Roadmap & Assessment Report

Louisville, Kentucky

Developed by Techstars
March 2019

Contents

Power of the Techstars Network
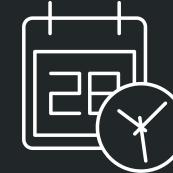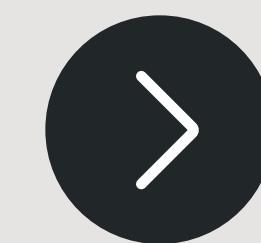
Techstars is the worldwide network that helps entrepreneurs succeed. Techstars founders and their teams connect with other entrepreneurs, experts, mentors, alumni, investors, community leaders, and corporate partners who will help their companies grow.

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Worldwide Network

Techstars is the Worldwide Network that helps Entrepreneurs Succeed
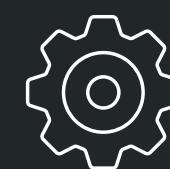
4,000
Events

160+
Countries
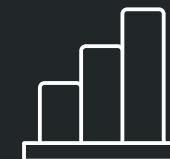
10,000
Mentors

43
Accelerator Programs

300K
Alumni

177
Portfolio Exits

65+
Corporate Partners

$18.2B
Portfolio Market Cap

Louisville is Poised for Growth

In the first quarter of 2019, Techstars visited Louisville, Kentucky to gather in-depth insight about the current state of the startup ecosystem. Techstars conducted a complete, bottom-up inventory of the community's startup activities, actors, and attitudes, and developed an assessment of the inventory against the Techstars Startup Ecosystem Development model. This report highlights the roadmap to take Louisville's startup ecosystem into the next stage of growth, and includes the full assessment of the ecosystem.

The greater Louisville startup ecosystem has been building momentum over the past decade and is on a path to continue that growth in the near term. There is already a generous give first culture in the network, a variety of events and activities that support idea stage founders, and a number of startup-focused organizations that are beginning to work together.

Louisville's entrepreneurial ecosystem has an exciting future ahead. The community is poised for change. However, there remains much work. Some of the foundational work has had up and down fluctuations and in some cases has hit a plateau. So, new strategies, tactics, and approaches are needed in order for Louisville to grow to the next stage.

Techstars views the maturity of a startup ecosystem in three basic stages — developing, emerging, and leading — and across five themes: culture, density, talent, capital and institutions. The Louisville entrepreneurial community is straddling the line between developing and emerging maturity. Our immediate plans for advancing Louisville's startup ecosystem are centered on addressing gaps in three themes: **culture, talent, and institutional support**.
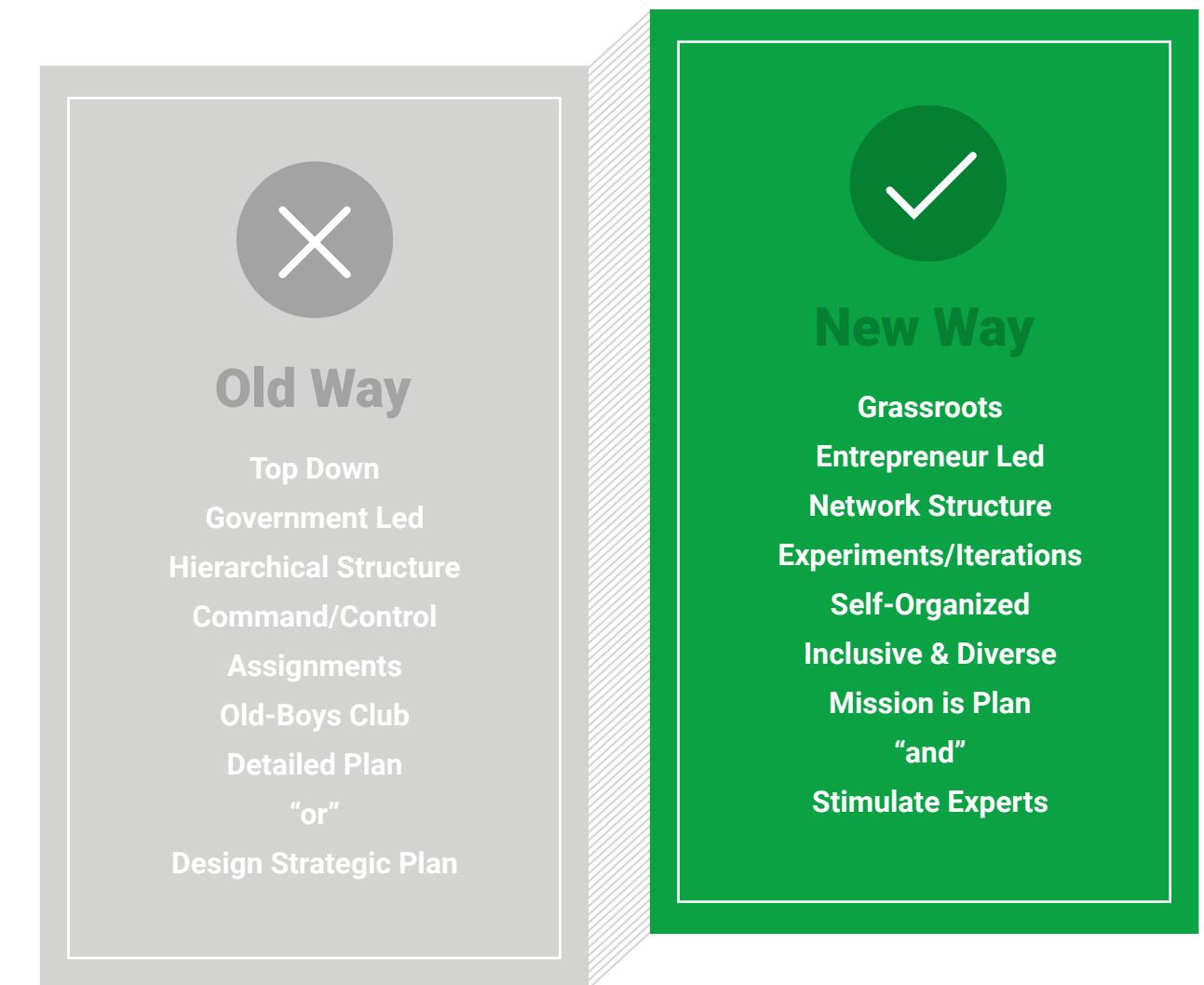
Culture

Culture is the most compelling and transformative factor in a growing community. By focusing our collective energies on changing the culture, the rest will begin to fall into place. To focus on specific roadmap activities without the proper cultural foundation would only serve the near term, at best. Our goal is to focus on both near- and long-term ecosystem maturity.

Recommendation:

If you're involved in any capacity within the startup ecosystem and are defaulting to what we call the "old way"—stop. Work with us to make a change. Start practicing the "new way." Each and every individual in the community is able to contribute to positive change in the Louisville community starting today.

