



## **IT Roundtable Discussion at Champlain College October 10, 2006, 7:45am – 10am**

### **Summary Report**

This meeting was jointly sponsored by Champlain College, GBIC and the Lake Champlain Regional Chamber of Commerce and is the first in a possible series of discussions to identify the needs of creative, knowledge-based industries in Vermont and connect those needs to resources provided by state agencies and nonprofits like the Vermont Software Developers' Alliance (vtSDA) and others.

***Quick editorial note:** While this initial meeting was titled, "IT Roundtable", this might not accurately describe the businesses in attendance, since most, if not all, were software, web design and marketing companies. At a future meeting, we will discuss what we call these roundtable meetings going forward. Nonetheless, this event was a great opportunity to identify gaps and strategies for providing new resources.*

Melissa Hersh, Director of the Champlain College Workforce Development Center welcomed attendees to Champlain's campus and to the meeting. Frank Cioffi, President of GBIC provided a brief overview for the meeting and introduced Kevin Dorn, Secretary of the Agency of Commerce and Community Development. Kevin made brief remarks and thanked everyone for the opportunity to listen and participate.

Brief introductions were made by other government officials and education/training providers. Melissa Hersh facilitated the roundtable discussion and asked employers to briefly introduce themselves and describe their core business.

**W**hat is your core business?

- Software development documenting content management (Daybreak)
- Interactive communications company – web site development, screen based presentations (Tag New Media)
- Website development for real estate, e-commerce (Union Street Media)
- Web site development/marketing (Propeller)
- Software Products for maintaining Oracle Applications software (RingMaster Software)
- Mobile computing – smart phone technology (GM Software)
- Health care consulting and product development (Physician's Solution)
- Database design for the back offices of small business (Renaissance)
- Software Products for hospitals - Microsoft certified (EQ2)

- E-commerce for retailers (Bock)
- Web site design/custom application development (Bluehouse)
- Web applications for real estate and mortgage companies (Qvault)
- Web analytics company/Google partner/social media and mobile marketing (EpikOne)
- Marketing consulting and website development for Fortune 500 clients (Brandthropology)
- Medical software development (PKC)
- Case management systems for human services organizations (Synergy Software)
- Marketing and advertising solutions for car dealers (Dealer.com)
- Medical software end services (Physician's Computer)

## **W**hat is the biggest concern facing your business?

The major challenges identified are organized in seven categories: 1) Availability of Skilled Labor (including workforce development and recruiting skilled labor from outside the state), 2) Financing for Growth (including finding venture capital and other sources), 3) Visibility of Software, Web Design & Marketing Businesses as an industry cluster, 4) Conducive Business Climate, 4) Affordable Housing and Healthcare, 5) Infrastructure (cell, wireless), 6) State Tax/Growth Incentives, and 7) Fragmentation of the Industry Cluster.

### **1) Availability of Skilled Labor** (*workforce development & recruiting skilled labor from outside the state*)

Many employers agreed that the lack of a large enough skilled workforce is the greatest impediment to growing their businesses. According to at least one employer, there is no limit to how many skilled employees we need in the state. It is hard to attract young people to stay in Vermont particularly given the “pull” many feel to return to urban areas after college or native Vermonters who want to explore their opportunities outside of Vermont. It is also difficult to attract experienced labor to the state. The lack of affordable housing and cost of living are significant barriers in recruiting. Several employers agreed that an internship “hub” would be extremely helpful, for example, through Champlain College’s Career Services Office. This could function as a one stop shop for employers seeking interns. There was a lengthy discussion about the importance of college internship programs and mentoring/coaching of young talent within the workplace.

At least two companies discussed the need for students to know older languages like COBOL as well as the newest technologies. In this way, students will gain more perspective on technology in general by being exposed to a broader technology framework.

More specifically, employers expressed concern that the right things need to be taught in college programs – not just programming using the most recent languages but also problem-solving and project management skills. College degree and certificate programs in software engineering should take a more holistic approach, teaching the business end of the profession as well as the technical.

