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TOP STORY

FOCUS ON ECONOMIC DEVELOPMENT

Mid-Valley InBusiness: Boosting entrepreneurs statewide

MIKE McINALLY Mid-Valley InBusiness Jan 28, 2019 Updated Jan 28, 2019

TRY 1 MONTH FOR 99¢



Entrepreneurs pose for a photo during a recent workshop in Lebanon sponsored by Oregon RAIN. The org



catalyst" model, which aims to connect startup businesses with the resources they need to grow, is going st

Oregon RAIN (it stands for Regional Accelerator and Innovation Network) made headlines last year when it hired what it called a "venture catalyst" for the mid-valley — a person who works to connect entrepreneurs with the resources they need to develop a startup business.

Now, not quite a year after Corey Wright started as the venture catalyst for the area that includes Linn and Benton counties, along with Lincoln and Lane, the idea is going statewide: The Oregon RAIN board of directors voted last October to work with other regional economic development entities to add venture catalysts around the state.

In a recent conversation with Wright and Caroline Cummings, the executive director of Oregon RAIN, the two talked about how they believe the organization is helping transform the state's economy into one that's based on innovation and entrepreneurship.

Here are highlights from the conversation, which has been edited for length and clarity.

Mid-Valley InBusiness: Talk a bit about Oregon RAIN, its founding and how




it's evolved over the last few years.

Caroline Cummings: RAIN started back in 2014 out of the 77th Legislature. It was originally formed because there was a capital scan done around the state of Oregon, (asking), what kind of capital is there to invest in startups? ... So what they find is there's a capital desert — granted, it's grown a lot in the last 10 years, but we're never going to be a Silicon Valley or even a Seattle. ...

And there were a ton of innovations and startups happening all over the state, not just in the metro (area) but also rural. Legislators got together and said, "We want to be sure we don't lose these companies, that they don't leave the area." So the idea to create Oregon RAIN was born, and the intention was primarily initially to work with the entrepreneurs and the innovators coming out of (Oregon State University) and the (University of Oregon) and then also (to) highlight programs as needed. ...

Well, that was going really well, the programs were growing, the accelerators (at OSU and RAIN Eugene) were growing, and then we started getting calls from rural city managers. Florence was the first, Erin Reynolds. And then we heard from Lincoln County Commissioner Doug Hunt. And then we started hearing from city managers in the region Cory represents, Monroe and Lebanon and Sweet Home. So these rural communities started to say, "Hey, we want what these metro communities have. We have cool companies here. We have risk-takers here." ... So right now, there are 16 communities, 15 of them are rural, one is not rural, which is Albany ... and there's four counties — Lane, Linn, Benton and Lincoln. ...

Then, the state came to us about a year ago, and said, "We don't know if we're going to be able to continue funding what you're doing. You need to become sustainable." As a result, my board voted to go statewide because we are funded well by cities and counties and private foundations and corporations. However, all these cities and counties want the state to remain playing a role. ... So that's where the statewide expansion has happened. Sen. Arnie Roblan is the key 

sponsor of a bill, Senate Bill 258, and that is not just for RAIN; we are just one of the players. There's four other economic development organizations in there that would receive funding. The total funding is \$2 million. So it's us, it's the Oregon Entrepreneurs Network, which serves the Portland metro area (they want to expand into more of the rural up there), there's Economic Development for Central Oregon, there's Strategic Economic Development Corp. in the Salem area and there's Southern Oregon Regional Economic Development in the Medford-Ashland area. The one thing all five of us have in common is we all have this venture catalyst model. We all have expertise in helping a company scale fast or fail fast.

InBusiness: Corey, talk a little about the venture catalyst model and how that's different from a venture capitalist.

Corey Wright: A venture capitalist works for a venture firm that is basically raising money and investing it into startups in order to try to make money for the investors. ... A venture catalyst is developing the entrepreneurial ecosystem. So I'm not investing money in startups, I'm helping the startups be investable. I'm doing events in the region to promote entrepreneurship. I'm going and talking to schools and students and teachers and showing them that, hey, you can go to college, you can also create your own business and sustain yourself that way. I'm finding out what resources are available and what resources aren't available. I'm meeting with governments and helping them see new policies or existing policies that aren't helpful to entrepreneurship. ...

