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Better ecosystems for a stronger economy.

Presented to:

University of Virginia's College at Wise
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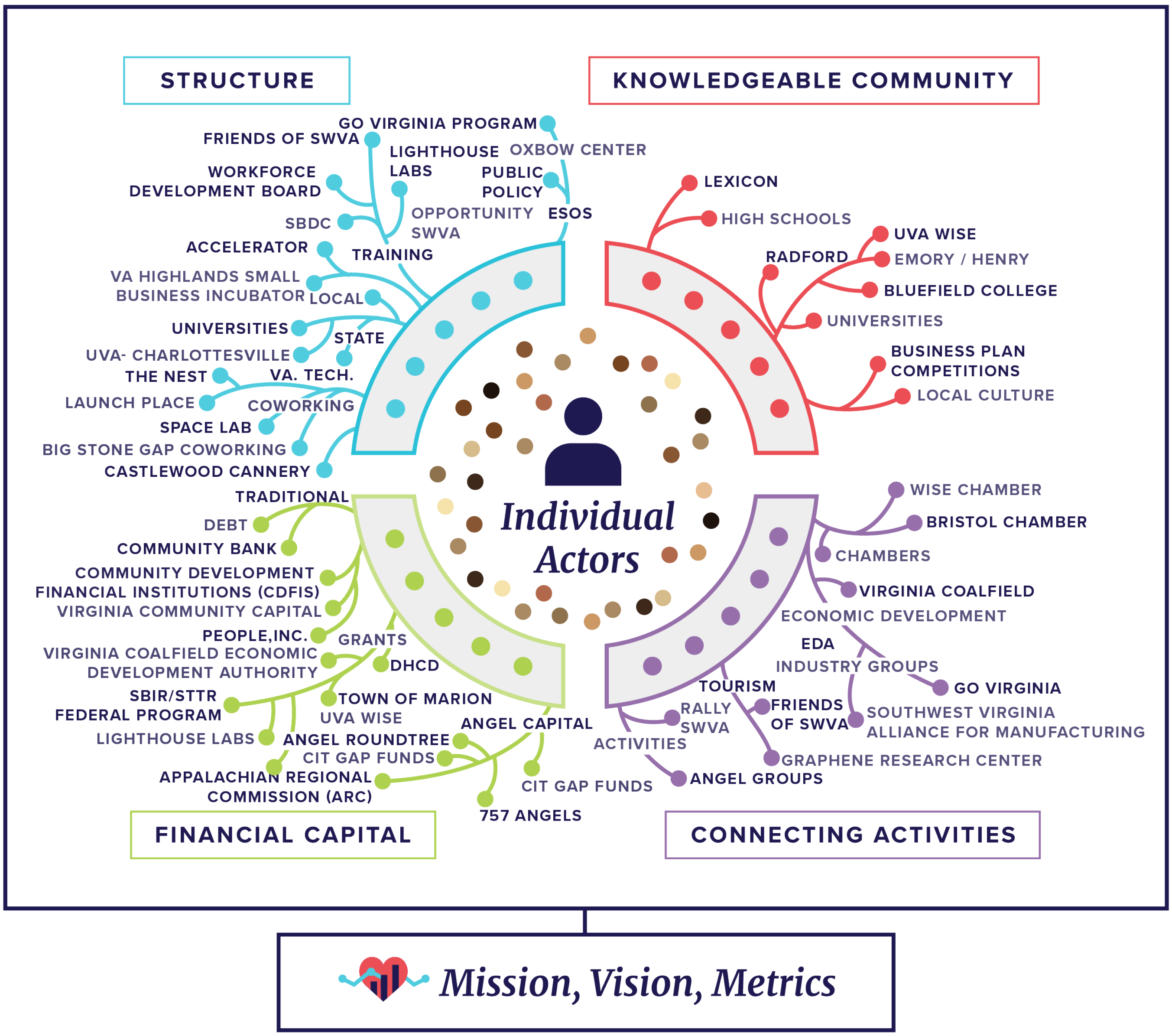
SWVA ECOSYSTEM



Introduction

The purpose of this whitepaper is to outline the research and analysis done by Chapman and Company regarding GO Virginia Region 1 – Southwest Virginia ("Region 1", "Southwest", "SW VA" or "Southwest Virginia"). The firm was hired in April 2020, amidst a historic pandemic, to analyze and provide insight for the region about steps to improve the entrepreneurial ecosystem.

Whitepapers of this type are inherently difficult because they must provide enough guidance to be actionable but not too much – making them prescriptive. The simple reality is that there are some simple rules of thumb that are generally true in entrepreneurial ecosystems that can act as general guidance in Southwest Virginia, but also in most other circumstances.

1) Can you identify your entrepreneurs? Knowing your entrepreneurial community is step one in any plan. This goes beyond knowing their names - to being able to provide a brief, high level explanation of them as people and their businesses.

2) Have you built a relationship with them? Being able to interact with them and ask their opinion is essential to being able to provide services, capital, and attention.

3) Have you built trust that permeates the entrepreneurs and spreads outward into the rest of the ecosystem? If the answer is yes, then you will have on-going conversations and engagements that go far beyond a prescriptive plan for a new building or educational track.

The point of these three things is not to undercut the need for a program, accelerator, educational track, or other element, but so often, we enter after years (sometimes decades) of planning and discussing and writing whitepapers. Southwest has some of that history, but it also has a history of doing things. And, that foundation is the one upon which we are attempting to build this report. Entrepreneurial ecosystem building is fundamentally about entrepreneurs and main street business creators, i.e. people who start businesses.

Doing things – even small things – are extremely important to entrepreneurs. One of the consultant's first projects as an ecosystem builder was a small group that met monthly on Thursday evenings – called Cornstalks.[1] This formation group included Dusty Davidson, the founder of Flywheel. The group started meeting five years before he formed Flywheel. Flywheel was acquired last summer for more than $130 million. It has approximately 400 employees in Omaha today that make significantly above the mean wage for the region. At the time, Dusty was fresh out of college but had just started a software development shop called Brightmix. Six full years after Cornstalks' founding and towards the end of the program's tlife, and well before Dusty was worth millions – here are some of the things that Dusty wrote about Cornstalks (www.dustyd.net/cornstalks):

- *Over the years, Cornstalks has seen virtually everyone involved with a "startup" in Omaha present at one time or another. The funny thing to me is that Cornstalks actually pre-dates Silicon Prairie News, so many of the presenters aren't recorded in any way.*
- *In fact, I probably have the attendance record as well. It's hard to really pin down, but I definitely remember talking about Brightmix (likely about culture and internships). I definitely remember presenting with John Grange about Layeredi. And I even pitched Tripleseat at the first Cornstalks Demo Night.*
- *Cornstalks holds a special place in my heart, and in many ways is one of the unsung heros of the Omaha entrepreneurial renaissance over the past 7 years.*

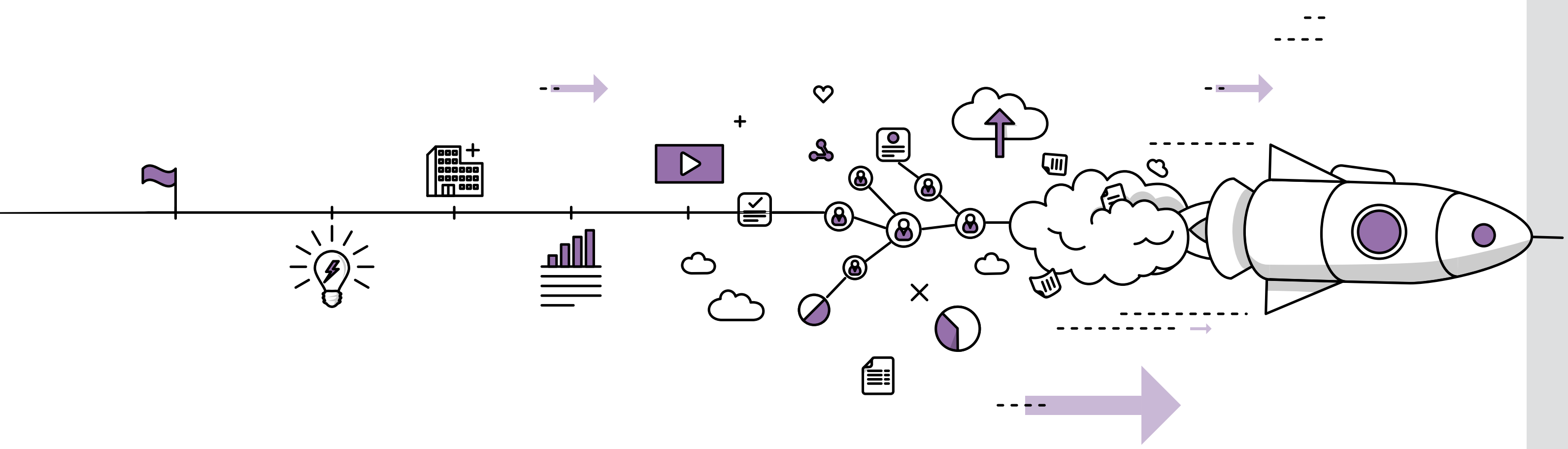
[1] Mr. Chapman is from Nebraska.

Dusty has told the consultant multiple times that one of the reasons that he and his wife did not leave the region for greener pastures were the people – many of whom he met at Cornstalks. And here is the thing. The total program cost for 2008 was $400. The local organizing group bought milk and cookies and arranged for the speaker.

Entrepreneurial ecosystem building is not about spending the most money...it is about finding entrepreneurs, listening to them, believing in them, and empowering them to build something great.

Entrepreneurial ecosystem building is not about spending the most money – or running glitzy programs (although that is sometimes what is needed). At its very heart, it is about finding entrepreneurs, listening to them, believing in them, and empowering them to build something great. Cornstalks did not make Dusty Davidson. He was already on his way to being the founder of a great company. But, it helped ensure that he did it in a way that brought the whole community with him.

This whitepaper should provide those same types of inspirations and "a-ha" moments about how to have big impact through small, but many actions.



The Research Landscape

Chapman and Company follows an array of research and a variety of white papers that it does not attempt to replicate. So, for example, the GO Virginia Region 1 Growth and Diversification Plan, August 2019, was extremely helpful in the creation of this report. As were the analyses from local utilities, local economic development entities, statewide organizations, universities, and other research and insight that has been created over the last decade. This paper is different than those but would have been impossible to write without the foundation set by those research reports.

In addition, this project would not have been possible without the assistance of many people and organizations. In particular, Josh Sawyers, Shannon Blevins, and McKenna Blevins provided essential insight into the working of the region. They also leveraged their personal networks for help with our interviews and inserted themselves appropriately to ensure that we did not "miss" anything. That being said, we undoubtedly did miss valuable viewpoints from local authorities. This is due in part to the COVID-19 pandemic and in part to our own deficiencies. However, the people at UVA-Wise and with Opportunity Southwest Virginia were critical to creating this research and the following report. For this, we thank them.

An Overview of Entrepreneurial Ecosystems

Entrepreneurs are the key to economic development. Over the last two decades, increasing scholarship has revealed their importance. For example in a 2009 paper, “Where Will the Jobs Come From?”, Bob Litan and Dane Stangler explained that virtually all net new jobs come from young businesses (less than five years old).[2] In this paper, Litan and Stangler explain that small business employ more than 50% of the workers in the United States, but YOUNG businesses are the key to job creation. This paper and many like it, explain why economic development organizations have shifted to focus more on the creation of new businesses and away from an attraction only strategy. A string of scholarship re-inforces the Litan/Stangler position. Young firms create virtually all net new jobs in the country.[3][4]

Because young firms are so critical to economic development, many have begun to identify how these firms start. The underlying reality is that the entrepreneurial process is murky at best. What has emerged is the need for a system of support to help these entrepreneurs not just start, but succeed. This system of support is often referenced as an entrepreneurial ecosystem. To state more clearly, an entrepreneurial ecosystem is the system of support that surrounds an entrepreneur during the business creation process. It helps them find collaborators, mentors, customers, and employees. It helps them find the appropriate level and type of capital. It supports them with training, physical space, knowledge, and policy. Lastly, it empowers them to succeed, tells their story as they succeed (and fail), and it creates a shared narrative of the community’s economic growth. A robust entrepreneurial ecosystem will have a unique framework in every community, successful or not, but it will include many fundamental components (though different actors) across all of the individual places. Even within Southwest, the ecosystem will be different due to local strengths and weaknesses – providing an evolving system that will ebb and flow in process and outcomes.

[2] https://www.kauffman.org/wp-content/uploads/2019/12/where_will_the_jobs_come_from.pdf
[3] https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.28.3.3
[4] https://www.census.gov/content/dam/Census/library/working-papers/2017/adrm/carra-wp-2017-03.pdf

Startups come in two basic flavors: main street businesses (sometimes called small businesses or "MSBs") and scalable businesses (sometimes called high growth businesses or "HGBs").

Main street businesses ("MSBs") are destined to grow into what many refer to as small businesses, but in fact, represent an essential form of business development in communities. In particular, main street businesses provide three key ingredients for ecosystems. First, they provide critical, base level employment and industry for the creation of other businesses. For example, in Southwest Virginia, one key industry that has lower density than in many locations is construction. Construction businesses represent a critical building block for communities because they help build every business. A good example of a community that has engaged and enabled their main street business community is Marion, Virginia (see case study later in this report).

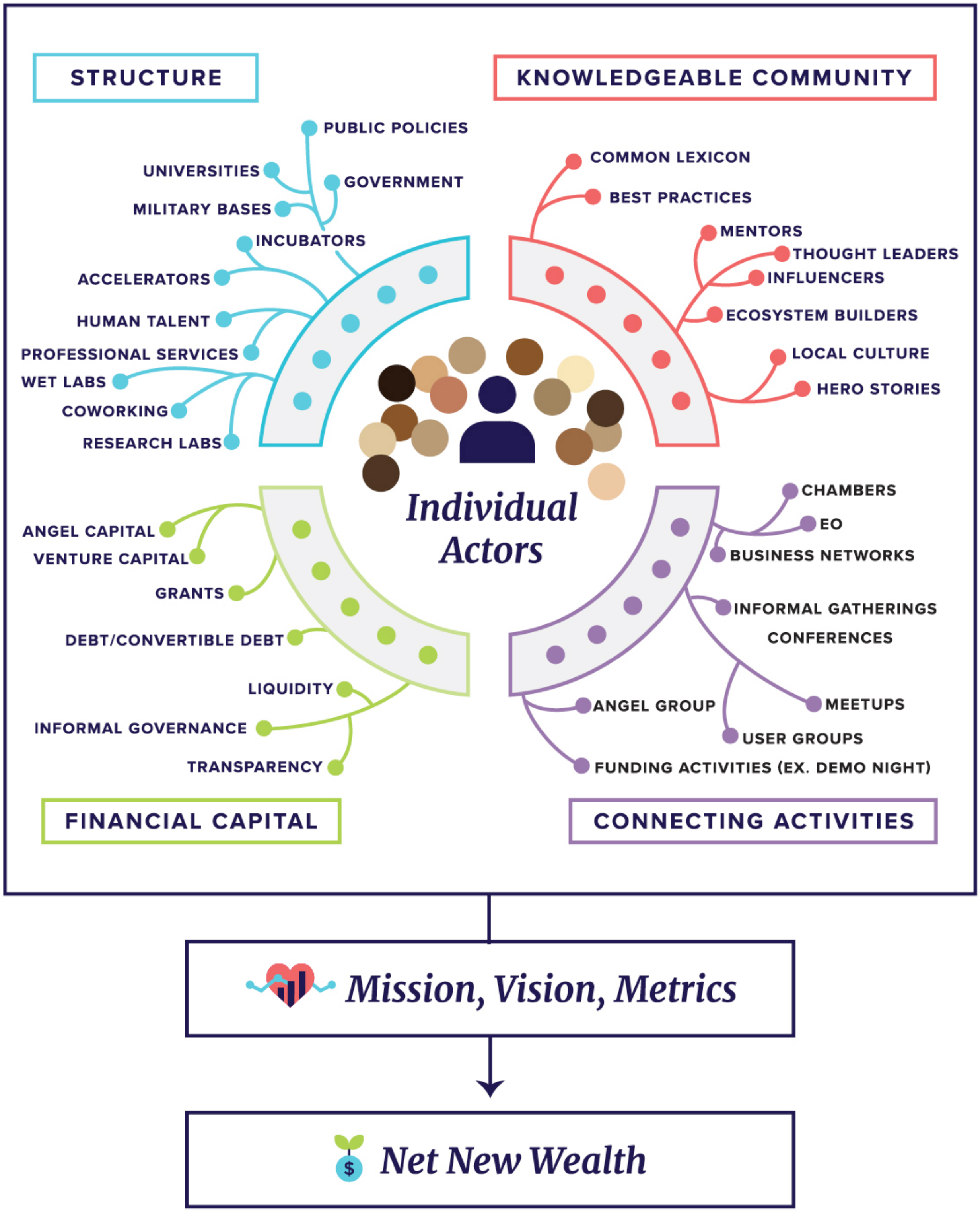
Second, they often provide the early capital for new HGBs. Doctors, lawyers, small business entrepreneurs, and bankers often are the backbone of early stage angel groups. This capital is used as the seed money to grow and accelerate other MSBs, but usually high growth businesses. In other words, the equity capital that is the foundation of many burgeoning high tech, exportable industries was originally the capital of MSBs (and the willingness to deploy that capital into HGBs).

