



Building the Venture Ecosystem

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June 14, 2012



Our Question

What kind of educational support do business owners and entrepreneurs need when facing increased global competition and rapid innovation?

- **Global innovation realities**
- **Startup survival and growth challenges**
- **Creating a viable venture ecosystem**
- **Review of best practices**
- **Transforming Arkansas: A Case Study**
- **Question and answer**



New Business Creation = Job Creation

Kauffman Foundation:

- 85% of all net new job creation comes from startup businesses...

....And most new product / service creation also comes from startups...

Global Innovation Realities

- **Innovation-based economies prosper**
- **Pace of innovation accelerates**
- **Product lifecycles shorten**
- **Capital and talent migrate toward high quality, innovative regions**





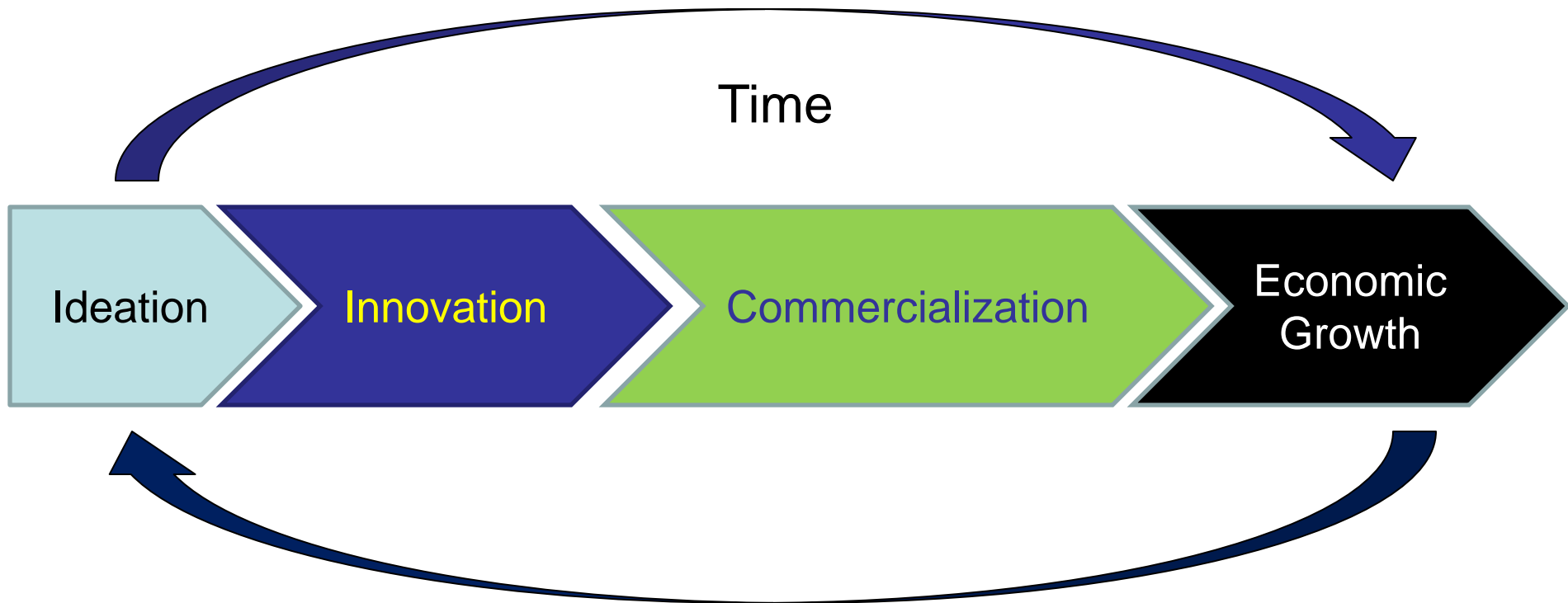
Why Innovation Matters

*“But **they should not lose sight of innovation**: managers know that the future of their businesses depend on it, and government leaders understand that the **long-term growth prospects of cities and nations are tied to it**. Even—perhaps especially—in times of economic turbulence, **innovation remains the most important differentiator separating economic winners from also-rans.**”*

[André Andonian, Christoph Loos, and Luiz Pires](#)

Building an innovation nation, Mckinsey & Company

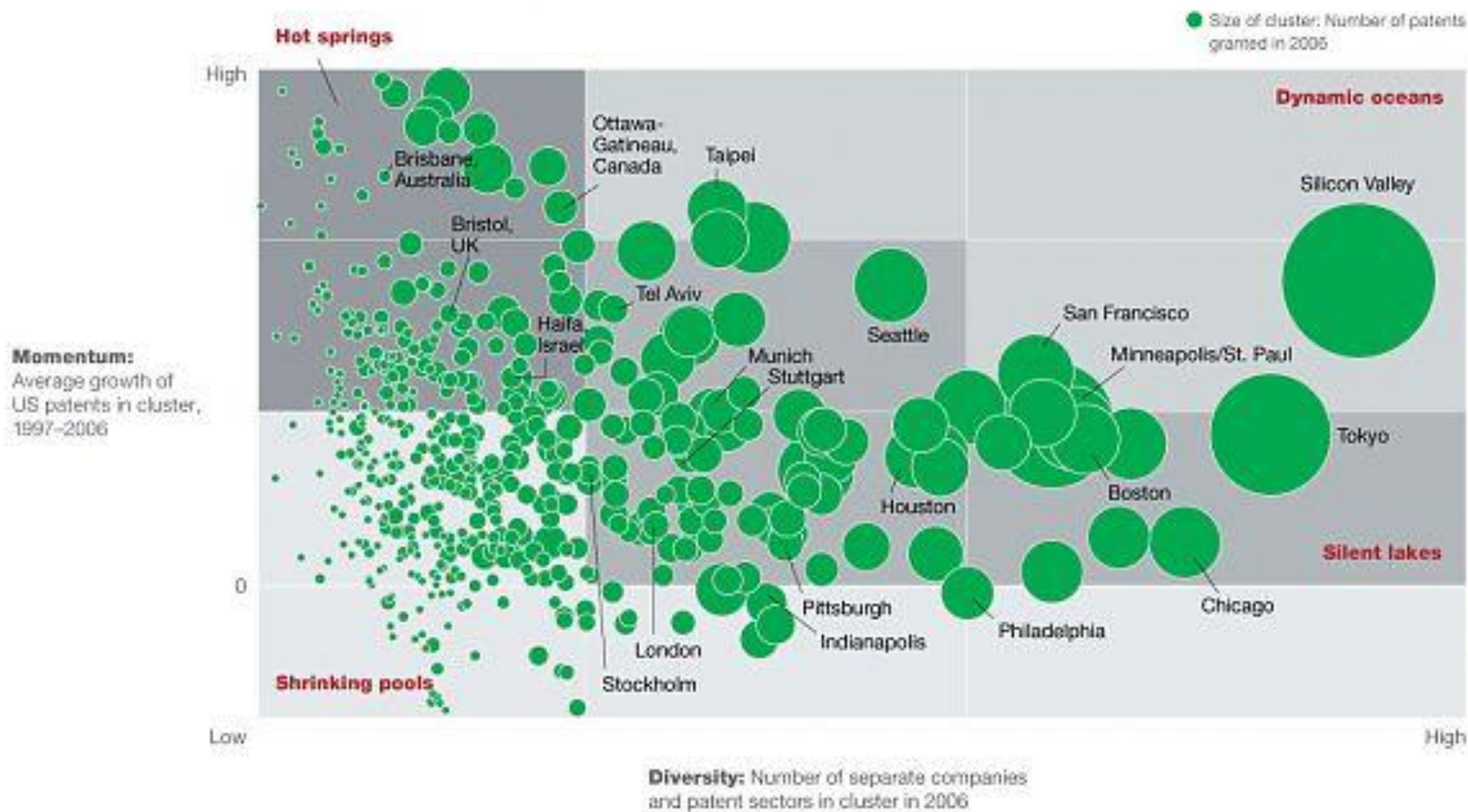
Innovation to Economic Growth Lifecycle



Sustained Economic Growth = Continuous Innovation Cycle

Mapping innovation clusters

Innovation clusters around the world can be classified based on their growth and diversity dynamics: 'hot springs' are small, fast-growing hubs on track to become world players; 'dynamic oceans' consist of large and vibrant ecosystems with continuous creation and destruction of new businesses; 'silent lakes' are older, slower-growing hubs with a narrow range of large established companies; 'shrinking pools' have been unable, so far, to expand beyond their start-up core and so find themselves slowly migrating down the value chain.



