IDAHO'S ENTREPRENEURIAL ECOSYSTEM & THE ROLE OF THE IDAHO SMALL BUSINESS DEVELOPMENT CENTER

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Adding the 'T'

Introduction/Background

Idaho. Frontier. Independent. Self-reliant. The 43rd state conjures up tangible images of a can do spirit and the ability to create something out of nothing with a strong work ethic, gumption and perhaps a little luck thrown in for good measure. From the beginning, Idaho's residents have epitomized the entrepreneurial spirit - be it establishing settlements and creating communities, cultivating the arid land to grow crops, engaging in scientific and engineering research and services, to bringing ideas to market, creating products and businesses. Idaho's story - its past, present and future - is connected and threaded through the entrepreneurial, can do spirit.

For the better part of its history, Idaho's entrepreneurial spirit has thrived because of a marked independence and strong work ethic. Here, researchers, scientists, inventors, every day ordinary citizens - embodied the entrepreneurial spirit, sharing their ideas, seeking ways to bring the ideas to fruition, to turn them into products and services and get them to the market. For many entrepreneurs, the journey of taking an idea to market was a long journey and fraught with trial and error. Many have failed. Yet they persist today. Others realized greater successes. Due perhaps to markets and timing, some ideas gained a toehold in the market and there was no looking back as names like Simplot, Albertson, Morrison and Parkinson have a place in Idaho's history. While not everyone realizes the success of these individuals, Idaho's residents remain undeterred and as entrepreneurial as ever. People still have ideas and look to bring them to the market.

Idaho's economic development activity centers on the three-legged stool notion of business attraction, business retention and startups. To date, most effort has focused on business attraction and retention activities; entrepreneurs and startups have, for the most part, been left to their own devices to bring their idea(s) to fruition. While there are many talented service providers and subject matter experts in Idaho, each approaches the activity of taking an idea to market and building a business in their own fashion, a tribute to the characteristically independent and self-reliant attitude that pervades the state. Service providers offer an 'open door policy' where entrepreneurs and startups can seek help from any; the entrepreneur decides what steps to take and advice to follow. This has resulted in some successes. For others, it has resulted in some confusion as they are not sure where to go for assistance or whose advice to follow. This confusion exists within the service provider network as well. It is not immediately clear what the areas of expertise are, what events or networking and meet-up groups are important, what is a duplicate service or offering or if anyone talks and coordinates with each other. While the service providers do work well together and communicate with each other, at the end of the day, each is concerned with helping the entrepreneur realize success first, and meeting their own deliverables second.

The Idaho Small Business Development Center (SBDC) has a unique opportunity to be a force for change in the service provider network through accreditation to work with tech entrepreneurs and startups. The SBDC, if certified, would receive a 'T' designation, becoming the Idaho Small Business Development Technology Center. To that end, the SBDC sought independent research and analysis of the market and need for Technology Accreditation to review the existing scope and levels of effort to support new and growing technology companies in Idaho, identify gaps and opportunities, and provide recommendations for moving forward.

Methodology

A gap analysis with key informants working in the startup technology business space was conducted to identify areas of opportunity in and around technology transfer and commercialization, research and development funding, intellectual property, technology networking or resource identification, and alternative financing (equity). Research participants were identified on a statewide basis and included representatives from economic development professionals (at city and state levels as well as economic development districts), the Idaho Technology Council, service providers, univer-

sity research, economic development and tech transfer offices, networking organizations and programs, angel groups, financial institutions, attorneys, and incubators and accelerators. Research was conducted in two (2) phases, the first being an environmental scan of websites to determine services offered, areas of expertise, geographic service area, staffing levels, trainings and events. From this research, a list of key informants were identified and interviewed by telephone. Key informants were asked about their efforts to assist startup technology entrepreneurs and businesses. They were also asked to identify others in the space that should be contacted.

Guiding questions for the research included how each interviewee assists startup tech entrepreneurs and businesses, whom they contract and/or depend on to deliver services to startup tech entrepreneurs and businesses, an identification of unmet needs and gaps, what could be done to better assist startup tech entrepreneurs and businesses, and how they might tap into the SBDTC staff's knowledge and expertise. This information will help the SBDC determine whether or not to secure a 'T' designation and the opportunities available in the space. Informants were also asked to identify any unnecessary activities, services or programs. This information provides an opportunity to avoid duplication of resources and to better ensure collaboration moving forward.

