



Igniting an Idea

THE CREATIVE SPARK

PRELIMINARY MARKET FEASIBILITY AND CONCEPT PLAN

for a

REGIONAL ENTREPRENEURIAL DEVELOPMENT PROGRAM

TARGETING THE KNOWLEDGE SECTOR

in

Southeastern Wisconsin



PLACE DYNAMICS LLC

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THE CREATIVE SPARK – AN OVERVIEW

The Milwaukee Region has 19,063 businesses and entrepreneurs in just a handful of knowledge-based industries. These are businesses whose product or service is based to a great degree on the creative talents and intellectual capacity of their employees. The growth and vitality of these sectors will determine how well local communities and the Southeastern Wisconsin region will compete in the future global economy.

This report accomplishes three objectives. It first documents the size and growth of the knowledge-based business economy in Southeastern Wisconsin, with a specific focus on the four-county Milwaukee metropolitan area. Next, it offers a preliminary assessment of the potential demand for entrepreneurial development programming and coworking space for knowledge industry businesses in the region. Finally, it lays out a conceptual design for a regional program of small business technical support and coworking facilities targeting the knowledge sector.

The potential market for this programming consists of three segments. The primary market is made up of 19,063 entrepreneurs and small businesses (under ten employees) located in Milwaukee, Ozaukee, Washington, and Waukesha Counties. A secondary market includes 121,253 similar-sized businesses in other sectors, which may still include some businesses in the knowledge economy, and are also located in these four counties. All entrepreneurs and small businesses (under ten employees) in the surrounding counties make up the final market segment. There are 50,493 potential clients in this group.

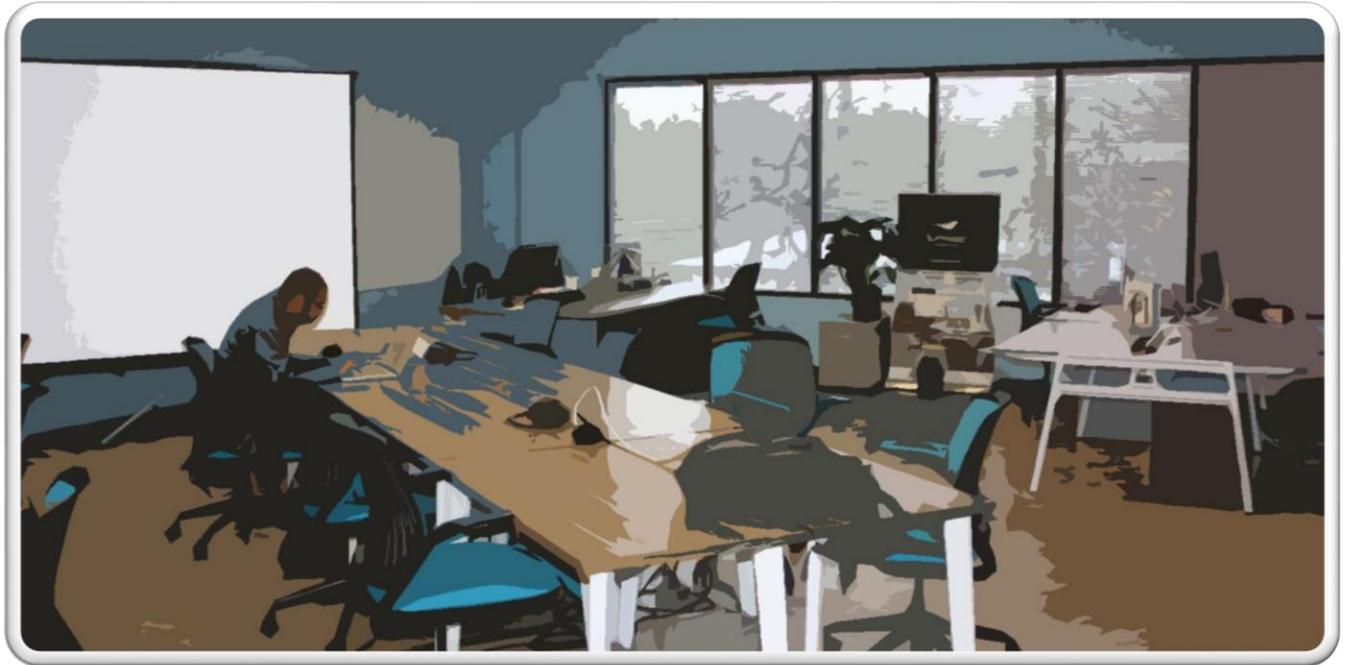
Conservatively, the analysis finds that 955 of the targeted businesses, and an additional 1,357 businesses in the secondary and tertiary markets, would be likely take advantage of entrepreneurial and small business programs. At this stage of the analysis it is not possible to determine likely usage of coworking facilities, as utilization will be highly dependent upon factors such as location and the services provided. However, there is estimated to be a total potential demand for this kind of space from 1,300 to 1,950 entrepreneurs and small businesses just in the targeted sectors in the Milwaukee area. The total market in Southeastern Wisconsin could be as high as 19,129 businesses, some with multiple employees.

Based on these numbers, we have proposed a regional effort to foster business formation and accelerate business growth in the knowledge sector. This approach combines targeted programming (education, assistance and networking) with a network of coworking facilities that offer key resources as well as flexible, affordable space for knowledge sector businesses.

The anticipated outcomes of this effort are:

- A greater number of knowledge business start-ups and improved success rates among them
- Accelerated growth of the knowledge economy with the high-wage jobs it provides
- A pipeline of growing businesses and future tenants for conventional office space
- Improved access to entrepreneurs and small businesses for area Small Business Development Centers and other service providers
- Effective economic development with a low investment per business and job created

The next step in this process will be to form a coalition of partners to sponsor the project. This coalition will commission additional, more focused market research and develop a business plan to implement this promising economic development initiative.



THE MARKET OPPORTUNITY

Nurturing creativity has become a cornerstone of current economic development practice. Over the past decade, largely as a result of the work of Richard Florida and others, economic developers have begun to understand the important role that knowledge workers have in spurring economic activity. Taken broadly, this "creative class" is comprised of people whose product is talent and ideas. Their intellectual capital is the source of substantial new business opportunities, employment, and economic vitality.

Much has been written regarding the factors necessary to attract creative talent, and talent-attraction strategies have been employed in numerous communities with mixed results. While these places have attempted to attract talent, it seems that many have done less to support entrepreneurial activity among a large segment of their existing talent base. In particular, few communities have made noteworthy attempts to support their knowledge workers in newly-formed or existing solo and micro-businesses.

Micro businesses are defined as those employing five or fewer persons. Together with sole proprietors, they make up nearly nine out of ten businesses in the United States. The long-term growth trend of these businesses has only gathered speed in the Great Recession. Unable to secure decent employment elsewhere, talented employees have instead started their own businesses. But while entrepreneurs need support even in the best of times, these "entrepreneurs of necessity" are in even greater need of assistance ranging from business planning to marketing to management and financing.

Added to these new businesses are a great number of existing ones, whose growth may be accelerated if the right resources are available. The Edward Lowe Foundation has developed a classification system for businesses, grouping them according to stages in which they share a similar set of needs. Stage One businesses are those having from one to nine employees (which includes the Census defined micro-businesses). This stage is focused on defining a market, developing a product or service, obtaining capital and finding customers.

Making the case for these businesses as a target for economic development is a simple task. Between 2006 and 2008, as the Great Recession set in, sole proprietorships and Stage One businesses added 32,916 jobs in Southeastern Wisconsin. In comparison, larger establishments shed an almost equal number of jobs, reducing their employment by 32,736 workers. As the primary driver of employment growth and new business formation, these small companies are deserving of economic development efforts to encourage their creation and assure their success.

But the data point to a trend growing long before the recession set in. The number of self-employed person in Wisconsin grew by a net 86,810 in the ten years leading up to 2008. This growth accounted for over a third of all jobs created in the state during the decade. Businesses with two to nine employees added a net 160,064 jobs – the remaining two-thirds of Wisconsin’s total job growth. Larger businesses shed jobs.

Why is the number of self-employed and small businesses growing? It is a convergence of trends. Larger businesses have moved to a business model where work is based on the project, and it is easier to add or shed a temporary workforce as needed. Currently, it is estimated that 55 percent of businesses outsource some portion of their work. “Freelancers, consultants and other independent workers account for 16 million people in the country now and will become a majority by 2020, predicts Gene Zaino, the president and CEO of MBO Partners, which connects independent worker with employers. The company, which recently conducted a survey of independent workers, said that based on existing trends, there is expected to be 65 to 70 million independent workers in the next decade, comprising more than half of all employees.”¹

Demographics also fuel the trend. Whether because they need to or choose to, 63 percent of working adults intend to continue working into retirement, many of them as independent contractors or consultants. At the other end of the generational spectrum, members of Generation Y are being recognized as highly entrepreneurial.

All of this is possible because of new technology that lets a significant part of the workforce go mobile. Laptop computers, the Internet, virtual networks, the cloud, cell phones, and other technologies allow workers to be connected almost anywhere. Instead of one place of work, workers now have access to a network of spaces. They may choose traditional office, the home office, coffee shops, and other venues based on the kind of work they need to do and whether they need to work alone or in teams.

As these trends continue to converge there will be an increasing number of solo workers and small businesses entering the economy. Responding to the needs of these businesses, this study proposes a combination of virtual business incubation and acceleration services addressing three core issues of competency (planning and capabilities), capital (resources and funding), and connectivity (networking and access to markets), coupled with a network of coworking centers that provide a physical location and targeted resources for these knowledge sector businesses.

A Vision to Serve the Market

This feasibility study and concept plan envisions a regional economic development collaboration fostering entrepreneurship and small business growth acceleration in the Milwaukee area’s emerging knowledge industries. This mission can be accomplished by developing a network of coworking centers distributed throughout the region, serving as a platform for delivering virtual incubation and acceleration services. Clients may take advantage of educational programs, coaching and technical assistance, networking opportunities, and the office space and resources hosted through the coworking centers. These services help to assure the success of start-up businesses and the growth of existing small businesses.

