

Welcoming Entrepreneurs To Your Community

A Webinar brought to you by:
eXtension Entrepreneurs and Their Communities
Community of Practice

<http://www.eXtension.org/entrepreneurship>

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Defining Entrepreneurship

- An Entrepreneur
- Entrepreneurs
- Entrepreneurship

An Entrepreneur

- A person who creates and grows an enterprise
 - » Brian Dabson, Rural Policy Research Institute
- [An individual who] develops innovations, creates jobs, and contributes to a more vibrant national and global economy
 - » Ewing Marion Kauffman Foundation
- An Entrepreneurial Growth Company (EGC)—
 - All businesses start small; have limited means; require tremendous founder energy
 - EGCs show extraordinary productivity gains (greater quality; resource efficiency; or both); aim for massive growth
 - EGCs are clustered around newly deregulated and emerging industry sectors; and are particularly uncertain and vulnerable
 - » National Commission on Entrepreneurship

Entrepreneurs

- A creative class within American society. Some create businesses—others contribute to the civic life of communities. Entrepreneurs in America come in many forms, including those who create ventures with a public purpose
 - » Deb Markley and Don Macke, Center for Rural Entrepreneurship

Entrepreneurship

- An attitude and culture defined by initiative, imagination, flexibility, creativity, a willingness to think conceptually, and the capacity to see change as an opportunity
 - » Adapted from William Bygrave, Babson School
- Entrepreneurial communities exhibit a culture of innovation and embrace the unconventional
- A strategy to support a community's sustainability

Entrepreneur-Entrepreneurs- Entrepreneurship

- Individual actors
- Sets of business enterprises
- Economic activity in a place

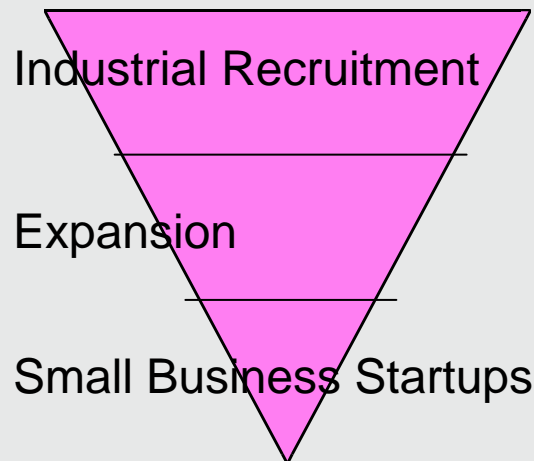
**Economic success requires that we understand
and support each of these**

Entrepreneurship Goes Mainstream

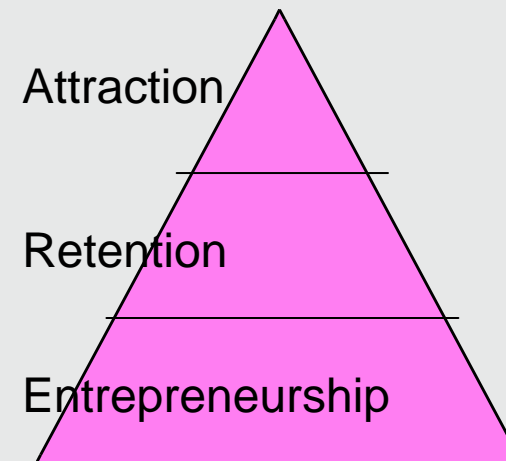
- “As the U.S. economy enters a new century...the time is opportune to reflect on the basic characteristics of our economic system that have brought about our success in recent years... Competitive and open markets, the rule of law, fiscal discipline, and **a culture of enterprise and entrepreneurship...**”
 - Alan Greenspan, Federal Reserve Chairman, Congressional Testimony, 2000

Models of Economic Development

“Traditional Model”



“New Model”



- ✓ Traditional Model: Local and Competitive / New Model: Regional and Cooperative
- ✓ The relative amount of attention given to the three major ingredients is reversed
- ✓ The model quite literally transforms from a precarious one to one that builds upon a solid, grounded foundation
- ✓ The nature of the three ingredients themselves fundamentally change from narrowly conceived approaches to broadly defined strategies

Adapted from Brian Dabson, RUPRI

Economic Performance

- The *Global Entrepreneurship Monitor Project* (GEM), a comparative international study that provides evidence linking the level of entrepreneurship and economic performance:
 - The correlation between the level of entrepreneurial activity and economic growth is greater than 70 percent
 - All nations with high levels of entrepreneurial activity have above average rates of economic growth
 - Economies with higher rates of entrepreneurial activity are stronger and more competitive

Where do new jobs come from?

