

Welcome



E²



Energizing
Entrepreneurs

Our Training Team

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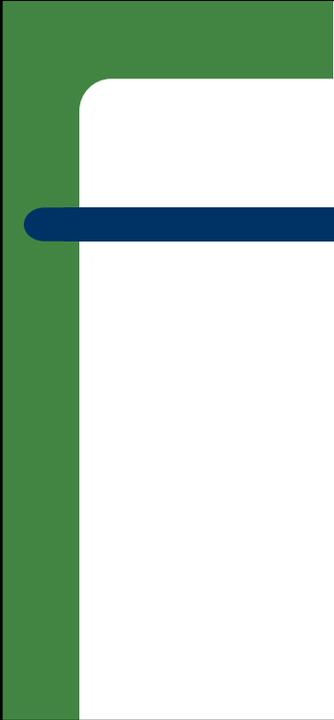
Getting to Know You

Orientation

- Power of Entrepreneurs
- Practice Over Form
- Entrepreneurs Roundtable
- Energizing Strategies
- Energizing Communities
- Building Your Game Plan



Resource Book & CD



On to Session 2

Session 2



The Power of Entrepreneurs

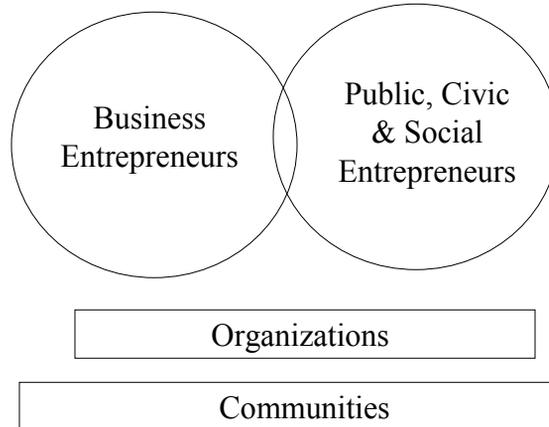
This Session

- Who are Entrepreneurs
- What is Entrepreneurship
- Why is it Important
- Understanding E Talent
- E Talent Exercise

Outline

- ✓ Overview
- ✓ Business Entrepreneurs
- ✓ Civic, Public & Social Entrepreneurs
- ✓ Entrepreneurial Communities & Organizations

OVERVIEW



Entrepreneurship and Entrepreneurs Defined

Entrepreneurship	Entrepreneurs
<p><i>"... the condition of being an entrepreneur or the role or function of the entrepreneur. . ."</i></p> <p><u>Websters Pg. 759</u></p>	<p><i>"One that organizes, promotes or manages an enterprise or activity of any kind."</i></p> <p><u>Websters 3rd New Int. Doc. Pg. 759</u></p>
<p><i>"Any attempt to create a new business enterprise or to expand an established business."</i></p> <p><u>Jay Kayne, EMKE</u></p>	<p><i>"... a person who sees an opportunity and acts to create an enterprise around that opportunity. . ."</i></p> <p><u>Jay Kayne, EMKE, 10/2000</u></p>
<p><i>"Entrepreneurship is the transformation of an idea into an opportunity."</i></p> <p><u>Jeff Timmons, Babson College</u></p>	<p><i>"Essential agents of change who accelerate the generation, application and spread of innovative ideas and in doing so. . .not only ensure efficient use of resources, but also expand the boundaries of economic activity."</i></p> <p><u>GEM 2000-6</u></p>

Ballot

- Entrepreneurs are born, not made!
- Entrepreneurs are gamblers!
- Entrepreneurs are lone rangers!
- Entrepreneurs are money driven!
- Technology is behind entrepreneurs!

Entrepreneurial Success

Know-
How

Talent

Opportunity

Capital

Opportunity

- Perception
- Assessment
- Competitive Advantage
- Research Base
- Regional Branding

Know-How

- Business Model
- Business Skills
- Networking
- Strategic Partnering

Talent

- Motivation
- Partnering/Team Building
- Continuous Improvement
- Driven to Create

Capital

- They Understand It
- They Use the Right Kinds
- They Can Mobilize It
- They Use Others' Capital
- They Build Assets & Wealth

Entrepreneurial Attributes



BUSINESS ENTREPRENEURS

- Pursue Opportunity
- Live Proactively
- Leverage Resources
- Build Networks
- Create Value

Entrepreneurial Rates

	<u>Adults</u>
Brazil	1:8
United States	1:10
Australia	1:12
Germany	1:25
United Kingdom	1:33
Finland	1:50
Japan	1:100

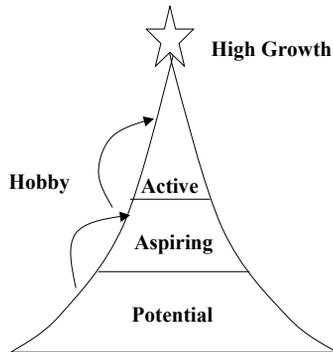
GEM 2000

The Entrepreneurial Landscape

- Types of Firms
 - Microenterprise: Needs under \$25,000
 - Lifestyle Business: Goal is self-employment--often refers to family-owned business
 - High growth entrepreneur: Seeks fast growth for company (i.e. gazelle--growth over 20% per year for 5 years)
 - Generally based on some type of innovation.

**BOTTOM LINE: MULTIPLE DEFINITIONS
EXIST!**

Entrepreneurs



Five Myths About Entrepreneurs

1. The Risk-Taking Myth: “Most successful entrepreneurs take wild, uncalculated risks in starting their companies.”
2. The High-Tech Invention Myth: “Most successful entrepreneurs start their companies with a break-through invention – usually technological in nature.”
3. The Expert Myth: “Most successful entrepreneurs have strong track records and years of experience in their industries.”
4. The Strategic Vision Myth: “Most successful entrepreneurs have a well-considered business plan and have researched and developed their ideas before taking action.”
5. The Venture Capital Myth: “Most successful entrepreneurs start their companies with millions in venture capital to develop their idea, buy supplies, and hire employees.”

NCOE

What Are Entrepreneurial Growth Companies?

- ✓ Fewer than 5% of all U.S. businesses and all U.S. start-ups grow in employment at least 15% a year over a five-year period.
- ✓ 4.7% of existing businesses increased employment by 10% over the 5 years
- ✓ 4.5% of start-ups grew to over 20 employees by the end of the 5-year period

NCOE

Why Do We Care about High Growth Firms?

