



Working Group Final Report

BUSINESS INCUBATION

Chair:

Jared Arnett
President and CEO, Southeast Kentucky Chamber of Commerce, Pikeville

Charge:

To address emerging opportunities in Eastern Kentucky which enhance the regions' entrepreneurial ecosystem; to drive innovation at all levels; and to secure investments and program funding necessary for its expression.

SOAR Business Incubation

September 15

2014

"Business incubation is a unique and highly flexible combination of business development processes, infrastructure and people designed to nurture new and small businesses by helping them to survive and grow through the difficult and vulnerable early stages of development." *Diogenes Business Incubator*

**Committee
Recommendations**

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Introduction

The Business Incubation Working Group has worked diligently over the last 5 months to intensively review existing literature and conduct several listening sessions throughout the SOAR region in order to identify current barriers to business incubation. After several meetings to synthesize the material into actionable recommendations it became apparent the from a systematic approach to improving Business Incubation within the SOAR region fell into three distinct areas of emphasis; Focus, Resources, and Culture.



From a timeline perspective, the next year recommendations will be focused on growing existing small businesses, while affecting the culture of entrepreneurship and increasing the number of quality start-ups within the region will require a much lengthier effort to obtain quality results. A spreadsheet of our detailed recommendations over the next 10 years is attached as **Attachment 1**.

Committee Roster

- Jared Arnett, Southeast KY Chamber (Chair)
- Paul Wright, MACED
- J. Marshall, Morehead State University
- David Snow, University of Pikeville, KIN
- Luke Ramsay, KHIC
- Pat Bradley, SKED
- Tracy Syck, Shred-All Documents
- Craig Preece, Booth Energy
- Harold Parsons, Enterprise Business Owner
- Denise Thomas, Big Sandy Area Development District
- Mike Morley, East KY Small Business Development Center
- Becky Naugle, Kentucky Small Business Development Center
- Marty Myers, Orange Leaf
- Kyle Robinson, Print My Threads
- Tendai Charisika, SuperFanU

Next Year Recommendations

This is not simply about creating new entrepreneurs, because the lowest hanging fruit with regard to job creation, is providing support to small business owners in order to expand their already functioning businesses. In essence, this is a recommendation of a very aggressive, focused, Business Retention and Expansion program of work based upon standard best practices. Many of our recommendations revolve around an existing network of East Kentucky Technical Assistance Providers (EKYTAP) that is comprised of CDFIs (Southeast Kentucky Economic Development (SKED), Kentucky Highlands (KHIC), Mountain Association for Community and Economic Development (MACED)), all the Small Business Development Centers (SBDC), the KY Innovation Network centers (KIN), CEDET, Advantage KY Alliance, KCARD, some Area Development Districts (ADD) and other various agencies providing direct support to entrepreneurs. They've identified pilot projects to improve the awareness, assessment, matching and tracking of TA services to help entrepreneurs use existing resources. In **Attachment 2** you will find their shared vision and commitment pledge. This framework is the basis of these recommendations.

FOCUS: Identify Traded Sectors and Industry Clusters

Recommendation #1: Identify the Regional Economic Watersheds that have emerged around growth communities within the region; based upon statistical metrics (Transfer of goods/services, workforce flow, leakage analysis, etc.)

This data likely already exists and simply needs to be translated into usable, actionable items that can be used by communities and investors to make appropriate investment decisions. The identification of Regional Economic Watersheds will enable the local communities to have a framework from which to begin developing regional cooperation and cross-functional coalitions that focus solely on economic development and job creation. This could also provide a better understanding of the economy and economic development to local elected officials.

Potential Leaders: SOAR

Potential Partners: RUPRI, Regional Universities, Area Development Districts, Ronald Crouch, Director, Research and Statistics at Kentucky Education and Workforce Development Cabinet

Budget Request: \$0 – we believe there are existing organizations that this type of research would fall under an existing funded program of work

Recommendation #2: Identify Emerging Economic Clusters throughout the Region for Focused Development

There is an opportunity in the short-term to review emerging synergies from other working groups and develop strategies focused on programs that support the growth of enterprises built around Healthcare, Broadband, Programming/Coding, Web-Based Businesses, Tourism, Agriculture, etc. In the short to mid-term, we are recommending an investment in a targeted industry analysis for each of the identified Regional Economic Watersheds that enable the ability to focus limited resources into Economic Clusters that currently exist.

Potential Leaders: SOAR

Potential Partners: Cabinet for Economic Development, Economic Development Consultants, Area Development Districts, Utility Companies who have budgeted programs of work for economic development, Chambers of Commerce

Budget Request: \$0 – To identify emerging synergies among Working Group recommendations; \$20,000 to 40,000/Regional Economic Cluster/Target Industry Analysis (This will likely align with a recommendation from the Business Recruitment Working Group and the data could be shared among the efforts)

Recommendation #3: Identify existing traded sector companies in the growth-stage, and focus programs of the East KY TA Providers Network on this group via the development of regional Business Service Teams

One of the major gaps in a large part of the SOAR region is the absence of a developed program of work for Business Retention and Expansion. This gap exists primarily, because of the lack of a developed network of standard economic development practices and the lack of developed capacity with local communities. As an immediate solution to this issue, we are recommending the development of Business Services Teams to assist in identifying these traded sector companies in the growth-stage and advocating a dynamic shift in focus from the network of existing providers to focus their programs on growing existing companies that are traded sector companies. This Business Services Team will shift the current efforts of technical assistance providers from to reactive to proactive. This team will seek out existing companies and visit them at their place of business to identify needed services and potential expansions. This could include the development of collateral material such as “SOAR’s Guide to Expanding your Business”. Our recommendation is a broad effort not limited to one group. The KYBDC has a new program with relation to Economic Gardening and Government Procurement. These are efforts that need to be broadly aligned with all partners.

