

## Building an Entrepreneurial Ecosystem in Northwest Florida

By Charles Wood, CEcD

### A MULTIDIMENSIONAL STRATEGY FOR BUILDING AN INNOVATION-BASED ECONOMY

This article discusses a multi-step strategy for developing critical entrepreneurial assets in Northwest Florida. The article includes an overview of the development of a marketing and education network, a technology incubator, educational strategies, and other components necessary in building an entrepreneurial ecosystem. The concepts and strategies discussed in this article are long term strategies that require significant commitment by economic development organizations and the communities they serve. All of the strategies discussed herein may be applied to other secondary and tertiary markets in an effort to foster entrepreneurship and grow early stage companies. Other communities should pay particular focus to existing entrepreneurs in the same manner as existing business retention and expansion efforts.

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# building an entrepreneurial ECOSYSTEM IN NORTHWEST FLORIDA

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## INTRODUCTION

**t**he *Problem* – The Pensacola MSA and Northwest Florida have a dependency issue. The region has one of the single largest military footprints on the globe with huge Air Force and Navy installations including Eglin Air Force Base, Hurlburt Field, and Naval Air Station Pensacola. Additionally, the Pensacola MSA and the rest of the region is a well known, seasonal tourism destination. The region's significant dependency on tourism was highlighted by the huge impact of BP's Deepwater Horizon Oil Spill which all but closed the tourism season for most of Northwest Florida and the rest of the Northern Gulf Coast. Finally, the Pensacola metro has a long history of heavy manufacturing that was primarily tied to the paper and chemical industries dating back to the early 20<sup>th</sup> century. The manufacturing base included Champion Paper (now International Paper) and Monsanto (now Ascend Performance Materials) which between the two employed more than 20,000 in the 1960s. Today those two companies employ less than 1,500 combined.

This lack of diversification was brought into focus during the Base Realignment and Closure program (BRAC) of the early 2000s. However, BRAC presented a unique opportunity to leverage federal funding to develop an economic diversification plan that provided a general framework that would



The 15,000-square-foot Center for Innovation and Entrepreneurship is located in Pensacola State College's downtown facility. The technology incubator is part of a multi-step strategy for developing critical entrepreneurial assets in Northwest Florida.

aggressively reorient the region toward a knowledge-based economic development strategy. This article focuses on the implementation of the plan that laid the foundation for long term, innovation and entrepreneurial growth that started in Pensacola, Florida, and is emanating across the Gulf Coast.

The process of developing this plan was the first and perhaps most critical step in moving the region toward a new approach to economic development. As the framework of the plan was created, it brought the community's business and political leadership to the table and served as an acknowledgement that all was not good in the kingdom. This acknowledgement provided for critical new additions in personnel, volunteers, and ideas. Ad-

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## A MULTIDIMENSIONAL STRATEGY FOR BUILDING AN INNOVATION-BASED ECONOMY

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ditionally, it created an opportunity to reach out to entrepreneurs in the community that had not been brought into the region's economic development efforts.

## ENTREPRENEURIAL LANDSCAPE

In 2005, the entrepreneurial landscape in the Pensacola MSA was limited to the traditional chamber of commerce networking atmosphere, with some recognition being paid to a loosely defined entrepreneurial interest. These networking events were administered by the Pensacola Bay Area Chamber of Commerce on a monthly basis. Born out of this network, a very small group of passionate entrepreneurs began to focus on convincing the community's business and political leadership that entrepreneurship was a critical economic development strategy. These discussions dovetailed into the federally funded economic development strategic plan being developed as a result of BRAC that provided significant focus on innovation-based economic development, entrepreneurship, and quality of place. The plan was adopted by the Pensacola Bay Area Chamber of Commerce in 2006. In addition to the plan being adopted, new leadership was brought in to lead this approach to economic development.

The plan was funded through the Department of Defense Office of Economic Adjustment. Florida's Office of Tourism, Trade and Economic Development and the Pensacola Bay Area Chamber of Commerce leveraged this funding to hire TIP Strategies to develop the diversification plan for Escambia County. Other key supporters of the plan included Escambia County, the city of Pensacola, and various entrepreneurs from the region.