Regional Innovation & Economic Growth Ingredients

Prerequisites

- Physical Infrastructure
- Rule of Law
- Government Stability
- Focus: World-class Tech Sector
- Innovation Culture

Innovation Hot Spring



- Small, fast growing hub
- Reliant on a few firms
- Narrowly focused

Source: *Building an innovation nation*, [André Andonian, Christoph Loos, and Luiz Pires](#), McKinsey & Company

Sustaining Innovation & Economic Growth

Innovation Hot Spring



- Small, Fast Growing Hub
- Reliant on a Few Firms
- Narrowly Focused

Three Growth Paths
Government Incentives
Geographic Differentiators
University Hub

Dynamic Ocean



- Sustained Innovation
- Significant Start-up Churn
- Innovation Culture
- Multiple Sectors/Clusters

Source: *Building an innovation nation*, [André Andonian](#), [Christoph Loos](#), and [Luiz Pires](#), McKinsey & Company



I.D.E.A. Community = Innovators + Designers + Entrepreneurs + Artists

This community of “**creatives**” drive new ventures

**Source: IDEA originally used in an economic development sector supported by Missouri State University*



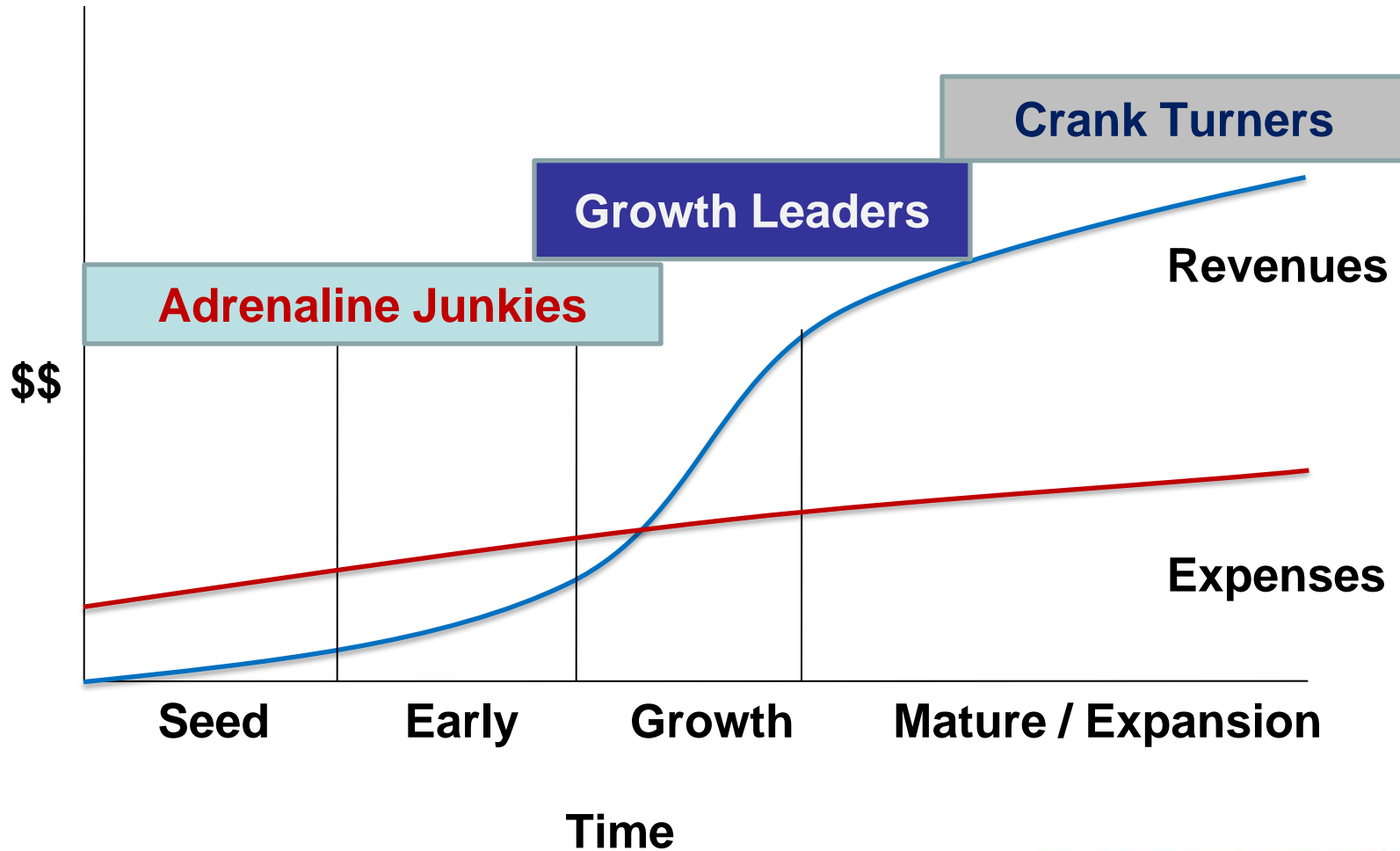
Why Do A Startup?

**“I shall be telling this with a sigh
Somewhere ages and ages hence:
Two roads diverged in a wood, and I—
I took the one less traveled by,
And that has made all the difference.”**

The Road Not Taken

By: Robert Frost

Entrepreneurial Leadership Lifecycle: Who Are These People?