Old Way

Top Down
Government Led
Hierarchical Structure
Command/Control
Assignments
Old-Boys Club
Detailed Plan
"or"
Design Strategic Plan

New Way

Grassroots
Entrepreneur Led
Network Structure
Experiments/Iterations
Self-Organized
Inclusive & Diverse
Mission is Plan
"and"
Stimulate Experts

Great communities have networks that operate with little to no friction. Our favorite example is this simple task: when you see an opportunity to introduce two people, do you first ask permission from both parties, or do you go ahead and make the introduction? If you do the former, you create friction in the network. Founders need less friction, and quick, ready access to resources.

One way to combat the "old way" mindset is to embrace and engage new leaders who want to help grow the community in new ways. Support these leaders with your time, communicate to your email list or social media channels and, if possible, with your money.

Techstars Plan:

Techstars will work in partnership with Louisville Entrepreneurship Acceleration Partnership (LEAP) and other individuals and organizations in the greater Louisville community. Working in concert with the Techstars ecosystem development team as well as the greater Techstars network, this team will make aware, cajole, encourage, coach and support local leaders to adopt the cultural principles that will accelerate the community to the next level. Those principles include:

▶ **Support the community mission.** Get rid of individual or organizational agendas. Everyone signs up for the mission of the greater community. We will create informal "circles of influence" to bring leaders and motivated actors together.

▶ **#givefirst.** Give without any expectation of getting anything in return. This includes not expecting equity, fees, or free product from founders. We will lead by example as well as share in multiple forums why this is a powerful principle.

▶ **Diversity & inclusiveness.** There is no person, investor, or leader who can point to a person or a company at the seed stage and guarantee a successful outcome. Said another way, no one knows what a future successful entrepreneur "looks" like. To that end, we must create Louisville-centric doors & windows into the entrepreneurial room. Gender, ethnicity, educational attainment, and age are but a few characteristics of accidental exclusion. We will work with local leaders to develop and host these inclusive doors & windows to entrepreneurship.

▶ **Self-organization.** If there are opportunities or gaps in the ecosystem (for an event, program, training, etc.), new leaders can step forward to drive forward these opportunities. Techstars, along with the circles of influence mentioned above, will encourage, recruit and coach new leaders so that we can stand up new activities as well as backfill current activities as needed.

▶ **Support each other's efforts.** This is easy and costs nothing. Show up at events. Invite someone new to an event. Submit a blog post. Sit on a panel. Email your contact list about an important meeting. Bring someone new to the party. Hold open office hours that are free and available to anyone. Make an introduction.

▶ **Storytelling.** An underrated component of a mature ecosystem is strong community storytelling, both for locals as well as interested outsiders. New founders get confidence if they see others creating success. The Techstars team will help identify and develop storytelling amongst community influencers. This is something that each and every community member can start, today, through Twitter, Facebook, Slack, Instagram, your blog or whichever social media vehicle you choose.

▶ **Speaking at conferences.** Increasing regional and national awareness is a mid-term goal. One way we can achieve this is by facilitating founders to speak at regional and national conferences. Use your network to find opportunities for Louisville leaders, startup entrepreneurs and scaling executives to speak and highlight Louisville on a bigger stage.

Talent

Talent development has many angles and challenges. Talent needs change over time. From creating pathways for new founders, to facilitating executive expats to return to scale high-growth companies, to developing skill-based startup employees, to training current and future angel investors, and more, there is a constant talent lens that must be reviewed.

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Recommendation:

The Techstars near-term vision for talent focuses on the following three areas:

1. Founder Development
2. Angel & Angel Fund Development
3. Mentor Network Development

Although there are other areas of need, including skill-specific executive training, executive recruiting (especially boomerang candidates) and more, we recommend prioritizing the above three areas in the near term.

Techstars Plan:

Founder Development

Louisville has an opportunity to develop a large, completely new approach to top of funnel activities targeting potential founders across age, gender, education and interest.

Founders come in all shapes and sizes. Gender, ethnicity, race, educational attainment, ability and age are but a few of the varied characteristics of diverse founders. As such, each entrepreneur walks a different path. Most growing startup ecosystems are optimized for the 25 to 35 year old, male, college-educated, technically driven individual. But what about a 35-year-old woman in career transition? Or a 45-year-old man who has no college education? There must be other doors and windows into the entrepreneurial room.

We recommend the following activities to expand the founder funnel:

- The LEAP team and other organizations will amplify startup awareness in multiple media outlets including TV, newspapers, blogs, social media, etc.
- Techstars will support LEAP in creating a monthly informal event and market it aggressively to all current and "wanna-be" founders. Recent startup founders must support these events to build credibility and aspirational connectivity.
- Techstars will encourage influencers and experienced founders to host open office hours for 15-30 minutes, once per week or 2x per month.
- Techstars will coordinate with LEAP to proactively identify and collaborate with existing programs that support diversity and inclusion in startups.

Mentor Development

Great mentorship can come in many different shapes and sizes, just as mentees need mentorship in just as many different methods and styles. The Louisville mentor network needs to continue to expand into an open network for everyone to both give mentorship as well as receive mentorship when asked. The Techstars and LEAP will serve as ambassadors or as a concierge to other sources of mentorship on an as-needed basis.

- Working with the LEAP team as well as other local entrepreneurial support organizations, we will build a culture of hyper-connectivity where everyone is welcome to be a member of the community. This culture is established by every member of the community and can start with our influencer circles, the current activity leaders, and motivated champions.
- We will both lead by example as well as coach others as to the importance of the mentorship best practices.
- Techstars will host (via video and occasional in person) mentor seminars and invite current and future mentors to attend. The seminars will be based on the Techstars Mentor Manifesto, developed by David Cohen and Brad Feld. Techstars will work with local support organizations to identify and target candidates.

Angel Development

Individual angel investors as well as angel clubs and networks in the greater Louisville area should develop consistent activity, both in sourcing deal flow and in making investments that at their core are designed to support entrepreneurs. In order to correct the fluctuations of high and low angel activity over the past 5+ years, as well as to engage new angels, we recommend the following activities:

- Techstars will support LEAP in developing angel network meetups, social events, webinars, and workshops.
- Techstars will coordinate with LEAP, by identifying outside angel investment professionals to serve as thought leaders and share best practices with local candidates.
- Techstars will coordinate with LEAP and the broader community to invite a diverse and inclusive network of accredited angels on board.

Institutional Support

Mature startup ecosystems have meaningful support from several types of institutions, including city, county, and regional government, higher education, and large corporations. These entities play a vital role for startup companies by investing capital into local funds, by encouraging employees to serve as mentors, and by hosting, teaching and programming entrepreneurial activities. In addition, governments have a responsibility to create a stable, predictable, and supportive regulatory environment for entrepreneurs and investors.