Findings

Respondents support the Idaho SBDC pursuing and receiving the 'T' certification. In their view, doing so would provide an opportunity to help the larger community communicate and collaborate more effectively. In an era of shrinking resources (financial and staff), those that are unable to afford independent tech oriented staff saw this as a tremendous opportunity to strengthen the entrepreneurial ecosystem. Several noted the confusion in the tech community about "who does what," "how do they help," "what events to attend," "when events are held," , etc. An entity, like the SBDTC would help coordinate all the efforts, resources, activities and programs, creating a more positive experience for the tech entrepreneur or startup as well as other service providers in the space. This is especially helpful given the statewide vantage point of the SBDC. This broader exposure to subject matter experts, resources, programs and activities, coordinated and communicated on a statewide basis would deliver on the 'it takes a village' mantra that many service providers support in their local communities. Such coordination would extend to service providers, economic development professionals, attorneys, angel investors, venture capitalists, small business and commercial lenders, CPAs and others that coexist in the tech entre-

preneur and startup space, and increase the likelihood for successfully bringing an idea to market.

The SBDC has done an outstanding job of connecting with others across the state. Every respondent indicated that at some level, they connect tech entrepreneurs and startups to the Idaho SBDC staff. SBDC staff are relied on heavily for mentoring and counseling, business plan vetting, assistance with business pitch, determining who the company's customer is and how to connect to that customer. Many spoke of the SBDC as a referral network, for vetting people, ideas and businesses. The SBDC makes sure that others know about their clients and encourage them to track their progress. The SBDC's relationship is seen as very positive and collaborative with other service providers.

Contract With/Depend On

Besides the SBDC, respondents rely on Idaho TechConnect, SCORE and TechHelp in delivering services to tech entrepreneurs and startups. Many respondents view their role in the entrepreneurial ecosystem as a 'connector,' finding themselves in contact with people from all backgrounds who have an idea and no clue what to do about the idea. Respondents connect these individuals to the SBDC, TechConnect and SCORE,

primarily. If the idea requires product development, TechHelp is the go-to resource. Respondents also indicated that they relied heavily on local community members as mentors, including serial entrepreneurs (those that have been there and done that), attorneys, angel investors, commercial lenders and other business leaders. Many respondents indicated that taking mentoring and coaching to a new level outside of the service provider organization was a recent addition to their support. Mentor programs were also identified as an unmet need or gap, especially for rural areas.

Unmet Needs/Gaps

While the respondents favor the 'T' designation, they had varied thoughts and experiences on the unmet needs or gaps facing tech entrepreneurs and startups and how they should be filled. Idaho is relatively less mature than other markets and not as progressive. Many flat out admitted that Idaho is behind as the larger community is not willing to take risks. A lack of leadership at various levels (business, state and local government) were cited. Regardless of the blame, respondents saw an opportunity for adjusting priorities and leapfrogging other states, putting policies, programs and incentives in place to encourage tech entrepreneurs and startups. Salt Lake City, UT was provided as an example of a city that found success in encouraging tech entrepreneurship. The county and municipal levels issued bonds to fund light rail and other developments that fostered the growth of the tech cluster.

Not surprisingly, access to capital was identified as a gap. This gap ranged across the spectrum, from a need for more seed funds to early stage funding, venture capital funding to education about funding. There is no longer any venture capital that resides within the state of Idaho. Several angel investors are working to ensure additional sources of capital in surrounding cities (Seattle, Salt Lake City and Portland) are exposed to Idaho's ideas, to address the gap in the next stage of capital. One respondent noted that many companies spend an average of 60% of their time fund raising. This comes at the expense of other aspects of their business. There is also interest to create a seed fund group with conversa-

tions in early stages. The Idaho Technology Council is working to create a Deal Flow Report which will raise awareness of those startups that secure funding.

Several respondents noted an interest in helping the SBDC assist others by educating the SBDC on their needs and serve as a resource. Small business and commercial lenders meet with many would-be entrepreneurs that are not prepared for formal capital. They could potentially funnel these individuals to the SBDC; the SBDC could mentor the entrepreneur and help them determine the best source for financing. If a commercial lending route is considered the best option, the SBDC would refer the entrepreneur to the source of the lead.

