

The Starting Block: A Case Study of an Incubator Kitchen

Contact author

Jenifer Buckley

Department of Community, Agriculture, Recreation and Resource Studies

Michigan State University

131 Natural Resources Building

East Lansing, MI 48824

jbuckley@msu.edu, 517/355-5962, fax 517/353-8994

Dr. H. Christopher Peterson

Department of Agricultural, Food, and Resource Economics

Michigan State University

83 Agriculture Hall

Michigan State University

East Lansing, MI 48824

peters17@anr.msu.edu, 517/355-1813, fax 517/432-1800

Dr. Jim Bingen

Department of Community, Agriculture, Recreation and Resource Studies

Michigan State University

131 Natural Resources Building

East Lansing, MI 48824

bingen@msu.edu, 517/353-1905, fax 517/353-8994

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Abstract

Through this case, we explore the strategic challenges facing an incubator kitchen and its client businesses. An incubator kitchen is a business incubator that serves food business start-ups by providing a licensed kitchen. The case follows the incubator from its formative stages through its establishment and expansion. We explore tensions in this transition from concept to fuller-scale operation both for the incubator and its clients. We discuss strengths and weaknesses with reference to the incubator's entrepreneurial and networking culture, physical facilities, services, and financing.

Keywords

business incubator
incubator kitchen
entrepreneurship
networking
SME food business

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Executive Summary

The case focuses upon the strategic challenges facing the director of the Starting Block incubator kitchen, Ron Steiner, as he shepherds the business from entrepreneurial start-up venture to stable business with long-term viability.

Located in an economically depressed but agriculturally important area of the US state of Michigan, the Starting Block was formed with federal grant funding in order to foster small business development in the food and agriculture sector. Steiner developed a broad base of additional support, hired a small staff with a wide range of abilities, and purchased used equipment to establish the venture with a fraction of the funding initially projected by a business plan.

The Starting Block now offers a commercial kitchen, office rental, and warehouse space, and provides entrepreneurial education to its clients. Clients are instructed, although not directly assisted, in conducting market assessments and obtaining regulatory licenses. Staff are routinely available to clients, and they create a dynamic culture of collaboration in which clients support and learn from each other. The Starting Block also responds to client needs for additional services and has introduced product distribution, new processing technologies, and food product testing.

Challenges have arisen as the business has struggled to grow and improve its financial viability within staff and funding constraints. Steiner is reluctant to depend on grants, but income from the kitchen is limited, and the relatively sparse population of the area limits other potential streams. The business and its clients also struggle with the increased risks that accompany growth in production and marketing.

Like a typical entrepreneur, Steiner does not believe in formal plans. His management philosophy accommodates and even embraces ambiguity, and many colleagues emphasize the benefits of this flexibility. However, Steiner is now faced with strategic decisions about how to maximizing the business's strengths while mitigating concomitant risks.

The Starting Block: A Case Study of an Incubator Kitchen

Jenifer Buckley,¹ H. Christopher Peterson,² and Jim Bingen³

Ron Steiner eagerly leads visitors on an impromptu tour of the Starting Block, the incubator kitchen that he founded in rural Michigan. There is the smell of baked goods, the sparkling production area, the display of products made by clients. He never tires of expounding his entrepreneurial philosophy, and he never stops grinning. He pauses at a poster of Yoda, wise Jedi hero of the “Star Wars” movies, and recites:

“Do or do not...There is no try.”

A prospective client walks in, someone with a salsa he’d like to start selling. Or cookies, or a pâté. Steiner rushes to greet him.

It is hard not to eavesdrop. There is no telling what will happen next.

The Starting Block

The Starting Block is an incubator kitchen in Hart, population 1,900, in the rolling orchard-dotted countryside of the state of Michigan in the north central US. An incubator kitchen is a business incubator that includes a licensed commercial kitchen facility rented to clients to develop food businesses, an arrangement that saves clients the cost of building their own kitchens. There were approximately 150 in the US in 2007.⁴ The Starting Block opened in 2006 and is incorporated as a non-profit organization, employing three part-time staff people. It serves approximately 30 clients who produce a range of products including jams, granola, cookies, spice mixes and chutneys. Client businesses are private enterprises operated independently of the Starting Block. In addition to kitchen facilities, the Starting Block provides entrepreneurial education and rents warehouse storage and office space.

Beginnings

When Steiner retired from the computer and electronic component industry and moved from California to Michigan, he found a region rich in entrepreneurial opportunities. The state’s economy had been in decline for years, and even its diverse and vibrant agricultural areas were

¹ Jenifer Buckley is a PhD student and University Distinguished Fellow at Michigan State University (MSU) in the Department of Community, Agriculture, Recreation and Resource Studies (CARRS).

² H. Christopher Peterson is Nowlin Chair of Consumer-Responsive Agriculture in the Department of Agriculture, Food, and Resource Economics, and Director of the Product Center for Agriculture and Natural Resources, at MSU.

³ Jim Bingen is Professor of Community, Food and Agriculture in the Department of CARRS at MSU.

⁴ Miller, Kerry. 2007. "Kitchen Incubators Get Food Businesses Cooking." *Business Week*, December 17. Retrieved January 9, 2010 (http://www.businessweek.com/smallbiz/content/dec2007/sb20071214_603976.htm).

affected. Restless in retirement, he turned to economic development and was hired as Director of the local Oceana County Economic Development Corporation in 1998. His initial impulse was to respond to the area's economic needs with high-tech businesses. "I was disabused of that very early on," he recalls, and tells of his first meeting with one of the region's large food processors. "I said that I'm hoping that I can have some of my Silicon Valley contacts visit Oceana County and maybe put a microprocessor plant here or something. And he said, 'That's interesting. Well, you *are* new here.' We go and look out his office window, and he says, 'What do you see there?' Beautiful orchards. To me when I first moved here it looked like the Sonoma Valley. It's beautiful."

The processor continued, "We grow and process food out here. That's our economic engine."

Forming the Organization

Steiner defines an entrepreneur as someone who can spot unmet needs in society, who is "alert enough and is listening and looking around—always thinking of what better way there might be of doing something." He turned his attention to possibilities for innovation in food and agriculture, taking a second job with Michigan State University Extension (MSUE) and joining statewide efforts to respond to challenges in the agricultural sector. Michigan Food and Farming Systems (MIFFS), a non-profit organization, had formed in 1998 to develop partnerships to foster more sustainable food and farming for Michigan. With Dr. Chris Peterson of the Michigan State University (MSU) Department of Agricultural Economics, MIFFS co-founded the Michigan Partnership for Product Agriculture (MPPA) in 2001. MPPA was a broad-based group that aimed to give agriculture a more prominent role in statewide economic development and to create a network of resources for entrepreneurs. Along with Peterson and MIFFS, MPPA members also included US Department of Agriculture (USDA), Michigan Department of Agriculture (MDA) and Michigan Farm Bureau personnel and high-level MSU officials.

The notion of value-added agriculture had just begun attracting attention, and the group considered incubator kitchens as one means of pursuing value-added possibilities. Incubator kitchens had been established in several other states. Fortunately, the USDA representative to the MPPA suggested that the USDA Rural Development's Rural Business Enterprise Grants might be a source of start-up funding. MIFFS applied and received two identical grants in 2004, each for \$283,700, to develop two incubator kitchens in Michigan's more distressed agricultural areas. Steiner—by that time on the MIFFS Council—offered to move the project forward in western Michigan, one of the areas.

