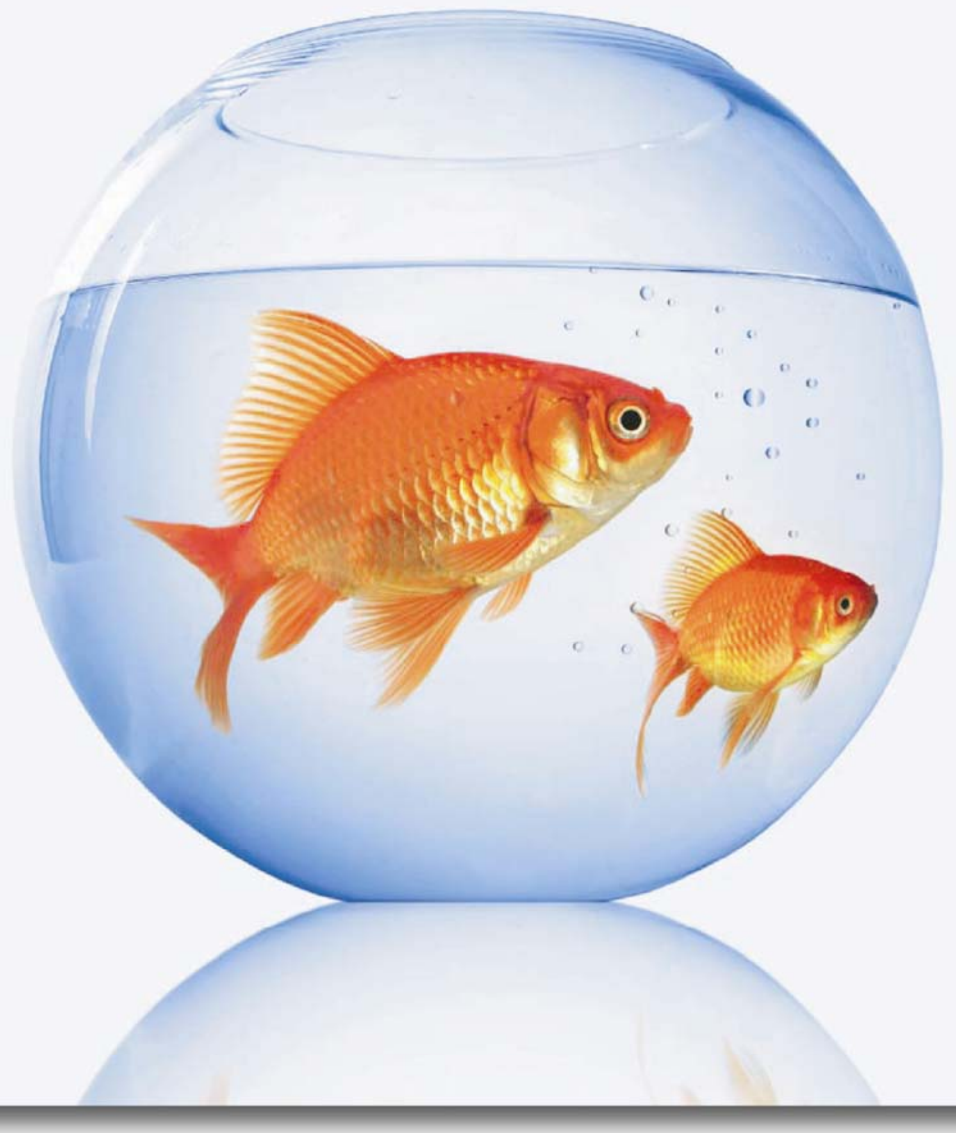
Clean Energy Business Colorado

The Creation of a Model for Entrepreneurial Development and Support in Colorado



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COLORADO SESP
State Energy Sector Partnership

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Clean Energy Business Colorado

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BACKGROUND

Entrepreneurial development and support in Colorado is (in the words of an experienced observer) “a muddy jumble.” Colorado SESP will leverage a relatively small budget dedicated to supporting entrepreneurial training through an innovative approach to improve and expand such programs throughout the state. Colorado needs to develop a model that can be applied to all entrepreneurial development and further this job growth; energy efficiency and renewable energy entrepreneurial development can be the model. The State Energy Sector Partnership can play a vital role in developing that model.

The requirements of the SESP grant provided a framework for a much more important conversation than simply training 30 unemployment insurance recipients to be small business owners.

With an eye on having the project reach out to more than 30 new businesses, the Colorado SESP put together a team whose objective was to create a systematic approach to breaking down silos among the stakeholders and organizations involved in entrepreneurial development. Colorado SESP set out to establish a sustainable, non-funded working group functioning without government red tape to collaborate on finding, training, supporting, and accessing funding for clean energy businesses in Colorado.

PROJECT VISION

The Colorado State Energy Sector Partnership (SESP) is a $6 million American Recovery and Reinvestment Act grant designed to train Colorado residents in the skills required to succeed in careers in the renewable energy and energy efficiency fields. Partners include representatives from business, labor, community colleges, the workforce system, human services, and economic development.

The SESP statement of work provides $435,000 funding (recently expanded to more than $552,000) for:

> “The Energy Sector Entrepreneurial Pilot Project. The pilot will be based on a successful project for older UI recipients in Minnesota. Services will include classroom training, ongoing support of start-up businesses (using counselors to help participants take practical steps such as developing a business plan, setting up an accounting system and obtaining needed licenses), counseling, and case management… we plan to graduate 30 entrepreneurs… The SESP will direct the CDLE to release an RFP to identify providers with a track record of successful entrepreneur training and support. UI recipients will be recruited by the one-stops. Business opportunities in weatherization, energy efficiency, retrofitting, conservation, solar and wind energy are available... The collaboration will explore innovative products developed by the universities and NREL and attempt

to match participants in the pilot demo with these products where practical. Additionally, the OEDIT will provide assistance in this project from its small business development centers and their core of business mentors."

