

Revitalizing Regional Economies by Accelerating Entrepreneurial Successes

By Ray Leach, Steve Berger, Samantha Fryberger, Annie Zaleski, and Kathryn Hanna

HOW JUMPSTART'S WORK IS TRANSFORMING NORTHEAST OHIO AND BEYOND

Greater Cleveland lost both jobs and population during the 20th century due to changes within the manufacturing industry. To encourage economic growth and job creation, Northeast Ohio leaders committed resources to encourage and accelerate entrepreneurship. This article discusses the formation and impact of the nonprofit venture development organization JumpStart, which has helped formulate, implement, and execute strategies to accelerate entrepreneurial successes. In addition, the article explains how JumpStart is applying this unique economic development model in other areas of the country. In 2012, JumpStart's project received a Gold IEDC Excellence in Economic Development Award in the category of Entrepreneurship for communities with populations of greater than 500,000.

Advertisement

STAY CURRENT

Visit IEDC's Online Bookstore for the very best offerings of ED publications from major publishers, plus IEDC's own technical reports and education manuals.

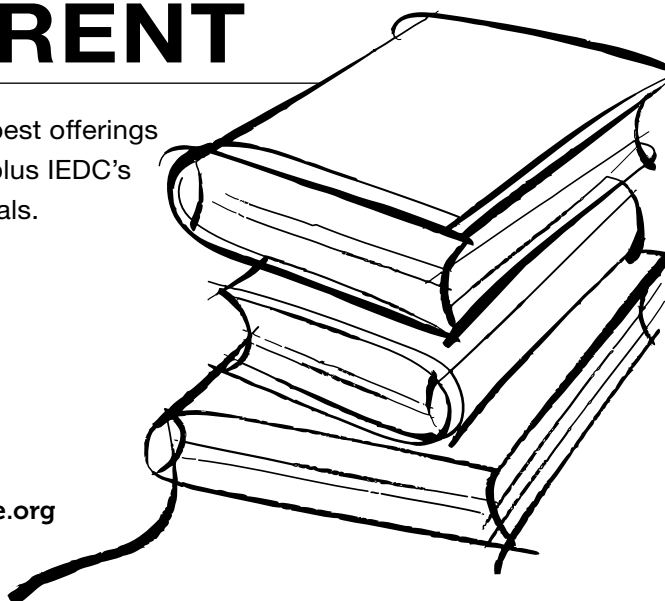


INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

The Power of Knowledge and Leadership

For more information go to: www.iedconline.org

Or call: (202) 223-7800



revitalizing regional

ECONOMIES BY ACCELERATING ENTREPRENEURIAL SUCCESSES

By Ray Leach, Steve Berger, Samantha Fryberger, Annie Zaleski, and Kathryn Hanna

THE PROBLEM

Northeast Ohio grew into one of America's most prosperous regions by the late 1800s and early 1900s largely because of its entrepreneurial spirit. The area was on the forefront of innovative manufacturing processes and trends, particularly in the burgeoning steel, automotive, rubber, and petroleum industries. In Greater Cleveland, innovators such as Henry Sherwin and Edward Williams revolutionized paint production by founding Sherwin-Williams in 1866, while auto industry innovators Alexander Winton, James Ward Packard, and Thomas White called Northeast Ohio home. And thanks to B.F. Goodrich and Goodyear Tire & Rubber co-founders the Seiberling brothers, by the turn of the 20th century Akron had become the "Rubber Capital of the World."

But the region's prosperity and population waned as the 20th century progressed. Among other things, changes within the manufacturing industry (including technological advancements and restructuring) led to hundreds of thousands of lost jobs. This contributed to persistent economic decline and the slowing of population growth¹, because after these jobs disappeared, companies weren't available to hire these displaced workers – many of whom had outdated skills and/or a lack of education.

Although corporations established more than a century ago still employ tens of thousands of Northeast Ohioans, early in the last decade, region-



JumpStart offers intensive business assistance to Greater Cleveland's entrepreneurs, just one of the many services the nonprofit offers within the region.

al leaders recognized a significant need to create new companies. According to a late 2012 Kauffman Foundation report, "the percentage of hiring based on job creation is much greater at startups than at more mature firms. Four out of every 10 hires at young firms are for newly created jobs."²

Rather than focus on strategies that produce short-term gains, these leaders looked toward developing a sustainable model for both economic growth and job creation. As a result, it was determined that one of the best ways for Northeast Ohio to revitalize its economy – and to create globally competitive jobs – was by encouraging entrepreneurship: accelerating the formation of high growth companies and facilitating the growth of existing young businesses. Early on, the region recognized

Ray Leach is CEO of JumpStart Inc. (ray.leach@jumpstartinc.org).