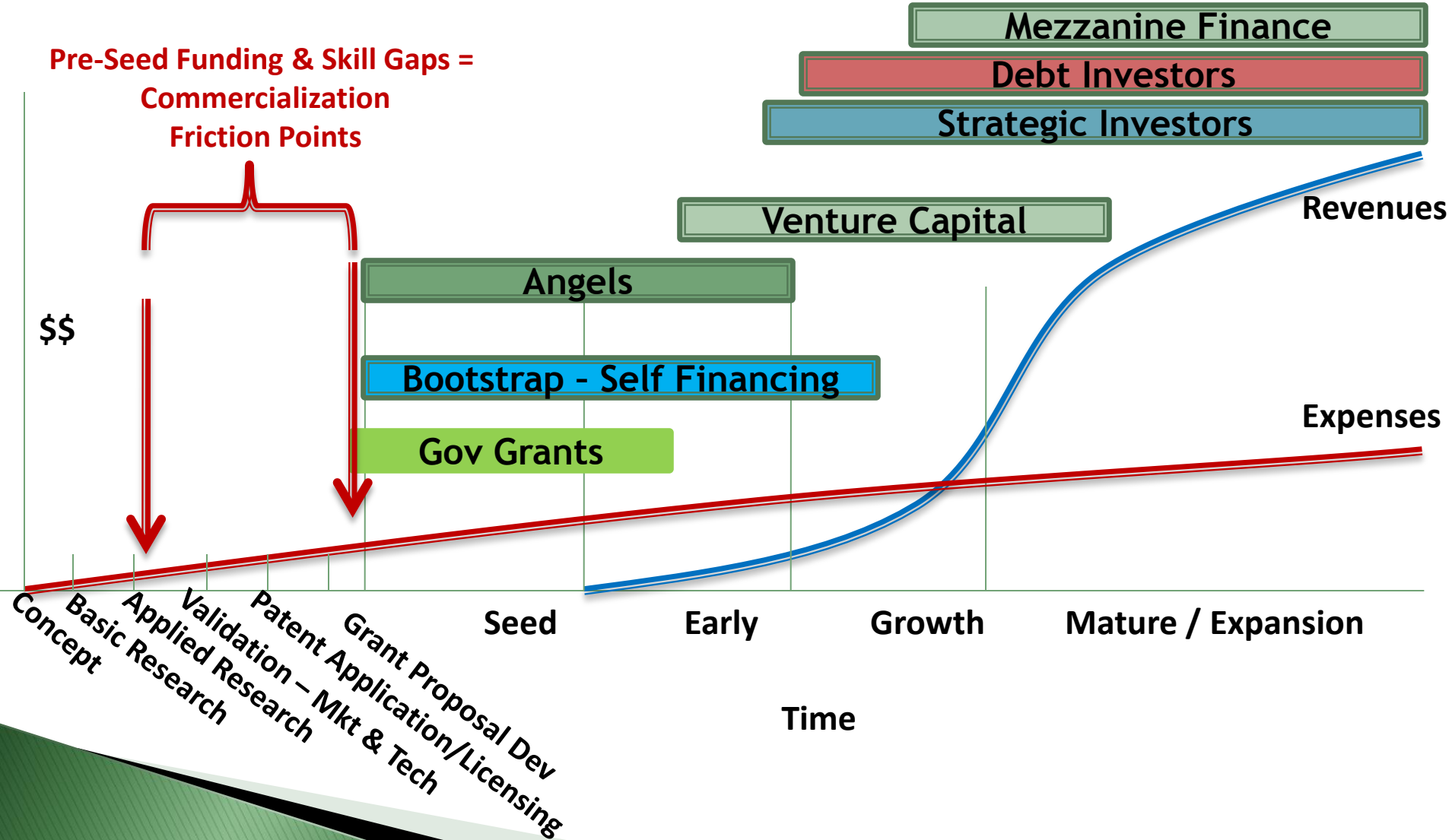
**Getting into Harvard is easier
than raising venture capital.**



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Valleys of Death

Pre-Seed Funding & Skill Gaps = Commercialization Friction Points



Venture Capital Realities

Receive 1000s of Business Plans



Read 1000s of
Executive Summaries



Invite 100s of
Companies to Present



Due Diligence on
20 Deals



Invest

in
10

1-2 Winners
10X Returns



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Made
by Fell



KRISTIAN ANDERSEN, KA+A

Anatomy of a Startup Ecosystem

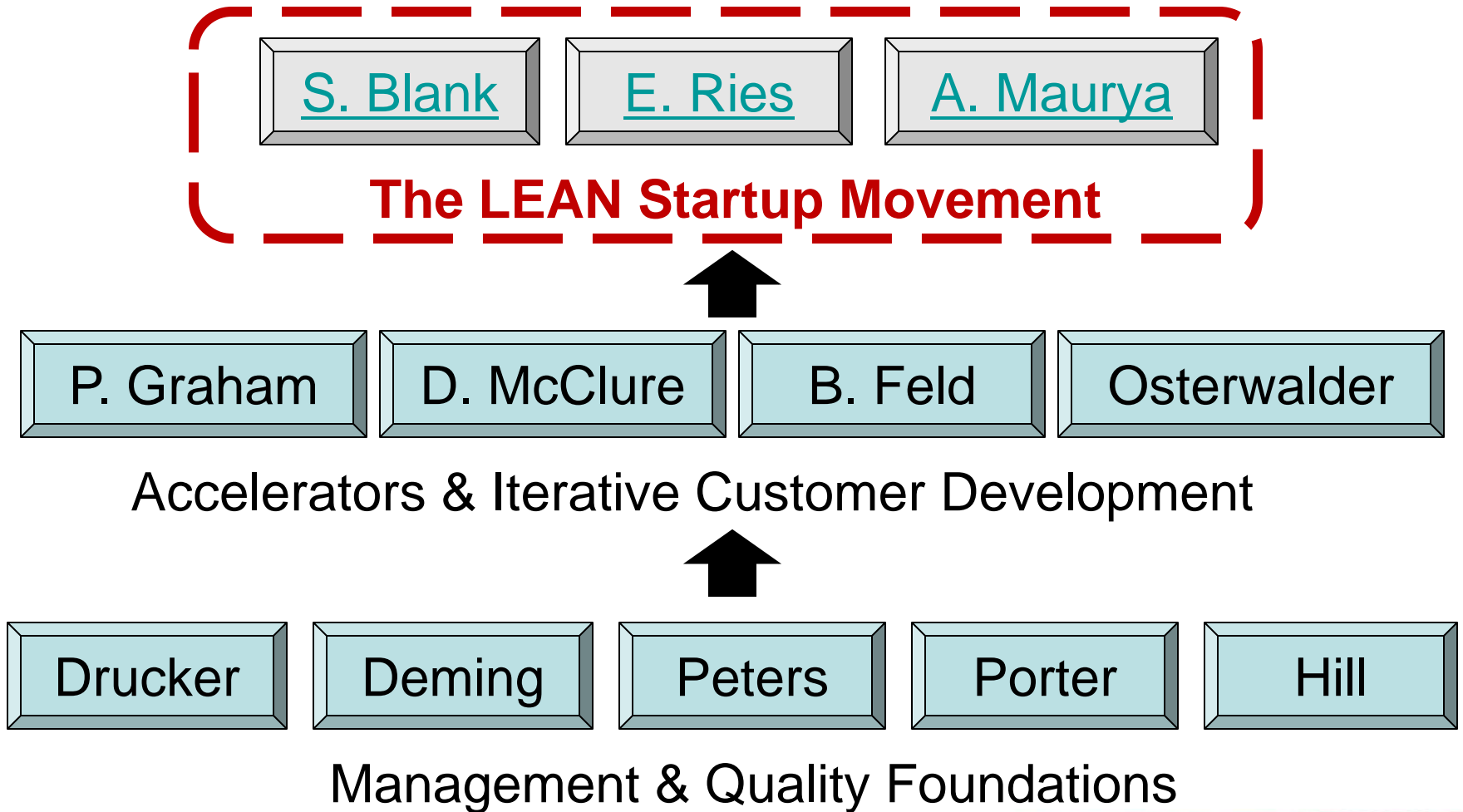
And some thoughts on how to roll your own.