Potential Leaders: SOAR, Local Chambers of Commerce, KYBDC

Potential Partners: EKCEP, Cabinet for Economic Development, Workforce Development Cabinet, EKTAP

Budget Request: \$0 – we believe there are existing organizations that this type of effort would fall under an existing funded program of work

RESOURCES: Increase Awareness and Improve Access

It was evident throughout our listening sessions that entrepreneurs were not aware of the resources available to them through existing regional providers including technical consulting, business planning, and non-bank financing (access to capital). There was extensive repetition of a theme with regard to lack of access to capital in many of the listening sessions. We believe this lack of access, to more closely aligned with lack of awareness as there are several non-bank financing options available through the SOAR region. Our emphasis is on making access simpler and raising the level of awareness of the currently available programs including SBA Lending.

Recommendation #4: Development and promotion of a web portal clearinghouse to better market resources currently available to potential entrepreneurs and existing small business owners

This process is already under way with the KY Small Business Development Center (KYSBDC) to re-design kybizinfo.com for small businesses owners and entrepreneurs. It is our recommendation that this re-design continue while using East Kentucky TA Providers Network as an advisory group. Based on many of our conversations in listening sessions, it will be important to provide the opportunity to create locally branded versions of the site for local chambers of commerce/communities. There needs to be focus on fair promotion of all technical assistance providers within the site, and a collective commitment with a strategically planned external promotion of the site. The site needs to be accepted by and marketed by KEDC/SBDC/Innovation Network/SBA, all EKYTAP, Chambers of Commerce, etc.

Potential Leaders: KYSBDC, CED

Potential Partners: EKYTAP, Chambers of Commerce,

Budget Request: \$0 – we believe there are existing organizations that this type of research would fall under an existing funded program of work

Recommendation #5: Facilitate collaborations among existing Technical Assistance providers with chambers of commerce throughout the region and state.

There needs to be a strategic partnership between the EKYTAP and the chambers of commerce within the region. This partnership could be developed through the Kentucky Chamber of Commerce Executives (State association for local chambers) that would better equip local chambers to connect their members with existing available resources. As we work to focus on existing small business owners, local chambers can provide direct access to this group. It is in the chambers' interest to support these small business owners by being a conduit to direct them to service providers. This relationship needs to be strengthened and reinforced.

Potential Leaders: SOAR and Kentucky Chamber of Commerce Executives (KCCE),

Potential Partners: Cabinet for Economic Development, Workforce Development Cabinet, EKYTAP, Local Chambers of Commerce

Budget Request: \$0 – we believe there are existing organizations that this type of research would fall under an existing funded program of work

CULTURE: Promote and Celebrate Innovation

There were many who explained how there is not a culture of risk-taking in Eastern Kentucky and the fear of failure holds people back. Existing business said they wished they had more public support as a business owner (not only with customer purchases). It seems that the existing civic institutions in local communities could play a key role in cultivating/celebrating innovation. The literature review group looked at examples of e-ready communities in Kansas and North Carolina. These designations could piggy back on KY's Work Ready community process and eligibility.

Recommendation #6: Support the Establishment Social Networks for Entrepreneurs to Connect and Share Ideas

Many participants in the listening shared that they when starting their business, they approached other small business owners for advice. Many successful communities have established non-formal social networks that allow small business owners/entrepreneurs to gather, share best practices, and develop strengthened relationships.

Potential Leaders: SOAR, Chambers of Commerce, SKED, KIN

Potential Partners: EKCEP, Kentucky Innovation Network Offices, Cabinet for Economic Development, Workforce Development Cabinet, EKTAP

Budget Request: \$0 – we believe this recommendation would fall under an existing funded program of work

Recommendation #7: Begin to craft a multi-faceted campaign to tell the story of innovative entrepreneurship within the region, especially to our youth.

The creation of a targeted and structured effort that paints entrepreneurship/free enterprise as the future for the region will be critical to a long-term future of business incubation within the SOAR region. We MUST focus on helping individuals within the region understand the risks, the opportunities, and the processes of entrepreneurship.

This campaign could simply be a series of testimonials that showcases innovative entrepreneurs. This campaign should be a direct contrast with the common misconceptions about eastern Kentucky. It should tell a totally different story; a story of innovation and perseverance.