Steve Berger is Chief Operating Officer and Senior Advisor of JumpStart America, an initiative of JumpStart Inc. (steve.berger@jumpstartinc.org).

Kathryn Hanna is the Analyst I Marketing and Business Development Manager of JumpStart America (kathryn.hanna@jumpstartinc.org).

Samantha Fryberger is VP of Communications at JumpStart Inc. (sam.fryberger@jumpstartinc.org).

Annie Zaleski is Communications Writer at JumpStart Inc. (annie.zaleski@jumpstartinc.org).

HOW JUMPSTART'S WORK IS TRANSFORMING NORTHEAST OHIO AND BEYOND

Greater Cleveland lost both jobs and population during the 20th century due to changes within the manufacturing industry. To encourage economic growth and job creation, Northeast Ohio leaders committed resources to encourage and accelerate entrepreneurship. This article discusses the formation and impact of the nonprofit venture development organization JumpStart, which has helped formulate, implement, and execute strategies to accelerate entrepreneurial successes. In addition, the article explains how JumpStart is applying this unique economic development model in other areas of the country. In 2012, JumpStart's project received a Gold IEDC Excellence in Economic Development Award in the category of Entrepreneurship for communities with populations of greater than 500,000.

that this process requires regional collaboration, opportunity identification, and the development of an entrepreneurial support ecosystem comprised of investors, educators, resource providers, idea creators, funders, advocates, and others.

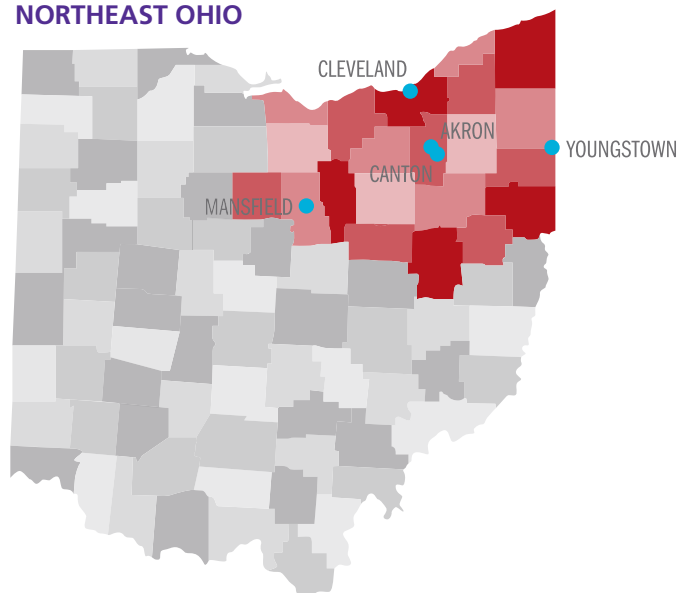
This article outlines the formation of the nonprofit venture development organization JumpStart, which has helped formulate, implement, and execute strategies to transform Northeast Ohio's entrepreneurial landscape. In addition, the article details the impact the organization's work has had on the region. Finally, the article explains how JumpStart is applying this unique economic development model in other areas of the country and the takeaways JumpStart has gleaned from its work in these regions.

THE JUMPSTART MODEL – AN OVERVIEW

In 2003, NorTech – a Cleveland-based economic development nonprofit founded in 1999 to drive the development of regional tech-based innovation clusters – formed an Entrepreneurship Task Force comprised of business and university leaders, capital providers, and entrepreneurial assistance organizations. This task force presented a study that identified several key factors hindering entrepreneurship in Northeast Ohio; among them, a shortage of early stage capital, a dearth of beneficial networking opportunities, an inability to translate ideas into competitive business concepts/plans, and a lack of support from the business community. In addition, the study indicated the perception of a skilled talent shortage, observed ineffective marketing of Northeast Ohio's strengths, and noted a historical lack of positive regional recognition for successful entrepreneurs.

In response to these findings, NorTech and Case Western Reserve University, a leading independent research university located in Cleveland's urban core, partnered to launch a nonprofit venture development organization called JumpStart. The original grants to found the organization came from the Cleveland Foundation, Cleveland Tomorrow, and the George W. Codrington Foundation. Additional funding came from the Ohio Department of Development's Ohio Third Frontier program, a \$2.3 billion tech-based economic development initiative with

NORTHEAST OHIO



two main goals: supporting existing industries transforming themselves with new, globally competitive products and fostering the formation and attraction of new companies in emerging industry sectors.

