



Advance Now Innovation and Entrepreneurship Workgroup Report

I. TEAM

A. Co-Chairs

Carl Gulbrandsen, Wisconsin Alumni Research Foundation
Aaron Olver, City of Madison Dept. of Planning, Community & Economic Development

B. Members

Allen J. Dines, UW- Madison Office of Corporate Relations
Bill Dougan, UW–Whitewater
Nancy Elsing, Columbia County Economic Development Corporation
Vic Grassman, Blackhawk Technical College
Aaron R. Hagar, Wisconsin Economic Development Corporation
Al Hulick, City of Janesville
Neil Lerner, UW-Madison Small Business Development Center
Chris Meyer, Sector67
Claus Moberg, ShowShoe
Jan Moen, Madcelerator
Scott Resnick, Hardin Design and Development
Lorin K. Toepper, Madison College
David Walsh, Foley & Lardner MREP Board

C. Madison Regional Economic Partnership (MREP) Staff Representative

Paul Jadin, President

II. WORKGROUP BACKGROUND/RELATION TO ADVANCE NOW

Economic growth, job creation, and increased prosperity in the Madison Region depend on fostering a vibrant entrepreneurial economy and innovation in our private-sector companies and our public-sector universities and technical colleges. Research from the Kauffman Foundation demonstrates that all net job creation occurred in start-up enterprises between 1977 and 2005. The dynamic, fast-growing businesses of today regularly become the corporate leaders and large employers of tomorrow. With a base of leading technology firms and over a billion dollars of annual university research activity, the Madison Region can create and sustain world-class, high-growth, start-up companies. Entrepreneurship also adds vibrancy and resilience to cities, towns, and villages across the region through locally-owned small businesses of all kinds contributing diverse strength to the region's jobs while helping to keep



money circulating within the eight-county region. Within our existing firms, continual innovation is often the best strategy for competing globally in a world that is changing technologically and economically. The Madison Region has numerous assets that we can build on to encourage greater entrepreneurship and innovation and to support entrepreneurs ready to take the plunge. Now it's time to get to work.

III. TEAM WORK PLAN

The Innovation and Entrepreneurship Workgroup met four times February – May 2013 (listed below) with additional meetings taking place between the workgroup co-chairs and MREP staff to review *Advance Now* Strategy including workgroup framework, review Innovation & Entrepreneurship objectives for year 1 and 2 as outlined in the Comprehensive Economic Development Strategy, and discuss roles and responsibilities of workgroup members.

- 2/4/2013
- 3/22/13
- 4/19/2013
- 5/3/2013

IV. CRITICAL RECOMMENDATIONS

MREP and its partners should pursue a strategy to attract more people and companies to a path of entrepreneurship and innovation and make the path easier to find, access and follow. Elements of this entrepreneurial and innovation pathway might include:

- Investing in and protecting foundational elements such as the University of Wisconsin System, the technical college system, and our K-12 schools
- Exposing students to entrepreneurship and innovation throughout their education, with specific focus in MREP's identified five industry sectors: agriculture, advanced manufacturing, design & technology, life sciences, and IT/healthcare
- Building entrepreneurship into the curriculum across all levels of education
- Raising the visibility of career paths and enterprises in entrepreneurship and innovation across all five sectors



- Supporting existing tools and programs (such as the SBDC) that help entrepreneurs get started and creating new tools where gaps exist
- Strengthen the regional entrepreneurial ecosystem by creating innovation spaces where entrepreneurs can connect with resources, network, learn, seek collaborative partners, and obtain mentorship
- Replicate and scale initiatives to make mentorship accessible to entrepreneurs throughout MREP's geographic region
- Increase physical connections (e.g. direct flights) as well as collaborative connections to other entrepreneurial hubs in the country
- Seed entrepreneurship and innovation with investments in research, development and technology transfers to commercialization
- Fuel the growth of companies with initiatives to raise or attract more early-stage risk capital to the region and to create greater readiness for competitive funding deals

The Madison Region has many existing assets, programs, and resources available to support entrepreneurship and innovation. Rather than trying to duplicate these programs, we recommend that MREP pursue an overarching strategy of creating a denser network in the entrepreneurial ecosystem by connecting existing assets, raising their visibility, and scaling the most effective local programs to a regional level. To implement this strategy, the Innovation and Entrepreneurship Committee recommends the following two initiatives that will work in concert to provide technical and experiential expertise in developing new ideas and launching successful companies:

- **Support and develop INNOVATION SPACES**
- **Establish and expand the innovation and entrepreneurship MENTORS NETWORK**

The goal of these two intertwined recommendations is to fill identified gaps in the startup ecosystem and establish increased entrepreneurial opportunity and viability throughout the region using two existing, proven business models currently operating in the Madison area: Sector67 (www.sector67.org), and MERLIN Mentors (www.merlinmentors.org). The intent of these important initiatives is to create the clearest, easiest, and most robust path from idea to market that exists in the Midwest. Fostering the development and sustainability of physical spaces, mentorship programs and their inherent social networks will lower the barriers to



entrepreneurship and innovation and increase the likelihood that bold new ideas can be transformed into successful ventures. Coupling mentorship with innovation spaces will expand on the network effects of each component, foster cross-disciplinary resource referrals, and support new commercialization opportunities and successful start-up firms.

