

Creating Today's Entrepreneurial Community

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Creating Entrepreneurial Communities 2008

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Today's Talk

- The Power of Entrepreneurship
- How Companies Get Built
 - Old Model vs. Modern Approaches
- The Role of the Eco-System
- Building the Eco-System
- What You Can Do

Why Now?

- Macro-economic shifts
 - Small is beautiful
- The emerging new economy
 - Rapid innovation
- Demographic Shifts
 - Growing youth interest in entrepreneurship
- Old Methods aren't Working

Why Entrepreneurship Matters

- Jobs! 5-15% of U.S. firms (“gazelles”) create 2/3 of net new jobs.
- Innovation. Entrepreneurs account for more than half of all technological innovation.
- Prosperity. 1/3 of difference in national growth rates is due to entrepreneurship.
- Presence. 11% of US adult population is trying to start a business.

Why Entrepreneurship Matters (2)

- 70% of High School Seniors Want to Start a Business
- 80% of US colleges offer courses in entrepreneurship
- 50% of college grads think self-employment is more secure than a full-time job
- 60% of Gen Y entrepreneurs plan to start multiple businesses

Why Entrepreneurship Matters (3)

- It's Not Just for Kids!
 - 1/3 of workers aged 38-57 transition to self-employment
 - 15% of Boomers Plan to Start a Business
 - Boomers and Older Americans Account for 54% of US Self-Employed
- Similar boom in new businesses from immigrants, minorities, and women

Entrepreneurial Businesses: Key Trends

- Most gazelles are in non-tech sectors
- Entrepreneurial “Hot Spots” Account for Large Portion of Gazelles and New Innovations
 - E.G. Five states get 70% of venture capital
- But, gazelle firms exist everywhere

The INC 500...

- 69% started with less than \$50,000
 - 50% are non-tech related
 - 56% started at home
 - Only 18% ever used venture capital
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- **We can't predict where the next great entrepreneur will come from!**

How Companies Get Built (I)

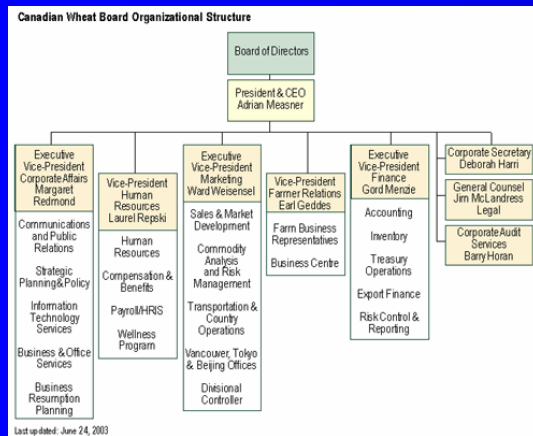
Two Models:



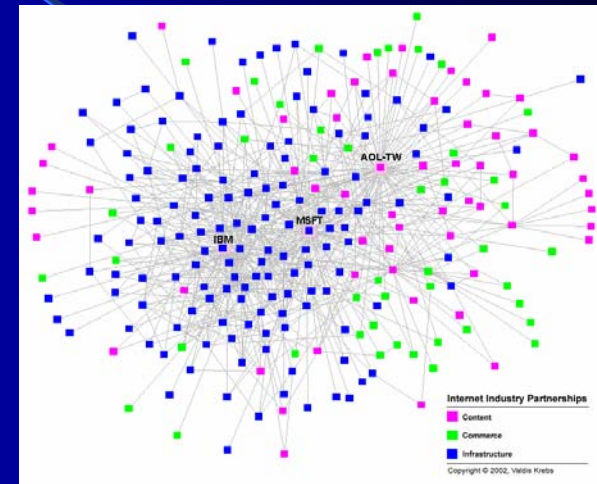
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How Companies Get Built (II)



Vs.



The Entrepreneurial Eco-System

- Business Culture that Embraces Start-Ups
 - Higher Risk Tolerance
 - Entrepreneurs vs. Large Firms
- Networks of Entrepreneurs-Clusters
- Networks of Service Providers
 - A Start-up Cluster?
- Creates a Virtuous Cycle
 - Civic/Philanthropic Leaders
 - Mentors/Angels

Building Eco-Systems: What's Different?

- Focused on Individuals, Not Companies
- Operates Through Business Networks
 - *Both Entrepreneurs and Service Providers*
- Training/Education as Key Policy Levers
 - *The War for Talent*

Creating the Ecosystem: What Works?

- Increase the Supply of Entrepreneurs
- Build Entrepreneurial Networks
- Reward Entrepreneurial Behavior
- Build a Ladder of Financial Supports

1) Increase the Supply of Entrepreneurs

- Entrepreneurship Education from K-16
- Adult Training--Focus on Technical Schools
- Openness to Newcomers—Immigrant Entrepreneurs
- Universities as Talent Magnets
 - Hit Underserved Markets (e.g. Artists & Engineers, not MBAs)

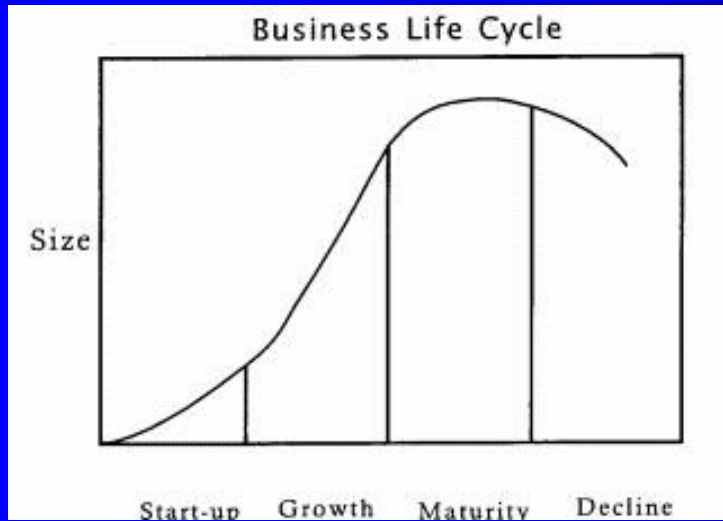
2) Build Entrepreneurial Networks

- Networks as the Hub of the Eco-System
- Peer Learning as Central Role
- Activities: Training, Mentoring, Investment Screening and Matching, Networking
- Moves Firms to High Growth

3) Reward Entrepreneurial Behavior

- Entrepreneurs as New Civic Leaders
 - Issues around Old Economy Culture
- Tell Stories
 - Importance of “Local Stars” and “Anchor Firms”
- Create Awards Programs
 - Entrepreneur of the Year

4) The Finance Ladder



- Diversity of Capital Offerings
- Focus on Gaps
 - \$100,000 to \$2 million
- Many New Tools and Technologies

The Big Picture: A New Model

- Few new program initiatives
 - No “Silver Bullets”
- Initiatives are Low-Cost, but Long-Term
- “Soft” cultural factors predominate

BOTTOM LINE: An economic development challenge requiring non-economic development solutions.

Your Challenge: What to Do When You Go Home Today

- Become a Champion! (Or Help Recruit One)-Be an Angel or Mentor.
- Collaborate: Bring Everyone in the Tent!
 - Link Your Networks.
- Experiment
 - Start Small
 - Start Fast!

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