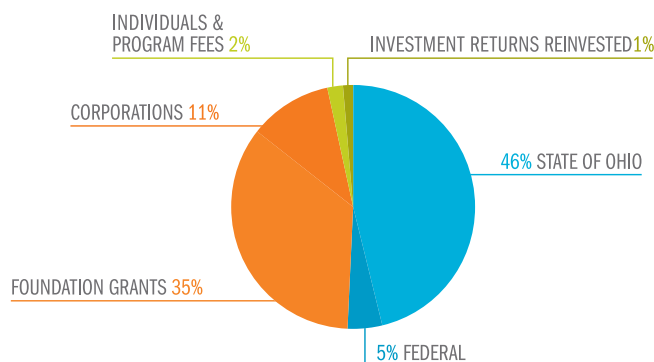
JumpStart's initial mission centered on delivering vital resources to entrepreneurs and the community, in order to accelerate the growth of early stage businesses and ideas into venture-ready companies that could go on to contribute to the regional economy – generating revenue, taxes, and new jobs. And today, JumpStart focuses on accelerating the success of diverse entrepreneurs, their high growth companies, and the ecosystems supporting them. In Northeast Ohio, the organization and its partners do this while leveraging the strengths of the region's robust medical, educational, and manufacturing infrastructure.

JumpStart has continued to operate as a public, private, and philanthropic partnership with support from the following: Burton D. Morgan Foundation, Richard J. Fasenmyer Foundation, FirstEnergy Foundation, Forest City Enterprises, Inc. Charitable Foundation, Fund for Our Economic Future, Greater Cleveland Partnership, KeyBank Foundation, and many others. The state of Ohio has also consistently supported the business assis-



JumpStart directly provides resources and assistance to Northeast Ohio entrepreneurs leading high growth, early stage companies.

SOURCE OF JUMPSTART FUNDS (FOR NORTHEAST OHIO WORK)





JumpStart's Cleveland-based offices are located in the city's urban core. It's part of the burgeoning Health Tech Corridor, a cluster of world-class hospitals, business incubators, academic centers, and high-tech companies focused on innovation.

tance and investing activity of JumpStart and its regional collaborators via two Ohio Third Frontier-funded initiatives: The Entrepreneurial Signature Program and Pre-Seed Fund Capitalization Program.

Very early on, the organization saw the importance of participating in national conversations around innovation. Today, JumpStart's current and founding CEO, Ray Leach, serves as a member of the U.S. Commerce Department's National Advisory Council on Innovation and Entrepreneurship, which supports the national innovation strategy by developing policies that foster entrepreneurship. He is also on the board of the National Venture Capital Association, the voice of the country's venture capital community. JumpStart has been able to help Northeast Ohio's tech scene evolve in part because it's been able to raise the visibility of the needs of the region from an investment and entrepreneurial standpoint.

ENTREPRENEURIAL STRATEGIES

Intensive Assistance to Entrepreneurs

To achieve its goals, JumpStart nurtures tech entrepreneurs that could go on to become the region's next generation of corporate employers. In fact, the organization's work begins and ends with entrepreneurs. With the support of its public, private, and philanthropic partners, JumpStart collaborates with a host of resources: incubators, investors, accelerators, area nonprofits, government groups, investors, corporations, and higher education institutions.

The nonprofit itself directly provides resources and assistance – often coupled with a financial investment – to Northeast Ohio entrepreneurs leading high growth, early stage companies, to help them successfully identify advisors, find clients, and raise the capital they need to generate revenue and jobs more quickly. Young client companies can access help that may include mentoring from seasoned entrepreneurs and executives, investor introductions, talent-attraction services, and marketing guidance (website design/analysis, press release writing/dissemination and graphic design help). During its eight

years in existence, JumpStart has given intensive service to 432 client companies. These companies are early stage, high-growth, tech-based startups predominantly in the healthcare, cleantech, information technology, and business services sectors.

Focus on Inclusion

Across all of its efforts, JumpStart focuses on developing additional initiatives around the needs of women, minority, and inner city entrepreneurs, because it believes the companies and economic opportunities these groups develop can provide differentiated, community-specific benefits. Unemployment is up to three times greater in the U.S. minority population; however, minority entrepreneurship increased 74 percent between 1996 and 2010³, with minorities accounting for 40 percent of entrepreneurs in 2011.⁴

Since minority firms employ minority workers at twice the rate of non-minority workers, helping minority and inner city entrepreneurs build larger-scale firms holds great promise for this often disconnected community. Because JumpStart recognizes that the country cannot be competitive in a global economy with only half of its population meaningfully contributing to economic output, it has instituted minority outreach, targeted communications, recognition programs, technical assistance, access-to-capital, and other outcome-based initiatives.