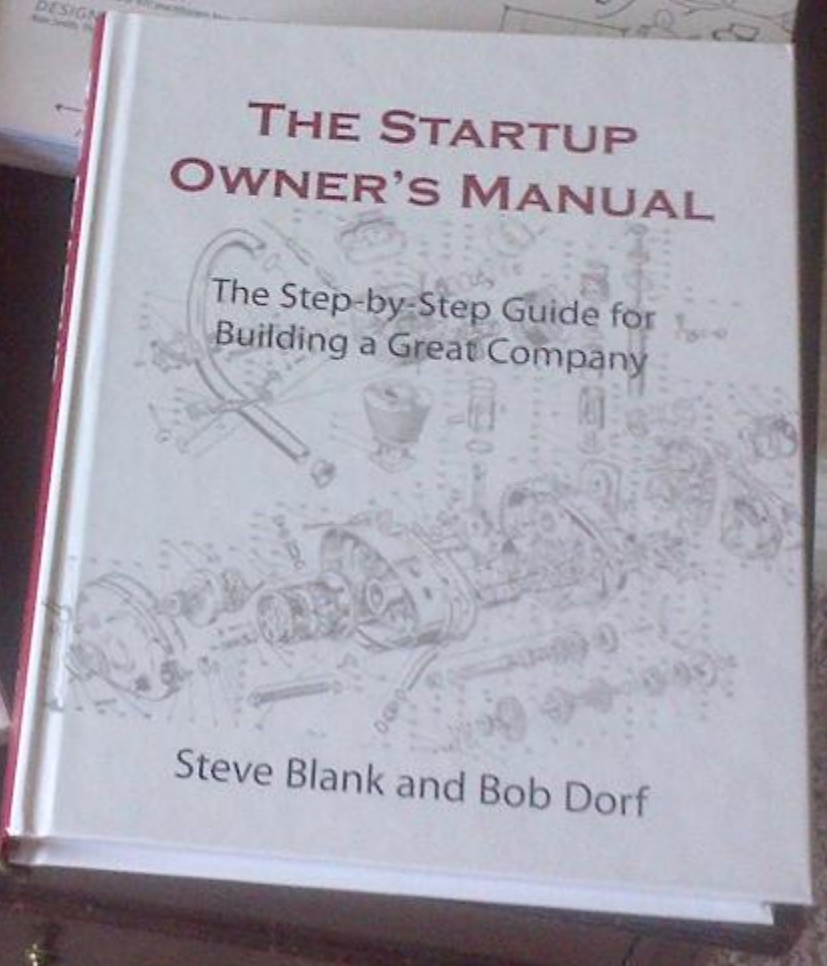
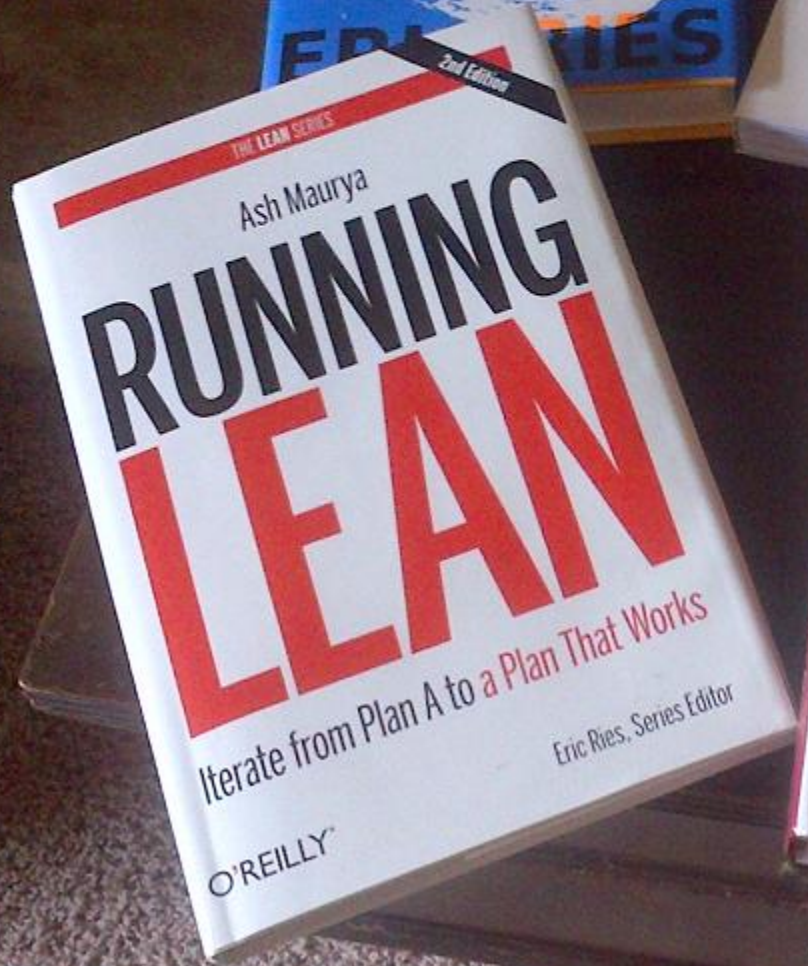
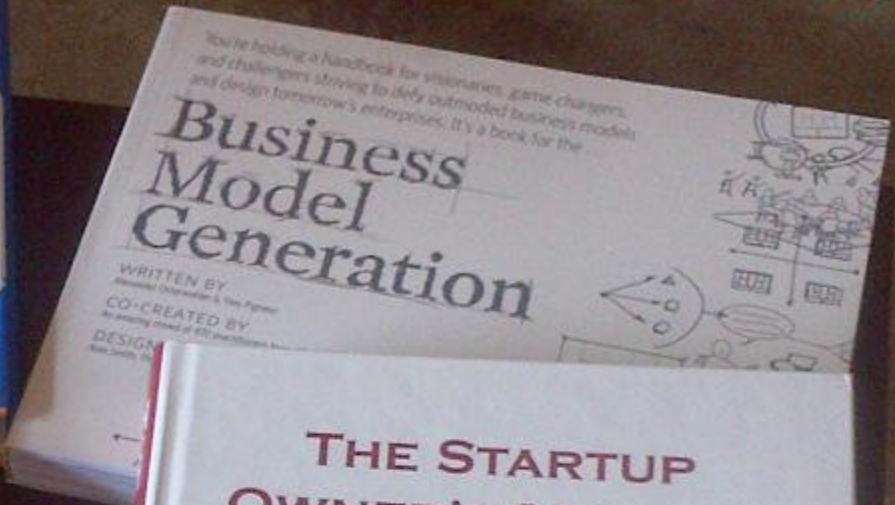
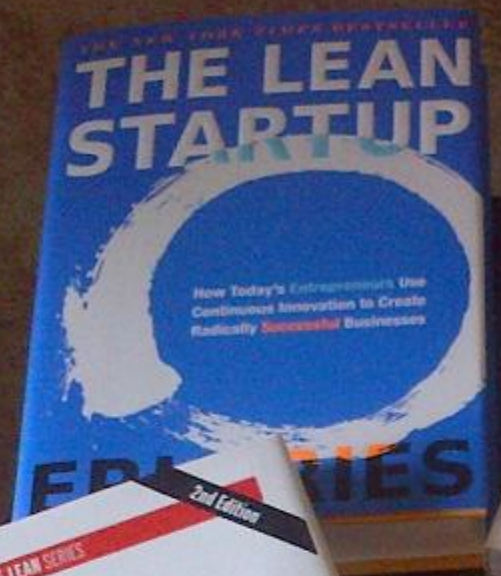
Startup Ecosystem Ingredients





Who is driving the startup agenda in 2012?







LEAN Defined

Any activity that does not add stakeholder value is waste...



LEAN Startup Method: Eric Ries

1. Entrepreneurs are everywhere – not just in startups
2. Entrepreneurship must equal management
3. Validate learning – fail fast and iterate
4. Build-measure-learn-repeat – “spiral vs. waterfall”
5. Innovation accounting – define meaningful milestones

Source: *The Lean Startup*, E. Ries, 2011

<http://theleanstartup.com/>

Lean Business Model

“Running Lean is a systematic process for iterating from Plan A to a plan that works, before running out of resources.”

“Your product is NOT “the Product”.... Your business model is the product.”