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Recommendation:

Louisville has engagement from the University of Louisville, local government, and from large companies, but this activity should be increased across the board. There is a unique opportunity to engage the local corporations at a level that can accelerate our ecosystem goals. In addition, local and state government should combine efforts with current leaders to help create a greater density of entrepreneurship in an agreed-upon location.

Techstars Plan:

Corporations

Through the LEAP leadership team, including the Louisville Healthcare CEO Council, Techstars will share corporate engagement best practices with senior executives at local companies so as to better align the startup ecosystem needs with their strategies and goals.

- Techstars to help convene a series of "corporates meet startups" days in Louisville.
- Techstars to support LEAP leadership in executing corporate/startup engagement best practices (for example, including best practices from Cintrifuse):
  - ✚ List building/developing a CRM database
  - ✚ Developing relationships with key points of contact in corporations
- Senior corporate executives will be invited to the angel development workshops and events.
- LEAP partners as well as other support organizations will work with Techstars to develop opportunities for targeted corporate experts to mentor startup founders and their companies.

Local & State Government

There are many support roles that government can play that help support and grow the local ecosystem.

- Techstars would encourage and help facilitate the identification of a current or to-hire individual to operate as a local connector, evangelist and communications broker between government and the startup ecosystem. This role can sit in any number of current government organizations.
- Techstars would support and participate in the creation of a local operating group that helps drive consensus around physical density.

Universities & Colleges

We will help to bolster the already solid base of activities at local universities.

- Techstars will drive leaders to find connection points between university actors and the private startup ecosystem, including relevant introductions and encouraging event attendance.
- Techstars will engage major players that focus on entrepreneurship and higher education, including the Blackstone Launchpad initiative.
- Techstars will work with UofL and others to bring a set of best practices around commercialization and business talent matching.

The Impact of Thriving Startup Communities

The success of forward-thinking cities and their leaders over the past ten to twenty years—such as the startup communities in Boulder, Colorado, or Durham, North Carolina—demonstrate that you can change your local economy through organic, home-grown company creation. Long gone are the days of relocating a large business entity to your region to create job growth. Entrepreneurs are the tip of the economic spear for company and job creation and as such it is critical for motivated community leaders to support them with a thriving innovation ecosystem.

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Every city or region that wants to attract people, business and investment requires a startup ecosystem to serve as an integral part of its 21st century economy."

The Techstars Approach to Startup Ecosystems

The Techstars approach to building startup communities has been developed over the past five years through programs, pilot engagements, and hundreds of conversations in communities around the world. Aided by the book, *Startup Communities: Building an Entrepreneurial Ecosystem in Your City*, by Techstars cofounder Brad Feld, the Techstars approach is informed by the following principles:

+ *Entrepreneur led*
+ *All-inclusive*
+ *Network over hierarchy*
+ *#givefirst*

We use these principles as the foundation for a comprehensive assessment that is used to assess the current health and state of the ecosystem. We measure the community against a scorecard of 50+ indicators so that we can generate a baseline from which to work from. Ecosystem building is difficult, long-term work, and there is no single model, recipe or playbook that guarantees success. However, there is one overarching methodology that we espouse.

Startup Ecosystems are Complex Adaptive Systems

We believe that the understanding and practice of startup ecosystem building can be improved by incorporating insights from complex adaptive systems, a science used to explain the dynamics of physical, biological, social, and information networks. A complex adaptive system, in simple terms, is a system in which many independent elements interact, leading to outcomes that are difficult to predict by looking only at those individual elements. The system must be understood as a whole.

Startup communities are complex systems.

We look at how each part of a startup community interacts with other parts, giving us a holistic understanding of where the community is today and where it can develop in the future.

Using this framework, we look at startup ecosystems from a holistic perspective, taking into account how they naturally change, adapt, and evolve. This allows us to tease out what is, and isn't, working. This model isn't perfect (no model is!), but it provides us a way to evaluate a community across a consistent set of criteria.

Our model is based on systems theory, which describes four types of systems across a continuum: simple, complicated, complex and chaotic. For startup ecosystems, we focus on the two middle systems: complicated and complex. A startup community is often mistaken for a complicated system, but it actually is a complex system.

Typically, community leaders want to boil down the critical challenges of the ecosystem into a model from which they can engineer or reverse-engineer a solution. These leaders want a **Complicated** system. Like sending a rocket to the moon, complicated systems are highly engineered. Success involves niche expertise applied in a controlled and organized fashion, and the outcome is mostly predictable and repeatable. We've observed that most community builders start by creating a slew of activities—such as pitch competitions, meetups, and coworking spaces—with the hope that the sheer number of activities will drive community growth. These tactics and activities might be useful at the formative stages of community development, but have only a short-term impact. They are not the fundamental long-term catalyst everyone hopes for.

A thriving startup community, however, is a **Complex** system. Complex systems are 180 degrees different from complicated systems. Much like raising a child, there is no formulaic approach, outcomes are unpredictable, and guidelines are more useful than detailed plans. This approach runs counter to every business-building muscle that many leaders have built and trained for all of their lives. Those same muscles that make many successful in their careers—planning, budgeting, command & control, hierarchical management, etc.—are exactly the wrong muscles for ecosystem building. Complex systems require different principles, practices, mindsets and behaviors.

Startup communities **ARE NOT** complicated systems.
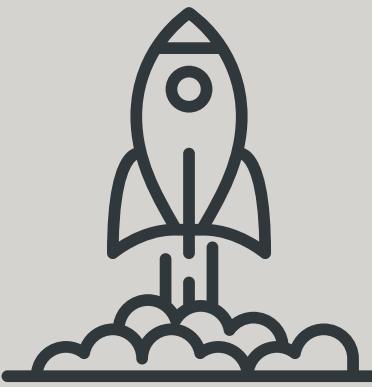
Startup communities **ARE** complex systems.

COMPLICATED

+ **A plan is necessary**
+ **First time is difficult, then easier**
+ **Requires a high level of expertise**
+ **Focuses on best practices**
+ **Outcomes are repeatable**
+ **Command and control leadership**

Example: Sending a rocket to the moon.

COMPLEX

+ **A plan has limited application**
+ **No formulaic approach**
+ **Expertise is not necessary**
+ **Uses guidelines**
+ **Unpredictable outcomes**
+ **Self-organizing**

Example: Raising a child.

Adapted from Brenda Zimmerman, 2002

Techstars Ecosystem Development Guiding Principles

If you start with the right set of ecosystem principles, those principles serve as the positive catalyst of a 10- to 20-year ecosystem building journey. Let's explore the guiding principles and practices.

Get the attitudes right. Attitudes, such as being entrepreneur-led, #givefirst, all inclusive, and network over hierarchy, are the necessary foundation upon which all other growth emerges.

Put founders first. No entrepreneurs means no startup ecosystem. Entrepreneurs have to be part of the leadership of a great startup community. The community exists to serve the entrepreneur.

Engage actors from across the community. Engage individuals from across the entire community, including startups, corporations, university/higher education, local/state/national government, and media.

