerging enterprises, and established corporations:
  - Coworking & independent workers,
  - Start-up (Stage 1) companies involved in business incubation,
  - Launching early Stage 2 companies (incubation and acceleration),
  - Focus on growing Stage 2 companies & jobs (economic gardening),

## RESOURCES

### Economic Gardening

- Littleton, CO (<http://littletongov.org/bia/economicgardening>)
- Castle Rock, CO (<http://castlerockeg.com>)
- Edward Lowe Foundation (<http://edwardlowe.org/tools-programs/economic-gardening>)
- Florida Economic Development Institute (<http://www.growfl.com/about/economic-gardening>)
- National Center for Economic Gardening (<https://nationalcentereg.org>)

### Coworking

- League of Coworking Spaces (<http://lexc.org>)
- WorkBar, Boston, MA (<http://workbar.com>)
- NextSpace, SF Bay Area & LA, CA (<http://nextspace.us>)
- CitizenSpace, San Francisco, CA (<http://citizenspace.us>)
- CreativeDensity, Denver, CO (<http://densitycoworking.com>)
- New Work City, New York City, NY (<http://nwc.co>)
- Cohere Coworking, Ft. Collins, CO (<http://coherecommunity.com>)
- Conjunctured Coworking, Austin, TX (<http://conjunctured.com>)
- DurangoSpace, Durango, CO (<http://durangospace.com>)

### Business Incubation

- National Business Incubation Association ([www.nbia.org](http://www.nbia.org))
- Northern Indiana Innovation Center (<http://niic.net>)
- Northern Arizona Center for Entrepreneurship & Technology (NACET) (<http://nacet.org>)
- San Juan College Enterprise Center (<http://sanjuancollege.edu/EnterpriseCenter>)
- Santa Fe Business Incubator (<http://www.sfbi.net>)
- Ben Franklin Tech Ventures (<http://nep.benfranklin.org/incubator-network>)
- Grand Junction Business Incubator (<http://gjincubator.org>)
- Rocky Mountain Incubation Collaborative (<http://rmincubation.org>)

### Accelerators

- Global Accelerator Network (<http://globalacceleratornetwork.com>)
- Y Combinator (<http://ycombinator.com>)
- TechStars (<http://www.techstars.com>)
- LaunchPad LA (<http://launchpad.la>)
- 500 Start-Ups (<http://500.co>)

- Retain Stage 3 (100 to 499) companies and Stage 4 (500+) companies, and
- Recruit new companies where there is a community match or cluster compatibility.

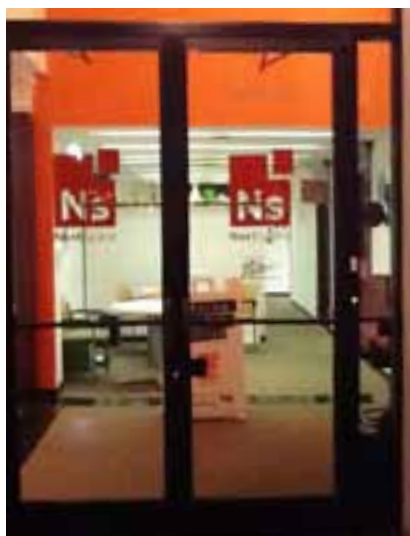
As economic development professionals, we understand that the first three ED approaches are not really viable. Clearly, the need for company and job creation is an essential success measure for an EDO. It cannot be

left to chance or ignored, as is the case for Options 1, 2, and 3. Under funded and under staffed EDOs can be found at the Option 4 level of limited ED programming. Classic economic development strategies include recruiting new companies, retention of existing companies, and expansion of existing companies (Option 5). But this approach misses the entrepreneur segment of company creation and job growth. Thought leaders among economic development professionals are looking for best practices and next practices.

Why not consider Option 6? Simply put, entrepreneurial company creation and follow-on job creation is becoming a more significant part of EDOs and their mission. The economic impact of coworking, incubators, accelerators, and related ESOs is emerging as an important part of company and job creation strategies for thriving local and regional economies.