Ash Maurya, Running Lean

<http://www.runningleanhq.com/>

Running LEAN: Ash Maurya

- Builds on Ries, Blank, and Osterwalder
1. Document “the Plan” – one page business canvas
 2. Identify the riskiest parts of the plan
 3. Systematically test – early and often – qualitative & quantitative customer development

Primary Objective: “De-risk” the business model early

Source: *Running Lean*, A. Maurya, 2012

LEAN Canvas: Ash Maurya

Problem Top 3 problems	Solution Top 3 features	Unique Value Proposition Single, clear, compelling message that states why you are different and worth buying	Unfair Advantage Can't be easily copied or bought	Customer Segments Target customers
	Key Metrics Key activities you measure		Channels Path to customers	
Cost Structure Customer Acquisition Costs Distribution Costs Hosting People, etc.			Revenue Streams Revenue Model Life Time Value Revenue Gross Margin	

PRODUCT

MARKET

Source: *Running Lean*, A. Maurya, 2012



Critical Success Factors

- Passion and commitment: True believers willing to learn
- Value proposition: Solves a real problem
- The team: The right talent in the right positions
- Competitive advantage: Better, faster, cheaper



Critical Success Factors

- Understand your customers problem sets
- Business model that makes money
- Focus, focus, focus: Avoid trying to “boil the ocean”
- Be agile and ready to pivot
- Repeatable, scalable processes: Execution is key



Entrepreneurship and Innovation Educational Imperatives

- Agile undergraduate & graduate programs
- Multidisciplinary
- Theory and practice with a bias toward practice
- Mentoring, coaching, benchmarking, and networking
- Contests and accelerators



Case Study: Transforming Arkansas



Perception

On April 17, 2012 at 5:00 PM, Laurie Kulikowski wrote:

“My first question: Why Arkansas?

I wouldn't normally think of Arkansas as a tech-haven?

.....or am I wrong?”

Laurie Kulikowski Small Business Reporter

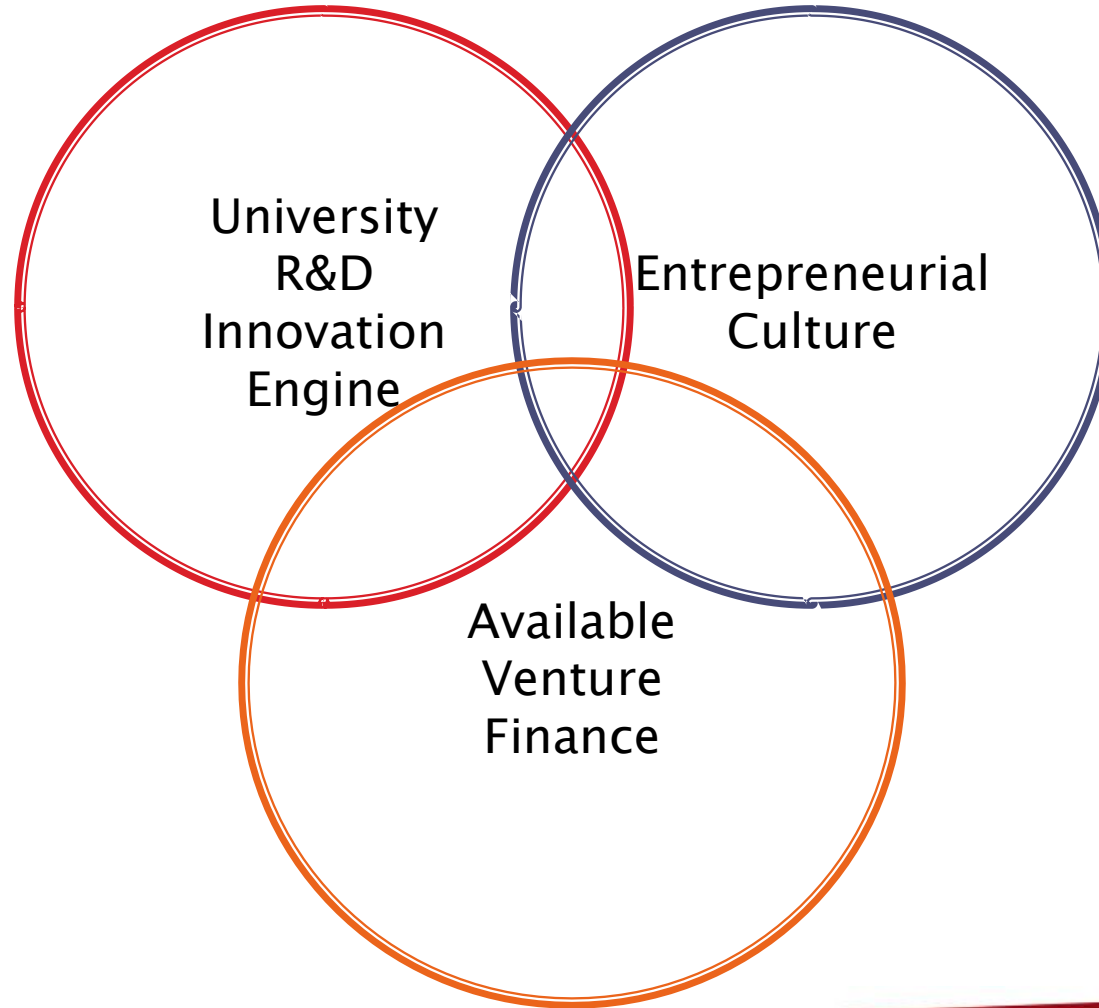


That's Arkansas?

- ***Forbes*: Best Place for Businesses and Careers**
- **Home to Fortune 1000 companies, retail and supply chain center of excellence**
- **In 2011, Arkansas cited by CNBC as having the lowest overall cost of doing business in the nation.**
- **Kauffman Foundation ranks Arkansas as 15th most entrepreneurial state in 2011.**
- **Thumbtack.com: Arkansas gets “A” grades for making it easy to start a business**

