

Regions (and Ideas) That Work: Panel Discussion



Roanoke Ideas: RIFAs and More



Hampton Roads Ideas: Workforce



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Entrepreneurial Ecosystem



The Entrepreneurship Movement?

- Since the Recession ended, policymakers, communities and the media increased their attention to entrepreneurs (The “Shark Tank” Effect?)
- 80% of Americans believe that entrepreneurs are critical to job creation
- Small businesses are seen as key drivers in local, state & national economies
 - Impact: Account for the majority of net new jobs and innovations
 - Forces for change: Visionaries, Risk Takers, Creative, Ambitious, Self-confident
- Most entrepreneurial ventures do NOT have employees

Who/What Are Entrepreneurs?

Virginia Tech Office of Economic Development:

- **Innovation-driven Enterprise (IDE)** – Sometimes used interchangeably with “gazelle” entrepreneurs and “high growth” firms. IDE entrepreneurs aspire to function in global markets and base their enterprise on new technology, processes or business models. They do not have to work in a fixed location and often start by losing money before growing exponentially.
- **Small and Medium Enterprise (SME)** – Sometimes used interchangeably with “Main Street,” “Lifestyle” or “Small Business” entrepreneurs. SME entrepreneurs focus on more local markets but can expand regionally. They rely on jobs performed locally and experience linear growth as they succeed. SME entrepreneurs do not build their enterprises around innovation, even if they embrace aspects of innovation.

Eric Pages: “Anyone who organizes and manages an enterprise with considerable initiative and risk”

Entrepreneurship & The U.S. Economy: Trends & Data

- Small Business Ownership is the 2nd-greatest source of household wealth after Home Equity; over 15% of the U.S. Labor-force owns a microbusiness (Prosperity Now).
- In most U.S. counties/cities, the % of workers employed by locally- or resident-owned businesses is higher than the % of workers employed by nonresident-owned businesses (Atlanta Federal Reserve Bank).
- Smaller local businesses have a more positive effect on local economic performance - per-capita income growth, employment growth, and change in poverty - than larger local businesses (Atlanta Federal Reserve Bank).
- From 2001-2009 (incl. 9/11 crisis & Great Recession), non-local employers cut 7.1 million jobs and America's largest employers eliminated another 9 million jobs - America's smallest firms created 8 million net new jobs and self-employment grew by 3.2 million, a 91% increase (Center for Rural Entrepreneurship)
- From 1998-2008, "Stage 2" growth companies (10-99 workers) were responsible for the creation of an estimated 2 million jobs, while large companies lost 3.7 million jobs (Kansas City Federal Reserve Bank).

Why it matters?!

According to John Lettieri, the cofounder and senior director for policy and strategy at the Economic Innovation Group:

U.S. economic dynamism is the fundamental challenge of our time, and the decline of entrepreneurship is its central and most problematic feature. This decline has far-reaching implications....Historically, the churn caused by a steady influx of new businesses has acted as a kind of shock absorber for our economy. This is no longer the case. Even as the global economy has undergone massive transformations driven by technology and globalization, the U.S. economy is rapidly becoming less flexible, less able to adapt and less efficient at allocating resources—including its most precious resource: human capital....The consequences are dire. A less entrepreneurial America is one with increasingly limited opportunities to realize the American Dream.

Virginia's Entrepreneurial Economy

- Virginia was founded as an entrepreneurial venture of the British Crown in 1607
- Virginia regularly ranks among the top quartile of states for: business climate, low corporate taxes, low unemployment rates, university R&D, STEM jobs & venture capital
- Virginia has a mixed picture with Entrepreneurship (2016 Kauffman Index Rankings)
 - 1st for Growth Entrepreneurship (out of 25 largest states)
 - 12th for Main Street Entrepreneurship (out of 25 largest states)
 - 17th Startup Activity (out of 25 largest states)
- Massive imbalance between NOVA & “ROVA” for scalable high-growth, high-tech firms
- Entrepreneurship ecosystems are fundamentally local and regional, not statewide
- Quality and accessibility of available services is key issue, not the quantity of resources
- Lines between community development, small business development and “traditional” economic development have blurred – state & local practitioners are doing it all
- Fundamental question: **Do these lingering challenges present opportunities for creative solutions, or are they mostly outside the reach of policy and programming?**

Entrepreneurial Ecosystem

A set of interconnected entrepreneurial actors (both potential and existing), entrepreneurial organizations (e.g. firms, venture capitalists, business angels, banks), institutions (universities, public sector agencies, financial bodies) and entrepreneurial processes (e.g. the business birth rate, numbers of high growth firms, levels of 'blockbuster entrepreneurship', number of serial entrepreneurs, degree of sellout mentality within firms and levels of entrepreneurial ambition) which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment (OECD 2014).

The Maze of Entrepreneurial Ecosystems

- **Entrepreneurial Ecosystems** (Babson College) – most VA regions
- **Business Incubation** (Worcester Polytechnic Institute) – most VA regions
- **Economic Gardening** (Edward Lowe Foundation) – Hampton Roads, VEDP
- **Seed Acceleration** (Y Combinator) – NOVA, Richmond, Hampton Roads, Roanoke-Blacksburg
- **Startup Communities** (Techstars) – NOVA, Richmond, Hampton Roads, Shenandoah Valley
- **Entrepreneurial Communities** (Center for Rural Entrepreneurship) – SWVA, Southside VA, Northern Neck
- **Certified Entrepreneurial Community** (Creative Economic Development Inc.) – Central VA
- **Creative Placemaking** (National Main Street Center) – Shenandoah Valley, Roanoke, Southwest VA, Petersburg

Noteworthy Regional Initiatives

Most regions of the state now have active entrepreneurship ecosystem organizations that offer access to education, networking & financial resources:

- [Activation Capital](#) (Metro Richmond)
- [Charlottesville Business Innovation Council](#)
- [Dan River Entrepreneur Ecosystem](#) (Danville region)
- [Opportunity SWVA](#) (Southwest Virginia)
- [Opportunity Lynchburg](#)
- [Shenandoah Valley Innovation Coalition](#)
- [StartWheel](#) (Hampton Roads)
- [Think Better VGA](#) (Southside VA)
- [Valley Business Startup](#) (Staunton-Waynesboro)
- [Valleys Innovation Council](#) (Roanoke-Blacksburg)

Building Entrepreneurship Development Systems

WHAT?

- Fragmented small business support community
- Not always clear pathways for the business-owner or entrepreneur
- No one provider can help EVERY client with EVERYTHING
- Resources are not evenly distributed by geography

HOW?

- Build on existing investments and raise their visibility
- Create a collaborative resource networks that include feedback
- Avoid one-size-fits-all approaches
- Connect entrepreneurs to the resources they need to grow...when they need them!

What Can Economic Developers Do?

- Champion & Cheerleader
- Technical Assistance & Advising
- Conduit for Public & Private Resources
- Communicator & Researcher of Business Intelligence
- Provide Customer Service
- Small Business Planning
 - Proof of Concept/ Feasibility Analysis
 - Defining the Critical Path to Success
 - Understanding & Securing Capital
 - Fine-tuning the Operation

Describe what you DO as an economic developer who supports entrepreneurs!