"By then I was captured by the idea," he says. "I said, I can do it, and I think I know how." Both he and Elaine Brown, MIFFS Executive Director, agreed that the actual management of an incubator kitchen was outside of MIFFS' programmatic focus. The MIFFS Council gave Steiner a high degree of autonomy in locating a facility, selecting equipment, and securing additional financing. "I had formed two companies before," he explains. "That's the easy part. The next stop after the MIFFS meeting was down to the Treasury Department in Lansing. I already had the name in mind, and incorporated the Starting Block. Cost me \$20." He and Brown emphasize the importance of trust and flexibility in these early stages of the project. Brown describes their relationship: "He had been on the MIFFS Council, he'd been a MIFFS member, and we knew his capabilities. He came from a business background. Getting to know him, he's got these big ideas,

and he's done these very creative things. So my role was to make sure those creative things were consistent with the requirements of the grant. We wanted someone to take the incubator kitchen and make it successful, and we couldn't do it from afar."

Collaboration is an important part of Steiner's business philosophy, "the willingness to partner with people and not thinking you can do it all by yourself." Thus, as he moved forward in establishing the Starting Block—recruiting its board of directors, securing financing, hiring staff, and developing the facility—he formed and leaned heavily on a network of old and new contacts both inside and outside of the area. The USDA grant's language called for an incubator kitchen with a regional focus, and Steiner was determined to cultivate a collective buy-in to the project among community leaders in surrounding western Michigan counties. The board thus includes members representing each of the six counties in the region and a range of professional affiliations: a community college president, to represent the incubator's educational objectives; a farm cooperative director; an African-American active in urban areas that suffer from a lack of supermarkets and other fresh food sources; local government officials; a certified public accountant; and a grower association director.

The USDA grant did not provide all of the initial funding needed, and it did not cover operating expenses. With a broadly representative board in place, Steiner next approached each of the county commissions in the region for start-up funding, asking them for 20 cents per capita for one year. The effort raised about \$30,000 total from six counties. MSU's Project GREEN⁵ also contributed significant funds. He then contacted state and federal economic development organizations: the U. S. Department of Commerce Economic Development Association (EDA) and the Michigan Economic Development Corporation (MEDC). Finally, needing a local partner to accept grants from these organizations, he contacted Stan Rickard, City Manager of Hart.

Speaking appreciatively of Steiner's networking abilities, Rickard recalls, "The city got involved because of two grant opportunities that Ron scoured the countryside for, as Ron does." Part of the funding was needed to finance what is now the Starting Block's building, which was for sale at the time. "We were acquaintances," Rickard explains, "but this is when we really started to work side by side to purchase the building. Both of the agencies, EDA and the MEDC, were very helpful, but it was a very cumbersome grant application process. It took a long time, a lot of paperwork. But," he adds, "we've worked on grants here." Rickard applied for the economic development funding to buy the building, and the Starting Block now leases it from the city at a low rate. Rickard also credits the building's former owner for believing in the project and having patience during the grant process. A number of other offers were on the table, but the owner wanted to help the incubator. "So God bless them, they held the building for us until we could get the grant approved."

Steiner now turned to staffing the facility. As in his relationship with MIFFS, trust and flexibility were central to these choices. Jim Henley and his wife, Jane Dosemagen, had run a restaurant in Hart and had been among those surveyed for the Starting Block's feasibility study. Henley also knew Steiner's wife from the nearby Pentwater Yacht Club, where he was kitchen manager. The couple wanted to stay in Michigan but found the economic climate difficult. In fact, when Steiner phoned to recruit them as staff, they were in the process of returning to Minnesota, where

⁵ GREEN: Generating Research and Extension to meet Economic and Environmental Needs

they had lived for 25 years and retained a residence. As Dosemagen tells it, “I was already actually back in Minnesota with the kids and Jim was still here. He worked at the yacht club for the summer. Then Ron had this idea, and we knew Ron from the restaurant. He knew us and knew enough about us that he thought we might work out well with this project with him. So he wasn’t twisting any arms, but...” Dosemagen asked for a job description. Steiner had not developed one, and in fact admits that he does not believe in them. Nevertheless, Dosemagen was convinced. “Ron had the vision, and we trusted that. We’ll work with Ron, Ron is a good person, Ron knows what he’s doing.”

Dosemagen and Henley possessed the broad range of skills needed to develop and manage a facility. The three of them eventually renovated the building, swinging sledgehammers and hauling wheelbarrows of cement block outside. Steiner acknowledges wryly that Dosemagen may not have accepted an offer with those tasks in the job description. But he holds himself to the same standard of flexibility. Since the couple needed health benefits that the Starting Block would not be able to provide, they agreed on an arrangement that has allowed Henley to hold another job that does, managing food service for a local school district. Steiner’s human resource philosophy: “Find and hire 10s. One 10 is worth three to four 5s. Don’t just hire cheap, but find the right people and be flexible—agility not only as a business, but also not having any fixed idea.”

Equipping the Kitchen

Before making any major decisions about the facility, he took Dosemagen and Henley to visit the Appalachian Center for Economic Networks (ACEnet) in Athens, Ohio. ACEnet established one of the first incubator kitchens in the US and offers day-long replication seminars for others interested in its success. “Best \$500 we ever spent, before we took a hammer or a paintbrush here,” Steiner says. Among the advice they received was to buy equipment used, not new. Asked whether it might make more sense to buy new equipment that is less likely to need repairing, Steiner replies simply, “Hire people who can fix it themselves.” Indeed, stories of equipment repair abound among Starting Block clients. Gene Van Koevering, a graduate who produces Uncle Gene’s Backwoods Pretzels, recalls an experience with the tumbler that he and his business partner used. “It was going too fast to start up with. Ron was—we were all—on our knees, digging around, playing around with gears and pulleys and stuff. And that was fun. They were so accommodating, it was unbelievable. And we got it to work in exactly the way we wanted it.”

Steiner also subscribes to the belief that some kitchen equipment should not be purchased until a client has indicated a specific need for it. The feasibility study had specified the equipment that an incubator kitchen would be expected to need, but Steiner is adamant that there is no cookbook formula for equipping a kitchen. Apart from the purchase of basic appliances—such as a convection oven and mixer—other equipment decisions have been made in collaboration with clients. For Steiner, this “decision not to make a decision right away” is part of a larger philosophy. “Don’t think you’ve got to have everything in place right away,” he advises. The Starting Block offers to buy or lease equipment that clients need, and then gives them the option to take the item along when they graduate. When Van Koevering and his partner moved on to another facility, the only equipment they needed was the tumbler. “We had the opportunity to

come up here [to the new facility],” he says, “and they were kind enough to say, ‘Hey, if you want this tumbler, we’ll sell it to you.’ So we made a deal on a tumbler and bought that.”

With basic kitchen equipment in place, obtaining an MDA license was the last hurdle before opening for business. One of the challenges in this process was that not all MDA personnel were familiar with incubator kitchens, which are a relatively new phenomenon in this country. Dosemagen feels that the MDA was generally supportive of the project, but adds that it is very important to keep asking questions—and observes that the answers to questions can change over time as new regulations are implemented or as interpretations change. In some ways, licensing is an ongoing process. A kitchen license does not automatically cover all food products; kitchens are licensed only for specific products. The Starting Block continues to work on broadening the range of products that can be processed in its kitchen and has now become both a USDA and FDA processing facility.