I help entrepreneurs raise money from crowdfunding, from friends and family, from banks. ... So it's this whole ecosystem development of creating a culture of entrepreneurship and being a resource and a mentor and a connector for these startups so that they can succeed and then maybe eventually get capital from an actual venture capitalist.

InBusiness: Are there common misconceptions that you have to deal with as you go from community to community?



Cummings: Especially now with the “Shark Tank” show so prevalent, people know about those venture capitalists. ... Here are some of the similarities: A venture capitalist and a venture catalyst both invest in startup companies. Capitalists invest money and the return is money. Catalysts, we invest time, and our return for the state is that there’s more startups, there’s more living and high-wage jobs and we help those companies start, scale and stay in Oregon. The return on investment is building an entrepreneurial ecosystem where Oregon is seen as an innovation economy. We need to move out of the timber heyday of the 1980s. ... So now (we're trying to) create an ecosystem so that there is an infrastructure so that these companies don’t leave and go to Seattle or the Bay Area or even go to Portland. We want to keep them in the small and rural communities where the majority of the population is in Oregon.

InBusiness: We’ve been talking for years about the need to move away from the timber economy toward an economy based on innovation. Why do you think we’re not further along?

Cummings: It’s really a philosophical and cultural approach. There needs to be a mental model shift. I studied change theory back in college. When you look at change theory, it takes an organization — let’s just say a company that has about 10,000 people — it takes an organization two to five years to change the culture, and that’s assuming you have the CEO and the right executive team in place. What’s important about why it’s taking a little bit longer — well, first of all, we only go where we’re invited. That’s a big, big, important piece. ... We’re not going to go up to Astoria and knock on the city manager’s door and say, “Oh my God, we have something that’s going to save your town.” ...

When people think about economic development over the years, it’s been focused on three main pieces: Recruitment of new businesses into a town, ... business retention and expansion ... and then marketing regions for tourism, which also brings in economic development dollars. All three of those are very important. But we bring in the fourth leg of the stool, which is entrepreneurship

and innovation ecosystem building. Because sometimes people forget: Who started Weyerhaeuser? An entrepreneur. Who started Nike? An entrepreneur. Who started Nancy's Yogurt? An entrepreneur. So we're working with those early, early stage companies, even in idea stage, so that they become the next big players in Oregon. And I think once you start to see more and more success stories, and these success stories can take time — five or 10 years for a startup to ramp up in scale — that's when I think we're going to see more of Oregon adopt this model.

InBusiness: And part of that mindset is understanding that most of these ideas aren't going to succeed. That people learn from failures and eventually succeed. Not every business on "Shark Tank" is going to succeed.

Cummings: Right. And that's why we say we help them scale fast or fail fast.

...

Wright: One of the first things we work on with entrepreneurs is help them do this process called value proposition design. Entrepreneurs have this idea that they're in love with, but it may not be successful. So I take them through a process of discovering their customer and whether or not they can actually make a viable business out of this before they invest a bunch of time and money into it. And some of them go, "Oh, we need to pivot. This isn't going to work." And so they change. We help them fail fast without losing any money and not that much time. And then the other thing (is) that we don't go in and just say, "Oh, a community needs to do this and this." We work with the entrepreneurs who are there, and it varies. In some places, small manufacturing is really picking up. Other places, it's food and beverage. Other places, it's tech or financial or clothing. ... So we go in and partner with what existing communities and entrepreneurs are bringing to the table and helping that grow.



InBusiness: The venture catalyst model is relatively new, but to get to the point where it's expanding statewide, there must be some early success stories.

Cummings: The venture catalyst model was first launched in Central Oregon back in 2009 as part of the EDCO (Economic Development for Central Oregon), and the model has been so successful it's spreading around the state. Oregon RAIN has been implementing the venture catalyst model since the end of 2015.