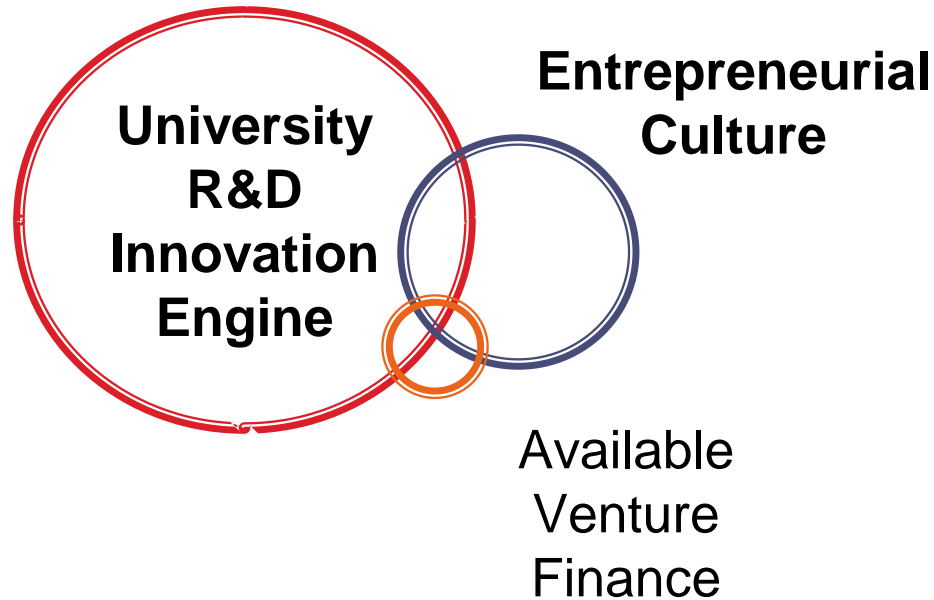


Desired Venture Ecosystem





Current Arkansas Venture Ecosystem

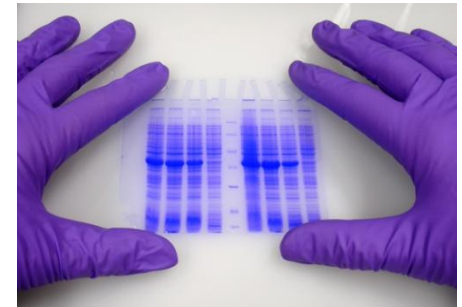


Public & Private Partnerships

Initiatives



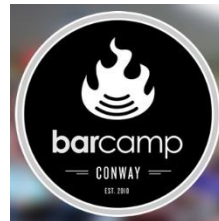
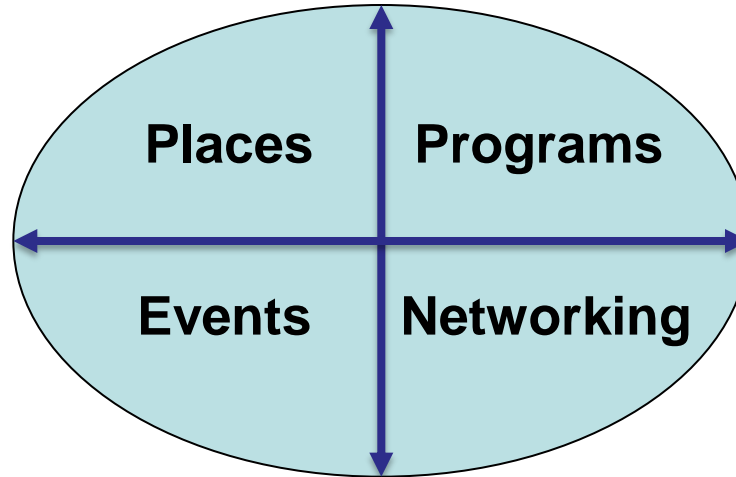
Filling the Talent/Funding Gap



- **Angel Network Creation**
- **Entrepreneurship Alliance**
- **Accelerators / Incubators**
- **Contests / Competitions**
- **New Venture Funds**



Taking Action

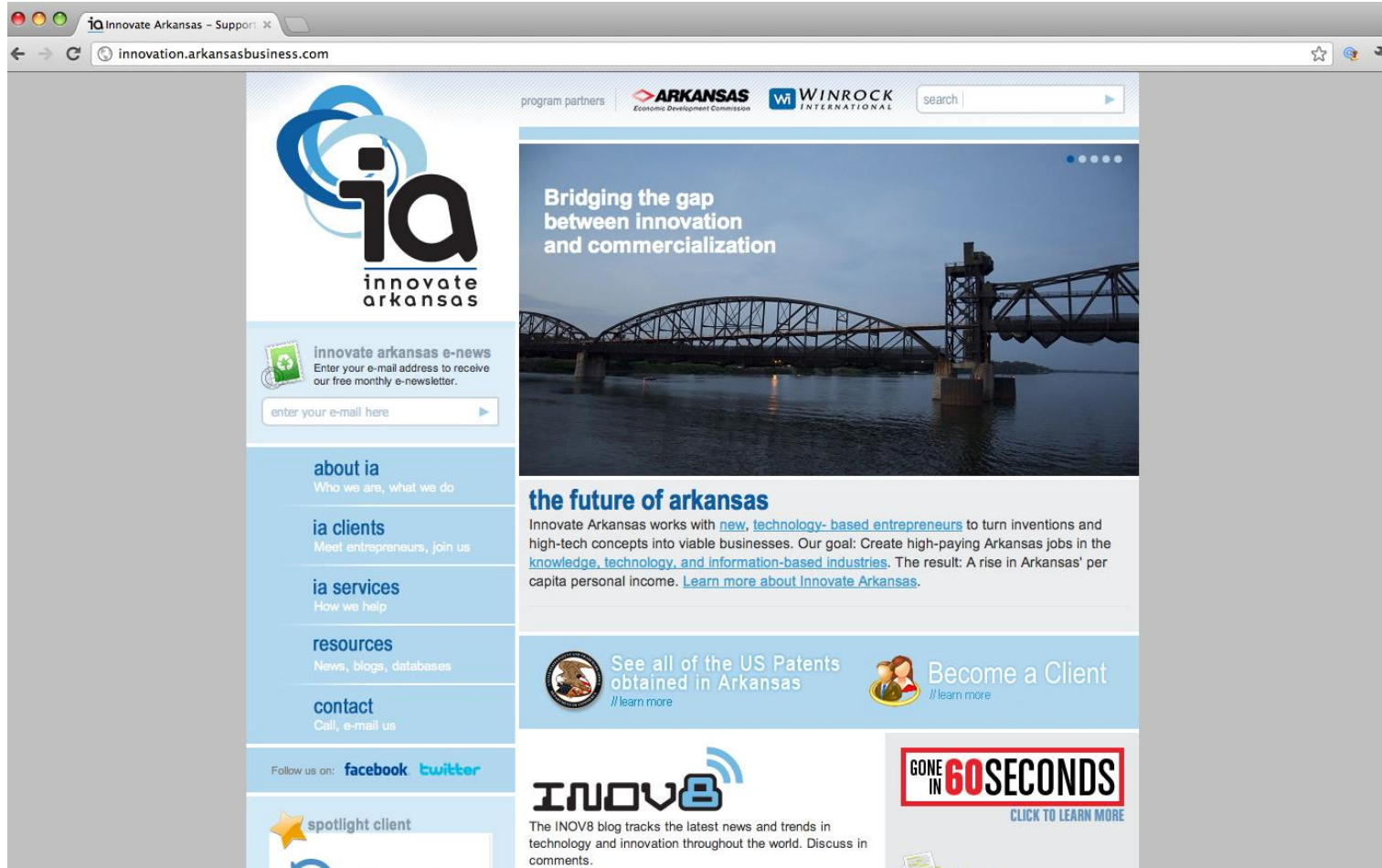




Innovate Arkansas: A Great Start

- Accelerate the technology commercialization process
- Facilitate partnerships between firms, universities and economic development organizations
- Prepare firms to obtain early-stage capital
- Provide expert assistance in technology, business, organizational management and marketing
- Advise with legal and intellectual property matters

Innovate Arkansas: Venture Mentoring



The screenshot shows the website innovation.arkansasbusiness.com. The page features the Innovate Arkansas logo (ia) and a navigation menu with links for 'about ia', 'ia clients', 'ia services', 'resources', and 'contact'. A prominent banner reads 'Bridging the gap between innovation and commercialization' with a background image of a bridge over water. Below the banner, there is a section titled 'the future of arkansas' with text describing the organization's mission to create high-paying jobs in technology and information-based industries. Other sections include 'See all of the US Patents obtained in Arkansas', 'Become a Client', and 'INOVB' (Innovation in 60 Seconds).