THE PROCESS

Entrepreneurial development is an exciting subject to many. Literally hundreds of people were clamoring to help. Early on it was recognized that meetings of a large mass of willing people was unwieldy. Instead, SESP selected leaders with specific knowledge or interest who have, by the nature of their business, extensive knowledge of the industry and engaged networks. Through their extensive business networks these leaders reach thousands of stakeholders.

To remain agile and responsive, we chose not to form a commission, committee, ideas force, or similar formal initiative, but a working alliance: "Clean Energy Business Colorado" This group convened the meetings that consisted of a wide range of conversations—often free form—to encourage open and creative collaboration. At each meeting, conversations were directed to delve into elements of training and finance. These distinguished leaders volunteered to attend seven meetings over four months:

Hank Held (Chairman), SVP/Corporate Legal Counsel, Burt Technologies
Richard Adams, Manager of Innovation and Entrepreneurship Center, Commercialization and Technology Transfer, NREL
Clarke Becker, Director, Office of Workforce Development and former President, Economic Development Council of Colorado
Frances Draper, Former Director, Boulder Economic Council
Dawn Gardner, Business Development Supervisor, Arapahoe/Douglas Works!
Brett Johnson, former Finance Manager, Governor's Energy Office, currently serving as Colorado Deputy State Treasurer
Kelly Manning, Director, Colorado Small Business Development Center Network
Stephen Miller, President and CEO, CleanLaunch
Geniphyr Ponce-Pore, Assistant Director of Economic Development, Office of Engagement, Colorado State University
Adam Rentschler, National Judging C0-Chair, Clean Tech Open
Graham Russell, CEO, Trupoint Advisors
Alex Sammoury, Executive Director, Longmont Entrepreneurial Network
Chris Shapard, Executive Director, Colorado Cleantech Industry Association
Beth Shaw, Executive Director of Customized Business Services, Colorado Mountain College
Jenifer Waller, Senior Vice-President, Colorado Bankers Association
Trent Yang, Director, Entrepreneurship and Business Development, University of Colorado (CU)/National Renewable Energy Labs (NREL), Renewable and Sustainable Energy Institute (RASEI)

A special thanks goes to the following individuals whose information and expertise added depth to the understanding of the challenges and opportunities available:

Brian Ballard, First Bank
Bill Becker, Colorado Credit Union Association
April Dahlager, USDA
Mark Forsyth, Rocky Mountain Innosphere
Lynnette Newman, Small Business Administration (SBA)
Stephen Ponce-Pore, Energy Programs Manager, Bank of Colorado, Ft. Collins
Stephanie Steffens, Colorado Workforce Development Council
Emily Templin-Lesh, Colorado Workforce Development Council and Governor's Energy Office

Some of the participants knew each other, but this was the first opportunity to have them *all* in the room together and work. Each person brought a unique view, network, and skill set to the conversation. The first meeting was used to develop an asset assessment. The diversity of the participants helped all understand who was representing this team and what they were contributing to the process. And so the collaboration began.

Throughout the process, the group discussed the continuum of needs of start-ups that would increase the likelihood of their success. The group discussed incubators, mentoring, different kinds of entrepreneurs and their differing needs, methods of recruitment of entrepreneurs and vetting them for success, financing options (including state-backed programs, SBA, USDA, consumer and business banking approaches and programs, credit unions, venture capital, and angel investment), tech transfer, the role of NREL, and the roles of the workforce system and community colleges in entrepreneurial development.

WHAT WE LEARNED

The United States Department of Labor issued technical guidance for the Workforce System about how to dedicate federal dollars for the support of entrepreneurialism in Colorado. The findings and work of Clean Energy Business Colorado run hand-in-hand with that guidance. In "Supporting Entrepreneurial and Self-Employment Training through the Workforce Investment System", the Employment and Training Administration sets the stage for the Colorado model:

> Microenterprise typically refers to very small businesses with just a few employees that require very little capital to start. The term encompasses businesses such as repair or cleaning services, pet-grooming, computer technology, specialty foods, jewelry, arts and crafts, gifts, clothing and textiles, childcare, environmental products and services, etc. These small companies create employment for the owner and often other family members, or they may grow large enough to employ other members of the community.

> On the other end of the size and scope spectrum, entrepreneurship takes the form of high-growth/high-value companies that focus on innovation and growth. These companies facilitate the transfer of innovative research to the commercial marketplace and generate jobs and tax revenue. Between micro-enterprise and high-growth/high-value companies are the many small businesses that employ between 10 – 100 employees. Creating a healthy environment for entrepreneurship across the full spectrum creates employment and growth opportunities at all income levels in a region.

What is an entrepreneur? When speaking about entrepreneurs, there can be as many different concepts as there are people in a room. Banks often say they consider it a start-up if they are pre-revenue for any type of loan other than SBA loans. The SBA has their own rules (companies in business two years or less) and banks use those rules in processing an SBA-backed loan. The Small Business Development Centers (SBDCs) may each have their own perspective. Before a conversation could be had about developing entrepreneurs, a common definition was necessary.

Mindful that the State Energy Sector Partnership requires promotion of renewable energy and energy efficiency business, the group determined to focus on defining a start-up company in the renewable energy or energy efficiency industries as an entrepreneurial enterprise. The definition is easily expandable to all business development, regardless of the focus of business or industry, and serves to meet the long-term objective of a sustainable policy:

> A start-up is any individual or group that seeks to start a new business in the renewable energy or energy efficiency industry or any individual or group already in business in the renewable energy or energy efficiency industry with less than $1 million in outside capital or cumulative revenue over the life of the business.

This definition opens the door for tech transfer and enterprises that spin off from successful organizations. These are people who see a special niche to serve and may strike out on their own as well as individuals who see the need for small or specialized service providers.

With this common definition on the table, the conversations turned to how to help these start-up businesses succeed. Among the many axioms or slices of conventional wisdom frequently cited in meetings, the self-perception of the entrepreneur was most frequently a binding topic of commonality:

> "Entrepreneurs are terrible at self-assessment."Each entrepreneur thinks they already know all they need to know about running a business. They think all they need is more money to throw at their business to succeed.