Additional education could be offered to entrepreneurs about the funding process, especially alternative forms of financing. Together with the Angel Resource Institute and the Angel Capital Association, the Boise Angel Alliance is developing a standardized curriculum for entrepreneurs and angel investors. The curriculum will educate entrepreneurs on topics like mentoring, due diligence, and company valuation, and help angel investors better participate in the startup.

Some education is also needed around the true cost of a tech startup. Tech entrepreneurs have a tendency to downplay and underbid the costs involved. There needs to be some realistic education around the categories involved in starting up. Cost-effective implementation is a crucial concept for tech entrepreneurs and startups to understand from the outset.

Market research was another area that received attention from respondents. Tech entrepreneurs and startups are often not clear who their customer is, how to find the customer, how to talk to a customer and how to close the first sale. Many tech entrepreneurs have an idea and are confident that there is a market for it; this confidence is not based on market research. Upon further discussion, respondents find that the tech entrepreneur has not talked with the potential customer. They do not know if their idea (solution, product, service, etc) serves an actual need or if it solves a real prob-

lem. Tech entrepreneurs often do not know how to go about creating a prototype to show to potential clients which would help make that first sale. This then affects their ability to monetize the idea. Respondents also found that tech entrepreneurs mistakenly assume that having an idea or a product is the same as having a business.

Startups face issues in connecting to existing businesses in their local communities and the state. Having some ability or program, such as a dealmaker's conference, to better connect the startup to a larger business would go far to strengthen the ecosystem. The startup company would have a first customer (the larger business) and proof that the idea or product is solid. This fills the gap; companies buy from each other.

Knowledge of the SBIR/STTR programs was identified as an unmet need. Idaho has not proactively promoted these programs as a way to fund ideas and build companies. Awareness and expertise need to be built around SBIR/STTR programs. Idaho could engage in an awareness campaign to provide information and understanding on the programs. These introductory workshops would focus on the purpose of the SBIR/STTR program and the opportunities for funding. The workshops would also provide a forum to explain the opportunities available for funding through Idaho's Phase 0 and Fast programs.

A critical issue was identified around awareness. There is a lack of exposure for tech entrepreneurs and startups. Idaho is too quiet and polite to talk or brag about the state's tech entrepreneurial and startup scene. This politeness is viewed as a negative and a void to the outside world. No one hears from Idaho, from her tech entrepreneurs or startups; because no one is talking, nothing must be happening. Respondents saw this as a huge opportunity to step into the spotlight and share with others what Idaho's startups are doing. Several mentioned that more exposure in articles and coverage in journals, newspapers, TV, social media channels, etc would go far to put the state on the map. A focused voice, similar to Silicone Prairie News would be a step in this direction. The Idaho Technology Council and

Software Alliance offer The Pulse, but this document does not have the audience reach or impact to affect change. The Idaho Statesman will begin offering a Startup Spotlight series once a week. This is a start.

An additional activity that would increase awareness would be to have more showcase events. Idaho could offer two different kinds of events: a showcase for universities to share their research available for commercialization, and another for startups to share their ideas/products/services to the larger community. Showcase events have occurred in the past, but are not held on a regular basis as part of the larger conversation. Related to showcasing the research and ideas is showcasing the entrepreneur/talent. While some coordination would be required, having serial entrepreneurs speak with communities as they travel around Idaho would go far to raise awareness of the breadth and depth of entrepreneurial talent and vision in the state. Having regularly scheduled meetings featuring startups would also help the groundswell in the ecosystem.

As stated earlier, many would-be tech entrepreneurs do not know where to go for assistance or to find information. The ecosystem is fragmented and it is not easy to figure out who is doing what, when. Providing easy access on the web to this information and links to the SBDC tools in a one-stop shop would go far to improve awareness. A calendar with all events related to tech entrepreneurs and startups is one way to assist this effort. The Boise Valley Economic Partnership (BVEP) hosts a calendar of tech events in the Boise Valley. The calendar could be expanded to include the entire state. This is also true for those that assist tech entrepreneurs and startups including service providers, attorneys, small business and commercial lenders and economic development professionals.