With a specific target of Wisconsin’s knowledge workers, coworking centers should seek to provide economical access to specialized software and equipment that may be required by these businesses. Examples may include CAD and other design software licenses, large format printers, and document production resources. Purchased individually, these necessary business tools can cost several tens of thousands of dollars. It is a cost that may prove to be a barrier to entry for many potential entrepreneurs. As

¹ By 2020, Independent Workers Will Be the Majority, Ryan Kim, GigaOM, Dec. 8, 2011

KNOWLEDGE WORKERS

Who are creative workers? The USDA Economic Research Service describes the creative class as persons in occupations that specialize in working with knowledge and ideas. In 2000 there were nearly 195,000 such workers in the four counties making up the Milwaukee metropolitan area, making up slightly more than a quarter of the work force. A similar percentage of creative workers can be found in the remaining four Southeastern Wisconsin counties. Examples of these workers include:

- Management occupations
- Business and financial operations occupations
- Computer and mathematical occupations
- Architecture and engineering occupations
- Life, physical, and social science occupations
- Education, training, and library occupations
- Arts, design, sports, entertainment, and media occupations
- Sales and related occupations

<http://www.ers.usda.gov/Data/CreativeClassCodes>

an exercise in collaborative consumption, the coworking center may provide access to a software license or piece of equipment for a fraction of the cost.

Coworking

Coworking is a recent phenomenon. Most experts date it to a 2005 facility opened in San Francisco. Since then the number of coworking spaces has grown to about 1,320, doubling in each of the last five years. About 563 coworking centers are located in the United States. More than two-thirds are seriously considering adding an additional location or expanding their existing space.

Simply stated, coworking centers bring mobile workers, contractors, freelancers, consultants, and even small businesses together to work in shared spaces. IN addition to sharing space, workers also commonly have access to broadband connections and office equipment such as printers, copiers, and fax machines. But the truly distinguishing factor in coworking – which sets it apart from mere business centers – is the community that forms in the center. Workers are passively and actively encouraged to socialize and network with each other, exchanging expertise, providing peer coaching, and collaborating to advance their businesses in cooperation with other coworking members. Center management facilitates this through design of the space as well as by hosting events and activities for the members.

Coworking centers may provide a variety of desk options and flexible terms. Many will offer options for daily, weekly, monthly, or longer term use of the facility. Desk options may include unassigned space (sometimes called “hot desks”), dedicated desks, and private offices. Some facilities may even have office suites for small companies.

The benefits of coworking are measurable.²

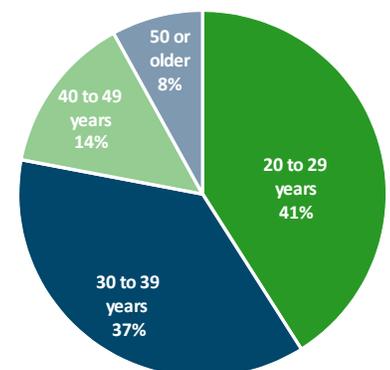
- 88% of coworkers report increased interaction with others after joining a coworking facility
- 85% of coworkers say they are better motivated than they were before becoming a coworking member
- 77% of coworkers interact socially with fellow coworkers outside of the facility
- 60% of coworkers are more relaxed at home, having found a better work/life balance
- 60% of coworkers say they are better organized in a coworking environment
- 57% of coworkers work more often in teams since they started coworking
- 42% of coworkers report that their income has increased since joining the coworking facility
- The average coworker made 3.6 useful connections through coworking in the past two months

Coworking is seen as an alternative to the isolation of a home office. Coworking also provides an alternative to the coffee shop. Even an increasing number of conventionally-employed persons are seeking out coworking space as an alternative to the traditional office.

- 90.2% of independent workers (self-employed, freelancers, etc.) currently work from a home office
- 4.9% of independent workers are working in a traditional office setting
- 3.1% of independent workers are in a shared work environment

Coworkers are typically in their 20's or 30's, although the number of older coworkers is growing. The average coworker is 34 years old and male. Three-quarters of coworkers have a bachelors degree, compared to about half of all business owners and a quarter of the adult public. Information technology and web design professions are the most common among coworkers, followed by a wide range of professionals, consultants, journalists, and more.

- 55% of coworkers either own, or work for a company with employees
- 44% of coworkers are freelancers or solopreneurs
- 20% of coworkers employ others within their company
- 20% of coworkers are employed by others; typically a company with fewer than five employees



² Global Coworking Survey, 2011 and 2012, Deskmag and Emergent Research

Coworkers are happy with their space. Overall satisfaction increases after three months and remains above 90 percent until the fourth year. After that there is a slight decrease that may be associated with the business’s changing needs. Over time coworkers often upgrade from hot desks to dedicated desks to private offices. Eventually, some businesses move out to private space as they continue to grow.

Half of coworkers report an income that is approximately average for their occupation. A quarter earn more and a quarter earn less. Actual income varies with both age and occupation.

Flexibility is a prized feature of coworking spaces. More than half (54%) of coworkers have 24/7 access to their space. About a third (31%) keep to a regular business schedule. Amenities desired by coworkers include internet access (99%), printers and copiers (80%), meeting rooms (76%), a café (61%), and a kitchen (50%). Just over half of coworking centers provide fax services. Only 41 percent of facilities provide phone service, with the majority of members using their mobile phone or other services for their business.

The average coworking facility occupies about 6,000 square feet, although the typical space is smaller. The average number of desks provided is 38. Flexible desks account for 57 percent of the total, while permanent desks make up the remaining 43 percent. Not all facilities offer dedicated desks or private offices. Those that do often have a higher ratio of floor area to desks. Operators report a typical ratio of 120 to 180 square feet per desk.

Regardless of size, most coworking facilities report utilization around 50 percent, and most have more members than desks available. Desk rentals account for 61 percent of revenue. Additional revenue is received through one-time membership fees or merchandise sales (16%), meeting room rentals (10%), workshop registrations (5%), food and beverage sales (5%), and virtual services (3%).

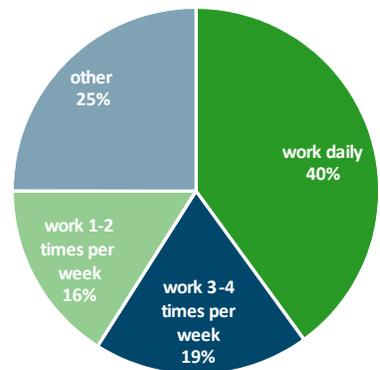
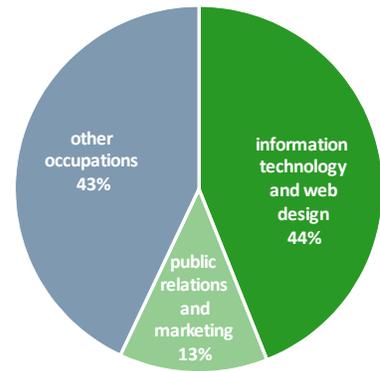
Coworking centers are generally profitable. After two years, 72 percent of coworking facilities report at least breaking even. Larger spaces and those offering more amenities are more likely to be profitable. One in five coworking centers is managed as a not-for-profit organization. Development costs have been averaging \$58,000, although coworking centers with fewer than 30 members have an average development cost of \$45,000. Peak months for opening a coworking center are January and September, while the peak months for memberships are September and April. Rents have been relatively stable from month to month. Averages for typical packages at the beginning of 2012 include:

- \$387 per month – permanent desk with 24/7 access rights
- \$308 per month – permanent desk during normal business hours only
- \$209 per month – flexible desk with 24/7 access rights
- \$195 per month – flexible desk during normal business hours only
- \$59 per week – flexible desk
- \$23 per day – flexible desk

Location is critical to the success of a coworking center. Half of coworkers live within three miles of their space. Three-quarters live within six miles. The average coworkers commutes 22 minutes, with a high percentage walking, biking, or taking transit. Downtown location are often preferred, as they are close to established small and independent businesses. Coworkers like to have coffee shops and restaurants, a grocery store, and office services in close proximity. Street-oriented locations can help to establish and market the coworking center as they will be more visible and more accessible to members and guests. Only a small number of self-described coworking spaces are located in strip centers or business parks. Overall, these appear to be more similar to business centers.

Start-up and Acceleration Services

Coworking provides an excellent platform for delivering start-up and acceleration services to members and other businesses. The average coworking facility hosts 4.5 events each month. Attendance is generally good, with 84 percent of



members participating in an average of 1.8 events each month. Non-members can usually participate in many of these activities, although they may pay a higher fee, or pay a fee while members participate for free.

Independent surveys and interviews with small business service providers paint a remarkably consistent picture of the needs of self-employed persons and stage one businesses in the targeted knowledge sector. These entrepreneurs usually come to their business with exceptional technical abilities in their respective fields, but may lack general business management and marketing skills necessary to help them succeed. Some of the top concerns voiced by these businesses include:

- Maintaining a predictable income or coping with a feast/famine cycle
- Finding clients/keeping a pipeline of jobs
- Managing time and staying productive
- Maintaining a work/life balance
- Managing business details and having to wear all hats
- Determining fees and getting paid better
- Preparing proposals and quoting work
- Collecting accounts receivable

These needs suggest several possible activities that may be hosted at coworking centers in the network. Programming offered through the planned coworking centers is distinguished from existing offerings in that it will be designed for the targeted industries. Programming may be provided directly by the coworking centers or through existing providers in the area. Both for-profit businesses and not-for-profit organizations will be solicited to offer their expertise. The ideas presented here are not intended to be a final program scope, but perhaps a core set of offerings that may be changed based on further research, the needs of client businesses, and the resources of providers who will support the effort.

- **Business Basics**

The initiatives envisioned under the umbrella of "Business Basics" are those that provide a foundation for starting and managing a small business in the knowledge sector. It is expected that existing resources (such as SBDC's and others) can be drawn on to provide many of these fundamental skills through training, seminars, one-on-one interaction, and mentoring. What will differentiate these programs from typical ones will be a focus on serving the specific needs of knowledge sector businesses, rather than the more generic programs typically offered. Examples of the kinds of training and assistance that may be offered include:

- Business plan preparation and business formation
- Market research
- Project management
- Intellectual property (copyrights, trademarks, patents)
- Legal, insurance and liability issues
- Financing and cash management
- Budgeting and financial management
- Taxes, billing, accounting, and bookkeeping
- Sales presentations
- Contracts and subcontracting
- Human resources

- **Marketing**

Marketing assistance provided through the organization may include promoting member businesses directly, assistance in developing the businesses' marketing approach and resources, and activities to promote business to business and business to government contracting.

