

Appendix D

PowerPoint Presentations

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Entrepreneurship, Geography and Economic Development

Zoltan J. Acs
University of Baltimore

Introduction

- This presentation provides a broad overview of research carried out at Census and funded by the Office of Advocacy.
- The purpose of this research is to examine regional variation in entrepreneurial activity in light of theoretical developments in:
 - The new growth theory
 - The new economic geography

Introduction (continued)

- **The new economic growth**
 - Knowledge is key to growth
 - Other inputs also important but less so.
- **The new growth theory**
 - The agglomeration of knowledge is key
 - All will benefit from this.

Introduction (continued)

- **How does knowledge get transformed into growth and development?**
 - The ability to transform *new* knowledge into *economic* knowledge requires a set of skills, aptitudes, insights and circumstances that is neither uniformly nor widely distributed in the population.
 - entrepreneurship

Introduction (continued)

- **Thus, a closer connection between models of growth and models of entrepreneurship seems necessary.**
 - Increasing returns in the production of goods.
 - Decreasing returns in the production of ideas.
 - Spatially constrained externalities.
 - New firm are the primary mechanism.
 - Each new firm is a new idea

Regional Variations in Entrepreneurship

- We find considerable variation in entrepreneurship across regions but little variation over time.
- Variation in entrepreneurship rates are substantially explained by:
 - Industry specialization +
 - Human capital +
 - Population and income growth +

Entrepreneurship and Human Capital

- The results suggest that the regional differences in entrepreneurship rates depend to a large degree on the educational requirements and the market served by the new firms.
 - Education impacts those firms traditionally founded by educated people and *do not* affect those started by individuals with less than a college degree.

Entrepreneurship and Human Capital

(continued)

- High school education has a negative impact on new firm formation.
- Industry specialization has a positive impact on firm formation rates in the sector but additional density has a negative impact on new firm formation.

Entrepreneurship and Growth

- We test the hypothesis that higher employment growth rates should be positively associated with increased:
 - Entrepreneurial activity
 - Human capital
 - Industry specialization
 - Industry density

Entrepreneurship and Growth

(continued)

- We find that if the new firm formation rate increases, by one standard deviation, from its mean of 3.5 per thousand-labor force to 4.4 per thousand, the employment growth rate will increase by, one half standard deviation, from its mean of 2.1% to 2.9%.
 - Holds for all sectors except manufacturing.

Entrepreneurship and Growth

(continued)

- An increase of one standard deviation in the high school graduation share, from 72% to 80%, accounted for an increase of 0.5% in growth rates.
- The rise in the overall level of education is more important than the proportion of adults with college education.

Entrepreneurship and Growth

(continued)

- Where the business specialization rate is higher by one standard deviation, 2.6 establishments per 1,000 population rather than the mean of 2.2, the employment growth rate is 0.6% lower.
- Greater business density in a region leads to less, not more, growth.

Table 6.1: Summary of impacts of regional variables on entrepreneurial activity and employment growth rates in LMAs in the mid-nineties

Independent variables	Firm formation rates	Employment growth
Firm formation rate		+
Establishment size	-	+
Sector specialization	+	-
Business density		-
High school degree*	-	+
College degree	+	0
Population growth	+	
Income growth	+	
Share of proprietors	0	0
Unemployment rate	0	

Summary

- New theories stresses the importance of knowledge and the agglomeration of knowledge in development.
- Entrepreneurship is an important vehicle by which new knowledge is turned into economic knowledge.
- Our research supports the importance of entrepreneurship in economic development.

Economic Development & Entrepreneurship at the State & Regional Level

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Entrepreneurship and Enterprise Development
(CREED)
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Characteristics of Entrepreneurial Regions

- Possess a critical mass of entrepreneurs who are actively engaged in capturing new market opportunities
- A group of entrepreneurs constitutes a distinct and recognizable community within the region
- The region as a whole is entrepreneurial, not just some of its parts

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Prescriptions for Creating Entrepreneurial Regions

- Build Social Capital
- Develop Human Capital
- Build an “Innovative Infrastructure”

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A Five-Point Strategy for Building an Entrepreneurial Region

1. Take a Systems Approach
2. Tailor the System to Your Region's Context
3. Focus on Developing Entrepreneurs
4. Create New Roles, Functions, and Tools
5. Operate This System Like a Transformation Business

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The Mission of an Enterprise Development Transformation Business...