The fact is, most frequently, the self-perception of the entrepreneur as a business expert is the biggest obstacle to success. Convincing entrepreneurs that training in business development will enhance efforts to obtain financing continues to be a challenge for the business development community. With this in mind, the group focused on the types of training available for entrepreneurs and established another key principle:

> There is no "one size fits all."

This statement led to an extended exploration of different kinds of entrepreneurs. Entrepreneurs are classified by both their experience in starting a business and the capital required to launch the enterprise. Capital requirements are classified by companies needing a small amount of capital—under $500,000; those requiring significant venture capital—more than $6 million; and those in the finance gap between $500,000 and $6 million. The latter group most commonly relies on banking, angel or family investors, and a variety of other capital development mechanisms. The capital requirement division exists regardless of whether an entrepreneur is new to the process or has some experience in starting a business.

There continue to be many people considering starting a business who lack the tools or temperament to succeed. In an economic downturn, those unable to find a job may determine the next best approach (or perhaps the final straw) to start a business. However, neither passion nor desperation guarantees success. Of all those hoping to start a business, our group was looking for those individuals with the rare combination of temperament, experience, and resilience knowing that they may still not be prepared to grow their business to profitability. We intended to match training to the innate skills of the entrepreneur. This required vetting out "tire kickers" in an effort to be fairer to everyone...to identify those who are unlikely to succeed and not guide them down a path of investing time and limited personal resources in a venture unlikely to succeed. This is intended to save them the pain, anguish, and expense of failure.

Further, limited federal and state resources must be invested in those individuals that have the greatest likelihood of growing successful ventures and in turn, create jobs that contribute to the economic vitality of Colorado.

TRAINING

The type of training and support required must be customized to meet the needs of the participant/ entrepreneur. The group quickly developed a Training Skills Matrix (detailed below) to identify differences in business needs and approaches to train and support entrepreneurs.

New Entrepreneurs (those with no experience starting a business) need a completely different approach than a more experienced entrepreneur. For these people, a one-to-many instruction method is most successful (i.e., one instructor teaching many students). Conversely, a more experienced entrepreneur benefits most from a more personal or customized approach (i.e., many instructors with different expertise for one student). This difference between one-to-many and many–to-one is another example of the *there is no "one size fits all*" principle and is reflected in the Training Skills Matrix. The one-to-many/many-to-one concept serves to guide students to the best training and support to meet their needs.

Just as there is no "one size fits all" entrepreneur, there is no one size for training providers and business support organizations. For example, the term "incubator" has to be defined very loosely; not all groups offer the same training and support. The role of an incubator stretches over several years and includes a great many services, from training and mentoring to office space and access to resources. Similarly, the Small Business Development Centers provide basic, local, low–capital-need entrepreneurs with the kinds of services that incubators may not be equipped to provide.

In an internal study made available to Clean Energy Business Colorado and the SESP, the Center for Renewable Energy Economic Development (CREED) at NREL reviewed 36 organizations around Colorado that provide training for EE/RE entrepreneurs and drew the following conclusions:

- There is formalized activity, but programs are not cooperating with each other. The approach tends to be silo-ed.
- Two-thirds of the incubators offer mentoring and training.
- Only 9 out of 36 offer pitch perfection training.
- Many offer workforce training.
- A smaller amount offer training on access to capital.
- A limited amount offer office space/support.
- Most incubator programs are regionally focused.
- Incubators come closer to offering comprehensive training than other types of training providers and business support organizations.

Incubators take both approaches to training: 1) programmatic defined curriculum (such as the Kaufman Foundation FasTrac program used at Rocky Mountain Innosphere) which hits all the critical elements needed in the one-to-many approach and 2) the mentoring model which is more tailored to the entrepreneur needing many-to-one training.

In the support of fresh, low-finance start-ups, the Small Business Development Centers (SBDCs) live up to their billing. The majority of the SBDC client base is not at the venture capital level. The SBDCs support their start-up market in both the marketing and the money arenas. SBDCs help entrepreneurs preparing to raise capital, budgeting, and competitive analysis. Beyond the fresh start-up companies, SBDCs provide assistance to the three- to five-year-old company—one that is new enough to still need help but not at the point to hire a business consultant. Like incubators, the SBDCs offer a version of the Kaufman Foundation FastTrac program called "*The Leading Edge*" or "*Nxlevel*".

Regardless of the resources available, entrepreneurs deserve experienced support. Entrepreneurs typically do not have the network to identify the best fit when seeking training assistance. It became apparent that CEBC could assist in developing:

> An assessment of the individual trainer's experience and credentials not based on the number of trainees they have handled or their years of service.

FINANCE

Early on in the process, the group determined that the discussion of financing for a given entrepreneur would be premature until issues of recruiting, vetting, training, and mentoring were fleshed out.

Finance naturally follows training. After all, financing entities are not willing to authorize a loan until an entrepreneur is emerging from an incubator or other training. Training has an indirect impact on the ability to attract financing. The benefit of training lies in showing that an entrepreneur has thought out and planned through solid business materials before proposing to a bank and or investors. Banks do not ask people what training they have had, but bankers have an innate ability to determine the level of sophistication of loan applicants. If a loan applicant has received training in how to write a business plan (and the resulting plan is very polished), that product could help change the loan officer's view on the risk of a loan and may help the entrepreneur obtain the needed loan.

Access to capital continues to be difficult for entrepreneurs at almost any stage of business development. The slow economic recovery and recent changes in banking laws and regulations place constraints on the banking system's ability to provide loans to start-up and existing business. This is because of tighter regulatory oversight, which has a negative impact on the funding of start-ups. Bankers have stated that credit may tighten further and they anticipate more restrictions on lending over the next three to four years.

Changes in banking practices are compounded by the way entrepreneurs manage (or mismanage) their business finances. There is a specific need for training Colorado entrepreneurs on capital management. One example is that fresh entrepreneurs seeking under $500,000 in financing (so-called “mom-and-pop” outfits) tend to use debt unwisely, often constraining their ability to invest in their business or weather natural business cycles. Many entrepreneurs do not realize that leveraging funding (debt) reduces flexibility.   Banks understand this issue, and so financing for the small businesses just starting is very difficult. While some banks might allow a pre-revenue loan, they view these loans as a high risk.