The point was also made that many technology entrepreneurs began their careers in Vermont as IBM or Digital employees and later left those companies (either through layoffs or by choice) to

form their own businesses. Gone are the days when a person has guaranteed job security. Many realize that big companies are no more secure than smaller companies. Companies find it difficult to recruit people from outside the state because there is a false perception that there are not a lot of technology jobs in Vermont to fall back on in the case of a lay-off.

Another contributing issue is Vermont's high cost of living including housing (see Item #4.)

All of these factors together have created a need to market the Vermont technology sector in, and especially out of, Vermont to help make people understand there are a lot of Software, Web Design & Marketing jobs in Vermont and encourage people to come here.

While some businesses need people with experience, others are willing to train from scratch as long as an individual has a good work ethic and is eager to learn.

The technology (software, web design & marketing) industry is constantly changing. Many of the business models that we see today will be obsolete within the next decade. In order to survive, these companies (and Vermont) will need to continuously invest in education and training of the current and future workforce. Mentoring continues to be a necessary method of developing new hires and younger workers not familiar with the industry and work requirements/expectations. Dealer.com's training partnership with Vermont HiTec and EpikOne's partnership with Champlain College, to place interns that are eventually hired as full time employees, are great examples of effective workforce development programs.

There was considerable debate on outsourcing – which jobs are being outsourced, the magnitude of the situation, whether it is good or bad, etc. There was a diversity of opinion about the impact.

Employers also discussed the need to continually train and re-tool existing employees and that state assistance would be appreciated. There was some discussion about several businesses collaborating on training fund applications.

There was discussion about the clear desirability to retrain Vermonters with the Vermont work ethic, as they would be better employees than importing already trained people from other states. However, it was unclear if sufficient funding could be found to pay the full training cost without putting burdens on the small software companies that would hire them, if trained. The current model only pays up to half of training expenses.

## **2) Financing for Growth (Debt & Venture Capital)**

There is a need for better access to venture capital. There is an estimated \$11M available in Vermont as compared to \$1.5 billion in Silicon Valley, California, for example. In partnership with the state and GBIC, technology companies need to find additional ways to access angel investors. Companies should attend the various venture capital conferences/meetings across the state, regionally and nationally in order to mingle with investors, (investor forums, etc.).

***Note from the vtSDA:** Many Software companies have difficulty finding debt financing even when they are operating companies with a revenue stream and viable products being sold. There is a perception there are few to no bankers with enough understanding of Software companies to properly evaluate the risk. The Vermont Software Developers' Alliance (vtSDA) has held several meetings about debt financing and even suggested forming a vtSDA Software evaluation committee to help banks and other debt financing organizations more accurately evaluate the risk of different software companies.*

Many at the table expressed the need for Vermont to cultivate a mini Silicon Valley business climate here in Vermont in order to build the industry. It was identified that we need the related businesses that surround the Software Venture Capitalists—knowledgeable banks, consultants, hardware and networking businesses, and all other supporting businesses, educational institutions and culture to support the knowledge based, creative economy.

### **3) Visibility of the Software, Web Design & Marketing Industry Cluster**

One employer asked, “What has changed in our state?” We were able to attract many hi-tech businesses decades ago, like IBM, Digital, etc. There is a real need for the state to market Vermont heavily as a great place to run and to find Software, Web Design & Marketing businesses. Of course, in order to do this, the communications infrastructure (wireless, broadband and free wi-fi) must be in place to support this claim. There was discussion about the Software, Web Design & Marketing industry as being better for Vermont than the old-style big hi-tech industries because the companies are typically smaller, much easier on the environment, and easier to find space.

There was a discussion about Vermont’s perceived brand. Many thought it was focused more on agricultural products and tourism than on high tech industry, especially the Software, Web Design & Marketing Industry, and expressed deep concern that this needed to change. Strengthening Vermont’s image to the rest of the world includes promoting the success of these businesses and the great-paying jobs they provide. After all, it is a clean industry. It is creative, innovative, high skill and generally high wage – perfect for Vermont. There are no industrial by-products from the software industry, as they are knowledge-based companies employing developers and designers, marketers and salespeople.

