

Seed Funding Program For Start-Ups

Issue

West Virginia needs to nurture more entrepreneurial activities and start up ventures. Part of succeeding at this would be to help provide initial financial, technical and operational assistance to technology and science-based start-up opportunities. West Virginia should invest in a seed voucher grant program that would be administered by the state and entrepreneur development organizations. The goal would be to spur an innovation-driven entrepreneurial network that will help to diversify the state's economy, generate new business creation and create additional employment opportunities.

Background

National statistics show that most job creation is a result of small business startups and expansions rather than expansions by large corporations. Many states and regions have developed integrated programs and activities designed to foster entrepreneurship, which is the unconstrained pursuit of new ideas resulting in an innovative creation.

This is a long-term development process and occurs primarily from “within.” Small, entrepreneurial firms are a critical source of growth and good paying jobs. Small enterprises are often laboratories for innovation and new thinking — important factors in building a strong economy. In addition, small innovative firms are incubators for new entrepreneurs and frequently attract other similar enterprises, leading to the formation of economic “growth clusters.”

West Virginia needs to invest, similarly, in a seed level funding program that will help move innovative, growth-oriented individuals from the idea stage to a start-up level. While West Virginia has developed and implemented other business development programs, such as low-interest loans, risk capital coverage and venture capital financing, these are higher up on the business development ladder. Now, West Virginia needs to spur new ventures by investing in the first rungs of this ladder. This initial rung is vital toward nurturing and spurring entrepreneurialism and business start-up risk-taking.

The seed voucher grant program will be focused on early stage technology and science-related business activities, and would help to provide funds for necessary activities such as business plan creation, early seed capital funding, team creation, technology planning, marketing, or proof of concept development

The program's creation also would serve an important purpose in filling an existing gap in West Virginia for financing entrepreneurial and innovation initiatives of start-up ventures. This fund would not compete with bank loan programs or existing venture capital companies because it is targeted for companies too small to be of interest to traditional banks or equity investors.

A comprehensive entrepreneurial development program covers a number of different phases, and West Virginia presently does not have any substantive programs in place to meet the needs, financial and consultation, of the embryotic phase of entrepreneurialism. This phase covers from idea generation to business plan creation to intellectual property protection to prototype development to marketing and sales.

West Virginia needs to help nurture homegrown firms that can generate the opportunities, wealth and good jobs that the state must have if it is to further diversify its economy and grow greater employment opportunities.

The Chamber's Position

The West Virginia Chamber of Commerce supports the development of a legislative proposal that would create a new entrepreneurial seed voucher/grant program in West Virginia focused on technology and science-based enterprises. A similar program has been successful in Kentucky. In general, funds could reside with an entity such as the West Virginia Economic Development Authority and would be available to authorized innovation centers (either new centers or connected with existing ones such as the SBDC and higher-education entrepreneur centers). These centers would review, verify, qualify and submit proposals for final grant funding approval. An approval committee would be authorized, called the W.Va. Innovation and Entrepreneurial Council, and would include representative members (i.e., three members of the W.Va. EDA, two financial industry designees, a designee of the W.Va. Development Office, a designee from the Governor's Office of Technology and two designees from the technology industry). The council will work with all private and public entities to create new companies and advance innovative ideas in the Mountain State.