This is where the SBA may be able to assist. The SBA is anticipating the release of three new programs 1) dealer floor plan financing; 2) small loan advantage guarantee program (restricted to preferred lenders); and 3) community advantage using micro-lenders and revolving loan funds. It is important to note that the SBA does not loan; they only guarantee the loan. The new programs would let the banks loosen up and take more risk on loans with SBA guarantees. The SBA offered words of caution to budding entrepreneurs seeking SBA-backed loans.   Because the process can seem complicated, entrepreneurs may fall prey to companies seeking to profit from an entrepreneur’s lack of knowledge. It should be noted that entrepreneurs should BEWARE!! There are companies advertising to teach people how to complete SBA loan forms for $200. This is simply unnecessary because the SBA teaches people how to step through the loan process for free.

The availability of Venture Capital (VC) in Colorado has been significantly reduced over the last five years. One solution to this shrinkage of venture capital might be the creation of a Fund-of-Funds that could provide less risk and produce an economic benefit to the state. The Colorado Cleantech Industry Association (CCIA) conducted nation wide research of best practices in this arena. That research suggests a fund of $100 million will be a good amount to seek in starting a Fund-of-Funds. The proposal is for this fund to invest in venture funds in Colorado and across the country. With a Colorado base, there would be a reason for these funds to look first at supporting Colorado business. CCIA is working to develop a funding source with backing. If this fund is started, the fund will be revolved with proceeds going back into the fund over ten years.

The Colorado Housing and Finance Authority (CHAFA) has provided financing options for small businesses since 1973. They provide fixed rate financing to homebuyers, small to medium sized businesses, and multifamily rental housing developers.   They also provide education and technical assistance about affordable housing and economic development. Their services are provided through a network of partners such as banks, developers, and local governments.

Colorado Lending Source is another option for small business financing. This entity is a nonprofit, small business financing expert, building bridges between the SBA and commercial lenders

Startup companies requiring significant investment capital often turn to angel investors early in their company's development. Many companies who need to raise between $500,000 and $6 million turn to angels for their first, and sometimes seconds rounds of financing. Angels are often successful entrepreneurs who have become investors. Thus, they often add wisdom and connections along with their financial investment. Angels are attractive to entrepreneurs for two primary reasons. First, the amount of an average angel investment is less than that of a traditional venture capitalist, This means that the founders of the company will often retain greater ownership of their company after an angel financing compared to a VC financing. Second, angels are often willing to take on riskier investments than VCs, which means they invest at an earlier stage of company development. The angel investor combination of smaller investment rounds and an appetite for higher risk, drives entrepreneurs to consider this type of financing. Since angels are high net-worth individuals, tax policy has a large impact on their investing activity: tax credits are effective in spurring more angel investing.

For rural entrepreneurs the United States Department of Agriculture (USDA) has close to 50 programs through three major funding groups: Rural Housing, Rural Utilities, and Business and Cooperatives programs. Rural areas are defined by population. The Business and Industry program is based on a population of 50,000 or less based on the last published census (the 2010 census numbers will not be used until 2013 at the earliest). For Colorado, this definition applies to virtually any area east or west of the Front Range. The community facilities programs are based on a population of 20,000 or less and Water programs on a population of 10,000 or less.

Under the USDA Rural Energy for America Program (REAP), rural small businesses may install Renewable Energy/Energy Efficiency (RE/EE) systems under a guaranteed loan program. Projects with a total cost over $200,000 require a feasibility study. This funding cannot be partnered with any other federal program funding. State funds—even if they are passed through from the Federal government—are acceptable. This opportunity is not for residential assistance but a home-based business may qualify. Tax credits can be taken with this program. Some soil and water conservation programs may have Renewable Energy or Energy Efficiency components included. REAP is currently accepting applications even though it hasn't yet been publicized. The business and industry guaranteed loan program can be up to $25 million with USDA backing or guaranteeing up to 85% of the loan. The USDA also has a program for advanced biofuels with a loan guarantee of up to $250 million if there is a lender who will do the loan. These types of programs and loans are conducted on a case-by-case basis.

There are systemic obstacles with accessing USDA programs. Many potential USDA lenders also are SBA lenders. Programs are marketed through the lenders and the USDA believes that some lenders are reluctant to get involved with the USDA programs because of a misconception about the amount of forms and paperwork required. This point was highlighted in conversations about energy related finance in general: a knowledge gap exists among people in the financing industry who simply are not aware or educated in energy-related financing. USDA needs to help in the education of lenders on how to help businesses apply for some of their loans.

COLLABORATION

There are existing working models for assisting Colorado entrepreneurs in accessing local resources and answering questions. CoBiz magazine sponsors a project that involves peer-to-peer networking in the RE/EE fields. Called the Sustainable Officer Venture (www.SustainableOfficer.com), this site allows people to post a question about green programs and get a direct answer faster. This project has been described as "like Facebook for the green industry". Colorado SESP anticipates actively supporting this project through the SESP entrepreneurial project as well as through our partner connections.

THE MODEL

The four months of work by the group produced a working model that will be deployed in the SESP entrepreneurial project. The model involved five sequential steps: recruiting, vetting, training, mentoring, and tracking progress.

These steps will be followed with *There is no "one size fits all"* as a guide. Through the flow of exploration and sharing ideas, a Training Skills Matrix was developed to classify different kinds of entrepreneurs. This matrix is a foundational tool of the Colorado SESP entrepreneurial development program.

TRAINING: SKILLS REQUIRED			
	SMALL BUSINESS LEVEL (up to $500K)	FINANCE GAP LEVEL ($500K - $6 Million)	VENTURE CAPITAL LEVEL ($6 millionplus)
FRESH: 1 to Many			
EXPERIENCED: Many to 1			

The tool enables classification of entrepreneurs to ensure the proper kind of training and support can be delivered. This approach saves time and money, both for the State and the entrepreneur, and will be applied throughout the project. This is true for vetting, training, mentoring, financing, or any other element in the process of helping an entrepreneur succeed. Once an entrepreneur (or company) is classified in the matrix, they can receive the services and programs most likely to be relevant to ensure success.