Third, HGBs accelerate the spread of capital through local economies. According to the American Independent Business Alliance, 48% of dollars spent at a local small business will be re-circulated in a local economy compared to 14% spent at chains.[5] This does not mean that the money moves from one small business to another but instead it circulates throughout the entire economy at a much higher rate. This is called the multiplier effect by economists.

The ecosystem framework is built on the idea that finding and empowering entrepreneurs is critical. This cannot be under-stated. Entrepreneurship is built by singular individuals and small teams – called entrepreneurs. And, THE most important thing that a community seeking growth can do is to identify, empower, and support entrepreneurs. To do this, a variety of other elements act as support structures that provide guardrails and empowerment to new business formation. Using this basic model, Chapman and Company has created a basic mental map for communities to consider when thinking and strategizing about their entrepreneurial ecosystem.

[5]https://www.amiba.net/resources/multiplier-effect/

- CHAPCO METHOD -

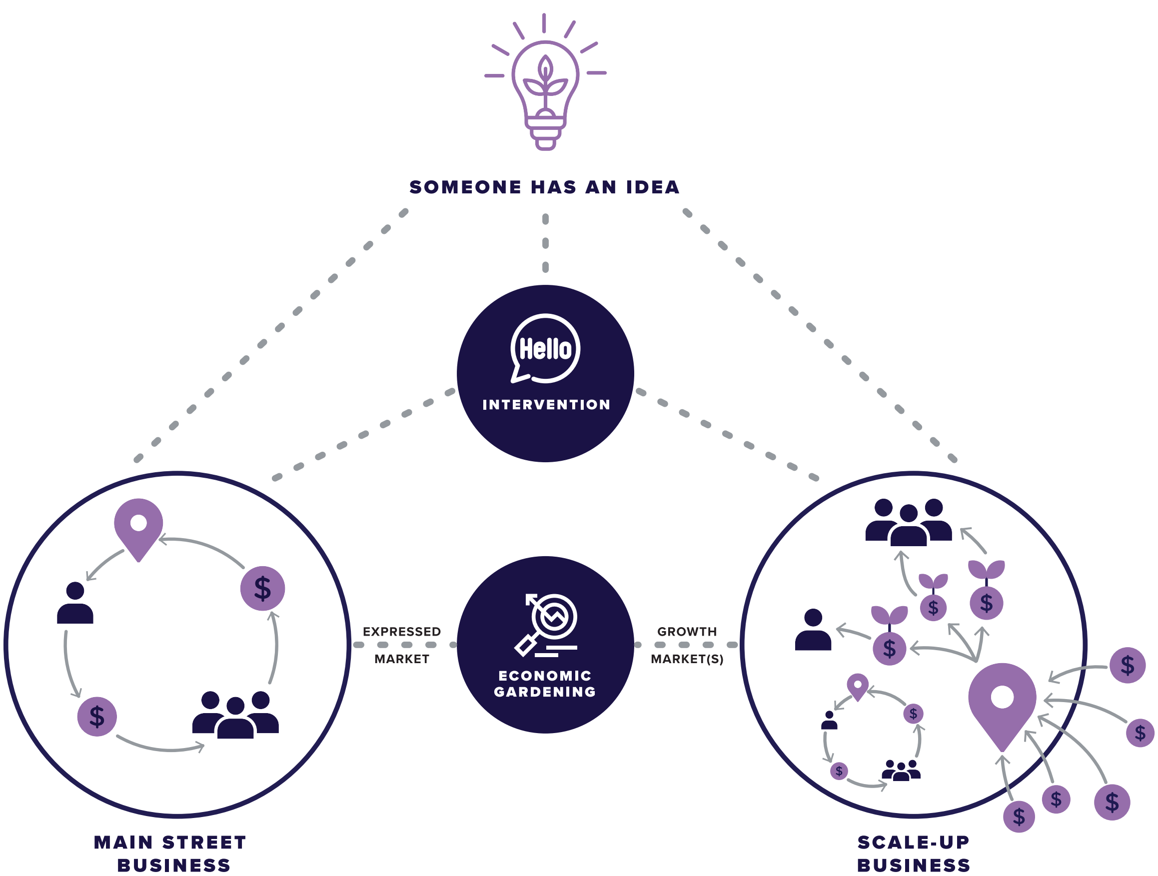


The center of every entrepreneurial ecosystem is the entrepreneur. The first step for new ecosystem builders is creating mechanisms to find and engage entrepreneurs. These entrepreneurs may be main street business owners. Our definition of a main street business is one that provides a product or service to a limited geography. These businesses include locally owned restaurants, optometry clinics, auto shops, and others. As a mental experiment consider these businesses and where their customers originate. Few people would drive more than an hour to go to the auto maintenance shop or the optometrist. Thus, they generally serve their local geography – a neighborhood, county, or their immediate vicinity. So, in the context of Southwest Virginia, main street businesses are mostly serving a small segment of the greater region. Thus, it is important that the region build depth across MSBs in a variety of key industries for the numerous small towns and cities.

Conversely, other businesses referred to as scalable businesses (or high growth businesses, or "HGBs") provide services to markets that are more than 50 miles away, require specialization, and generally are targeting large ($1B+), addressable markets. Most software businesses fit this category – but, so do most manufacturing, mining, cleantech, and biotechnology ones. HGBs are critical for regions because they generate capital and wealth for the region. Without exports, a single town or region would not have dollars to circulate through main street businesses. Thus, a good ecosystem will have high growth businesses and main street businesses.

For scalable businesses, the target customer is not ONLY local. The first customers and early adopters probably will be, and thus, recruiting businesses from the region to be early customers is extremely important. Second, the market opportunity is usually much larger. For example, a good size restaurant maximizes revenue by throughput on the tables in the dining room multiplied by price. This creates a maximum revenue opportunity that is often in the low seven figures ($1-3 million). Conversely, a high growth business often has economies of scale that are created by doing something where the margins increase by increasing sales. For example, a manufacturer will receive preferred pricing on components with higher purchase volumes. This means that a company can potentially grow dramatically and increase wealth and volumes at the same time. In a well-functioning ecosystem, scalable businesses are the apex trees in the forest. They provide long-lived jobs, investment, and wealth for a community – scattering contracts, philanthropic donations, and other key capital across the market.

Some rare MSBs will develop specialization that allows them to transition from a to a main street business into a scalable business. For example, construction companies may become very capable at building bridges for interstates and highways. There are only so many local bridges to be built, but many parts of the country and world need new bridges so the company may start to expand its market. This idea is based on developing deep specializations for MSBs that allow those businesses to cross the chasm.[6] The interstate bridge example is not random – Kiewit Construction made this leap in the 1940s and 1950s transforming from a regional construction firm in the Midwest into what is now the second largest construction company in the world. This company is based in Omaha, Nebraska, and as a privately held entity still plays an outsized role in helping "built landscape technology" companies to grow in Nebraska – such as Level 3 Communications in the 1990s and 2000s (one of the leading companies for fiber and broadband construction). Being a main street business that jumps across the chasm is relatively rare – but it can happen and in big ways.



[6]One type of program that helps main street businesses do this is called economic gardening. The first appendix goes into significantly more depth regarding economic gardening.

Chapman and Company uses four primary categories to organize the elements of an entrepreneurial ecosystem – beyond the entrepreneur. These categories are not fixed or permanent, and many programs have purposes that cross between the elements. So, we tend to say that they provide a mental map of how ecosystems work, rather than a linear map. The four elements are:

CHAPCO METHOD

1

FINANCIAL CAPITAL

CHAPCO METHOD

2

KNOWLEDGEABLE COMMUNITY

CHAPCO METHOD

3

CONNECTING ACTIVITIES

CHAPCO METHOD

4

STRUCTURE

Each provides a key organizing principle to the ecosystem - focusing builder activities. For example, in identifying weaknesses in the capital environment, an ecosystem builder can build necessary structures, relationships, and policy. This whole program of work resides in the Financial Capital element.

FINANCIAL CAPITAL

When talking about entrepreneurship, many will simply describe the need for capital or for venture capital as THE key challenge. But, the reality is that a well-functioning ecosystem has many types of capital needs. In general, there are three buckets.

First, the best capital is that which does not need to be repaid. Some states, cities, and regions have grant programs that help spur entrepreneurship with free, non-dilutive grants to businesses. For example, the Arch Grants program in St. Louis is globally recognized as having been a critical component of that region's efforts to grow its entrepreneurial base. This program provides a small grant, which must be matched by other dollars, to businesses that show promise and commit to locating in the community for a period of time. Similarly, national programs (such as the SBIR/STTR grant program) provide incentives for businesses to be created and grow. Kentucky has created a strong program to encourage SBIR/STTR grants, called Phase 0, providing matching grants and grants to fill out applications. It is critical that when businesses are eligible. This type of program could be utilized in Region 1 as a way to grow its local SBIR/STTR company portfolio. Virginia, as a whole, has built a very strong SBIR/STTR portfolio, but SW Virginia has had only limited success. In the Growth and Diversification Plan of August 2019, grant capital (including federal, state, and local) was identified as a weakness for Southwest Virginia. We agree that additional grant capital for the region would be helpful.

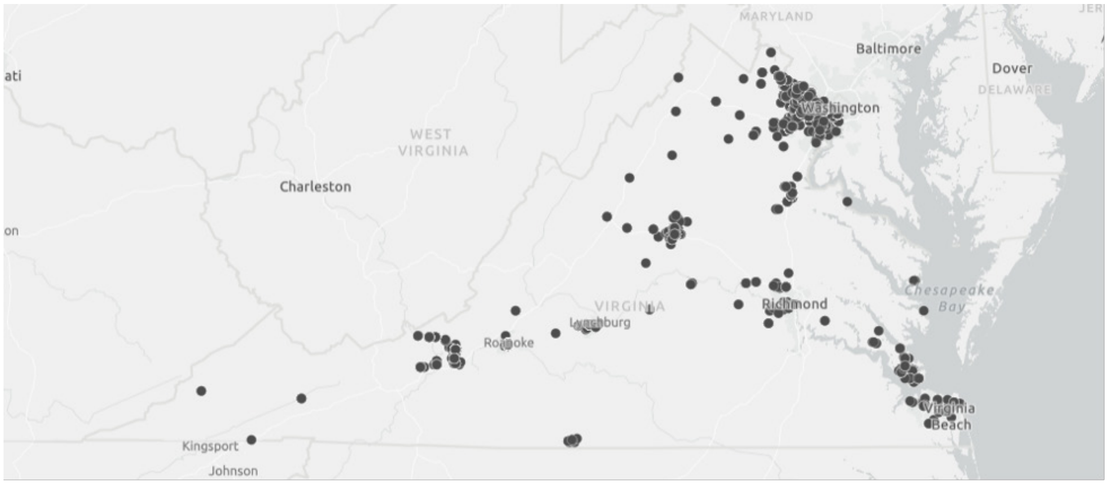


Figure 2: Map of SBIR/STTR Companies from Virginia 2010-2018

Second, debt is critical for many main street businesses. Specifically, many businesses that are formed by those that lack credit (and are often poor) are built around Community Development Financial Institutions (CDFIs) that help provide early capital to these entrepreneurs. People Inc. has a strong presence in Southwest Virginia – with more than $5.2 million loaned out since the organization's inception. Currently, there are more than thirty companies that have People, Inc. microfinancing loans[7]. Virginia Community Capital is an additional CDFI that provides microloans and financing for businesses in the region.

Most readers will be more familiar with more traditional debt financing – such as commercial loans from banks. Having a strong local banking community is critical to the development of a growing entrepreneurial ecosystem. Many main street businesses need to buy equipment or purchase a vehicle. Debt is often a necessary component of the first effort to begin a business. Making sure that there is clear communication from partners, a score of many good partners with a variety of debt options, and trust from both entrepreneurs and ecosystem builders is extremely important to building an ecosystem that has appropriate debt availability. In Southwest o, local banks have provided debt financing to businesses – although at a slightly lower rate than the statewide and national average[8].

[7]https://www.peopleinc.net/program-community-economic-development.htm

[8]This analysis is based on both the standing FOIA request of SBA 7(a) loans - FOIA (sba.gov), and the analysis of Community Reinvestment Act loans from the region and other regions.

Finally, early stage equity capital (sometimes called risk capital) is also necessary. Venture capital is actually a class of risk capital – not the only class. Investors use personal, pooled, or institutional capital to buy equity in new companies. These companies are often HGBs, rather than MSBs because of the opportunity to generate a large return through either the sale of the company, sale of the investors stake, or a public offering by the company. In other words, risk capital buys percentage ownership in private enterprises – providing those enterprises with money to grow, but also with connections, expertise, and advice. High growth entrepreneurs consistently decried (in our interviews) the lack of risk capital available to them in Southwest Virginia. They explained that while many wealthy people live in SW VA, few true angels or venture capitalists participate in the market. Many regions in Appalachia have a similar challenge, and some have partnered with the Applachian Regional Commission and Rain Source Capital to build a small angel network. We would recommend this. This may be a small fund at first. In our interviews with Rain Source, they mentioned a fund in Kentucky with less than $1 million in assets under management (AUM).

We would also recommend building stronger regional relationships – with CIT in Virginia and the "Appalachian Highlands" region's expanding venture network, primarily in Tennessee. Capital does not know boundaries, and that means that networks and fundraising must extend beyond the region as well. One way to build capital strength for entrepreneurs in a place with rare or nascent equity networks is to leverage nearby regions. Investors will go to where they can make money, but local leaders need to explain to those investors why Southwest is a place where they can make money, not just in theory, but with specific company suggestions.

Knowledgeable Community

This document is a great example of why having a more knowledgeable community is important. Systems thinking is hard. Ecosystem building at its core is built on the understanding that the entrepreneurial framework is a complex economic system. Thus, it is also important that information be shared out and understood by many disparate elements in the system. Building a system cannot be done by a single actor, but only with many organizations aligned and working in tandem. As such, we disagree with the thought process behind having a single coordinating entity – not an ecosystem builder – but an organization that believes that it is "in charge" of building the ecosystem. Ecosystems are built by the community together. However, we do agree that a dedicated ecosystem builder and team could play a strong role in creating more regular, robust communication with and about entrepreneurs. The key is to keep the entrepreneurs in the middle of the conversation – not an entrepreneurial support organization ("ESO"). This type of job is extremely challenging for many existing organizations, often requiring a unique person or a new one to enter the ESO conversation.

This implies a growing intelligence across all of the people involved. Three ways to improve this overall understanding are: 1) telling hero stories, 2) sharing a common lexicon, 3) social governance[9]. Most communities do not know the stories of their own local heroes, their entrepreneurs. Finding a way to tell the stories not just of the fifty-year-old business and their founder - but also of the fifty DAY old business and their founder is important. By building a structure for storytelling, the process creates a consistent way for local entrepreneurs to hear reinforcing, positive feedback. It also provides a means for local community members to share information allowing customers to self-identify and talent to select these startup businesses. One recommendation would be to leverage the University of Virginia-Wise's Communications program to build a local entrepreneur blog where hero stories are articulated and dispensed. These stories provide real, local entrepreneurs with an outlet that will tell their story – but it also trains the journalists and storytellers around the art of telling entrepreneurial journey stories.

[9]Social governance is a term used to describe non-formal governance. One common example is the proactively shared wisdom between founders about specific funders – such as the behavior of a bad actor. Generally, this type of social governance begins to emerge as entrepreneurs know and communicate with their peers more regularly rather than through ESOs. This type of communication may start online via social media or a shared news haven, but in general, the goal of building social governance is to create less friction in the environment.

One critical step in storytelling is building the overall understanding of what other people are saying. In many communities, a gap exists between different groups around language. In other words, the region does not share a common lexicon. So, what one person might mean in saying venture capital might not be understood by another. Thus, part of storytelling is helping to build the common understanding of entrepreneurship through oral and written sources that are reliable, transparent, and accurate. One way that multiple organizations can participate in this effort is to provide reinforcing social media comments to local news sources – both traditional and non-traditional. For example, some of the best sources of information may be the Twitter feed of a particularly well-connected person. Rather than trying to shut this person down, local organizations can piggyback and amplify the messaging across their channels. This type of amplification is a key way that the region can become more aligned and more aware of entrepreneurs in their midst.

Connecting Activities

Connecting activities include events, such as the Rally Southwest Virginia events. Providing events is important and necessary, but the events should be driven by the needs of the entrepreneurs, not the need to have attendance for an ESO. In many instances, support organizations will judge the current state of the ecosystem by attendance at an event. This is a poor measurement because attendance can be driven by non-ecosystem participants, such as other ESOs or businesses seeking to capitalize on the event for free business development. The goal should be to help new businesses not just drive individuals to attend. Thus, events should have the purpose of connecting, but also of teaching or telling stories. This requires intentionality in programming.

But, because the central part of the ecosystem is the entrepreneur – connections must go beyond events. To frame this element, think of all of the ways that entrepreneurs get connected to talent, customers, capital, and other support structures. It is easy to see how this happens at a networking event – but so much more happens through digital introductions, google searches, marketing approaches, etc. A high percentage of connections is still serendipity. Making connections less lucky and more structured should be the goal of connecting activities. The more intentional and warm the connection, the easier it is for the entrepreneur to succeed.