Layer in many activities. Use trial & error to develop a variety of well-intentioned activities that address all aspects of the startup ecosystem. The focus is on developing meaningful connections between members of the community.

Be inclusive. A diverse set of people from across the community will drive meaningful interactions. The door should be open to anyone who wants to participate.

Balance urgency and patience. The road to startup ecosystem development is measured in years—not months. At the same time, all of the actors need to run on startup time.

No shortcuts. You cannot skip steps or grow a community through an expensive, fancy marketing campaign. Like a scalable startup, it takes hard work with hundreds—if not thousands— of points of activity developed over a long period of time.

In summary, startup ecosystem leaders must employ a strategy of iteration and experimentation while also understanding that no one activity will single handedly accelerate success. Ecosystem success occurs through one thousand nudges.

This is a long journey with many variables, many actors, and a myriad of activities that all come together with the goal of accelerating the growth of the ecosystem. It is a complex system..

Techstars Ecosystem Maturity Model

Techstars views the maturity of a startup ecosystem in three basic stages— developing, emerging, and leading—and across five themes: culture, density, talent, capital and institutions. Following are definitions of the three stages:

Developing

There are a group of people passionate about the startup ecosystem who are beginning to organize and put energy and effort into its development. There are occasional startup events formed and attended by potential founders. Startups are being formed. A few executive expats are beginning to migrate back to the area. Modest angel investments are being made. There are no professional venture groups and no accelerator activity. Common startup space(s) are available to founders.

Emerging

There are active high-growth oriented leaders in the startup ecosystem who take a long term (20+ year) view to ecosystem building. A relatively high number of potential startups are being formed. There are regular, multiple events per month in which everyone with interest attends. University talent is staying in the area instead of leaving.

5 major themes encapsulate the many factors critical for community building:

Culture

Density

Talent

Capital

Institutions

This is a startup ecosystem that has consciously and deliberately begun to put in place the necessary ecosystem building blocks. The community recognizes the need for entrepreneurs to be the leaders of the startup ecosystem with a long term view. Feeder organizations such as law firms, universities, angel investors, venture capitalists, and government officials are regularly supporting the efforts of these leaders. Best practice mentorship is active, and high growth companies are being formed. Failure is accepted and celebrated in the community as a normal part of the journey. The startup community has a pervasive philosophy of inclusiveness and provides low-friction ways for everyone interested in entrepreneurship to engage. There are a myriad of activities, such as accelerator or mentorship programs that engage the entire entrepreneurial stack. Capital is reasonably if not widely available at the grant, angel and VC stages.

Leading

This startup ecosystem is regularly producing meaningful high-growth companies. Mentorship and capital are widely available. Successful entrepreneurs are becoming angel investors and reinvesting in the startup ecosystem. Numerous and regular substantive events draw the startup community together, which is linked to other communities in meaningful ways.

This startup ecosystem is fully formed and is regularly producing companies that reach IPO, substantial exit, or immense shareholder value. There is a pervasive and sustained culture of mentorship and a give first attitude in the community. Successful entrepreneurs are fueling philanthropy and reinvesting capital and mentorship in the startup community. Angel and venture capital are plentiful, drawing from both investors in the startup community and outside the region.

Startup ecosystems can mature over time.

Using the guiding principles as a baseline for all attitudes, actors, and activities, a community can grow through these stages of maturity with intentional and concerted effort.

Defining the Five Themes

Culture

Culture is the key differentiating factor of a startup community. Every high-growth entrepreneurial community has a unique attitudinal underpinning that fosters innovative activities with a minimal amount of friction. Entrepreneurial communities cluster entrepreneurs, accept failure as an integral part of the learning process, teach and support entrepreneurial skill development, promote jobs for startups, and foster public-private collaboration. These characteristics permeate every activity, actor, and attitude of a startup ecosystem.

We assess three major aspects of culture:

1. *Mindset* - which includes love of place, putting founders first, #givefirst, accepting failure, a current view of entrepreneurship, etc.

2. *Behavior* - which includes active volunteer mentoring, transparent decision-making, playing the long game, operating with honor, supporting others, and forsaking control.

3. *Network* - natural daily convene & connect moments, continual engagement, inclusive and diverse members, trusted relationships, meaningful connections, and porous boundaries.

Density

Another critical element in startup community development is the concept of physical density, where community actors gather during the day and night. Density is crucial to the long-term growth of the community.

Creating, fostering and growing density is crucial to the long-term growth of the community. What is density with regards to a startup ecosystem? Density is the ratio of those in the startup tribe, including founders, investors, employees, program managers, etc., as compared to all other professionals in a given geographic area.

Creating density of talented thinkers and makers dramatically increases the potential for successful ventures to emerge. Communities can foster startup density by supporting cluster growth, creating physical hubs, driving awareness in the media, building networks and linking academics and research networks with businesses. A flywheel effect can occur when all of the ecosystem actors can connect with little to no friction.

Talent

Passionate, knowledgeable, experienced people are the gasoline that makes the car run. No people = no ecosystem. Talent comes in many shapes and sizes including first-time founders, experienced marketers, executive operators, mentors & advisors, qualified investors, state-of-the-market lawyers and a myriad of supportive vendors.

Typically the supply, and level of experience, of local talent in developing communities lags behind the demand for that talent. This is a 21st century problem and every community is challenged to close the gap.

Colleges and universities are an important source of talent. Training new-age skills outside of the traditional entities are also activities that more mature ecosystems have in place. And targeted activities, campaigns and events must be available to connect talent to opportunities and visa versa.