RECRUITMENT: FINDING THE ENTREPRENEURS

Every day an entrepreneur decides it is time to go into business. They have ideas ranging from a small service delivery companies to manufacturing and distributing the next great widget that will change society. Often they do not know where to turn and, equally often, those wishing to help new entrepreneurs don't know who or where they are. This is where collaboration and networking come in. Short of running an advertising campaign telling these budding business people what to do, networks are the next best option. The collaboration among the leaders on Clean Energy Business Colorado encourages not only the exchange of concepts and ideas but the recognition and direction of new businesses to a program most suited for them.

In the short run of the SESP project, recruitment and identification of prospective entrepreneurs will be done through the usual sources. The SBDCs, local chambers of commerce, economic development organizations, and the variety of business incubators are constantly seeking new clients and will serve as the main source of prospects for inclusion in the SESP entrepreneurial project. Other entrepreneurs will be reached and referred through the many networks represented on the Clean Energy Business Colorado panel. These networks will serve as funnels for applications from entrepreneurs.

The Workforce system (including the influential Colorado Workforce Development Council), the Colorado Solar Energy Industries Association (COSEIA), the Energy Efficiency Business Society (EEBS), the Colorado Cleantech Industry Association (CCIA), the network of Economic Development groups in Colorado, and other industry groups are on the lookout for new businesses. The University of Colorado and Colorado State University have business development groups. What will make these silos function more efficiently is the collaboration that evolved from the SESP/CEBC process, where the silo-ed organizations learn to partner and share information and contacts.

An additional source of businesses seeking support lies in technology transfer. NREL and large science-based employers such as Lockheed Martin develop new technologies that may have a place in the market. The Boulder Innovation Center (BIC) provides the assistance and expertise needed to help explore and launch business ventures. They work closely with the University of Colorado's Technology Transfer Office and researchers seeking ways to license the technology they develop. The BIC also helps determine the commercial viability of technology and, when appropriate, provides assistance with recruiting management teams, writing business plans, and identifying capital.

VETTING FOR SUCCESS

There is a need to separate the "Tire Kickers" from those most likely to succeed in establishing a business.

Entrepreneurs interested in receiving support from the SESP Entrepreneurial Project will be reviewed and placed in one of the six categories in the Training Skills Matrix.

Because there is no "one size fits all," there is no single tool or process for vetting prospective entrepreneurs for success. In the words of one CEBC member: "This is corporate environment entrepreneurs versus recent college graduates. We need to understand if they need '101' help or a more advanced '201' type of assistance." Do they need a base of start-up support or more advanced support? Have they assembled a network around them? Do they need a more customized approach to fit their individual business needs?

The CEBC determined that two approaches to vetting entrepreneurs are required, based on the potential financing requirements of the entrepreneur. Those entities requiring less than $500,000 generally have different business requirements than companies with more complex business needs and higher financing requirements. Hence, for the purposes of assigning the appropriate vetting process, companies will be divided at the $500,000 level.

VETTING SMALL BUSINESSES

Two different but complimentary tools may be used to vet small businesses. The first is a process that can thoroughly strip away the "tire kickers". The second is an entry-level evaluation tool applied through the Small Business Development Centers (SBDCs).

For entrepreneurs who are at the small business level (fresh or experienced), the Start Right program Business Readiness Evaluation Tool is being considered as a model for the first step pre-screening process [NOTE: Any pre-screening tool must be accessed through a competitive procurement process]. The SESP Entrepreneurial project would serve as a test case for this type of pre-screening combined with SBDC vetting. The Business Readiness Evaluation Tool involves a six-step process. Experience from the vendor has shown that most of the people who start the process may not finish it as they learn how hard it is to start a business. For example, if the program starts with 200 people who want to start a business, 50% will drop out when they hear a brief description of what starting a business entails. In the next stage, people will be instructed about the steps that have to be taken to create a business; 50% of those that remain will drop out at this point. In the next stage, go-to-market strategies will be discussed and a further 50% of those remaining will drop out. From a pool of 200, we arrive at 25 entrepreneurs willing to go the distance.

All small business propositions will be required to pass SBDC screening for final evaluation before being entered into training.

VETTING LARGER BUSINESS PROPOSALS

The SESP Clean Energy Business Colorado process led to the opportunity to use a new rubric as a vetting tool for entrepreneurs (fresh or experienced) in the finance gap and venture capital levels. Adam Rentschler, a member of Clean Energy Business Colorado, developed Judge Rubric for use in reviewing the business plans presented to him as a judge for the Rocky Mountain Clean Tech Open competition. Experts in reviewing clean energy business propositions noted that reviews of business plans are subject to a number of human factors than render the process subjective and inconsistent. One judge does not evaluate in the same way or on the same factors as another will. There is no normalization or standardization. The result can vary among the group of reviewers. The Judge Rubric is an electronic tool that allows evaluation of a business with the same factors in a way that is user-friendly for the judge (a simple click within the field).

With the Judge Rubric, a human being is still required to complete a review of the business because judgments must still be applied, but forcing judges to make evidence-based evaluations of 30 distinct criteria minimizes biases.

SESP will also use Judge Rubric to evaluate entrepreneurs after training has been completed. This post-training evaluation opens the opportunity to find a correlation between training and learning. SESP will be able to assess the effectiveness of training programs and evaluate what a business gained from the training. As training provider data is collected in the future, Colorado will be able to place entrepreneurs in programs most likely to lead to successful business launches. Judge Rubric will lead to better training as training providers are advised of the post-training evaluations and move to resolve weak points and customize training to meet individual business needs.

The Colorado Workforce Development Council has purchased a lifetime unlimited license to Judge Rubric for Colorado government agencies' use in evaluating entrepreneurial proposals across the state.