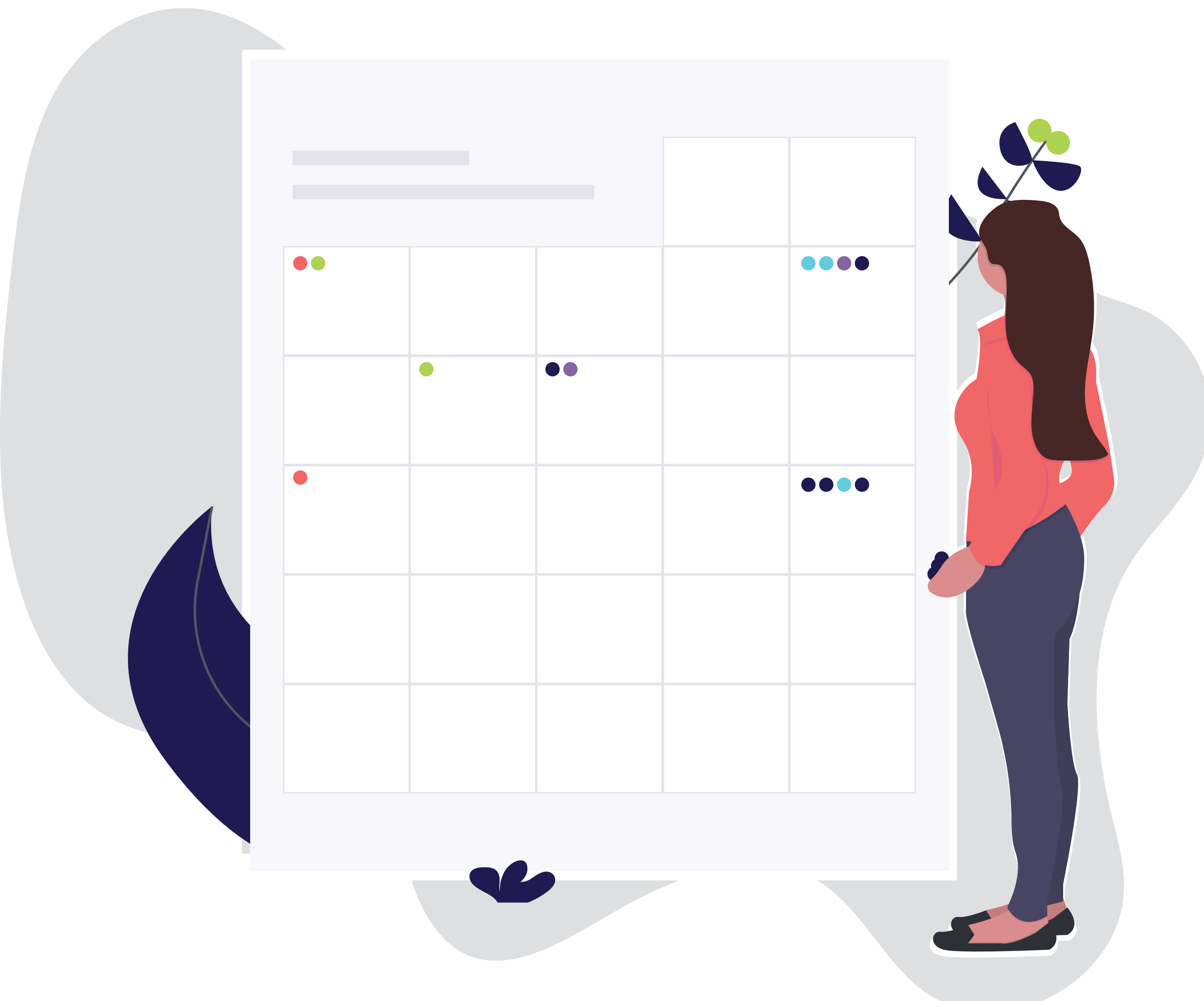
There are three fundamental goals in connecting activities. First, entrepreneurs need to be able to plug into the network of an ecosystem easily. Thus, communicating across siloes is critical, but it is essential that people go to each other's events and create community intentionally. In Southwest Virginia, this is particularly difficult because of the natural lack of density (small towns with few cities) and geographic isolation (mountains and disconnected highway systems). One way that communities have made it easy for entrepreneurs to join the community is by creating a welcoming video that is displayed in multiple locations. For example, Charlotte uses this welcome video before many first step programs – such as One Million Cups and Tech Brew. The video is short (less than three minutes) and provides a quick overview of programs and organizations that can help plug a person into the community quickly. We would suggest a similar process to build first step community engagement.

Second, having a common language and clear illustrations of successful entrepreneurs across the spectrum is important. This reinforces the category – knowledgeable community, but it also creates a means for better connectivity because there is growing reputation and knowledge of each other in the entrepreneurial cohorts. Moreover, the goal is not to simply tell stories of forty year-old former startups – but to reinvigorate our storytelling with new heroes and leaders regularly. Clay and Milk in Des Moines does an excellent job of telling these early entrepreneurial stories with a daily article that identifies an entrepreneur or key happening in entrepreneurship. It might be a feature story about a startup or a rundown of recent funding activity, but it generates significant readership across the State of Iowa. Coupling this knowledge with support structures intended to both communicate and connect – builds a more connected region. For example, using supporting social media – personal, corporate, and supporting entity – builds online connections and access points for entrepreneurs of all ages and ilks, not just those that have attended an event or know a specific person. Moreover, it has been the consultant's experiences that online communication tools to build and connect our community appear to be even more important during this time of COVID-19 pandemic. It seems that this would be doubly so for a disperse region, such as Southwest Virginia.

Third, in telling stories, we can also gather online or in-person to build events that are across organization and have broad attendance. The pandemic actually presents an opportunity for Southwest Virginia to build online events that bring the region together digitally rather than physically. Here are a couple of ways to use the digital version to your advantage:

1	Identify local entrepreneurs and do short Zoom sessions that can be "televised" across the region in lieu of physical events – like a virtual One Million Cups.
2	Find ex-pats from the region who are working for startups and interview them about their experience. You can use the same meeting as #1.
3	Target people that are unlikely to come to Southwest Virginia but might be willing to speak about entrepreneurship. For example, Brad Feld and Ian Hathaway just released a book – the Startup Community Way. They might be willing to do a virtual event.

Once the pandemic has ended, one keen way to help the ecosystem is to diligently participate in other organizations' events and activities. The goal is not just to increase attendance but to densify the network, breaking down silos, so that entrepreneurs can be connected quickly.



Structure

Structure is the element by which most entrepreneurial support organizations participate in the ecosystem. Universities, non-profits, policymakers, etc. are part of the structure, the unique fabric that makes the region special. However, there remain ESO gaps. For example, there is limited tech transfer infrastructure or opportunity. There are few supporting programs for new e-commerce startups. There is not (yet) an accelerator, and there are only a limited number of co-working spaces. None of these are essential components of an ecosystem, but the dearth of these types of community spaces for entrepreneurs is revealing.

To augment the entrepreneurial support structures, it often means more public funding, but it also means a commitment to build and align philanthropic dollars with the goals of the region and its entrepreneurs. Here are a couple of key considerations.

1	Building stronger regional allies is critical. This is not just about ESOs, but corporations, philanthropies, and relationships that cross over the borders of Tennessee and into the contiguous GO Virginia regions, particularly Region 3.
2	Leveraging expertise in regional aspirant industries and opportunities. Information technology, software, cleantech, healthcare, infrastructure, and manufacturing need ecosystem support structures that are dedicated to their success.
3	Intentionally building regional and business resiliency should be a key element of the ESO network in Southwest Virginia. The region has been hit hard by the shift in production away from coal and tobacco, and while this provides some funding and focus, it should also help illustrate why the region needs a diverse set of industries to succeed.

Much of the next section of the paper talks about the current status of the ecosystem in Southwest Virginia. A good chunk is dedicated to structural components – so it is enough to say here that structure and ensuring the reduction in gaps is a critical long-term element for Southwest Virginia.

Vision, Mission, and Metrics

The final unifying theme associated with the building of an entrepreneurial ecosystem is ensuring that the area shares a vision of what it wants to become. We typically ask the question – "when you think about your region in twenty years, what do you see that is different?"

In our conversations in Southwest Virginia, we have tended to hear the following things:

A better ecosystem

More young people

Ready supply of capital

More entrepreneurs

These are all good goals, but they are not a vision. It is hard to get behind something that does not evoke an actual understanding of the tangible change in the region's economy. For example, you might say, "When I imagine Region 1, I imagine a place that has a rich travel and tourist industry buoyed by strong outdoor equipment manufacturers, a local network of accommodations owned and operated by local entrepreneurs, and a culture that attracts young people because of its deep connection to outdoor lifestyles with excellent job opportunities in companies that honor the outdoors." This says the same things as our bulleted list – but evokes a vision of the future that is far more aspirant and tangible. In so, doing, the community sets the agenda and vision – not an outside economist.

Missions, as you can imply from the last sentence, are different than visions. Missions are the role of a person or organization to help make the vision come true. Thus, the first step in having a good mission statement is to understand the community's vision and the role of the person or organization to achieve this vision. This requires three key traits: trust, humility, and honesty. There are very few economic papers that will touch on these three traits, but with ecosystem building, this paper must.

Trust means that you believe that you and your co-patriots are in the ecosystem building process together and will need to support each other deeply to execute towards a vision. This does not mean that you cannot disagree or that you cannot argue. It means that you need to bring your best self to the process – placing your concerns and goals out front transparently. So, for example, every organization is worried about funding themselves. This is a known thing, so it may require a conversation that explains how a program might help or hurt your current funding situation. Trust means in this context that the community must be able to weigh the cost/benefit and come to the answer that maximizes the community and all of its disparate parts. Trust also means that you must believe that every other party to the ecosystem is trying to be open and honest about their own needs and not trying to get you – simply to get you or to "win" at the expense of other parties in the ecosystem. The goal should be to make the pie as big as possible – not to make sure that a single organization has the biggest piece.

Humility means that you have to be able to look yourself in the mirror and understand when something is outside of your mission. It may require a new organization to step forward, for you to create something, or for you to end a program. None of these is fun. Humility as a baseline characteristic, however, places the goal at ensuring that the overall community is improving, rather than just your own organization. Many ecosystems face the domineering ESO that "does everything". These organizations hinder the overall growth of communities around the country. Two key ways to understand if you may be the elephant in the room is to ask entrepreneurs if you are helping – and to have trusted advisors ask the same question. Many entrepreneurs will not

tell you, your organization's flaws – but they might tell an advisor. Knowing how you and your organization are valued is critical to humility. While it is true that sometimes people cannot see behind the curtain to understand your impact, it is also true that sometimes ESOs believe too much in their efforts when they are not actually helping entrepreneurs. Remember, with the entrepreneur in the middle of the ecosystem, ESOs should be built to follow these peoples' lead and support them to success.

Honesty goes hand in hand with humility and trust. Assume the best of your peers. And hopefully they will assume the best of you. By being honest, it does not remove the need for hard conversations – it may even increase the amount of harsh conversations in the beginning. But, it lays a strong foundation to identify and address hard problems.

So, for example, opioids are a problem in Southwest Virginia. We heard it frequently mentioned, but sort of in backhanded passing comments. When we looked at the data, it was a significant issue. This underlying issue creates a variety of entrepreneurial support challenges – from debt lending by banks to worker related truancy. However, it also creates opportunities associated with products and services that could be scaled to serve people with opioid addictions and related challenges. To provide you with a similar type of situation and entrepreneurial evolution. With the current COVID-19 pandemic, many businesses have pivoted or been started from scratch. One such company is Archimedes Innovations out of Ann Arbor, Michigan. The company has created a germicidal light "ring" that kills germs, including the COVID-19 virus. The firm was originally created to "wash" clothes – killing germs and bacteria. But, it pivoted to help organizations that touch packages to constantly clean workers hands without having to constantly go to a bathroom to wash them with water.

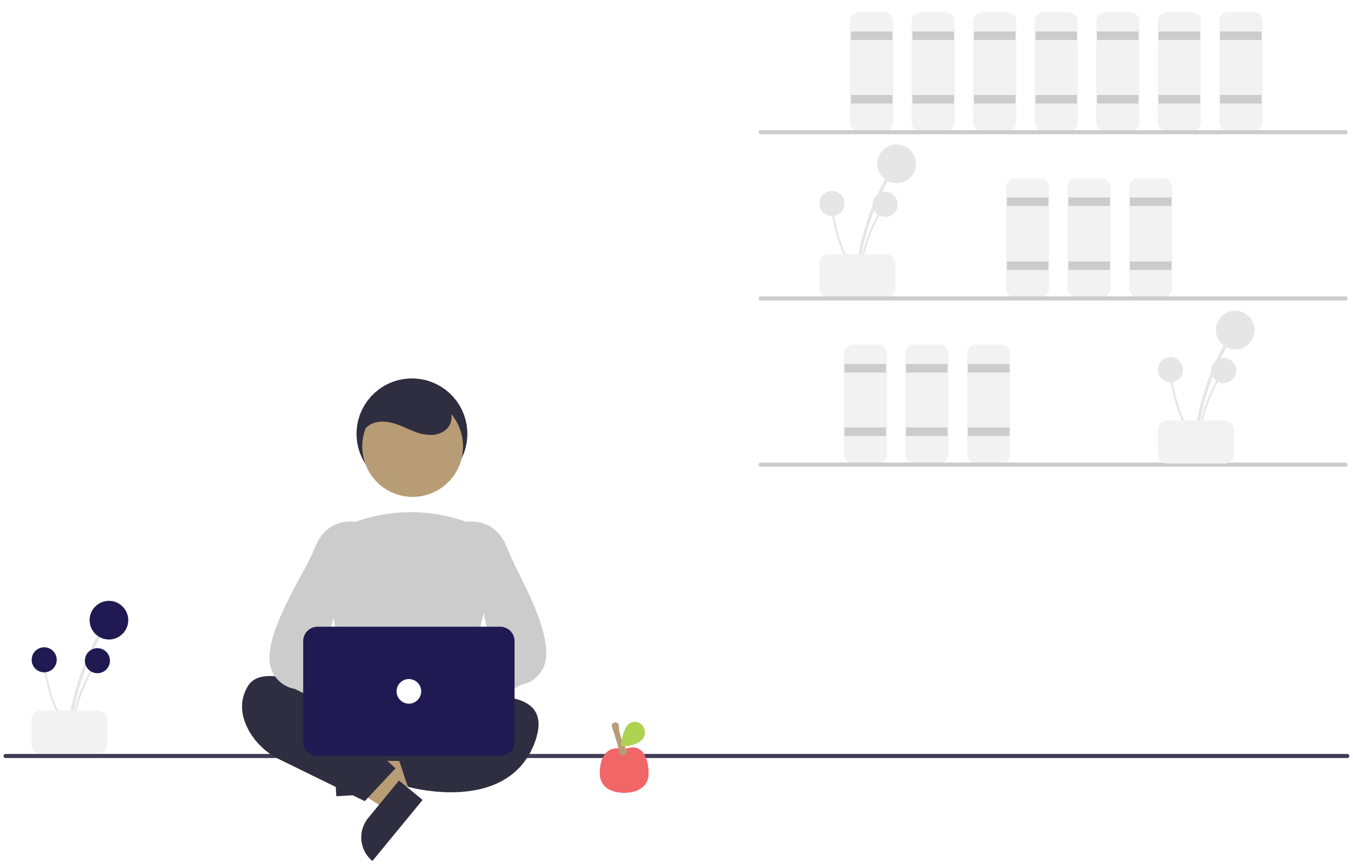
The point is that technologies and ideas around negating opioid addiction and its peripheral societal problems are being created around the country – Southwest Virginia could be the home to many. But, it requires honesty about the situation and intent to fix it directly. This could involve a targeted startup effort to build services, technologies, and other tools – identifying from around the world, opportunities that need customers. In these instances, Southwest Virginia or its companies or its people could be the first one.

Find your entrepreneurs, embrace and encourage them, and tell their stories effectively to the entire region to inspire and grow even more.