- ✓ Jobs, yes. Create at least 2/3 of all new jobs and more in economic downturns.
- ✓ Prosperity, yes. More than 2/3, or 0.7, is the correlation between economic growth and entrepreneurship in the G7.
- ✓ Innovation. Account for at least 2/3 of all technological innovation.
- ✓ More importantly, Generators of innovation, agent of change

NCOE

Entrepreneurs: Will You Know One When You See One?

- All firm types are very similar at the start
- Start small and require tremendous energy from their founders
- Serve important economic functions, meeting market needs and creating jobs
- Start with limited means

Small Businesses & Entrepreneurs

- Most new firms stay small.
- Very few firms enter the high-growth entrepreneurial phase.
- Those who reach this phase exploit extraordinary market opportunity.
- The goal morphs from independence/ economic well-being for the family to building a world-class company.

CIVIC ENTREPRENEURS

Also referred to as
“Social” or “Public”
entrepreneurs.

Social Entrepreneurs: Some Background

- Creation of new ventures focused on societal, not financial gain
- Huge boom in interest
 - E.g. 8,000 Google hits on “social entrepreneur”
- Social Ventures can be part of an entrepreneurship program
 - Support new ventures
 - Encourage entrepreneurs to fund social ventures

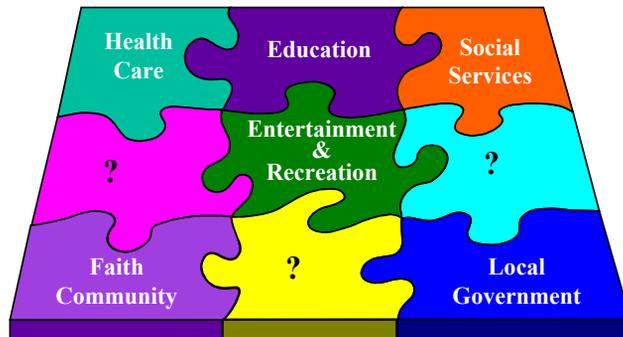
Characteristics

- Similar Capacities to Private
- Similar Motivations to Private
- Distinct Differences
- Public Mission
- Quasi-Public World

Roles

- Community Builders
- Business Environment
- Entrepreneurial Support

Community Builders



Business Environment

- Progressive Culture
- High Quality of Life
- Support Economic Development

Entrepreneurial Support

They create organizations (ESOs) that intentionally work with entrepreneurs.

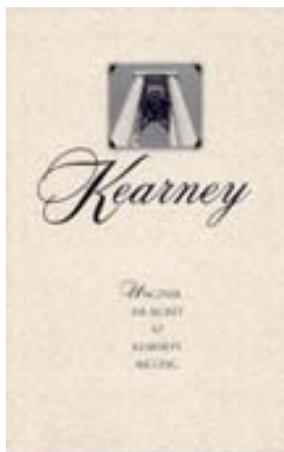
Quincy Ellis, TX



ENTREPRENEURIAL COMMUNITIES & ORGANIZATIONS

They can create environments
that energize entrepreneurs.

Kearney, NE



Steve Buttress

Community Characteristics

- Focused on Entrepreneurs
- Pro-Active
- Invest
- Build Capacity Over Time
- Network, Network, Network

Organizations

Entrepreneurial
Support
Organizations

Who Serves Entrepreneurs?

- Educational Institutions (e.g. community colleges)
- Public Service Providers (e.g. SBDCs)
- Private Consultants/Service Providers
- Local Networks (Chambers of Commerce, Entrepreneur Support Orgs.-ESOs)

The Intermediary Landscape

- 5,800 Chambers of Commerce
- 12,700 Professional Organizations
- 500 Small Business Development Centers
- 1,350 Community Colleges

KEY CHALLENGE: Harnessing this Existing Network

Common Challenges

- System is opaque to entrepreneurs
- 24-7 vs. 9-5: System not attuned to entrepreneurs' time pressures
- One-Size Fits All: System not tailored to individual needs
- System weakly linked to private service providers

Effective Networks

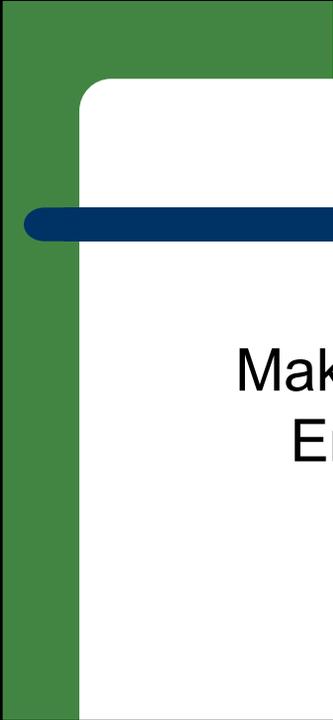
- Serve Entrepreneurs as:
 - Established Distribution Channels (i.e. they go where entrepreneurs are)
 - Industry or Geographic Magnets (i.e. they help “sell” a region or sector)
 - Community Support Systems (i.e. they provide an environment for networking and peer learning)

ESOs and Communities

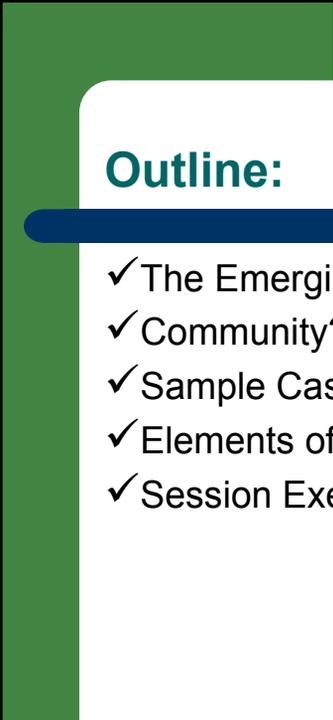
Despite weak community environment for entrepreneurs, strong ESOs can energize entrepreneurial talent.

High Performing ESOs





Making the Case for Entrepreneurship



Outline:

- ✓ The Emerging Case.
- ✓ Community?
- ✓ Sample Case Statements.
- ✓ Elements of a Good Case.
- ✓ Session Exercise.

THE EMERGING CASE:

- Rise of Market Economies
- Significance of Regional Economic Competitiveness
- Role of Entrepreneurs
- Decline of Traditional Economic Development Strategies
- Decline of Subsidized Economies

LEADING TRENDS: What Caused the Shift?