## ENTREPRENEURIAL STRATEGIES

**The Network** – The first strategy was put into place in mid 2007. It served as a regional network focusing on building connections in the five-county Mobile, AL, Pensacola and Fort Walton Beach, FL, metropolitan statistical areas as well as creating a marketing platform that would help tell the region's entrepreneurial story both inside and outside of the region. The network was branded as iTEN Wired (with iTEN standing for innovation, technology, and entrepreneurs), a completely separate brand from the Pensacola Bay Area Chamber of Commerce.



The iTEN Wired website creates a virtual network to market to and connect entrepreneurs and entrepreneurial resources across the Gulf Coast.

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While the chamber serves as the lead entity and is the sole financial backer for this initiative including providing staff, materials, and a marketing budget, the primary economic development organizations in the adjoining four counties agreed to partner in the initiative. They do this by providing information on entrepreneurial support systems, entrepreneurial companies and their leaders as well as their communication network to help brand and show support for the iTEN Wired initiative.

Critical components of the iTEN Wired initiative included summits, regular communication through newsletters, and a website. The summits, which are held three times per year, serve as a critical means of bringing together entrepreneurs, researchers, business and political leaders to discuss critical issues affecting entrepreneurship both at the regional and global levels. National speakers are brought in to help provide an outside perspective, and critical networking takes place to allow relationships to be built. Additionally, angel and venture capitalists have served as speakers, outlining the specific issues that they focus on when considering an investment in an early stage company as well as providing their perspective on the entrepreneurial environment at both the regional and national levels.

The website serves as a story board, showcasing individual entrepreneurs and how they built their companies as well as telling the stories of the region's successful tech-based entrepreneurial companies. For example, the website highlights serial entrepreneur Dr. Paul Hsu, a first generation immigrant from Taiwan, who has grown companies in the aerospace, avionics, and medical device sectors in Northwest Florida.

Additionally, the website provides an asset map for other entrepreneurs to identify resources that can help them start and grow their companies. The stories serve as a way to a) educate the local communities about the impact that entrepreneurs can have on a community, b) showcase to the world that innovative ideas and technologies are being developed in the region, and c) encourage entrepreneurs to consider the region as a viable location for their technology-based businesses.

**Start-up Engine** – While the discussion of creating a business incubator had been going on for more than five years, a champion for the effort was never established nor



*The downtown tech campus's concept plan highlights the urban park in the center of the nine-acre project, aimed at second and third stage companies.*

was there a willingness to provide the necessary resources to establish a fully functioning, technology-focused business incubator. In 2008, the Pensacola Bay Area Chamber stepped up as a champion for this effort.

The chamber formed a partnership with Pensacola State College to create the Gulf Coast Center for Innovation and Entrepreneurship (CIE). With the chamber as the lead, the college provided approximately 15,000 square feet of office space in its downtown Pensacola facility as well as insurance and maintenance of major systems at substantially discounted rates. The chamber provides a staff person to manage the CIE as well as \$80,000 in annual funding to support critical infrastructure such as technology, education, marketing, and services to tenants (referred to as clients).

To date, approximately 7,000 of the 15,000 square feet have been utilized and the CIE now has several clients and virtual clients that are involved in software development, application development, and engineering. One such company is The Analyst Group, a technology company started by a local entrepreneur that has grown to ten employees. The company provides software and technology support for the call center industry and is now signing on major international customers. Additionally, the CIE has even been used as a business recruitment location for a small technology company that relocated from another state.

Although the CIE is a program of the Pensacola Bay Area Chamber of Commerce, the CIE has an advisory board composed of economic development partners including Pensacola State College, the Small Business Development Center, and entrepreneurs that provide guidance and oversight to the chamber's economic development staff and the early stage companies that have located in the incubator.

**Education Delivery** – Entrepreneurial education takes place both inside the chamber's economic development strategy as well as with key community stakeholders. The University of West Florida instituted an entrepreneur in residence program and started a graduate level entrepreneur course in the College of Business. Meanwhile, the chamber created the Excellence in Entrepreneurship course to provide a boot-camp approach to fledgling entrepreneurs. The course provides a basic understanding of marketing concepts, financing, business strategy and structure, accounting, and other critical components for starting and running a company.

The courses are taught by subject matter experts from the local business community as well as key resource partners such as the University of West Florida and the Small Business Development Center. The goal at the end of the course is for companies to have a refined business plan and be eligible to enter the CIE if they wish.

In addition to the more structured program of the Excellence in Entrepreneurship course, CEO roundtables are offered. These roundtables provide the CEO of an early stage company with the ability to sit around the table with three to five entrepreneurs that founded and created larger, successful companies. The CEO shares his or her current challenges and receives feedback from the more experienced entrepreneurs on business strategies they employed in order to overcome similar issues.