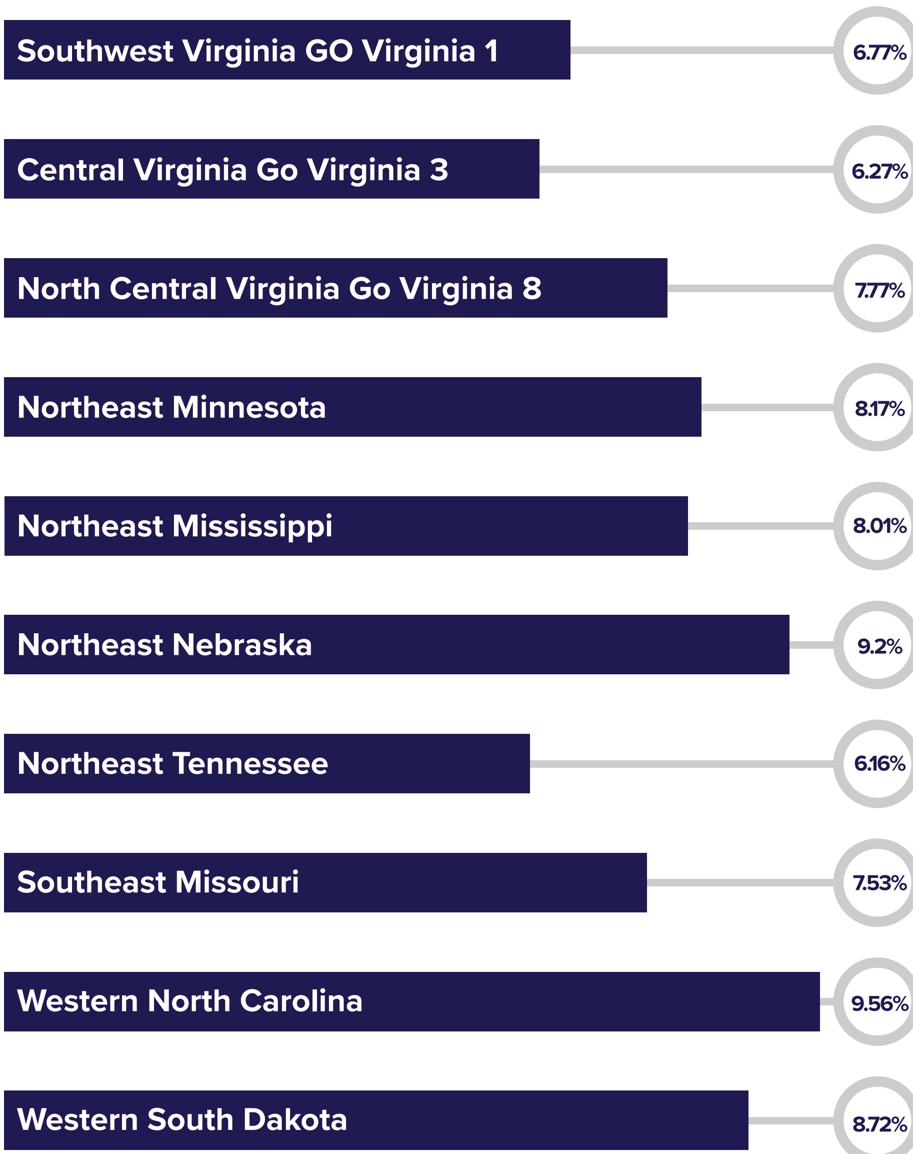
To conclude this section, building an entrepreneurial ecosystem in Southwest Virginia involves the creation, evolution, and refinement of multiple elements. The first and most important element of building an ecosystem is finding and engaging entrepreneurs. If Southwest Virginia is only able to make strides in one element over the next couple of years, this is clearly the most important thing that the region can do. Find your entrepreneurs, embrace and encourage them, and tell their stories effectively to the entire region to inspire and grow even more.

Southwest Virginia's Entrepreneurship Position

In examining Southwest Virginia, one primary issue is the generally low rate of entrepreneurship compared to the peer markets. At 6.77%, SW VA is significantly lower than the state and national averages. Two mitigating factors are side hustles, i.e. businesses that are not full-time occupations and may go uncounted, and unreported skilled self-employment or small businesses. In our interviews, one of the issues that did present was that certain skills and training were created for employees in the coal industry. However, many of these high skilled people were not ever certified for contracting work. As such, they may be uncounted but still working professionally within their trade. Getting these people and their businesses certified and incorporated may be one way to reveal some of this shadow economy.



Rate of Entrepreneurship



*Data is pulled from 2012, 2016, and 2017 U.S Census sources including the U.S. Economic Census, the American Factfinder, and the Bureau of Labor Statistics.

This data reveals a key recommendation of the paper. For Southwest Virginia to thrive, it needs to increase the creation of new enterprises as a percentage of its population. To reach the average of its peer communities (7.82%), Southwest Virginia needs to add nearly 4020 businesses. These are not all businesses with employees – but approximately 25-30% would be. This would increase employment in the area by nearly 6000 people. That in itself, is a significant improvement from today's state. We would call this goal the 1% goal (from 6.77% to 7.82%). To state it more clearly, GO Virginia Region 1 should transform an additional 1% of its population into entrepreneurs. The result would be significant – outmatching any other economic development program in the region and probably the state. The beauty of this goal is that it leaves a significant amount of growth on the table. This seems audacious until you know that Boulder, Colorado has more than 16% of its population employed as an entrepreneur.

BIG IDEA:

Transform an additional 1% of the population into entrepreneurs by 2025.

Beyond, the raw number of entrepreneurs, Southwest Virginia has a great disparity in the gender of its entrepreneurs. One would expect that the entrepreneurial leaders of most startups would also be split 50/50. This is generally not the case. In an excellent paper written by Ian Hathaway for the Brookings Institute, "Which Cities Lead the National for Women Founding Venture-Backed Startups?", Hathaway identifies communities that have a relative propensity and dearth of venture backed startups founded by women. Three trends are identifiable in the data. First, since 2005, women have started more venture backed companies – from approximately 6% in 2005 to 21% in 2017. Second, certain regions dramatically outperform this – including Milwaukee (WI) and Ann Arbor (MI). The southeast does not have particularly strong performance in this area – with both Atlanta and Nashville falling into the bottom five. Third, “metro areas experiencing the highest rates of growth in startup activity over the thirteen-year period also had, on average, a higher share of female-founded companies among them.” Meaning that, those areas that have good venture growth also have a propensity to have good female founded venture growth.

Southwest Virginia underperforms in all startup activity involving women leaders – with only 28.84% of businesses in the region – owned by women. This is low.

REGION	PERCENTAGE
GO Virginia 1	28.84%
GO Virginia 3	33.68%
GO Virginia 8	31.11%
Southeast Missouri	31.39%
Northeast Nebraska	27.02%
Northeast Mississippi	32.7%
Western North Carolina	31.97%
West Central South Dakota	30.37%
Northeast Tennessee	30.64%
Northeast Minnesota	26.94%

*Data is pulled from 2012, 2016, and 2017 U.S Census sources including the U.S. Economic Census, the American Factfinder, and the Bureau of Labor Statistics.

Focusing on building opportunities for women to start and own businesses should be a key behavior for the region. While the goal is simply to increase, the reality is that an increase of approximately 300 female owned businesses would move GO Virginia Region 1 to 30% women owned businesses. This goal seems reasonable for the next Census reporting period in 2022.

Southwest Virginia is unusually white – compared to the other regions – with only 5.72% of its population made up of people of color. The rate of entrepreneurship amongst this group is relatively high – although still below expectations (4.15%). In particular, Bristol and Galax outperform the broader region with rates of entrepreneurship around 6%. However, this is not surprising as the non-white populations of these regions are approximately 12% in both locations. The issue of race and entrepreneurship is a difficult one to measure because of the paucity of data – but overall, while the region seems relatively homogeneous, the overall percentage of entrepreneurship among non-white groups appears to be above the national average and the peer region average. Although Southwest Virginia performs better than peer regions, there remains a significant (27%) underperformance regarding minority business ownership. This is consistent with national averages, but the goal for the region should be to continue to facilitate and increase the minority entrepreneurship rate.

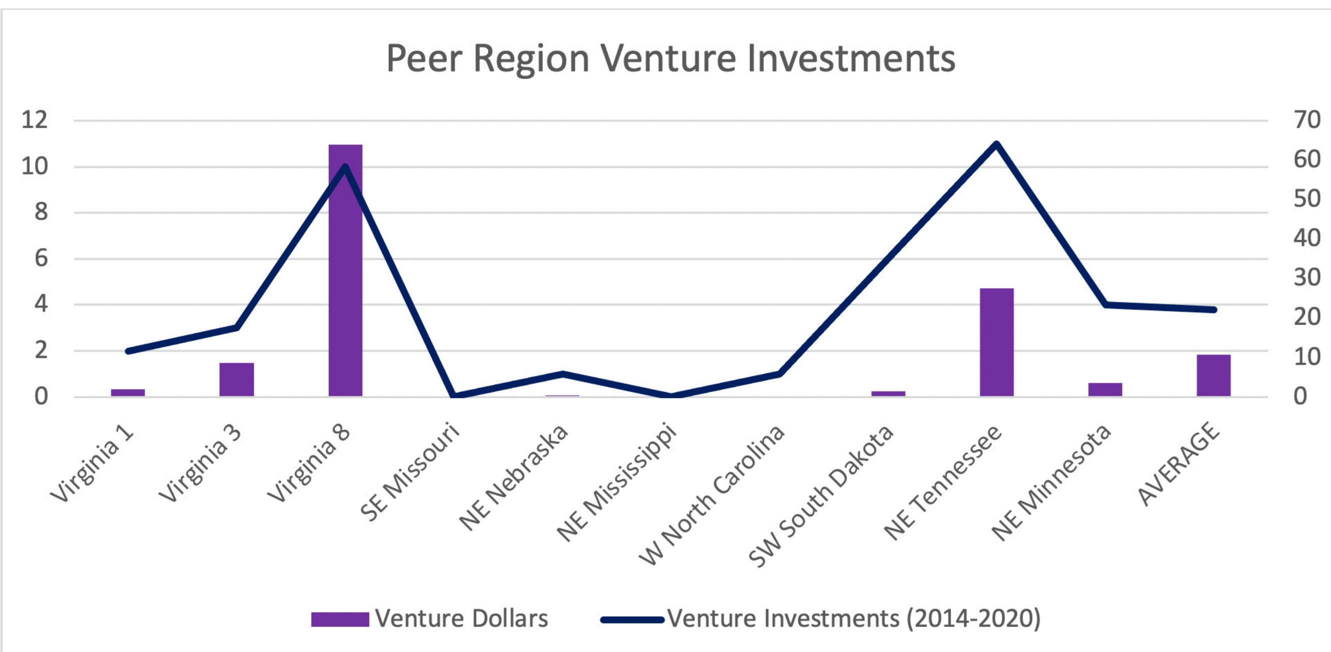
REGION	NON-WHITE POPULATION	MINORITY BUSINESS OWNERSHIP	DEVIATION FROM EXPECTATION[10]
GO Virginia 1	5.72%	4.15%	-27.45%
GO Virginia 3	36.68%	20.34%	-44.55%
GO Virginia 8	9.92%	8.77%	-11.59%
Southeast Missouri	13.97%	9.40%	-32.71%
Northeast Nebraska	12.91%	7.01%	-45.70%
Northeast Mississippi	25.16%	16.50%	-34.42%
Western North Carolina	10.80%	7.11%	-34.17%
West Central South Dakota	39.06%	10.03%	-74.32%
Northeast Tennessee	4.75%	4.23%	-10.95%
Northeast Minnesota	7.69%	4.09%	-46.81%

[10] The deviation from expectation is simply the difference between the level of minority population and the rate of business ownership divided by the rate of minority population. This essentially indicates the percentage change necessary to bring the ownership rate to the rate of population.

CAPITAL

Southwest Virginia appears to lack capital compared to other peer regions. Three different measures suggest that there is a need to dramatically increase the amount of capital available to the region.

First, in comparing different regions on venture funding, Southwest Virginia does not perform well. Over the last six years (a full venture cycle), there have been two venture investments in the Southwest Virginia region (both in Bristol) – Micronic Technologies[11] and Dharma Pharmaceuticals. As of Fall 2020, these two companies have raised approximately five million dollars. Compared to the other regions, this is slightly below the overall average of 3.8 deals with approximately $10.8 million worth of investments. This is also note-worthy because of the population effect. For the regions that have more than 300,000 people, every single region outperforms Region 1 on a per capita basis. For example, Virginia Region 3 has about $23 venture dollars per person compared to Region 1's $4.92.



This issue also persists when we examine SBA 7(a) loans. As a state, Virginia averages one loan for every 974 people. These loans amount to $418.76 per Virginian. But, GO Region 1 has a single loan for every 4646 people amounting to only $76.84 per region member. This again falls below the other peer regions. One key finding is the dearth of certain types of loans in Southwest Virginia. For example, based on conversations and the desire to increase tourism and recreation, we expected to find a rich trove of construction companies (for building second homes – in particular) and restaurants. These are typical discoveries in tourist havens. For example, in Estes Park, Colorado a summer tourism destination with a population of approximately 8000 residents, there were five business loans to construction companies. In Southwest Virginia, with a population of more than 380,000 residents, there were four. Across Virginia, there were 816 loans to construction related businesses during the last decade – amounting to one loan for every 10,571 residents. If this held true in Southwest Virginia, we would expect to see approximately 37 loans. This was true of restaurants also. In Southwest Virginia, nine restaurants received SBA loans – or approximately one loan for every 42,335 people. In greater Virginia that number was approximately one loan for every 11,657 people.

There are many reasons that this may be happening. It may be that many people with the skills cannot get bank financing due to poor credit or a lack of collateral. It may be that local banks have stricter underwriting than in other parts of the country. It may be that there are simply fewer people seeking these entrepreneurial career paths. But, regardless of the reason, there are simply too few to establish a tourism base. Thus, a primary focus of building the tourism industry in the region should be to also build up local MSBs – particularly those that serve tourists. However, at this point, those that will be building the infrastructure to ensure tourists create long-term relationships with the region are also critical. In interviews, we identified a subtle stated desire not to have people from outside the region build second homes in the region. We would contest that this is a critical way to import wealth from other places. People spend money at their second homes and in tourist havens. Southwest Virginia could become one – but it will require entrepreneurs to build the companies that will build the second homes, hotels, restaurants, and outdoor equipment shops.

In addition to building for outsiders, a robust second home construction economy would also strengthen the overall housing stock in the region. We heard regular comments that there was limited new housing, particularly at certain price points. From our interviews, this means that individuals are commuting into the region. Some of the commuters referenced had high paying wages –

but no local housing options. This is a serious issue that will affect long-term growth – so building a construction industry and building contractors (residential and commercial) is required to simply meet local, existing demand.

The last signal that we examined was early financing from non-traditional sources – usually in the form of community development financial institutions. One dominant player in the region is called People, Inc[12]. This organization does a lot – and that's good. But, it is also bad because it is stretching services in at least eight different directions (according to its website). Here are the stats listed for the organization's business efforts across an area that spans much further than Southwest Virginia:

$5.2 million total dollars lent out by Ninth District Development Financing since inception [in 1995].

32 multi-funded loans, $14,907 average loan size, $477,023 total loaned.

36 business loans repaid in full

80 jobs created/retained

12 business expansions

19 business start-ups

Simply put, this is not enough. To be clear, we are not judging the efforts or integrity of the organization, nor the population of people seeking loans from this organization. We are identifying a need for a dramatic increase of funding and focus at the early stages of business creation in the region. Most people do not have the savings to start a de novo business. And, the tools in Southwest Virginia do not appear to be robust enough to jumpstart key entrepreneurial drivers as it stands today.

[12]Virginia Community Capital is the other CDFI in the region. They are also a valuable resource and have deep expertise in providing early stage financial capital to those that struggle to qualify for traditional financing.

We would recommend six steps to increasing the funding available in Southwest Virginia.

1	Create a program that specifically targets home-based service businesses – such as home salons, cottage manufacturing, and similar businesses that follow a Grameen[13] Style lending and community building program. Try to create entry for $1-5k batches with a seed of capital to start the program from fundraising.
2	Establish a long-term strategy to increase local CDFI related funds for entrepreneurs and small businesses. This may mean spinning the service out of People, Inc. or possibly finding additional state and federal dollars to augment the offering.
3	Work with local SBA lenders (including Skyline National Bank of Independence and First Bank and Trust Company of Lebanon) to ensure the micro-lending and 7(a) programs are well advertised and explained on a consistent basis via both web-based materials and at in-person gatherings (such as a TechBrew, One Million Cups, etc.).
4	Create a regional grant fund to jumpstart investment. For example, Nebraska has a statewide program that provides a 1:2 match (private to public) for companies prototyping products. A similar program could be provided with a maximum grant of $25,000 with a relatively small pool size. The goal would be to provide a front-end funding source for companies that will build scalable high growth entities.
5	Use the existing Appalachian Regional Commission's angel capital creation program to partner with Steve Mercil and Rain Source Capital Management to create a regional angel investment fund. This fund may be less than $1 million initially with relatively small angel check sizes ($20-50k across the length of the fund) required to start the fund.
6	Establish strong community and entrepreneurial relationships with Virginia capital providers, such as the Center for Innovative Technology (CIT). This will create the means for matching, syndication, and follow-on activity.

[13]Banker To The Poor: Micro-Lending and the Battle Against World Poverty - Kindle edition by Yunus, Muhammad. Politics & Social Sciences Kindle eBooks @ Amazon.com.

Connecting Activities

Programming in the region is pretty good – but it is local rather than regional. So, for example, the Nest provides fine programming and assets, but is not really a regional asset – but a local one. For it to be regional, there would need to be ways that people from across the region could access the programming, people, and service - not just through their pro-active efforts, but because it is present when they are thinking about starting a business. Knowing that a buyer can come to your website is very different than advertising to them on their Facebook timeline or during their favorite program. If people have to intentionally search for something, it is not the same thing as being readily available because it requires proactive understanding for what they should be searching.

Currently, there are few ways for entrepreneurs to see the broader region as an advantage. So, a founder in Bristol will not necessarily think about Abingdon or St. Paul or Bland County as part of their native region. This is an identity problem first and a marketing problem second. By building more regional programming – such as a food accelerator, a regional startup education program that can be delivered online, etc. – the ESOs can knit a regional identity. This will help when individuals go outside of the region – as they will have talking points and knowledge slowly pushed into them. But, it will also help bring people to the region because each ESO will have more clarity about the assets and reasons that an outsider might find value. Thus, building programming that encompasses the entire region and messaging around the region about the programming will have the benefit of creating overlap with potential collaborators from elsewhere.

Knowledgeable Community

Southwest Virginia's entrepreneurs are relatively distributed and relatively dis-connected. This can be problematic when attempting to create community wide change. Moreover, there is also a perception of disconnection – despite relatively aligned and connected entrepreneurial support organizations (ESOs). This suggests the need to also connect and align entrepreneurs with the ESOs. Our experience with the Southwest Virginia ESOs was extremely positive. This is actually rare in our national practice – usually there are significant silos and in-fighting.

