

# R.I. has a robust entrepreneurial community, but can it do more to grow and keep startups?

By **Scott Blake** - September 27, 2019 4:00 am



*OPEN HOUSE: Sebastian Sheng, left, a first-year graduate student in PRIME, or program in innovation management and entrepreneurship at Brown University, speaks with, from left, Brown sophomores Isabella Espinosa, international relations major; Olivia Tulkoff, public policy major; and Jack Schaeffer, applied math and economics major, at the university's Nelson Center for Entrepreneurship during an open house to kick off the fall semester. / PBN PHOTO/MICHAEL SALERNO*

For a small state, Rhode Island punches above its weight when it comes to producing promising startups and organizations that help nurture and fund them, according to longtime observers of the state's entrepreneurial scene.

"The [current] level of the entrepreneurial community in Rhode Island is unprecedented – and I've been around here for 35 years," said Danny Warshay, executive director of the Nelson Center for Entrepreneurship at Brown University.

He and others say it starts with local colleges and universities. There's a synergy in the air in those communities that's almost palpable to the attuned investor. But it's not just about whiz-kid capitalists. Rhode Island also has a legion of generational, family-owned companies here that were built from scratch.

Of course, as most of them will tell you, things could always be better.

Providence Business News sought to find out what local businesspeople think is the one thing that would most help Rhode Island produce more successful startups and keep them from leaving.

A PBN survey asked them to check only one of eight needs, including nothing at all, indicating Rhode Island is a virtual Shangri-La for businesses. None of the 65 respondents checked that one.

So, what does Rhode Island need most? The most popular responses were: "fewer regulatory hassles," 29.2%, and "more state/local government support," 26.1%.

Those were followed by "more private investors" and "better-trained workers."

Next were a "more-supportive startup community," "more affordable spaces" and "other."

PBN also asked some of the state's most prominent resources for startups what they thought would most help the local startup community. Featured with this story are four of them and the roles they play in the state's thriving startup ecosystem.

### **'REGULATORY HASSLES'**

Cardi Corp., a family-owned construction company in Warwick, was among 19 respondents who checked "fewer regulatory hassles."

"You have to deal with the parochial interests of each town," explained Stephen Cardi II, the company's treasurer.

Cardi said Rhode Island is a patchwork of government jurisdictions, often with varying standards, regulations and politics that can make doing business complicated.

By the same token, Cardi said, the company gets much of its business through government contracts in Rhode Island and around southern New England.

"A lot of the Southern states guarantee permits in 30 days. In Rhode Island, it could take 30 years," he scoffed.

Warshay deals with a different brand of entrepreneur: young, technology-savvy students looking to carve out niches for themselves in the business world.

"I almost never hear those issues raised by students," Warshay said about the choices in PBN's survey.