Supporting the Entrepreneurial Ecosystem

JumpStart also expands the resources in and ensures the sustainability of the entrepreneurial ecosystem in a variety of ways, including:

- Marketing the region's young companies to national investors,
- Building capacity for support organizations by providing them with pro bono professional services,
- Helping communities create hyper-local funds to invest directly in their entrepreneurs,
- Collaborating with higher education institutions to introduce new entrepreneurs into the ecosystem, and
- Participating in national conversations on innovation, entrepreneurship, and venture capital.

Advocacy and Education

JumpStart advocates for entrepreneurial resources and shares its experience with communities across the country, in order to gain new insights, accelerate entrepreneurial success nationally, and increase funding to Northeast Ohio, making continued progress for this

During its eight years in existence, JumpStart has given intensive service to 432 client companies.

These companies are early stage, high-growth, tech-based startups predominantly in the healthcare, cleantech, information technology, and business services sectors.

growing ecosystem even more sustainable. As mentioned earlier, members of the senior leadership team sit on national boards, in addition to contributing thought-leadership articles about entrepreneurship and investing from a Midwest perspective on *Huffington Post*. With help from a Venture Capital Task Force, the organization also helps track equity investing in Northeast Ohio. It submits this collected data to national reporting agencies and creates an annual report to share insight into the region's progress with investors, entrepreneurs, and the community.

Within Northeast Ohio, JumpStart connects to other entrepreneurial resource organizations to efficiently and effectively deliver resources to entrepreneurs. In conjunction with this work, the organization and its partners regularly provide educational sessions and actively seek out opportunities to share information about entrepreneurship in the region with civic groups, high schools, colleges, and economic development groups – presenting publicly one, two, three times a week. JumpStart has made a conscientious effort to create awareness in the region: To date, it's reached 48,707 individuals to educate them on the importance of entrepreneurship and the resources available in Northeast Ohio.

Creating Community

JumpStart champions the region and its partners and advances the conversation around innovation in a variety of ways. The organization tells the stories of young companies and shares advice from established entrepreneurs on its blog (jumpstartinc.org/blog) in the form of reports, podcasts, videos, and written posts. It also consistently hosts or presents networking sessions for entrepreneurs. To share these events and stories, the organization utilizes social media, social-gated platforms, and monthly email newsletters.

The venture development organization also sponsors what's become an annual community-wide entrepreneur expo which celebrates the companies with the potential to transform the region's economy. The 2012 expo was the biggest one yet: 117 early stage tech companies presented to more than 1000 investors, entrepreneurs, business leaders, media, and interested community members. Marketing Northeast Ohio's resources, events, and strengths is helping to improve the perception of the region and to foster community spirit.

COMMUNITY IMPACT

Jobs, Capital, and Revenue

Since 2004, the organization has committed \$26 million to 69 pre-seed technology companies and provided thousands of hours of expert assistance to another 350. Collectively, these companies, many of which are still very early in their development, have already created 1,500 direct jobs and raised nearly \$500 million in capital. In 2011, they generated collective annual revenue of \$95 million, while the reported average salary for jobs created by JumpStart client companies last year was \$65,000.

Increased Investment Activity

The efforts of community leaders, JumpStart, and its partner organizations have also led to increased investment activity. Since 2006, 17 venture capital firms and five angel funds have opened new offices in Greater Cleveland. Six communities (Wooster, Barberton, Canton, Akron, Cleveland, and Mansfield) have created new funds to invest in their local entrepreneurs.

North Coast Angel Fund, which was started and supported by JumpStart, has grown to become the country's fifth-largest organized angel group. Despite a tough healthcare fundraising environment nationally, Northeast Ohio companies in that sector accounted for 61 percent of the equity capital raised in the region in the last five years. In fact, 134 equity investors (67 percent from outside of the Midwest) have invested more than \$1 billion in Northeast Ohio companies over the last five years.

Inclusive Gains

JumpStart's inclusion-focused efforts have also paid dividends. The organization has helped 1400 minority, inner city, and women entrepreneurs secure resources to accelerate company growth and helped inclusive entrepreneurs raise \$95 million. As a result of this high-impact minority business support, Northeast Ohio's investment in the companies of diverse entrepreneurs is three times the national rate. Recognition programs such as the Charter One Launch100 Leadership Circle, which honor entrepreneurs committed to turning their business ideas into impactful minority-owned or -led companies, celebrate diverse entrepreneurs and increase their visibility in the community.