But there is not necessarily great knowledge about individual entrepreneurs in the region. It was challenging to get entrepreneurial names, companies, and other startup information from many in the ecosystem. This is not a good sign. People should know their entrepreneurs and their entrepreneurial heroes. Every ESO representative should be able to quickly list at least five companies with which they are working. Thus, we strongly recommend a regular roundtable to share actual information about startups – not just ESO programming or ideas. This will lead to the identification of entrepreneurs and the unveiling of collaborative opportunities.

In addition, building strong relationships with local papers, building a local entrepreneurship/change blog, and improving the regions social media connectivity are meaningful ways to provide value to startups. If an individual tied to the imagined programming can get reach through multiple media channels to thousands of potential buyers, they are much more likely to seek help and advice. Thus, building a repository of people and providing simple, repeatable hero stories is a necessary component of improving the startup interconnectivity and understanding of the region.

Structure

Southwest Virginia's entrepreneurial support organizations get along, and that is great. But, there continues to be gaps in the overall structure of the region. The three most glaring gaps are entrepreneurial identification, connectivity beyond the region, and targeted programming that creates a startup mindset.

Throughout our conversations with both entrepreneurs and, in particular, with ESOs, it appears that many simply do not know many entrepreneurs or communicate their knowledge in a way that facilitates a regional partnership to grow these entrepreneurs. While this is not surprising considering the relatively low business ownership rates, the community must find more entrepreneurs. Essentially, by building more connections with actual starters, owners, and innovators, all parties benefit because of exposure to conversations, challenges, and real-world practicality.

The next big structural gap is in outside connectivity. One way to see this separation is the relative dearth of capital coming from outside of the region. In our conversations, there appears to be real challenges about the state borders and cross border agreement/communication. So, even in Bristol and Northeast Tennessee, there could be better connectivity and alignment. While we recognize real reasons that this communication challenge can occur, it is important for the long-term health of the region to better align with broader Appalachia and efforts in the region to grow entrepreneurship. This can allow for more programming, more regional collaboration, and structural efforts – such as the Appalachian Regional Commission's angel fund efforts.

But the connectivity should go beyond just the immediate Appalachian region – into where industrial opportunities to collaborate exist. In particular, food and beverage entrepreneurs will want to distribute more broadly – and likely within the natural footprints of local supermarket chains and the state. These are natural areas to improve the overall connectivity. Leverage opportunities to put on regional events – such as an angel conference, a food conference, and other regional and state events that will bring entrepreneurs and ESOs to the region.

Southwest Virginia's Industrial Opportunities

Construction

The relatively low rate of business formation and entrepreneurship has a cascading effect across the economy where the holes in the economy magnify against opportunities. For example, many have suggested that Southwest Virginia has an opportunity to build an outdoor and tourism related economy. This may be true, but it requires some fundamental components of the ecosystem that do not appear to be robust currently. The reason that some of these elements are not robust – is not lack of venture capital, but lack of targeting efforts at small capital for certain types of businesses.

One program that has worked in Nebraska is a program called the 100 Cow program. We would modify this program to be called the 100 tool program. In our interviews with entrepreneurs across the region (and nationally) that are in construction and trades, the primary challenge for young trades people is buying and owning their own tools (and a pick-up truck). We would suggest that working with financing organizations (such as RCC and local banks), Southwest Virginia focus on helping local tradespeople start businesses by getting a low interest loan for a pickup and 100 key tools for their trade. This financial program could also work as an incentive for unaccredited, skilled workers to participate – bringing their existing businesses out of the shadow economy. Building this backbone construction economy appears to be essential to being able to literally build many of the recreation and tourism industry initiatives across the region.

The research team would further focus these new entrepreneurs on improving the overall building and housing stock in the region targeting tourism and outdoor recreation. We would suggest working to create a repeatable, scalable business model around second homes with pre and down payments in key targeted areas, particularly around the Clinch River from Tazewell to Clinchport. These second homes can act as a financial tool to buoy the new construction businesses while also providing tourism revenue and new expertise to improve building and housing stock across the region. It was striking in our conversations that many indirectly referenced the relative age of the buildings and houses in the region – pointing out how little new construction had occurred. This was exacerbated by discussions regarding land availability and the lack of "buildable" land. While this may ring true, the reality is that the total land area of Southwest Virginia (including that which could be targeted for more construction) is significant, and while there are many absentee land owners and idle land, there are also ways that a stronger market would push more land into development – including new homes and building sites.

…helping local tradespeople start businesses by getting a low interest loan for a pickup and 100 key tools for their trade.

This also provides the opportunity for multiple innovative ways to tap into new housing builds – such as Tiny Houses[14] and natural houses built in and around trees. Southwest Virginia wants economic development, and economic development requires some population increases and adjustments – but to do this the housing stock must change. Incentivizing and financing the creation of new construction and tradespeople is one essential element necessary for much of the development desired.

Another restriction that is facing the tourism industry in Southwest Virginia is the lack of large-scale accommodations capable of hosting retreats and conferences. One strategy would be to attempt to recruit a hotel developer.

[14] One way that Southwest Virginia could work on both increasing housing and potentially jumpstarting retail renewable energy is a Tiny Homes program – where the company leverages the movement to build tiny homes (as AirBnB/second home rentals or low-income – depending on local opportunities). A Tiny Home is typically described as one that possesses fewer than 400 square feet and costs significantly less to build and maintain. These projects have been executed in urban and rural areas. In particular, rural areas looking to jumpstart tourism have use tiny homes and tiny cabins to maintain an outdoors aesthetic while providing alternative living or rental arrangements. This looks to be a good fit with many of the potential tourism areas in Southwest Virginia. Moreover, cost and time to build are significantly lower than larger rental or standard single family homes. Partnering with local energy companies – including DuPont, American Electric Power, and Dominion Power to offer additional renewable options may also jumpstart this program.

Another strategy might be to continue to focus on camping or campgrounds or glamping. Regardless of the tourism related strategy selected, it requires a range of construction organizations to build the facilities because day trips to Southwest Virginia from population centers in Virginia (and across the region to the west) are too long without overnight accommodations (over five hours in most cases).

Across the regions that we compared to Southwest Virginia, construction and construction related expertise were common challenges, but it appears that it has created acute holes in the Southwest Virginia economy. In this way, the lack of construction companies prevents other types of businesses from existing and growing – because they require physical changes, potentially a new building, etc. Moreover, when businesses do start or are attracted to the region, large contracts go to extra-regional contractors capable of larger projects. Thus, we describe construction in Southwest Virginia as a required baseload economic industry. Without it, many other types of businesses are stunted.

Here are some examples of baseload economic industries: professional services (lawyers, accountants, website designers, etc.), construction, banking/finance, and utilities. Without these services and industries, economies cannot grow rapidly, and programs, such as economic gardening, cannot be deployed effectively. Thus, it is essential that the community build main street businesses in these baseload economic industries to spur the growth of other types of industries and entrepreneurial opportunities.

As it stands today, our research suggests that Southwest Virginia does not have this underlying group of tradespeople and craftspeople at the necessary density to build the infrastructure to have a rapid, strong acceleration of tourism. Thus, there is a cap of tourists placed on the region by available accommodations – particularly in the broader region outside of a couple of hot spots – Abingdon and Bristol.

Moreover, in talking to individuals from the region, many discussed tourism as a strategy, many (if not all) were focused on Virginia as the location from which to pull new tourists. But, the reality is that Southwest Virginia is much closer to population centers in Tennessee, Kentucky, North Carolina, and even Ohio, than the DC region of Virginia. So, focusing attention to branding and marketing to the west may be a way to bring new tourists to the region. This is particularly true when considering the total market for second home buyers. With the added numbers from the west, there may be significantly more potentially buyers seeking less expensive alternatives in the mountains nearer their primary residences.

Coal and Energy

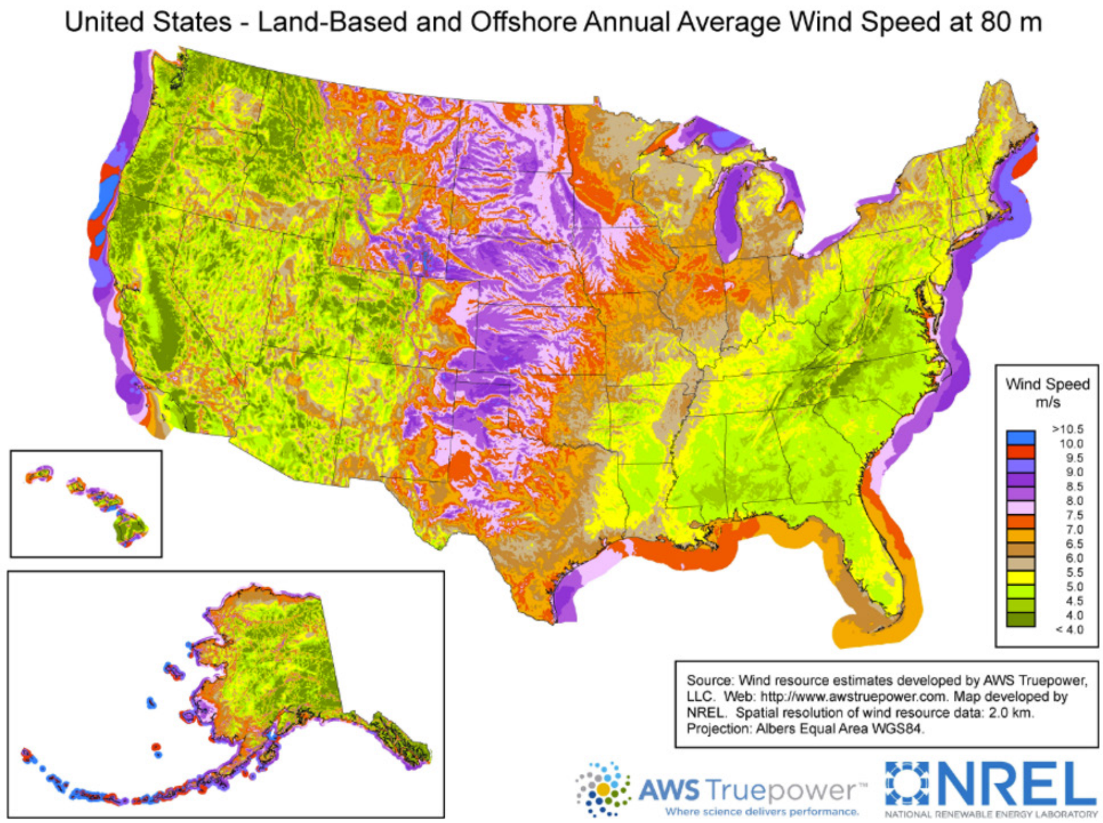
Southwest Virginia continues to be positioned in a dominant spot for coal related companies, innovation, and technology. This is unpopular because coal is not environmentally friendly and on the decline – but it remains the leading natural resource of the region. Thus, acknowledging its unpopularity and the reasons are important – but not to the point where there is no movement to attempt to use the gravitational pull of the resource to people from around the world seeking to do energy research and innovation on coal related technologies. For example, since 2015, fifty-five companies have raised venture capital in the coal industry, particularly around technology and innovation, zero were in Virginia. The companies, collectively, have raised approximately $2.4 billion in venture investments during their lifetime. One area identified by both the experts and the Growth and Diversification plan was graphene. Graphene is a carbon-based structure that allows for conductivity (for storage and transmission)[15]. It has a variety of other uses that are still experimental but highly promising.

Some of this, as local representatives have pointed out, is because Southwest Virginia has a number of absentee mine owners. Some of this is because the research is done at large institutions and thus is primarily beneficial to college towns and nearby regions. For example, 706 SBIR projects have received coal related federal funds – 18 in Virginia, primarily Luna Innovations (Roanoke, VA), Directed Vapor Technologies (Charlottesville, VA), and Mikro Systems (Charlottesville, VA). However, this appears the most likely underlying resource and technology – based on employee data, industry data, and other signals – to be a global innovation hub that could be located in Southwest Virginia.

This suggests a tailored approach is needed. In particular, it suggests that building stronger relationships with the University of Virginia – Charlottesville and Virginia Tech – Blacksburg is necessary. Moreover, identifying national and global research that is being done in the industry and attracting some of these field tests and efforts to Southwest Virginia may be one way to get the region started as a research destination. This would potentially position the region to provide more value-added products and services in the future, not just the raw commodity.

[15]Enviracarbon is a company that has located a facility in Wise for just such a research and commercialization project.

While the trend is to dive into renewable energy – solar and wind – primarily. The reality is that Southwest Virginia is not as well suited as many other areas in the country due to poor geography and lack of natural resources. Thus, in the same way that Southwest Virginia has ample coal, it does not have commercial grade wind or solar.


United States - Land-Based and Offshore Annual Average Wind Speed at 80 m
Wind Speed m/s
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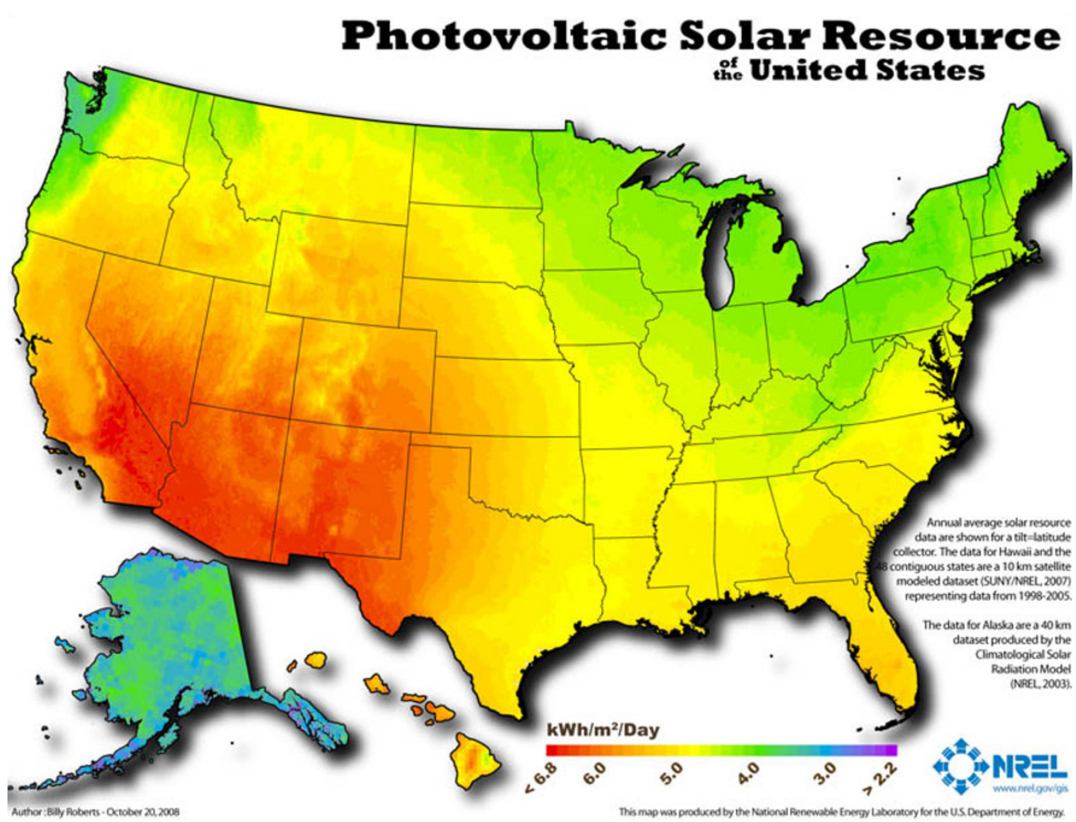
Source: Wind resource estimates developed by AWS Truepower, LLC. Web: http://www.awstruepower.com. Map developed by NREL. Spatial resolution of wind resource data: 2.0 km. Projection: Albers Equal Area WGS84.
AWS Truepower™
Where science delivers performance.
NREL
NATIONAL RENEWABLE ENERGY LABORATORY


Photovoltaic Solar Resource of the United States
Annual average solar resource data are shown for a tilt=latitude collector. The data for Hawaii and the 48 contiguous states are a 10 km satellite modeled dataset (SUNY/NREL, 2007) representing data from 1998-2005.
The data for Alaska are a 40 km dataset produced by the Climatological Solar Radiation Model (NREL, 2003).
kWh/m²/Day
< 6.8
6.0
5.0
4.0
3.0
> 2.2
NREL
www.nrel.gov/gis
Author: Billy Roberts - October 20, 2008
This map was produced by the National Renewable Energy Laboratory for the U.S. Department of Energy.

Instead, the opportunity may not be in renewable energy, but in clean tech and green energy with ties to coal. Current technology is not clean, but future technology may be. The key for Southwest Virginia is not to follow other regions into competing on the same playing field as better positioned regions. In looking at the two maps above, one can plainly see that Southwest is not an optimal geography for either solar or wind. Instead, the area is a prime location for continued advancement in technologies tied to pumped storage hydro and clean coal (even if it is a distant future application).

This may be hard to read for many who have experienced or are experiencing the decline of the coal industry. The primary challenge for the region is to understand that this is not an attempt to hold the region down by looking to the past, but instead, to identify why that economy was large in the past (there is a robust natural resource in the region). Knowing that the roots of the region and some of the social problems lie in coal and coal mining does not change the fact that a better future may also be tied to coal and coal technology. Thus, we strongly recommend focusing an effort on building technology resources in and around the coal industry. Ways to do this are myriad. Here are some examples:

1. Create an event or simply ask leaders from the Livermore National Research Lab and the Oak Ridge National Lab to visit Southwest Virginia. In particular, ORNL has a program in energy and environmental sciences led by an interim director – Stan Wullschleger – that should be targeted. Building a relationship with Wullschleger and leaders from the region will provide opportunities to build research projects (think SBIR and Virginia state grants) and potentially a satellite installation with ORNL.

