



Accelerating entrepreneurial success.

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FIRST CROSS REGIONAL ASSESSMENT REVEALS ENTREPRENEURSHIP GAPS CALLING FOR PRIVATE SECTOR ENGAGEMENT AND COLLABORATION

*Regional mapping shows lack of connectivity among experienced entrepreneurs,
sets the stage for new entrepreneurs' top concerns regarding lack of capital and
talent*

Upstate New York, March 27, 2018 – Launch New York (Launch NY), Upstate New York's first and only venture development organization (VDO) to provide pro bono mentoring and capital access to high-growth potential startup businesses across the 27 westernmost counties of New York State, today announced results of its first cross regional assessment of entrepreneurship. The study included an analysis of the advanced manufacturing sector as well as grass roots to high growth entrepreneurship resources. It was conducted by NYC-based Endeavor Insight and is being supported by funding and engagement from The Kauffman Foundation and Launch NY, who leveraged a grant from the Ralph C. Wilson, Jr. Foundation. The Kauffman Foundation funding for this project is the first of its kind from the Foundation in the Western New York area and brings with it internationally-recognized survey methods developed by global leaders in entrepreneurship.

In 2016 and 2017, Endeavor Insight conducted two research projects in the western part of New York State, including Buffalo and Rochester areas. The first was a study of the entrepreneurship network within a sector that has been traditionally strong in both communities, advanced manufacturing. This study targeted the founders of nearly 500 companies that were launched or are currently headquartered in or around Buffalo and Rochester, the two major metropolitan areas in the region. The second project surveyed over 100 grassroots to high-growth businesses across all sectors in the Buffalo area selected through their work with local Community Development Financial Institutions (CDFIs) who provide business support and financing to businesses in low to moderate income neighborhoods, including Launch NY, PathStone Enterprise Center, the Westminster Economic Development Initiative (WEDI), and Excelsior Growth Fund.

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Through this study, Endeavor Insight brought its innovative mapping methodology to the region for the first time, which was developed by Endeavor with other leading international organizations and academic institutions under the umbrella of the Global Entrepreneurship Research Network through the support of the Kauffman Foundation. Endeavor Insight conducted sessions in Buffalo to present and discuss the study's findings and perspectives of entrepreneurs from dozens of startup and scale-up companies, investors, and other ecosystem leaders from Western New York and Finger Lakes regions.

“Our research has shown that young, high-growth companies are the single largest provider of net new jobs. However, high-growth companies are not created in a vacuum, but instead are forged in a community filled with other entrepreneurs, support organizations, and amenable government policy. Organizations like Endeavor Insight provide critical information as to what makes these ecosystems conducive to high-growth entrepreneurs and inclusive for all community members. Endeavor Insight has shown it truly takes a village,” said Evan Absher, Program Officer at the Ewing Marion Kauffman Foundation.

The study's findings of the advanced manufacturing sample revealed:

- Building upon the strong legacy of entrepreneurship within the advanced manufacturing sector, this sector continues to be a major employer in this region. The vast majority of employment today comes from subsidiaries of companies headquartered outside the region and from second- or third-generation family businesses. The average age of the local manufacturing company is above 40 years old. Active entrepreneurs made up only 3% of the sector sample compared with 10% among national samples from Business Dynamic Statistics, U.S. Census Bureau, 2017.
- Although connectivity among entrepreneurs has played a significant role historically in the growth of new manufacturing companies in areas such as optics and automotive, today the region ranks well below other communities studied by Endeavor within and outside the US when it comes to mentorship and investment provided by founders to startups in the region. Western New York and the Finger Lakes founders in the advanced manufacturing sector had an average of .2 connections to other new companies spawned locally, compared to .32 in Minneapolis and St. Paul medical device sector, .5 in the New York City software sector, .62 in the Nashville health care sector, and .86 in the New Orleans high-end restaurant sector.
- Low levels of entrepreneurial connectivity are problematic for an ecosystem because studies in other entrepreneurship communities indicate that engagement with strong networks of serial entrepreneurs significantly increase a new founder's likelihood of success. Mentorship from a founder at a previously successful company can improve a young entrepreneur's likelihood of success by two to three times. Angel investment from previously successful founders yields similar results and the knowledge acquired from previous companies that can be leveraged by serial founders and former employees of successful companies is also very beneficial.