More Entrepreneurial Resources

In the past several years, Northeast Ohio's robust startup activity spurred an increase in the type and amount of resources available to entrepreneurs. Organizations both national (Blackstone LaunchPad, Goldman Sachs 10,000 Small Businesses, and Venture for America) and regional (Bad Girl Ventures, Bizdom) have opened up shop in the region.



Dr. Rahul Aras is CEO of JumpStart portfolio company Juventas Therapeutics, a clinical-stage regenerative medicine startup developing treatments for both chronic heart failure and critical limb ischemia.



Sean Arnold, CEO of CFRC Water and Energy Solutions, a company that developed a sensor-based showerhead that conserves water and reduces energy costs.



Maria Bennett, President and CEO of JumpStart portfolio company SPR Therapeutics, which recently received the CE mark for its Smartpatch® system, a peripheral nerve stimulation (PNS) therapy used for the treatment of shoulder pain.



(L-R) Elevate Ventures management team members Ting Gootee and Steve Hourigan. Elevate Ventures is a non-profit venture development organization launched by the state of Indiana in April 2011.

ADAPTING THE MODEL

As JumpStart's work evolved in Northeast Ohio, the organization realized it was using public, private, and philanthropic collaboration to fuel collective impact. As defined by the *Stanford Social Innovation Review*, collective impact is "the commitment of a group of important actors from different sectors to a common agenda for solving a specific social problem." Collective impact initiatives vary across sectors, but on a general level, they pair comprehensive plans with measurable action. Now, the organization is sharing this approach to help economic development efforts in other regions.

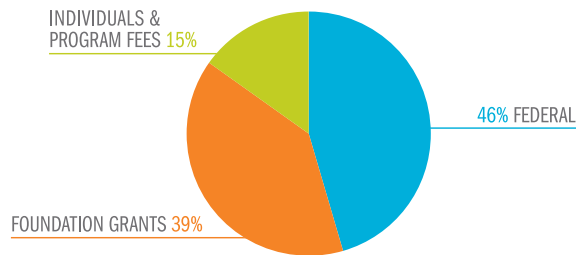
The U.S. needs to create 21 million full-time jobs by 2020 to bring national unemployment back to pre-recession rates.⁵ This has resulted in a shared urgency among leaders across the nation to create jobs. In 2010, attracted by Northeast Ohio's progress and success, the U.S. Commerce Department's Economic Development Administration, the John S. and James L. Knight Foundation, and the Surdna Foundation asked JumpStart to apply the lessons it's learned in Northeast Ohio in other regions that could benefit from entrepreneurship contributing to their economic competitiveness.

As a result, the organization now also helps other regions develop high-impact economic development approaches under the umbrella of its JumpStart America initiative, part of the Startup America Partnership. To help these regions tap into their entrepreneurial potential, JumpStart brings together entrepreneurs and investors, as well as private, institutional, philanthropic, and economic development organizations, to develop, capitalize, and implement regional entrepreneurship plans. Each plan, which is designed with input from the region's stakeholders, is tailored to a community's specific innovation assets and needs and is focused on its unique areas of opportunity. However, the overarching purpose of the JumpStart America work is always to transform regional economies by accelerating the successes of diverse entrepreneurs, their high-impact companies, and their supporting ecosystems.

The organization functions in an advisory capacity within these regions while it completes the research needed to develop its strategic plans. In completing its work, the organization engages with a diverse cross-section of each region's community: It has personally interviewed approximately 800 individuals and reached more than 6,400 people through using other primary research methods such as surveys, focus groups, and community

To date, JumpStart has completed plans for Northern Indiana, Minneapolis Saint Paul, Upstate New York, and Detroit/Southeast Michigan; plans for Duluth/Arrowhead, Akron, and Baton Rouge are nearing completion. In addition to these regions, the organization is also working in Macon/Central Georgia and St. Louis.

JUMPSTART AMERICA OVERALL FUNDING (FY 2011 & 2012 COMBINED)



gatherings. To date, JumpStart has completed plans for Northern Indiana, Minneapolis Saint Paul, Upstate New York, and Detroit/Southeast Michigan; plans for Duluth/Arrowhead, Akron, and Baton Rouge are nearing completion. In addition to these regions, the organization is also working in Macon/Central Georgia and St. Louis.