The Starting Block began serving clients in 2006. Steiner marvels that although the feasibility study estimated a total cost of \$1.2 million, the three managed to start for one-third of that. Steiner, Dosemagen and Henley thus pooled their interests and talents to develop a fully functioning commercial kitchen on a shoestring budget. Key to this has been extensive networking at each step and a collective skill set that includes building renovation, equipment repair, institutional food service management, fundraising, administration, and entrepreneurial education.

Current Situation

It is now 2009 and the Starting Block has been operational for three years. Staff has continued to develop the facility based on demonstrated client need and with the objective of diversifying income streams.

Physical Facilities

A variety of facilities are available for rent at the Starting Block:

Commercial kitchen. Clients reserve kitchen time on a wall calendar near staff offices. Fees range between \$10 and \$15 per hour depending on level of kitchen use and equipment required. Equipment includes commercial ovens, freezers, ranges, mixers, kettles, industrial food processors, and a filling machine.

Office rental. Like other business incubators, the Starting Block rents office space to food as well as non-food businesses. Amenities include wireless internet access, local phone service, use of the conference room, and office support. A 90-square-foot office rents for \$110 per month, and a 225-square-foot office for \$275 per month.

Warehouse and storage. The Starting Block rents dry pallet storage for \$10 or \$15 per month depending on whether it is secured. Refrigerator and freezer space is available for \$1.50 per cubic foot per month and \$75 per pallet per month. Staff also accepts deliveries. This saves clients the trouble of bringing quantities of supplies and ingredients from home, especially those

who live at a distance from Hart. Simone Scarpace receives bulk shipments of natural pectin from a California supplier for her Wee Bee Jammin' products. The pectin is sent straight to the facility, as are her jars. "I get a couple pallets of my jars delivered here every other month, so somebody who knows how to handle a forklift and get it off the truck needs to be here. It's usually Jim or Ron who do that. But I haven't really had any problem—I just let them know when it's coming. They just tell me that I owe them some jam." Since some carriers charge more for deliveries to private residences than for business deliveries, this also reduces delivery costs for some clients.

Entrepreneurial Education and Innovation

Approximately 30 clients currently use the Starting Block's kitchen, coming from the immediate area and as far as 200 miles. Products include jams, salsas, chutneys and other spreads; granola, cookies and other baked goods; and snack foods, such as specialty nut mixes. Many of these products originated in family traditions or had long been popular with friends and colleagues. For many of the clients, the current economy provided the final incentive to turn them into marketable goods that could generate supplemental income.

Four clients have graduated, moving on to their own facilities and even building their own licensed kitchens. Vicki Fuller, for example, started the Maple Island Pie Company at the Starting Block and eventually added a commercial kitchen on to her house. Van Koevering's business grew to the point that he hired a copacker, and Uncle Gene's Backwoods Pretzels were recently approved by Cracker Barrel Restaurants and Old Country Stores for national distribution.

The MSU Product Center has been instrumental in the Starting Block's development, and the two organizations maintain close ties. The Product Center assists entrepreneurs and businesses in the development of agricultural products and ventures. Staff, including a corps of Innovation Counselors, provides guidance in market identification, product research and other developmental decisions. For some, the Product Center provided the initial contact with the Starting Block, and the Center works with clients as their businesses continue to grow. Sue Keegstra, whose family's cherry topping was produced at the Starting Block, recalls that their business grew to the point of attracting a distributor. She contacted Matt Birbeck, Supply Chain Specialist and Counselor Liaison at the Product Center, who has provided assistance since the business was formed. "Well," Keegstra says, "I've never met with a distributor before, so Matt came to my home, and the distributor came, and Matt did the wheeling and dealing. I just sort of sat there and watched. And Matt was just fantastic."

Clients Start Up

When clients first contact the Starting Block, they meet with Steiner, Dosemagen, or Henley. Steiner is irrepressibly enthusiastic when talking about people's dreams, about the passion they bring to things that they love to do and want to share with others. However, he cautions, "You don't want to string them along." He first sends them away with homework, "low-cost, skunkworks market research," as he puts it. He advises clients to ask friends and family for honest feedback, suggestions on improving the product and, most importantly, whether they would pay money for it. Some clients have also been connected with a financial advisor provided by a community college. Henley agrees that marketing is one of the biggest challenges that

clients face. He asks them to do concrete cost calculations, compare their costs with retail prices, and decide whether their products are feasible. If clients request independent taste testing, they are referred to the MSU Department of Food Science and Human Nutrition's Food Sensory Laboratory.

Indeed, some have found that friends and family do not provide the candid assessment that a realistic market analysis needs. Van Koevering tells of problems selling one of his pretzel products. "We realize that we've got one that's not a winner. And I would have much rather known that a year ago. But it took time. And quite honestly, we taste-tested with people we knew. If you and I get along, you're going to tell me you like my pretzels whether you like them or not. But you have to be honest." He suggests that the Starting Block coordinate blind taste tests at venues such as food shows.

Once clients decide to move ahead, they are required to contact the MDA themselves, obtain their own food licenses, and develop their own labels. The Starting Block provides clients with a checklist detailing whom to contact and in what order. As Henley reasons, "It doesn't make any sense for us to do it for them. They've got to know where to go. It's their license, they're the ones who are going to meet the inspector, so they have to know what they're talking about." For their own part, clients generally agree that the licensing and label review process is difficult and time-consuming. Some received conflicting information from different MDA personnel, resulting in a more protracted (and sometimes more expensive) process than they felt was reasonable. Some expedited the process by contacting the MDA persistently during the process and visiting the regional office in person.

Once a client is ready to use the Starting Block's kitchen, he or she is given a kitchen orientation. This includes a video covering preparatory and clean-up processes. Depending on how familiar clients are with commercial equipment, staff may also work with them the first time they use the kitchen, and they are always available to help if needed. Fran Russell had been producing her nut mix, "The Nuts," in a restaurant kitchen when she moved to the Starting Block. She speaks appreciatively of the orientation process as well as the kitchen. "They make sure everything is done by the book—they read you all the rules. They're aware of it and they make sure that you're aware of it, but they're fun people. I thought it was an amazing facility, physically. They have an amazing array of equipment, the kitchen is kept impeccably clean, and I love that the kitchen layout is flexible. So much of the equipment is on wheels, so you're not tied into using a configuration that's pre-set for you. You can set up the kitchen to work for you and your production needs."

A Culture of Collaboration

The learning process along which the Starting Block moves clients does not follow a precise, prescribed course. Steiner's approach is to not offer help unless clients request it. Instead, the Starting Block staff has aimed to create a dynamic environment that fosters spontaneous conversations and innovation. Vaughn White bakes Uncle Vaughn's Cookies at the facility and tells of an episode in which Henley and Steiner had borrowed an automated cookie machine, the Kook-E-King, in order to speed up his baking process. The three of them tried to figure the machine out and to get it to produce cookies according to White's standards. "And we failed completely," White says. "Ron actually got on the phone with the company and we had a conference call about why this wasn't working. Essentially I had to change my recipe, and I

wasn't willing to do that." But in the process, Henley hit on a different solution. "Really, you know, frozen dough would be good," White remembers him saying. "We have a heat sealer." That led White to develop and build a new baking implement, an idea he considers so innovative that he is guarded about sharing the details.