To develop a supply of highly skilled entrepreneurs that are capable of building successful companies in sufficient numbers to transform the economy of the region.


© Thomas S. Lyons, 2005

3 Enterprise Facilitation®: Passion, Entrepreneurship and the Regional Economy

Ned Webb

Enterprise Facilitation®
Passion, Entrepreneurship and the
Regional Economy

Delivered by Ned Webb
March 7th, 2005
Washington DC

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The future of every community...

"Right now, in your community, at this very moment, there is someone who is dreaming about doing something to improve his / her lot. If we could learn how to help that person to transform the dream into meaningful work, we would be halfway to changing the economic fortunes of the entire community".
Dr. E. Sirolli

Did you know?

- During the last ten years, small companies generated the majority of new jobs
- 50% of the entire North American labor force will be self-employed by the year 2025 (Ken Blawatt, UBC)
- Dun & Bradstreet estimates discontinuances outnumber business bankruptcies almost 2 to 1; the start-up business failure rate is greater than 80% after five years, with 9 out of 10 of these failures occurring because of poor management.
- The Sirolli Institute has developed key principles and practices that results in average success rates for small businesses that exceed 80%.

The Two Legs of Development...

- True economic development walks on two legs. The first leg is concerned with the creation of infrastructure for development. Without roads, communication, transportation, education, finance, land, it is difficult for a community to survive and for local enterprise to flourish.
- But there is a second leg to economic development...the leg that deals with building the capacity of people to utilize such infrastructures. Regardless of how sophisticated your infrastructures are, without people to use them, the investment is worth little if they're not being utilized to their intended capacity.

Enterprise Facilitation® ...

Enterprise Facilitation, once understood, is a simple, effective and economical way to revitalize communities. For all its simplicity, however, it requires an attitudinal shift from a perspective of hopelessness which is thinking we need people from outside to help us create and sustain economic activity, to one of power and self reliance which says let's help enough local people to do well and the community at large will also do well.

Capturing local intelligence...

Enterprise Facilitation teaches civic leaders how to organize themselves to capture local intelligence and resolve AND trains a local full time advisor, the Enterprise Facilitator, to introduce the fundamentals of good management to any would be entrepreneurs.

Challenging conventional wisdom...

In 20 years, we have never found a person who is passionate about producing the product, marketing it, and keeping good financial records. Typically, businesses fail because entrepreneurs are pulled away from what they love to do, in order to do poorly what they hate.

The Trinity of Management® ...

Enterprise Facilitation's major achievement is to introduce sound management principles to the smallest project and to articulate simply and effectively what it takes to be successful in business.

Communities experience a better than 80% retention rate for business

Lincoln County Enterprise Development Corporation...

Since 1990, the LCEDC has assisted with the creation of 348 new jobs and 125 new businesses. They have also helped with the expansion of 122 businesses and the retention of 329 jobs. This, all in what has historically been one of Minnesota's poorest counties and inhabited by only 6,429 residents.

Julian Grill, Minister for Economic Development, Western Australia...

"One of the beauties about this particular theory is that it engenders an enthusiasm not only in the individual who sets up the business, but it engenders enthusiasm from the community itself."

Kansas Demonstration...

Kansas Department of Commerce and Housing first educated then challenged rural counties in their state to engage in a state-wide Enterprise Facilitation demonstration in the fall of 2001. Since then, 5 sites have been established serving 26 counties. The demonstration employs 5 full-time Enterprise Facilitators and has harnessed a total of 250 local volunteers to help local people with their ideas for establishing and expanding small businesses.

Quad County KS...

- Chautauqua, Elk, Greenwood and Woodson counties
- 24 month of operations results
 - Worked with 208 clients
 - Helped with the creation of 28 new businesses
 - Assisted with the creation of 102 new jobs

About the Sirolli Institute...

Founded by Dr. Ernesto Sirolli, the Sirolli Institute is an international economic development non-profit organization dedicated to enhancing the overall quality of life in communities, regardless of size or geographic location, through the implementation of Enterprise Facilitation®

The Sirolli Institute International...