It's important to note that each individual region is responsible for implementing, evolving, and sustaining its economic development approaches, as well as operating the organizations or programs formed in response to any plan created. In the end, JumpStart wants to help a region develop the resources and infrastructure it needs to help itself.

LESSONS LEARNED

Customization Is Key

While there are certain programs and services that are proven to help early stage entrepreneurs, JumpStart recognizes there is no "one-size-fits-all" venture development model that can be syndicated and replicated to work everywhere. No one solution or formula is applicable to all regions; a region must look at its particular assets, strengths, and needs and create a plan with a built-in common agenda geared toward encouraging maximum growth in its most promising areas. In a general sense, a more agrarian region may approach entrepreneurship differently than would a university community or an area surrounding an urban core.

More specifically, in Baton Rouge, it made sense to leverage the region's existing incubators, build a regional network to enhance cooperation, and provide for-profit funding to support startup growth and development. But just as each region boasts unique strengths, it must overcome unique weaknesses. In Southeast Michigan, it made sense to address the need for increased first-investment funding (a company's first third-party investment, typically an institutional investment).

In other cases, the distinctive geographic or cultural characteristics of a region determine the best course of action. For example, Upstate New York encompasses a very large area comprised of 27 counties. To reach all

of the population centers within the region, its organization, Launch New York (Launch NY), needs to work closely with many other organizations. Customization of this kind influences all of the following lessons.

Leverage a Region's Existing Resources

Hospitals and universities in the St. Louis area have long been known for their medical and scientific research, particularly in the biomedical and agriculture fields. The region's leaders made sure to leverage these assets when considering economic development. In late 2011, Washington University in St. Louis, BJC HealthCare, and the nonprofit St. Louis Life Sciences Project committed \$30 million over five years to two organizations: BioSTL and a nonprofit affiliate, BioGenerator. These funds will support pre-seed/seed investment, assistance, physical facilities, and regional collaboration, with the overarching goal of advancing the bioscience industry in and around St. Louis. Today, the region possesses emerging information technology and green technology sectors due to the ongoing support from established institutions, which has facilitated mutually reinforcing development activities.

Upstate New York also has a solid educational infrastructure. The region's universities spend over \$1.5 billion in research annually, and they have strong state support for moving university commercialization into the marketplace. This creates many opportunities for technology startups to develop these innovations but also requires they receive intensive, early stage business assistance and high risk funding. A major portion of JumpStart's efforts in the region focused on identifying new ways to give these companies the help and capital they need to grow and be successful.

In other cases, existing assistance services must sometimes be expanded so entrepreneurs are better able to take full advantage of a region's resources. For example, even though there are investment dollars available, critical early stage investments are often inaccessible to Southeast Michigan entrepreneurs because of constraints placed on awards. In this instance, to advance companies through product commercialization, resources must be expanded to help bridge the funding gap, a gap commonly referred to as the "valley of death."

Some of the regions in which JumpStart works have resources already at their disposal; however, in many cases, there aren't enough resources available to meet the needs of entrepreneurs. Identifying the areas in which a region has room for opportunity is critical to JumpStart America efforts.

Identify Areas of Opportunity

Some of the regions in which JumpStart works have resources already at their disposal; however, in many cases, there aren't enough resources available to meet the needs of entrepreneurs. Identifying the areas in which a region has room for opportunity is critical to JumpStart America efforts. For instance, in Southeast Michigan, a regional team of advisors recognized a gap in the funding available to pay for expert assistance, which meant some companies did not have access to experienced mentors to guide their development. In Detroit, an assessment of regional assets and outcomes revealed a need for more resources to serve minority and female entrepreneurs starting high growth companies, a critical component to a strong entrepreneurial ecosystem.

Engage a Diverse, Large Cross-Section of People

Each JumpStart America regional project is guided by its own local advisory group. This is typically a diverse group of leaders culled from city or county government, academic institutions, foundations, for-profit businesses (often large employers or the medical community), entrepreneurial support organizations and, of course, entrepreneurs and investors. These advisory groups come together at the project's inception and provide guidance about and insight into the region's entrepreneurial climate. This information and collaboration is critical to JumpStart as it shapes the recommendations included in the regional entrepreneurship plans.

The organization's ongoing work in Upstate New York has especially benefitted from continuous communication amongst an active and engaged advisory group. Its core members come from a cross-section of professions representing the areas of economic development, academia, business, and philanthropy, among others. Because of its diverse composition, the advisory group grasped the benefits inherent in the idea of public, private, and philanthropic partnership. Their input was critical to JumpStart's work in the region, which directly manifested itself in the recent unveiling of Launch New York (Launch NY), a nonprofit with about \$4 million in funding commitments geared toward assisting high growth entrepreneurs.