Others agree that the atmosphere is conducive to sharing, networking, and collective problem-solving. "It's very friendly, it's an environment where we're all comrades," says Randy TenBrink, who produces Randy's Granola. "Even though we're customers of theirs, we collaborate on ideas almost on a daily basis. There have been mistakes plenty—inventory management, deadlines, delivery mistakes, packaging mistakes—that contribute to our business's quality assurance program. But I don't sit down and say, 'I want to talk about quality assurance with you.' I'll be walking down the hall and say, 'I've been doing *this*, but I'm thinking of doing *this*, what do you think?' They're collaborators." Van Koevering puts it this way: "We all feel pretty comfortable. I would liken it to me going to a gym where they're all buff. I wouldn't be very comfortable there. But I'll go on the TV show where they all lose weight. The Starting Block is kind of that way, where you feel comfortable going in, because we're all kind of in the same thing."

Even Rickard, who is Hart City Manager and does not use the Starting Block, appreciates the atmosphere. He tells of a recent visit: "Just to walk in and see what's happening there, it's exciting to see these young kids out there. Seeing these young people, new ideas, trying a new product. Here are people trying to get this drum dryer going [see page 12]. And then Randy [TenBrink] was all excited." TenBrink does not use the drum dryer but was enthusiastic about it. "He showed me—'Do you know how it works? It comes in here, and it goes out there, and it goes up over the ceiling!' He was as excited about the drum dryer as these other guys were. It's just contagious."

Starting Block staff also refers clients to other producers and businesses in the area. Dosemagen continues to email event announcements and marketing suggestions to clients even after they have stopped using the facility. Keegstra has learned of key opportunities in this way, such as the MSU Product Center's annual Making It in Michigan event, and the twice-annual Select Michigan farmers' market at the Capitol in Lansing. She also credits Henley with referring them to a couple who have proven to be one of their biggest resources, both as a supplier and as a source of advice. "Probably that is the biggest thing the Starting Block did for us, was to connect us with them." Steiner connected Fuller with one of the region's largest producers. She wants to use Michigan fruit where possible, and Steiner made the initial contact with the grower.

Some clients express interest in more coordinated networking. Lynn Smith, a distributor based at the Starting Block, suggests holding groups that meet and brainstorm on ideas, although she acknowledges that this can be hard to schedule. TenBrink agrees that everyone is busy. "It would be nice to have a monthly meeting. It would be a meeting to encourage each other, share progress stories, leads, any kinds of marketing tips that we'd come across. But we're all so busy."

Workshops and Classes

The Starting Block also offers individual guidance in small business management and networking, and classes in entrepreneurship, small business management and marketing.

An Expanding Set of Services

Food entrepreneurs require a variety of services that expand as their businesses grow. In addition to providing education and physical facilities, the Starting Block works to provide opportunities and respond to client needs.

Distribution

Distribution is a main challenge for many of the Starting Block's clients. Many make their own deliveries, driving hundreds of miles to drop product off and, in some cases, to pick it up again after the product expiration date. It is among the services that they would welcome at the Starting Block.

Lynn Smith began as a client making fruit salsas and had also partnered with other food businesses. Some of them folded because of the challenges of making market contacts and deliveries, and Steiner encouraged her to develop a distributorship based at the facility. A partnership with another distributor early in 2009 failed, but Steiner persisted with the idea. She laughs about it. "I'd go back and forth with Ron. Ron's like, 'We need a distributor.' And I'm like, 'I don't have any money, Ron. I'm sorry. I am not your girl!'" At issue was buying a truck. "For probably about six months, when he kept saying, 'You've got to do this,' he was looking for a truck for me. He had his guy looking for a truck, Jim was looking for a truck, Jane was looking. Everybody was looking for a truck." Smith happened to phone her car dealer, who had a utility truck for sale. He agreed to let her use it and pay only mileage. He transferred the title to her company, with the agreement that if the business was successful at the end of two years she would buy it. If not, she would return it. "What a great business move!" Smith exclaims. "He makes very little, but he could get that truck sold, and if I add a fleet on, I sure will go to him."

"So all of a sudden," she continues, "I've got a truck. Then the people here come out of the woodwork. 'You've got a truck!'" Smith considered the types of products that were available from other Starting Block clients, such as granola and cookies. She saw an opportunity to market to school districts in the region, and within two weeks had orders from five districts. More about her distributorship, MI Foods, is on page 20.

Drum Dryer Processing

Dave Johnson runs the drum drying business started by his father in Fremont, about 20 miles from Hart. Drum drying is a technology used in food processing and other industries. Food products are made into slurries, which are dried between two heated, rotating drums. The technology provides a means of removing water from a product, reducing transport costs and making new forms of the product possible. Wanting to reach a greater variety of food producers, large and small, Johnson contacted Steiner about establishing a pilot plant at the Starting Block. He installed a drum dryer to enable kitchen clients and others to develop and test new food products. He hopes to broaden the services that the facility provides to entrepreneurs and create new opportunities to add value to regional agricultural products. More is on page 18.

Food Product Testing

Food processors must abide by a range of quality and safety standards required by government regulations and increasingly by private sector food buyers. Most Starting Block clients submit their products for testing of some kind, such as for pH, shelf life, or nutritional analysis. For this,

Steiner refers them to MSU and to Summit Laboratory, one of the region's few food testing laboratories, based 75 miles away in Grand Rapids. In 2009, in the interest of serving clients better as well as providing a new service to the many fruit and vegetable processors in western Michigan, Steiner persuaded Summit Laboratory President Tom Krueger to establish a branch of his facility at the Starting Block. "I need to be able to justify it," Krueger recalls telling Steiner initially. "There had to be that market that would support my decision to set up a laboratory there." Krueger was delighted when Steiner offered to contact the region's major processors and spend a day taking him to meet with each of them. "And we did. You know, Ron Steiner knows everybody up there in Oceana County. We went up there in April [2009] and we visited with all of them, and it was unanimous. That not only was there this huge demand for reliable, convenient, quick testing of their product, but also for training as well."

Summit Laboratory opened its Starting Block branch in July 2009. Krueger hired a staff person from the area and has been pleased with the response from the processors. He is also pleased to be able to help the region economically. "I'm going to buy my supplies locally, I'm going to buy equipment locally. I'm going to hire electricians, I'm going to hire plumbers, I am going to hire people to work here. I'm going to get my lunches here in Hart." Krueger contacted *Oceana's Herald Journal*, which responded by interviewing him and publishing a story on the new branch.

He has had less interaction with Starting Block clients, partly because many of them are not there during business hours. "They have very unusual hours, because they're kind of squeezing it in along with the rest of their life's doings," he observes. They continue to call on Summit for product testing, and the laboratory's presence saves them shipping costs. Clients are pleased that the lab is there. Says TenBrink, "I think it's fantastic that they have an on-site lab now. Had that been there when we first started—we shopped all over for a lab to do that." Krueger hopes to start offering trainings late in 2009. He observes that the clients' training needs differ from those of the larger manufacturers. "The manufacturers require training in things like GMPs [Good Manufacturing Practices] and HACCP [Hazard Analysis and Critical Control Points], whereas the people who are developing their own product in the kitchen require training such as ServSafe, which is just safe food handling practices. They need to know how to be able to prepare their product in a way that is not going to cross-contaminate it and that is not going to cross-contaminate other areas of the kitchen or products in the kitchen." More on Summit Laboratory is on page 19.