While service providers offer mentoring and counseling, there is a definite need for specific expertise and mentorship in legal and financial areas. Several respondents noted that having access to loaned executives (C-level executives, attorneys, CPAs) would real-

ize great results as not all communities around the state have the same breadth of technical and executive skills across industries. As an example, there are certain skills necessary for establishing licensing agreements and partnerships, including negotiating and articulating value propositions, etc. While these are legal issues, there is real value in discussing with a tech entrepreneur who experienced a similar situation and how it was handled/resolved. This adds another layer to the mentorship model, the sharing of experiences from successful tech entrepreneurs and startups. The mentoring can take place in conjunction with an incubator or not; the need is for specific subject matter expertise that is not tied directly to a space.

In rural areas, this takes on even greater significance, as volunteers with the needed expertise are asked repeatedly for pro bono services. This is not fair to the volunteers and places them in an awkward position as they want to help grow the local economy. While some expertise could be realized from the universities, often it is too academic in nature. Many respondents noted they are asked for suggestions for company mentors (for a researcher) by the university.

The shared expertise, across a small state like Idaho, could do wonders to open doors as connections are made. Respondents noted that Idaho lacks a system to let them help tech entrepreneurs and startups. There is no systematic way from organization to organization to efficiently help, coach and mentor entrepreneurs. The scenario plays out such that the tech entrepreneur makes the rounds, by way of the 'open door policy' from one service provider to the next, from one lender to another; each gives a different piece of advice. None of the advice is wrong, but the tech entrepreneur is left on their own to discern which path to take. This process is confounded further as the service providers do not regularly talk with each other. There needs to be a way to expedite the process and help the tech entrepreneur progress more efficiently and not waste time (both from the entrepreneur's perspective as well as that of the service provider). A framework or system that is mentor-based would go far to alleviate this issue.

The lean startup methodology was mentioned by several respondents as a tool they were using with tech entrepreneurs and clients, specifically the business model canvas. The framework for the business model canvas was created in 2010 by Alexander Osterwalder and Yves Pigneur in their book, Business Model Generation. The business model canvas was further enhanced by Steve Blank and Eric Ries. The business model canvas gets the tech entrepreneur to understand their idea, the customer and the cost and revenue streams. A business plan on the other hand, is more information and work than a startup needs to do at the beginning. Effort and attention are placed on the creation of the business plan (in anticipation of funding) and not on the identification of the customer, or figuring out how to sell to the customer. The business model canvas forces the tech entrepreneur to talk to the potential customer and see if they are solving a problem that needs solving (and further, that the customer would pay to solve).

Ideas were a concern. A few respondents affiliated with universities noted that researchers needed assistance in sharing their ideas and research in everyday language, converting their research into something that can be used. As it stands now, there is no incentive for a researcher to commercialize their research. They enter the tenure track system with an eye on publishing to meet the requirements. While some success was seen with the 'So What? Who Cares? Why You?' training offered by TechConnect, researchers are not necessarily interested in commercialization as they lose their IP to the university. Respondents suggested that changing the mindset of the researcher to reflect more entrepreneurial thinking in terms of who could use the research may find success. Such a mindset may also lead to additional sources of research funding as commercialization is pursued. It may also be possible to connect researchers with the SBDC to help connect the researcher to interested businesses and/or entrepreneurs.

Others noted that there is no place for those with ideas, but no product or business, to go or to meet-up. Identi-

fying those individuals in a community is a time inten-sive task. Tech entrepreneurs need somewhere to go to bounce ideas off each other, to see what sticks, to dis-cover what is useful, etc.

 Other:

The SBDC was encouraged to foster a culture of open innovation. In open innovation, companies look out-side of their internal resources for intellectual research. The concept calls for a rethinking of how innovation happens; the conversation becomes centered on 'who has a solution to the problem' and 'who could work together.' Its not necessary for the company that has the problem to also have the solution. In Idaho's tech en-trepreneur and startup space, this concept could go far in helping connect ideas (and the entrepreneur) to the problem or need (i.e., potential first customer). Open innovation encourages innovation from all segments, across all spheres of industry and all sizes of company.

Not Needed

While respondents agreed that there was plenty of white space for everyone in the community, a few thought additional events and groups were not needed. Part of this sentiment was based on the existing frac-ture that exists between events and the fact that it is difficult to figure out what is going on, when. Others expressed a 'survival of the fittest' mentality, recogniz-ing that groups come and go, filling a need at a time and tapering off once that need has passed.

A general tech discussion was not encouraged, as Idaho cannot be everything to everyone. Respondents recog-nized the need to focus on existing assets and develop those in relation to growing the entrepreneurial ecosys-tem.

