# Meeting:

GO Virginia Region 2: Entrepreneurship Working Group/Meeting 1

# Location:

**Date:**

Roanoke Higher Education Center

18 August 2021

# Attendees:

Sarah Lyon-Hill, Ph.D. – Virginia Tech CECE; attended in-person Luke Towles- Pinnacle Bank; attended in-person

Jim Martin -SCORE; attended virtually

Meredith Hundley – Verge/Ramp; attended virtually

Aisha Johnson – City of Roanoke Economic Development; attended virtually James Harder -, Virginia Tech Dept. of Computer Science(s); attended virtually *Also present: William Ferris – Virginia Tech CECE; attended in-person*

# Meeting Summary:

-Region 2 entrepreneurship investment is on par with the state’s, but the challenge is to find a way to outpace our peers in the entrepreneurship space.

## Region 2’s Growth and Diversification Strategies and Focuses

1. Increase the presence of and access to capital investors…
	1. Access to capital is one of the major issues in the region.
	2. How we might shape strategies around that, etc. is key.
2. Expand and coordinate mentorship and training resources to increase the supply and flow of investible ventures
	1. Relatedly, many capital providers have expressed difficulty finding eligible candidates for investment, so it is also important to educate capital providers on how they may help entrepreneurs.
		1. Will angel investors provide capital to entrepreneurs?
		2. Chicken vs. egg problem: Entrepreneurs cannot find capital, but capital cannot find entrepreneurs.
3. Improve awareness of existing capital, mentorship, and training resources
	1. A lot of the time, entrepreneurs just do not know what is there and what is available.
	2. With VIC, with RAMP… the ecosystem has come full circle and has become more cohesive.
		1. Is that something that still must be addressed?

-Strategies 1 and 2 are about meeting in the middle.

*-Question: How have assets and priorities changed?*

## GOVA Industry Clusters

-Proposed GOVA Industry clusters: median wage is $22 an hour<->$46,000 annually

-Minor changes have been made to industry clusters this time around:

-Manufacturing now contains, to an extent, parts and tires.

-Food and beverage: now more focus on packaging and distribution.

-No notable changes in either the Life Sciences and Health or Emerging Tech and IT industry clusters.

-Manufacturing: pays $23 an hour; Food and beverage manufacturing: $19 an hour; Life Sciences and Healthcare: $27 an hour; Emerging Tech and IT: $29 an hour

-Similar pattern to state, albeit a lag.

## Expanding Development

-Presently, startup density is notable in 3 locations: Lynchburg, Roanoke, and Blacksburg.

-How do we generate startup activity in counties/areas outside these areas?

-Economic Development efforts have done well with startups, but there is a need to expand it to middle-aged firms or to firms beyond the 6 -year mark.

## What is Needed in Region 2?

- There are needs for capital and for support for research commercialization

-These are major factors in the NRV, Roanoke, Lynchburg.

-Needs for Capital:

-Entrepreneurs presently identify a need for capital.

-Difficulty in accessing capital, as revolving loan funds do not have the ability to invest in startups; furthermore, startups are not eligible for bank loans.

-Needs for Support of Research Commercialization

-With regard to supporting research commercialization, greater focus is desired.

-Important to support the pipeline of commercialization work

-Might be worth looking at how that might interplay with the cluster scaleup work group.

-I.e. Autonomous food systems: how do you scale up a cluster if you are not generating new companies?

-Other Needs:

-There is also a need to support the organizations that interact with entrepreneurs, such as stores, banks, government entities.

-It is important to create more educational opportunities for these organizations that interact with entrepreneurs.

-In discussions, revolving loan funds have expressed potential willingness to change practices to accommodate startups.

-Education geared toward these parties must be collaborative, not lecturing.

## Lynchburg-specific Considerations:

-There exists a divide/wedge, in the form of real and/or perceived proximity between Lynchburg and its startup community and Roanoke and the NRV and their startup communities.

-7 existing entrepreneurship projects; leads mostly based in Roanoke, Christiansburg.

-How do we get Lynchburg organizations involved?

-One barrier may be simply a lack of understanding on the part of Lynchburg startups of the resources available to them.

-Roanoke-area accelerators would not turn away Lynchburg startups.

-Note: Many Lynchburg-area graduates do relocate to the CRC and to Community NRV

-Another may be a lack of trust: localities may be hesitant to collaborate, out of fear of having their startups stolen, even though this is not the case/intent.

-One idea is to figure out how Lynchburg may capitalize on its energy (nuclear, other) specializations for growth.

-A challenge exists in finding out what needs to be invested to make other businesses more successful, to develop Lynchburg’s energy cluster.

## Issues Faced by Support Organizations

-One challenge is that some people do not want to share financial information, information on deals, etc. to avoid forfeiting a competitive advantage.

-Complicates performance analysis.

**-**One complicating issue faced by SCORE is that some resource partners they deal with are very niche-oriented and take the attitude that it is a zero-sum game between such organizations.

-It is important to spread the word that are a lot of business out there, more than any of them can support and that we shouldn’t be looking at this as a competition; it should be instead viewed as people helping each other.

## Issues Faced by Entrepreneurs

**-**Looking at the equity component of entrepreneurs, it is apparent that many are Main Street businesses, such as food services, beauty salons, etc. Furthermore, a lot of Roanoke-area small minority businesses want access to capital.

-Common issues include:

- Access to capital, knowledge about capital, securing loans if they have not been in business for a while or have not shown a lot of profit/profitability.

-Some businesses do not know how to do books, pay taxes, have a business license, run HR, etc.

-They do not have the resources they need to operate in a legitimate fashion.

-Mentorship is important, but there is a need for knowledge related to keeping books, doing taxes, etc. so that these businesses can continue to do what they can do and do it well and be successful and operate legitimately.

-IRS representatives are available to help spread the word about what the IRS can provide

-Many of the issues faced by these Main Street businesses may be universal to startups and entrepreneurs

-For example, book-keeping and HR skills may lag behind technical skills.

-Approaches to help Main Street and more technical firms may be similar.

-There is great importance on teaching people how to run businesses, pre-entrepreneurial training, helping people consider becoming entrepreneurs.

## Difficulty in Evaluating Entrepreneurial Development and Entrepreneurship

-Complicating issues related to evaluating entrepreneurship development and entrepreneurial endeavors:

-Difficult to justify expenses when benefits are far-removed.

-I.e. the expenses associated with youth entrepreneurship development

-Companies may take time to develop and mature.

-In 2-5 years, entrepreneurial firms may have just started to hire other employees.

-May be important to look at different metrics,

-Evaluate eventual job growth, rather than current job growth.

-Alternatively, consider evaluating Outputs vs. Outcomes.

-Important for folks to understand that if you can’t show a positive ROI and taxes, etc., it is not the end of the game.

-Fears related to the above (revealing a lack of profitability) could be a deterrent, in some cases.

-Could we look at effect on business survival over time.

-Next steps include setting up additional meeting(s) to begin building the framework of desired objectives, etc.

*Sarah Lyon-Hill, Ph.D. may be contacted at* *sarahlhl@vt.edu* *for more information.*