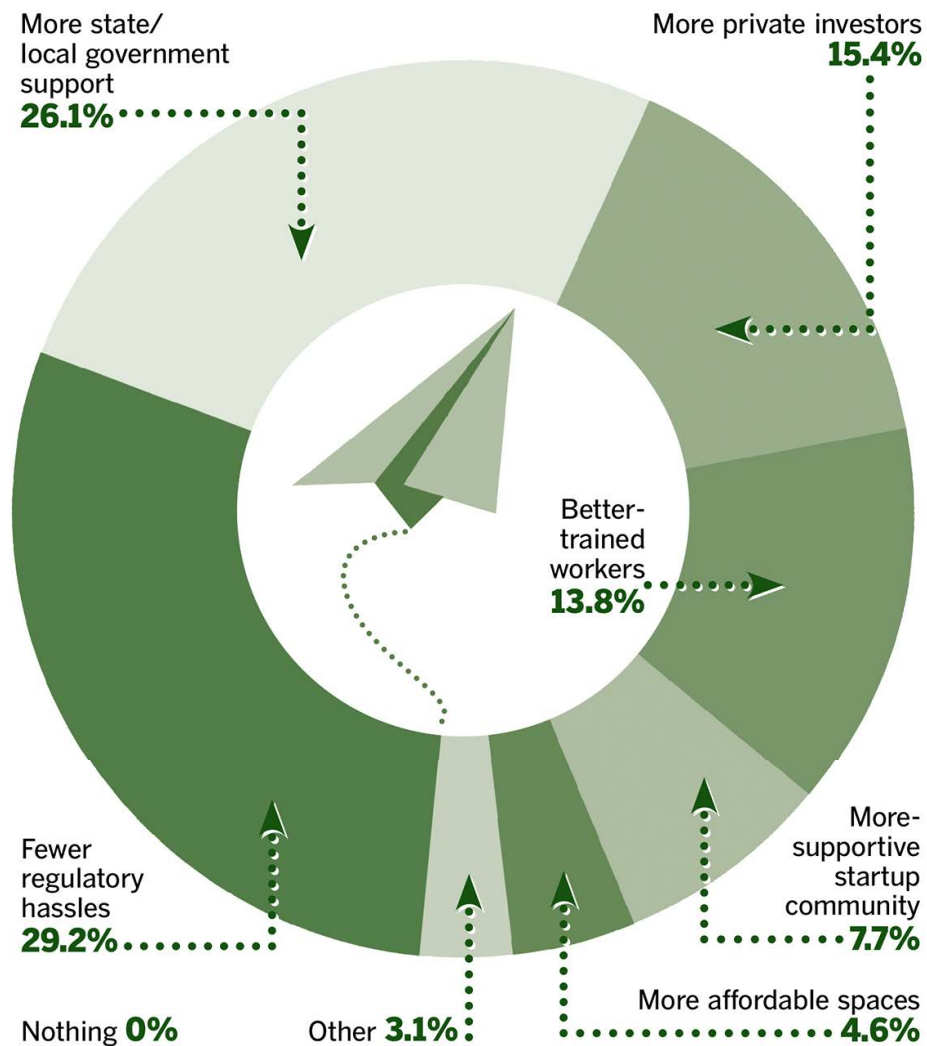
Instead, he said, young entrepreneurs are most concerned about "quality-of-life issues." The kind of questions they ask are: 'Is it a good place to live?' 'Does it have public - transportation?' "

The University of Rhode Island is starting a new degree program this fall named "Innovation and Entrepreneurship." It also started an "intrepreneurship" program.

It matches students with local businesses to see what fresh ideas they might bring to companies, while students can pick up on-the-job knowledge from experienced businesspeople in different industries.

"A lot of students want to stay in Rhode Island, and we're interested in what could keep them here," explained URI assistant professor of finance Nancy Forster-Holt.

But what do some of the area's most successful entrepreneurs think?



*SPURRINGGROWTH BIZS SPEAK: PBN asked local businesses to choose one thing that would most help Rhode Island produce more successful startups and keep them from leaving. Of 65 respondents to the unscientific survey, more than half, 55.3%, chose either more government support or less regulatory hassle. SOURCE: PBN RESEARCH/JAMES BESSETTE*

## AFFORDABILITY

Chris Fagan, co-founder of PowerDocks LLC in 2016, says what local startups could most use is more affordable spaces to do business.

PowerDocks, which makes marine charging stations and equipment for electricity-powered boats and other marine vessels and equipment, was fortunate to find suitable, affordable space at the Center for Innovation and Entrepreneurship at the University of Massachusetts Dartmouth.

PowerDocks has a headquarters in Fall River and gets much of its business from the Naval Undersea Warfare Center Division Newport.

Fagan said finding the right space on the local private market wouldn't have been likely. And, if the company grows, it will have the problem of finding a larger manufacturing space it can afford locally.

"There's not a lot of great, affordable space out there," he said of challenges that local startups face.

Angus Davis, one of Rhode Island's most successful entrepreneurs over the past 20 years, said what the state needs most to produce more successful startups – and keep them from leaving – is a better workforce.

"A talented workforce is the No. 1 thing any high-growth business needs, by far. Nothing else comes close," he said.

Davis should know. He co-founded Tellme Networks Inc., which specialized in telephone-based applications and was acquired by Microsoft in 2007 for nearly \$1 billion. In 2009, he founded Upserve Inc., a Providence-based restaurant-management software platform that became the state's fastest-growing tech company. He now serves as a strategic adviser to the company's board of directors.

When asked how Rhode Island's workforce meets the needs of startups, Davis said: "Woefully inadequate due to low-performing public school systems failing to prepare the next generation of the workforce; lack of large employers in growth industries to drive migration of experienced talent into the state; and weak public transit to import talent from Boston. All of these can be fixed but require political leadership that thus far has been lacking."