(Here's a success story:) Meant Manufacturing is based out of Florence and Lindsey Phillips is the founder. When we first met Lindsey three years ago, she was doing her manufacturing business on the side. She was getting Pendleton remnants and turning them into high-end handbags and backpacks and other accessories. And, you know, she was making a total of about \$10,000, \$20,000 a year just on her side hobby. She went through a preaccelerator program that we launched there. She's been mentored significantly. We sat down with the middle of last year to help her come up with a plan of how to get a million in revenue within the next five years. She's hired three part-time single moms and trained them on this, paying them a living wage in Florence. ...

She would tell you that she wasn't going to leave her day job, she was going to continue doing this as a side hustle. ... We had investors from Portland come down to Florence to meet with her and mentor her, over from Bend, over from the Eugene-Corvallis area; these rural folks are blown away by the people who show up to help them. ...



InBusiness: Corey, you've been busy in Linn and Benton counties.

Wright: We've held over 30 events in the last seven months, identified over 30 entrepreneurs. These entrepreneurs have startups in various different industries. In Albany, we have someone working on an idea to help barbers cut the hair of disabled people and make it a better experience for the disabled people getting their haircut. In Philomath, I have a guy making an augmented reality art platform. ... There's fashion designers in Philomath. In Lebanon, we have a company that is developing bedding for people who sleep in their recliners and need another solution for having better sleep. ... My goal is to really showcase all these entrepreneurs and their startups to investors outside of the region and to say, hey, "Look what's going on in Linn and Benton. There's a lot of cool stuff. You guys need to stop paying attention to only Portland and Bend and Eugene and start paying attention to what's going on here in this area."

InBusiness: Caroline, you talked earlier about that rural-urban divide, but a lot of these entrepreneurs in this smaller towns don't want to move up to Portland. They don't want to move the business out of state.

Cummings: No, they don't. And we tell city and county officials, look, we make sure that we want to erase the city and county lines because the entrepreneurs, they don't want to move to Portland, but the guy in Philomath or the gal in Halsey will drive to Sweet Home, right? They're commuting within their own region, which is awesome. We never do an event in one community and only have people from just that community there. If we're having an event in Lebanon, we have people from Albany there. We've got people there from Halsey there and Brownsville and Harrisburg.

InBusiness: That says something about how the economy sometimes crosses governmental boundaries.



Cummings: Well, you know what's been really great about this venture catalyst model, and we do regularly say (to city and county officials), I know you guys care about city and county lines, but our entrepreneurs don't care. But here's what's cool: Linn County, Benton County, Albany and then the other eight cities that Cory's representing all have put money in to support this. So they all agree about the importance of creating zero barriers for their entrepreneurs enough that they're all putting money in. So they have banded together in that way, which is unlike anything I've seen anywhere else in the state, which is kind of cool ... That mental model shift of the next generation, the next innovation economy, is already happening ... and it's really wonderful to be a part of it. ... It's not about RAIN. ... It's about the entrepreneur who is taking a second mortgage on their home, who is deferring their student loans to take that money and to invest into creating the next coolest or the most important (business). That's what should be celebrated here, is the entrepreneur and the risk-taker, and the fact that the counties and the cities have banded together to support that, is a pretty awesome statement.

WINTER PITCH FEST

Oregon RAIN is sponsoring a professional pitch competition at 6 p.m. Thursday, Feb. 21 at Nectar Creek, 500 Main St. in Philomath.

The event, dubbed the "Winter Pitch Fest," will highlight top startups from the Linn-Benton rural region. Corey Wright of Oregon RAIN said he's already lined up \$5,000 in cash and in-kind services for the winners.

The event is free to attend, although an RSVP is requested at OregonRAIN.org. For more information, email Wright at this address: Corey@OregonRAIN.org.

CORRECTION



The original version of this story had an incorrect date for when the Oregon RAIN board of directors voted to expand the venture catalyst model statewide. The story has been corrected.