- Changes in Core Business Strategies
- Business Churn
- New Financial Tools
- New Labor Markets
- New Technologies

Changes in Business Strategy

- Stress on Core Competencies
- Boom in Outsourcing
- The Vertically-Integrated Corporate Pyramid is Replaced by Web-like Structure
 - Breakup of Conglomerates

**BOTTOM LINE:
NEW OPPORTUNITIES GALORE!**

BUSINESS CHURN

- In 1960, it takes 20 years to replace 35% of Fortune 500
- In 1999, it takes 3-4 years to do so!
- Huge Interest in Start-ups in the US
- The Disposable Corporation
 - Tangible Assets only 53% of current corporate value
 - Down from 78% in 1950s

New Financial Tools

- Boom in Venture Capital
 - Over \$103 billion invested in 2000
- 2002 “Correction”—Funding drops to \$22 billion (4th best year ever)
- Emergence of Angel Capital
- Lack of Exit Strategy via IPO still a concern

NEW TECHNOLOGIES

- Internet reinforces/accelerates structural change. It does not cause it.
- But, its effects are profound. And permanent?
 - Lowered Barriers to Entry
 - Intensified Competition

Why Entrepreneurship?

- ✓ GEM – Growth Connection
- ✓ NCOE - EGCs
- ✓ Rural Center – Hot Spots

GEM 2000: Entrepreneurship is strongly associated with economic growth!

- The level of entrepreneurial activity explains 70 percent of the difference in economic growth among nations.
- All nations with high levels of entrepreneurial activity have above average rates of economic growth.
- Only a few nations that have above average rates of economic growth have low levels of entrepreneurship.

National Commission on Entrepreneurship:

- High-growth companies are truly extraordinary - fewer than one in twenty U.S. businesses achieve high-growth rates.
- High-growth companies are found in all regions of the country.
- Most fast-growing, entrepreneurial companies are not in “high-tech” industries.
- Most regions’ high-growth companies concentrate in certain specific industry sectors.

Hot Spots

- ✓ Higher Entrepreneurship Levels
- ✓ More High-Growth Companies
- ✓ Stronger Economies

Why Hot Spots?

- ✓ We do not know!
- ✓ We theorize that in these landscapes there are strong entrepreneurial environments.

Why Stronger Environments?

- ✓ We do not know!
- ✓ We theorize that entrepreneurial support organizations are the difference.

Entrepreneurial Regions: You Know One When You See One

- **Diversity in Capital Access:** Presence of VC funds is one measure among many.
- **Networks:** Deep, informal and varied.
- **Shared History/Vision:** Who gets covered in the local business press?
- **Supportive Infrastructure:** People-based, and geared to creating and nurturing start-ups. (e.g. quality of service providers)

Characteristics of Entrepreneurial Regions (cont'd.)

- **Respect for Entrepreneurs:** Links with big business, chamber, etc.
- **Entrepreneur-Friendly Government:** Recognition of unique needs of high-growth firms.
- **Strong local talent pool:** Can business meet labor needs from local sources?

Development of an Entrepreneurial Support Organization

Center for **RURAL**
ENTREPRENEURSHIP

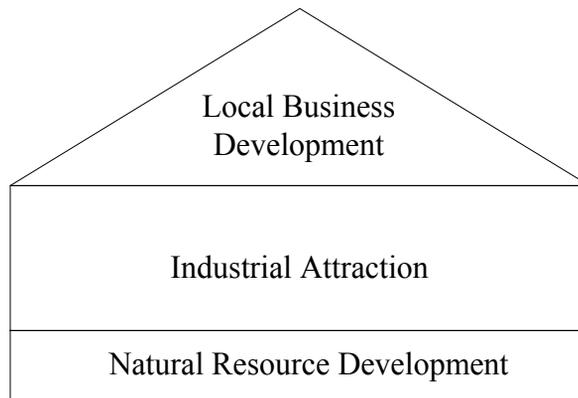


**Development of an Entrepreneurial
Support Organization:
The Case of the Kentucky Highlands Investment
Corporation**

Deborah Markley
Center for Rural Entrepreneurship
and
David Barkley
Clemson University

*Research Case Studies Series Number 1
March 2003*

Decline of Traditional Strategies



National Resource Development:

Modernization, Industrialization and Consolidation

↓ Agriculture

↓ Timber

↓ Fisheries

↓ Mining

↓ Energy

↑ Land for Waste

↑ Tourism/Recreation

Outcomes

✓ External Ownership

✓ Activity Decline

✓ Depopulation

Industrial Attraction:

✓ Annual Job Loss 7-8%

✓ Job Creation:

• Business Expansions 55%

• Business Startups 44%

• Business Relocations 1%

David Birch

Local Business Development:

✓ Rising Competition, Declining Markets.

- ↓ Retail Trade
- ↓ Banking
- ↓ Services
- ↓ Transportation

Outcomes

- ✓ Loss of Businesses
- ✓ Loss of
Entrepreneurs
- ✓ Loss of Local
Ownership
- ✓ Declining Multipliers

Deregulation/Consolidation:

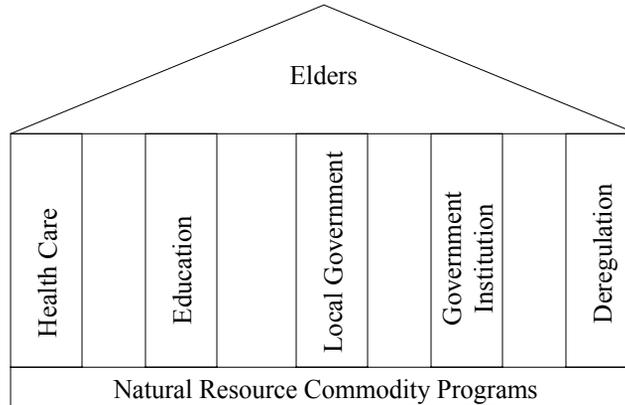
✓ High Cost/Low Density Markets.

- Transportation
- Banking
- Communications
- Government
- Education
- Health Care

Outcomes

- ✓ Service Gap
- ✓ Cost Gap
- ✓ Loss of Panel Based
Activity

Subsidized Society:



A Rural View Adams County, OH:

2000 Personal Income	\$505 Mil.
Wage & Salary	34%
Transfer Payments	27%
Proprietor Income	18%
Dividends/Interest/Rent	17%

BEA

Side Bar

COMMUNITY?

✓ Think Globally ✓ Act Locally

✓ What is Local?

Regionally Competitive!