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- www.sirolli.com

4 Measuring Business Friendliness at the State and Regional Level

Rob Atkinson

Measuring Business Friendliness at the State and Regional Level

Rob Atkinson

**Vice President and Director,
Technology and New Economy Project**

Progressive Policy Institute

www.ppionline.org

Innovation Indexes



The U.S. Experience With Scoreboards/Indexes

- A moderate number of economic indexes have been produced in the last decade, with significantly different foci, depending on the analyst's analytical view of the sources of economic growth.
- Most are produced by think tanks and other non-profit groups.
- Some reports focus on policies, others outcomes, still others on economic structure.

Innovation Indexes



“Innovation-Based” Indexes

- Based on belief that innovation/quality drive growth.
- Corporation For Enterprise Development's Development Report Card for the States. 70 measures in 5 categories: Performance; Business Vitality; Development Capacity.
- PPI's New Economy Index Series.

Innovation Indexes



PPI's New Economy Index Series



Innovation Indexes



State New Economy Index

The State New Economy Index uses 5 groups of indicators to map how well places are adapting to the New Economy:

- > Knowledge Jobs
- > Globalization
- > Economic Dynamism
- > Digital Economy
- > Technological Innovation

Innovation Indexes



Motivation

- The New Economy Index was a way for PPI to help popularize the fact that major structural economic transformation had occurred that required a change in approach to economic policy.
- It was based on our theory of the major constituent components of what made the New Economy new: new industries and occupations; globalization; changed competitive market environment, and the tech revolution.
- It was also based on our view of the new model of economic development.

Innovation Indexes



Old Economy Development Model

- Getting more jobs was the overriding goal.
- Being a cheap place for business was a key.
- Attracting companies was a key.
- A high-quality physical environment stood in the way of attracting cost-conscious businesses.
- Competitive advantage based on a fixed resource, skill, or location.
- Economic development was government-led.

Innovation Indexes



The Old Economy Model: Location, Costs, and Resources



Innovation Indexes

Indiana 1950s

States used to tout their low costs and low taxes, proximity to markets and rich natural resources (clay, gypsum, dolomite, etc.)



A New Economy Requires a New Economic Policy

- Being rich in ideas and talent is the key.
- Attracting educated people is the key.
- Physical and cultural amenities key to attracting knowledge workers.
- Regions prosper if organizations and individuals can learn and adapt.
- Only bold partnerships among business, government and the non-profit sector can bring about change.

Innovation Indexes



The New Economy Model: Innovation, Skills and Quality of Life



Innovation Indexes

Indiana 2003

Now states used to tout their lifestyles, innovation infrastructure, and skilled workers.



Examples from State New Economy Index

Innovation Indexes



Overall State New Economy Scores (2002)



Innovation Indexes



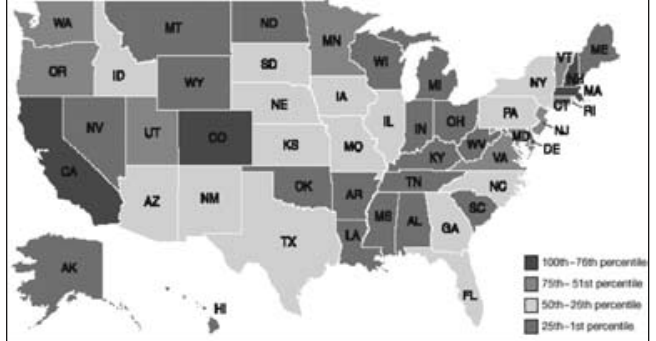
Managerial, Professional & Technical Jobs



Innovation Indexes



High-Tech Jobs



Innovation Indexes



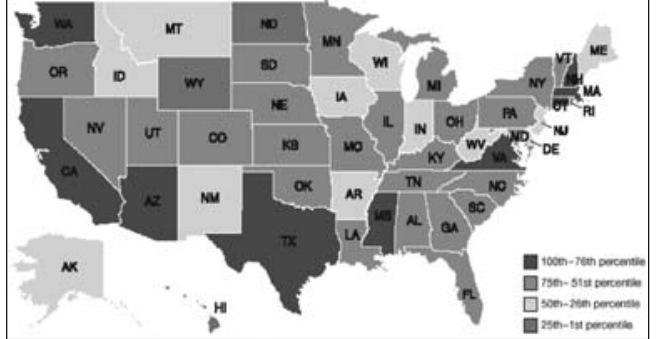
Workforce Education



Innovation Indexes



Gazelle Jobs (2002)