2. Build strong relationships with key researchers and tech transfer offices at UVA-Charlottesville and VT who are making strides in cleaner coal and technologies related to coal. This will allow the region to potentially piggyback on new research and development being done in the state, while also preparing for the next generation of coal related technologies.

3

Partner with your local utilities and outside experts to build a clean coal accelerator that focuses on clean tech opportunities around coal – with the utilities acting as first customers and mentors. This program does not currently exist in the country – but clean tech accelerators are currently run in Oregon (Cascadia CleanTech Accelerator), Massachusetts (Greentown Labs), Norway (Techstars – Equinor), and others. Creating a partnership with one of these or create one from scratch.

4

Host a conference tied to cleantech and coal. Invite speakers from across the world – not just Virginia. One of the challenges for the region is that it consistently thinks statewide or small region – rather than global. Southwest Virginia is THE place in the world for coal and coal related technology.

In each of these cases, the program creates a logical partnership between your natural resources (coal) and your desired future state (tourism). The goal should be to transform the branding, image, and understanding of Southwest Virginia to overlay its Southern Heritage with the opportunities of technology and energy for the future. This is not becoming Boulder or Portland – its becoming what Boulder would have looked like if it was part of the southern United States.   To do this will not be easy or a short-lived effort, it requires a long, sustained focus with a clear goal in sight. But, it is possible – but not if the region attempts to do this plus eighteen other things, nor if the region ignores the opportunity staring it in the face due to past economic declines.

We believe that the easiest path is to go where there is the least resistance and most existing, global support – coal and cleantech – make the most sense. But, here are a couple of other opportunities that we see. We would recommend that these be treated as secondary opportunities – but they are potential ones that overlap with the consistent underlying expertise and comparative advantages of the region.

Lumber

The region does contain a significant amount of timber, lumber companies, and paper companies. These companies are not densely located in a single place but throughout the region. For example, Smyth County has a location quotient of more than 11, Carroll County a 9, and Scott County over 3 for Wood product manufacturing. Moreover, the state houses multiple counties with location quotients over 2. This all suggests that the region may be well-suited not just to the lumber industry but to entrepreneurial activities related to lumber that are emerging in the 21st century.

Lumber and paper related materials are necessary elements of many products – including packaging – cardboard boxes, pallets, and other milled products for packaging. The current leader in the United States in packaging is the Fox River Valley in Wisconsin, including Wausau, Wisconsin – which across the region has thousands of jobs and millions of dollars in wages. They have developed programs and manufacturing facilities that dominate packaging related industries. Other areas that have developed packaging related business clusters include areas similar to Southwest Virginia – including the region around Winston-Salem, North Carolina.

However, much of the packaging has been created for retail products that are traditionally sold at retail stores. Retail sales have shifted from brick and mortar retail to online retail. And this shift has not necessarily been followed by a shift in production associated with packaging and assembly jobs for finished goods. There appears to be an opportunity for Southwest Virginia to create companies that specialize in e-commerce packaging, particularly that which originates from key logistics hubs. The e-commerce supply chain is dominated by inland logistics hubs – particularly Cincinnati, Memphis, Dallas, and Fort Worth. These hubs are much further from northern Wisconsin than from Southwest Virginia – creating a logistics opportunity to use its geography and resources to potentially build companies and displace existing players.

This also plays into the opportunity to advance a cleantech and sustainability agenda by working to build cutting edge bio-degradable and renewable packages tied to the region's ample lumber industry. The only company that received a commercial loan during the previous decade in the region in this industry – was Stan's Pallet Recycling in Wytheville. This suggests that there is not an existing industry from which to build new companies and technologies.

So, the building blocks for this industry involve the creation of multiple small programs:

1. The wider region has been at the forefront of e-commerce company creation – including CustomInk (Fairfax, VA), Bambeco (Baltimore, MD), and Smart Furniture (Chattanooga, TN). Building relationships with the 196 e-commerce companies that received venture investment from the DC, Maryland, North Carolina, Tennessee, Virginia area could be a path to understanding the problem and building a de novo startup community around packaging.

2. The packaging and design industry has multiple small nodes – rather than a single dominant one – from an academic, globally accepted perspective. Thus, creating a packaging and design track throughout the school system would be cutting edge and a way to teach about a number of topics including math, science, design, and art. This is a space that has no dominant region or thought-leadership – but many different experts who teach around the country.

3. Building a relationship with Plug and Play Ventures and their accelerator(s). They have locations globally – including ones in the United States – Cleveland, Northwest Arkansas, and Silicon Valley. There looks to be a need in the Mid-Atlantic, and Southwest Virginia could provide an excellent location for an accelerator. They also have deep corporate ties that would dramatically improve the corporate connections outside of the immediate region for individuals living within Southwest Virginia.

Food and Beverage

Southwest Virginia has identified food and beverage as a key building block for local economic development. This makes sense because of the unique local assets and flavor that many crave throughout the United States. However, the industry density for agriculture is not currently very high – only Scott County is denser than the national average. Thus, the goal should be to target specific areas of local production, but to primarily focus on finishing commodities through processing and value-added services. For example, canning is a critical step in taking products to market, and the region has multiple canneries. However, they are under-utilized and in some cases, lie dormant. For example, Castlewood Cannery needs to become certified by both the FDA and USDA.

One of the companies that came up frequently in our research and conversations as a success story in food and beverage is the Sugar Hill Cidery[16]. This cidery appears to be a strong producer of local jobs and an exportable product that can be used to attract tourists – but also export the end use product to regional bars and other drinking establishments. In areas, such as Washington and Oregon where cideries are common, an underlying reason is the ability to grow apples and other fruits – which is shared with Southwest Virginia, from a climate and capability perspective. This suggests the opportunity, as do the existing and expansion of local cideries. This could also become a local attraction-type for tourists.

However, this type of experiential learning is necessary across the food and beverage industry – where data suggests there are some local growing capabilities – but being rural does not necessarily equate to all food opportunities. Understanding this production capability is a significant hurdle to build a food and beverage industry. Working with the enology and viticulture department of Virginia Tech is one critical step that should be executed regarding beer, cider, and wine production. Building this relationship across the food sciences department is a way to overlap regional connections with targeted economic development. We would recommend establishing a short-term research project on gaps in the local market regarding food and beverages, and the opportunities to create unique regional products based on underlying production capabilities – such as wine, cider, fruits, vegetables, fungi, and other commodity products.

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[716]https://www.virginiasbdc.org/sugar-hill-cidery/

Where it does appear that Southwest Virginia has a leg up for entrepreneurship and food is in the production and processing. Existing infrastructure was built – but it is currently out of service. Identifying local resources and bringing these back on-line appears to be a straight-forward way to jumpstart local food companies. Specifically, the Castlewood Cannery as mentioned earlier is an example. But, in our research, we also identified the Oxbow Center as a potential location for a local food incubator. This location can act to generate multiple different critical programs to help food entrepreneurs. As we mentioned earlier, the number of restaurants receiving loans is low for the region at only 1 for every 42,335 residents over the last decade. Having a food incubator is a means to create programs that allow food entrepreneurs to leverage a shared commercial kitchen, programming from local ESOs, and a distributed marketing model to create their food enterprise. In our experience, two different paths emerge for these food entrepreneurs. One is to build their own catering business that may ultimately lead to a brick and mortar restaurant. The second is to build their own product line which may lead to distributing across the region and beyond. In both instances, the companies become a lead engine for downstream service providers and network connections.

Moreover, with the infrastructure in place to push products to market, Southwest Virginia can also create a local movement tied to local food. This is, again, consistent with the ethos of the region, but it also leverages the local shift in behavior that entrepreneurial activity in the region will engender. By shifting to having more local food startups, part of communicating and connecting with entrepreneurs is providing an answer to the community when asked, “how do I participate”. In this instance, participation involves growing more locally sourced foods, a food-to-table movement, and a reputation for having locally sourced ingredients and foods within the tourist community. In other words, like many things in ecosystem building, success breeds an opportunity to continue to build industry depth and reputation – reinforcing activities and a narrative of support for local entrepreneurs.

Thus, we recommend that as these entities come online, ESOs in Southwest Virginia focus on ensuring that physical space is available to support future restaurants – particularly in key tourist locations. We recommend that ESOs begin to build deeper connections with food distribution companies – such as supermarkets, specialty stores, and restaurants/bars in other regions of Viriginia and the surrounding states. This type of programming is overlaid with many successful economic gardening efforts from around the country.

The third big component of food creation/production is distribution. To give your food entrepreneurs a leg up locally – creating a beach head for testing and selling products – it is necessary to promote and distribute products throughout the region as locally grown, made, etc. People from the region should 1) begin to appreciate their community's role in creating the food that they eat and 2) recognize the locally owned brands and products. This helps build brand awareness and loyalty. In places similar to Southwest Virginia, buying local can be important.

According to ESRI's data, the two dominant market segments in Southwest Virginia are "Diners and Miners"[17] and "Rooted Rural"[18]. These two market segments make up more than 50% of the regional population, and they have three common attributes – buy USA made products, do not eat out frequently – but when they do it is on a budget, and do-it themselves with repairs and food (lots of gardens). Thus, branding local products appears to be a way that the region can help support the food and beverage industry – making it a key economic resiliency component for local startups. Loyalty in the region is important and can be had. Thus, utilizing strong buy local programs can be a way to ensure that products get enough market traction to sustain – before expanding into other markets.

To further this idea, it is important to leverage opportunities to expand the footprint of "local" in this market. One way is to utilize the Appalachian Food Summit to feature companies and help drive them towards grants and services from the food incubator and cannery. This type of regional program can also help to market local products to similarly situated consumers. The data from Southwest Virginia is consistent with the Appalachian region regarding market segments and buying patterns, making crossover in the region possible.

[17] 10c-dinersminers-tapestryflier-g826513.indd (esri.com)
[18] 10b-rootedrural-tapestryflier-g826510.indd (esri.com)

Aspirant Opportunities

Throughout our conversations in Southwest Virginia, many participants suggested that the region was ripe for software companies to emerge. While this is generally true of the United States compared to other parts of the world, Southwest Virginia does not appear to be a likely U.S. candidate for rapid software company startups. The analysis in this paper is fundamentally about comparative advantages and existing roadblocks. To do this analysis, Chapman and Company looks at many factors, but one key one is talent. Southwest Virginia has a base of technology talent working within many industries within the region. Simply put, Southwest Virginia currently lacks the key talent building blocks to see a rapid expansion of the new software startups in the next five years.

Instead, if the region desires this emergence, the focus should be on massive shifts in educating K-12 around software and development. For example, one key element of software development in the context of entrepreneurs is the category of worker known by the Bureau of Labor Statistics as "Software Developers and Software Quality Assurance Analysts and Testers". This category of worker is a deep technologist capable of architecting, building, and creating robust software applications. Currently, the region has fewer than five hundred workers in this category (including the multi-state Bristol region). Compare this to relatively lightly populated areas that are hotbeds – such as Boulder, Colorado, which has a population that is about 60% of the Southwest Virginia region – which has 7,080 in the same sub-category. Overall, Southwest Virginia is one-fifth as dense as the average of the United States when it comes to this key sub-category of workers, whereas small population hotbeds are often well over three times as dense.

To be clear, this is not intended to say that striving for vibrant tech startup activity it is not a worthy goal or that the region should not attempt to build-out its structure for software entrepreneurship. Additionally, this is not to say that expansion of existing technology companies and the recruitment of additional ones is not wise. But, to build out this expertise with enough capacity to generate vibrant, new startup activity, it will take time – far beyond the scope of this paper.

There are three competing challenges. First, the region does not have a strong and widespread history of this type of work and these jobs. This requires regular, consistent exposure to students and potential entrepreneurs to keep them engaged and to keep them in the region. In other words, parents and counselors will have limited experience and knowledge of the various occupations available in the field and the necessary educational and technical demands, but to keep a local hotshot software developer will require the belief of the individual that it is possible in Southwest Virginia. This will require intentionality and a lot of other structural support. Second, the region does not have a current K-16 educational track that includes work opportunities and experiences yet. Thus, it should be expected that many high school graduates seeking this type of career will leave the region to receive training and experience the software "life". This means that re-recruitment into technology-related educational programs will be require constant effort. Finally, with limited existing businesses that specialize in this space, the likelihood of large corporate support, internships and experiences, and on-the-job training is unlikely to be a key element of the talent development pipeline. Together, these all suggest that the likelihood of a rapid escalation in software development business startups is low.

As the work of the United Way of Southwest Virginia, in partnership with the K-12 educational system and higher education, as well as the Ignite Internship and Ignite Tech Talent Pipeline initiatives progresses, the region's youth will have greater awareness of career opportunities in the technology sector and this will impact the region's ability to grow in this space.

However, information technology is not merely about software companies. As has been rightly pointed out, Southwest Virginia has strong broadband infrastructure, laying the foundation for a variety of new types of companies for the region. Moreover, when most people think of technology, they do not exclusively think about software development. Instead, many other types of businesses are elicited in people's minds.

Using the foundation of strong broadband, the region can attempt to build companies around software without solely focusing on providing the key function of programming. For example, the company could follow their broadband infrastructure to provide Tier I support – call centers and logistics fulfillment companies. The region could also target construction companies that focus their specialty practice on maintaining and servicing broadband infrastructure – the actual conduits, fibers, and data centers. These utilize areas that are adjacent to existing strengths without attempting to build into talent vacuums.

The point is that forward thinking communities faced with this type of talent-based reality check often attempt to build companies that use technology, but are not technology companies directly. Generally, these are referred to as technology-enabled companies. Southwest Virginia does have the makings of a place where technology-enabled companies are both viable and suggested. For example, with the development of strong food and beverage systems comes the ability to build e-commerce companies that sell food and beverages using sophisticated online strategies. These companies are primarily food companies, but they utilize technology to sell their products differently than traditional food companies. Many businesses have sprung up or been enabled by technology – such as DoorDash, Zulily (flowers), and Omaha Steaks. Fundamentally, these are not about the tech, but about the products sold online.

E-commerce is expanding – expected to reach $700B by 2023[1]. This expansion has only been empowered by the global pandemic, COVID-19. But, participating in the e-commerce boom is not simply about building software companies or even e-commerce ones. Packaging, as identified in this paper, is already an area where the region has competitive advantages with consistent location quotient information – including a 1.73 in Packaging and Filling Machine Operators and Tenders (51-9111) and a 1.29 in hand packers and packagers (53-7064). Moreover, the comparative advantage at the root of this talent is not as dispersed as talent in software development. Instead, with lumber and packaging facilities in the region, the talent, expertise, capital, and supply chain already exist to become a key packaging hub for e-commerce. This ultimately will require software and technical expertise – including research, engineering, and design. There is also a natural advantage in that Amazon recently added a second major operation in the DC-area, and the region is near the golden shipping triangle that is centered across Memphis – Louisville – Cincinnati.

In other words, while many in the region would like to jump the shark straight to software renaissance, the process will take time and specifically a robust talent creation engine. By building technology-enabled companies in existing industrial opportunities – such as coal technology, packaging and paper, and food, the region can build towards a strategy that is more specifically focused on math, information technology, and software development – but not reliant on it to produce the next great entrepreneurial ventures for the region.

[1] https://www.bigcommerce.com/blog/online-shopping-statistics/#ecommerce-is-growing-every-day

Long Term Metrics & Recommendations

Southwest Virginia can dramatically improve its entrepreneurial standing in a short period of time by focusing on a relatively small number of metrics:

1. **Number of entrepreneurs per capita –** the goal should be to add 1000 new entrepreneurs with at least 300 being women.

2. **Improve capital availability –**

   a) A goal should be to increase the number of SBA 7(a) loans per year to 12 by 2022 and 20 by 2025. A specific focus on construction and restaurants is important.

   b) A goal should be to have an average of one angel or venture deal per year by 2023 and three per year by 2025.

3. **Improve knowledge of the region –**

   a) Southwest Virginia should create a regional "change" blog that combines tourism, technology, cleantech, and other industrial cluster stories about changing and evolving industries in the region.

   b) Increase the number of second homes in the region dramatically. I could not find a way to baseline this data but county records treat primary and secondary residences differently in some instances.

   c) Build a buy local brand campaign that includes an inventory of social assets and TV/print materials to push to multiple local demographics. Measure the social following and tax receipts on purchases.

   d) Build an externally facing campaign that leverages socially created content and influencers to attract young people with children to experience the outdoors in Southwest Virginia. Measure the social following and tourist stays.

4 **Improve the connectivity of the region –**

a) Measure internal connectivity of ESO members to outside region – utilizing a Linkedin search that measures all connections minus those that are from the region. The goal should be to measure the increase. A good goal would be to increase by 20% year on year connectivity to outside the region across the ESOs.

b) Build a central database (potentially using Google Sheets) that allows for group creation of entrepreneurial data – including contact information. Our recommendation would be to make this easy – rather than comprehensive – so less is more.

5 **Improve the structure in the region –**

a) Hire a full-time ecosystem builder whose job is to find entrepreneurs, program for them, and measure the success of those entrepreneurs and the ecosystem.

b) Work with regional players to expand to university tech centers – particularly the food science department at Virginia Tech and to continue to look for opportunities in coal technology innovation. Measure company creation and SBIR grants.

c) Start a food incubator and get the cannery FDA approved. Measure food startups and graduations.