During research into existing small business support services, the need for better marketing and sales was a consistent message from the staff that were interviewed. Many noted that entrepreneurs and small business owners often had the technical abilities to form a company, but did not have sales and marketing abilities to gain new customers. Even existing small businesses, especially impacted by the recession, have indicated that their greatest challenge is making sales.

Addressing this need, the program may consider a multi-faceted approach including the following elements.

- Direct assistance to members

Coworking centers may provide direct assistance to members through center web site and other marketing tools. Other assistance may include access to media contacts, assistance in developing press releases, and attendance at business trade shows or similar events.

- Branding and messaging

What is the business' value proposition? What is its image? How does it differentiate itself from the competition? These are important questions for any business to consider. The answers dictate how the business should frame its message, who the target audience will be, and what media to use in reaching that audience. Qualified service providers will be recruited to work with client business to address these needs.

- Customer analytics and market identification

Service providers can work with new and existing micro businesses to identify their markets, assess competition, and conduct market research. They will assist businesses in determining who are the business' customers, where they are located, what are their demographics, and what are their spending patterns.

- Marketing and public relations strategies

Client companies may work with marketing specialists in the provider network to devise effective, comprehensive strategies to market their businesses. Coworking centers can seek opportunities to collaborate with member businesses to help them implement these strategies.

- Marketing material development

Businesses may need collateral marketing materials in a number of formats such as printed brochures or other items, web sites, trade show displays, web sites, email marketing campaigns, etc. Drawing upon its network of service providers, a coworking center may match client businesses to the expertise they need to develop their marketing resources.

- Business to business and business to government sales

Selling to larger businesses and to government (local, state, and federal) is a great opportunity for small and start-up businesses to gain significant and stable revenue. Coworking centers may provide training and technical assistance to help businesses prepare for this market, target specific opportunities, and respond to bid requests. Other efforts may include distributing service directories to corporate and government buyers and hosting events to introduce client businesses to key contacts within corporate and government organizations.

- Marketing and related professions are among the knowledge sector businesses that will be targeted through the program. It is expected that some of these businesses who are coworking members may also be service providers to work with other member businesses.

- Networking

Networking is a key to building recognition, effective partnerships, and client relationships, as well as to simply keeping abreast of current information that can help a business. Networking opportunities will be built around a number of potential connections, including:

- Other start-up and micro businesses in the knowledge sector
- Larger, established businesses that may provide mentoring or subcontracting opportunities

- Sources of financing or other resources
- Technical colleges and universities
- Peer review and mentoring programs
- Technical skills training

Coworking members are often employed in technical fields. There may be opportunities to allow members to share their technical knowledge and to inform fellow members of emerging technologies that may be employed in their business.

The coworking concept envisioned here is not a stand-alone facility, but a network of centers under a common umbrella, sharing resources and support services. This provides coordination and cost savings to partner communities, encourages networking, and recognizes the desire of knowledge sector entrepreneurs to locate "close to home". At different membership levels, member businesses would have access to a greater degree of resources, and have some level of access to all of the affiliated centers.

The coworking centers are designed to encourage business formation and accelerate growth by providing a professional work environment, the camaraderie of other professionals who can motivate and share ideas, and access to common and specialized equipment and software, all at an affordable cost.

At the most basic level, the co-working centers fulfill a need to provide a professional workplace for entrepreneurs and small businesses. Facilities that may be provided include flexible office space arrangements such as:

- Virtual office - This is not a physical presence, but use of an address and mail box within the facility. Businesses project a professional image, and may share virtual resources such as access to the VPN.
- Drop-in - Businesses may use the facility for a single day, having access to conference rooms (when available) and open desks. Access to other resources may be limited.
- Tiered levels of access - Perhaps three tiers of general access, purchased at intervals of a month or more, would let businesses take advantage of increased access to the facility and its resources. Tiers might be based on access to an available desk, a cubicle or dedicated desk, or a private office.

It is expected that members in all tiers will have access to conference rooms equipped with AV and teleconferencing equipment. Basic office furnishings (desks, tables, workspaces, chairs, filing cabinets, lighting, etc.) will be provided.

For some businesses, the cost of specialized software and equipment can be an additional barrier to forming a business or to competing for work. The ability to share licenses through a cowork setting may reduce this burden. Examples of resources that may be made available in a coworking facility include:

- Shared CAD, GIS, graphic design, and web development software licenses
- High-capacity color laser and large-format color printers
- Document production equipment, such as binding, folding, and laminating machines
- Widescreen monitors at workstations (to plug in laptop computers)
- Copiers, postage meters, fax machines, scanners, and audiovisual equipment
- Trade show displays

Where specialized equipment may not be available at a particular facility, members would have the option of using resources at other facilities in the network.

Target Businesses (Clients)

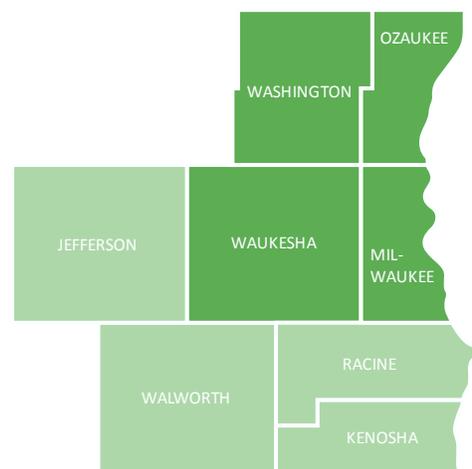
This proposal targets entrepreneurs and existing businesses (solo and stage one businesses) who are engaged in providing intellectual and creative services. Secondarily, it will concentrate efforts on those businesses currently selling or marketing to a client base outside of the region. This recognizes that businesses selling outside of the region bring new money into the economy, resulting in a greater economic impact. While priority will be given to these targeted businesses, others may be able to participate in programs when resources are available. It could be anyone, but there are a number of management, business, science, and arts occupations topping the list. Examples include:

- **ADVERTISING, MARKETING, PROMOTIONS, PUBLIC RELATIONS, AND SALES MANAGERS:** Advertising and promotions managers; Marketing managers; Sales managers; Public relations and fundraising managers
- **OPERATIONS SPECIALTIES MANAGERS:** Computer and information systems managers; Financial managers; Industrial production managers; Compensation and benefits managers; Human resource managers
- **BUSINESS OPERATIONS SPECIALISTS:** Compliance officers; Cost estimators; Labor relations specialists; Logisticians; Management analysts; market research analysts and marketing specialists
- **FINANCIAL SPECIALISTS:** Accountants and auditors; Budget analysis; Financial analysts; Insurance underwriters; Financial examiners
- **COMPUTER OCCUPATIONS:** Computer and information research scientists; Computer systems analysts; Information security analysts; Computer programmers; Software developers; Web developers; Database administrators; Network and computer systems administrators; Computer user support specialists
- **MATHEMATICAL SCIENCE OCCUPATIONS:** Actuaries; Mathematicians; Operations research analysts; Statisticians
- **ARCHITECTS, SURVEYORS, AND CARTOGRAPHERS:** Architects, Landscape architects, Cartographers and photogrammetrists; Surveyors
- **ENGINEERS:** Agricultural engineers; Civil engineers; Computer hardware engineers; Electrical and electronics engineers; Environmental engineers; Industrial engineers; Materials engineers; Mechanical engineers; Drafters
- **LIFE, PHYSICAL, AND SOCIAL SCIENTISTS:** Economists; Survey researchers; Sociologists; Urban and regional planners; Anthropologists and archeologists; Geographers, Historians; Political Scientists
- **LEGAL OCCUPATIONS:** Lawyers; Arbitrators, mediators, and conciliators; Paralegals and legal assistants; Court reporters; Title examiners, abstractors, and searchers
- **ART AND DESIGN WORKERS:** Art directors; Craft artists; Multimedia artists and animators; Commercial and industrial designers; Fashion designers; Graphic designers; Interior designers; Merchandise displays and window trimmers
- **MEDIA AND COMMUNICATION WORKERS:** Reporters and correspondents; Public relations specialists; Editors; Technical writers; Writers and authors; Interpreters and translators

Measuring Market Potential

For this analysis we have divided Southeastern Wisconsin into two sets of counties. Four counties (Milwaukee, Ozaukee, Waukesha, and Washington) make up the Milwaukee region. Another four counties (Jefferson, Kenosha, Racine, and Walworth) are adjacent counties. Although the primary focus of this effort is within the Milwaukee region, companies in outlying counties may be inclined to participate in programming, and services may be offered in these counties if there is sufficient demand along with a sponsoring community or organization.

According to data assembled by the Edward Lowe Foundation, in 2008 there were 31,017 self-employed persons (sole proprietorships) and 46,954 Stage One establishments in the four-county Milwaukee region, with an additional 12,145 self-employed persons and 16,302 stage one establishments in the four surrounding counties. Despite the recessionary economy, or perhaps partly due to it, the number of businesses in these categories have increased over the past two years. The number of sole proprietorships grew by 30.59 percent in the four-county Milwaukee region, and 22.78 percent in the remaining counties. The number of stage one companies grew by 20.00 percent and 19.50 percent, respectively.



Data for three industry sectors may be considered as a surrogate for the number of knowledge-based enterprises in the region. These are information (NAICS 51), professional, scientific, and technical services (NAICS 54) and management of companies and enterprises (NAICS 55). Within the Milwaukee region there are 5,267 sole proprietorships and 6,749 stage one establishments in these three sectors. The number of sole proprietorships grew by 20.72 percent between 2006 and

2008, while the number of stage one establishments increased by 23.34 percent. Growth in the outlying counties was remarkably similar, at 20.73 percent for sole proprietorships (which numbered 1,482) and 23.64 percent for stage one businesses (numbering 1,506).