Finally, the iTEN Wired summits are utilized as a means to educate the community's business and political leadership on the importance of entrepreneurship. Tactics and methods that could be employed in the community to enhance and improve its entrepreneurial environment are shared and discussed in open forums with elected leaders, entrepreneurs, business executives, and academicians. Summits have drawn as many as 100 attendees from Northwest Florida, Alabama, and Mississippi.

**Location for Mature Innovators** – While the CIE serves as a place for early-stage, innovation-based companies, the community needed to create a mechanism to embrace second and third stage companies with significant potential for employment growth. Additionally, the community needed to overcome its exclusionist history in terms of owning property in downtown Pensacola. If these challenges can be overcome, the downtown has the capacity to be a center of creative and innovative industry and a first choice location for high tech firms looking to substantially grow their employment base.

To accomplish these goals, the Pensacola Bay Area Chamber laid out the idea of creating an urban scale technology park on the fringe of downtown Pensacola on land owned by the city of Pensacola and Escambia County. Chamber staff negotiated a proposal to transfer 9.2 acres owned by the city and county to an industrial development authority managed by the chamber.

The chamber then applied for and was awarded a \$2 million infrastructure grant from the U.S. Economic Development Administration that was compounded by a line of credit from Escambia County for the purpose of developing the infrastructure on the site. Additionally, the city of Pensacola agreed to fund the development of a park-like retention pond on nearby property to allow for improved development density on the technology park property as well as several public and privately owned parcels in close proximity to the technology campus.

Pensacola's downtown technology campus is currently under construction and has the capacity to accommodate approximately 500,000 square feet of urban scale office space. The location is within walking distance to much of downtown Pensacola's business and entertainment services as well as the headquarters of Gulf Power Corporation and a nationally acclaimed think tank, the Institute for Human and Machine Cognition (IHMC).

To some extent, IHMC, which is a research institute focused on robotics, human performance, and artificial intelligence, serves as an anchor for the technology campus, creating a vision for the types of companies and research and development entities that could populate

the campus over the next decade. Companies targeted for the park will most likely range from second stage software and support companies to larger companies focused on the defense and aerospace sectors.

*Strategies in their infancy* – The next two strategies are in their infancy, with major efforts only beginning to solidify. The ability of the local economic development organization to leverage state and regional support

for these efforts is critical both in terms of financial resources as well as outside expertise.

**Economic Gardening** – In addition to the previous strategies, an economic gardening strategy is being undertaken at the state level, with the Pensacola Bay Area Chamber serving as leader at the MSA level. This effort is based on the success experienced in Littleton, Colorado, through an increased focus on providing technical assistance to second stage companies (companies with 10-99 employees and \$1 million to \$50 million in annual revenue).

Key components to this effort include leveraging trained consultants for specific technical assistance of individual companies to assist them in overcoming challenges that

lead directly to revenue and employment growth. The technical assistance often provides specific consultation on how to increase a company's customer base. Additionally, CEO roundtables are held monthly in an effort to create peer support networks for second stage CEOs. Finally, larger quarterly meetings and networking sessions are held in an effort to build broader support and knowledge of the impact of second stage companies on the local and statewide economies.

**Access to Capital** – The ability for early and second stage companies to access angel and venture capital in the Gulf Coast region has been very limited. In the 2005-2006 timeframe a limited effort was initiated, which resulted in a few "venture forums" which were open to the public.

During the 2007-2008 timeframe, the Pensacola Bay Area Chamber of Commerce began to identify angel investors in the region and incorporated closed session forums in conjunction with the iTEN Wired Summits.



The poster for the Center for Innovation and Entrepreneurship showcases the center's support services.

For a community or region to be successful in terms of entrepreneurial development, it is critical to integrate entrepreneurship into traditional, core economic development strategies such as business recruitment and retention as well as product development.

These early efforts are beginning to show results. However, the results have not yet been in the form of substantive capital flow but rather through the connectivity that has been developed among angel investors. Those investors recently formed the Central Gulf Coast Investment Network as a formal means of structuring a group of like minded and capable investors with the goal of developing deal flow (identifying and funding companies with viable business models).

## LESSONS LEARNED

**Integration** – For a community or region to be successful in terms of entrepreneurial development, it is critical to integrate entrepreneurship into traditional, core economic development strategies such as business recruitment and retention as well as product development.