Client Wish Lists

The Starting Block cannot meet all client needs as their businesses grow. As clients resolve some operational bottlenecks, others emerge. For TenBrink, for example, the physical labor of making granola was a bottleneck until staff adjusted the kitchen's drum mixer. "It increased our production like crazy," he says. "The next bottleneck now is the actual packaging." Without automated equipment, he fills bags one at a time. Scarpace also discusses packaging needs; she would take advantage of more assistance with time-consuming aspects such as attaching shrink bands and labels, and cutting out the burlap bonnets that decorate her jars. Staff is planning to upgrade. "We've also found that we need better packaging equipment and more automated equipment," agrees Dosemagen. Clients also express interest in Universal Product Code (UPC) and other coding software, which is expensive for small businesses.

Some clients voice a need for more assistance than the trainings that are offered. TenBrink speaks for many when he says, “I’ve done a lot of things over the years, but I’ve never been a businessperson.” Suggested topics include taxes, liability, advice on accounting software and procedures, even simply learning more about the culture and language of business. Others would like to learn more about marketing. Many appreciated a meeting that Steiner arranged for clients with representatives of a major grocery chain, and they would like to participate in more such sessions. White suggests that staff also conduct follow-up calls with clients. “They’re always there for you if you have a question, but I think if they could maybe even just call and connect. Say, ‘How are you doing? I haven’t seen you around lately, how’s your business?’ I think that might be helpful. Because I think it encourages you to progress.”

Many clients started their businesses on shoestrings. Smith notes the barrier that start-up costs present, and wonders whether the Starting Block could collaborate with a financial institution to make small loans available. “Because,” she says, “usually, it’s a matter of \$1,000 or \$2,000 to get this great idea off the ground. But you’re working a 40-hour job and the paycheck’s spent at the end of the week, and you don’t have it. So that idea never gets off the ground.”

Challenges and Decisions

Copacking

A number of Starting Block clients have expressed an interest in working with copackers. Copackers process food products for others, leaving food entrepreneurs more time for product development, marketing, and other tasks. Henley notes that there is a relative shortage of copackers who do the small batches that most of his clients produce. The Starting Block thus undertook a copacking project in the fall of 2009, bottling Herkner’s Homemade Cherry Topping for Sue Keegstra and her sisters, Lynda Herkner and Judy Harmon. This has been the facility’s only copacking experience to date, and it illustrates some of the challenges of commercial-scale expansion.

The project began with a batch of 600 jars, and all agree that it was a learning experience from the beginning. As Steiner says, gesturing, “We usually start down here [in terms of quantity], and they started way up here.” First, the original recipe needed to be scaled up by six times. According to Dosemagen, they now know that the copacking process is normally done gradually, requiring testing for both process and quality. The jars produced in the early batches turned out not to have an even consistency, a problem that may have been due to insufficiently automated equipment. The topping is made in a large cooking pot and then poured into a filler. The operator pushes a pedal to release a specific amount of product into each jar, one by one. The filler at the Starting Block did not have an automatic stirrer. As a result, over the time required to fill all of the jars, the cherries settled, and some jars had too much sauce and some had too many cherries. The problem was resolved when Steiner stood on a ladder to stir while Henley filled jars—an entire day.

Keegstra marvels at how quickly their business then took off, which led to another challenge. “Quite rapidly, we realized that we were outgrowing the Starting Block, because they just could

not make it fast enough for us. We started selling lickety-split right away. I mean, we just found markets.” Staff found that expanding a copacking operation can be a slow process. Copackers normally approach this carefully, in stages, and, Dosemagen emphasizes, with no promises. “You can’t just make a lot of cases the first day,” she observes in retrospect. “Depending on the type of product, copackers can take at least six months to review, scale up, and test the recipe, then bottle and package the product so it is of high quality and up to the client’s satisfaction.” After a month or so, Herkner’s moved operations to a copacker with greater capacity, one near Traverse City and closer to two of the sisters. However, Keegstra remains appreciative of the Starting Block and its staff and of what they have helped accomplish. “It’s an awesome place to start. We learned a lot from them.”

The experience has reinforced the Starting Block’s identity as an incubator kitchen. “We’re here to assist,” Henley says. “We’d like to do copacking to raise funds for the Starting Block, but with limited staff at this time, it is too big of a time commitment. We recommend that clients hire and create local jobs, keeping our role as advisors.” Should others express interest in copacking, they would begin in the same way as other clients, making their own products and adapting their own recipes. “There are always glitches when you’re starting out,” Dosemagen remarks. Indeed, clients describe such learning experiences—ingredients running short, supplies arriving dirty, labels fitting wrong. “That’s why it’s better for people to come and make their product first, see what it’s like, see what they need, and face some of the glitches themselves. Then they know what it entails to make their product.” Then, if production increased to the point that clients needed assistance, clients would hire their own help. Starting Block staff would provide these workers with the same technical assistance provided to all clients. Such an approach would address many of the issues encountered in this copacking experience, in which several stages of development were condensed into a single, very demanding project.

Entrepreneurial Leadership

Steiner has established and managed the Starting Block by following the same advice he gives clients: Move forward without having all the certainty. Be comfortable with ambiguity. Business decisions should be client-driven. Benchmark. And don’t think you can do it all yourself.

Many agree that his commitment, energy, and optimism have made the project possible. Some colleagues speculate on the prospects for a Starting Block without Steiner should he decide to retire. “Ron is a sharp guy. He knows a lot of people, and he’s an ambitious guy,” Krueger says. “But when he’s done with that place, they’d better get somebody who’s pretty ambitious to replace him.” Brown feels that he has developed a team equal to that eventual challenge. “I think he’s got two good people. There’s no doubt in my mind that you’ve got some risk takers there who are working with him. In terms of running it on the whole, they could. They understand what the commitments are in terms of funding, and he’s probably helped them develop the relationships they need to build and move forward. But the odds of getting someone to come in from the outside and be able to do that—probably not so good.”

Financing

Ongoing funding is a challenge. According to Steiner, the kitchen is not likely to cover more than 30 to 40 percent of the facility’s cash flow even when fully booked. Although the Starting

Block is incorporated as a non-profit organization, he is determined not to rely on grants, arguing that this is a common mistake made by other incubator kitchens. He is working to create income streams that make it self-sustaining. A need for entrepreneurial education in the region provides one opportunity; Steiner notes the relative lack of business counseling available in the area. He plans to offer a business start-up course tailored to displaced workers, a 10-week course condensed into 3 weeks. In the meantime, the Starting Block periodically offers classes on topics such as low-cost marketing, accounting software use, and food safety, for a fee. Steiner also teaches entrepreneurial education classes at neighboring community colleges and forwards his instructor fees to the Starting Block.

