

# INNOVATION ECOSYSTEM ASSESSMENT FOR THE GREATER KNOXVILLE METROPOLITAN AREA

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# Assessment Introduction

- Unique moment for Knoxville's tech community – aligns local organizations and leadership of TVA, UT and ORNL.
- Knoxville's tech community is near average performance relative to peer communities... but far below its potential.
- Local leaders agree on:
  - Potential of Knoxville's tech entrepreneurs.
  - Strengths found in local quality of life and the research institutions in the region.
  - The need to take action.



# Assessment Results: Strengths

Five thematic areas in the Knoxville Innovation Ecosystem...

1. Proximity to large research institutions
2. Excellent quality of life
3. Relatively low cost of living
4. Deep pool of technical talent
5. Existing support organizations for startups

# Assessment Results: Opportunities

Six “gaps” in the Knoxville Innovation Ecosystem...

1. Perception
2. Funding
3. Support
4. Access
5. Participation
6. Measurement

# Gap 1: Perception

## Explanation

**PERCEPTION:** Successful local tech entrepreneurs are often "Knoxville's best-kept secrets," which reinforces false perceptions of the local ecosystem.

## Evidence

The typical local entrepreneur interviewed or surveyed for this project could only name 2 to 3 local tech companies less than 20 years old that have had significant success, though more than several dozen exist.

As one founder noted, "There is a sense that Knoxville is not a great place for entrepreneurs. I think it is important for more people to know that there are startups succeeding at a pretty high level here."

## Recommendations & Opportunities

**Change the narrative about local entrepreneurship by drawing more attention to successful tech entrepreneurs in the Knoxville region.**

- Develop PR campaign to place more stories on growing and successful companies in the local media and existing entrepreneurship platforms (e.g., "Knoxville: Great Companies Grow Here")
- Create an "entrepreneurship story" for the community highlighting how founders have helped build the city in the past through supporting one another and are currently having further success. Could be shared in book format or via presentation with young people (e.g., UT Freshmen)

# Gap 2: Funding

## Explanation

**FUNDING:** Early stage financing is scarce for local technology companies.

## Evidence

Lack of early stage funding was the most commonly cited "major challenge" among entrepreneurs and other community members in project interviews and surveys.

In addition, benchmarking data indicates that the Knoxville metropolitan area has a smaller proportion of series A and seed investments than comparable communities.

## Recommendations & Opportunities

**Provide local founders with more pathways for raising early stage funding.**

- Increase the number of local companies receiving support to apply for SBIR grants
- Recruit national accelerator or incubator program that supports early-stage companies in preparing to fundraise and also provides connections to capital providers outside the region
- Develop new local seed fund or matching mechanism for seed investments made into local companies
- Train more local high-net-worth individuals and family offices on how to angel invest or become LPs in venture funds
- Increase participation in programs with success in bringing in outside funding



# Gap 3: Support

## Explanation

**SUPPORT:** Local companies that reach the growth stage lack support, particularly from successful local entrepreneurs and senior executives.

## Evidence

The majority of growth-stage companies (i.e., companies under 10 years old that have raised over \$1M in funding or have reached over 20 employees) reported that they did not have any local mentors. These entrepreneurs also reported that it was difficult to get assistance accessing expertise and client introductions from the local community.

Only 2 to 3 successful entrepreneurs are active mentoring growth-stage founders. This is especially distressing since data shows that growing founders like these are responsible for the majority of local economic growth.

## Recommendations & Opportunities

**Develop new programs to assist growth-stage companies that have grown beyond existing local initiatives for startups and idea-stage founders.**

- Create a new program to match local successful entrepreneurs and executives with growth-stage companies to provide tailored support and expertise.
- Expand peer networking initiatives, such as the GrowthCo meetup at the KEC, should be expanded since most growth stage entrepreneurs reported knowing very few peers.
- Help growing companies that need specific types of laboratory space better access what is already available in the community or increase the overall supply.

# Gap 4: Access

## Explanation

**ACCESS:** Local innovation assets are of exceptional quality, but very difficult for entrepreneurs to access.

## Evidence

A large number of growth-stage and startup-stage entrepreneurs rated the big three partners as difficult to navigate when trying to partner together or access resources. The only exception seems to be companies that are included in internal programs (e.g., Anderson Center at UT).

## Recommendations & Opportunities

**Create intentional points of contact and ensure that internal incentives are aligned with supporting entrepreneurs.**

- Designate "guides" or "navigators" within innovation organizations and large corporates to help entrepreneurs navigate each institution
- Create internal awards for "going outside normal duties" to assist local ents each year
- Recruit more successful entrepreneurs who have worked with the institutions to serve on the boards of entrepreneur-focused programs to give founders a greater voice
- Reduce the mindset that fiduciary duties of tech transfer staff means that they must have a zero-sum mentality in negotiating with entrepreneurs



# Gap 5: Participation

## Explanation

**PARTICIPATION: Women and minority founders are underrepresented in the tech community and among local entrepreneurs more broadly.**

## Evidence

The proportion of women and minority founders served by programs for local technology entrepreneurs is not reflective of the demographics of the broader Knoxville community.

## Recommendations & Opportunities

**Leverage the strengths of the tech entrepreneurship community to increase its own diversity and to support underrepresented founders in other local sectors.**

- Increase board and leadership participation from underrepresented groups and seek input on improving outreach and support within local entrepreneurship organizations.
- Bring tech entrepreneurs together to lead initiatives for supporting the growth of existing entrepreneurs from underrepresented groups in non-technology industries

# Gap 6: Measurement

## Explanation

**MEASUREMENT: No mechanisms exist to measure progress, leading to misinformation, lack of transparency and accountability, and difficulty in making adjustments to community strategies.**

## Evidence

Interviews with local leaders indicated that basic information, such as estimates on the number of local tech entrepreneurs, vary significantly. Conversations also revealed that information is often siloed inside of individual organizations and not regularly updated.

## Recommendations & Opportunities

**Design collaborative measurement tools to monitor progress and support transparency and accountability.**

- Combine multiple external data sources outside the region to benchmark progress on fundraising, company growth, etc.
- Utilize primary data collection to identify companies making significant progress or that could benefit more than others from targeted support
- Share the results of data collection with leaders on a regular basis to facilitate coordination and dialog in the community

# Next Steps – Funding

## **Three Roots Capital (Grady Vanderhoofven, President and CEO)**

1. Expand efforts such as the TennesSeed Fund
2. Work closely with Knoxville Chamber component of its broader “Path to Prosperity” plan.



# Going Forward

# Next Steps – Participation, Support

## Knoxville Entrepreneur Center (KEC – Jim Biggs, Executive Director)

1. “Made for Knoxville” initiative
2. Launch Mayor’s Entrepreneurship Council with City of Knoxville
3. “Inflection Point” initiative
4. New efforts focused on underrepresented populations like the upcoming “100Knoxville Launch Event.”



# Next Steps – Perception, Access, Metrics

## **PYA (Tom Ballard, Chief Alliance Officer)**

1. Create and coordinate an ongoing, integrated public relations and marketing campaign
2. Add writer to PYA to help tell the community story
3. Continue individual regional promotional efforts
4. Develop metrics to show progress
5. Recruit “navigators” to connect entrepreneurs to region’s assets



# Next Steps – Accelerator Program

## TVA, UT, ORNL, Community

- Three year accelerator program with Techstars
- A catalyst to help propel start-up companies/community to next level
- Three elements of accelerator success:
  - Commitment to work together to close gaps
  - Community support of the accelerator
  - Community must sustain the effort





# Questions

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