SAMPLE CASE STATEMENTS:

- ✓ Appalachian Ohio
- ✓ Nebraska
- ✓ Texas
- ✓ Maine
- ✓ Missouri

Appalachian Ohio:

June Holley with AceNet talks about creating an economically stronger Appalachian Ohio by creating dozens of new million dollar per year businesses one at a time.

Nebraska:

Jeff Yost with the Nebraska Community Foundation talks about the potential of entrepreneurship to move rural Nebraska from dependency on commodities and transfer payments to greater economic independence in the future.

Texas:

Greg Clary with the Texas Center for Entrepreneurship focuses on the loss of youth from rural Texas and the opportunity within entrepreneurship to create competitive careers for Texas youth.

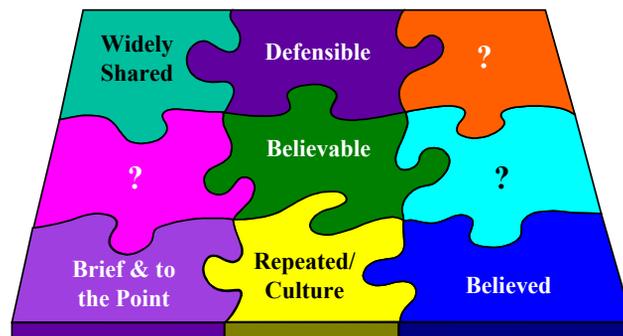
Maine:

Governor Angus King of Maine argues that the bedrock of Maine's economy are entrepreneurs. He believes, as an entrepreneur himself, that supporting entrepreneurs is the best hope for a strong Maine.

Missouri:

Missouri, a very industrialized state, has used the research on the role of entrepreneurs in the U.S. as the basis of a case for stronger entrepreneurial support in the Show Me State.

ELEMENTS OF A GOOD CASE



Background Reading

- Amar Bhide, *Origin and Evolution of New Businesses* (Oxford, 2000)
- Peter Drucker, *Innovation and Entrepreneurship* (HarperBusiness, 1995)
- Tom Petzinger, *The New Pioneers* (Simon & Schuster, 1999)
- Ray Smilor, *Daring Visionaries* (Adams Media, 2001)

Web Resources

- Ewing Marion Kauffman Foundation (www.emkf.org)
- Center for Rural Entrepreneurship (www.ruraleship.org)
- Corporation for Enterprise Development (www.cfed.org)
- US Small Business Administration (www.sba.gov)

For More Information:

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Understanding Entrepreneurial Talent

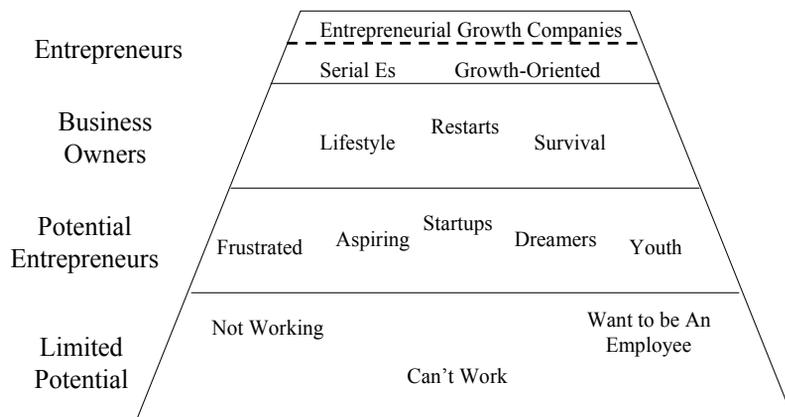
Entrepreneurial Talent

“By understanding the entrepreneurial talent present in your community, it is possible to be more strategic in shaping an economic development program.”

Types of Entrepreneurial Talent

<i>Type 1</i> Limited Potential	<i>Type 2</i> Business Owners	— Community Impact — ↓
<i>Type 3</i> Potential Entrepreneurs	<i>Type 4</i> Entrepreneurs	
— Development Opportunity — →		

Entrepreneurial Talent



Aspiring

- ✓ They are Actively Considering Going into Business
- ✓ They are Actively Researching a Business Idea
- ✓ They are Attending Business Workshops
- ✓ They are Networking and Testing their Ideas with Other Folks
- ✓ They are Motivated Towards a Change in Their Life

Startup

- ✓ Decision to Go
- ✓ Thought Through Part of It
- ✓ They Have an Idea
- ✓ They Have a Plan
- ✓ They Need Help

Growth Oriented

- ✓ Already in Business
- ✓ Successful in Business
- ✓ Motivated to Grow
- ✓ New Market
- ✓ New Product or Service

High Growth

- ✓ Experiencing Rapid Growth in Employees or Sales
- ✓ Reaching New Markets
- ✓ Developing New Products or Services
- ✓ Experiencing Growth in Customers or Users
- ✓ Innovative and Dynamic Leadership and Workforce

Entrepreneurial Talent & Development Opportunity

E Talent	Time to Impact	Scale of Impact
<i>Aspiring</i>	Long-Term	Little to Massive
<i>Start Ups</i>	Medium-Term	Modest
<i>Growth Oriented</i>	Short-Term	Potentially Large
<i>High Growth</i>	Immediate	Large

Questions

Exercise

OF THE RURAL ENTREPRENEURSHIP *Understanding Entrepreneurial Talent*
TOOLS FOR UNDERSTANDING ENTREPRENEURSHIP
No. 3, June 2003 <http://www.ers.usda.gov> Ron Mack, G. David & Don Arnold, eds.