Targeted Sole Proprietorships and Stage One Establishments in SE Wisconsin
 Information (NAICS 51), Professional, Scientific, and Technical Services (NAICS 54), Management of Companies (NAICS 55)

County	Sole Proprietorships			Stage One Establishments		
	2006	2008	Change	2006	2008	Change
Milwaukee County	2,217	2,680	463	2,597	3,282	685
Ozaukee County	435	502	67	446	498	52
Washington County	314	393	79	319	392	73
Waukesha County	1,397	1,692	295	1,536	1,869	333
Milwaukee Metropolitan Counties	4,363	5,267	904	4,898	6,041	1,143
Jefferson County	171	193	22	156	199	43
Kenosha County	277	382	105	294	363	69
Racine County	493	585	92	454	570	116
Walworth County	286	322	36	302	374	72
Outlying Counties	1,227	1,482	255	1,206	1,506	300
Southeastern Wisconsin Counties	5,590	6,749	1,159	6,104	7,547	1,443

Within Wisconsin the three targeted industries comprise three of the five industry groups with the greatest percentage increase in establishments between 1999 and 2008. Resident (in-state) companies account for the largest part of this growth, with much of the growth also made up of self-employed and stage one establishments. Professional, scientific, and technical services (NAICS 54) is also among the top five industry groupings in terms of the overall number of establishments, while Information (NAICS 51) and management of companies and enterprises (NAICS 55) are among the smallest sectors. Both professional, scientific, and technical services and management of companies and enterprises added jobs over the decade. These job gains were in self-employed, stage one, and stage two establishments, and were partially offset by job losses in larger establishments. The information sector lost jobs over the decade, and these losses were recorded among resident establishments. Growth occurred in self-employed and stage one establishments, however, this growth was countered by job losses in larger establishments.

Looking at the targeted sectors as a percentage of overall numbers for the two areas, growth in these sectors trailed that of all businesses combined. In the Milwaukee region, the number of sole proprietorships in targeted sectors grew by 12.44 percent from 2006 through 2008. In the remaining counties their numbers increased by 11.32 percent. Targeted sector establishments made up 16.98 percent of the total number of Milwaukee area sole proprietorships, and 12.20 percent of sole proprietorships in the adjacent counties.

The number of targeted stage one companies increased by 14.61 percent in the Milwaukee region, and 11.28 percent in the other counties. Establishments in targeted sectors made up 14.61 percent of the Milwaukee area total, and 11.28 percent of the total stage one companies in the remaining counties.

Some 28 million Americans over the age of 21 (eight percent of the population) are considering independent work. Over half have started the necessary research, talked with potential clients, or sought advice on business issues. A quarter have prepared a business plan. One in five have prepared marketing materials. One in seven have started a website, opened a

business bank account, or obtained a taxpayer identification number³. According to the Wisconsin Department of Workforce Development, there were 781,269 workers in the Milwaukee area, and another 276,275 in the four adjacent counties, for a total of 1,057,544.

Persons in Management, Business, Science and Arts Occupations by Industry in SE Wisconsin

County	All Industries Combined	Information	Finance and Insurance, Real Estate and Rental	Professional, Scientific, Management
Milwaukee County	149,027	5,055	14,604	19,561
Ozaukee County	19,657	606	2,098	3,302
Washington County	24,293	588	2,426	2,939
Waukesha County	88,330	2,766	9,282	13,421
Milwaukee Metropolitan Counties	281,307	9,015	28,410	39,223
Jefferson County	12,393	411	850	1,303
Kenosha County	25,253	655	1,867	2,747
Racine County	29,156	564	1,820	3,038
Walworth County	15,997	333	928	1,705
Outlying Counties	82,799	1,963	5,465	8,793
Southeastern Wisconsin Counties	364,106	10,978	33,875	48,016

Entrepreneurship in Wisconsin lags the nation, but even using a six percent average, it can be expected that there are about 46,876 persons contemplating opening a business in the Milwaukee area, potentially starting 15,469 businesses each year. Approximately 1,924 of these will be in targeted knowledge sectors. There would be 16,576 persons considering a business in the outlying counties, resulting in 5,470 potential new businesses, and 483 in the three knowledge sectors. Again, these knowledge sectors only represent a total of the combined knowledge and creative sector entrepreneurs, who can be found in virtually any industry. These figures merely serve as a base-line for estimating market potential.

The market can be divided into three segments. The primary market consists of entrepreneurs, sole proprietorships, and stage one businesses in Milwaukee, Ozaukee, Washington, and Waukesha Counties. This market segment totals 19,063 potential clients, made up of:

- 5,267 sole proprietorships in targeted industries
- 6,041 stage one establishments in targeted industries
- 5,831 potential entrepreneurs in targeted industries
- 1,924 emerging entrepreneurs in targeted industries

The secondary market is comprised of the remaining entrepreneurs, sole proprietorships, and stage one businesses in Milwaukee, Ozaukee, Washington, and Waukesha Counties. Although coworking space and programming may not be marketed toward these prospects, some will fall within the definition of knowledge and creative businesses, and most will be able to benefit from training or other service offerings. This is a very large group of prospective clients, numbering 121,253, and including:

- 25,750 sole proprietorships in other sectors

³ *The State of Independent Work in America*, MBO Partners, 2011

- 40,913 stage one businesses in other sectors
- 41,045 potential entrepreneurs in other sectors
- 13,545 emerging entrepreneurs in other sectors

A final, tertiary market is made up of the entrepreneurs, sole proprietorships, and stage one businesses in the outlying counties of Jefferson, Kenosha, Racine, and Walworth. Due to proximity, they may take advantage of programs, but at lower rates than prospective clients within the Milwaukee area. The total tertiary market contains 50,493 potential clients made up of:

- 12,145 sole proprietorships
- 16,302 stage One businesses
- 16,576 potential entrepreneurs
- 5,470 emerging entrepreneurs

The Market for Start-up Services, Acceleration, and Coworking in SE Wisconsin

Market Segment	Milwaukee Metro Counties (Targeted Industries)	Milwaukee Metro Counties (Remaining Industries)	Outlying Counties (All Industries)
Potential Entrepreneurs	5,831	41,045	16,576
Emerging Entrepreneurs	1,924	13,545	5,470
Sole Proprietorships	5,267	25,750	12,145
Stage One Businesses	6,041	40,913	16,302
Milwaukee Metropolitan Counties	19,063	121,253	50,493
	PRIMARY MARKET	SECONDARY MARKET	TERTIARY MARKET

The Market for Coworking Space

In a recent poll conducted by SmartBrief on Entrepreneurship, 51 percent of respondents indicated that they expected to be conducting business out of their home office in 2011. Another 37 percent expected to be working in an office outside of their home. Twelve percent envisioned working from a coworking space, "a surprisingly high number, given the relative novelty of the category", according to Robert Jones, a freelance writer and longtime contributor to *Entrepreneur Magazine*. While not a statistically valid poll, the responses lend some insight into the workplace preferences of solo entrepreneurs and micro-business owners. Additional insight may be provided by a more recent survey conducted by Deskmag. The survey of persons not already engaged in coworking found interest among 65 percent of the respondents. A third of this group had not joined because no facilities were located nearby. Cost was a factor for only twelve percent.

A conservative estimate of the potential demand for coworking might estimate ten to fifteen percent of self-employed persons and potential or emerging entrepreneurs, or roughly 1,300 to 1,950 potential coworkers, in just the primary market (targeted sectors in the four Milwaukee-area counties). There are an additional 11,453 to 17,179 potential coworkers in the secondary and tertiary markets. These number do not include any potential workers drawn from stage one or larger businesses in the region. Every one percent of this workforce adds 5,862 potential coworkers.

Maximizing economic development benefits to the community is an important goal. For this reason, the investment in coworking space is specifically targeted to entrepreneurs and micro-businesses that are 1) knowledge-based, and 2) are focused on selling a substantial part of their products or services to clients outside of Southeastern Wisconsin. Priority will be given to these target businesses. Others businesses may have limited access to the coworking facility if space is available.

Actual market penetration will be highly dependent upon the number, location, and resources of the coworking centers. A more detailed analysis, including a siting and market optimization study, should be conducted in order to produce more accurate estimates, including estimates for specific locations in the metropolitan area.

Expected Market Penetration for Service Offerings

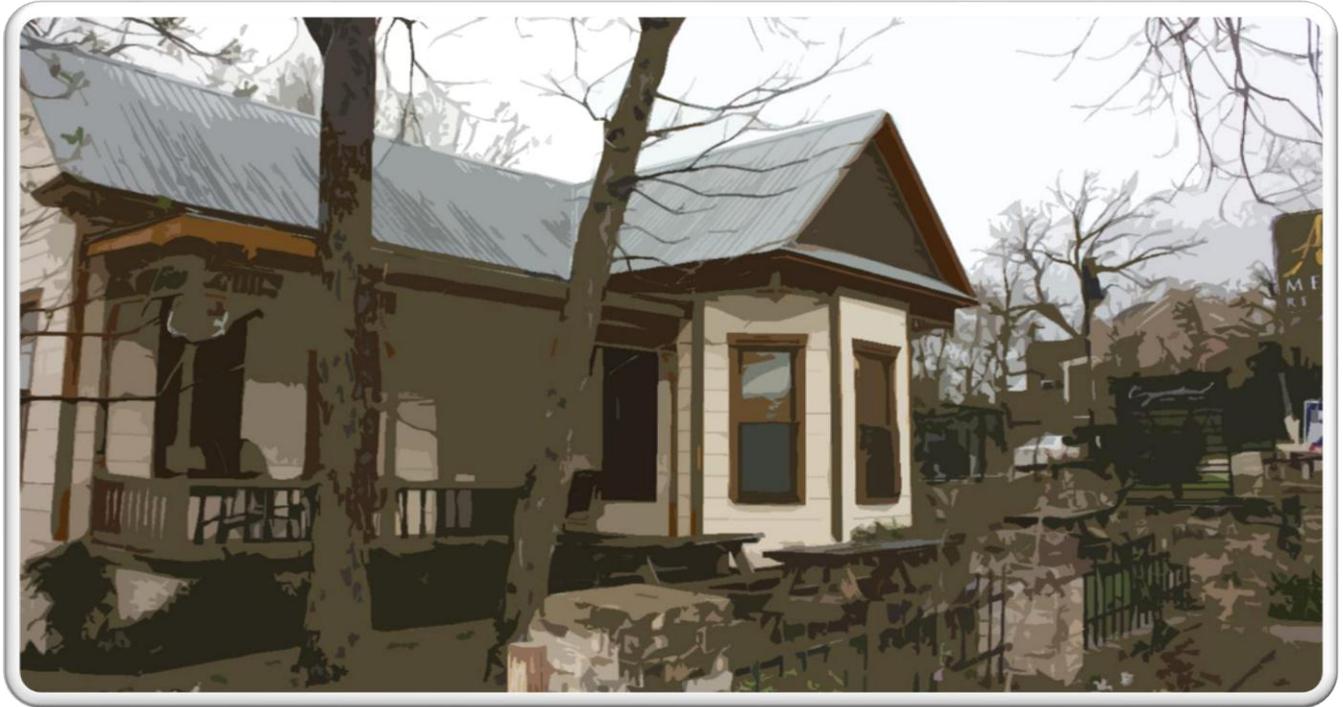
With so many potential clients, it may seem that reaching a critical mass would not be too difficult. The estimates of market penetration set forth here, however, are intended to be conservative, providing a sound basis for determining the market feasibility of this initiative. If greater numbers of clients are attained, then the program will enjoy greater success. But by being cautious in these estimates this study intends to ensure that the potential demand is not overstated.