CEOs of successful entrepreneurial companies have a unique ability to make a very compelling case to businesses that economic development organizations are trying to recruit. They show the capacity of the community to accommodate their industry in terms of talent, logistics, and capital – all of which must be proven to recruitment targets. From a retention perspective, your successful home grown companies will be the very companies that other communities are seeking. The better the relationship between the entrepreneur and their company and the community, the easier it will be for the community to retain the company and the entrepreneur.

The product development strategies of the community should be developed with an eye toward entrepreneurs and their companies. Whether this is through the development of commerce parks and speculative buildings or high speed telecom infrastructure, entrepreneurial companies should be a significant consideration in the community's investment in critical infrastructure.

**Showcase Successes** – It is quite likely that many people in any community, including economic development stakeholders, will not be aware of the community's past successes in terms of entrepreneurship. The companies that should be showcased sell their services and products outside of the community and region and therefore do not have local marketing and have limited to no local customer base. By showcasing these successes, the community can understand that not only is it possible to grow innovation-based companies in the region, but they already have tangible examples to point to.

**Inclusion** – Where possible, bring CEOs and founders of entrepreneurial companies onto boards and advisory councils. Not only does this inclusion show a dedicated focus to entrepreneurial and innovation-based companies, but it also assists in retaining those businesses as well as creates strong partners in terms of business recruitment. Keep in mind that entrepreneurs are likely to be assertive and highly focused on results and tangible outcomes. They may become frustrated with the politics that often surround economic development. However, they can provide an economic development organization with an insider's perspective of the types of companies that communities are trying to recruit, retain, and grow.

**Resources** – None of Northwest Florida's successes would have been possible without the commitment of financial and staff resources by the Pensacola Bay Area Chamber and its private and public sector partners. A substantial commitment was made that allowed dedicated staff to focus exclusively on entrepreneurial strategies at both the local and regional level. Furthermore, staff had access to resources that allowed for the implementation of those strategies.

## OUTCOMES

**Awareness** – The chamber's aggressive focus on innovation-based entrepreneurship created an increased awareness both inside and outside of the region. Unknown entrepreneurs became celebrated and the community began to realize the impact of successful entrepreneurs and their companies in terms of employment and payroll as well as their capacity for innovation and the national and sometimes international reach that they had attained. Additionally, the focus on entrepreneurship is beginning to percolate out beyond the five-county region and has gained placement in local and regional media venues in Alabama, Florida, Mississippi, and North Carolina.



The conceptual elevations show low-rise and mid-rise facilities of the downtown tech campus blending into the adjacent neighborhood.

**Partnerships** – Each of the entrepreneurial strategies outlined here required significant partnership development. The partnerships created through programs like iTEN Wired and the technology campus have created a renewed willingness to work together to benefit the regional and local economies of the Gulf Coast. Economic development organizations that are often seen as competing entities have joined forces, local governments have partnered on infrastructure projects, and education entities have stepped up to provide resources to support entrepreneurship and job creation.

**Product and Resources** – Local governments pledged real estate as well as capital funds for infrastructure improvements. The local college provided office space in downtown and the private sector stepped up to provide significant services and capital to leverage the public sector's investment.

**Job Creation and Investment** – While this outcome is effectively a blend of entrepreneurship and business retention and expansion, it is anticipated that the entrepreneurial companies the Pensacola Chamber has worked with in the Pensacola Bay area will create more than 150 new jobs over the next 12 months. Two of those companies alone have capital investment plans of more than \$4 million each. Additionally, over the last five years, Pensacola has seen approximately a dozen small, innovation-based firms locate or expand in its downtown area, including companies that have located in the CIE and from other states. Those companies have specifically indicated that the growing focus on small, innovation-based companies is one of the reasons they chose the location.

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## CONCLUSION

Pensacola and Northwest Florida are better known for their sugar white beaches and as a training ground for the men and women of the armed services. However, with the level of resources that have been committed and the success stories that are starting to emanate from the region, the tide is beginning to turn. Building an entrepreneurial ecosystem is not an overnight process. It will take decades of continued support to water the seeds that have been planted. The effort should continue as a full-court press with emphasis placed on a number of initiatives at any one time. But the initial steps have been taken to move toward a knowledge-based economy with significant focus on the power that entrepreneurs bring to a region. ☺

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