*SOLVING PROBLEMS: Danny Warshay, executive director of the Nelson Center for Entrepreneurship at Brown University, speaks with Liz Malone, center, assistant director of programs, and Brown senior Nina Saidia, a math and computer science major. Warshay said entrepreneurship is less about making money and more about solving problems, a change of thinking from his time at Brown in the 1980s. / PBN PHOTO/MICHAEL SALERNO*

## **EDUCATION: FOCUSED ON PROBLEM-SOLVING**

This could be the new generation of capitalists – kinder, gentler (and wiser?) than before.

It seems to emanate from the online bulletin board of the Jonathan M. Nelson Center for Entrepreneurship at Brown University. You can see it in the eyes of the students and alumni pictured there. They look confident and smart, to be sure. But they lack that hard stare of ambition carried by infamous predatory capitalists through the ages.

What kind of capitalism are they teaching up there on College Hill?

It's perceptibly different than before, said Danny Warshay, the Nelson Center's executive director.

It's less about making money and more about solving problems – social, environmental, technological, etc.

"I don't think we were thinking that way about entrepreneurship in my day at Brown," said Warshay, Class of '87.

Of course, the thinking goes, if you solve a problem well enough, the money naturally will follow.

Putting financial concerns aside in the beginning, they break it down to basics. They call it "entrepreneurship as problem-solving." It consists of three steps:

- **Find and validate an unmet need.** The first fundamental step in building a venture is to identify a strong and enduring problem that needs to be solved.

- **Develop a value proposition.** Next comes the process of developing a solution that addresses the fundamental questions: Who? What? And especially, why?

- **Finally, create a sustainability model.** Great ventures do more than provide one-off interventions – they create value in a way that is repeatable and scalable, answering another fundamental question: How?

Far from technical, these simple rules provide a certain mindset for students to take into the entrepreneurial process.

"There's nothing wrong with making money," Warshay said, expanding on the mindset. "There's nothing wrong with profits. But it shouldn't be the only motive for solving problems."

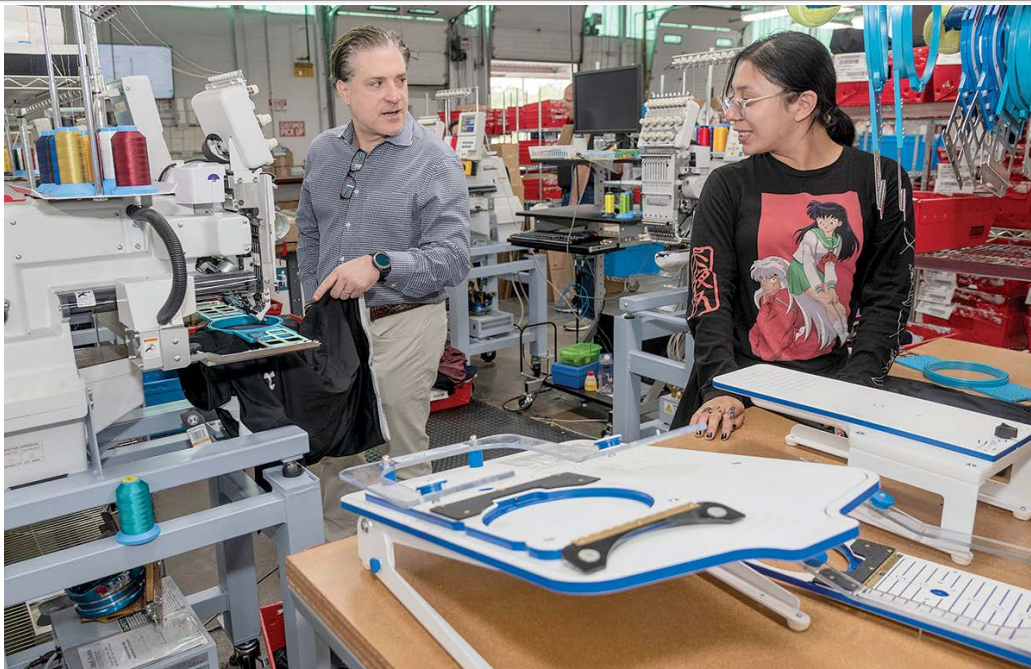
So, how is that working for Brown?