A. CREATE INNOVATION SPACES

Support existing innovation “maker-spaces” and expand the Sector67 model beyond the city of Madison. Innovation spaces are highly collaborative and supportive spaces where entrepreneurs and innovators at the earliest stages can gain access to equipment and knowledge to test new ideas, develop and perfect prototypes, and manufacture their first products. Beyond accessing specialized and costly equipment, tools and supplies, these spaces are valuable, creative high-energy networks of opportunities for formal and informal mentorship and collaboration.

1. Where to Start – Key Action Steps

- a)** Invest in sustaining and growing Sector67, a proven non-profit collaborative “maker-space” currently located only in Madison.
- b)** Support efforts to co-locate additional creative work spaces and complementary entrepreneurial uses with Sector67’s existing, proven best practices.
- c)** Identify and support additional innovation spaces in the Madison Region (including but not limited to Wisconsin Innovation Kitchen, FEED Kitchen Incubator, etc.).
- d)** Identify champions throughout the eight-county region (individuals, governments, companies, organizations) interested in creating innovation spaces.
- e)** Advocate for policies and commitments that fund and support innovation spaces (existing and new).
- f)** Establish a framework for efficient collaboration and positive partnerships between the region’s innovation spaces as they multiply and grow over time.
- g)** Using Sector67 as a successful model, MREP will champion and support the creation and funding of at least one additional “maker-space” to be located somewhere in the targeted region within 12 months - by June 1, 2014.



B. SCALE AND EXTEND MENTORSHIP PROGRAMS FOR NEW ENTREPRENEURS

Create mentorship groups of experienced entrepreneurs in a location outside of Madison to assist new entrepreneurs and new business creation. Mentoring new entrepreneurs to start and grow new firms is an important business development activity to support future jobs in the region. Entrepreneurship involves stepping into the unknown and the correct mentor can provide invaluable insight and help even the most experienced of business leaders avoid mistakes and capitalize on opportunities. Mentors can also open doors to the support networks that all businesses need to grow and succeed.

1. Where to Start – Key Action Steps

MERLIN Mentors in Madison is organized on a successful model stemming from MIT. This model can be used to create other mentorship groups in the region. MREP should consider investing to scale and pilot an additional mentorship program in another location in the region.

- a)** Survey the region and identify existing mentorship resources available including SCORE, SBDC or other local groups.
- b)** Identify communities or areas that would like to provide additional opportunities for entrepreneurs and inventors to commercialize innovations and start new firms.
- c)** Identify key community members and stakeholders who will provide leadership and organization start a local mentorship program.
- d)** Provide support for at least one additional pilot space in next 1 year.
- e)** Identify a group of 3-4 successful entrepreneurs in the community to be mentors and recruit others.
- f)** Organize an orientation meeting for the community.
- g)** Establish a framework for collaboration and matchmaking between mentor groups throughout the Madison Region.

C. SECONDARY RECOMMENDATIONS

- 1. ONLINE RESOURCE: Create a useful, search-engine-optimized, directory of existing resources**



Many resource directories are limited in usefulness because they are either out-of-date, difficult to find, or are so inclusive that they don't necessarily help an entrepreneur find the type of assistance they are looking for. It would be useful if MREP facilitated the creation of a wiki-type database that could be updated by members in a format that was easy to find on the web and sophisticated enough to allow entrepreneurs to find the type of help they need. For example, the system has to be smart enough to distinguish between entrepreneurs looking to receive grant funding from those looking for help writing an SBIR grant application. Or to help entrepreneurs trying to raise equity to avoid irrelevant loan programs.