In assessing that demand, the analysis has considered entrepreneur and small business participation in existing programs offered by area service providers (discussed in the following section). Of course, actual utilization of programs or coworking space will be dependent upon a variety of factors. The number, location, topics, pricing, marketing, quality, and other factors will impact participation in programs. Location, policies, pricing, resources, marketing, and other characteristics of coworking space will influence the success of these facilities.

The primary market, consisting of potential and emerging entrepreneurs, and existing sole proprietorships and stage one businesses in the knowledge sector, and located in Milwaukee, Ozaukee, Washington, and Waukesha Counties, is the market segment that will be most heavily targeted for participation in start-up and acceleration offerings. Based on the utilization of programming at other service providers in the region, it is anticipated that five percent of this market segment, or 955 businesses or entrepreneurs, will participate in sponsored programming on an annual basis. Many of these businesses will take advantage of multiple program offerings. As coworking centers are developed, member participation in events is expected to increase the number of businesses attending sponsored activities.

The secondary market consists of entrepreneurs, sole proprietorships, and stage one businesses within the Milwaukee area, but not in the knowledge sectors. This group is expected to have a program utilization rate of one percent, yielding a total of 1,231 participating businesses. Only 0.25 percent of the tertiary market, in Jefferson, Kenosha, Racine, and Walworth Counties, is expected to participate, yielding an additional 126 businesses. These latter segments will not be specifically targeted, and preference will be given to knowledge businesses within the Milwaukee metropolitan area.

These numbers could be subject to change, either higher or lower, depending on the geographic location of service offerings. They also reflect expected participation in an established program. It can be expected that utilization numbers will take approximately one year to reach these targets, as it will take time to build awareness of the program.



BUSINESS ASSISTANCE PROVIDERS

There are multiple business development organizations currently serving the Milwaukee area, including non-profit organizations, government agencies, and colleges. The intent of this proposal is not to duplicate the worthwhile programs and other offerings of these organizations. Rather, it may provide an alternate forum for their delivery, offer its own programming to fill gaps in existing programs, or provide services more closely tailored to the needs of knowledge-based business ventures.

The organizations profiled below do not represent an exhaustive list of the service providers in Southeastern Wisconsin. They are, however, the largest and best-known resources for entrepreneurs and small businesses. Information on these organizations was gathered from their print and online publications and interviews with staff.

It should be noted that continued cuts to state and federal budgets may include significant reductions in funding that threaten to curtail, or even eliminate some of these small business support and training programs.

Service Corps of Retired Executives (SCORE)

310 W. Wisconsin Avenue, Suite 425, Milwaukee, WI 53203 (www.scoresewisconsin.org)

SCORE is a non-profit organization founded in 1964 to support entrepreneur education and the formation, growth, and success of small businesses nationwide. SCORE is America's largest volunteer business counseling service. SCORE SE Wisconsin is part of the national organization and serves the ten county area of southeast Wisconsin made up of Dodge, Jefferson, Kenosha, Milwaukee, Ozaukee, Racine, Sheboygan, Walworth, Washington, and Waukesha counties.

SCORE SE Wisconsin provides free and confidential counseling or mentoring (either in-person, over-the-phone or by e-mail) and low cost workshops. Workshop topics include basic business, finance, marketing, business planning, and general management topics. Workshops may be offered as webinars.

SCORE serves nearly all kinds of businesses, ranging from retail to manufacturing to professional services and more. One-on-one counseling by SCORE's volunteers is the most valued of its services. Businesses typically need assistance with administrative functions such as accounting, and can benefit from improved marketing.

Small Business Development Centers (SBDC)

Small Business Development Centers provide technical assistance to start-up entrepreneurs and existing small business owners. Assistance may include one-on-one counseling, workshops and training programs, networking functions, and more. Funded by the US Small Business Administration (SBA), there is a network of over 1,000 Small Business Development Centers across the United States, typically associated with colleges and universities. Three are located in Southeastern Wisconsin.

- University of Wisconsin - Milwaukee

161 West Wisconsin Avenue, Suite 6000, Milwaukee, WI 53203

The Small Business Development Center at UW-Milwaukee serves Milwaukee, Ozaukee and Washington counties. The SBDC offers counseling, training, and connections to resources to encourage business formation and growth. Training addresses a wide range of business management seminars for startup and established companies, with instruction from business owners as well as SBDC staff. SBDC clients are connected to valuable resources (such as sources of financing, technology, service providers, etc.).

The Milwaukee SBDC serves between 500 and 1,000 individual companies or entrepreneurs in any year. Attendance at individual events varies, but the Center's Entrepreneur Training Program is generally at capacity (20 participants).

Staff observed that the most common issue for targeted businesses was marketing and attracting sales. These business owners tend to be technically proficient, but may not have the expertise needed to manage a business or conduct sales. These are also barriers to entry or success.

- University of Wisconsin - Whitewater

1200 Hyland Hall, UW-Whitewater, Whitewater, Wisconsin 53190

Located on the campus of the University of Wisconsin - Whitewater, this Small Business Development Center serves Walworth, Jefferson, Waukesha, Rock, and Dodge Counties. Basic services include counseling and training programs, but it is also home to one of three specialty centers in Wisconsin - the Wisconsin Innovation Service Center (WISC). Programming at the Whitewater SBDC includes:

- Free consultations on questions related to owning and operating a business, such as business planning, financial management, record-keeping, financing strategies, exports and imports, policy development, marketing plans and product innovation.
- The Business AnswerLine, available during business hours, offering the opportunity to speak with SBDC staff when an immediate answer is needed.
- High-Impact Consulting Projects, designed to help established businesses with more complex questions related to growth, financing, innovation, mergers and acquisitions, and strategic planning.
- Business 101 workshops offered in various host communities in the region. Video of the workshops is available online. Past topics have included business plans, market research, financial tools and benchmarks, and mergers and acquisitions.
- The First Step Workshop, a single evening course that provides an introduction to starting and running a small business. The course is available as a workshop or online.

WHY IS THERE A NEED?

While some may point to existing business incubators, these few facilities tend to serve manufacturers within specific niches (such as food processing or technology), while ignoring the group of industries we call the "knowledge sector".

Small Business Development Centers and other organizations offer training and counseling to businesses. In fact, some of these will be included in the network of providers upon which this proposal draws. But many of these programs tend to be generic in terms of their audience. Entrepreneurs and businesses in creative or knowledge industries have articulated concerns about the relevancy of content to their particular needs.

Our goal is not to duplicate resources available through existing providers, but to augment them. In some cases this may mean offering programs or other resources not presently available. In other cases it may mean providing similar content, but geared specifically toward small businesses and entrepreneurs in the knowledge economy.

- FastTrac NewVenture, an entrepreneurial training program designed to help new businesses advance through the process of writing a business plan.
- FastTrac GrowthVenture, a program for experienced entrepreneurs to gain skills they need to grow their business.

The Wisconsin Innovation Service Center (WISC) at the UW - Whitewater specializes in new product and invention assessments and market expansion opportunities for innovative manufacturers, technology businesses, and independent inventors. Technical experts and researchers use an extensive array of resources to analyze information on technical feasibility, existing patents, market size, competitive intensity, demand trends, and other areas. WISC offers a variety of other research products that cover product feasibility, competitive intelligence, distributor assessment, customer satisfaction, and licensing partnerships.

- New product development assessments help aspiring and existing businesses make more informed decisions on further investment. WISC research covers technical feasibility, competitive products, preliminary patent searches, estimated need, and relevant trends.
- Competitive Intelligence Search helps companies understand competitive products and positioning. WISC identifies and interviews 20 or more competitors, analyzes trends, and creates a competitive matrix summary.
- Distributor Assessments provide insight into market conditions and customer needs. WISC works with you to develop a phone survey, then interviews 20 or more potential or current distributors and summarizes results in text and matrix formats.
- Customer Assessments evaluate potential demand for new products, product applications in new markets, and company perceptions relative to competitors. WISC works with you to develop a phone survey, then interviews 20 or more potential or current customers and summarizes results in text and matrix formats.
- Licensing/Strategic Partner Search identifies potential partnership opportunities for profitable product or market development. WISC identifies and interviews 20 or more potential partners and summarizes results, with follow-up recommendations.
- The Ideas to Profits Conference, held each year by WISC, is a gathering of inventors, innovative business owners and manufacturers as well as the professionals who serve them.

The University recently opened a technology center with incubator space for businesses that may include those targeted in this study. The center is located in the Whitewater Business Park. Other uses in the business park are primarily industrial in nature.

- University of Wisconsin - Parkside

900 Wood Road, P.O. Box 2000, Molinaro D127, Kenosha, WI 53141

The UW-Parkside SBDC provides education, training, and one-on-one counseling to entrepreneurs and existing businesses throughout Kenosha and Racine counties. A program of the School of Business and Technology, the SBDC also offers workshops and business writing series to help understand the clear picture of what it takes to run a successful business. Services provided by the SBDC include:

- Coaching and guidance to businesses
- Financial lending assistance
- Business/marketing/strategic plan development
- Business startup plans
- Market analysis for businesses
- Financial analysis
- Minority business issues
- Growth assistance for existing businesses

- Tech venture assistance

The UW-Parkside SBDC is housed on the campus of UW-Parkside with outreach offices for client services at the Center for Advanced Technology and Innovation (CATI), and the Kenosha Area Business Alliance (KABA).

