

## NEXT Up

### Advancing Indiana's rising startups.

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#### Highlights

- An intense accelerator week to help founders shape companies from their ideas
  - A new type of hybrid venture fund focused on inequitable equity
  - Underserved founders receive help in designing and funding their companies and ongoing support
  - Sponsors gain access to startup company founders and knowledge about how startups are created and activate their DEI objectives
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A healthy startup community is vital to the future of our State, because all new job roles are created by startup companies less than five years old.<sup>1</sup>

Yet, Indiana has much to do to improve when it comes to our ability to create and advance startups:

- Among all states, Indiana has the lowest share of employees working at new firms and more older firms than young firms – a trend that runs opposite to the country as a whole.<sup>2</sup>
- Indiana ranks 47<sup>th</sup> in America in the share of total employment in companies zero to five years old.<sup>3</sup>

Regrettably this impacts underserved communities even more. While 21% of Indiana's population are minorities, only 12% of the State's startups are owned by minorities.<sup>2</sup>

The experienced innovators at NEXT Studios offer an innovative accelerator program, a new type of venture fund, and ongoing support to help more founders gain confidence in their ideas and start the entrepreneurial journey, especially those from underserved communities where the traditional venture capital system has not delivered.

As a founder, you'll get a once-in-a-lifetime experience in launching an idea into a company. As a sponsor, you'll get the chance to learn how startups are created and connect your team and your brand to Indiana's rising startups while activating your diversity, equity and inclusion objectives.

<sup>1</sup> "The Importance of Startups in Job Creation and Job Destruction" – Ewing Marion Kauffman Foundation, September 9, 2010

<sup>2</sup> "Indiana GPS Project Key Findings and Recommendations" – American Enterprise Institute at Brookings Institution, 2021

<sup>3</sup> "Indiana Vision 2025 Report Card" – Indiana Chamber of Commerce, June 2020 Update

## NEXT Up Discovery Week

NEXT UP Discovery Week is an intense, one-week event designed to “pressure test” the idea of prospective entrepreneurs from underserved communities. They learn about and use the Lean Canvas model to identify the problems and solutions they offer to customers, key metrics and their competitive advantages. At the close of the week, they are armed with the core of a business plan around their idea, and increased confidence in their ability to execute on it. It is different than other accelerators as the goal is not a “pitch deck”, but instead a business model and confidence in the minds of the entrepreneurs to continue.

It is one week in length as underserved entrepreneurs don’t often have the luxury of significant time off of work, or a support structure that provides resources they need to spend time on their idea. NEXT Studios pursues sponsorships for these companies to take part in Discovery Week, as they also frequently don’t have friends and family who can provide pre-seed money. Some of the topics and modules of Discovery Week include:

**Leaner Canvas** - What problem are we seeking to solve, who might want the problem solved and how do they solve the problem now?

**Jobs to be done** - Customers hire products to get jobs done for them. What jobs are we doing for our customers?

**Unique value proposition and high concept pitch** - Why is the idea and offering different and worthy of attention? How can the company’s business model be distilled in the shortest, simplest, and yet most powerful way?

**Mindset shifting** - Do we love the problem - not the solution? Do we realize that time is our scarcest resource? Are we making evidence-based decisions, validating qualitatively but verifying quantitatively, and removing failing from our vocabulary?

**Revenue models** - How are we capturing value through our revenue model and how does external investment force our hands?

**Customer interviews** - What will our prospective customers tell us when we leave the Discovery for a while and ask them?

**Key metrics** - Since revenue is a trailing indicator, how do we measure traction as part of our model?

## **NEXT Community Impact Fund**

At the conclusion of Discovery Week, founders can seek investment from the NEXT Community Impact Fund (NCIF). Established in 2020, the mission of the Fund is “inequitable equity” - to invest in founders and communities where the traditional venture capital system has not delivered, which includes LGBTQ+, Latinx, Black, and women founders, but also rural areas and urban areas, among others.

Created in partnership with the Central Indiana Community Foundation, it is a hybrid impact/venture fund that can use both philanthropically donated funds as well as direct invested funds from limited partners. Returns on philanthropically allocated funds stay within the fund to be reinvested but returns on directly invested funds return to the investor, offering them an unlimited set of possibilities for the intentionality and impact of their resources.

As the purpose of the fund is more than just a financial return but also an impact on these communities, it can invest earlier in the startup lifecycle on “unproven” founders that venture funds only out for returns might shy away from. The anticipated outcome is returns as good or superior to traditional investment funds because founders that might have been overlooked are now able to successfully receive funding at a critical point in the lifecycle.

The funding amount for each company is targeted between \$150,000 and \$250,000, with a reserve of \$100,000 for the follow-on round. The target size for the fund is \$10,000,000, allowing for a low entry level for investors (\$10,000 for direct investment, \$1 for philanthropic investors), while still accommodating around 30-50 invested companies over the fund’s lifecycle.

## **NEXT Step**

The funding provided by the NCIF is to produce the Minimum Viable Product and go-to-market strategy for each company. This is done in concert with the team at NEXT Studios over the course of about 6 months. The NEXT Team helps select and manage the appropriate development resources, while building a brand and identity plan, a go-to-market strategy and an updated pitch deck and package of documents and legal requirements for launch-phase funding. The anticipated result is a founder with a business plan, a product, a market - and the confidence to pursue funding at a peer level with other startups from the traditional venture capital system, propelled by a follow-on commitment of up to \$100,000 from the NEXT Community Impact Fund.

## About NEXT Studios

These activities are overseen and guided by NEXT Studios, a Limited Liability Benefit Corporation venture studio based in Indianapolis. NEXT Studios was formed as a partnership between experienced entrepreneurs and is designed as a facility to assist each other our own startup companies, as well as to help other prospective entrepreneurs, according to our B-Corp charter. NEXT Studios operates and oversees NEXT UP, including the Discovery Week and the process of seeking investment from and the outcomes of investment by the NEXT Community Impact Fund. In addition to executing Discovery Week on behalf of sponsors, we also prepare the company for investment review, and help manage the invested funds through Next Step to ensure that the company can achieve peer status with other startups when seeking launch funding from traditional venture capital funds.

## Why NEXT Up?

Participants gain confidence in themselves as entrepreneurs, and a plan, funding and ongoing support for turning their ideas into startup companies. Sponsors gain the opportunity to associate their brand with the startup ecosystem, develop business through engagement with early-stage founders, enable internal teams through interaction with the cohorts, and activate their diversity, equity and inclusion objectives.

## For more information

To learn more about NEXT Up and the programs NEXT Studios offers to support startup innovation in Indiana, contact a NEXT Studios representative or partner, or visit: [nextstudios.org/nextup](https://nextstudios.org/nextup)