In St. Louis, the JumpStart planning phase has involved a steering committee and an advisory group comprised of more than 36 individuals in monthly working group meetings to define key issues, propose programmatic imperatives, and develop action agendas.

Each JumpStart America regional project is guided by its own local advisory group. This is typically a diverse group of leaders culled from city or county government, academic institutions, foundations, for-profit businesses (often large employers or the medical community), entrepreneurial support organizations and, of course, entrepreneurs and investors. These advisory groups come together at the project's inception and provide guidance about and insight into the region's entrepreneurial climate.

NORTHERN INDIANA: A CASE STUDY

In June 2010, the Economic Development Administration, the Surdna Foundation, and the John S. and James L. Knight Foundation awarded JumpStart \$2.5 million to use its experience supporting Northeast Ohio entrepreneurs to help six Midwest regions, including Northeast and Northwest Indiana, do the same. The nonprofit's collaborative approach in Northeast Ohio especially resonated with leaders representing North Central Indiana, who wanted to participate in the project. As a result, JumpStart, the Indiana Economic Development Corporation, and regional leadership raised funding to include North Central Indiana.

The Challenge

Northern Indiana's economy has been historically dominated by traditional manufacturing. Globalization and improvements in industrial process productivity led to a general manufacturing employment decline, although pockets of regional growth remain. A statistical overview of the previous decade is illuminating:

- Between 2000 and 2009, Northern Indiana's total employment decreased by 12 percent while Indiana experienced a 7.4 percent decline and the United States economy contracted by only 1.1 percent.
- From 2000 to 2009, the region's manufacturing employment decreased by 35.4 percent, which was a faster rate of decline than experienced in both Indiana and the U.S.
- In 2009, unemployment in Northern Indiana stood at 11.2 percent compared to the United States average of 9.6 percent.
- Northern Indiana's per capita income decreased by 3 percent from 2000 to 2009, and is now 85 percent of the national average.

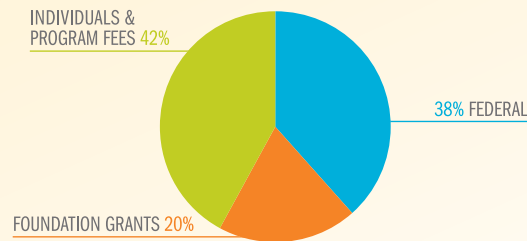
Initially, the region lacked the infrastructure and culture to address these challenges through entrepreneurship and new business creation. There is very little venture capital, as most angel activity focuses on existing asset-based businesses. In addition, each of these three areas saw itself as a separate entity, fragmentation which further hindered collaboration within the region. But the state of Indiana and the Indiana Economic Development Corporation recognized the need to focus on entrepreneurship and provide more resources and leadership, and Northern Indiana had several things on its side to make it an ideal place to implement economy-transforming initiatives: a legacy of entrepreneurial success and a combination of successful business people, capable economic developers, and interested investors.

The Model

Initially, the creation of three separate plans was considered (one each for Northeast, North Central, and Northwest Indiana). However, the sporadic and diverse level of deal flow, relatively low population density, and similar challenges shared among the regions created large hurdles for developing a separate plan in each region. Combining the three areas into one region served by a single venture development organization allowed the region to share costs, enables more funding to go directly to entrepreneurs, and provides the ability to deliver highly specialized services.

Working with the Indiana Economic Development Corporation, JumpStart saw potential for an agreement with a

OVERALL INDIANA FUNDING (ALL REGIONS COMBINED)



new nonprofit venture development organization called Elevate Ventures. The state of Indiana launched Elevate Ventures in April 2011 after recognizing its ecosystem required more than capital to support entrepreneurs. The organization was originally incorporated as a way to deliver investment and assistance to startup companies throughout Indiana.

Elevate's programs are funded by a combination of several sources: existing funds from the state-run 21st Century Fund, as well as new dollars from the federal government; state agencies (Indiana Economic Development Corporation); and from local corporate, economic development, and philanthropic sources.

The Plan

In fall 2011, JumpStart delivered a Northern Indiana entrepreneurship plan. The plan targeted two measurable goals: growing more high potential companies and building a stronger ecosystem to support them. Elevate Ventures was tapped to manage the plan's implementation, ensuring it translated into immediate resources for entrepreneurs. The partnership made sense: Several months before, Elevate took over management for Indiana's 21st Century Fund, which invests in high potential life sciences, information technology, and advanced manufacturing companies.