TRAINING

Entrepreneurs who have passed the SESP vetting process will receive training financed by the State Energy Sector Partnership and targeted to the needs of the entrepreneur. No cap or specific dollar amount allocated to an entrepreneur has been set, pending responses to a public procurement for training services. The one-to-many and many-to-one approach is an important element of this model—adjusting, customizing, and understanding entrepreneur needs is the best service we can deliver to the potential business and job creator. Differences between the one-to-many and many-to-one approaches to training are like joining a fitness class for a general purpose versus hiring a personal trainer to help achieve a specific goal. The training is very different.

Training under the SESP grant must be procured through a public procurement process. A RFP was issued in April 2011 with a goal of securing contracts with a statewide list of training providers by early June 2011.

The procurement process provides another new opportunity for the entrepreneurial development model. CEBC conversations led to the development of an Entrepreneurial Trainer Service Inventory [Appendix B], a tool each training provider will use in responding to the procurement request. The tool lists topics and subtopics CEBC believes are important to successful entrepreneurial training. Topics include finance, legal, marketing, and general business concerns as well as seeking information about additional services (such as mentoring) a training provider might offer. Training providers will note what programs will be available for each of the six entrepreneur types in the Training Skills Matrix. Additionally they will describe price for training services and curriculum, class size, class length, evaluations, and any post training services offered.

As an outcome of the procurement process, Colorado will have the first consolidated asset map of entrepreneurial training providers and the services offered to clean energy businesses. Training will be targeted to businesses based on business type and need determined through the Training Skills Matrix and the vetting process. A systematic approach to recruiting, vetting, and training entrepreneurs will be in place.

MENTORING AND MORE TRAINING

Mentoring is as important to an entrepreneur as formalized training and is a critical element in the successful acquisition of funding for many businesses. Just as there is no “one size fits all” for businesses and support, the learning process does not stop once training is complete.

SESP will reserve a portion of funding to provide mentoring and customized special mentoring for promising second-stage companies. The model for entrepreneurial development must encourage entities supporting entrepreneurs or businesses supporting their own training to allocate financing for sustained mentoring. In that same vein, we understand that some very promising organizations will benefit from a second stage of training support. SESP will reserve funding for a limited number of companies to receive this second phase of training support.

TRACKING

Participating entrepreneurs will be required to commit to specific milestones as part of the program. These milestones will vary from company to company because each has different needs. These milestones will include the development of a business plan and meeting basic business registration and licensure. Additional milestones will be set by the training provider and forwarded to SESP. Participating entrepreneurs will be required to update SESP through their training provider on the progress of training and business development as a condition of participation. The RFP for training providers requires that the trainers track the progress of the students they train during and after training, including such factors as funding needs, number of employees hired, etc. As previously noted, participants originally vetted using Judge Rubric will be reevaluated with the rubric at the end of training.

SUSTAINABILITY AND CONTINUED COLLABORATION AMONG LEADERS

The vision driving the Clean Energy Business Colorado process was to establish a sustainable, non-funded working group functioning without government red tape to collaborate on finding, training, supporting and helping provide access to funding for clean energy businesses in Colorado. That model, once tested and revised, will be applied to all entrepreneurial development in Colorado

The vision of creating a long-term process has become a reality. The Center for Renewable Energy Economic Development (CREED) has agreed to host the continued development of the CEBC model, integrating that model into CREED's operations. CREED is a product of NREL and partners with state government agencies such as the Governor's Energy Office (GEO) and the Office of Economic Development and International Trade (OEDIT) and industry groups such as the Colorado Cleantech Industry Association (CCIA). The new CREED office building includes space for GEO and OEDIT and "hoteling" space for venture capitalists and business incubators.

To provide continued support and mentoring in obtaining financing for budding Colorado Cleantech companies, NREL sponsors a "Meet-with" series to introduce entrepreneurs to investors. NREL holds these meetings in conjunction with incubators and angel investors.

A judge’s view

Ease-of-use and expedience for judges are design constraints for the project. The tool allows for a non-linear and recursive evaluation process. Judges may score, edit and revise in any order that makes sense to them.