A greater, more concerted State effort to promote the technology industry needs to occur, while continuing to promote outdoor recreation. This will boost efforts to show the high quality jobs that are available in Vermont. There is a plethora of branding entities in the State that can help to solidify and leverage this message and promote the image Vermont’s technology businesses need to succeed. The State needs to launch an aggressive campaign to grow the businesses currently in the State and attract more of these clean businesses. Part of the campaign should be to offer tax incentives and friendly legislation similar to that developed for the Captive Insurance industry; the Software industry employs far more people with a much higher average wage.

Software product companies make up a huge part of the Software industry in the state and they are growing. The rest of the industry is comprised of Software Consulting companies and software developers in Vermont working for out of State companies. It is important for the State of Vermont, the Vermont Software Developers’ Alliance (vtSDA), GBIC, the Chamber of Commerce and Champlain College to collaborate in order to increase visibility. The best and the brightest students need to be attracted or directed to these young, creative companies. One way to highlight the success of the industry in Vermont is to take an inventory of the Fortune 500 and Fortune 1000 companies that are their clients (see database discussion under # 7.)

Technology businesses also need to connect more effectively with college graduates through college career services offices. Career fairs are sponsored by every higher education institutions in the state. Some are also hosted by VSAC. The Software sector needs to attend events and stay connected to the services available as part of their recruiting strategy.

#### **4) Affordable Living, Housing and Health Care**

If Vermont is to have a chance to recruit talent from states south of New York, it must develop more affordable housing. Technology professionals that relocate from high priced urban markets are able to afford the housing market since they, in many cases, already have some housing equity but young employees cannot. This situation is prohibitive and creates an additional barrier in convincing young people to stay in Vermont. While the housing issue is a serious factor, some employers also expressed skepticism that the State can have any real control over the housing market or produce below market housing.

The other affordability issue is taxes. As more high-paying jobs in the state are created there will be an increase in the tax base and hopefully this can have a positive impact on taxes over time.

Healthcare costs, especially for small businesses, are prohibitive. The state needs to do a better job of communicating how the Catamount Plan works and its financial impact on entrepreneurs, e.g. if it will help limit healthcare costs.

#### **5) Communications Infrastructure**

There are significant gaps in high speed internet, wireless and cell phone services. This is a major impediment to recruiting and retaining technology companies and a skilled workforce. With full coverage, the State can help mitigate the affordable housing challenge because some people may decide to live in more rural areas where housing is less expensive and telecommute if they had access.

It is very difficult to recruit new businesses to the area and create a true industry cluster when the existing infrastructure cannot be used as a marketing tool.

One employer complained about the lack of free wireless service at the State's Information Centers (rest areas) on the highway, as compared to other states. This is a necessary service, especially for the business traveler. Free wireless should also be available at the airport. *(The employers were informed by Ken Horseman from the VT Dept. of Economic Development that this is coming soon.)* Having free wireless internet in our cities and rest areas presents a powerful message to visitors and residents that the state is serious about its commitment towards developing a strong Vermont-based software industry.

The inability to have a continuous cell phone conversation when driving from New York or Massachusetts to Vermont is another challenge. There are dead spots along the interstate and many other roads that make it impossible to conduct business in the car and in many cases, from home. Cell phone access at home and work is considered a given by technology professionals today. Not to have it in Vermont makes the State less desirable as a place to do business. Many people also consider cell phone access a safety measure, especially those who have it now and might consider living in rural areas.

#### **6) State Tax Incentives**

Incentives support a healthy business climate. There is a need for incentives that attract Software, Web Design & Marketing businesses to Vermont and keep them in Vermont. Quality of life is not enough to bring these businesses to our state and often not enough to keep them here given the problems finding trained employees. It is an important industry that needs help to continue its

growth trajectory. The State should more aggressively acknowledge and help this high growth industry since it provides high paying jobs, low environmental impact and generates high tax revenues. Additionally, these firms tend to be smaller and more stable. One employer asked, “Would we rather have one company with 3000 employees, or 100 companies with 300 employees each?”