Capital
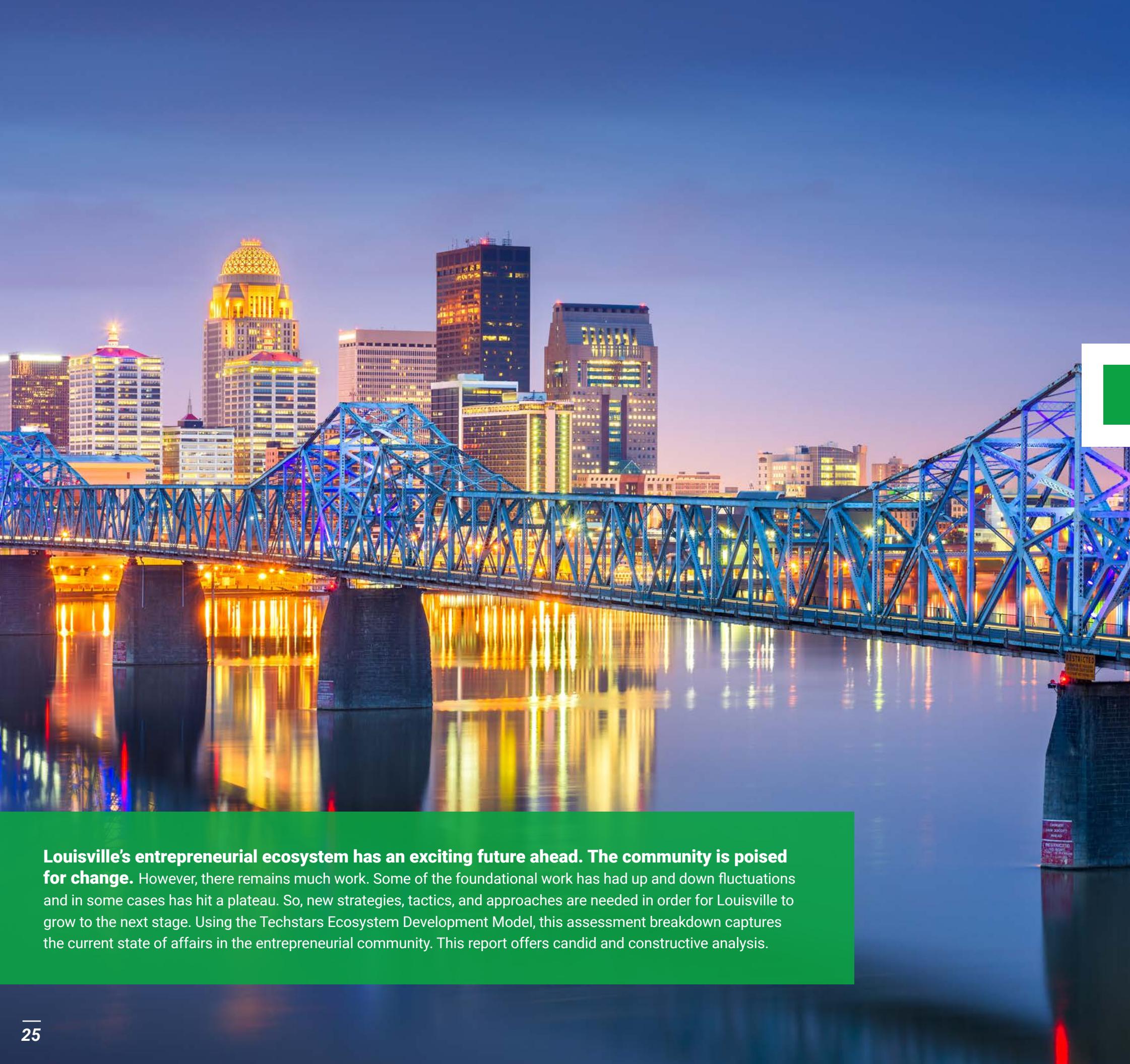
An important aspect of a startup community is access to capital at every stage of a startup's growth. Mature ecosystems address each stage without gaps, by providing multiple sources of capital to support founders & companies. Whether businesses are just starting or scaling, available financing is critical for their success. Ecosystem financing includes startup grants, local angels, angel groups, accelerators and institutional venture capital.

Developing, emerging, and leading communities must rely on local seed capital to literally seed startup companies. This is a must, as no outside capital will serve as the first money in. Experienced capital can really make a difference for startup companies as companies mature, validate their business models and achieve scale. Experienced investors help coach founders along their journey as scaling issues emerge. The amount of capital deployed is an outcome of a thriving startup community—not an input.

Institutional Support

Mature startup communities have meaningful engagement from several types of institutions, including city, county, and regional government, higher education, and large corporations. These entities can play a vital role for startup companies by investing capital into local funds, by encouraging employees to serve as mentors, and by teaching and programming entrepreneurial activities. In addition, governments have a responsibility to create a stable, predictable, and supportive regulatory environment for entrepreneurs and investors.

Louisville
ASSESSMENT

In the first quarter of 2019, Techstars visited Louisville to gather in-depth insight about the current state of the startup ecosystem. During this time, we:

+ Conducted 60+ one-on-one interviews with individuals from across the major actor categories.

+ Hosted interviews at multiple locations, including LouieLab, Story Louisville, The Root and Forest Giant.

+ Surveyed 85 individuals to uncover behavioral and attitudinal trends and gaps.

+ Attended several community meetings and events; held several founder dinners; and hosted a Techstars founder-focused event with 80 attendees.

+ Reviewed prior analysis and assessment from other organizations including Endeavor Louisville and EnterpriseCorp.

+ Conducted secondary research to understand the map of the ecosystem, including local corporations, higher education, media, startup organizations, startup events, and startup companies.

Louisville's entrepreneurial ecosystem has an exciting future ahead. The community is poised for change. However, there remains much work. Some of the foundational work has had up and down fluctuations and in some cases has hit a plateau. So, new strategies, tactics, and approaches are needed in order for Louisville to grow to the next stage. Using the Techstars Ecosystem Development Model, this assessment breakdown captures the current state of affairs in the entrepreneurial community. This report offers candid and constructive analysis.

Louisville Current Maturity Level

Developing

The Louisville entrepreneurial community is straddling the line between developing and emerging maturity. It has achieved many of the elements of a developing ecosystem, and is evolving into an emerging community.

Our overall assessment of the region is that there are fragmented silos of startup-focused activity in various states of operation, combined with a passionate group of community leaders and supporters who have an overall founder first approach to startups, but whose attitudes and behaviors will need to evolve in order for the Louisville ecosystem to reach the next stage of maturity.

The efforts of many individuals and organizations will help to address startup ecosystem goals, including—but certainly not limited to—Louisville Entrepreneurial Acceleration Partnership (LEAP), which includes the University of Louisville, XLerateHealth, Greater Louisville Inc.'s EnterpriseCorp, Louisville Healthcare CEO Council, and the Kentucky Cabinet for Economic Development. Other efforts, including Startup Louisville, Endeavor Louisville and 1804 Entrepreneur Center are serving important needs in the ecosystem. There are many individual leaders contributing to the entrepreneurship ecosystem on a proactive and committed basis. Each of these organizations and individuals, in their own ways, have had an impact in the startup community.

However, there are clear opportunities to push toward a more mature ecosystem. The current state of the Louisville ecosystem is fragmented, emphasizes coordinated rather than collaborative attitudes and activities, and reflects a silo-oriented approach. Although these behaviors do not seem to be outright competitive, they are clearly not collaborative. This is holding the Louisville startup community from achieving its optimal state. We do not view this as bad news, per se, but instead as an opportunity to create a "1 + 1 + 1 = 5" type of outcome. That is to say, the ecosystem will benefit from better integration and communication, and move toward an attitude that the whole is greater than the sum of its parts.

In order for Louisville to break out of its current developing state and move toward an emerging state of maturity, the following must happen:

1. Entrepreneur/founder leadership must be proactively identified, supported by a diverse set of community actors.

2. All community actors must come to understand that a different approach must be undertaken. Individual and organizational attitudes must migrate to a full entrepreneur-led and #givefirst (collaborative, pay-it-forward, supportive, positive) daily activity.

3. Organic, locally grown entrepreneurs must be developed with Louisville and regional programs, additional angel and seed capital, and aggressive storytelling.

