

CASE STUDY: INNOVATING FUNDING MODELS

TechTown Aims to Support Underserved Entrepreneurs

INTRODUCTION

TechTown is a 20-year old accelerator incubator that has been incubating startups since “before incubating was a thing,” according to Danielle Manley, Sr. Director, Strategic Partnerships at the Office of Economic Development at Wayne State University and TechTown.

Founded over a quarter-century ago, TechTown started by serving tech entrepreneurs primarily coming out of the university system, particularly in the biosciences (given it was founded by Henry Ford Health). However, leaders at TechTown recognized that the methodologies they were using to serve tech founders were sector agnostic and were more broadly applicable.

So, since 2012, they’ve served neighborhood and micro businesses in and around Detroit, helping them connect to each other and the broader startup ecosystem, to receive services, and to gain support to grow and scale their businesses.

When the Build Back Regional Challenge called for submissions in 2021, established and financially stable institutions were favored as co-recipients that can manage sub-awardee organizations, and so TechTown put their hand up and provided the operational foundation for them and a group of 7 sub awardees to collaborate in order to open the door to businesses that want to scale their businesses as part of the mobility revolution.



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TECHTOWN'S EQUITABLE INTENTIONS

“We came together to work as part of this coalition because we have a deep, resource-rich ecosystem in the Detroit region and the entrepreneur ecosystem that needs support in order to thrive in the transition to an electric mobility future. We have hard-earned insight into the needs of our end users - founders and entrepreneurs - and we want to empower them to tap into the prosperity this transition offers.”

Together with their 7 sub-awardees, the TechTown pillar team are well-acquainted with the many challenges founders face, chief among them: funding. But the funding challenges entrepreneurs in the region face are particularly overwhelming when those entrepreneurs aren't the “usual suspects.”

In the US, traditional VC funding isn't known for its support of non-male, non-white entrepreneurs. Just to cite a few examples: less than 2% of all VC funding in 2023 went to female-led ventures (a 20-year low), and less than 0.48% went to ventures led by Black founders.

Given the demographics of the citizens of the Detroit region and those entrepreneurs who are or who might be seeking funding, the traditional model doesn't offer much promise. This is one of the reasons why the TechTown pillar is passionate about finding creative ways to provide underserved entrepreneurs with the funding and support they need.



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IDEAS FOR INNOVATING THE FUNDING MODEL

In December, 2023, TechTown and members of their sub-awardee teams participated in an introductory Equity Sequence® workshop convened by the GEM Coalition’s DEIJ Officer, Jeannine Gant, and facilitated by Tidal Equality’s Dr. Kristen Liesch.

At that session, they were tasked with putting a process, system, product, or plan on the table, and applying the Equity Sequence® method to that thing, to see if they couldn’t generate some equitable innovation to their work.

Funding was top of mind, and the group - including Rai Williams-Fox (MAIN Program Manager) and Bella Kiser (MAIN Program Coordinator) engaged in a thoughtful discussion with their colleagues Kevin Gilboe (Project Lead, Mobility) of Design Corp Detroit - a partner with deep human-centered design expertise - and Riley Lenhard (Program Director, Centrepolis Accelerator, Lawrence Technical University).



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INSIGHTS FROM THE EQUITY SEQUENCE® EXERCISE

Together, the team identified several nuances to accessing funding in the Detroit ecosystem.

Entrepreneurs housed in the university system could apply to funds earmarked for their ventures (like Spartan Innovations, University of Michigan Accelerate Blue, among others). For founders whose businesses were beyond the MVP stage, the Invest Detroit Ventures (IDV) is a funding source.

Despite these specialized funding bodies, a big funding gap remains. The team’s conversation, shaped by the Equity Sequence® questions, lead them to explore the concept of crowdsourcing funds, or a microlending model. The idea is just a step away from TechTown’s existing funding model which invites community members to donate (not invest) small amounts. Both funding methods are in operation in other contexts: Kickstarter is a popular crowdsourced fundraising platform; Kiva is a reputable microlending platform for entrepreneurs in economically disadvantaged countries. Not only are these methods tested, they’re proven effective.



Additionally, when the team dug into the facts about “who” the decision-makers were when it came to setting the parameters, processes, and criteria for accessing the Regional Mobility Investment Fund, and “who” that fund is intending to serve, some important groups may not have had a meaningful opportunity to shape the design of that fund. Better understanding that gap could hold valuable information:

“We have a need to better understand the factors that prevent founders in our ecosystem from successfully securing funding. There’s already historic exclusion in the sector; we need their perspectives to make sure we aren’t repeating history in this very future-focused context.”

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EXAMPLE OF AN EQUITABLE INNOVATION

There's a notion in the funding sector - whether private or public - that funds follow merit, and that the best ideas and most promising ventures get funded. And yet that doesn't always bear true in the research on returns. Take, for example, the gender funding gap. Female-led ventures have shown to return 12% higher revenue than startups run by men. Given that fact, one might expect to see a much greater proportion than 2% of venture capital being invested in female-led ventures.

This disparity can't be explained entirely by the personal implicit biases of VCs or LLPs. Criteria sets, evaluation metrics, pitch competition formats, and other sector "tools" for evaluating the viability of a venture are powerful culprits, each serving a role in excluding certain groups from accessing support.

"Theoretically, we could create or use technology that helps to anonymize company profiles, so we can assess their suitability for funding based on true metrics of merit, and without risking the influence of implicit bias."

In the realm of recruitment and hiring, there is technology that can help organizations take a step in the right direction. They redact names and pronouns, and other details that indicate dimensions of diversity like age, ability, ethnicity and more - factors that are known to trigger implicit biases. The same could be done for founders.



CONCLUSION

The TechTown team and their sub-awardees are passionately committed to ensuring that the electric mobility revolution provides opportunities for economic mobility and entrepreneurial innovation for all those who might contribute and benefit. Despite the real and pernicious challenges the funding landscape presents, the team is working with verve to identify opportunities to make equitable innovations to the way their work is designed and deployed.

RESOURCES

[TechTown](#)
[Danielle Manley](#)
[GEM Coalition](#)
[Tidal Equality](#)
[Equity Sequence®](#)