For starters, the concept was good enough for Brown alumnus Jonathan M. Nelson, founder and CEO of Providence Equity Partners, to donate \$25 million in 2016 to create the Center for Entrepreneurship, which has expanded and formalized the university's entrepreneurial offerings.

Since then, Warshay said, thousands of students have taken courses, participated in research and special programs, and received mentoring affiliated with the Nelson Center. And hundreds have received grants and other funding through the center.

Last year, the Nelson Center's Breakthrough Lab – an intensive summer program for young entrepreneurs deemed to have "high-impact" ventures – included Providence startup Koi Prosthetics, founded by a group of Brown students. The company aims to supply affordable prosthetics to developing countries.

"B-Lab has given us all the experience of going through a design process, interviewing people who would use the product, doing user testing and learning how to pitch our idea," said Matthew Lo, the company's co-founder and technology manager.



*SUCCESSFUL STARTUP: Founder, owner and CEO Gary Goldberg and Zoily Ramos-Lopez, embroidery trainer, work on some items at the Squad Locker factory in Warwick. Now in its fourth year, the custom sports apparel company has grown to about 120 local employees and expects sales to reach between \$20-25 million this year. / PBN PHOTO/MICHAEL SALERNO*

## **INVESTING IN R.I.'s BUILDING BLOCKS**

Over the years, Slater Technology Fund has gotten its fingers into the pies of a lot of startups – and it seems to be working.

The Providence-based seed and early-stage venture capital firm is one of Rhode Island's best-known launching pads for entrepreneurs.

Technological innovation is a theme running through Slater's portfolio of ventures it has funded, usually in exchange for an ownership stake.

It concentrates on startups in software, energy, life sciences – what Slater sees as building blocks of Rhode Island's new economy.

"We aggressively focus on tapping technology-driven companies," said Thorne Sparkman, Slater's managing director. "These are high-growth, nimble companies. That's where most of ... today's new jobs come from."

Slater typically invests between \$50,000 and \$350,000 in a company. Overall, the firm has invested \$35.7 million in various ventures since 2005.



*TECH INVESTOR: Thorne Sparkman is the managing director of Slater Technology Fund, a Providence-based seed and early-stage venture capital firm "aggressively" focused on technology-driven companies. Slater invests between \$50,000 and \$350,000 in a company and has invested \$35.7 million overall since 2005. / PBN PHOTO/MICHAEL SALERNO*

Sparkman, who works with a board of advisers and investors, focuses on the earliest stage of company creation, often working with university-based teams commercializing research. Board members are not paid, but they usually have stakes in some of the companies in Slater's portfolio.

Sparkman and his office manager, Nancy Esau, are the only ones on the firm's payroll.

Through the years, several Slater-funded companies have experienced enough success to catch the attention of larger competitors outside Rhode Island. Some of those entrepreneurs ended up selling their companies and moving on to new business ventures.

"It's not bad news when they sell a company. It's good news," Sparkman said, adding new owners often keep the operations they purchased in Rhode Island.

One successful startup Slater helped fund that has remained locally owned and operated is Squad Locker in Warwick.

Squad Locker takes orders and sells custom sports apparel and gear through what it calls "instant online stores."

Now in its fourth year, Squad Locker has grown to about 120 local employees and expects sales this year to reach between \$20-\$25 million. That's up from \$10 million last year; \$5 million the previous year; and \$2 million in the first year, according to Gary Goldberg, the company's founder and CEO.

True to Slater's form, Squad Locker puts a new spin on one of the state's oldest industries.

"We combine software technology with old-world textile manufacturing," Goldberg said.

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*COLLABORATIVE SPACE: Julia Ludovici, left, editorial assistant at Artisan's List; Roberta Powell, center, founder and CEO of Q2Q Health; and Elizabeth Stone, chief operating officer of Bi Medical, meet at CIC Providence, a collection of shared and individual offices and workspaces for entrepreneurs inside the new Wexford Science & Technology building on Dyer Street in Providence. / PBN PHOTO/MICHAEL SALERNO*

## **SPACE, SUPPORT FOR INNOVATION**

This is not your father's office. Heck, it may not even seem like an office. But that's kind of the idea at CIC Providence.

The newest location for Cambridge, Mass.-based Cambridge Innovation Center opened this past summer in downtown Providence's Jewelry District. The company markets its shared and individual offices and workspaces as casual but sophisticated beehives of activity for entrepreneurs.