Innovation Indexes



Scientists and Engineers



Innovation Indexes



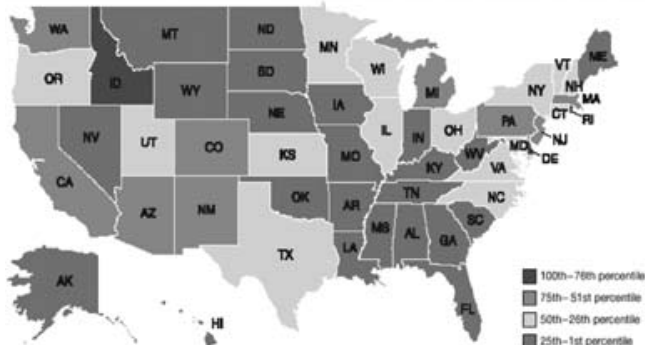
Patents



Innovation Indexes



Industry Investment in R&D



Innovation Indexes



Venture Capital (2002)



Innovation Indexes



Index Relationship to Economic Outcomes

- No relationship between scores and job growth.
- Strong correlation (0.70) with absolute growth in per-capita incomes.

Innovation Indexes



Impact

- States don't want to score at the bottom: in announcing a major conference on economic development policy, a U.S. Congressman from a low ranking state declared that the PPI score was like a "a blow to his heart."
- Top ranking states advertise their high rankings and work to keep their high ranking.

Innovation Indexes



Impact: Change the Focus on Policy

- The Indexes have helped reshape the intellectual environment surrounding development policy. Having to promote innovation is now a given, whereas 5 years ago it was not. Governors routinely announce new innovation-based initiatives.

Innovation Indexes



WWW.PPIONLINE.ORG

www.neweconomyindex.org

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Innovation Indexes





What Is Economic Freedom?

Economic freedom is the right of individuals to pursue their self-interests through voluntary exchange of private property under a rule of law.

In a Nutshell . . .

- The right to keep what you earn.
- The right to produce what you want.
- The right to compete in product and labor markets of your choosing, and to buy what you want.

*** *Proviso: Can't use force or fraud.* ***

Index Data

- 109 state-level variables that measure government efforts to limit/expand economic freedom.
- Compacted similar data series.
- 47 variables using most-recent data from government and trade sources.

Examples . . .

Tax rates
 State spending
 Occupational licensing
 Environmental regulations
 Income redistribution
 Right-to-work and prevailing-wage laws
 Tort laws
 Number of government agencies

Examples of Underlying Data

State	Rate of State and Local Govt. FTE Employees (per 10,000)		States with Right to Work Laws (as of 1/03)	Number of Resident Active Attorneys (per 1,000 people)	
		Rank			Rank
Alabama	601	39	Y	2.16	10
Alaska	780	49	N	3.51	37
Arizona	474	3	Y	2.08	6
Arkansas	561	28	Y	1.90	2
California	503	7	N	3.83	43
Colorado	530	13	N	3.78	41
Connecticut	532	15	N	5.16	48
Delaware	575	33	N	2.62	21
Florida	490	4	Y	3.17	34
Georgia	548	24	Y	2.77	25
Hawaii	566	30	N	3.03	31
Idaho	576	34	Y	2.19	11
Illinois	494	5	N	4.30	46
Indiana	531	14	N	2.04	4
Iowa	602	40	Y	2.25	12
Kansas	634	45	Y	2.69	23
Kentucky	560	27	N	2.62	20
Louisiana	627	44	Y	3.65	40
Maine	580	36	N	2.51	17
Maryland	519	10	N	3.82	42



“How can I get this data?”

Neil Emerick
Global Economic Software

Web:
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sales@globaleconomicsoftware.com

Statistical Methodology: How Did We Construct the Index?