## 7) **Fragmentation of the Industry**

As evidenced by the many types of technology businesses represented at the meeting, the industry is diverse. While there are many common needs, there are also specific requirements for each business. Also, this industry is somewhat “hidden” since it is made up primarily of entrepreneurs who work in every corner of the state, and often operate as home-based businesses. A complete database of these businesses needs to be compiled and maintained so that the State can assess the economic impact of the industry and determine ways to create a less fragmented industry cluster.

Currently, there is no such statewide database. This needs to be developed as soon as possible. It is difficult to identify technology companies within existing state databases. Numerous standard industry codes (SIC) are used. Intensive data mining is required because many Software, Web Design & Marketing companies tend to be categorized under different industries, e.g. information services, computer systems, etc. Also, these professionals exist across industries, in healthcare organizations, financial services, or advertising companies to name a few. An occupational scan of the State’s databases will need to be implemented in order to compile accurate data reflecting the true economic impact of the technology industry in Vermont.

*Note: This work is already underway through vtSDA but more resources are needed to continue the effort.*

## **M**ore Ideas

### ▪ **The Need for Public/Private Partnerships**

There was a discussion about ways that software businesses can work directly with State government to develop innovative solutions for delivering services. Typically when the State government contracts with a private business, there is an agreement that the end product is owned by the State, not the business. The philosophy behind this is that public money is used to pay for the product and therefore it should be owned by the government. However, these products are sometimes highly marketable, can generate an abundance of high skill, high wage jobs, and help companies grow. A change of policy should be investigated to allow a business to retain the intellectual property rights of products developed for the state and local governments. This would be a cost-neutral way for the State to ‘invest’ in software businesses and for the software businesses to work towards producing a salable product to other governments and organizations. Software companies have already accomplished this with public health care providers so a successful model exists.

### ▪ **Collaborative Training Programs and Employee Sharing**

Some education and training providers have secured training dollars from the State and worked extensively with various industries to successfully train and retrain workers. There is the

potential to bring more employers together with similar needs and apply for additional grant funding to support training. The Vermont Department of Labor encourages companies to work together and identify common training needs.

Additionally, collaboration to combat the “nature of project load” should be explored. Some employers have discovered that employee leasing or sharing is a great way for companies to continue to provide full employment to skilled employees throughout the year, thus avoiding layoffs. Melissa will provide copies of the report available from Rhino Foods, entitled *Co(mpany)-Creating Solutions to Overcapacity in Staffing*.

*Note from vtSDA: Perhaps vtSDA can expand its Marketplace to aid in this sharing of people between companies in conjunction with vtSDA’s work combining companies to attract jobs the individual companies could not acquire on their own.*

## **C**omments from Providers and State Agency Representatives

- **Vermont Department of Labor** – Vermont HiTec & Dealer.com training was one of the first IT registered apprenticeship programs in the country. It is possible to expand the program and technology companies are encouraged to apply for state training funds in collaboration with an educational partner. For application information go to:

<http://www.labor.state.vt.us/Businesses/WorkforceDevelopment/WorkforceEducationTrainingFund/tabid/336/Default.aspx>

For additional information about available training funds go to:

<http://www.labor.state.vt.us/Portals/0/Press%20release/WETF%20Press%20Release%20Aug%202006.doc>

- **Lake Champlain Workforce Investment Board (LCWIB)** – The LCWIB provides technical assistance to businesses and providers in developing grant applications for training funds. For more information go to: [www.vermont.org/workforce](http://www.vermont.org/workforce)
- **Vermont Information Technology Center** – The center received a federal grant for the Governor’s IT Training Initiative which provided tuition assistance to employers who enrolled their employees in certificate programs. It is a 3 year program but is now fully subscribed. However, there are efforts underway to secure additional funding. For more information go to: <http://www.vtinfotech.org/>
- **Vermont Workforce Development Council** – The state is conducting research on how other states are generating money for IT training and development of the industry. For more information go to: <http://hric.state.vt.us/>
- **Vermont Agency for Commerce and Community Development** – Secretary Kevin Dorn emphasized the Governor’s focus on affordability issues. He has developed specific recommendations to support the technology sector. For a copy of the Governor’s Economic Development Plan go to: <http://www.thinkvermont.com/publications/pdf/DouglasJobPlan2004.pdf>