- It is estimated that each year between 7 and 8 percent of all jobs are lost within the local economy due to the natural cycle of firms
- These jobs are replaced in the following ways:
 - Expansion of existing firms
 - Business startups
 - Business relocations

NGA Now Touting Entrepreneurship

- In a 2004 National Governor's Association Center for Best Practices report, the NGA made the following findings:
 - Entrepreneurial growth companies account for a significant percentage of new job creation and are the catalysts for cluster-driven economic development
 - Experts attribute nearly 70 percent of economic growth to entrepreneurial activity
 - About 35 percent of the Fortune 500 companies are displaced every 3 to 4 years by more rapidly expanding firms

More Evidence

- The Public Forum Institute's National Dialogue on Entrepreneurship adds:
 - Firms of fewer than 20 employees generate the majority of new jobs
 - “Gazelles” – defined by David Birch as ‘firms with revenue of at least \$100,000 (initial year) that sustained at least 20 percent growth in revenue over four consecutive years’ – contribute about 1 out of every 7 new jobs added to the economy each year

Measures of Entrepreneurship

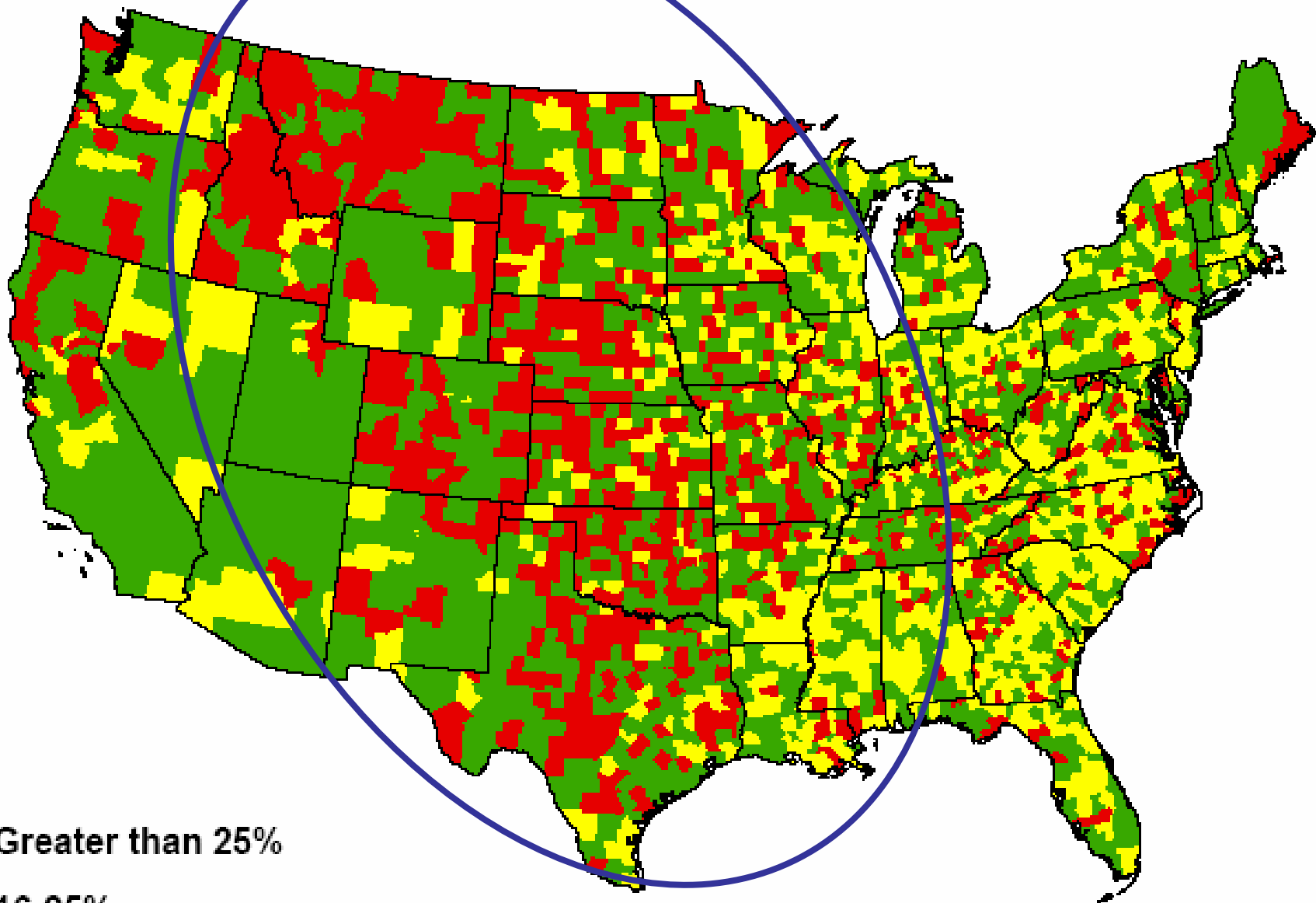
- New business formation
- New business growth
- Job churning
- Self-employment to total employment
- Income and economic growth of self-employment
- Technology/knowledge industry growth (income, employees)
- Patents and research grants activity
- Investment activity (angel capital, venture capital)
- Initial public offerings