Recommendations

The research findings led to the following recommen-dations:

1. The SBDC should pursue the 'T' designation.

2. Offer a 'train the trainer' series. Teach economic de-velopment professionals some basic tools to screen

tech entrepreneurs and startups. With this training, the economic development professionals can funnel the tech entrepreneurs and startups to the SBDC for additional assistance. The training could also be of-fered to others (service providers, attorneys, CPAs, small business and commercial lenders, etc).

3. Provide a tech entrepreneurship and startup toolkit and other materials to assist the broader community in identifying the tech entrepreneurs and startups to pass along to the SBDC. These tools may be in a printed form but should also have a prominent place on the SBDC website. The Ideahelp.net (managed by TechConnect) and the Idahobizhelp.org (managed by the SBDC) sites are a good place to start. There is a lot of valuable information on the SBDC website, but it can be hard to quickly and easily find and access.

4. Develop and offer trainings and workshops around market research and securing the first customer.

5. Promote the SBIR/STTR programs as an alternative form of funding. Hold awareness workshops and educate entrepreneurs on the requirements of pursu-ing an SBIR or STTR. Ensure that funding continues for Phase 0 and other incentive opportunities for the programs.

6. Create and maintain a common calendar of all tech entrepreneur and startup related events, activities, programs, etc around the state. Become the one-stop source of tech entrepreneur related information.

7. Raise awareness of Idaho's tech entrepreneurs and startup community. Help the community promote itself. Provide tools, training opportunities, connec-tion to PR expertise to tech entrepreneurs and start-ups. Assist with offering showcase events around the state.

8. Create a loaned executive mentor program with C-level, legal and financial expertise. Provide a way for communities around the state to tap into the wealth of information and expertise in the Boise Valley, Idaho Falls, Pocatello and Coeur d'Alene that does not exist everywhere, especially the rural areas. Idaho has a small number of serial entrepreneurs that

have 'been there and done that'. Find a way to share that expertise statewide through an online portal or online technology (Google Hangout, etc).

9. Together with service providers working in the tech entrepreneurship and startup space, identify a common system and framework for offering assistance. The lean startup and business model canvas was one approached mentioned that is producing results. This saves time and energy for the service provider as well as the tech entrepreneur and startup. They have the same information and document to share with the service providers from whom they seek input and advice. The tech entrepreneur and startup is not forced to start over with each service provider conversation. Instead, the tech entrepreneur and startup can build on their business roadmap.

10. Foster open communication and collaboration between service providers and others working in the tech entrepreneurship and startup space. At the end of the day, each wants to see tech entrepreneurs and startups succeed. Ensuring that at a regional level, SBDC staff are connecting to the other service providers and experts in the area is critical to a successful program.

Conclusion

Idaho is a small state with a limited resource base and needs to find a way to more efficiently work in this space. There are plenty of tech entrepreneurs and startups to assist; the need is great. Through a focused and concentrated effort, there is a greater likelihood that tech entrepreneurs and startups will succeed past the first few years, and become an economic engine for the community and the state.

Idaho's team of service providers and their expertise is very capable and partnerships are strong. The SBDC has a lot of goodwill in the community. This is an opportunity for the Idaho SBDC to assume the leadership mantle and help put Idaho tech entrepreneurship and startups on the map.

SWOT Analysis for the SBDTC

Strengths

- Statewide organization

- Strong partnerships with service providers, angel investors, Idaho Technology Community, etc

- Involved in the incubator space

- Mentoring is part of business model

- Discussions underway with Idaho Department of Commerce and TechConnect about the SBIR/STTR programs

Weaknesses

- Not viewed as working with entrepreneurs or start-ups or with tech companies

- Lack tech expertise across team

- Some regions in state may not have strong partnerships with service providers and other business and community leaders

- Idaho is nonexistent in the national tech startup conversation

Opportunities

- Be the statewide leader & convener of service providers working with tech entrepreneurs and startups

- Provide a shared system or framework for tech entrepreneurs and startups in Idaho

- Build a name for Idaho in the tech startup space

- Increase the number of successful tech startups

Threats

- Not viewed as working with startups or tech companies

- Some service providers may not see the value of everyone using the same system or framework (potential turf issue)

- Limited resources (staff, funding partners, time)

- View that business leaders or serial entrepreneurs should provide leadership in this area

- Existing clients may feel left behind or out with attention and focus on tech entrepreneurs and startups