4. Meaningful integration between local corporations and the private entrepreneurial sector must be developed.

Future Growth

Techstars is excited to be part of a coalition of organizations and individuals who are ready to build upon the meaningful work already begun in Louisville. Despite the challenges and gaps, there is positive momentum in the community. But the community must adapt its thinking and its execution to the needs of the next stage of emerging ecosystem maturity. We're excited about the future for Louisville's startup ecosystem. Our strongly held belief is that adopting the principles and attitudes outlined in this report will serve as a propelling force for a thriving ecosystem.

Following are several aspirational ecosystem elements in the next stage of ecosystem maturity:

- ▶ > 10 entrepreneurial leaders/influencers stand up and regularly share progress, small wins, and general excitement within the ecosystem on at least a monthly basis.

- ▶ 1-2 new founder events, held at least quarterly or monthly, that target and inspire potential founders from diverse backgrounds. Events proactively focus on inclusion and diversity.

- ▶ There are multiple examples that entrepreneurs are celebrated and supported. Institutions exhibit a general approach that puts founders' needs above their own agendas. This founder first approach is known and practiced by every member of the community.

- ▶ Clear, consistent knowledge of all ecosystem activities and events. Some overlap in events is acceptable, but a developing ecosystem is highly collaborative and transparent in planning, and avoids unnecessary duplication.

- ▶ Community members operate with transparency and are proactively collaborative.

- ▶ There is an obvious destination for new entrepreneurs that houses 25-50 individuals & companies.

- ▶ Talent—especially computer science, engineering, and entrepreneurs—are regularly staying local and there is a noticeable flow to startup and high-growth companies.

- ▶ In addition to University of Louisville (UofL), Code Louisville, Interapt, and Software Guild, there are alternative training programs (product development, sales, marketing) that address non-traditional students.

- ▶ Increased local funding opportunities through grants, active angel investors and angel networks, and dedicated seed funds are examples of a community that has risen above developing and is operating in an emerging state.

- ▶ Local corporations are playing an active role in the startup community through mentorship, providing industry expertise and network, and serving as first customers or pilot partners.

Louisville Scorecard

Culture

Developing

Density

Emerging

Talent

Developing

Institutional Support

Developing

Capital

Developing

Roadmap Support

As part of the Techstars engagement in Louisville, it is imperative that we work in close partnership with LEAP. We are not here to do this on our own—we must have the interest and support from everyone reading this report.

Some of you will work with us one-on-one. Some we may invite to join an informal working group. Some we want to support with our time and resources, as you drive your personal or organizational ecosystem passion project.

There is room for anyone who wants to participate—our only criteria is your ability to embrace and demonstrate the "new way" of thinking and those key principles outlined earlier in the report.

Louisville Assessment Breakdown

Culture

Culture is the most compelling factor in a developing community. By focusing our collective energies on changing the culture, the rest will begin to fall into place. Louisville's entrepreneurial community has a good grasp of early stage startup best practices. Moving forward, there is a need to scale more best practices. We observed a demonstrable #givefirst attitude, which seems to already be baked into Louisville's startup culture. The network has low friction; it is relatively easy to get introductions to people, and those people are willing to have a meeting or coffee. This is a great foundation for a frictionless, fluid network.

There is significant support for very early stage startups in the idea phase. From LaunchIt and RevIt to Startup Weekend to accelerator programs and more, the programming for early stage entrepreneurs is active and valuable. There is overlap in these activities. We believe some overlap is expected and acceptable in a growing community. However, in the case of Louisville, we heard in interviews and survey responses that there is a lack of collaboration, communication, and transparency in planning events, resulting in duplicative, competing events. Because Louisville is a developing ecosystem, this lack of collaboration is hurting the community's growth.

One aspect of the culture that we can change immediately is to encourage, recruit and support more entrepreneurs into positions of community leadership. There is a tendency to over-invest in more experienced business executives and traditional organizational leaders. However, embracing an entrepreneur led mindset has many positive implications. An important notion is the idea that there are only two roles to play in any startup community:

- *You are an active entrepreneur building a company, or*
- *You are supporting entrepreneurs in the region.*

The entrepreneur-led principle is not meant to create a hierarchy between entrepreneurs and everyone else. Rather, it's meant to create a distinction between entrepreneurs and everyone else. All stakeholders have an equally important role to play. But in thriving ecosystems, all stakeholders act in service of entrepreneurs. In turn, by supporting entrepreneurs, the entrepreneurial ecosystem and innovation economy grow. This attitude does not yet permeate the Louisville ecosystem.

There are several examples of break-out companies in Louisville with modest returns. There have been several high growth companies that have left the greater Louisville area to build their companies elsewhere. During interviews, we heard an emphasis on repeating these stories, seemingly with the intent to underscore the notion that "you can't raise money in Louisville." This type of repetitive storytelling of a few supposed negative examples is damaging to the community. While it's true that startups have raised money regionally or in other areas, this is not, in fact, a story of failure for Louisville's ecosystem. The opposite can be true. Thriving ecosystems can build the necessary capital resources locally while also celebrating the startups that leave town. There's an opportunity to turn the founders who leave into champions, or evangelists, of Louisville as the place where they got started.

We observed individual and group behaviors that hold both very positive elements as well as several unproductive elements.

A few examples of positive behaviors and attitudes:

▶ There has been a growing variety of entrepreneur-focused activities in the last 5+ years that has resulted in accelerators and incubators (such as Vogt Awards, WILD, XLerateHealth, and others) as well as events (1 Million Cups, Creative Mornings, Lemonade Day, Open Coffee, Startup Grind, Startup Weekend, technical user groups, Venture Connectors, and many, many more).

▶ This activity has also resulted in an intent to increase communications and activity through groups that serve the broader entrepreneurial community (1804, Enterprise Corp, Justice League, LEAP, Startup Louisville, and others).

▶ There is an underlying feeling that things are looking up for a few companies and the lift that their success yields will have a large impact on the region in the months and years to come.

▶ People in Louisville are generally supportive and operate with a give first, helpful attitude.

We observed some behavioral challenges as well:

▶ Louisville must continue to get current and former entrepreneurs into the influencer/leader driver's seat. Government, economic development, and university leaders must be in support of entrepreneurial leaders.

▶ Louisville must proactively and intentionally make diversity and inclusion a priority. Louisville has a rich diversity of socioeconomic, racial, ethnic, gender, age, and lifestyle backgrounds, but this diversity is not currently reflected in the stack of programs, events, and activities. Where it does exist, it is in pockets and silos, rather than integrated into every single program and activity.

- Leaders need to take a long view and commit to a longer term game.

- Many organizations, and some individuals, operate in silos. There is an attitude, and thus a resulting behavior, of protecting one's "turf" and resources.

- Community members have a tendency to guard their individual and organizational "gold" carefully. The result of this mindset is that it creates friction in the very thing we all want: innovation. By definition, innovation is new, scary, risky and many times results in failure.