Potential Leaders: CED, Local Chambers of Commerce, SKED,

Potential Partners: EKCEP, Cabinet for Economic Development, Workforce Development Cabinet, EKTAP

Budget Request: \$0 – we believe there are existing organizations that this type of research would fall under an existing funded program of work

1-10 Year Recommendations

Recommendation #1: Advocate for the Implementation of Entrepreneurship Programs into middle and secondary education programs (CULTURE)

A great example of this is the Young Entrepreneur's Academy that has been introduced in Somerset by the Somerset-Pulaski County Chamber of Commerce. This program is developed through local chambers and is funded by private industry.

Potential Leaders: SOAR, Local Chambers of Commerce, SKED,

Potential Partners: EKCEP, Cabinet for Economic Development, Workforce Development Cabinet, EKTAP

Budget Request:

- 1-3 Years: \$0
 - the Young Entrepreneur Academy is designed to be self-funded and other existing programs are being lead by regional Universities
- 3-10 Years: Further Research would have to be done on this budget issue
 - Continue the development of entrepreneurial based curriculums for middle and secondary education

Recommendation #2: Support the development of Business Incubators based on the development of innovation and technology that mirror successful models found across the state (FOCUS and CULTURE)

It is our recommendation is that these incubators be tied directly to developed Angel Investor groups and partnered with Kentucky Innovation Network offices. Local governments cannot support this activity in a standalone fashion. Some examples of successful incubators include Awesome, Inc. in Lexington. These incubators can vary in their mission and scope. The Ignite Project in Lexington, KY is an example of what can be accomplished creatively with unused, community owned space.

Potential Leaders: SOAR, Local Chambers of Commerce, SKED,

Potential Partners: EKCEP, Cabinet for Economic Development, Workforce Development Cabinet, EKTAP

Budget Request:

- 1-3 Years: \$0
 - The earliest incubators should developed in the communities that can support them with the highest likelihood of success; more than likely the identified Regional Economic Watershed hubs. These projects can be very creative.
- 3-10 Years: \$100,000
 - Support the development of Angel Investment funds for each of the Regional Economic Watersheds

Recommendation #3: Support the development of Regional Economic Development Organizations led by local private industry to serve the identified Regional Economic Watersheds (RESOURCES)

This is a massive gap in much of the SOAR Region. There is a solid presence in the Ashland area with Ashland Alliance, a solid presence in Somerset with Southeast Kentucky Economic Development Corporation (SKED), but the rest of the region is dynamically underserved and private industry is not engaged in the economic development process at the level you find in successful regions. There is promising progress being made within the Pikeville area being led by a coalition of 5 chambers of commerce, Floyd County, Johnson County, Perry County, Letcher County, and the Southeast Kentucky Chamber (located in Pike County) by developing a Regional Partnership for Economic Growth called One East Kentucky. *We believe this to be the single most critical factor in the long term sustainability for economic growth in eastern Kentucky.*

These organizations would serve to meet three specific unmet needs in a majority of the SOAR territory:

1. Support Entrepreneurial Development
 - a. With a more focused geographic area, these groups would be more capable of coordinating and disseminating information to start-ups and high growth companies regarding available resources.
2. Professional new industry recruitment
 - a. They would market their respective Regional Economic Watersheds to site consultants.
 - b. They would assist in project management including responding to requests for information (RFI's), coordinating site visits, and assist communities in strategic infrastructure planning for job creation.
3. Implementing a Business Retention and Expansion Program
 - a. This would include a professional visitation program with local traded sectors within their respective Regional Economic Watersheds in order to develop relationships to improve the retention of existing companies and to quickly identify and facilitate expansions within their region.

Potential Leaders: SOAR, Local Chambers of Commerce, SKED,

Potential Partners: EKCEP, Cabinet for Economic Development, Workforce Development Cabinet, EKTAP

Budget Request:

- 1-3 Years: \$200,000
 - Assist in the development of programs already underway.
- 3-10 Years: \$600,000
 - This would be used as matching funds to what could be raised at a local level from local governments and private industry. We would recommend a dollar for dollar match on what is raised locally divided up evenly among developed Regional Economic Watersheds.

Recommendation #4: Remove Barriers to starting and growing a business by improving state government services. Improve the state One Stop site to address entrepreneurs registration problems and continue to streamline transaction with state government to make it more business friendly.

One of the major gaps in a large part of the SOAR region is the absence of a developed program of work for Business Retention and Expansion. This gap exists primarily, because of the lack of a developed network of standard economic development practices and the lack of developed capacity with local communities. As an immediate solution to this issue, we are recommending the development of Business Services Teams to assist in identifying these traded sector companies in the growth-stage and advocating a dynamic shift in focus from the network of existing providers to focus their programs on growing existing companies that are traded sector companies. This Business Services Team will shift the current efforts of technical assistance providers from to reactive to proactive. This team will seek out existing companies and visit them at their place of business to identify needed services and potential expansions. This could include the development of collateral material such as “SOAR’s Guide to Expanding your Business”. Our recommendation is a broad effort not limited to one group. The KYBDC has a new program with relation to Economic Gardening and Government Procurement. These are efforts that need to be broadly aligned with all partners.

Potential Leaders: SOAR, KY SOS, KY CED

Potential Partners: EKYTAP

Budget Request: N/A