- 47 variables for each state
- Within each sector, each variable was ranked from 1 (most free) to 50 (least free).
- Grouped into five sectors:
 - Fiscal
 - Regulatory
 - Welfare Spending
 - Government Size
 - Judicial
- Calculated an average sector ranking for each state.
- This number was weighted using weights from principal components analysis.

Finally . . .

- All five weighted, average sector rankings were added together to arrive at the overall index score for each state!

U.S. Economic Freedom Index, 2004

Rank	State	Score	1999 Rank	Rank	State	Score	1999 Rank
1	Kansas	28.18	18	26	Tennessee	26.16	19
2	Colorado	18.91	14	27	Maryland	26.54	35
3	Virginia	18.86	2	28	Mississippi	26.54	9
4	Idaho	19.02	1	29	Oregon	25.86	41
5	Utah	19.35	3	30	Maine	26.93	40
6	Oklahoma	19.56	18	31	Washington	27.28	34
7	New Hampshire	20.19	6	32	West Virginia	27.73	32
8	Delaware	20.90	7	33	Arkada	27.82	38
9	Wyoming	21.24	4	34	Michigan	27.90	27
10	Missouri	21.82	13	35	Hawaii	27.95	39
11	Arizona	21.89	25	36	Vermont	28.04	34
12	Nevada	22.10	20	37	New Mexico	28.37	28
13	South Carolina	22.41	16	38	Wisconsin	28.75	37
14	Indiana	22.69	22	39	Kentucky	29.13	29
15	South Dakota	23.34	5	40	Louisiana	29.16	31
16	Iowa	23.43	24	41	Massachusetts	29.41	47
17	Texas	23.52	8	42	New Jersey	30.19	48
18	North Dakota	24.00	21	43	Ohio	30.91	33
19	Georgia	24.06	12	44	Minnesota	31.13	43
20	North Carolina	24.23	23	45	Pennsylvania	31.58	45
21	Montana	24.63	26	46	Illinois	32.77	36
22	Florida	25.12	30	47	Rhode Island	33.21	49
23	Arkansas	25.14	15	48	Connecticut	35.21	46
24	North Carolina	25.58	17	49	California	38.79	44
25	Alabama	25.87	11	50	New York	39.50	50

Kansas versus New York

- Kansas cut spending and balanced budget without tax increases.
- Implemented almost \$1 billion in savings and efficiencies.
- Kansas ranked fourth-best in regulation and second-best in welfare spending.
- New York increased an assortment of taxes in 2003 including personal income, capital gains, and sales tax rates.
- Ranked worst in welfare spending and government size.

PRI
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REGULATORY
INSTITUTE

The Ups and Downs: 1999 to 2004

- Arizona advanced 14 places, and Colorado, Maine, Oklahoma, and Oregon each jumped 12 places.
- Mississippi fell 19 places, Alabama 14, and Illinois, Kentucky, Ohio, and South Dakota each sank 10 spots.

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REGULATORY
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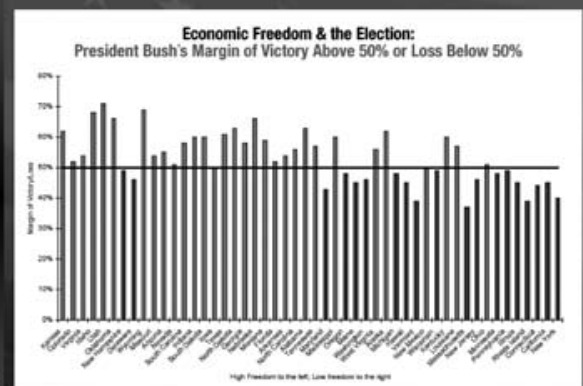
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PROPERTY
REGULATORY
INSTITUTE

Four Applications

1. Red-Blue Map

- At the presidential level, 23 of the 25 freest states voted for President Bush.
- In stark contrast, 17 of the 25 least-free states voted for Senator Kerry.

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REGULATORY
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PROPERTY
REGULATORY
INSTITUTE

2. Live Free or Move

- The net domestic migration rate (people per 1,000) was +19 for the 20 freest states but a dismal -16 for the 20 least-free states.
- New York and California experienced the largest net loss of domestic residents, 2003-04. They also have the least economic freedom.