- There are examples of leaders taking a win/lose stance or playing a zero-sum game as opposed to a collaborative and supportive win/win game. Our strongly held belief is that no single individual "owns" the startup community. We heard over and over again that there's a sense of "your win is my loss" mentality. This must shift.

- There is a regionalism that positions Louisville as a community that is in competition with or opposition to nearby communities. This parochial attitude hurts the growth of entrepreneurs. The community should proactively seek opportunities to collaborate with individuals and organizations in Lexington and across Kentucky, Cincinnati, across the river in Indiana and other areas. The access to other growing regional ecosystems is a distinct advantage for Louisville.

- Early stage startups should be encouraged to start companies across many sectors and industries, rather than hearing the story from investors, corporations, or startup support organizations that only healthcare startups, for example, can succeed in this community. There's room for entrepreneurship across sectors and industries.

- We found a limited number of community members using blogs, social media, or speaking at events to tell a candid entrepreneurial story of what's happening in Louisville. Candid storytelling is a tool that can fuel a community's growth.

Density

Louisville has many nodes of entrepreneurial activity across the city and neighboring communities, but lacks a single destination that is dense, thriving, and welcoming to founders.

There is space available for founders and startups at Atria/Nucleus, iHub, LouieLab, Story Louisville, The Pointe, UofL, and additional coworking spaces in the greater Louisville area, including The Root in New Albany. There are also several makerspaces where entrepreneurs can gather and take advantage of resources, including First Build, Maker 13, and LVL1. Accessible, free parking is available in several neighborhoods, such as Butchertown and NuLu, but is inconvenient and limited in downtown Louisville.

However, there is not one obvious entrepreneurial destination where budding, current and growing founders are housed. Density means building a critical mass of entrepreneurs in a single building

or neighborhood of the city. Density means that there is easy access for newcomers to feel the energy, witness the action through inclusive events, and get inspired. Density means that the combination of all of these activities creates a positive flywheel effect.

The new entrepreneurial "hub" space that's under construction in NuLu can help to create this density. There's a huge opportunity to drive entrepreneurial density in the NuLu neighborhood, as it already has a mix of coworking, small and growing startup offices, restaurants, cafes, retail, accessible parking, and relative proximity to the highway.

Talent

Talent is a multifaceted category. Talent comes in many shapes and sizes, including first-time founders, executive operators, mentors & advisors, qualified investors, state-of-the-market lawyers, a myriad of supportive vendors, and, of course, the talent needed by startups as they scale and hire for software development, marketing, sales, product development and more.

First and foremost, following are our observations about founder talent:

- Louisville has a pipeline problem. There are several activities or programs that are driving new, local entrepreneurs at the idea stage, but limited support beyond the idea stage.

- University of Louisville has a number of entrepreneurial programs across the colleges. This is an important asset, but there is a huge difference between a startup for a grade and a startup due to passion. We could see a better integration of the UofL startup programs and the Louisville private startup community.

- We see no available evidence and have not heard anything anecdotally to support the idea of new founders coming out of existing traditional corporations. This is unfortunate. We would theorize that there are a significant number of potential founders with a desire but no faith that there is a means or understanding about how to make their entrepreneurial dream happen.

Entrepreneurs are the critical input to a thriving startup community. Their success breeds new success. To that end, it is imperative that Louisville supports founders in the best way possible, in order to increase and improve entrepreneurial talent.

During our assessment, we heard too many times about entrepreneurs having nowhere to go for advice. The advice they do receive was described as outdated, not appropriate for the company's stage of growth, or simply wrong. Mentorship advice is significantly more valued by entrepreneurs when it's given by those who have been part of the entrepreneurial journey.

As a community Louisville needs to identify entrepreneurs in all stages of the journey who are able

to give a little of their time to new founders. These mentors can be local to Louisville, or they have spent time in Louisville or the region, or they could be those that have migrated out of Louisville to areas throughout the world but still have emotional ties back to the community. Their domain, and stage-specific entrepreneurial experiences will serve the Louisville community.

Regarding other talent skillsets—including software development, marketing, product development, design, sales, etc—we observed the following during our assessment:

▶ Again, UofL has an assortment of courses that address many if not all of the skills required. But these courses are reserved for admitted students in a degree-earning program. That does not work for everyone, especially later-in-life and other non-traditional learners.

▶ There are several code schools, including Code Louisville, Interapt and Software Guild. This is good effort but must be supercharged. We heard in interviews and survey responses that there's a significant need for software and engineering talent, both entry level and senior talent.

▶ We observe limited training for other non-traditional programs that address other skill areas, such as product development, digital marketing seminars, or sales bootcamps. As the Louisville community develops there will be both an opportunity and the need to develop such training programs.

Mentorship Talent:

▶ EnterpriseCorp and XLerateHealth have formal mentor programs that blend organic and matching approaches.

▶ Overall, we observed a void of active networked-based mentorship.

▶ There are several individuals who are give first in their approach and who actively mentor growing startups. The community cannot grow if it relies on the same super mentors. More mentors must be activated to hold office hours and to mentor founders.

▶ We also see an opportunity to bring the style of mentorship up-to-date to reflect the needs of entrepreneurs at all stages.

Investor Talent:

▶ The investment talent is not operating at an acceptable level for the current state of the ecosystem.

▶ There are both individual angels as well as angel groups. However, the angel and seed groups seem to have faded, where some of the incumbent investors have decided not to raise more funds.

▶ Angel term sheets, due diligence methodologies, and general engagement are acceptable, but not optimal. We did not hear of any SAFEs being deployed. We heard of examples of critical equity terms being buried in the fine print, rather than presented in a straightforward way.

▶ Overall, for the community to grow in sync with the imagined addition of new founders, new local investors (high net-worth, angel or micro funds) must step up, and more angel education must be shared with current and future angels.

Lastly, connecting talent to opportunities can be accelerated through targeted job boards, networking events, and utilization of a tight community network. We saw no evidence of any unique activity to connect people to jobs.

As a reminder, ecosystem building is a 20-year journey and many of these gaps do not need to be filled in the next year or so. Many can be added as needed. However, there are certain baseline activities that must be addressed like inspiring new founders, scaling up mentorship, and teasing out new angel investors.

Capital

During our assessment, we observed three things about the capital stack in Louisville:

• First, there is limited early stage and growth capital available locally.

• Second, founders are finding capital regionally when they're unable to unlock it in Louisville.

• Third, there is potential angel/seed investment sitting on the sidelines in Louisville.

Access Ventures, Chrysalis Ventures, Elevate Ventures other angel/seed firms, and a few angel networks have been active in Louisville. Newer firms, such as HQ1, are emerging. We heard of several serial entrepreneurs and investors who make one-off early-stage investments on an individual basis. However, the availability of angel and seed capital has had up-and-down fluctuations over the last five or so years, rather than a steady, growing expansion of the capital stack.