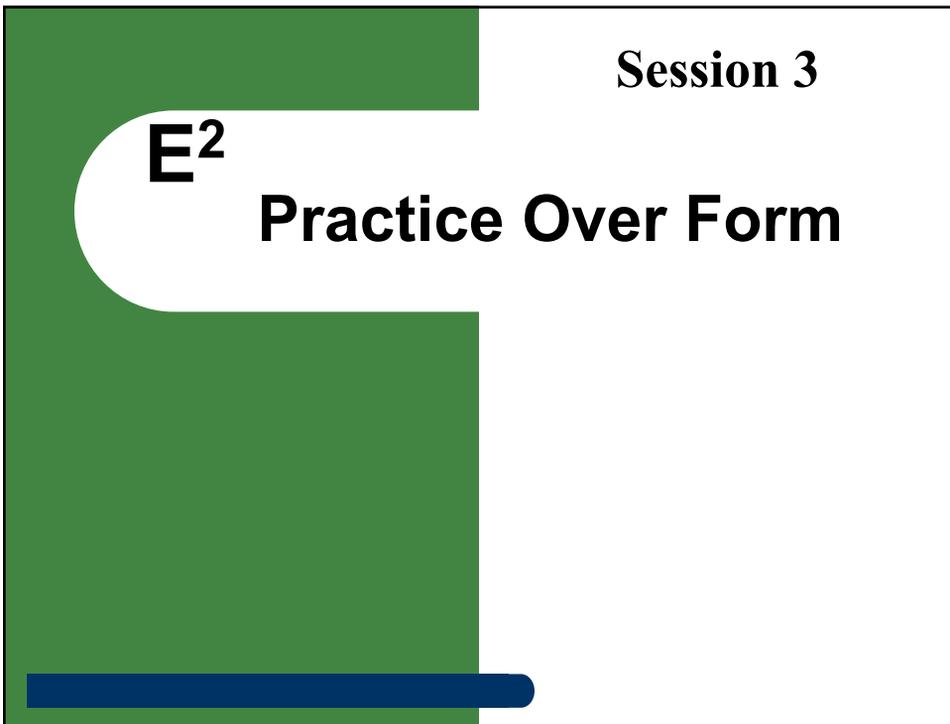
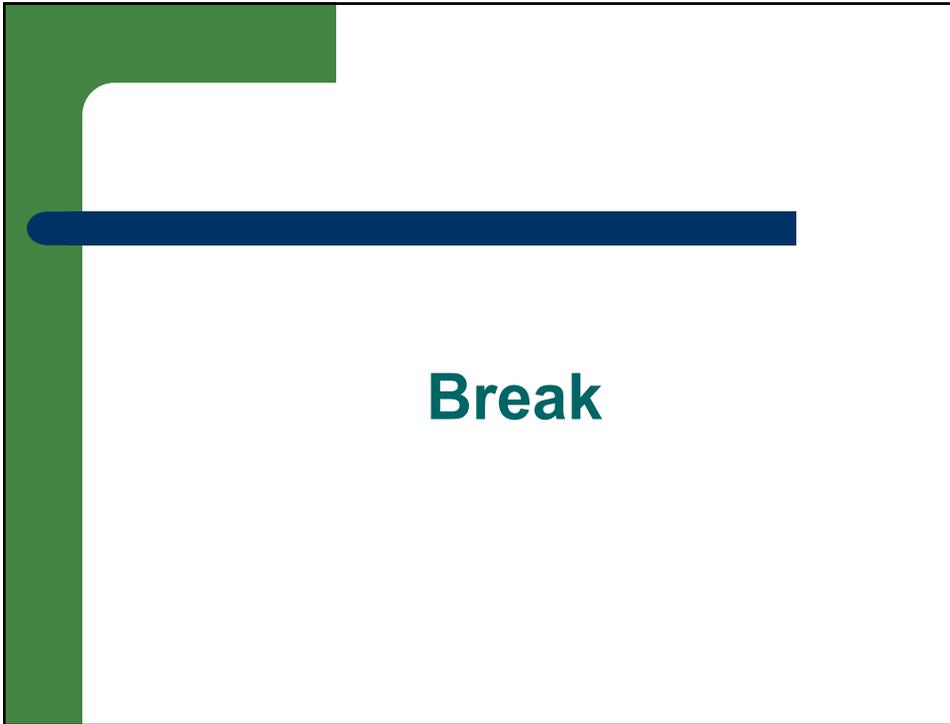
BACKGROUND AND INTRODUCTION

Entrepreneurship is an American value, rooted in our culture. We feel that we as entrepreneurs in our passion to create and our motivation to build. Everyone who is in business probably has some entrepreneurial traits. Business leaders, people are well entrepreneurs. That entrepreneurs represent a relatively small segment of American society. Entrepreneurs are those who have a passion for creating and a capacity for getting things done. Entrepreneurial talent is rooted in motivation and capacity. It is an inherent trait and can be developed expanding the role of entrepreneurs at the community level. This tool can help researchers, development practitioners and community leaders better understand the broad pool of entrepreneurial talent. These are two parts to this tool. The first part helps you understand the entrepreneurial talent present in your community. The second part helps you map and target the entrepreneurial talent found in your community. These two steps will provide the information you need to better support and encourage local entrepreneurs. We'll also suggest some steps for using this tool to get you "out of the death line."

Figure 1 - Entrepreneurial Talent Types

Limited Potential	Business Owners
Potential Entrepreneurs	Entrepreneurs
Opportunity	

Each type has different entrepreneurial potential and also varying degrees of external support from the local economic environment and culture of entrepreneurship.



What Entrepreneurs Need & Want!

- They may not know what they really want or need.
- They prefer customized assistance that focuses on their specific real time needs.
- They need networking infrastructure.
- They need – but may not want – mentors, peer groups or clusters.
- They need help with capital literacy and access.
- They want a single point of entry that brokers services.
- They need to be able to pay for high quality services, but want free services.

Four Insights. . . .