3. Your Pocketbook

- After controlling for other factors that determine annual income per capita such as education and wealth . . .
- A 10% improvement in a state's economic freedom score yields, on average, about a half-percent increase in annual income per capita.



Economic Freedom Matters a Lot

- Relative to the freest state, Rhode Island residents suffered the largest reduction in annual income per capita due to their loss of economic freedom, \$3,607, followed by Hawaii at \$2,963, and New York and New Jersey at around \$2,400 each.



- The national average was \$1,161, or a 4.42% "oppression tax."
- Over a 40-year working life at a conservative 3% interest rate, this translates into \$87,541 that would have otherwise gone into the pocket of an average working American—more than the median retirement nest egg of \$55,000.



The Populist Message . . .

Limited Government

Individual Freedom

Personal Prosperity and Financial Independence



U.S. Economic Freedom Index: 2004 Report

Amazon.com

Call PRI: 1-800-276-7600

E-mail Susan Martin:
smartin@pacificresearch.org



6 The Most Business Friendly States? Depends on Your Definition

Spencer Tracy, Jr.



The Most Business Friendly States?

Depends on your definition

“A good business climate for one industry or company may not necessarily be good for another. It is primarily a relative concept.”
—Gene DePree, Americas Leader, Global Location Strategies, IBM Business Consulting Services

Publishing Organization
Development Counselors International

Methodology
A survey of corporate real estate executives and site selection consultants. Participants were asked to select the three states whose business climates they perceived as being most favorable to business.
A total of 287 participants responded. States are ranked by adding the number of times they were selected by the respondents.

Source
A View From Corporate America (2002)

MOST AND LEAST FAVORABLE STATES FOR CONDUCTING BUSINESS	
1	Texas
2	North Carolina
3	South Carolina
4	Florida
5	Georgia
6	Alabama
7	California
8	Illinois
9	Nevada
10	Arizona

“Our annual ranking of state liability systems is an important barometer that helps companies gauge a state’s legal environment and where to do business.”
—Lisa Richard, President, Institute for Legal Reform

Publishing Organization
Institute for Legal Reform, US Chamber of Commerce

Methodology
A survey of company general counsels. Participants were asked to assign letter grades to seven aspects of a state’s legal liability system, including tort and contract litigation, treatment of class action suits, and punitive damages.
A total of 824 participants responded. All letter grades were converted using a 4.0 scale. States are ranked by adding the numerical values of each legal aspect.

Source
States Liability Systems Ranking Study (2002)

STATES MOST AND LEAST CONDUCIVE TO BUSINESS	
1	Delaware
2	Virginia
3	Washington
4	Kansas
5	Iowa
6	Nebraska
7	Colorado
8	Utah
9	South Dakota
10	Connecticut

2 Different Business Climate Rankings, 2 Different Definitions, 2 Different Results

MOST AND LEAST FAVORABLE STATES FOR CONDUCTING BUSINESS	
1	Texas
2	North Carolina
3	South Carolina
4	Florida
5	Georgia
6	Alabama
7	California
8	Illinois
9	Nevada
10	Arizona

STATES MOST AND LEAST CONDUCIVE TO BUSINESS	
1	Delaware
2	Virginia
3	Washington
4	Kansas
5	Iowa
6	Nebraska
7	Colorado
8	Utah
9	South Dakota
10	Connecticut

Source A View From Corporate America (2002) **Source** States Liability Systems Ranking Study (2002)

“We have no franchise taxes, no income taxes, and no corporate taxes. We are among the least tax burdensome states, and as a result our small businesses flourish.”
—Tucker Pagan, CEO, Wyoming Business Council

Publishing Organization
Small Business Survival Committee

Methodology
Ranks states on the basis of the regulatory burdens their governments place on entrepreneurs and small business.
Twenty measures were used, including personal and corporate tax rates, unemployment tax rate, workers compensation cost, and right-to-work status.
All measures were equally weighted and states ranked by summing the values of the measures.