CLEAN TECH OPEN

CleanTech Open 2011, Rocky Mountain Region

Welcome, Jackson. Save & Logout Profile

Rustic Solar Thermal, LLC

View Company Profile | Solar Industry

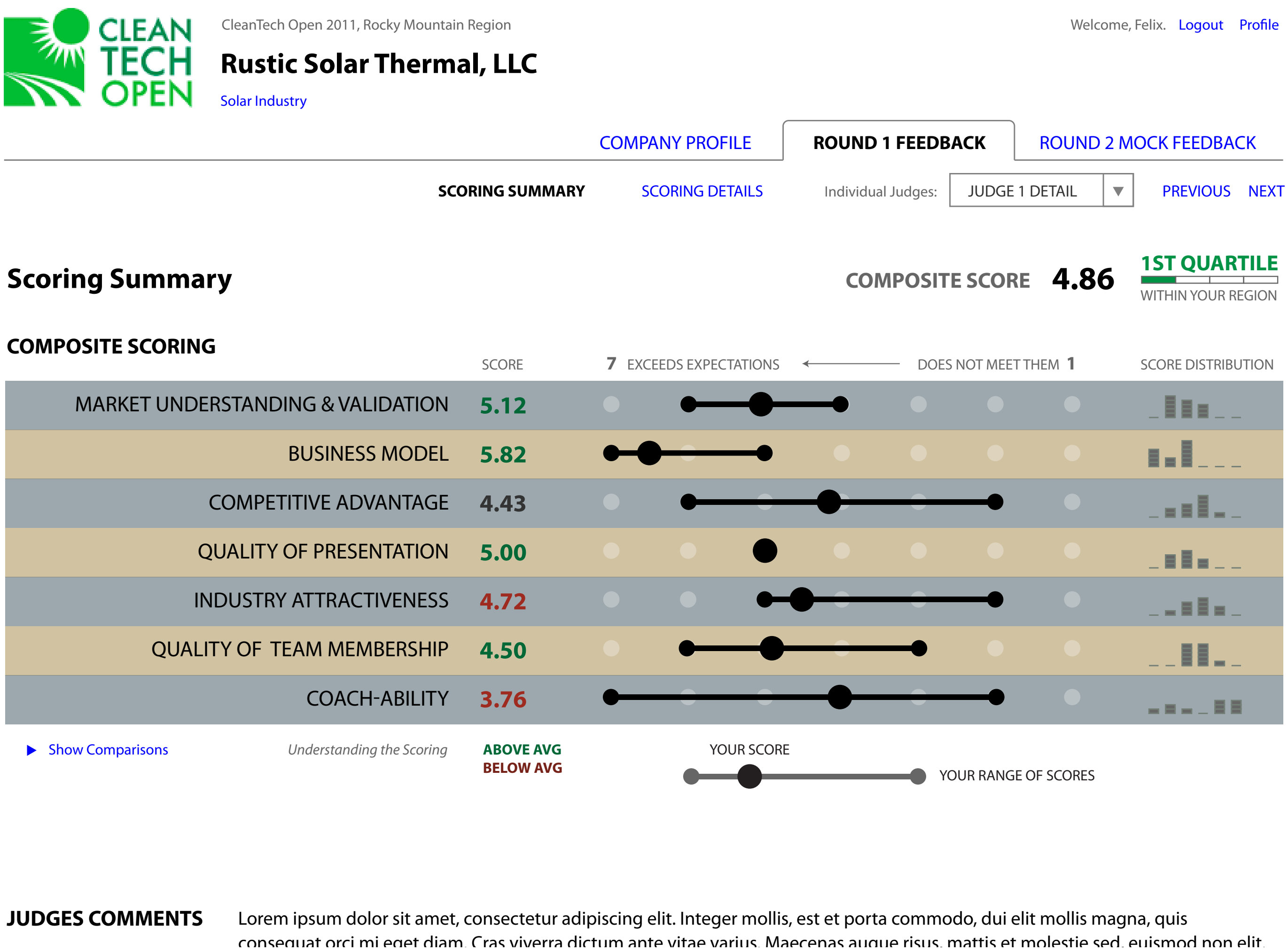
YOUR COMPOSITE SCORE 4.86 SAVE RUBRIC

		EXCEEDS EXPECTATIONS	MEETS EXPECTATIONS	DEVELOPING TOWARD EXPECTATIONS	DOES NOT MEET EXPECTATIONS
MARKET UNDERSTANDING & VALIDATION	CUSTOMER ENGAGEMENT	Evidence of product revenue, growing sales pipeline.	Significant evidence of customer engagement.	Some evidence of customer engagement.	No evidence of customer engagement.
	MARKET SIZING ANALYSIS	Superior market sizing analysis. Top-down and bottom-up data converge.	Credible market sizing. Thoughtful, thorough research evident.	Incomplete market sizing. Not enough data support. Questionable accuracy.	No evidence of market sizing analysis.
	MARKET SEGMENTATION	Rigorous market segmentation. Targeted customers clearly ID'ed.	Credible customer targeting. Market segment(s) appropriately ID'ed.	Coarse targeting. Team likely over-reporting addressable market segment(s).	No evidence of market segmentation.
	PARTNERSHIP / CHANNEL	Required partnerships in place. (Go-to-market & scaling needs met.)	ID'ed required partners. Evidence those relationships are progressing.	Team ID'ed types of partners it needs. No evidence of relationship building.	No evidence of partnership / channel development.
	YOUR SCORE	5			

		EXCEEDS EXPECTATIONS	MEETS EXPECTATIONS	DEVELOPING TOWARD EXPECTATIONS	DOES NOT MEET EXPECTATIONS
BUSINESS MODEL	UNIT ECONOMICS	Validated unit economics. Proven: pricing & gross margins work for entire value chain. Key risks (if any) ID'ed.	Credibly argued unit economics. Pricing will be supported while providing required gross margins.	Unit economics implied only, but seem valid. Some value chain issued addressed.	No evidence that unit economics are valid.
Prove you know what it will take, and how much it will cost, to win your nth customer. What does marketing look like after those first couple of sales?	CUSTOMER ACQUISITION	Partially validated customer acquisition strategy via scalable sales and marketing tactics.	Credible cust. acq. strategy. Sensible sales and marketing plans presented.	Partially addressed customer acquisition. "Sales engine" not credibly presented. Marketing costs inadequately addressed.	No customer acquisition strategy presented. Product will "sell itself" mentality.
	COMPANY ECONOMICS	Convincing pro formas. No "fail points" in projections.	Credible pro formas. (Key non-monetary line items included.)	Unrealistic pro formas. Assumptions need major revisions.	Pro formas either don't exist or completely lacked credibility.
	DEAL ECONOMICS	Relevant, recent exit multiples provided. Capital efficiency well argued. Excellent investment potential.	Evident knowledge of the VC / angel financing process. Follow on financing requirements addressed.	Funding plan seems inadequate to get to market / unrealistic valuations / capital intensity issues need work.	As presented, deal economics don't work. There is no venture or angel return possible.
	DEAL ECONOMICS	Relevant, recent exit multiples provided. Capital efficiency well argued. Excellent investment potential.	Evident knowledge of the VC / angel financing process. Follow on financing requirements addressed.	Funding plan seems inadequate to get to market / unrealistic valuations / capital intensity issues need work.	As presented, deal economics don't work. There is no venture or angel return possible.
	YOUR SCORE	6			

Note the “hover” behavior of the tool as a judge selects a descriptor for “Customer Acquisition.” The rubric allows evaluators to quickly choose which descriptor fits a given sub-dimension best. A simple click will emphasize the color of the selected cell while the judge is listening to a pitch or reading a business plan summary.

The company feedback summary page



Each company receives this summary page plus the completed rubrics for each (anonymized) judge. Each descriptor selected by the judges is exposed, providing action-able feedback for entrepreneurs. Further, the tool informs the point of view of the judge: Is this judge a VC, CEO, lawyer, MBA student, etc.? How many investments has this judge made, or how much funding has this judge raised? What's this judge's level of expertise in my specific industry?