Steiner does not draw a salary from the Starting Block but instead has retained his half-time job as an MSUE regional entrepreneurship educator. As he explains it, “All extension agents have to have at least two educational initiatives. I said, Okay, my initiative is to establish and administer a regional kitchen incubator.” This arrangement has been crucial as the facility establishes itself. However, it is a luxury that few incubator kitchens enjoy, and constant threats to MSUE’s budget could compel the Starting Block to find other funding sources during what are very lean years for non-profit organizations. The facility’s financial health is of importance to clients whose businesses depend on it. As White says, “If they don’t sustain, we fold”—a loss that would have cascading effects throughout the businesses that White supports in his community.

Equipment

Steiner makes a strong case for purchasing used rather than new equipment, and many clients have been pleased with his and Henley’s ingenuity in repairing equipment and adjusting it to meet their needs. A few of them mention persistent problems with one item, an automated filling machine that dispensed uneven quantities in spite of repeated attempts to correct the problem.

Commercial equipment enables producers to increase production, as TenBrink and others have experienced. Johnson feels that this gives rise to a new set of challenges and that clients may not be sufficiently aware of them. Large equipment and the quantities made with it can introduce safety problems. For example, when equipment breaks, pieces of it can find their way into food products. He emphasizes that clients need to be made aware of these risks, and of the consequences for both clients and the Starting Block should a public food safety issue arise.

Location and Public Awareness

The Starting Block originated with a vision of providing value-added opportunities to western Michigan farmers, and it is located in that part of the state in order to be closer to them. But although a number of the clients source ingredients from local growers, many of them do not represent the rural Michigan constituency that the Starting Block had intended to benefit. At the same time, many of their products sell well in urban niche markets, the closest of which is 60 miles away.

Clients and others weigh the advantages and disadvantages of the Starting Block’s location. Many feel that one of the chief advantages is the safe and collegial atmosphere of the facility. “You trust people,” Dosemagen observes. “So far, it’s pretty much an open door. They have a key to come in here. We’re in an area here that is just really safe, and that’s been a really nice

thing. Other places—I'm sure in bigger cities—you can't have the trust factor that we have. We were going to build cages in the dry storage, and everybody would have their locked space, but so far nobody cares." Russell agrees. "Everyone is respectful of the belongings of others." She is from an urban area and marvels, "I feel totally comfortable just coming and going. The building and parking area are well lighted and feel very secure."

One challenge, however, is that the location can make it harder to attract entrepreneurs and increase kitchen rental income. It can also be hard to attract the attention of distributors and retailers. Even the workshops that Steiner hopes to develop into an income stream are not always well attended. Krueger recounts arriving at the Starting Block the day that a class on the food industry had been scheduled, and seeing a sign on the door that it had been canceled due to lack of registration. He sees the low population density of the region as a challenge to the facility's long-term success.

What's Next...

Like a typical entrepreneur, Steiner does not believe in formal plans. He has developed and managed the Starting Block without a business plan, relying instead on an innate ability to identify markets, partners, and opportunities, and a knack for building a business identity and culture. He has been creative in meeting financing, physical plant, and other needs. Steiner's management philosophy accommodates and even embraces ambiguity, and many colleagues emphasize the benefits that have accrued from this flexibility. However, it is an approach that also creates uncertainty. Steiner is now faced with strategic decisions about how to maintain the viability of the Starting Block, maximizing its strengths while mitigating concomitant risks.

Appendix: Participating Businesses

Vicki Fuller, Maple Island Pie Company

Fuller is one of the Starting Block's graduates, a client whose operations grew so quickly that she added a licensed kitchen onto her house within a year of starting. The business began with a decision to leave an office job and simply do what she loves, which is bake pies, and the MDA inspector put her in touch with the Starting Block. Her first impression was of the distance; she remembers her daughter commenting, "I don't know, Mom, this is an awful long ways to travel just to bake." But the assistance that she received made it an important move. "You don't know exactly what to do, step by step by step." Staff provided a financial advisor, a community college instructor who helped Fuller determine pricing. They also helped her increase batch size. Steiner connected her with local fruit growers, and production leapt after he introduced her to representatives of a local community foundation who were touring the facility while she was baking. When she decided to develop her own kitchen, the Starting Block assisted her with that project as well, informing her of questions to ask and whom to contact. Fuller now sells at five farmers' markets, at a cake shop, and through special orders.

Dave Johnson, Drum Drying Resources

Eager to establish a pilot drum dryer plant in addition to his main production facility, Johnson approached Steiner with the idea and installed a small drum dryer at the Starting Block in 2009. The pilot plant gives producers an opportunity to experiment with products using larger-scale industrial production technologies, and renting space at the Starting Block saves Johnson the cost of building a separate facility. Although Johnson appreciates the enthusiasm with which clients develop businesses, he believes that they need to be better prepared to meet the challenges of increasing scale. Large equipment creates new quality and safety issues. "It's a whole different beast when you make that jump. It's huge. And they need to be educated for that. It's easy to make it in the Starting Block with family. But the next step could scare you." He hopes to be part of that developmental process and to assist with innovations. For example, some clients make jelly, which can be dried and made into other forms. "Now, instead of putting it on peanut butter or on a bun, maybe we can sprinkle it over our food. That's a whole different concept. Will it work? I don't know. We can drum dry it, though." More on Johnson is on page 12.

Sue Keegstra, Herkner's Homemade Cherry Topping

Keegstra and her sisters, Lynda Herkner and Judy Harmon, grew up on a cherry orchard on Michigan's Mission Peninsula, and the family's cherry topping was popular throughout the region. When they decided to fulfill their parents' dream of bottling it, they recognized that they would not be able to produce at a commercial scale without help. Matt Birbeck of MSU's Product Center guided them through the process of forming a business, and he referred them to the Starting Block for copacking (see page 14). "He knew we would outgrow it, but we needed to start someplace. We didn't have a lot of money to get started," Keegstra recalls. Sales increased rapidly. Henley put them in touch with a jar supplier, who put them in touch with a distributor who was so impressed with the topping that he offered to make it his primary distribution product. Although they soon moved to a larger copacker, she stresses that the Starting Block has been of tremendous help. The sisters have continued to enjoy the networking.

“When I was at the Select Michigan market [in Lansing], a man came up to me, and he said, ‘Oh, I know your product, because I was making my granola at the Starting Block when they were making your cherry topping!’”

Tom Krueger, Summit Laboratory

Summit provides analytic and microbiology lab testing and opened a branch at the Starting Block in 2009. (See also page 12.) Krueger thus sees kitchen clients from a broad food industry perspective. He remarks on the considerable motivation that clients display when they travel the distances they do to develop products. Although the Starting Block is located in a commercial fruit production area, many clients do not live in that area, nor are their markets nearby. A number of clients agree that the location poses marketing challenges for the Starting Block, and Krueger hopes that Summit’s presence there can help to make it a resource for a greater variety of food businesses. He sees twin challenges in increasing kitchen use. One is producer drive. “People really have to have the motivation to want to take their famous family recipe and try to get it on the shelf at Meijer [a major regional supermarket chain].” The other is market incentive. “The stores have to create the demand. They have to create the market. They have to say, ‘Hey, all this stuff was grown locally, and here are the advantages to you and to Michigan as a whole for you buying these products.’ If they can create the market, the demand for those products, then the incentive will be there. Then it motivates people more to use places like the Starting Block, and it helps complete that cycle.”