6

Improve the programming in the region –

a) Establish an economic gardening center with a particular focus on food and beverage and other locally exportable products. Measure company participation and outcome.

b) Establish a roundtable for entrepreneurs and continue the roundtable for ESOs. Measure first time attendance of entrepreneurs. Measure repeat attendance.

c) Build more women focused programming and small groups akin to Grameen's work in Bangladesh. Measure interest and commitment every six months.

d) Run a decentralized digital event that works across the region to bring in speakers and experts from around the state and country. Use this to build stronger state and regional networks with entrepreneurs and outsiders. Measure 1st time attendees and their delta.

Education

A key component of entrepreneurial ecosystem building in Southwest is education. With a relatively low start rate, one key issue is ensuring that there is an entrepreneurial mindset being communicated that also includes early signaling to those who will become entrepreneurs. Most communities tell stories about the ninth grader who can perform super-human athletic feats – run the mile in under five minutes, touch the top of the backboard, or break ten tackles on the way to a touchdown. Those same communities often have a difficult time identifying their entrepreneurial heroes. This is not good on its face, but it is particularly damaging for future generations because the future entrepreneur has a hard time painting themselves into the future picture of their community.

Consider a tenth grader in Boulder who is an average student and an average athlete. That student is unlikely to be acknowledged by their high school in a meaningful way – and thus, she is not receiving particular attention by the administration, in class, or anywhere else. But, if that student looks around her community at Techstars, at Foundry Group, and the huge array of startups in her midst, she will be able to paint herself into a role as a founder of a software company. She will imagine a future that includes her as the leader of an organization that is reshaping the world. This type of imaginary world does not exist for most students K-12 in the United States. They see politicians, athletes, and celebrities. Particularly, in the context of software having more models is important. They don't see entrepreneurs. Building an education program goes beyond simply creating programming, it requires being recognized and perceived as a keystone to the future of the region. It really is that important.

We would recommend multiple different programs to facilitate this type of transformation. We will put some of our preferred providers after the recommendation.

1) Entrepreneurial awareness and intensity scoring – Gallup BP 10

Knowing who your entrepreneurs are is a fundamental requirement for the region. By identifying kids that have started companies (lawn companies, t-shirt companies, and lemonade stands), you will begin to realize that those kids exist who are entrepreneurial. Gallup's BP 10 scoring system is a useful way to catalogue the entire population of entrepreneurial talents in a school environment.

2) Introductory entrepreneurial networking and mentoring – None Recommended

Where a child goes to school should not affect who she knows in the region. Making sure that the best and brightest entrepreneurial students feel connected to the existing startup community, business community, and other students is important. This is particularly important because based on a number of our conversations with leaders in Southwest, many students will attend colleges, community colleges, and universities outside of the region. By building a strong internal, regional network, Southwest Virginia is creating an environment that is more attractive to return upon the completion of university studies.

3) Technical and skill development – SBDC Programming

In our interviews across the country, we consistently received negative feedback about the fundamental business skills of entrepreneurs. Most are not taught in community colleges or universities. For example, skills such as creating a Shopify or Etsy account, being able to download and effectively use Quickbooks, and knowing the basics of contracts. None of these are taught as primary courses of study in most universities. This is not true for technical skills exactly, but even upon graduation, most computer science majors need finishing skills to learn actual computer languages that are being used today to code software. Thus, being thoughtful about quick hit overviews for middle and high school student on certain skills is important. This can be broader than entrepreneurship – as most of these skills are useful beyond starting a business. For example, knowing how to use Quickbooks or the difference between SEM/SEO are useful for employees too.

4) Idea generation and rejection – Co.starters

Co.starters is primarily a company that helps adults get to product/market fit and early sales. But, the modules and skill development can be adapted for students. In particular, it is important to teach students that most ideas are good – but not great – ideas. They should seek a great idea to pursue. This is particularly true if the student is going to be seeking outside financial support or planning on selling outside of the region.

5) Practice - None

We strongly recommend that high schools and universities work to help students start small businesses to practice and learn. Rather than simply teaching them book tools, we recommend putting students in charge of a coffee shop, the snack shop at HS events, a t-shirt company, and other similarly situated entities that sell to their student population (but possibly beyond).

Integrating these efforts is particularly important in Southwest because it creates a strong viral dispersion network for entrepreneurial ideas. When kids start coming home and telling parents about their ventures, this can start to spill over into the parents' circles as well. Moreover, it builds that long-term hook to keep students or boomerang students in the future. We heard common themes around losing talent from the region. The reality is that some of that talent is simply lost for good. But, building a stronger attachment to future talent will help ensure that this problem does not grow more acute over the next decade.

Conclusion

Our research suggests that Southwest Virginia is actually in an improving state. While it does not crush its peer competition, it does outperform it in some key metrics. However, the largest threat to the region is its relatively low startup rate compared to population. Growing the number of ventures, starting more women-owned businesses, and finding entrepreneurs will pay numerous dividends down the road. We strongly recommend that any action include this as a primary focus.

Within this entrepreneurial effort, we think that there are four different key industries that will provide opportunities to create high growth businesses that increase the wealth of the region – a) coal, b) outdoor tourism, c) paper, lumber, and packaging, d) food, beverage, and adjacent industries. We recognize the desire for building a technology industry, as a goal for the future.

These have cultural and community foundations that are significant. We believe that being intentional about finding opportunities and entrepreneurs in these spaces will bear fruit. However, we also think, particularly with coal and packaging, that Southwest Virginia should look to find opportunities by building networks with existing hubs for these industries and places where new technologies are emerging. In coal, we would focus on finding new ways to use the natural resource in clean and renewable ways – understanding that the current use is sun-setting. But, we would recognize that the world uses coal, and there are amazing innovations happening outside of Southwest Virginia that could have research and innovation labs in Southwest Virginia. This will lead to startups.

With packaging, we think that there is a time of disruption coming. Simply put, current packaging is extremely wasteful and requires long travel to hotspots. Southwest is well-positioned geographically, but also with resources, in a way that it can be disruptive and creative regarding new technologies.

These are the types of opportunities that Southwest Virginia must seize. Attempting to build what others have is rarely a winning strategy. Instead, identifying natural and sustainable strengths is the bedrock of economic development. Southwest Virginia has many. Continuing to build on these and finding new ways to engage and find entrepreneurs will yield to a regional renaissance that goes beyond coal mining into some of the twenty-first centuries true opportunities.

So, in conclusion, Chapman and Company recommends a number of activities and actions that can be utilized by Opportunity Southwest Virginia, GO Virginia Region 1, and supporting organizations. Not all of what we suggest will ultimately become practice, but many of the things that we suggest are relatively simple changes to behave collectively, but differently. **A couple of key items that seem unassailable to us as takeaways:**

1	Southwest Virginia, its Entrepreneurial Support Organizations (ESOs), and its community would do well to find and grow more entrepreneurs.
2	Once found, Southwest Virginia should more regularly and effectively tell the stories of these entrepreneurs.
3	These stories will reveal programming and system gaps – including economic gardening (which has already been revealed). Work efficiently to build these programs using the best possible resource – not necessarily the organization or person who found the gap.
4	Finally, having a coordinating ecosystem builder who is helping to keep the entrepreneurs and ESOs engaged with each other is a critical development step for the region.

With these four changes in place, Chapman and Company believes that the region has a chance for significant growth over the next decade. Writing the paper is the easy part, finding the entrepreneurs and providing them nourishing engagement is the hard part. Opportunity Southwest Virginia, the regional ESOs, and the new ecosystem builder have a lot of work to do, but this is the type of work that is rewarding and reinforcing to communities. Building great companies takes an entire ecosystem of people working together to support the local heroes, the entrepreneurs.

Appendix A – Economic Gardening

Main street businesses generally do not export products, but an effort to transition main street businesses To exporting businesses has emerged. The common name for this effort is called *economic gardening*. Most main street businesses are not good targets for economic gardening because they are dependent on a physical proximity with customers. For example, a restaurant cannot export its signature steak prepared in its kitchen. However, some businesses and products within businesses can become exportable. At its heart, this is what economic gardening attempts to facilitate.

Essentially, economic gardening helps main street businesses research to extend their existing products or services to regions where they will be attractive. In addition, many economic gardening efforts partner with local organizations to provide early scaling mechanisms at a pooled cost – such as e-commerce training, marketing services, bookkeeping, and accounting, packaging, and logistics. Each of these services help facilitate a business that does not have experience with a supply chain to build a successful multi-site, regional, national, or even international business.

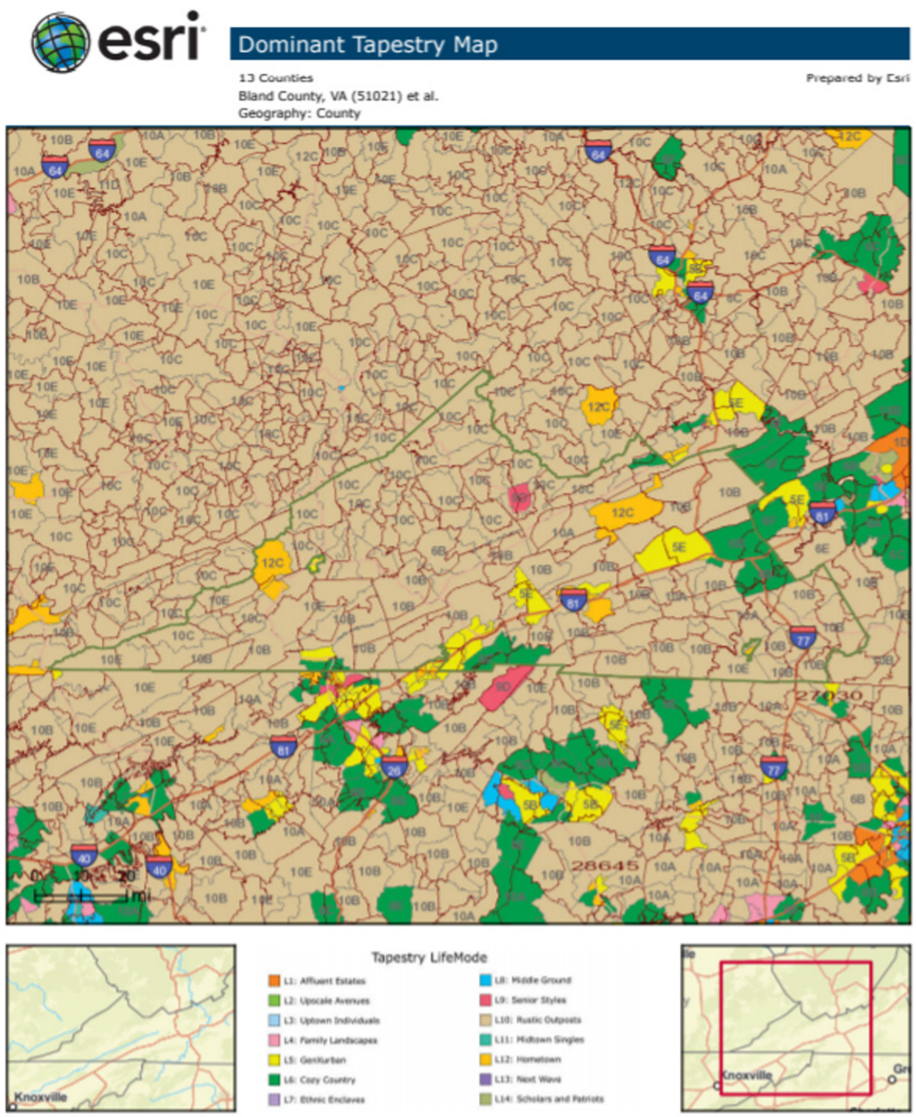
To break this down into its component parts, Chapman and Company spent twelve weeks researching economic gardening as it has been practiced successfully. And this is a key point because many practitioners have erred by simply calling research by the term - economic gardening. Research is a key point, but not, in itself, economic gardening.

Here's essentially how this process should work:

Step One: The economic development organization should meet with the main street business to better understand the company's vision. What is it that the company is seeking to become? There are three primary buckets that a business seeking to expand might fall into:

A	A repeatable business model that is naturally geographic – **this is a franchise.** So, for example, a company seeking to build a national network of stores that replicate the same type of products and services should become a franchise. For example, Old Chicago is a restaurant and bar that specializes in Chicago style pizza and craft beer. This entity has a wide array of beer on its menu including local beers in different locations. But fundamentally, the menu, aesthetic, and overall presentation are similar. And, the ownership of a local outlet is modeled around a franchise agreement. The franchisor gets a percentage of either revenue (usually) or profit.
B	The opportunity to **open a second location** to do the same thing. While this occasionally veers into economic gardening territory. Second locations are usually near the original location and premised on the ability for the current team to manage the second location without having to create "scale". So, for example, a bar and restaurant may open a location in St. Paul and Abingdon. The fact that they did market research does not necessarily reveal an economic gardening path. Instead, it simply illustrates the retention and growth of a small business.
C	**Economic gardening** projects are based on the idea of scale. An economy of scale is created when the production of something becomes less expensive on a per unit basis because of the reduction of costs to produce. In the context of this as an economic development strategy, the economic development agency helps the company create scale through improved efficiency and find targeted markets to sell more product. So, for example, a brewery may elect to sell beer in a distant market due to similar demographics and demand to their home market. To do this, the brewery must bottle, ship, and distribute its beer requiring a different set of skills and expertise to make the company profitable. Beyond just distribution, networked relationships and research are key elements of the strategy. This is where having a strong economic gardening program can create opportunities for a region.

Step Two: Regardless of which of the three categories above is deemed to be appropriate, the economic development organization should be involved. In the context of a franchise agreement, shifting conversations to franchise structure, ownership, and professional services would be warranted. A good franchise attorney is a must for a company looking to franchise. Financial experts – such as an accounting firm and bank – are also important early consultants. Conversely, a company looking to expand into a second location will need help from a real estate person. Sometimes, it is important to understand the runway to get a second location going as it may cannibalize the first location's business.



In both of these instances, software purchased for economic gardening can be useful. For example, the research done through ArcGIS Business Analyst can be leveraged to identify potential new markets. The key to this analysis is understanding the customer and type. As you can see on the right, the BAO system allows for analysis of a region and identification of dominant buying groups within the region. The green represents a group called "Cozy Country" and the khaki a group called "Rustic Outposts". The point is that around the country these groups occur in some areas and not others. So, for example, if a company understands its customers deeply, they can use that information to identify places where those customers frequent. At its heart this is what economic gardening attempts to do – put research around customers and their locations.

So, in addition to using ESRI's Business Analysis software and GIS tools, economic gardening attempts to create a full profile of the needs of a business to expand a product or service into targeted areas. These products and services obviously vary from company to company, and so, the research and products are different. In our research, the following problems were addressed using the software listed on a consistent basis across all economic gardening organizations:

- B2B custom list generation: Reference USA, Zoom Info
- Gap Analysis of Services: ArcGIS
- Funding Information: Pitchbook
- Customer Relationship Management: Hubspot, Salesforce
- Internet Search Tools: Google
- Social Outbound Tools: Facebook, Twitter
- Internet Analytics: Google Analytics, Google Search Console, SEM
- Listening Posts: Sprout Social, Hootsuite Insights

But, in addition to providing tools associated with software, economic gardening typically adds consulting relationships to "stage two" companies also. A "stage two" company is one that has between $500,000 and $50 million in revenue with more than ten employees. These companies are already on a growth trajectory, but may need assistance in some key ways. So, for example, the National Economic Gardening Association (www.nceg.org) recommends a variety of consulting type services.

These services provide help implementing some of the tools mentioned above, such as, working with an expert CRM entity on implementing Hubspot or Salesforce. We believe that there are a number of fundamental challenges that face companies seeking to bridge the gap between local main street business to regional high growth business. Having a consultant or business coach who is skilled in solving these challenges is important. Thus, Southwest Virginia must find an experienced consultant or expert who has a documented history as such a business helper.

These challenges tend to fall into a couple of general categories.

1

There are **administrative issues** involved when a company moves from a main street business to a regional one. For example, the company may need to execute payroll and pay taxes in multiple states, counties, or cities. The company may start offering health benefits, a retirement plan, or another type of benefit package. This type of human resources services also is an administrative element of economic gardening. These administrative functions may be served well by having a single focused person in a regional ESO help, but they may also be served by understanding the current status of local service professionals – such as financial planners, accountants, HR specialists, and insurance brokers. The point is that this area does not require a single source – but could facilitate multiple service professionals growing their private enterprises.

2

There are **sales and marketing related issues** that present themselves in a new way. Just as the company is using new resources to find a new market or two – the skills associated with remote marketing may require expert help. So, for example, economic gardening in some situations includes help with Search Engine Management (paid) and Search Engine Optimization (free ranking). This service includes setting up Google Analytics and potentially web services, but it also is built on a consulting backstop of teaching and implementing a new methodology. This includes more sophisticated marketing and sales efforts – including the introduction of campaigns, retargeting, and segmentation.

3

The company may also need to respond to organizational issues – including pivots and changes in individual responsibility. These organizational issues typically involve two elements – **team and business model.** The team to build a regional enterprise involves the introduction of managers and processes in a way that is different from a main street business where the owner or leader provides management to the entire staff – even if there is a single intermediary, such as an office manager. The shift of business model typically involves understanding that direct sales and personal relationships with every customer are less likely to occur and require structure to scale. This often means a shift in sales, customer support, and even production/delivery of services. Thus, both types of growth element likely will present themselves.

