

Role of Entrepreneurship & Innovation in Regional Economic Development

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Basic Economic Development Strategies



1. Business **retention** (which includes basic business **assistance** and targeted assistance with **acceleration** focuses on keeping what you have and helping it grow)
2. Business **attraction** (as “**economic hunting**”)
Incentives and policies that recruit companies to move into a community and create jobs. Many leave as soon as conditions are more competitive elsewhere.
3. **Entrepreneurship** (as “**economic gardening**”)
Investments that build on community assets and human capital. Entrepreneurship creates new ventures with strong community “roots.”
Creating **entrepreneurial communities** is a concept that recognizes the role communities can play in supporting entrepreneurs. Economic development and community development are two sides of the same coin.

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Entrepreneurs in Your Community



- **If we cultivate entrepreneurs who are already here, we don't have to expend resources trying to attract them.** We just have to help them become successful.
- There are many types of entrepreneurs. Some create a **lifestyle business** to support a family. Others are **serial entrepreneurs** who start and sell (and sometimes fail) many businesses.
- Entrepreneurs exist in all demographic groups, both in rural and urban communities, range in their experience and competence, and start businesses in all sectors
- Their need for support varies accordingly, and depends on stage of business development.
- Many are starting ventures “*under the radar*” in your community and are not being served well, or at all.

We Cannot Predict Who Will Succeed



- **Which entrepreneurs succeed?**
Those who grow enterprises at rapid rates (such as 10-15%/yr.) or more for at least 5 years are “gazelles” (3-5% of entrepreneurs)
Those who (at least initially) create most jobs are:
 - Start up enterprises (Kauffman Foundation)
 - Established firms, on average 25 years old, with sales over \$1,000,000 (Zoltan Acs of George Mason University)
- **How can we predict winners from losers?**
We can't! All start at the same place, stage one.
Communities need a diverse pipeline of entrepreneurs. We need to help them to maximize potential for success in the state.

How Entrepreneurial Is Michigan?



- Kauffman Foundation Index of Entrepreneurial Activity

Based on Current Population Survey data, collected by U.S. Bureau of the Census

Percent of population aged 20 to 64 who spend 15 hr./week or more on a business as their main job

- **Michigan 0.28% vs. United States 0.32% (2008)**
That means an average of almost 3 new businesses starts per 1,000 adults/month
- Michigan 0.25% vs. USA 0.29% (avg. index past 12 yr.)
- Regional indices:

Midwest	0.23%	Northeast	0.29%
West	0.42%	South	0.33%

Who Is More Likely to Start a Business?



2008 data	% of adults starting a business each	
Gender	Men	0.42
	Women	0.24
Ethnicity	White	0.31
	Black	0.22
	Latino	0.48
	Asian	0.35
Nativity	Native born	0.28
	Immigrant	0.53
Age	20-34	0.26
	35-44	0.35
	45-54	0.35
	55-64	0.36

Kauffman Foundation Entrepreneurial Index (2008)



Photo: Pure Michigan

Establishments in Michigan



Category	Number of Businesses	% of Businesses	Number of Jobs	% of Jobs
Noncommercial	4,189	7.1	722,993	13.7
Commercial	602,942	92.9	4,554,331	86.3
Total	607,131	100.0	5,277,324	100.0

www.youreconomy.org 2007 data Edward Lowe Foundation

Business by Stage (defined as no. of employees)	Number of Businesses	% of Businesses	Number of Jobs	% of Jobs
Self employed	216,746	35.7	274,421	5.2
One (2-9)	321,779	53.0	1,303,499	24.7
Two (10-99)	63,749	10.5	1,889,282	35.8
Three (100-499)	4,250	0.7	891,868	16.9
Four (>500)	607	0.1	918,254	17.4
Total	607,131	100.0	5,277,324	100.0

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Two-Part Strategy for Communities



Develop a Pipeline of Entrepreneurs (people)

- Education (K-12 and post secondary)
- Entrepreneurship networks
- Culture of entrepreneurship

Entrepreneurial activity creates enterprises.

Some of those enterprises will be wildly successful.

You don't know which ones!