The Center for Advanced Technology and Innovation (CATI) was formed by the SBDC and its partners as a technology transfer intermediary. CATI matches unused intellectual properties with existing companies and start-up businesses in need of those technologies. The focus of this organization is on technology businesses primarily in manufacturing, although it may serve some knowledge sector entrepreneurs.

Waukesha Small Business Center

Waukesha County Technical College, 800 Main Street, Pewaukee, WI 53072

The Small Business Center is located at the Pewaukee campus of Waukesha County Technical College. Services that may be obtained through the center include:

- One-on-one counseling to help start-up entrepreneurs or existing owners.
- Low-cost small business courses leading to a Small Business Certificate.
- Affordable financing through the Small Business Loan Program, a streamlined, strategic partnership loan program for accessing capital.
- Technical assistance programs with strategic partners who assist in designing marketing materials, developing websites, creating or polishing business plans, Quick-Books consulting and more, all at affordable rates
- FaSTart Workshops, which are four-hour programs designed to acquaint entrepreneurs with resources to help them start a business.
- Business Plan Express, a software tool designed to help prepare a business plan under the guidance of an SBDC professional.
- The Success Mentor Program, linking entrepreneurs with experienced mentors who can provide guidance on industry-specific issues.
- Take a Professional to Lunch, offering connections with local accountants, attorneys, insurance agents, lenders, marketing experts, business plan advisors, and other professionals who have agreed to meet with start-up, emerging and established small business owners over lunch to discuss topics of interest and answer business-related questions.
- The Small Business Connections networking group, which meets quarterly to connect build support networks, mentorships and friendships. Members also participate in the annual Micro Entrepreneur Expo to showcase their products and services.

The Small Business Center typically serves over 1,000 small businesses and entrepreneurs in any given year. The vast majority of these are described as "lifestyle businesses", with one or two owners and no employees. The typical business requesting services from the Small Business Center is seeking to grow.

Attendance at the organization's various training programs, workshops, and other events can vary significantly. Most of the organization's courses draw from ten to as many as 40 participants. Networking events may bring in 100 to 120 attendees. The Women Entrepreneurs' Speaker Series has about 80 participants on average, while the Micro Entrepreneur Expo will draw 150 to 200.

Networking opportunities are among the most popular activities. The Center indicated that courses on financing and financial document analysis were not well attended, and will be dropped. Marketing assistance may be one of the most needed services. Staff noted that overall, many organizations in Wisconsin served business start-up needs, but there appears to be a lack of attention to the business phase between start-up and attaining a larger size.

Bizstarts Milwaukee, Inc.

10437 Innovation Drive, Suite 202, Milwaukee, WI 53226 (www.bizstartsmilwaukee.com)

BizStarts Milwaukee, Inc. launched on Sept. 30, 2008 with the mission of creating an innovative entrepreneurial business climate in the Milwaukee 7 region, which includes Kenosha, Ozaukee, Racine, Milwaukee, Walworth, Washington and Waukesha Counties. BizStarts Milwaukee seeks to connect all entrepreneurs with the right resources, promote and create a strong entrepreneurial business climate, increase the amount of educational offerings at all 20 colleges in the region, and significantly increase the number of fast growing companies.

BizStarts Milwaukee identified and launched four major initiatives.

- BizStarts Connect is designed to connect all entrepreneurs with the best possible resources online and at networking events. The organization's web site serves as a one-stop site for referrals to information and connections. In addition, the organization hosts face-to-face networking opportunities for entrepreneurs, service providers, and investors. These included the Startup Accelerator and Innovation to Venture events.
- BizStarts Buzz touts the importance of innovation and entrepreneurship for the region's future prosperity.
- BizStarts Venture Track offers mentoring, education and connections to encourage entrepreneurial growth. The Venture Track Program is comprised of:
 - FastTrac TechVenture, a ten week class for entrepreneurs whose ideas and market opportunities will demand significant external financing;
 - Ugly Baby Panel, a program designed to give entrepreneurs in the business development stage the opportunity to pitch their business concept in front of a panel of business experts that provides feedback for business improvements and presentation.
 - Follow-up assistance from the BizStarts Milwaukee mentors and coaches, and
 - Innovative and experiential events such as the Startup Accelerator and Innovation to Venture
- BizStarts College Consortium is to advocate for and ultimately increase the amount of entrepreneur courses, programs and experiences offered on college campuses in the region.

BizStarts Milwaukee is organized as a 501C (3) non-profit corporation for the purpose of accelerating and growing Southeast Wisconsin's position as a center for innovation and entrepreneurship.

Wisconsin Entrepreneurs' Network (WEN)

161 West Wisconsin Avenue, Suite 6000, Milwaukee, WI 53203 (www.wenportal.org)

The Wisconsin Entrepreneurs' Network provides access to a statewide network of resources and expertise, identifies high-potential technology entrepreneurs and helps move their businesses forward, facilitates collaboration between entrepreneurs and the organizations that assist them, and helps create and grow minority-owned businesses. The "Network" consists of four regional offices, including one in Milwaukee, and partners across the state who provide programs, resources and services to Wisconsin businesses.

WEN collaborates with others to offer programming, offering only a handful of direct services. These include one-on-one counseling from WEN regional directors and assistance in accessing federal funding through the SBIR and STTR Programs that includes:

- Education sessions on how to compete
- Proposal preparation and submission
- Pre-submission proposal review
- Establishment of research partnerships with academia/non-profit research institutions and technology transfer opportunities for commercialization of innovations
- Selection of federal agencies and research topics of interest/needs that fit with the applicant's business strategy
- Development of commercialization strategies and Phase II commercialization plans
- Intellectual property management in federal grants and contracts

Reflecting its technology business focus, WEN staff noted the need to assist businesses in connecting technical ideas to markets and developing a viable business plan. Many of the entrepreneurs it works with may have solid technical skills, but few business management skills. They may require a great deal more coaching than the existing providers can support.

Wisconsin Women's Business Initiative Corporation

2745 North Martin Luther King Jr. Drive, Milwaukee, WI 53212 (www.wwbic.com)

The Wisconsin Women's Business Initiative Corporation (WWBIC) is a statewide economic development corporation focused on developing businesses owned by low-wealth individuals, women, and people of color. Its services encompass one-on-one business consultation, mentoring, business educational programming, business lending, marketing assistance, and networking opportunities.

The Wisconsin Women's Business Initiative Corporation makes loans from \$5,000 up to \$100,000 to small and micro businesses.

The Smart Start workshops teach people how to write their own business plan. Information is provided on business financing and ownership, marketing strategies, record keeping, cash flow, business operations and management. The Wisconsin Women's Business Initiative Corporation offers more than 350 workshops each year in multiple locations.

Small Business Discussion Circles are an informal group setting exploring a wide range of business topics such as business idea feasibility, marketing research ideas, and business planning.

Entrepreneurs may meet with a WWBIC loan officer through a Business Loan Investigation Lunch to find out what loan officers and financial institutions are looking for in a good business plan, and prepare to apply for a loan.

Through Can We Talk?, entrepreneurs may discuss their business plan and financing needs one-on-one with a WWBIC representative.

Wisconsin Procurement Institute

756 North Milwaukee Street, Milwaukee, WI 53202 (www.b2gconnect.org)

The Wisconsin Procurement Institute (WPI) is a non-profit organization that was established to assist Wisconsin companies with government contracting. WPI assists Wisconsin businesses and organizations in their efforts to enter or expand their federal, state, local and foreign government market segments.

WPI offers small group and individual training, statewide outreach and individual assistance. It also hosts conferences to bring contracting expertise directly to communities across the state. WPI's web site offers an automated notification of federal contracting opportunities within a particular business's fields of work.

Milwaukee 7

756 North Milwaukee Street, Suite 400, Milwaukee, WI 53202 (www.choosemilwaukee.com)

The Milwaukee 7 is a regional economic development organization comprised of seven counties of southeastern Wisconsin, including Kenosha, Milwaukee, Ozaukee, Racine, Walworth, Waukesha and Washington Counties. Its mission is to attract, retain and grow diverse businesses and talent. The organization's efforts revolve around three main objectives:

- Business climate improvement
- Business starts, expansions & attractions
- Regional branding

To address the region's business climate, Milwaukee 7 has carried out a program of business visitation. Each year, Milwaukee 7 has focused on a different group of businesses in the region, including manufacturers, financial service providers, biomedical companies, downtown Milwaukee businesses, and inner city businesses. While not specifically addressing the businesses targeted through this proposal, some information may be drawn from these visits. Issues raised in some or all of the sessions that may be pertinent include:

- A number of firms claimed that generating demand for product/service is the largest inhibitor to future growth.

- Companies sought assistance or information on:
- Selling to governmental entities
- Meeting immediate technology needs
- Developing Formal Relationships with Other Local Firms
- Forming business relationships
- Expansion
- Exporting
- Marketing

Several respondents mentioned that the only way to grow the financial services sector in the region is to encourage new firms to start here, usually via spin-offs from existing firms. Attraction is just too difficult. Attention should be given to making spin-outs, new firms, and firm growth easier to accomplish.

Jefferson County Economic Development Consortium

864 Collins Road, Jefferson, WI 53549 (www.jcedc.net)

The purpose of the Jefferson County Economic Development Consortium (JCEDC) is to foster and encourage responsible, economic development activities that result in job creation, retention, increased tax base and an improved sustainability and quality of life for the citizens of Jefferson County.

The Consortium consists of six member villages or cities in the county (Watertown, Jefferson, Fort Atkinson, Whitewater, Lake Mills, Waterloo, and Johnson Creek). Some of the goals of the Consortium include:

- Improving the competitiveness and profitability of existing businesses.
- Formation of new businesses and expansion of existing business.
- Attracting businesses and industries to locate in Jefferson County.
- Supporting economic development activities in local communities and developing physical infrastructure to support future economic development.

Kenosha Area Business Alliance

600 52nd Street, Suite 120, Kenosha, WI 53140 (www.kaba.org)

The Kenosha Area Business Alliance (KABA) is the economic development organization for Kenosha County. Its initiatives are designed to that stimulate private sector investment and support the creation of jobs that pay well. Its programs and resources include:

- Low interest loans for business development
- Human resource initiatives such as employee training programs, HR Roundtables, labor law workshops, and wage and fringe benefit survey data
- A clearing house for site selection and economic information
- An education foundation providing an elementary school mentoring program, annual scholarship awards, and support for various technology-related initiatives.