#1
Practice Not
Form

#3
Keys to Success

#4
Lessons from
the Field

#2
Why Programs
Fail

Insight #1

**Practice
Not
Form**

Many Forms, Common Practice



Insight #2

**Why
Strategies
Fail**



Insight #3

Elements of
Successful
Practice

Asset
Approach

Access to
Resources

Provide
the
Basics

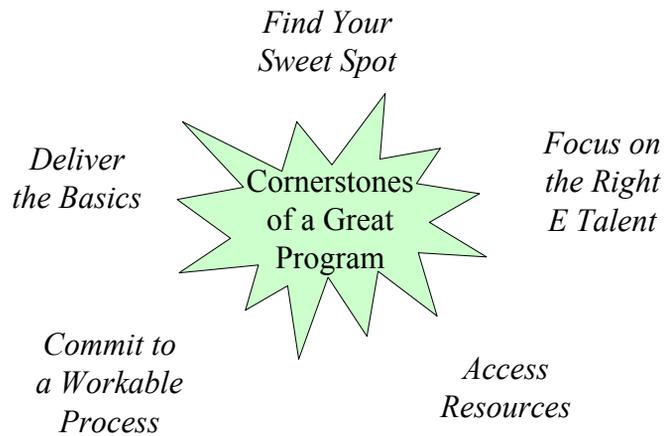
*Keys to
Success*

E Focused
& Community
Based

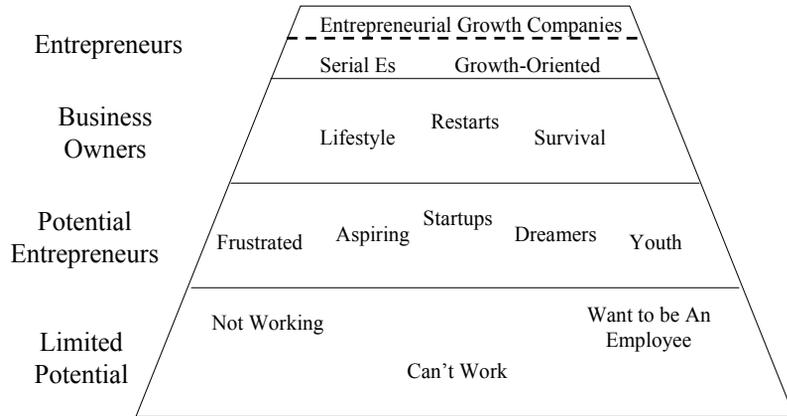
Be
Strategic

Insight #4

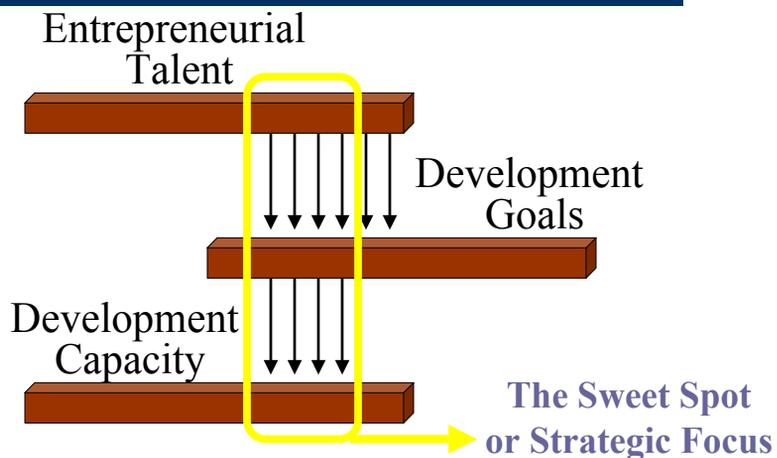
Lessons from the Field



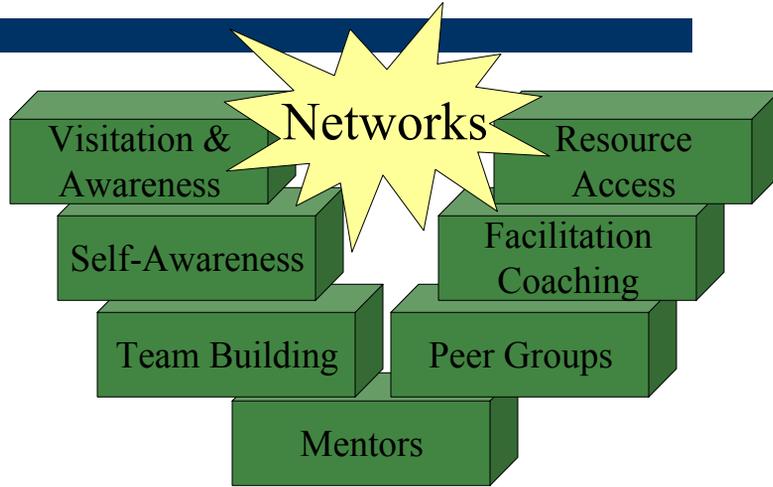
Entrepreneurial Talent



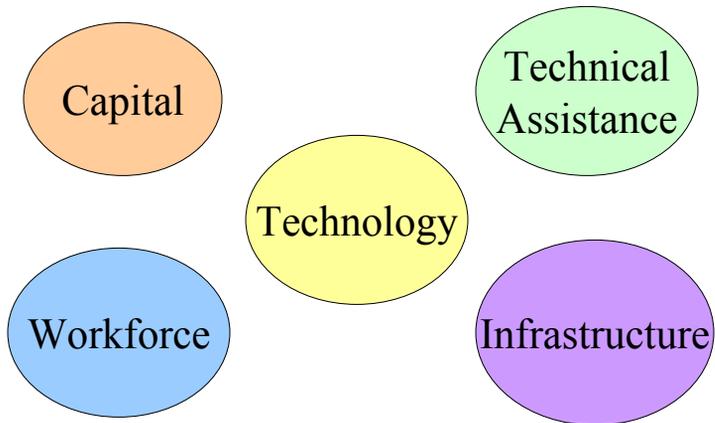
Finding the Sweet Spot

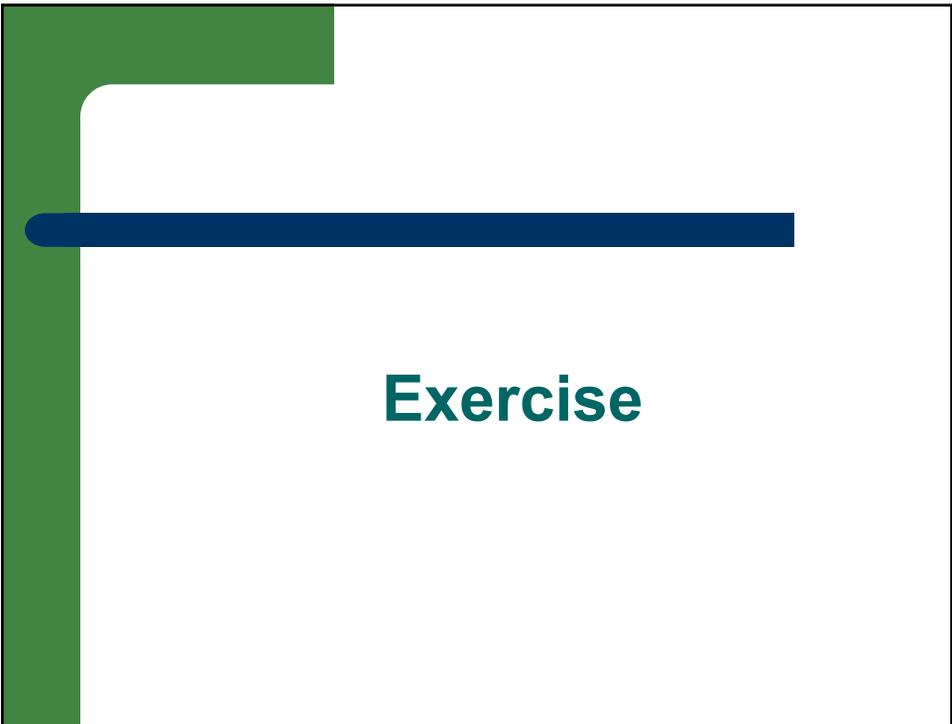


Provide the Basics



Access Resources





Why Entrepreneurship?