Entrepreneurship Breadth & Depth

The Main Street Economist, September 2004, Center for the Study of Rural America, Federal Reserve Bank of Kansas City (Sarah Low)

- Breadth: The Entrepreneurial Seedbed
 - Many different kinds of entrepreneurs
 - Ratio of self-employed to total employment
 - Breadth particularly high in rural America, in counties with smaller cities
- Depth: A Valuable Asset for Regional Economies
 - Value created by entrepreneurs
 - Income and value-added (receipts)
 - Rural areas lag in income and profits—which creates most economic benefits

Share of Self-Employment to Total Employment

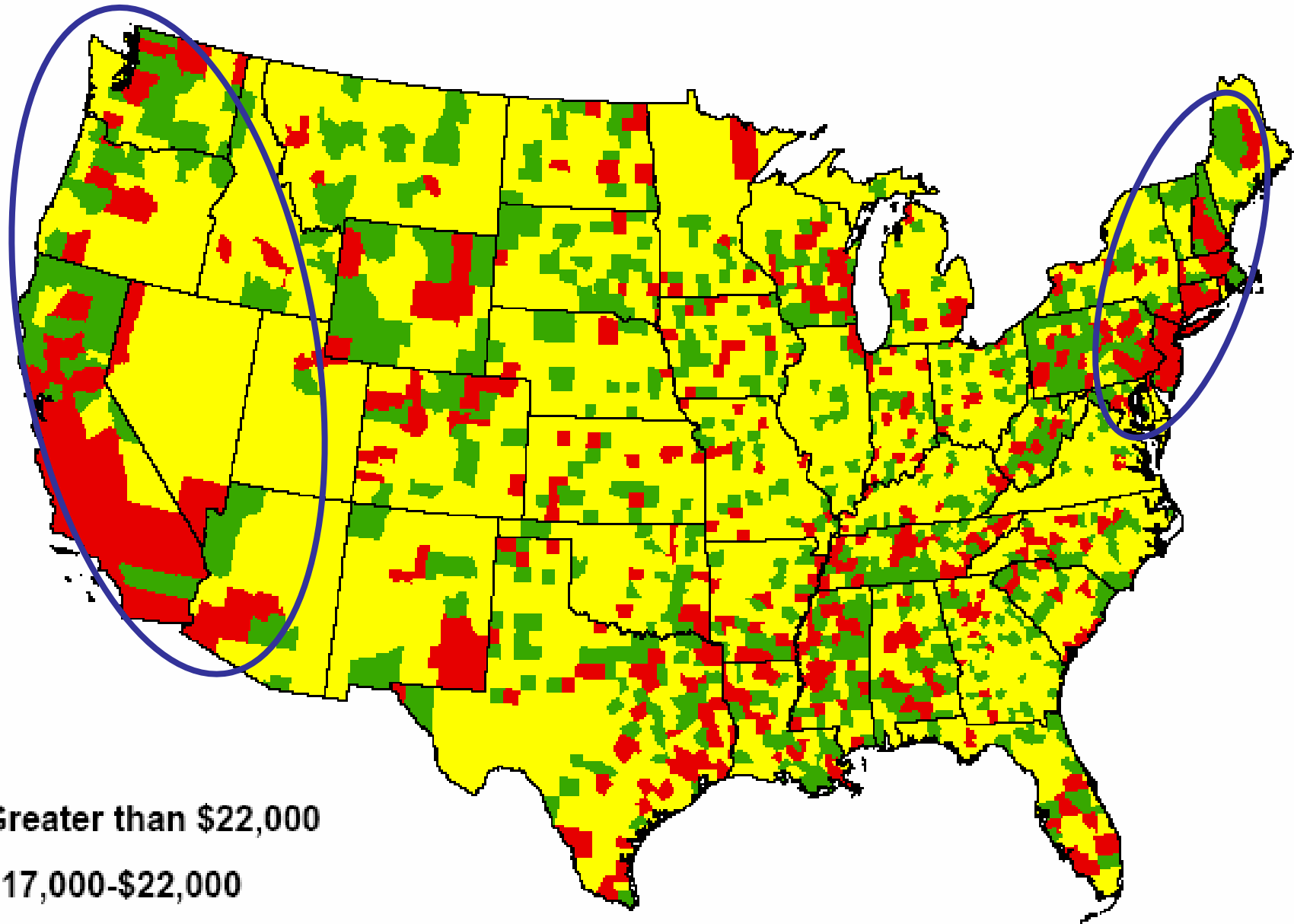


- Greater than 25%
- 16-25%
- Less than 16% (Average)

[Breadth]

Average Entrepreneur Income

Average Income = Total Proprietor Income / Proprietors



- Greater than \$22,000
- \$17,000-\$22,000
- Less than \$17,000 (Average)

[Depth]

Source: BEA-REIS, 2001

As An Aside

- Stephan Goetz (NE-RDC) recently published a paper—