CIC occupies about 2½ floors, or 62,000 square feet, as the main tenant and building manager at the new \$88 million Wexford Science & Technology building at 225 Dyer St., recently dubbed "Point225."

CIC CEO Tim Rowe, a Massachusetts Institute of Technology MBA graduate-turned-serial-entrepreneur, founded the company in 1999. CIC also has facilities in Boston, Cambridge, Miami, Philadelphia, St. Louis, Rotterdam in the Netherlands, and Warsaw, Poland.

"As a curator of startup activity, with two decades of experience, our goal is to foster an ecosystem of innovation that supports entrepreneurs," said Rebecca Webber, CIC's general manager in Providence.

Webber believes what Rhode Island needs most to produce more successful startups is to give them more quality space to begin – a need CIC is eager to fill.

In August, the company began hosting walkthroughs of its Providence facility for prospective tenants. Management thinks it may take up to two years to fill the entire place, consisting of 184 spaces ranging in size from single desks to rooms designed for up to 30 people.



Toward that end, CIC will host a "Providence Launch Party" on Oct. 4.

Tenants generally are expected to cycle in and out of the facility over the course of several months or years. Many come in as startups, grow their businesses, move on to larger facilities and are replaced by newcomers.

Many of the spaces have soundproof walls. There's also an equipped podcast room, conference rooms, stocked kitchens, a meeting hall, a "Venture Café," outdoor terraces and spaces for massage, yoga and meditation.

On-site services include technical support, mail room, printing, security, and programs and events designed to benefit tenants.

"And our office space is intentionally located near the top talent coming out of Rhode Island colleges and universities," Webber said. "These offerings, coupled with our back-end support, allow our clients to focus on growing their bottom line – and our state's economy."

One of CIC's first tenants was MassChallenge, a Boston-based "zero-equity" startup accelerator with a Rhode Island affiliate.

One of the startups hosted by MassChallenge at CIC is Pangea.app, an online service that matches businesses and others with college students available as freelancers for special projects.

Founded by 2017 Brown University graduate Adam Alpert, the company seeks to capitalize on the stress points in today's job markets for both employers and employees.

Alpert is impressed by CIC's facility.

"The building is world-class," he gushed. "There's everything in the building you'd expect from a top-tier city."

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## **'MAKING THE WORLD A BETTER PLACE'**

How do you make the world a better place? Start with one entrepreneur at a time.

That's essentially Social Enterprise Greenhouse's mission. The Providence nonprofit's goal is to create "positive" social and "healthy" economic impacts through the support of like-minded entrepreneurs.

Though not exclusively, the organization concentrates on startups in three fields: 1.) food, such as ventures that produce healthy, nutritious foods; 2.) health and wellness, such as ventures that work toward eliminating barriers to health care; and 3.) water, energy and the environment, such as ventures aiming to slow global warming.

The organization also is concerned about social and economic equality. It's helped numerous minority and women entrepreneurs through its policy of promoting "inclusion and diversity" in business leadership.

CEO Kelly Ramirez started the organization from her home in the Federal Hill section of Providence. In 2015, it moved into its current office in Davol Square in the city's Jewelry District.

"We think social enterprises are a hot topic," Ramirez said. "More and more people are interested in businesses that are making the world a better place."

Like many in the PBN survey, Ramirez said dealing with various levels of rules and regulations – federal, state and local – can be perplexing for entrepreneurs.

"The regulatory process is complex and confusing," she said.

SEG does its work through a network of business and community leaders who contribute time, expertise and funding to grow Rhode Island's "social impact ecosystem."

Through the years, SEG's annual budget has grown from about \$25,000 to \$1.2 million, Ramirez said. The organization receives funding from donors, from individuals to foundations. It also receives support – financial and otherwise – from federal and state agencies.

SEG uses its money and resources to produce a busy calendar of programs, events, an incubator and other services.

It also offers a loan fund for entrepreneurs, coworking space and links to all Rhode Island-based colleges and universities.

So far, 65 entrepreneurs in seven cohorts have participated in its incubator – a majority of which have been women and “people of color,” Ramirez said.

In addition, 180 entrepreneurs have graduated from a more advanced, 12-week accelerator program. She said 87% of them are still operating and 59% are in “high-growth mode.” Overall, startups affiliated with SEG have created a total of 586 jobs.

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