We believe this evidence-based, rich body of feedback is a powerful learning opportunity for everyone involved.

Organizer's view

CleanTech Open

CleanTech Open 2011, Rocky Mountain Region

Welcome, Felix. Logout Profile

Filter SHOW ALL ▼ Select Scoring ALL SCORING DIMENSIONS ▼ PREVIOUS NEXT

Scoring Summary

REVERT SAVE STATUS

TEAM NAMES	STATE	COMPOSITE SCORE ▼	MARKET UNDERSTND & VALIDATE	BUSINESS MODEL	COMPETITIVE ADVANTAGE	QUALITY PRESENT	INDUSTRY ATTRCTVE	QUALITY OF TEAM	STATUS
BIOVANTAGE SOLAR	CO	**6.70**	5.07	5.12	4.43	5.82	5.82	5.12	**IN**
CLEAN ENGINES MECHANICAL	CO	**6.05**	4.72	5.82	5.07	4.43	4.43	5.82	**IN**
EQSOLARIS GEOTHERMAL	WY	**5.92**	5.12	4.43	4.72	5.07	5.07	4.43	**IN**
PURESILICON MECHANICAL	UT	**5.60**	5.12	5.07	5.12	5.12	4.72	5.07	**IN**
INFINIREL GEOTHERMAL	CO	**5.56**	5.82	4.72	5.12	4.72	5.12	4.72	**BUBBLE**
VERDANT EARTH MECHANICAL	WY	**5.41**	4.43	5.12	5.82	5.12	5.82	5.12	**IN**
INOTEC GEOTHERMAL	MT	**5.28**	5.82	5.82	5.82	5.82	4.43	5.82	**BUBBLE**
DENDROCO CONTROL	MT	**5.23**	4.43	4.43	4.43	4.43	5.07	4.43	**BUBBLE**
NDC POWER CONTROL	WY	**5.22**	5.07	5.07	5.07	5.07	4.72	5.07	**OUT**
DIAL EMISSIONS SOLAR	CO	**5.17**	4.72	4.72	4.72	4.72	5.12	4.72	**BUBBLE**
GO NATURAL CNG SOLAR	CO	**4.74**	4.50	4.50	4.50	4.50	4.50	4.50	**OUT**
VOLUMEWIND MECHANICAL	CO	**4.40**	3.76	3.76	3.76	3.76	3.76	3.76	**OUT**
PCMI GEOTHERMAL	WY	**4.05**	3.76	3.76	3.76	3.76	3.76	3.76	**OUT**

To facilitate ultimate decision-making, the person organizing the evaluation process views a screen similar to the above. The composite score and the scores for each dimension are presented. To aid in sorting, each company's status is editable so that companies that are clearly "in" or "out" can be separated from "bubble" companies. When appropriate, the organizer shares this screen with judges to facilitate consensus-building.

Benefits of this approach for Clean Energy Business Colorado's SESP program

For companies seeking either "Finance Gap Level" ($500k to $6M) or "Venture Capital Level" ($6M+) funding, this tool will help determine which are most deserving of scarce grant funding for training. Once qualifying companies are selected, this evaluation process will automatically inform areas where training is most needed.

Since the evaluation process is (1) grounded in sound educational and performance evaluation best practices, (2) evidence based, and (3) carefully structured to reduce inter-judge variability, this represents a credible, transparent and equitable means by which we can determine who gets training resources and where that training ought to focus.

The publication of the rubric to those applying for training will inform companies—in detail—what areas their business plan needs to cover to give them the best possible chance of success in raising money. All companies who are evaluated, even those not selected, will have an opportunity to learn from a rich and nuanced body of feedback to improve their businesses.

The rubric's architecture is flexible. Over time, the rubric will improve to more accurately reflect business plan artifacts that correlate to business success, whether that success is measured in job creation, wealth creation or any other metric.

More broadly, the committee's support of this project will result in a tool that will be available for the state's use in other economic development initiatives. It is exciting to imagine the rubric being deployed as a crowd-sourced feedback tool for all local business pitch events like the GreenTech Meetup, the CORE/NREL monthly programming and the South Metro Denver Chamber Renewable Energy Taskforce Monthly Meetup. While only a handful in our community are bona fide early-stage investors, we collectively become more sophisticated as we all learn to think more like investors.

The leveraged impact of our committee's support of this tool could result in profound educational progress for our community by elevating everyone's understanding of the venture capital investment process and giving all a seat at the evaluation and educational table.

The rubric will be evaluated, measured and improved continuously.

Adam Rentschler
Judge Rubric: CEO
CleanTech Open: Judging Chair, Rocky Mountain Region
Rentschler Consulting LLC: Managing Director
(303) 900-8384
arentschler@gmail.com

Colorado Entrepreneurial Trainer Service Inventory

Appendix 2

Types of Training Provided	Fresh Trainee at the Small Business Level	Fresh Trainee in the Finance Gap	Fresh Trainee at Venture Capital Level	Experienced Trainee at the Small Business Level	Experienced Trainee in the Finance Gap	Experienced Trainee at Venture Capital Level	Length of Program/Class	Price per Program or Individual Class	Maximum Class Size/Maximum Number of Entrepreneurs	What Discount is Offered for Full Class?	Length of Post-Training Support
Topic: Finance											
Grant applications											
Loan applications											
Investor matchmaking											
Detailed financial model/plan											
Topic: Business											
Define value											
Presentation skills (i.e., pitch perfection)											
Business plan development											
Product/Technical Evaluation											
Sustainability											
Team matchmaking											
Industry engagement											
Topic: Legal											
Legal basics											
Company creation											
Legal filings and compliance											
Patent application											
Intellectual Property considerations											
Tech transfer											
Industry-specific legislative concerns											
Topic: Marketing											
Go-To-Market strategies											
Defining market size and preferred target segments											
How to price your product/service											
Topic: Other services provided											
Technical evaluation											
Product evaluation											
Research support											
Incubator space											
Mentoring (specific)											
Other: What other services and training types do you provide that we have not listed? Please list below.											