Fran Russell, “The Nuts”

“The Nuts” are a mix of pecans, cashews, and almonds in a sweet, salty, spicy coating. Russell uses Michigan honey and beet sugar, and, while not grown in Michigan, all of the nuts used come from a Michigan distributor. “‘The Nuts’ is a recipe I’ve been making and tweaking for years, and it’s always what I’d put out at parties.” When her design business started changing in 2008, she decided to try marketing “The Nuts” and contacted the MSU Product Center. With help from the Center’s Matt Birbeck, she obtained a food license and started producing the mix in a cramped local restaurant kitchen, then moved to the Starting Block in the fall of 2009. Although Hart is a two-hour drive from her home, she feels that the efficiency of a well-equipped production kitchen has more than compensated. Among her favorite accessories is a large bowl that fits nearly all 75 pounds of the baked nuts. She describes the first time she worked with Henley to fill the boxes, which range from 4 to 11 ounces in size: “I’m filling boxes and filling boxes, and the bowl just doesn’t look like it’s getting empty at all...it seems like a never-ending bowl of nuts!” Production labor is one bottleneck, but she was able to hire local labor from the Hart area for the most recent baking and packaging day.

Simone Scarpace, Wee Bee Jammin’

Scarpace has been gathering wild berries and making jam with her family for years, and her products are now sold in specialty shops throughout Michigan. “We love the Upper Peninsula, we love being outdoors. So there’s just a passion for all of this,” she says. A friend who knew that she was interested in marketing the jams mentioned the Starting Block, and she began using the kitchen in mid-2008. Demand grew faster than she dreamed it would, and she soon realized the impossibility of limiting her fruit supply to what her family could pick fresh in season. A

light bulb went off, she says, when Henley suggested buying frozen fruit from Michigan farms. She uses Michigan beet sugar and a natural pectin that is shipped from a California supplier whom she credits with providing invaluable technical support. About the Starting Block, she says, “It’s a blessing, really, I just find that it was too good to be true.” In particular, the networking with other clients and the support from the staff make the hour-long drive from her home worth it, “just talking to people and picking their brains a little bit and getting ideas and learning what they’ve learned, and about their mistakes.”

Lynn Smith, MI Foods

Smith has used the Starting Block facilities and services since 2007, and her efforts to develop a distributorship there are described on page 12. More than any specific services, she credits its supportive atmosphere. “I went through several businesses that failed, and with every failure there’s an opportunity. Ron has really been crucial in focusing—‘There’s an opportunity. There’s got to be.’ And there was, and it was just a matter of picking up the pieces and figuring it out. I couldn’t have done it without the Starting Block.” She is driven by a vision of making nutritious and locally produced food available to school districts—and, in turn, communicates the economic impacts of those food service purchases back to the participating schools. Her distributorship helps fill a marketing need among small producers who cannot supply the quantities demanded by larger distributors. “If you can do only two schools, I will only market you to two schools. And then when you’re ready, we’ll go to four.” In addition to products made by Starting Block clients, she has added other products based on the schools’ needs and turned to others she knew from networking. A Big Apple Bagel shop is custom-producing the smaller size of bagel served in school cafeterias.

Randy TenBrink, Randy’s Granola

TenBrink started developing a granola recipe in 2005 and eventually was selling it to friends and coworkers. When his partner first tasted it, she announced, “This is too good to keep to ourselves.” The hunt for a commercial kitchen began. “I made hundreds of calls—VFWs, American Legions, day care centers—but no one would do it,” he says. Although TenBrink lives only 60 miles from Hart, he was not aware of the Starting Block. He queried on Facebook and learned of incubator kitchens, and a Google search led him to the facility. TenBrink and his partner had made a head start before they made the contact; they had already standardized their recipe, obtained a nutritional analysis, and completed the labeling process. The Starting Block has assisted with the next phase. “They’ve helped us with production—streamlining the production, storage, providing a place for the product to be picked up.” He appreciates the staff’s jack-of-all-trades capabilities. “Anytime we need something, some piece of equipment that needs to be put together, or a 220 power line needs to be run somewhere, it’s just a question of asking and it’s done.” TenBrink now distributes pallet loads. Like many other clients, he makes a point of sourcing ingredients through Michigan companies.

Gene Van Koevering, Uncle Gene’s Backwoods Pretzels

Van Koevering’s business is another Starting Block graduate. He, his wife, and another couple have started a number of businesses over the years, and coated pretzels are their current project. “We started this little snack food business in November 2006 with one product, a result of a

recipe that I'd been using for six or seven years. A flavored mini-pretzel." A friend had seen one of the Starting Block's workshops advertised and alerted Van Koevering. Having business experience, the group did not make use of the Starting Block's entrepreneurial resources, but the facility allowed them to begin processing and packaging the pretzels without investing in equipment. They used the kitchen for eight months before sales exceeded their production abilities. Flavoring and packaging are now contracted to another pretzel business, one that is helping the group transition to a larger scale. Van Koevering speaks appreciatively of their experience at the Starting Block. "It was a good facility—plenty of room, a good storage area. And they were very accommodating folks. And the accessibility to it—we all got a key, and then you'd go in any time of the day or night, and you'd just sign in and put your hours down."

Vaughn White, Uncle Vaughn's Cookies

"I'm a doer," White says of himself, "I'm always doing something." He had been making dozens of cookies for school and community events every year using his grandmother's popular recipe when he asked his wife what she thought it would take to sell them. "She kind of rolled her eyes, and she knew she was in trouble." White credits his family and the Starting Block with making his business possible. The facility's flexible hours enable him to work around his job as a school administrator, and he sometimes bakes at 5:00 a.m. during the school year. He is at home in the Starting Block's collegial workshop atmosphere, where staff and other clients have prompted innovations. As production increases, he hopes to make use of additional kitchen equipment, such as a larger mixer. Such an increase, however, requires scaling up his recipe, which can be an expensive experiment. "I'd like to figure this out sometime, but it's an investment of dollars to do this. If the dough doesn't turn out right, I don't feel right selling it." White emphasizes the importance of values as he builds his business: avoiding debt, donating a portion of profits, and supporting local producers and retailers.

Teaching Note

Statement of Relevance

The case focuses upon the strategic challenges facing the director of the Starting Block incubator kitchen, Ron Steiner, as he shepherds the business from entrepreneurial start-up venture to stable business with long-term viability. Most undergraduates and many local extension specialists are largely unaware of the chaotic environment in which small entrepreneurial ventures are created and nurtured. The Starting Block case provides an excellent opportunity for students to experience an entrepreneurial venture (the Starting Block) and by extension a portfolio of entrepreneurial ventures who are the Starting Block's clients. Intended uses:

1. to introduce the idea of entrepreneurship in a more general management course;
2. within an entrepreneurship course, to raise the issues of what support resources start-up ventures need to move from product/business concept to fuller scale operation;
3. to provide basic education for extension specialists working with SME entrepreneurs.

Target Market

The Starting Block is an incubator kitchen in rural Michigan that serves small food processing start-up businesses. Its director, Ron Steiner, is an energetic retired entrepreneur who applies the same optimistic and informal approach to managing the Starting Block as he and staff promote to client businesses. Networking, mutual support, and spontaneity emerge as themes. Staff and clients also frequently express a desire to contribute to Michigan's economy. Challenges include addressing "bottlenecks" that clients encounter when increasing in scale, balancing the benefits of a rural location with the challenges of a sparse population, and developing income streams sufficient to support staff and eliminate the need for grant funding.