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The results of the current startup and small business entrepreneurs showed:

- The founders and businesses working with local business support organizations who are Community Development Financial Institutions (CDFIs), that target grassroots and high-growth companies in low to moderate income areas are quite diverse in terms of their demographics and the industries that they comprise. About half of the businesses in this study were led by founders from minority groups and no single industry comprised more than 12 percent of the total.
- Respondents reported that their motivations for starting their businesses in Buffalo related to their ties to the community, the local quality of life, and the sense that the area is supportive of founders. In addition, it is clear that these founders have significant growth motivations.
- The greatest challenges cited by the founders in this sample were access to debt and equity financing. The second greatest challenge was finding management talent, particularly as the organizations experienced growth.

“Launch NY’s evolving mentorship model and financing programs are built upon the idea of entrepreneurs helping other entrepreneurs, and we recognize that having the private sector step into an even more active role with us and our clients is the pathway to a thriving entrepreneurial ecosystem,” said Marnie LaVigne, PhD, president and CEO of Launch NY. “We are hopeful that this research will help our community activate those successful entrepreneurs who are still here and those who can join in from afar to join in to support our entrepreneurial ecosystem and build on our current momentum.”

“As part of our mission, we know that entrepreneurship and economic development go hand-in-hand as a critical piece in transforming communities and creating the next generation of growth and jobs,” said Lavea Brachman, vice president of programs, Ralph C. Wilson, Jr. Foundation. “We’re optimistic the insights from this study will help spur the Buffalo and Rochester communities to work together to further grow an entrepreneurial ecosystem that broadens the network helping entrepreneurs and small businesses get the right type of support, from capital to talent, at the moment they need it.”

“We have used this innovative approach in more than a dozen cities around the world,” said Rhett Morris, the research director for Endeavor, “And the results have helped to motivate those in the private sector who have entrepreneurial talents and resources that can benefit new founders. This is exactly the kind of ground swell that seems ready to emerge in tandem with the work of dedicated support organizations in Upstate New York.”

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About Launch New York:

The mission of Launch New York, Inc. (Launch NY), a US Treasury-designated Community Development Financial Institution (CDFI) is to identify, support, and invest in high-growth, high-impact companies and catalyze the entrepreneurial culture in the 27 counties comprising the western half of Upstate NY. Launch NY is a 501(c)(3) non-profit venture development organization that promotes economic development through best practices, proven activities of experienced business mentoring, and seed capital investing in order to create investment-ready companies which have the promise to create significant economic impact and jobs for our region.

Launch NY uniquely fills the gap in connecting all of Upstate's entrepreneurship resources to a pathway to success via unique proof-of-concept capital and high-quality pro bono mentoring support through eighteen experienced local entrepreneurs-in-residence and a national mentor network of 2000 industry, business, and investment experts. Launch NY was formed as a result of collaboration between private and public stakeholders in Upstate New York to create long term strategies that would foster a robust self-sustaining entrepreneurial ecosystem built on regional collaboration. Launch NY is headquartered in Buffalo and has regional co-location with partner organizations in Binghamton, Ithaca, Rochester, and Syracuse. It has served over 750 companies comprising more than 2,500 jobs since starting operations in 2012.

For more information, see launchny.org.

About The Kauffman Foundation:

The Kauffman Foundation is the most highly recognized philanthropic organization who provides educational resources for U.S. entrepreneurs, works to accelerate metro-area entrepreneurship hubs, and helps support organizations that assist entrepreneurs. The Foundation also works to advance entrepreneurship by providing research-based knowledge to entrepreneurs, policymakers and others. To learn more please visit www.kauffman.org.

About Endeavor and Endeavor Insight:

ENDEAVOR is leading the global high-impact entrepreneurship movement to catalyze long-term economic growth. Over the past twenty years, Endeavor has selected, mentored, and accelerated the best high-impact entrepreneurs around the world.

ENDEAVOR INSIGHT, Endeavor's research arm, studies high-impact entrepreneurs and their contribution to job creation and economic growth. Its research educates policy makers and practitioners on how to accelerate entrepreneurs' success and support the development of strong entrepreneurship ecosystems. In 2013, Endeavor Insight joined with the Kauffman Foundation and the World Bank to co-found the Global Entrepreneurship Research Network (GERN).