- **Vermont Economic Progress Council** (soon to be renamed the Vermont Economic Growth Initiative) – The State has been innovative with business incentives and is now transitioning its program from tax credits based on income to a cash incentive program tied to job growth. Applications for these funds can be facilitated by GBIC, the regional economic development corporation. For more information go to: [http://www.thinkvermont.com/vepc/vepc\\_intro.cfm](http://www.thinkvermont.com/vepc/vepc_intro.cfm)

For technical assistance in preparing these applications, contact Dan Smith or Frank Cioffi at GBIC, (802) 862-5726 or [dan@vermont.org](mailto:dan@vermont.org), [frank@vermont.org](mailto:frank@vermont.org).

- **Vermont Department of Economic Development** – Vermont’s brand goes well beyond tourism and agriculture. Technology companies can promote it collectively and effectively (some are already doing so to their advantage.) For more information go to: <http://www.thinkvermont.com/technology/index.cfm>
- **Champlain College** – Champlain’s Workforce Development Center and the Online and Continuing Education Division connect employer needs to educational resources offered by the College. Additionally, the College’s Career Services office actively matches college students to available internship opportunities with local businesses. For more information go to: [www.champlain.edu/careerservices](http://www.champlain.edu/careerservices)

## **N**ext Steps

Several strategies to address the needs of the Software, Web Design and Marketing industry cluster were identified during the roundtable discussion and more items were added as a result of a follow up briefing with the key sponsors of the event. These strategies should be put into a plan aligned with the seven broad goal areas identified in this report. An initial list with the related goal area(s) is provided below.

- 1) Working in partnership with Vermont’s Department of Economic Development, GBIC will identify venture capital opportunities for employers and facilitate expanding these connections. (*Financing*)
- 2) Connect employers and vtSDA with the Vermont Department of Economic Development’s Communications Director, Christine Warnocky to develop “branding” strategies for the Software, Web Design and Marketing industry. (*Visibility, Business Climate*)
- 3) Implement NavAgility™ career development software through Champlain College (license held at the college) to create a statewide talent pool of students, graduates and professionals. Provide employers with access to the pool. (*Availability of Skilled Labor/Workforce Development*)
- 4) Advocate for the creation of a specific training fund to support the industry cluster. Planning and implementation to be developed. Join businesses together to develop a grant application for collaborative training. (*Availability of Skilled Labor/Workforce Development*)

- 5) Develop strategies for outreach to State legislators. Plan a “Software, Web Design & Marketing Industry Awareness Day” at the Vermont Statehouse to increase visibility with lawmakers. Sponsor coffee for legislators in the “card room” outside of the cafeteria and testify in a joint meeting of House Commerce & Senate Economic Development Committees during the legislative session. *(Visibility, Business Climate, Communications Infrastructure, Affordable Housing & Health Insurance)*
- 6) Work closely with the Vermont Software Developers’ Alliance (vtSDA), Burlington Interactive Group and others to connect employers together and further develop the industry cluster statewide, including database development, policy position statements, training opportunities, etc. *(Fragmentation of Industry Cluster)*
- 7) Develop strategies to more effectively connect with technology students for internship, mentoring opportunities and job placement through Champlain’s Career Services Department. Attend college career fairs. *(Workforce Development)*
- 8) Develop ways to improve and increase public/private partnerships between knowledge-based companies and state government so that the results are mutually beneficial. *(Financing, State Incentives)*
- 9) Support vtSDA’s work and other groups to implement an online survey tool for the Software, Web Design and Marketing Industry and expand it throughout the State. Use the data to ascertain information related to the significant economic impact of the industry. Provide this information in reports and press releases to the media and elected officials. *(Visibility, Business Climate, Fragmentation, Financing)*
- 10) Set up a quarterly meeting schedule for future Roundtables in collaboration with vtSDA, Burlington Interactive Group and others. Meetings are proposed for January, April, July and October to review progress toward fulfilling the steps outlined in this report and identify needed resources. Specific recommendations on dates & times will be forthcoming. *(Addresses all goals)*
- 11) Work closely with our institutions of higher learning, including technical centers to develop curriculum that will prepare students to enter the software field. *(Workforce Development)*