Ozaukee Economic Development

121 West Main Street, Port Washington, WI 53074 (www.ozaukeebusiness.org)

Ozaukee Economic Development is a non-profit agency assisting businesses I within Ozaukee County. The organization provides assistance in business planning or with general business development issues, often in partnership with other

providers. It administers revolving loan fund programs for Ozaukee County, the City of Mequon, the City of Cedarburg, the Village of Grafton, and the City of Port Washington.

Milwaukee Department of City Development

809 N Broadway, Milwaukee, WI 53202 (www.mkedcd.org)

The Department of City Development spearheads economic development activities within the City of Milwaukee. It offers a variety of services designed to jump-start a new business, expand existing companies, and support businesses attraction. Financial assistance may be available through the Milwaukee Economic Development Corporation (MEDC), a private non-profit corporation offering financial resources to business in partnership with conventional lenders.

Some services and programs provided through the department may include:

- Environmental assessment and brownfields financial incentives.
- Site selection assistance to help find an industrial or commercial sites .
- The Mentor Access Program (MAP), providing marketing support for emerging technology companies. Financial assistance is available for eligible private consultants to help companies formulate a business strategy, improve access to financing, achieve success in business plan competitions and expand markets.
- Business planning assistance provided through private consultants. Early-stage technology companies are able to receive help with feasibility assessment, market research and business plan development.
- Renewal Community tax incentives offered in a targeted area comprised of 88 census tracts, where businesses have access to special Federal tax incentives. Businesses can save thousands through wage credits and deductions available in this target area.

Racine County Economic Development Corporation

2320 Renaissance Boulevard, Sturtevant, WI 53177 (www.racinecountyedc.org)

The Racine County Economic Development Corporation works to foster business formation, retention and expansion, and attraction. It serves as a single point of contact for technology and innovation, small business development, financing, land and buildings and workforce development. It is formed as a private, non-profit organization.

Walworth County Economic Development Alliance

1000 East Centralia, Elkhorn, WI 53121 (www.walworthbusiness.com)

The Walworth County Economic Development Alliance (WCEDA) provides a full range of technical assistance to the business community. Services range from assistance with expansion, permitting, business planning and workforce development. Examples include:

- Marketing assistance to companies in Walworth County, such as market analysis, marketing techniques/programs, and coop tradeshow marketing
- Secured loans to businesses
- Assistance with writing business and marketing plans
- The organization's Hometown Entrepreneur Loan Program is a small revolving loan fund pool managed by the Walworth County Economic Development Alliance, Inc. to provide small loans to new and emerging businesses in Walworth County. Under HELP entrepreneurs can secure funds for start-up, business acquisition, and expansion.

Economic Development/Washington County

2151 North Main Street, West Bend, WI 53090 (www.businessreadywi.org)

Economic Development/Washington County, a 501(c)4 non-profit organization, is a public-private partnership promoting the creation of quality jobs and wealth in Washington County. It pursues this goal through business attraction, business formation, and general economic development advocacy.

The organization manages a Business Mentoring Network allowing entrepreneurs to connect with seasoned business professionals to inspire business growth.

Three loan funds are available within the county and the Cities of Hartford and West Bend.

Waukesha County Economic Development Corp.

892 Main Street, Suite D, Pewaukee, WI 53072 (www.waukeshacountyedc.org)

WCEDC provides financing, site location services, links to training, and other technical assistance to businesses expanding in, or considering locating in, Waukesha County. This assistance includes gap loan financing through a revolving loan fund.

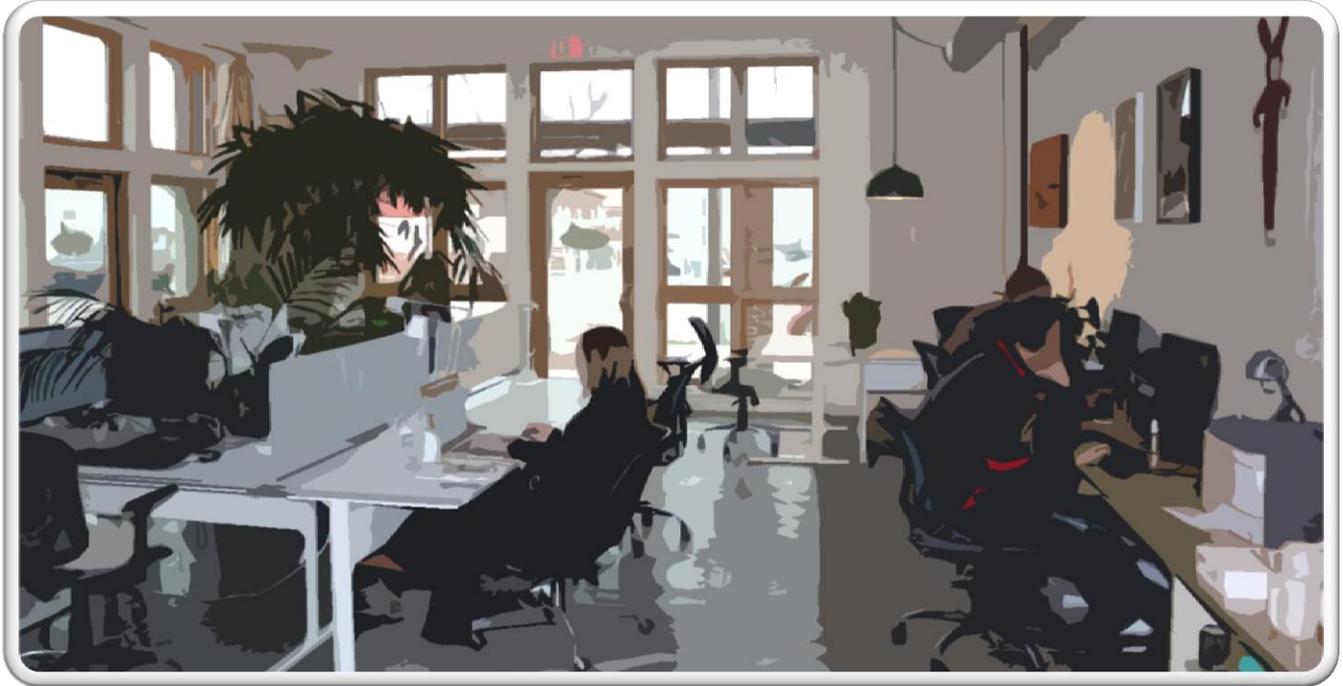
Waukesha County Economic Development Corporation is a public-private partnership of Waukesha County, Waukesha County Technical College, and private business members. WCEDC prepares its business community to compete in the global economy by accelerating innovation awareness and advancing emerging growth sectors such as green technologies.

Other Local Economic Development Organizations

Many of the region's communities have their own economic development organizations. These may offer technical, financial, or other assistance to entrepreneurs or small businesses. Although too numerous to detail in this report, some of these organizations are likely to become the core partners in Creative Acceleration. A partial list of communities that may participate include:

- Brookfield
- Cedarburg
- Cudahy
- Delafield
- Franklin
- Germantown
- Glendale
- Grafton
- Greendale
- Greenfield
- Menomonee Falls
- Mequon
- Milwaukee
- Muskego
- New Berlin
- Oak Creek
- Oconomowoc
- Waukesha
- Wauwatosa
- West Allis

Other resources may include local merchants' associations, business improvement districts, Main Street or other revitalization programs, chamber of commerce, inventor and entrepreneur clubs, etc.



BUSINESS INCUBATION

Traditional business incubators are facilities that nurture start-up businesses, providing them affordable space, technical assistance, and shared equipment to help them succeed and to accelerate their growth. Businesses are expected to spend a limited term in the incubator facility before "graduating" to traditional space. Three to five years is a typical time frame from start-up to graduation.

Incubation is most widely employed as a business development technique in manufacturing and technology, although it has spread to other industry sectors. Resources and business support services provided in an incubator setting are usually tailored to the kinds of businesses the incubator seeks to grow. Examples of these services can include:

- Business planning
- Legal advice
- Financial advice
- Marketing support
- Management advice
- Bookkeeping services
- Reception or administrative support services
- Conference rooms
- Copiers, fax machines, etc.
- Specialized equipment
- Specialized facilities (lab, commercial kitchen, etc.)

The National Business Incubation Association (NBIA) recognizes three approaches to service provision through business incubation:

- passive incubation - where the main benefits come from shared facilities, networking, synergies with other clients and advisors available on call;

- pro-active incubation - where the business advisors seek regular contact with client businesses; and
- power incubation - for businesses wanting to accelerate growth through regular and detailed interventions.

A number of studies have documented the effectiveness of business incubation. The Center for Business Acceleration and Incubation Studies at the University of Michigan conducted one such study for the US Economic Development Administration. Their analysis found that business incubators increase the survival rate of new businesses from an average of 20 percent to 80 percent. They also found that businesses that had participated in incubation tended to remain in the area. Eighty-four percent of these businesses were still located in the region ten years after graduation.

More recently, the business incubation concept has evolved to embrace two new formats. Virtual incubation provides the kind of training and technical support found in a traditional incubator, without having a physical space. Coworking is often perceived as a newer concept targeting solo entrepreneurs and micro-businesses.

Virtual Business Incubation

Virtual business incubation is a technique used to provide many of the same business support services, without dedicated multi-tenant space. Some of these programs take a "boot camp" approach in which intensive training and support are provided to launch a business in a short time. Other programs move at the pace of the founder. Support is offered through one-on-one counseling, workshops and instruction, and mentoring through the start-up period.

Business Acceleration

Business acceleration is related to incubation. Business accelerators provide a variety of services to targeted businesses in order to foster their more rapid development. Some of the common differences between incubators and accelerators are:

- Incubators assist businesses through the start-up phase, while accelerators tend to work with businesses that are already existing,
- Accelerators tend to focus on businesses that are targeting new markets for growth,
- Incubators tend to have an exit requirement while accelerators may continue to work with the business for an indefinite time

As with incubators, business acceleration may be conducted within a physical facility offering space to client businesses, or it may be offered virtually.

Business Incubators within the Region

The Wisconsin Business Incubation Association has identified numerous business incubators in the State of Wisconsin, including several in the Milwaukee region. Some of these are described below.