<http://innovation.arkansasbusiness.com>



Innovate Arkansas 100+ Clients - \$55M in Funding





- Uses a patented technology to create biodegradable plastic bags

Education, Mentoring, & Coaching



Concept Development/Validation

Mentoring & Coaching

UA
MBA Team

Business Plan
Competitions

License UMinn
Patents

\$750K
Secure Seed
Capital

Product
Validation

2010

2011



- Highly efficient niche online retailer with robotic warehouse fulfilment

Education, Mentoring, & Coaching



Concept Development/Validation

Venture Capital Mentoring

Serial
Entrepreneurs

Customer
Development

\$10M
Series A&B
Capital

Market
Growth

2010

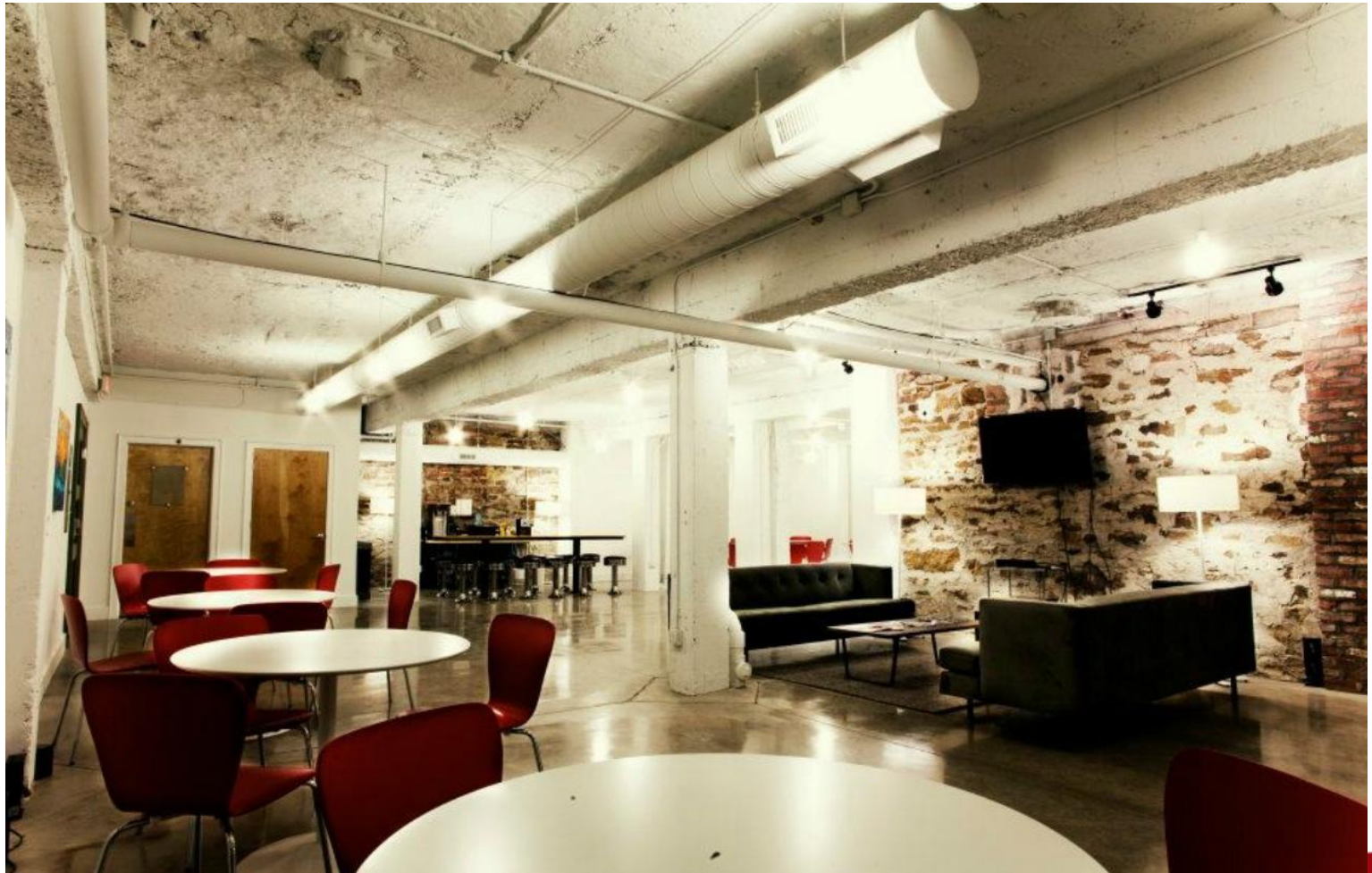
2011

The Iceberg Co-Working





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Learning Sessions

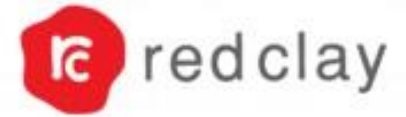




- Gravity Ventures Arkansas – Fund 1 - \$525K
 - Based on a successful model - Indianapolis
 - Member managed angel fund – 21 members
 - Formed: November 2010
 - Investments: 6 Seed Stage / Series A
 - Investment size: \$50K-\$125K



- Investments





- Gravity Ventures Arkansas – Fund 2
 - Aiming for 20+ active members
 - \$1,000,000 fund size
 - Average investment size: \$100K-\$125K
 - Start date: July 2012



Natural State Angel Association

- **Based on Mid-America Angels Model (Kansas City)**
- **Formed: October 2011**
- **Meetings Held: 3**
- **Companies Reviewed: 13**
- **Membership: 80+ Accredited Investors (NWA)**



GONE IN 60 SECONDS

- 60 second elevator pitch contest - \$1000 prize
- Audience selects winners using text voting
- Created: August 2011
- Events: 6
- Locations: Fayetteville, Rogers, Ft Smith, Little Rock, El Dorado
- Attendees: 1000+
- Contestants: 120+



Launching the ARK

ARK = Accelerating Resources and Knowledge

Accelerators: Defined

- **Startup Accelerator (200 worldwide):**
 - **Cram 1-2 years of startup development into 14 weeks.**
 - **Customer development**
 - **Business model validation**
 - **Building a prototype demo**
 - **Pitching investors**



Winning the Jobs and Innovation Acceleration Challenge 2011





What is the ARK?

- **Objective:** Launch 15 viable mobile app or IT companies each year
- **Cluster Targets:** retail, transportation/logistics, and food processing industry clusters.
- **Format:** 14 week intensive boot camp supported by 60+ seasoned mentors.
- **Startup Funding / Benefits Provided:**
 - \$18K / startup for 6% ownership
 - \$150K for the two winning startups plus two customer betas



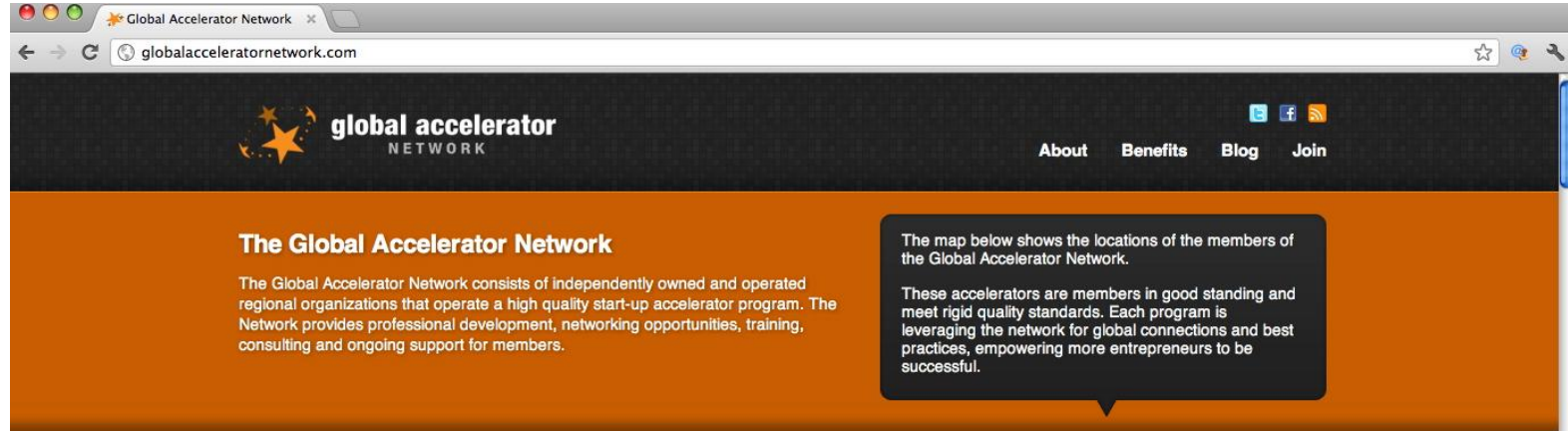
ARK Operations

- **Operating Funds:** \$2.1 million won from the Dept of Commerce
 - \$1 million in match by Winrock International and the University of Arkansas.
- **Operating Partners:** Winrock International, the University of Arkansas, and NWACC.
- **Location:** Iceberg Co-working Facility in Fayetteville.
- **Affiliations:** Part of the **Global Accelerator Network (GAN)** - formerly known as TechStars.