Source Small Business Survival Index (2002)

BEST (AND WORST) STATES FOR SMALL BUSINESS	
1	South Dakota
2	Nevada
3	Wyoming
4	Texas
5	Florida
6	New Hampshire
7	Tennessee
8	Washington
9	Mississippi
10	Alabama

“We are not measuring the aggregate growth of a place, [or] its ‘attractiveness.’ We are measuring, instead, the recorded frequency with which new firms start and young firms grow in different places.”
—David Birch et al., Entrepreneurial Hot Spots (2002)

Publishing Organization
Cognetics

Methodology
Ranks states on the basis of their entrepreneurial activity.
Two measures were used:
1. Firms started in last 10 years that employ at least 5 employees today as a percent of all firms and
2. % of 10 years old or less 4 years ago that had a growth index of at least 3 or higher over the past 4 years.
All measures were equally weighted and states ranked by summing their values and dividing by two.

Source Entrepreneurial Hot Spots (2002)

BEST STATES FOR STARTING AND GROWING A SMALL BUSINESS	
1	Nevada
2	Arizona
3	Utah
4	Georgia
5	Maryland
6	North Carolina
7	Delaware
8	Virginia
9	South Carolina
10	Alabama

2 Different Business Climate Rankings, 2 Different Definitions, 2 Different Results

BEST (AND WORST) STATES FOR SMALL BUSINESS	
1	South Dakota
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Source: Small Business Survival Index (2002).

BEST STATES FOR STARTING AND GROWING A SMALL BUSINESS	
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7	Delaware
8	Virginia
9	South Carolina
10	Alabama


Source: Entrepreneurial Hot Spots (2002).

What does all of this mean?

- Business climate is a function of definition
- Conceivably all states have a some aspect of their overall milieu that is business friendly
- States interested in improving their business environment may want to focus on the rankings in which they perform poorly

7 Promoting "Entrepreneurial" Economic Development at ICIC

Prabal Chakrabarti



Promoting 'Entrepreneurial' Economic Development at ICIC
Prabal Chakrabarti,
Deputy Director of Research, Initiative for a Competitive Inner City (ICIC)

March 7, 2005



Organizational Background

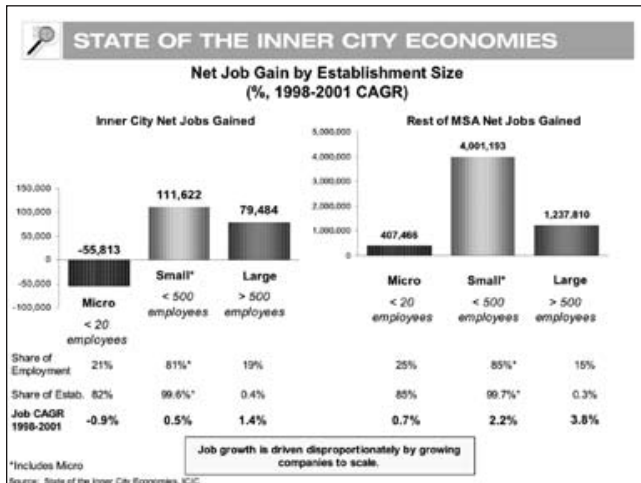

The Initiative for a Competitive Inner City (ICIC) is a national not-for-profit organization founded in 1994 by Harvard Business School Professor Michael E. Porter to promote a market-based approach and cutting edge solutions for inner-city revitalization.

At the core of ICIC's work is the belief that inner city, low-income neighborhoods are viable markets having inherent competitive advantages that, when identified, can serve as the basis for the formulation of sustainable economic development.

Mission

ICIC's mission is to build healthy economies in America's inner cities that create jobs, income, and wealth for local residents.


We act to transform thinking, provide cities with a new vision of economic development, and engage the resources of the private sector to accelerate inner-city business growth.