Build Systematic Support for Entrepreneurs (systems)

- Assets/Resources
- Infrastructure support
- Policy



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Develop a Pipeline of Entrepreneurs



Education

- Improve high school and college graduation rates
- Youth workshops and 4-H
- Job shadowing experiences
- Mentors and advisors
- Curriculum
- Student clubs
- Working with businesses on cases, projects
- Internships
- Intercollegiate idea pitch contests
- Youth expos
- Adult and lifelong learning



Photo: Michigan Tech

Develop a Pipeline of Entrepreneurs



Entrepreneurship Networks

- Entrepreneurship Clubs
- Incubators
- SCORE chapters
- Mentors
- Business networking organizations
- Community Expos
- Idea pitch events
- “Third place” coffee shops
- Social media connections
- Young professionals
- Faith-based groups



Photo: Issue Media Group

Develop a Pipeline of Entrepreneurs



Culture of Entrepreneurship

- Awards, celebrations, events
- Media recognition, stories
- Community attitudes, values
- Supportive environment
- Role models
- Dynamic communities
- Risk tolerant
- Failure is OK



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Build Systematic Support for Entrepreneurs



Assets/Resources

- Capital – start-up and expansion, bridge loans, working capital
- Equity investment capital
- Educated workforce
- Affordable real estate
- Community heritage and cultural assets



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Business Incubators



TechArb in Ann Arbor



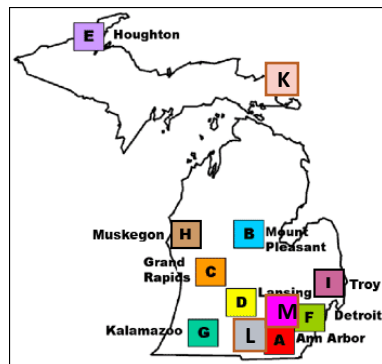
The Starting Block in Hart

- Retail
- Artist
- Kitchen
- Technology
- Professional service
- Mixed business
- Virtual
- Student



The National Business Incubation Association (NBIA) defines business incubation as *“a support process that accelerates the successful development of start-up and fledgling companies by providing entrepreneurs with an array of targeted resources and services.”*

Michigan Business Incubator Assoc.



Michigan SmartZones/Incubators

For more information:

- Michigan SmartZones/Incubators
- Michigan Business Incubator Association

Benefits:

- Low cost space and shared resources
- Business environment and address
- Business coaching
- Networking/ partnering
- Promotion and visibility
- Proximity to university resources, often
- Accelerators introduce investment capital

Build Systematic Support for Entrepreneurs



Infrastructure Support

- High-speed internet
- Transportation
- Business services
- SBTDC programs
- Education, training
- Business resource centers
- Information, market data
- Public libraries
- Public marketplaces
- Community websites

Entrepreneurial Support Organizations

- Michigan Small Business and Technology Development Centers (SBTDC)
- Great Lakes Entrepreneurs Quest (GLEQ)
- Economic Development Corporations
- SCORE (Service Corps of Retired Execs)
- Microenterprise Development Programs
- Economic Area Partnerships and Alliances
- Michigan Economic Development Corp (MEDC)
- Michigan Department of Energy, Labor & Economic Growth



Build Systematic Support for Entrepreneurs



Local Policy

- Small business friendly
- Minimize financial risk
- Leverage and allocate community assets to support and encourage enterprise development
- Buy local, independent businesses
- Reduce confusion and limit regulation for small business owners
- Choose investments in “economic gardening,” developing local entrepreneurial talent
- Welcome immigrants



Photo: Pure Michigan, Kalamazoo

Community-Driven Actions



What Can You Do?

- Embrace a spirit of collaboration, optimism, tolerance, and inclusion
- View the long term and **extend beyond community to the region**
- Think globally and innovatively
- Build on existing assets and invest in people and systems
- Monitor your community entrepreneurial activity

Create an Entrepreneurial Development Systems (EDS) – or Ecosystem

Integrated Collaborative Systems approach



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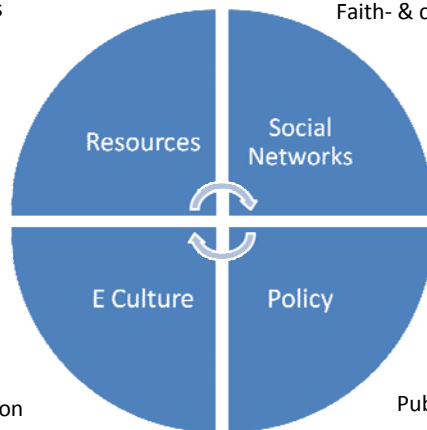
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CEC Entrepreneurial Development Systems



Coaches and mentors
Professional services
Information
Education
Workforce
Capital
Space

Risk tolerant
Diversity valued
Messages/ media
Welcoming to all
Youth engagement
Awards and recognition



Faith- & community-based groups
E support professionals
Business groups
“No wrong doors”
“Third places”
Social media
E-Clubs

Zoning
Reporting
Incentives
Regulation
Public policy
Public institutional support

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