“In the 21st century, we will increasingly rely on the lean and agile entrepreneurship of the small, growth-oriented business – rather than the resources, scale and market size of the large corporation – to fuel our economic growth through the creation of jobs and innovative goods and services.”

The E Generation

Session 5

Emerging Strategies

Emerging Strategies

Enterprise
Facilitation

Entrepreneurial
League

HTC



“The Key to Your Success”

Many Possibilities

- Incubators
- Micro
- Facilitation
- Training
- Capital
- Etc., Etc., Etc.

“A Star to Aspire Towards”



Development of an Entrepreneurial Support Organization:
The Case of the Kentucky Highlands Investment Corporation

Early, Texas



“Little Town, Powerful Effort”

Larry Comer



“The Difference One Person Can Make”

Shenandoah, Iowa

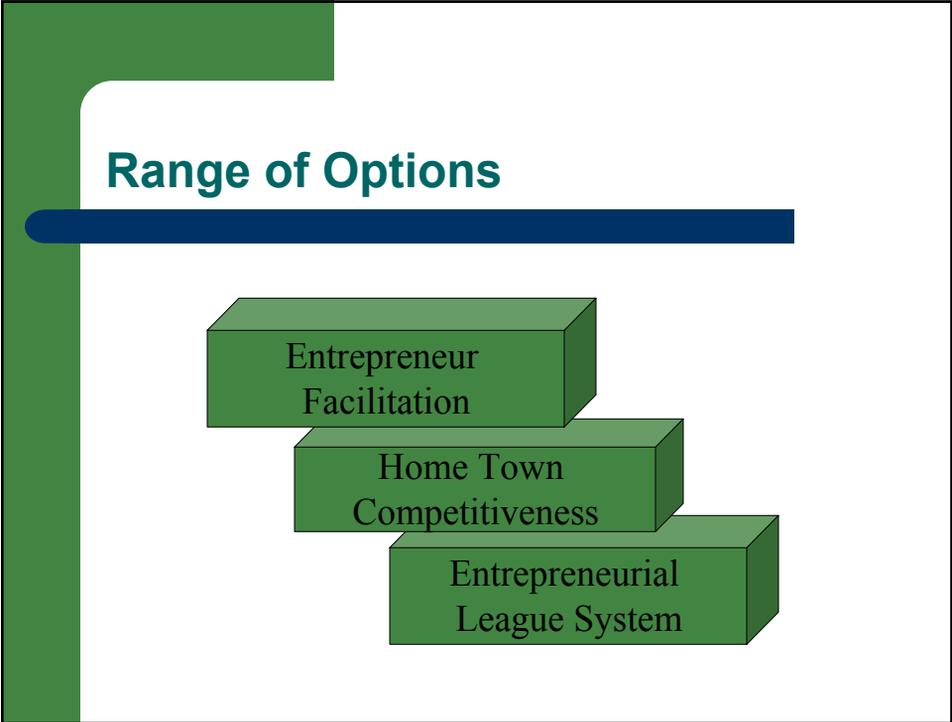


“The Key to Your Success”

But. . .

We want to focus on comprehensive community-based approaches.

Range of Options



Entrepreneur
Facilitation

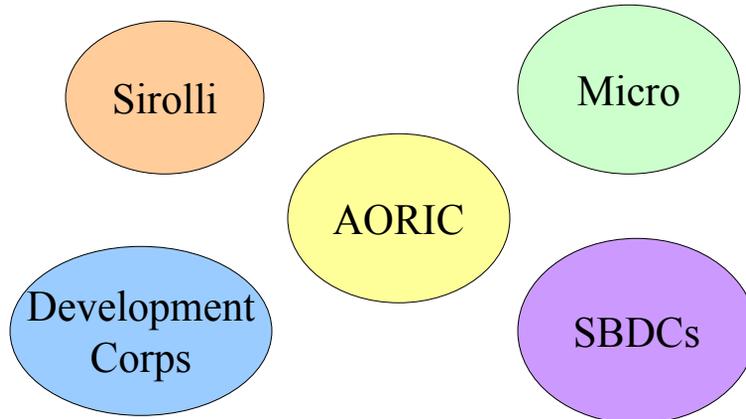
Home Town
Competitiveness

Entrepreneurial
League System

Entrepreneur Facilitation

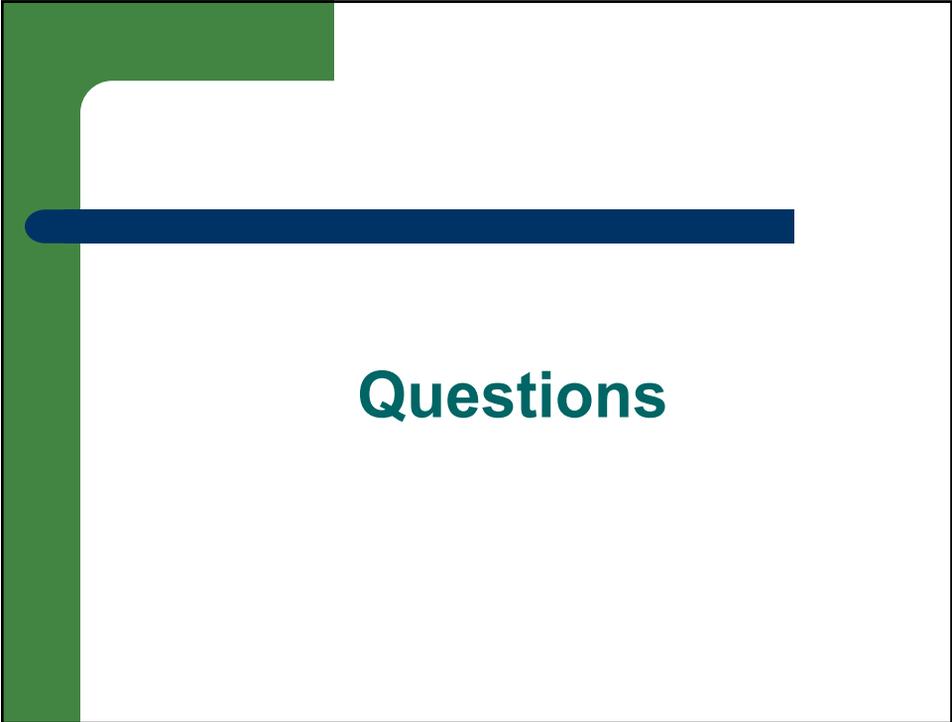


Examples



Considerations

- Simple/Executable
- Facilitator
- Resource Network
- Targeting
- Stability
- Reaches Only Certain E Talent



Questions



Home Town Competitiveness

Elements



Hometown Competitiveness. . .

