

## Fairfax County Economic Advisory Commission (EAC) Meeting

### Topic: Supporting the Entrepreneur-Investor Ecosystem

February 14, 2023

#### Background

The Fairfax County Board of Supervisors identify catalyzing entrepreneurship and investment in Fairfax County as a priority. A **startup, or entrepreneurial ecosystem** is a community of entrepreneurs and organizations interacting to grow and enhance startup companies in a geographical region and or sub-sector. The ecosystem is made up of entrepreneurs, educational institutions, events, incubators, accelerators, and investors<sup>1</sup>. All elements of the ecosystem are connected and create the opportunity for entrepreneurs to enhance their startup skills, meet potential investors, and build a strong, supportive community that increases the probability of business success.

To understand and identify any enhancements in the Fairfax County's startup ecosystem, the Department of Economic Initiatives (DEI) met with entrepreneurs, mentors, program directors, university representatives, and angel investors to answer the question, "**How can Fairfax County bolster its entrepreneurial ecosystem to drive investment?**". This briefing document outlines the findings from these discussions and also presents a primer on start-up ecosystem basics. Also attached is a catalogue of many organizations involved in growing the investor/angel ecosystem in the region. This list is not meant to be comprehensive, but to provide awareness of some of the primary partners and participants in this ecosystem.

#### Startup Ecosystem Basics

Entrepreneurs, mentors, investors, incubators, universities, corporations, associations, government organizations, and service providers are all valuable **stakeholders** in a startup ecosystem<sup>2</sup>. As a network, there is no central leadership, but the entrepreneurs are the key stakeholders and should play a foundational role in supporting the health of the ecosystem.

In a startup ecosystem, **investors** include high-net worth individuals, firms that provide institutional funding, corporations that contribute strategic investments, and foundations and governmental entities that typically provide grants. Angel investors are individuals and groups who fund early-stage companies for equity in the company. Corporate venture firms are formal investment firms funded by limited partners to invest their money in predefined sectors or investment philosophies. Private equity, relatively recent to investment capital, often provide growth-stage capital to entrepreneurs. Corporations also invest in startup companies and sometimes purchase young companies to gain a competitive advantage in competing markets<sup>3</sup>.

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<sup>1</sup> [The \\$3 trillion global start-up economy ... where and how start-up ecosystems are driving new growth - Peter Fisk](#)

<sup>2</sup> [How To Build a Startup Ecosystem \(forbes.com\)](#)

<sup>3</sup> [Corporate Venturing - How Corporate Venture Capital Works \(corporatefinanceinstitute.com\)](#)

**Small business support organizations**, universities, and government agencies may provide grants and/or mentorship to help entrepreneurs refine their business model and go-to-market strategy. Small business development centers (SBDCs) and similar organizations provide programming and technical assistance to help entrepreneurs develop a business plan and strategy. **Mentors**, who are often experienced entrepreneurs themselves, provide knowledge, networks and feedback to help entrepreneurs develop their solutions. **Universities** leverage public and private resources to administer educational programs and drive research for data-driven decision making. **Nonprofit** and community organizations act sometimes as service providers that enable entrepreneurs to scale their businesses. **Government** entities, such as economic development offices and board appointed authorities, are not only responsible for promoting policy but also pursue initiatives and collaborations to make communities attractive to entrepreneurs.

Fairfax County's startup ecosystem benefits from the activities, events, and programs offered by local, regional, and national ecosystem stakeholders in Northern Virginia and the Washington DC metropolitan area. Entrepreneurs can also garner mentorship through participation in regional accelerators and incubators through for-profit and non-profit organizations. Pitch competitions and other targeted events allow start-ups of all stages to present their solutions, increase their visibility, and build rapport with prospective investors.

### Stakeholder Perspectives

DEI conducted seventeen semi-structured interviews with leaders in the ecosystem to better understand regional issues, gaps, and trends. Participants in discussions included representatives from several regional angel investment groups such as NextGen Ventures, Black Girl Ventures, Halcyon, and Washington DC ArchAngels, entrepreneurial support organizations such as the Innovation Commercialization Assistance Program (ICAP), and founders of start-up companies.

Findings from the interviews revealed that while there is plenty of capital investment opportunity in Fairfax County, the area lacks a venue for entrepreneurs, investors, and other stakeholders to build relationships. Several themes emerged from the interviews conducted:

1. There is a need for very early-stage, non-dilutive funding for start-up companies (meaning businesses do not lose equity in the deal).
2. Entrepreneurs have a desire to increase their visibility, within the ecosystem, to garner investment capital.
3. Investors are “deals and trends-focused” and seek to fund “investment ready” (i.e. later stage), startups.
4. Early-stage founders are not always aware of the available business development resources.
5. Investors like to talk to other investors and founders like to talk to other founders to learn about leads, resources, connections.
6. Inclusiveness of underrepresented founders needs to be intentional. Events and programs need to be contextual.
7. Play the long game. It is important to have consistent focus over time. It can take decades to make an impact.

## Potential Responses

Stakeholder discussions included potential responses to respond to the question, “**How can Fairfax County bolster its entrepreneurial ecosystem to drive investment?**” One potential solution that also responds to the stakeholder perspectives listed above is establishing a forum convened for relationship-building, showcasing founders and investors, and for exposition of existing programs. An **entrepreneur-investor forum** would create another opportunity for relationship development between entrepreneurs and investors. Some potential features of a forum could be:

- A quarterly gathering to showcase founders and investors affiliated with key angel investment groups or incubators/accelerators in the region, which could include:
  - A gentle deconstruction by investors of pitches from early-stage founders
  - A screening committee and a pitch committee, with broad involvement from ecosystem stakeholders
  - Engagement from large companies in the region
- Each quarterly showcase could be developed by “theme” or affinity group, such as industry clusters; verticals; company stage – funding stage; etc.
  - Hold in-person events in different locations – including South County and other area that typically do not see this sort of event.
- The event could be a capstone for participants in incubators, accelerators, or programs such as ICAP or the Fairfax Founders Fund recipients.
- To supplement the in-person quarterly get-togethers, create a virtual place where, if participants agree to a code of conduct, they can post a deck and receive feedback.

Stakeholder interviews suggested that a quarterly founder and investor showcase should also include a resource expo featuring supports for entrepreneurs as well as investors. This could include, for example, angel network programs in the region that train investors to identify growth potential and assess financial risk and provide services to both help investors identify emerging sectors and encounter early-stage companies preparing to receive capital investment. A resource expo should aim to provide entrepreneurs from diverse and underrepresented socio-economic groups access to the resources, mentorship, and peer networks necessary to scale and sustain their businesses. A resource expo would present these important supports to both the entrepreneur and the investor communities.

## Additional Resources

- Fairfax County Economic Development Authority quick links to emerging technology resources: <https://www.fairfaxcountyeda.org/key-industries/emerging-technologies/>
- Virginia Innovation Partnership Corporation list of Commonwealth innovation ecosystem resources and funding programs: [Resources | VIPC \(virginiaipc.org\)](https://www.virginiaipc.org/resources)
- “Ask the VC” Blog - list of books on startups and investment: <https://www.askthevc.com/blog/>
- Link to helpful resource, book “The Startup Community Way” <https://startupcommunityway.com/>