"Self-Employment in Rural America: The New Economic Reality" which affirms the huge increase in self-employment (and modest increase in wage and salary employment) in rural areas and which shows those self-employed earning only one-half ... we are growing many more low wage opportunities in rural America
- Brian Dabson (RUPRI) will present a webinar on June 11 (10 a.m. CDT) in which he too will document a burgeoning number of microenterprise businesses that account for a disproportionately small percent of total business revenue
- Professor Dabson will share his prescription for increasing the number of entrepreneurs; increasing their survival rate; and increasing the number of those that create jobs and wealth

Development Report Card: Entrepreneurial Energy

2006 Development Report Card for the States, CFED, 2008

- Grades of A
 - California
 - Colorado
 - Georgia
 - Idaho
 - Maryland
 - Michigan
 - Nevada
 - Utah
 - Virginia
- Grades of F
 - Alaska
 - Mississippi
 - Montana
 - West Virginia
 - Wyoming

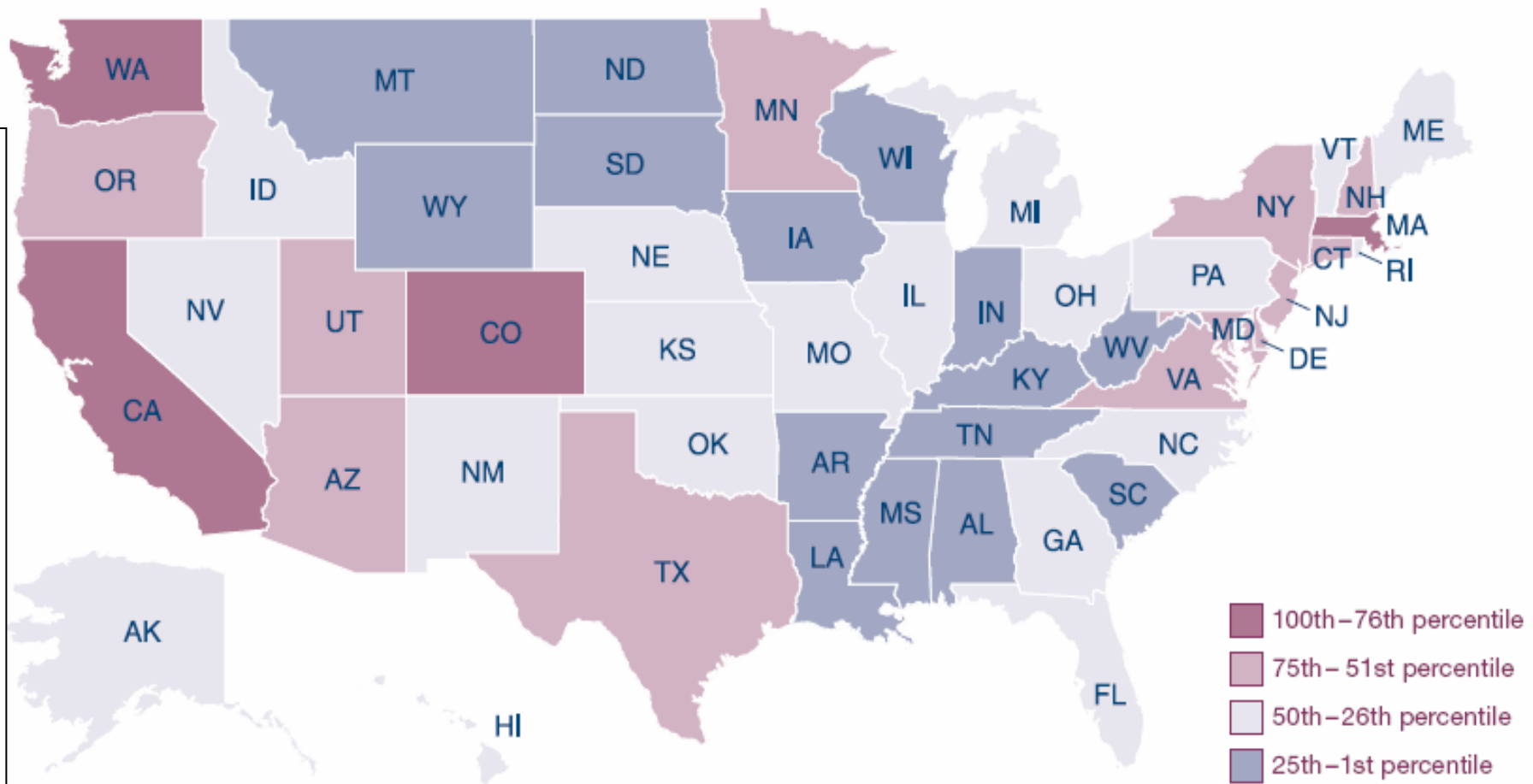
Measures of
Entrepreneurial Energy:
New Companies;
Change in New
Companies; Job
Creation by Start-Up
Businesses; Technology
Industry Employment;
Initial Public Offerings