Which leads us to ask how can we deliver the best EDO programs, sponsorships, and advocacy roles that support entrepreneurs, whether in terms of start-up companies or micro enterprise job creation? Following is a list of specific EDO strategies that can guide the ED professional into more effective programs and results:

1. Seek out the coworking facilities in your EDO service area and become a professional and/or corporate member. You'll have a front row seat in the starting zone for entrepreneurs and independent workers.
2. As part of your EDO coworking membership, consider sponsoring technology and software development meetings or other related coworker community (entrepreneur) programming.
3. Participate with your local business incubator, whether as a program sponsor, member of the advisory board or by loaning an EDO executive for a project.
4. Sponsor a business plan competition, in conjunction with the local entrepreneur service organizations (ESOs), such as the SBDC, chamber, angel investor group or business incubator. There are



*Entrance to  
NextSpace coworking  
in downtown  
San Jose, CA.*

Create an ESO directory and web site portal for your EDO service area, including public, private, and non-profit entrepreneurial resources. Private sector ESOs, such as CPA firms, banks that lend to small businesses, or intellectual property or business law firms will likely help fund this effort to connect ESOs to entrepreneurs.

several "best practices" models, such as in Oregon: <http://southernoregonangelinvestors.com>.

5. Sponsor an Ignite in your EDO service area. At an Ignite, participants are given five minutes to speak about their ideas and personal or professional passions, accompanied by 20 slides. While this type of program may be a stretch for an EDO professional, there are many communities that are growing ideas, culture & arts, and intellectual pursuits using the Ignite model. An EDO can also use this model for conferences and hosted events, moving beyond the boring preplanned meeting.
6. Join the National Business Incubation Association. Attend the International NBIA conference (held each spring) and experience the front lines of what is happening in Stage 1 company development and job creation.
7. Investigate the business accelerator model, including licensing options with TechStars (Boulder, CO). Another approach is to identify a business accelerator that your EDO can work with, in order to establish this rapid company development and growth strategy in your service area.
8. Consider sponsoring an emerging company CEO roundtable. In Durango, CO, the regional EDO ([www.scan.org](http://www.scan.org)) sponsors the Emerging Growth Company initiative in partnership with the local SBDC, the Alliance (Durango area EDO), and Ft. Lewis College School of Business.
9. Create an ESO directory and web site portal for your EDO service area, including public, private, and non-profit entrepreneurial resources. Private sector ESOs, such as CPA firms, banks that lend to small businesses, or intellectual property or business law firms will likely help fund this effort to connect ESOs to entrepreneurs.

10. Get involved with Stage 2 companies, using the economic gardening model. Position your EDO to be a sponsor and advocate for the Edward Lowe Foundation sponsored Companies to Watch awards program, started in 2005. Colorado is one of several states involved in this program. (<http://colorado.companiestowatch.org>)

11. Expand your EDO programming, sponsorship, and advocacy to include entrepreneurs. This EDO involvement and sponsorship(s) in the ESO sector can lead to company creation and job creation strategies at the ground level.

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- Take the risk and leadership role in developing your EDO specific Option 6 in ways that fit and enhance company and job creation in your community. Look to other EDOs' "best practices" in their company and job creation strategies.

- Be willing to implement your EDO Option 6 strategies based on research, best practices, ESO partnerships, and feedback on what is working. The future of EDOs will involve the entrepreneur, location neutral worker, and micro-enterprise, as the U.S. and world economy continues to be restructured.

### NEXT STEPS

So what are the next steps for leading economic development organizations? Here are three elements of a successful entrepreneurial approach to economic development:

- Engage your internal EDO staff and external resources (consultants, investors, entrepreneurs) in a thorough assessment on what is happening and what ESO programs are in your EDO service area.

In summary, the expanded Option 6 model for EDO programming and advocacy builds upon classic economic development strategies by adding entrepreneurship, ESO support, and company and job creation (enterprises with less than 20 employees). As we look to expand and enhance our critical roles in economic development, it is clear that company and job creation by entrepreneurs and emerging companies is essential for a successful economic development organization. 🌐



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