We did observe a behavior that seems overly-structured. We want to be careful that the current funding options do not begin to feel like new versions of the "old boys' club." This is traditional hierarchical thinking that limits the community's growth. At the heart of your community, the first focus is to remove any perception that you need to "know somebody" to get funding. We recommend a network approach where the needs of both founders and investors are met. Be generous with introductions and emphasize ask/give behavior, which simply means being willing to ask for help, and be willing to give the help needed. This includes being generous with introductions within Louisville, across the region, and even outside the region. For example, connect the dots with regional funds in Cincinnati, Nashville, and other nearby communities. We encourage individuals who have connections to be generous with introductions, which will improve the capital stack over time.

Regardless of these limiting factors, great founders with great ideas and some traction can find investment dollars. We have seen this play out regionally, with evidence that an entrepreneur can

network into and close on approximately $50k to $100k regionally—if they are an effective fundraiser. However, we found only a small handful of these examples of fundraising. Raising money regionally should not be considered a negative outcome by the Louisville community. Founders need resources to grow, no matter whether those resources come from investors within Louisville or across the state or in neighboring states. If Louisville wants to improve its overall capital stack, taking advantage of building coalition and network across Kentucky and surrounding states will be critical. Do not buy into the notion that a founder raising money outside of Louisville is a failure story for the community. Instead, it should be celebrated as a success story—and an opportunity to build stronger angel and investor networks across the region.

The challenge as the Louisville startup community grows—and so do quality investment opportunities—is whether there is a frictionless, clear way to unlock more local dollars to meet these funding needs. There are investment dollars sitting on the sidelines, potentially with some of the recent successful founders who may or may not choose to reinvest capital locally, as well as with other high net worth individuals who may be comfortable investing in horse racing, but have not yet discovered the impact, opportunity, and fun of investing in early stage startups. That is not to say there hasn't been an effort to engage these would-be investors, but now is the time for fresh thinking and a new approach to better engage new investors.

Venture capital is a business. Great venture capitalists have learned how to minimize risk. They invest for the long haul and go where the best deals are. Louisville does not yet have enough great deals to attract more external VC activity. There is no reason to recruit other VC firms to Louisville yet. Doing so would be counterproductive and actually slow community progress. It will be important to first strengthen the nodes of angel and local VC investor activity in the greater Louisville area prior to recruiting larger external firms. As the community evolves to an emerging maturity, the conversation of VC recruitment would too evolve.

Institutional Support

Government and NGO Engagement

The Kentucky state and Louisville city governments are making concerted efforts to better support the startup community. Most developing and emerging communities see a traditional, top-down economic approach from city and state government. Louisville will benefit from its government leaders continuing to embrace a grassroots, enabling vision. The government's role should be to enable others to drive progress—not be the leader. Government leaders can get behind and support motivated local entrepreneurs. City government leaders could play a significant role in creating density in Louisville by providing real estate incentives to startups and entrepreneurs.

College & University Engagement

Bellarmine University, Jefferson Community & Technical College, Spalding University, Sullivan University, and UofL have a number of entrepreneurial programs, centers, and relevant research projects, serving both main street business and high growth ventures. While we did observe thoughtful, supportive individuals who are actively building bridges between the institutions and the entrepreneurial community, we also observed silos and gaps. This is not unusual for emerging and developing ecosystems.

A leading startup ecosystem will have a well-integrated community where university staff and faculty work alongside real world entrepreneurs. There is opportunity to support collaborative research and commercialization projects by pairing local entrepreneurs with research faculty. There is already an effort being made to do so, and the community will benefit from more of this activity, with university leaders being more willing to set aside organization agendas and metrics and take some risks. There is also more opportunity to engage undergraduate students in entrepreneurship, potentially through meaningful startup internships, co-ops, and recruiting efforts.

Corporate Engagement

At this point in time, there is limited connection between Louisville corporations and the startup community. This must be addressed. During our assessment, we spoke with several corporate leaders who expressed interest in supporting the startup ecosystem, but had not actively sought out or found meaningful ways to engage. A few serve as mentors or make introductions or connections for entrepreneurs, although the approach to mentorship is more traditional than it is geared to startups. We found no evidence of corporations serving as pilot or first customer partners, no corporate venture capital or funding activity, and no startup events or activity convening at corporate locations.

We consistently heard from founders and investors that there is tremendous untapped potential to better connect the local corporations with entrepreneurs. Entrepreneurs expressed difficulty in accessing the right local corporate leaders, as well as challenges in getting a partnership or activity off the ground.

The current gap between corporations and startups is not the "fault" of any particular community actor; instead, it's an outcome of friction in the network and a lack of thorough understanding of best practices for startups and corporations to work together. There is an opportunity to educate the community on all sides of this equation, and then to create intentional relationships and network between big companies and entrepreneurs. Bridging this gap is possible, and we have valuable models to emulate and adapt to Louisville's community, such as Cintrifuse in Cincinnati.

The engagement between entrepreneurs and corporate leaders must be multifaceted. For example, the goal of the Louisville Healthcare CEO Council is to meaningfully impact new ideas in healthcare. There must be engagement beyond healthcare, though. There is more potential value in uncovering

the innovation needs of large organizations, regardless of industry, and matching local and regional startup solutions to those needs.

Leading startup communities have a strong and multi-dimensional relationship with regional corporations. It is never too early to create, augment or super-size those relationships. These are not only for the typical Fortune 500 companies, but should also include niche, mid-sized local companies. Corporate support can make a difference in a startup community by leaders getting behind and supporting motivated, local entrepreneurs.

Local Infrastructure

The elements of local infrastructure we assess include:

- Airline access (direct flights) to key locations across the U.S.

- High-speed bandwidth in key locations

- Transportation, including parking, to key locations

Flights - There are several direct flights to a few nearby large entrepreneurial hubs, including New York City, Boston, and Chicago. There are zero or very limited direct flight options to San Francisco, Los Angeles, and other western hubs. There are no direct flights to key international destinations. More direct flights to San Francisco and other major cities would benefit the Louisville ecosystem. This is critical to provide seamless travel options to those who need to connect with investors, business partners, entrepreneurs, and more.

Bandwidth - Bandwidth was acceptable, and we did not hear founders express concern about bandwidth for their needs. With Google Fiber recently deciding to pull out of Louisville, it remains to be seen how the other service providers will fill in gaps and offer competitive pricing and speed.

Transportation and Parking - During our assessment, we heard that public transit options between downtown and outlying areas are not convenient or well-used. Parking downtown is somewhat limited and is expensive. This is a point of friction with entrepreneurs, who are a fickle group that want free/low-cost parking, public transportation with direct connections between key drop-off points around the city. Bicycle and scooter support as well as charging stations are other emerging amenities. If Louisville can make progress in terms of entrepreneurial density, these issues or potential issues should be easily resolved. Transportation is an area where local government can positively influence ecosystem infrastructure.