A Coordinated Initiative



Global Accelerator Network Member



The screenshot shows a web browser window with the URL globalaccelatornetwork.com. The page features a dark header with the "global accelerator NETWORK" logo and navigation links for "About", "Benefits", "Blog", and "Join". The main content area has an orange background and includes the following text:

The Global Accelerator Network

The Global Accelerator Network consists of independently owned and operated regional organizations that operate a high quality start-up accelerator program. The Network provides professional development, networking opportunities, training, consulting and ongoing support for members.

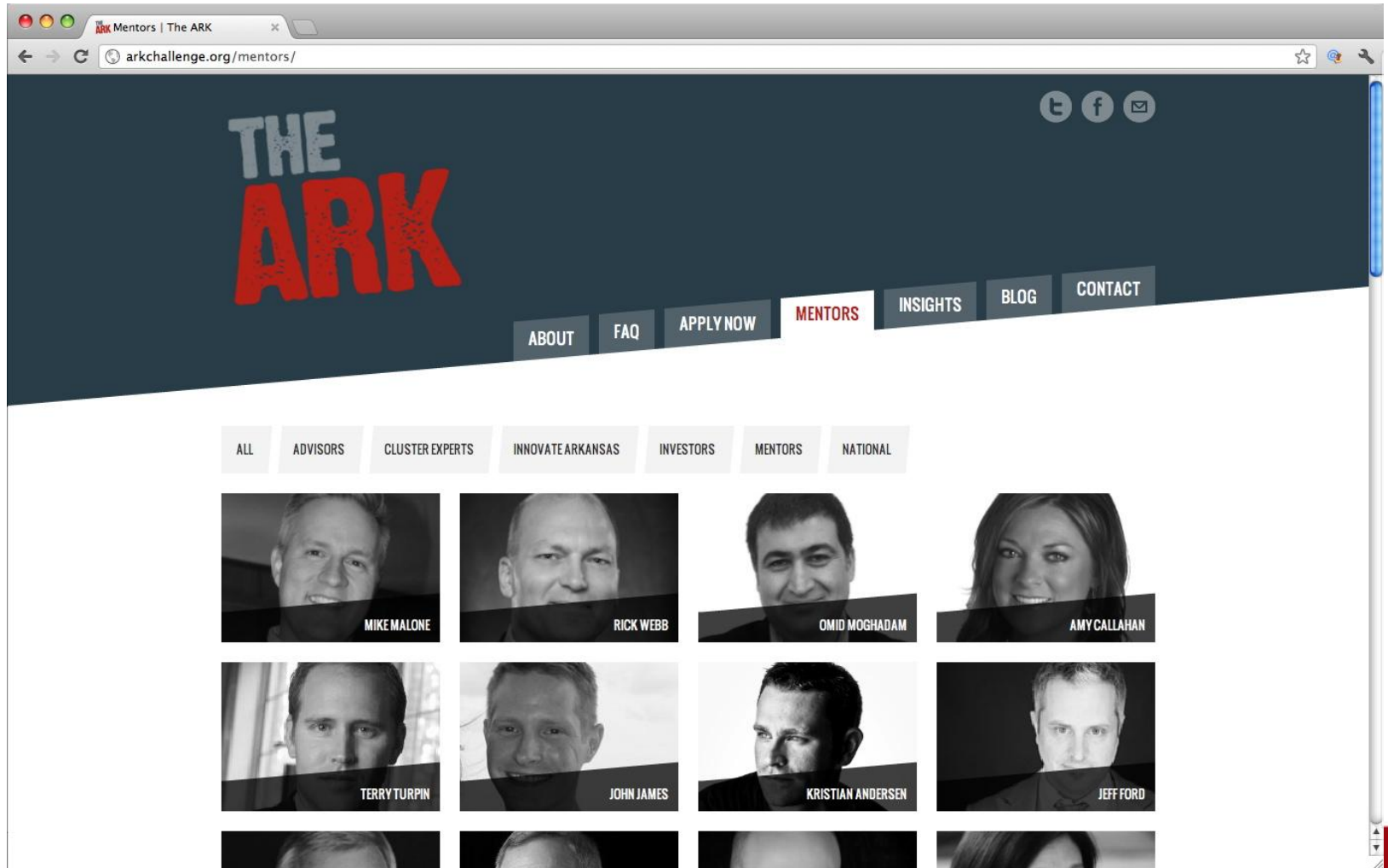
The map below shows the locations of the members of the Global Accelerator Network.

These accelerators are members in good standing and meet rigid quality standards. Each program is leveraging the network for global connections and best practices, empowering more entrepreneurs to be successful.

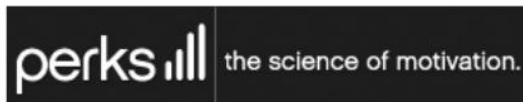
Global Reach. Local Impact.



Accelerating Resources & Knowledge



Regional and National Mentors





ARK Venture Funding

- **Venture Funding:** \$525,000/year to fund ARK startups.
 - **Winrock International - \$100,000**
 - **Gravity Ventures Arkansas - \$100,000**
 - **Fund for Arkansas' Future - \$100,000**
 - **ADFA - \$125,000**
 - **In discussion - \$100,000**



Wanted: Applicants

- **Founders - fire in the belly to make it happen but coachable**
- **Solution solves a real problem customers will pay for**
- **Tech-oriented: mobile apps, cloud-driven, web-based**
- **Ready to demo in 14 weeks**
- **Focus: Retail, transportation/logistics, and food processing**
- **Ability to scale**



Wanted: Developers and Associates

- **Brilliant developers**
- **Great designers**
- **Marketing professionals**
- **Sales professionals**
- **Finance professionals**

A way to join the fun without having a team or idea...



Wanted: IDEA Community Advocates

Twitter: Use #ARIDEA

**Arkansas IDEA* -
Innovators, Designers, Entrepreneurs & Artists**

**Source: IDEA originally used in an economic development sector supported by Missouri State University*



Applications Close June 17th

- Current Status: **50** applications

STARTUPS, APPLY NOW

for a 14-week entrepreneurial bootcamp program, including \$18K in funding, mentorship, networking and resources.

- **Need more great applicants!!**

<http://www.techjournal.org/2012/06/one-week-left-to-apply-for-nw-arkansas-accelerator-challenge/>



Recap

- **Innovation will be the key strategic global differentiator.**
- **Lean, agile business models will drive the next industrial revolution.**
- **Education must include theory and practice with a bias toward practice.**
- **Public / private partnerships build the IDEA community**
 - **Programs**
 - **Places**
 - **Events**
 - **Networking**



Questions ??



Thank You

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