New fund hopes to jumpstart high-potential ventures

February 2, 2011

New Orleans experienced an unprecedented influx of entrepreneurial talent and energy in the wake of Katrina, but activities like meet ups and networking can take those entrepreneurs only so far. At some point new ventures need capital, and that's just what Freeman School professors John Elstrott and Ralph Maurer hope to provide them with.



Freeman School professors Ralph Maurer, left, and John Elstrott are part of the management team for the New Orleans Startup Fund, a new nonprofit venture capital fund that targets high-potential early-stage ventures.

Elstrott, clinical professor of entrepreneurship and executive director of the Levy-Rosenblum Institute for Entrepreneurship, and Maurer, visiting assistant professor of strategy, are part of the management team behind the New Orleans Startup Fund, a new nonprofit venture capital fund created to provide local high-potential ventures with seed capital, a critical need in the local entrepreneurial community.

"We're trying to fill a gap that too many for-profit investors are afraid to step into, and that is the proof-of-concept, early-stage businesses that in some cases haven't made a sale yet," explains Elstrott, who chairs the Startup Fund's finance

committee. “We’re willing to get in there early and provide them with not only capital at a very reasonable cost but also managerial and technical assistance.”

The Startup Fund is the brainchild of a group of local business leaders including Matt Wisdom, Ben Allen, Leslie Jacobs, Hunter Pierson, Rick Rees and Michael Hecht. Modeled after similar funds in other cities, most notably Cleveland’s JumpStart program, the Startup Fund’s goal is to harness the energy of young entrepreneurs and help keep their businesses—and the jobs and economic prosperity they create—in the greater New Orleans area.

According to Maurer, who serves as executive director of the fund, New Orleans has long suffered from a lack of so-called angel investors, the wealthy individuals willing to invest $50,000 to $100,000 in new, risky ventures they believe in. While the fund’s primary purpose is to fill that need with low-interest loans or equity investments, a secondary role is to help expand the city’s network of angel investors.

“We’re trying to build the capital infrastructure of the city,” Maurer says. “If we do our job well, we probably don’t even need to exist in 10 years.”

To qualify for funding, ventures must be headquartered in the New Orleans area and must demonstrate the potential to grow to $20 to $50 million in revenues in five years. The fund has so far raised about $4 million to invest through a combination of federal, state and private money, but Maurer says the goal is to grow the fund to $7 million or more.

Maurer says the fund hopes to invest in four to five companies per year at an average of about $250,000 per investment. Unlike traditional VC firms, the Startup Fund isn’t looking for a big return. Instead, it hopes to recoup its investments as quickly as possible and direct those funds to other early-stage ventures. Since its launch in December, the fund has received more than 60 applications, and Maurer says he and his staff are currently looking seriously at about 12 ventures.

Both professors plan to get students involved with the fund. Elstrott says there will be opportunities for students to provide managerial and technical assistance to the companies on behalf of the Startup Fund as well as possible jobs and internships with the companies themselves. Maurer plans to bring in some of the entrepreneurs applying for funding to talk to students in his new venture planning course.

“I see the Startup Fund as sort of the second stage of the post-Katrina entrepreneurial rebirth,” Maurer concludes. “The first stage was developing a culture for entrepreneurs, and places like the Idea Village, Launch Pad and the IP Building have done a wonderful job with that. Now we have some very talented entrepreneurs in the city with promising ventures, but they need resources to get to the next stage. To me, that’s really what this is all about.”

For more information about the New Orleans Startup Fund, visit neworleansstartupfund.org.