New Economy Index State Rankings

2002 State New Economy Index, Technology, Innovation, and New Economy Project, Progressive Policy Institute

THE RANKINGS

OVERALL SCORES



Indicator Measures:
Knowledge
Jobs;
Global-
ization;
Economic
Dynamism;
The Digital
Economy;
Innovation
Capacity

Based on the scores below, the states break into percentiles as indicated on the map. See methodology for further explanation.

Are we meeting the needs?

- The NGA reports:
 - Despite the importance of entrepreneurs to the economy, these firms are not well-supported by public economic development strategies and programs
 - Entrepreneurs often ‘fall between the cracks’ of programs designed to support more traditional, less agile business models
 - There needs to be ‘broker’ for a variety of private and not-for-profit and public services and policy changes should be considered to address the needs of entrepreneurs

Are we meeting the needs?

- A recent Wisconsin survey indicated that the majority of people involved in the entrepreneurial process are not contacting assistance providers for help – more detailed analysis shows a significant lack of awareness of these programs as the reason
- Of those that did contact a resource provider, almost half of the respondents reported receiving conflicting information
- How do you stack up?

A New Approach is in Order

- The NGA calls on states to:
 - Develop supportive environments for entrepreneurs through economic development and other policy vehicles

A New Approach is in Order

- The Ewing Marion Kauffman Foundation and the NGA together offer the following prescription:
 - State entrepreneurial policies are more likely to succeed to the extent that states become “as entrepreneurial as the clients they serve.” Entrepreneurs typically succeed by leveraging resources they do not own – likewise, states (and we can add Universities and local organizations) do not and cannot, indeed, should not, own most of the resources required to create the conditions for company growth
 - Can we facilitate an agile approach that includes the right players?

An Entrepreneurial Culture

- Conducting Research on Entrepreneurship
 - What do entrepreneurs need, how do they want it and what can we do to support them?
 - What is the importance of entrepreneurship to our economy and how do we support and encourage it?
- Improving the Skills and Knowledge of Entrepreneurs
- Fostering a Community Environment Supportive of Entrepreneurs

Creating an Entrepreneurial Culture

Deb Markley, Co-Director, Rural Policy Research Institute's Center for Rural Entrepreneurship

- Learning from others
- Celebrating success
- Leadership development
- Youth engagement

Keys to Successful Programs

- Focus on entrepreneurs
- Build on community assets
- Encourage broad community collaboration
- Strategically target the needs and interests of entrepreneurs

Where do new jobs come from?

- (a) Growth of Existing Business
- (b) Business Start Ups
- (c) Business Relocation

**This slide (Greg's final) is a placeholder
– to be replaced by an interactive poll.**