Has a strategy to identify, support and develop local entrepreneurs and their ventures!

Center
for **RURAL**
ENTREPRENEURSHIP

Hometown Competitiveness. . .

Has a strategy to identify,
recruit and develop
community builders
necessary for development!



Heartland Center for Leadership Development

Leadership

- ✓ It's About Community Building
- ✓ Leveraging Engagement
or More Volunteers
- ✓ Leadership with a Purpose
- ✓ Leadership with Opportunity

Hometown Competitiveness. . .

Has a strategy to increase local charitable giving for community betterment.



Valley County Charitable Goal Setting

Peak Decade for County Wealth Transfer	2000-2010
County Population =	4,647
10-Year County Wealth Transfer =	\$129,400,000
5% of 10-Year Transfer =	\$6,470,000
Current Endowed Assets =	\$1,450,000
Current Expectancies (5 expectancies) =	\$5,250,000
<hr/>	
Total Endowment & Expectancies =	\$6,700,000
Percent of 5% Wealth Transfer Achieved =	103.55%

Hometown Competitiveness. . .

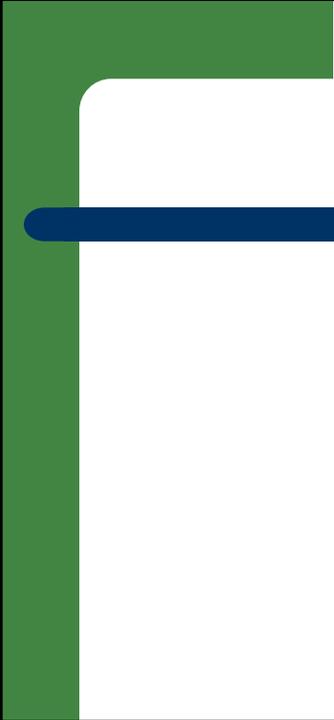
Has a strategy to help communities to become more competitive in attracting and retaining youth.



Valley County Youth Goal Setting

1990 Population	5,169
2000 Population	4,647
Percent change	-10%
Loss Per Year in 1990s	52 Persons
Total Youth	1,207 Persons
Youth as a Percent of Total	26%
Average Youth Class	67 Persons
Retention/Attraction Goal	18 Persons/Year

26% Higher Retention Rate



Questions



Entrepreneurial League System

The Four Measurable Objectives of Enterprise Development

- To increase the rate of new business formation
- To increase the rate of survival and success of new enterprises
- To increase the rate of development of entrepreneurs and their new enterprises
- To increase the efficiency of the dissolution process if a firm fails

Why Enterprise Development's Achievements are so Limited

- Focus on business; not entrepreneur
- Focus on form over function
- Fragmented and categorical
- Unproductively competitive
- Opaque to entrepreneurs

Assisting Entrepreneurs Effectively Hinges Upon:

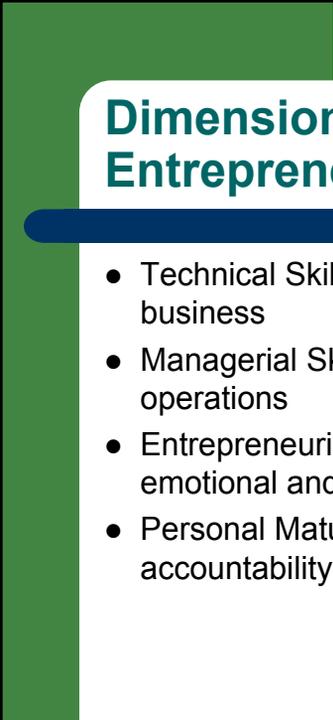
- Understanding their Needs
- Focusing on Essential Skills

Entrepreneurial Needs

Most enterprise development programs make the mistake of focusing on how they will deliver a service before knowing what their client entrepreneurs actually need.



Entrepreneurs are Made, Not Born



Dimensions of Entrepreneurship Skill

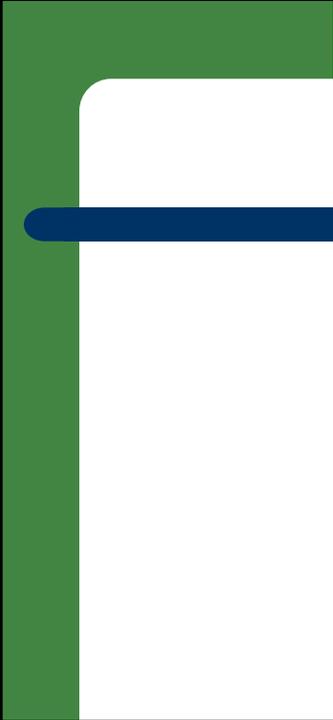
- Technical Skills – ability to perform key operations of business
- Managerial Skills – ability to organize and manage the operations
- Entrepreneurial Skills – self-awareness, accountability, emotional and creative development
- Personal Maturity Skills – self-awareness, accountability, emotional and creative development

Development Level Targeted by Service Providers

Entrepreneurial Development Level	Type of Enterprise Development Assistance Providers
Majors	Venture Capitalists, professional consulting practices, investment bankers, etc.
AAA	Angel investors, emerging business consulting practices, university tech transfer offices
AA	Manufacturing extension programs, small business development centers, small specialized venture funds, high technology incubation programs, etc.
A	Microenterprise programs, small business development centers, business incubation programs, etc.
Rookie	Microenterprise programs, youth entrepreneurship programs, etc.

Take Home Points

- Chief objective is the development of entrepreneurs
- Entrepreneurs are made, not born
- Enterprise development is about skill building
- Interventions should be practices-based
- Economic transformation requires the strategic networking of all interventions



Questions

Session 8



Building Your Own Game Plan

Key Process Elements



Exercise

Key Considerations

- ✓ Assets
- ✓ Development Needs
- ✓ Vision
- ✓ Actions

Assets