In general, there are few facilities that compete directly with the concept presented in this study. Still, the proposal to develop coworking facilities in the Milwaukee region should not be viewed as detrimental to existing incubators or other facilities. The 2012 Deskmag survey of coworking operators found that profitability tended to rise with the existence of competitors in the market. This was assumed to be due to a greater awareness of coworking in communities where more than one facility helped to educate the public.

- Bucketworks

706 S 5th Street, Milwaukee, WI 53204

Bucketworks occupies a 25,000 square foot space south of Milwaukee's trendy Third Ward. The organization seeks to cater to the creative segment, offering everything from shared desk space to practice/performance space, billing itself as both incubator and coworking space. It provides several different networking venues each month. Membership provides access to the organization's re-sources at different levels:

- Pro - \$75 per month includes shared desk space, unlimited conference room reservations, and wi-fi access.
- Core - \$175 per month includes a personal desk (not office) and storage, unlimited conference room reservations, and wi-fi access.

- Meetup - \$20 per day includes seating with a capacity of 75 persons, projector and public address system, and wi-fi access.

The Bucketworks space has the character of an older warehouse or industrial building. In this sense it is not well suited to projecting a professional image to clients or other business associates. In addition, it does not provide private offices or cubicles.

- Community Enterprises of Greater Milwaukee

3118 North Teutonia Avenue, Milwaukee, WI 53206

Community Enterprises of Greater Milwaukee primarily serves women and minority clients. Its incubator program offers low-cost office and manufacturing space. Services provided include a receptionist, mail, telephone messaging, a copier, and internet access. The organization provides business consultation and financing programs.

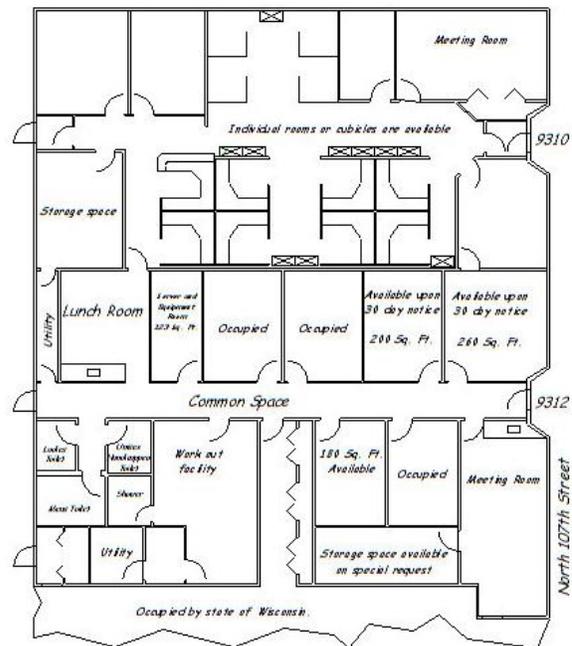
- Granville Business Development Center

9310 North 107th Street, Milwaukee, WI 53224

The Granville Business Development Center provides both office and cubicle space that may be rented furnished or unfurnished. Options are available for monthly, weekly, or daily rental. Spaces vary from 180 to 260 square feet for private offices. Cubicle spaces are smaller. There are currently ten business tenants located at the facility, several of which fall into the category of knowledge-based businesses.

Phone and internet connections are provided at each location. Computers may be available. Shared services include a copier, fax machine, color and black and white printers, meeting rooms with projection and sound equipment, an exercise room, and lunch room. The center maintains a virtual private network providing remote access, web hosting, and email.

Services provided through the center include accounting and legal assistance, networking and roundtable sessions, seminars on business topics, and general business counseling. The center offers a "Quick Start" program designed to provide help to new start-ups, including incorporation, bank account setup, accounting setup, federal and state authorizations, insurance, payroll establishment, etc.



- Milwaukee Enterprise Center - North

Milwaukee Area Technical College, 2821 North 4th Street, Milwaukee, WI 53212

The Milwaukee Enterprise Center - North is a general purpose incubator affiliated with Milwaukee Area Technical College, which provides business counseling in partnership with other organizations. Space in the MEC may be leased between \$5 and \$10 per square foot. Shared services include a copier, fax machine, audiovisual equipment, and material handling equipment. There is a shared receptionist and meeting rooms are available.

- Milwaukee Enterprise Center - South

816 West National Avenue

The Milwaukee Enterprise Center - South is a general purpose business incubator providing affordable commercial, office, light and medium manufacturing, distribution, and warehousing space. The incubator provides general office equipment, computer access, material handling equipment and assistance, AV resources, and meeting rooms. Tenants share receptionist services. Business counseling is available on-site and through network providers. The center is affiliated with Milwaukee Area Technical College.

- Milwaukee Technology Incubation Center

4265 North 30th Street, Milwaukee, WI 53216

The Milwaukee Technology Incubator Center assists in the development of minority-owned high technology and "green" technology companies. It is comprised of 300,000 square feet located within DRS Power and Control Technologies' square foot manufacturing property.

- Technology Innovation Center

10437 Innovation Drive #123, Wauwatosa, WI 53226

The Technology Innovation Center (TIC) is located within the Milwaukee County Research Park in the City of Wauwatosa. The TIC is a 137,000 square foot technology incubator, with a tenant mix favoring information technologies (60%), followed by medical and biotechnology (25%). The remainder are in electronic equipment, engineering, composite materials, and other technologies (15%). The TIC has six wet laboratories, conference rooms, high band width and affordable access to the Internet, an in-house library, access to corporate and university affiliates of the Research Park, networking opportunities with other tenants, and monthly business seminars

- Women's Enterprise Business Incubator

YWCA Greater Milwaukee, 1915 North Martin Luther King Jr. Drive, Milwaukee, WI 53212

The Women's Enterprise Business Incubator provides furnished office space, access to office equipment, technology assistance, a T1 line, resource materials and conference areas to women and minorities with small businesses. Professionals with business experience and training provide technical support and guidance to emerging businesses in the program. Incubator tenants pay a monthly program fee (\$180-200) in exchange for services.

The business incubator operates in two phases designed to graduate successful businesses. In the initial phase tenants receive greater levels of technical and rent support. After two years the businesses enter the second phase, in which they continue to receive technical support while migrating to more traditional commercial space.

- GreenSquare Center for the Healing Arts

6789 North Green Bay Avenue, Glendale, WI 53209

The GreenSquare Center for the Healing Arts brings together licensed and certified specialists in the alternative and integrative healing arts. The center is privately owned and managed. Office space is priced from \$500 per month, while treatment rooms run \$250. Leases run six months and include:

- Office with intercom reception
- Conference room/lounge space
- Shared reception services
- Wi-fi
- On-site education/multi-purpose centers



GREEN SQUARE HEALINGARTS
6789 NORTH GREEN BAY AVENUE
GLENDALE, WISCONSIN
STUART L. ROYMAN
ARCHITECT
301 N. WISCONSIN STREET
FOUR POINT, WISCONSIN 53127
WWW.SLR.COM

Tenants also benefit from an in-house referral service and networking with other healing arts practitioners. They may participate in the center's marketing program, consisting of open houses, community health or trade fairs, brochures, web site, social media, and an e-newsletter.

- Center for Advanced Technology and Innovation

2320 Renaissance Boulevard, Sturtevant, WI 53177

The Center for Advanced Technology and Innovation (CATI) is operated by Gateway Technical College, and was established to grow the region's advanced technology sector through business development, workforce

development, and technology innovation. CATI also encompasses Gateway's engineering programs and offers access to resources including faculty and students.

- The 40,000 square foot facility provides
- Networking with other advanced technology business incubator clients.
- Workshops and training opportunities.
- Access to multi-media conference room and auditorium
- Copier/fax machine
- Telephone and high-speed Internet access
- Common reception area and receptionist service
- Mail handling and forwarding
- Press release preparation and assistance

All space is rented at a discounted square foot market rate, with a 3% increase per year for the duration of the lease agreement. Lease terms are 3 years with the option of renewing for 2 additional years. All space is leased on a gross rate basis which includes all occupancy costs, with the exception of phone and internet access. Tenant business incubators will graduate from the facility within five years.



NEXT STEPS

We have presented an idea to grow southeastern Wisconsin's knowledge economy by establishing a network of coworking centers that encourage collaboration among individuals and small businesses, that provide access to specialized resources for their targeted members, and serve as a platform for delivering customized start-up and acceleration services.

So how do we move forward? This study is a starting point. We have put together the basic idea and defined the market. Going forward we need to accomplish four additional tasks: 1) we need local economic development organizations, service providers, community leaders and others to buy into the idea; 2) we need to create an organization to provide oversight and guidance as the idea is fleshed out; 3) we need to identify locations and prepare a business plan to roll out the coworking centers and services; and 4) we need to implement the plan, bringing the idea to fruition.

As a practical matter, it is likely that the concept will be initially rolled out in the Milwaukee region before expanding to the remaining counties in southeastern Wisconsin.

Buy-in

The first test of the idea will be to learn whether it has the support of community leaders, economic development organizations, existing small business service providers, and business. Envisioned as a regional collaboration, we will need to receive positive responses from potential partners throughout the Milwaukee area and southeastern Wisconsin.

Guidance

Core partners or investors in the initiative will need to establish an organization to provide guidance and oversight of the project as it unfolds. This may take the form of a not-for-profit organization to aid in seeking funding. The organization will provide a governing structure and will commission additional activities necessary to move the concept forward. Its board will represent a cross section of interests from the region, including targeted business sectors.

Planning

This study profiles the market. In order to make decisions about the number, location, offerings, and other details about the coworking centers, additional research and planning is required. The next phase of analysis should identify concentrations of targeted businesses in the region, recommend and prioritize approximate locations for facilities, and more precisely define the infrastructure (space and resources) and services to be provided. The final preparatory step will be to prepare a business plan addressing implementation steps, marketing, and a financial pro forma.

Action

Action steps will include obtaining the required funding, securing preferred sites for coworking centers, making the necessary improvements, marketing to recruit members, and launching the venture.

SOURCES:

A number of sources were used to obtain data used in the analysis. Some of these have been noted previously. Major sources of information included the following.

2011 Freelance Industry Report, International Freelancers Day

2011 and 2012 Global Coworking Surveys, Deskmag

2011 Coworking Facility Survey, DeskWanted

Edward Lowe Foundation

Ewing Marion Kauffman Foundation

The State of Independence in America, MBO Partners

US Bureau of the Census

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