The intended audiences are advanced undergraduate- and graduate-level courses and trainings of educators within extension, entrepreneurship, and business management contexts.

Objectives for students:

- to critically evaluate the Starting Block's history and performance
- to formulate and defend strategies to address the situations and challenges described in the case
- to debate how success, effectiveness, and value may be defined in entrepreneurial businesses

Teaching Strategy and Activities

Key questions include:

1. Has the Starting Block been successful? Why or why not?

Whether the Starting Block can be considered successful depends on how students measure success. Clients and community partners praise Steiner and his staff for the opportunities that they have created and for the impact that they have had on individual businesses that have started at and graduated from the incubator. In this sense, the success of the Starting Block is determined by that of its clients' ventures. Students may disagree about whether the facility can be considered successful as a business even if they do not consider all client businesses to be. Success has elusion in several other respects. Financially, Steiner has been unable to establish a reliable or sufficient cash flow to ensure the facility's long-term viability. In terms of client volume, the facility is below capacity, and its location appears to pose a barrier to attracting clients.

2. What elements of the Starting Block's strategies have been especially effective? Especially ineffective?

Steiner has eschewed the advice of experts on significant start-up issues, including equipment purchases and funding priorities. Discussion about his strategies in these matters may focus on their effectiveness both in forming the kitchen and in positioning it for long-term viability. In addition, the Starting Block is at a juncture between these two phases, and students should consider the differences in strategies appropriate to them. Debate may concern whether Steiner's informal "shoestring" approach to forming the business makes it more difficult to adopt a longer-term plan. Debate may also address the effectiveness of Steiner's networking efforts, and in what ways these contacts will further the Starting Block's long-term development. Students may also address Steiner's approach to staffing. Although his approach has minimized personnel expenses, it also makes the Starting Block dependent on the abilities and commitment of a small number of people.

3. What role does the Starting Block play in the life of its entrepreneurial clients? What is its value proposition for clients?

For small food product ventures, it is essential to have a commercially licensed kitchen to scale up home-based processing. Food safety, regulatory requirements in most states, and the translation of home recipes to commercially producible recipes make this step practically essential. Without the incubator kitchen self-scale-up is prohibitively expensive. When the business reaches sufficient scale to go to toll processing (hiring the production done by a larger processor), the role of incubator has been completed. In addition, clients value the Starting Block's culture of networking and mentorship and its safe and open environment. However, the strengths that current clients appreciate in the Starting Block may in fact make the facility unappealing for other prospective clients. For example, not all entrepreneurs may enjoy experimenting with second-hand equipment in order to make it function according to their standards. In addition, although current clients value the Starting Block's culture and

atmosphere, students should consider in what ways these features may and may not encourage entrepreneurial businesses to transition out of the start-up phase.

4. As you consider both the Starting Block and its clients as entrepreneurial ventures, what do you learn about the nature of entrepreneurial start-ups? Key success factors? Critical risks? Effective strategies for start-up and growth?

This raises the question of whether entrepreneurial start-ups share a single, identifiable “nature.” Steiner characterizes entrepreneurs as continually alert to unmet needs in society, but many of the clients have been motivated by their own economic needs. It can also be difficult to identify criteria for evaluating the success of an entrepreneurial venture. For example, although Steiner and his staff hope to see their clients graduate to more permanent facilities, they are reluctant to predetermine the timelines along which client businesses are expected to develop. Students should also consider whether a venture can be deemed successful if an entrepreneur is fulfilling chiefly personal goals, or whether success should be measured by financial criteria or dramatic growth in economic impact over time. Finally, Steiner argues that entrepreneurship cannot be blueprinted and that it is by definition uncertain and risky. This approach can make it difficult to determine which risks are simply to be expected and which signal trouble. For example, there have been delays in resolving equipment problems. To an outsider, these may appear to put the Starting Block at risk in maintaining positive relationships with its clients, but staff and some clients appear to take a “we’re all in it together” view.

5. Assess Ron Steiner’s abilities as an entrepreneur.

This question raises the issue of what constitutes entrepreneurial ability. Steiner demonstrates risk taking, innovation, networking skills, and optimism. He does not emphasize business management, although he has hired a staff member with management abilities. In these respects he represents a classical entrepreneur. Students should consider whether entrepreneurial abilities apply merely to forming a business, or whether ensuring its long-term viability should also be a measure of ability.

6. What recommendations would you make to Ron Steiner that will help assure the long-term sustainability of the Starting Block? Among many related issues in answering this question, consider whether the Starting Block can actually turn a profit, and if not, what that means for sustainability.

Students may disagree about whether the approach that Steiner has taken to establishing the facility can also assure its long-term sustainability. His approach to entrepreneurship arguably both helps and constrains the Starting Block. For example, his tolerance of uncertainty has allowed him to take the risks of forming the business, but long-term profitability may demand more formal strategic planning. He has developed an enthusiastic network of clients and community partners, but it is unclear whether the business can survive without his personal drive and vision. Students should consider whether an entrepreneurial incubator kitchen can depend on entrepreneurial clientele for its viability; small entrepreneurs tend to be very resource constrained. They should discuss ways in which

Steiner could make the Starting Block profitable, and evaluate the tradeoffs between those strategies and the current grant-funded structure.

The study questions have been ordered in a manner that should facilitate the progress of discussion across the class period:

- Question 1 focuses on measures of success, and provides a good opening. Students may get caught up in the details of what the incubator does rather than see the need for a clear set of measures of how its performance needs to be analyzed.
- Questions 2 and 3 then move the discussion to consideration of the Starting Block's strategy and means of creating value for clients.
- Questions 4 and 5 are designed to step back from the specific evaluation of the Starting Block to a broader discussion of entrepreneurship itself. These questions may be less useful with certain intended audiences (see paragraph on teaching strategy, below).

One would expect to spend about half the discussion time on these questions and then turn to advising Steiner about the path ahead. He has a real challenge in making the incubator sustainable. The students need to explore both a full-profit model for the incubator (client fees covering full cost directly from day one or escalating over time) and a continuing non-profit model based on donor support for the venture and its related entrepreneurs. This second option necessitates a related discussion on the value proposition for these donors.

Teaching strategy in the classroom depends on which user group is in play. Introducing entrepreneurship (see Statement of Relevance, intended use #1) would focus on study questions 1, 4, 5, and 6. These questions focus discussion on the entrepreneurial elements of the Starting Block as a venture as well as on its clients. If the intended use is broadening the students' understanding of providing entrepreneurial support (see Statement of Relevance, intended uses #2–3), study questions 1, 2, 3, and 6 should receive the most focus for discussion. The implied discussion would then move more in the direction of the specific reasons for and methods of delivering technical assistance to entrepreneurs. In any use of the case, the first and last questions focus the students on how to measure success and how to sustain a venture like the Starting Block.

Research Statement

The material presented in this case was gathered in 15 semi-structured interviews with Starting Block staff, clients, and community partners in 2009. Interviews were approximately one hour long and were audiorecorded and transcribed. Participants reviewed and corrected drafts of the case, and all of them granted permission for their names to be used.