4

Lastly, there are **financial and legal issues** that begin as a main street business evolves – including the need for a formal financial structure, potentially an evolving relationship with a bank, new contracts and contract templates, as well as other business workflow and structure that will be required to deliver products and services to a new, diverse set of customers and audiences.

As Southwest Virginia attempts to build a more targeted economic gardening program, it is critical that it builds an inventory of service professionals who can provide services. This should lead to three specific things. First, the ESOs need to understand which ESOs can provide services well. The risk is that many will attempt to provide all services to all customers or wander into areas where the ESO does not have the prerequisite expertise to deliver services. Second, this can lead to ESOs competing with local partners and private organizations. So, for example, while an ESO can provide SEO/SEM services, there may be organizations that can do this better but are for-profit. Establishing a standard partner agreement with these organizations is one way that ESOs have provided value to second stage companies in economic gardening. Third, ESOs should identify areas where cost matters because a single partner is unlikely to purchase relevant software or databases due to cost. For example, Zoom Info is expensive. However, in some parts of the country, libraries have purchased these databases at a discount and make the data and software available to library card holders. Finding easy and inexpensive work arounds is a key element of economic gardening. But, it also means potential partnerships with organizations, like a library, that have not always been part of the economic development establishment.

Two key elements of the following list should be stated. Every single category of support for economic gardening will require training for both the coach and the company. The coach will need to be re-trained and sometimes certified on systems. The company will need to be trained and weened off of dependence on the coaches and the economic gardening organization. In addition, there should be a default position of looking for an existing local business that can provide necessary services – such as insurance sales or HR benefits. While using software can be efficient and better than a local service, the reality is that economic gardening should not displace existing entrepreneurs or main street business owners who depend on local clients.

Group 1 - Administrative

1) Insurance Brokers – looking for local
2) HR / Payroll – There are a number of good payroll and HR software tools out there. One good combination that received strong praise is Gusto with Guideline (for 401(k)). Quickbooks is a common and popular one also.
3) Benefits Coordinators -looking for local

Group 2 – Marketing

1) SEO/SEM Consulting – looking for local
2) Website Development – looking for local
3) IT Infrastructure – looking for local
4) Advertising – looking for local
5) Social Media – looking for local
6) GIS Mapping – ArcGIS. We have looked at a variety of free tools, but we think ArcGIS with the Business Analyst supplement is the best one on the market. It costs roughly $600, depending on usage of the tools which utilizes a pay for information system.

Group 3 – Sales & Post-Sales Support
1) CRM – Hubspot - Training is online via Hubspot Academy. We recommend Hubspot as a good vanilla CRM that allows for free entry level services but allow for paid tools that cover a lot of boxes. 2) List Building – We have used both Zoom Info and Reference USA. We prefer Zoom Info which can run into the thousands of dollars. Reference USA has built a long-standing relationship with libraries – so it may already be available through a local library system. 3) Listening Post – Google Alerts is the simplest form of a listening post, but it has significant limitations. Other products such as Hootsuite Insights and Sprout Social can be used as part of an augmentation strategy to search and listen to social and other news sources.

Group 4 – Team and Business Structures
1) Team - Gallup's BP 10 and Strengthsfinder program along with Gallup coaching is extremely useful as a way to facilitate team building and team creation. There are multiple training sessions that take place in Omaha for about one week. 2) Business Organization/Evolution - Co.starters is a program that has been implemented in multiple smallish communities that helps provide structure for market analysis, product/market fit, etc.

Group 5 – Professional Services & Support
1) Legal – looking for local 2) Accounting – looking for local 3) Bookkeeping – looking for local 4) Banking – One thing that the pandemic has shown is the importance of strong community banking. We believe that it is important to build an economic gardening that is inclusive of local providers. 5) Regulatory – probably built into some of the other ESOs – such as a commercial kitchen accelerator.

In conclusion, economic gardening is really the provision of a variety of services that help main street businesses grow into exporting ones. This effort should go beyond a single organization to ensure that there is a clear map and a clear understanding of which companies can provide which services. At a minimum, economic gardening will require the training of no fewer than two individuals to coach because of the challenges associated with such a wide variety of skills (although we have placed in the budget – a single line item as we would suggest part-time employees with existing businesses that support their expertise), and because of the geographic spread, probably three or four people – making up one FTE and one researcher FTE. Instead, by sourcing a team of part-time contractors or employees, UVA-Wise or the contracting entity may be able to create a much more dynamic team and organization. It may also be able to leverage existing ESO services.

Other elements such as ArcGIS, Hubspot, and Gusto (or similar services) will cost some time to train and implement – but many of these costs can be pushed to the companies seeking the services. In general, the prices that were listed for economic gardening consultants (from providers similar to GO Virginia 1 ESOs) was approximately $3500-5000 for 30-40 hours of consulting time. This may not be realistic in the first year or two, but the goal should ultimately be to overlap a network of trusted service providers that will be paid by the companies seeking to grow, including the local coordinating agency and coaches.

Appendix B –
Summary Budget: GO Region 1

Expenses	YEAR 1	YEAR 2	YEAR 3	
Personnel				
Executive Director	$150,000	$160,000	$170,000	
Economic Gardening	$134,000	$189,900	$197,700	(Est. Econ Gardening Tab)
Ecosystem Builder	$115,000	$118,000	$123,000	
Coordinator	$60,000	$62,000	$65,000	
Total	**$459,000**	**$529,900**	**$555,700**	(Est. Econ Gardening Tab)
Economic Gardening Expenses	**$102,500**	**$92,000**	**$96,000**	(Est. Econ Gardening Tab)
Other Expenses				
Office + Utilities	$24,000	$24,000	$24,000	
Equipment + Hardware	$16,000	$6,000	$6,000	
Travel	$16,000	$18,000	$18,000	
Advertising	$10,000	$12,000	$12,000	
Software	$3,000	$3,000	$3,000	
Miscellaneous	$6,000	$6,000	$6,000	
Other Expenses Total	**$75,000**	**$69,000**	**$69,000**	
Programming Budget	$35,000	$50,000	$50,000	(i.e. Events)
Grant Budget		$60,000	$60,000	(i.e. 100 Tool Program)
Total Expenses	**$671,500**	**$800,900**	**$830,700**	

Economic Gardening Budget												
	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 5	Qtr 6	Qtr 7	Qtr 8	Qtr 9	Qtr 10	Qtr 11	Qtr 12
Economic Gardening Coordinator	23750	23750	23750	23750	24350	24350	24350	24350	25100	25100	25100	25100
Economic Gardening Analyst				14000	14000	14000	14500	14500	14500	15000	15000	15000
Load (23%)	5462.5	5462.5	5462.5	8682.5	8820.5	8820.5	8935.5	8935.5	9108	9223	9223	9223
Employee Cost			29212.5	46432.5	47170.5	47170.5			48708	49323	49323	49323

Office Costs												
Hardware	6000	2000	2000	1600			2000		2000			
Internet	990	990	990	990	990	990	990	990	990	990	990	990
Rent	4500	4500	4500	4500	4500	4500	4500	4500	4500	4500	4500	4500
Utilities	900	900	900	900	900	900	900	900	900	900	900	900
Miscellaneous	500	500	500	500	500	500	500	500	500	500	500	500
Administrative	500	500	500	500	500	500	500	500	500	500	500	500
Office Costs	13390	9390	9390	8990	7390	7390	9390	7390	9390	7390	7390	7390

Software												
Microsoft Office	200			200	200			200	200			200
ESRI	600	200	800	400	400	400	400	400	400	400	400	400
Tableau	900				900				900			
Reference USA												
Zoom Info	4000	4000	4000	4000	4000	4000	4000	4000	4000	4000	4000	4000
Pitchbook	4000	4000	4000	4000	4000	4000	4000	4000	4000	4000	4000	4000
Hootsuite	800	800	800	800	800	800	800	800	800	800	800	800
Sprout Social (Insights)	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000
Additional Tools	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500
Etsy Premium	400	400	400	400	400	400	400	400	400	400	400	400
Shopify Premium	400	400	400	400	400	400	400	400	400	400	400	400
Adobe Cloud Premium	1500				1500				1500			
Tool Cost	17300	14300	14900	14700	17100	14500	14500	14700	17100	14500	14500	14700
Total Economic Gardening Cost	59902.5	52902.5	53502.5	70122.5	71660.5	69060.5	71675.5	69875.5	75198	71213	71213	71413
Annual Estimated Cost				$236.4k				$282.2k				$289k

Appendix C – The Music Man of Marion, Virginia

When your economic developer is an ecosystem builder

> *"I'm the guy at the front waving the wand, but if there's no one playing any instruments you're not going to hear any music."*

Ken Heath didn't know a lot about downtown revitalization when he took the job as the community's first Main Street Director in 1994. But as a Marion native who loved his town and was raised by an entrepreneurial family, he knew whole heartedly that entrepreneurship was the answer-- and he knew Marion natives had it in them. After all, he was born and raised in "Dew Country," the birthplace of Mountain Dew[19].

> *"I never forgot the lessons my dad and granddad taught me: work hard, treat everyone with respect, and give back to the community. That's how I got here."*

History of Marion, Virginia

Marion, Virginia was founded in 1832 after the Virginia General Assembly ordered the opening of a new road: Wilderness Road. The area of Marion was chosen as Smyth County's county seat, and the town grew quickly around the courthouse. When the construction of the courthouse was completed in 1834, the town quickly began to grow to serve the needs of people coming for the court days.

Marion continued to grow as the railroad was established creating a regional transportation hub. Both commercial and industrial businesses were built to take advantage of this hub. In 1929, The Lincoln Theater[20] opened as a movie palace for the town. But Marion's thriving downtown began declining in the 1960s after I-81 was built. The car became prolific, and so did strip malls. Slowly but surely, storefronts became vacant, upper story offices and apartments emptied, and overall rental incomes for downtown properties plummeted.

[19] http://appalachianmagazine.com/2017/01/14/born-in-southwest-virginia-the-history-of-mountain-dew/
[20] https://www.thelincoln.org/

Facing the music of an economic downturn

In 1990, Walmart came to town, which facilitated the closing of many businesses, shuttering more storefronts. The businesses that remained were hurting as downtown seemed like a lost cause.

In 1993, a group of business owners got together and decided it was time to revitalize the town they loved so much through the Main Street Program. Ken Heath was hired as the Main Street director in 1994, and in 1995, the town became a certified Virginia Main Street Community[21]. Unfortunately, after a series of streetscape and redevelopment projects, the 2008 recession led to skyrocketing vacancy rates: 18% in less than a year.

If you build it, they will come: Progress and Preservation

The 2008 recession was a real challenge for Marion after all the progress that had been made. But despite the skyrocketing vacancies it caused, the rehabilitation of Marion continued because they decided to listen to community needs and focus on supporting entrepreneurs.

Streetscape Project

One of the first things Ken tackled was beautifying the area to make it attractive to visitors and businesses. Through a VDOT grant, they fixed up the streets in a three phase project. Sidewalks were fixed, street lights were replaced, and trees were planted. The streets hadn't had trees in two generations. Ken didn't just want a monoculture of tree lined streets, he insisted that the trees be different - to look more like a natural environment.

Upper Story Housing Project

The next project focused on facade improvements to the upper stories of Main St. buildings. They tackled this using a Community Development Block Grant to fix up about 20 apartments and get residents downtown. Creating residences is a critical step to re-creating earlier eras of downtown, main street business development.

Ken's vision was to create a downtown that everyone could use. But getting people to start using downtown - and to start a business downtown was another story. So Ken posed the question to the community: "What is it about downtown you miss?"

[21] https://www.dhcd.virginia.gov/virginia-main-street-vms

The number one response? Being able to get something to eat.

> *"I had a charcoal grill at the house I painted John Deere Green because that's all I had. We had a buddy of ours who donated hot dogs, we got buns at the day old bread store, and got Pepsi Cola to give us drinks. The Mayor and I would set-up a tent and sell hot dogs on Saturday afternoons. We started off with free bands but raised enough money to hire a band eventually. It wasn't long before people would fill up the courthouse lawn. It was just a really nice community event. And people started getting it. That there's a reason to have a downtown. People had dismissed the downtown because it was empty." - Ken Heath*

Arts Revival

At the highest point in downtown, sits a three-story historic school house (The Henderson) that was also in need of a facelift. It once housed a high school, elementary school, library, the school board, a parole office, and the historical society. With the help of more CDBG grants, the facade was renovated, and a parking deck was put in. The first occupant of the building was a group that wanted to teach music. From there, Ken started filling the building with arts related classes and activities: fine arts, Appalachian arts, storytelling, etc. Then Ken hired someone to do distance learning and start the Summit Center to bring a Community College back to Marion. These early tenants (particularly the community college) offset the cost of rent and utilities. The Henderson is now known as The Wayne C. Henderson School of Appalachian Arts[22]. The town pays an executive director to run the programs, and the programming pays for the rest. It's net zero and it has brought the arts and arts entrepreneurship back to Marion.

Guess what bringing back the arts did for Marion? Have you ever heard of the nationally-syndicated television series, "Song of the Mountains?" It's filmed at Marion's historic Lincoln Theater. It reaches over 100 media markets across the country and brings in 250,000 visitors to the community. Appalachian arts and music are an important part of the history and culture in Southwest Virginia. Tapping into that tradition was key for the Marion community.

[22] http://thehenderson.org/the-1908-schoolhouse

Pop Up Marion

> *"That's not the best that's happened in Marion because of "Pop Up." To me, the best thing that's happened is that our community once again BELIEVES IN ITSELF!" - Ken Heath*

You can have a pretty main street, but if you don't have businesses that are thriving and bringing people downtown to shop and eat, what's the point? As mentioned earlier, the Great Recession of 2008 hit downtown hard with an 18% vacancy rate and a city that had lost hope in itself.

> *"We are blessed to have a great team of business professionals, so we started brainstorming amongst ourselves. First, let's ask the community what types of businesses they'd support here in our town. Then, we'll use that information to show prospective entrepreneurs what the market wants. We'll train the entrepreneurs, teaching them everything we can in a compact class, where they will develop and present their business plan. Then, we'll sign them up for a minimum six months with a mentor who will look at the books, listen and observe, and help keep the fledgling business on track. The first class filled our Town Hall! We trained, we celebrated, and we grew." - Ken Heath*

Pop Up Marion has been a huge success. So far they have had 18 cohorts and 287 attendees. It has resulted in the sale of 11 buildings and 23 storefronts, the town has gained 33 new businesses, created 122 new jobs, and it has spurred over $2.2 million in private reinvestment.

Not only were they named the SBA community of the year, they dropped the vacancy rate to slightly more than 3%.

The success did not go unnoticed, they picked up some awards along the way:

- 2013 Small Business Community of the Year for "Pop Up Marion"
- 2013 Virginia Downtown Development Association "Award of Excellence"
- 2014 Virginia Economic Development Association "Community Economic Development Award"
- 2014 Southeastern Economic Development Council "Community Economic Development Award"

Building an Inclusive Ecosystem

Ken and his team are also very passionate about inclusion when it comes to the ecosystem. About 60% of participants in the Pop Up Marion program are female, and over the past five years, almost 90% of small business startups have been female-owned. When Ken first took the job, he had a woman come to him because the bank refused to talk to her without her husband. He's been fighting to change the culture ever since.

> *We are always excited to work with entrepreneurs, especially those not traditionally considered, because we love celebrating their successes. We took down the glass ceiling when I took the job!*

One testimony to that dedication can be seen in the story of Rufflections Pet Grooming[23]. Budding entrepreneur Tosha Thompson enrolled in the Pop Up Marion program to help make a dream of hers a reality. Unfortunately, her (then) employer found out that she was involved in the program, and she was fired from her job. In response, and to help her make her dream reality, the Town of Marion awarded her a grant for $5,000. The town wasn't necessarily looking to invest in companies like this, but ended up taking a chance on her. She completed the training and was able to secure additional financing from a bank and purchase a downtown building. Rufflections Pet Grooming now has 6 employees and was able to get 2nd place in an International dog grooming competition!

"A little bit of hope. A little bit of belief. A little bit of will to roll up your sleeve and get to work. I'm the Music Man. That's what I do for a living."

When you talk to Ken about his work, the thread that really ties all of this together is his passion for supporting entrepreneurs. He didn't go out and try to get businesses to COME to Marion. He knew the entrepreneurial spirit already existed in his community. The Appalachian spirit is persistent and resilient.

[23] https://rufflectionspetgrooming.com/

Ken says, “I may be the guy at the front waving the wand, but if there’s no one playing any instruments you’re not going to hear any music.”

His focus on bringing business back and getting the town to believe in itself once again was the real magic.

“A little bit of hope. A little bit of belief. A little bit of will to roll up your sleeve and get to work. I’m the Music Man. That’s what I do for a living.”

From Packed Suitcase, a travel blogger who named Marion her Favorite Small Town Destination, “Over the past year and a half, Marion has been operating with kind of a ‘if you build it, they will come’ mentality, so everyone is incredibly welcoming of visitors and so pleased to see that the shared vision for their town has taken root. There’s an overarching spirit of pride and authenticity, making this is one small town that shouldn’t be missed.”

Ken Heath’s work in the Town of Marion is a shining example of what happens when you fully leverage community development, economic development, and business development to create a thriving entrepreneurial ecosystem.

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SWVA ECOSYSTEM