

September 12, 2009

Incubator guides businesses after they hatch

Study recommends small business program for Gallatin

BY KATRINA CORNWELL/*The News Examiner*

Jim Hodges, owner of Hodges Construction Co., with offices in Gallatin and Portland, knows first-hand the benefits a small-business incubator would offer Sumner County businesses.

As an entrepreneur, he got his start in a Nashville-based business incubator, the same kind of business model the final results of a consultant's study says Gallatin could both support and sustain. Hodges Construction Company has now been in business 20 years and last year put 148 people to work.

"(The incubator) helped us eliminate some mistakes we would have made," Hodges said. "It created the value of having a good attorney, certified public accountant and bankers on-hand, and emphasized how important those components were in starting and our business surviving."

Model nurtures, grows small businesses

The small-business incubator is a business model that presumably would increase small business startups' and existing businesses' odds of success by 80 percent, according to a study by Jim Greenwood, president of the Sanibel, Fla.-based Greenwood Consulting Group. That's because the small-business incubator offers tangible benefits to entrepreneurs, such as shared overhead expenses and intangible ones such as training and mentorships, all designed to help them outgrow rented space and move into larger buildings.

Gallatin scored 70 out of 100 possible points in the study into the feasibility of creating a small business incubator. In the weighted scale, that score is equivalent to a B in academic terms. Greenwood presented the results of his study at City Hall on Thursday to local business owners and city officials.

In addition to Greenwood, Vol State President Warren Nichols and Clay Walker, executive director of Gallatin's Economic Development Agency, addressed the group regarding their respective roles in the incubator study. The Gallatin EDA and VSCC are spearheading the initiative.

Small business is revenue for county

According to the study, small businesses represent 92 percent of all businesses in Sumner. Of that number, the non-employers generate an estimated \$665 million in revenues, and small businesses are growing at a rate 55 percent higher than their counterparts. Nichols spoke about how the business model would enhance the efforts the community college has already made to support businesses with workforce development, counseling, classes and services offered through the Tennessee Small Business Development Center.

"It gives us a chance to have our faculty work with businesses as mentors and advisers in navigating the difficulties of beginning a business," Nichols said.

"We found this a perfect opportunity to partner with the EDA to do a feasibility study. The college is very much involved in this. We believe this is a part of what we should be doing."

Gauging support, identifying funding among next

steps

Walker and Nichols will work to gauge local support for writing a business plan, the next step in the process, at a cost of \$15,000.

"We need to identify stakeholders such as private developers and bankers," Walker said to the audience. "Think about what the business incubator does. The success rate in Nashville is 90 percent. Jim Greenwood has seen an 85 percent success rate in his own experience.

"As bankers, you've financed them. As developers, you've leased space to them. This is a way of giving you better clients. I don't think it's going to be a matter of writing big checks, but there may be some check-writing involved."

So far, the groups have identified a \$1 million disaster relief grant in federal Economic Development Agency funds that could be tapped for this project, as well as a loan through the Tennessee Valley Authority. The city is eligible to apply for the disaster funds because of the tornado that damaged parts of the Vol State campus in 2006.

"It exists for one more year," Greenwood said. "It's a limited-time offer." City Councilman At-Large Ed Mayberry, who was in attendance, honed in on the federal monies as a crucial part of the project's development, considering the cost of renovating some existing buildings into a small-business incubator was estimated at more than \$900,000.

"That's going to be the key," Mayberry said.