In the wake of JumpStart's recommendations, the region deployed entrepreneurs-in-residence, pledged investment capital to Northern Indiana deals, and launched an aggressive marketing and outreach program. In summer 2012, Elevate also partnered with IdeaCrossing, a free online portal developed by JumpStart that connects entrepreneurs to potential business mentors, investors, and service providers. This collaboration allows Elevate to continue providing funding opportunities to Indiana startups, while giving its clients access to new regional resources and other long-term business opportunities.

Conclusion

These Northern Indiana programs involved a commitment of resources from state government, a federal program, local economic development organizations, local industries, and local philanthropic foundations. More than \$15 million has been pledged to support these activities over the next three years. While there is still much work to be done, early results show promising gains in the region. In the first nine months of the Quick Start implementation, the Northern Indiana regions increased their identifiable deal flow from less than 20 percent of the state's total to almost 50 percent.

The Plan Must Be Actionable

Anyone can write a plan. However, without funding, community support, and leadership, a plan is not actionable. JumpStart only aims to develop plans that can be translated into real action in support of entrepreneurship.


St. Louis has set a goal of raising \$100 million to support entrepreneurship assistance and investment from local private sector industry and philanthropic organizations. Fundraising is being led by the St. Louis Regional Chamber and Growth Association, which is well-positioned to reach the audiences with the resources to fund the necessary entrepreneurship assistance programs.

In Indiana, the state's economic development organization created a separate statewide venture development organization to implement a regional entrepreneurship plan for Northern Indiana. This organization, known as Elevate Ventures, followed many of JumpStart's operational recommendations when creating the structure and vision of the organization. [For a closer look at this region, see sidebar.] And in Upstate New York, the region has attracted over \$3 million in philanthropic support for regional foundations to implement its entrepreneurship plan.

CONCLUSION

Eight years after JumpStart launched, national funders and other regions across the country are interested in gaining insight from lessons learned in Northeast Ohio to accelerate their economic competitiveness. However, Northeast Ohio is still only about midway through its own entrepreneurial transformation. The region's entrepreneurial ecosystem continues to evolve and grow, thanks in part to the collaboration that resulted from recognizing no one organization has enough resources to move the needle by themselves and also because of significant financial support from the state.

In 2012, Ohio made multi-year commitments of \$11 million to four Northeast Ohio organizations to invest directly in entrepreneurs and, separately, \$12 million to JumpStart and 16 of its partners to provide intensive business assistance to young companies. Since state dollars require a 1:1 match, this means \$46 million will be available over the next two to three years for the benefit of tech-based entrepreneurs in Northeast Ohio. These funds have fueled activity in Ohio: New entrepreneurial resources are popping up in the region, startups that received assistance or investment early on are gaining significant traction in their markets, and the region's tech scene is earning national recognition.

In the coming decade, JumpStart's role in the region should be greatly diminished. That's a positive thing: It indicates Northeast Ohio will have a self-sustaining entrepreneurial ecosystem in place, in which entrepreneurial successes are continuously fueling other entrepreneurial successes. 

ENDNOTES

- 1 http://books.google.com/books?id=x2WflbREgLkC&pg=PA100&lpg=PA100&dq=ohio+population+lost+20th+century&source=bl&ots=TJBywVdS3G&sig=tkNKaE05ft0w5mp7mhHiNiQ5LUc&hl=en&sa=X&ei=PRnSUTFBuO_0AGBiIHQAQ&ved=0CHgQ6AEwCA#v=onepage&q=ohio%20population%20lost%2020th%20century&f=false
- 2 <http://www.kauffman.org/newsroom/young-firms-lead-recovery-in-hiring-and-job-creation-according-to-kauffman-funded-census-brief.aspx>
- 3 figure obtained using data collected by the Kauffman Foundation: <http://www.kauffman.org/research-and-policy/kiea-interactive-2011.aspx>
- 4 <http://www.kauffman.org/research-and-policy/kiea-interactive-2011.aspx>
- 5 http://www.mckinsey.com/insights/mgi/research/labor_markets/an_economy_that_works_for_us_job_creation

STAY CURRENT

Visit IEDC's Online Bookstore for the very best offerings of ED publications from major publishers, plus IEDC's own technical reports and education manuals.



INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

The Power of Knowledge and Leadership

For more information go to: www.iedconline.org
Or call: (202) 223-7800