- a) **Fortunately, numerous websites exist which MREP can build upon:**
- b) Capital Entrepreneurs Resource
Tab <http://www.capitalentrepreneurs.com/resources/>
- c) Entrepreneur's Toolkit (Wisconsin Technology Council) <http://witoolkit.com/>
- d) Wisconsin Entrepreneur's Network
Portal <http://www.wenportal.org/index/Partners.htm>
- e) Wisconsin Small Business Development Center
Resources <http://www.wisconsin sbdc.org/SBDC/Services/Resources.htm>
- f) Wisconsin Angel Network Entrepreneur
Resources <http://wisconsinangelnetwork.com/resources/entrepreneurs/>

2. CAPITAL ACCESS: Continue to advocate for policies to stimulate venture capital investment

Significant efforts to stimulate angel and venture capital investment are already underway. Wisconsin has led the nation in creating Angel and Venture Capital Tax Credits, WARF and SWIB have recently partnered to launch a new fund called 4490 Ventures, and the State is currently considering a \$25 million venture capital budget proposal. These efforts should be supported. And MREP should continue to advocate for policies that can stimulate investment within the region and attract investment from outside the region.



3. YOUTH: Develop the next generation of entrepreneurs by involving youth in innovation and entrepreneurship

Explore opportunities to bring together educators at all levels with business leaders, public and private economic and business development professionals, Innovation and Entrepreneurship clubs, and non-profits with expertise in STEM, innovation, invention and entrepreneurship to better engage and include youth.

V. OWNERSHIP & PARTNERS FOR IMPLEMENTATION

A. Create Innovation Spaces:

Sector67 (www.sector67.org) should take primarily leadership in sustaining and growing itself with support from entities including MREP, City of Madison, WEDC, local entrepreneurs/members and investors, and other partners. MREP should take primary leadership role in identifying additional existing innovation spaces throughout the region, raising their visibility, and networking them for maximum efficiency and accessibility by innovators. MREP should also work with regional partners to identify at least one candidate for a new pilot maker-space to be built on an existing successful model and modified to work in its specific locale.

1. Other key partners include:

- a) Wisconsin Innovation Kitchen (www.wisconsininnovationkitchen.com)
- b) FEED Kitchen Incubator
- c) Local Governments / Economic Development Organizations
- d) Other existing incubators in region

B. Scale and Extend Mentorship Programs

This needs to be a locally driven program to be successful. MREP can take the lead in finding a community or area in the region interested in taking the lead to develop a new mentorship program. There are synergies to be gained if this program were piloted in coordination with a new innovation space in the region.

1. Other Key Partners include:

- a) UW Office of Corporate Relations /WARF



- b) UW Extension/SBDC
- c) SCORE
- d) MREP
- e) Local governments/economic development organizations
- f) Local chambers of commerce
- g) Local successful entrepreneurs and current business owners
- h) Local I&E clubs

VI. RELEVANT METRICS

A. Create Innovation Spaces

1. Get Sector 67 to 60 average members per month by June 2014
2. Graduate 1 business start-up per quarter to market from Sector 67
3. Secure Sector 67 a new permanent larger space by June 2014
4. Raise capital for Sector 67 salaries, rent subsidy, and Core Research Group Endowment
5. Create one new pilot makerspace elsewhere in the Region by June 2014
6. Identify one champion in at least half of the counties to investigate the creation of innovation spaces
7. Secure at least one operational or capital grant for Sector 67 operations and/or facilities

B. Scale and Extend Mentorship Programs



1. Convene local groups to brainstorm about existing mentor resources and opportunities
2. Identify all the I&E clubs in the Madison Region and make presentations at their meetings
3. Identify a champion for an area (county, community, etc.) interested in spearheading mentor program
4. Create a listing of 3-4 mentors for this potential new mentor program.
5. Create one new Mentor Program outside of Dane County in the Region by June 2014
6. Coordinate and hold a Mentor Program Orientation meeting for the new pilot Mentor Program
7. Integrate a collaboration program for new Mentor Program with MERLIN Mentors of Madison

VII. ESTIMATED COST

A. Create Innovation Spaces

Minimum annual funding required to support operations of one new maker-space, similar to Sector67, is recommended in the range of \$60,000 - \$100,000 per year. Actual budget will be largely dependent on the costs of facility and personnel in the targeted location. Adequate funding is required for start-up and annual operations, such costs to include: facility rent, onsite personnel, equipment/tools/supplies, insurance, utilities, phone/internet, and other expenses.

Over time, as each maker-space's participation and membership grows, its operations become partially or fully sustainable by its members and other investors who typically pay monthly usage fees. For example, Sector67 generated \$56,000 non-profit revenue during Year 2.

In addition to funding for a new maker-space, financial support will be provided to ensure the success of the current Sector67. This support is estimated at \$100,000 in year one, \$50,000 in year two, and \$20,000 in year three.



**Madison Region
Economic Partnership**

B. Scale and Extend Mentorship Programs

The successful model includes a paid part-time program coordinator, website and occasional meetings with corresponding food and refreshment costs. The budget is estimated at about \$1,000 per month.