ICIC- Inc. Magazine Inner City 100

Since the list's inception five years ago, 364 companies have made the list. (1999 - 2004):

- These companies have been responsible for the creation of approximately 40,000 new jobs
- Employ a total of about 52,000 people of which approximately 24,000 are inner-city residents (46%)
- Collectively, these 364 companies were responsible for one in eight of the new jobs created in inner cities between 1995 and 2001, excluding jobs created by hospitals, universities and utilities.
- Average about \$17 million in annual sales and employ an average of about 110 people (median size is about \$8.5 million, range from \$1 million to over \$400 million)
- Grew an average of over 700% (54% CAGR) over five years
- Median age of companies is 12 years old
- Less than 3% have gone out of business



ICIC- Inc. Magazine Inner City 100

- In a survey of 200 entry-level employees, 45% said that working for an Inner City 100 company made them want to start their own business
- 32% are minority-owned, 15% owned by women (according to the 1997 Economic Census just 1.8% of all businesses owned by woman had sales of \$1 million or greater)
- Of the 364 companies that have appeared on the Inner City 100 over the last six years, 82% were profitable
- 42% of Inner City 100 entrepreneurs are considering starting another company
- CEOs own an average of 70% of their company



For More Information Contact:

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Small Business Project for Washington State

Presentation for the SBA's
 "Putting It Together: The Role of
 Entrepreneurship in Economic Development"
 March 7, 2005 – Washington, D.C.

Small Business: The Backbone of our Economy

- 95% of all businesses are small businesses
- Small businesses employ half of all private sector employees
- Nationally in 2000-2001, small businesses created 1.15 million new jobs while large firms lost over 150,000 jobs



Source: U.S. SBA

WA State Definition Of Small Business

- 50 or fewer employees
- 97% of the firms have <50 employees
- 90% of the firms have <20 employees
- Firms with <50 employees employ 1.04 million workers
- Firms with <50 employees employ 49.1% of the state's non-government workforce



- 501(c)(3) non-profit research and education organization located in Seattle
- Provide detailed analysis of Washington state public policy issues
- Work with legislators, the media and citizens to advance market solutions to public problems

The Small Business Project

Improving our state's business climate
 through research and education.



Other Co-sponsors and Supporters:

Every major Chamber of Commerce
 US Small Business Administration
 WA State Hispanic Chamber of Commerce
 WA Latino Business Association
 PNW Black Chamber of Commerce
 Greater Seattle Chamber of Commerce
 65 Total Co-Sponsoring Organizations

Phase I: Identify the Major Barriers to Small Business Success

- Burdensome and Unpredictable Government Regulations
- Rising Cost of Health Care
- Inefficient and Costly Workers' Comp System
- High Business Tax Burden
- Costly Environmental Regulations

Underlying Problems with the Business Climate

- Regulatory Uncertainty
- Lack of Government Accountability
- Actual or Perceived Anti Business Attitude

Phase II: An Agenda for Reform

2003 Statewide Small Business Conference

October 3, 2003

350 Small Business Attendees
Over 60 Co-Sponsoring Organizations

2003 Statewide Small Business Conference

Eight Solution Sessions

- 1) Workers' Comp and Unemployment Insurance
- 2) Workplace Regulations
- 3) Rising Cost of Health Insurance
- 4) Workforce Training
- 5) Access to Technology and Telecommunications
- 6) Environmental Regulations
- 7) Tax Burden
- 8) Liability and Tort Reform



Agenda for Reform:

An in-depth analysis of the results of the 2003 Statewide Small Business Conference.



Employment Issues

- One of the highest state unemployment tax rates in the nation - 2 1/2 the national average
- Unknown application of state wage laws
- Recent court decision will greatly increase state industrial insurance costs
- Highest minimum wage rate in the nation

Top Ten Minimum Wage Rates

Washington – \$7.35

- | | |
|-------------------------|--|
| 2) Oregon – \$7.25 | 7) Massachusetts – \$6.75 |
| 3) Alaska – \$7.15 | 8) Rhode Island – \$6.75 |
| 4) Connecticut – \$7.10 | 9) D.C. – \$6.60 (\$7.00 as of 1/1/06) |
| 5) Vermont – \$7.00 | 10) Illinois – \$6.50 |

Rising Cost of Health Insurance

- Health insurance rates are increasing 15-30% a year for most small businesses.



Rising Cost of Health Insurance

How to lower the cost of health insurance:

- Improve small business H/C options
 - Basic, low mandate health coverage
 - Every category of provider
- Medical malpractice reform
- Review state mandates
- Consumer driven health care: HSAs

Workers' Compensation

Problems with Washington's System

- Private competition is illegal
- Misuse of trust fund money
- Poor independent oversight
- Few incentives to reduce cost
- Costly legal decisions (Cockle & Avundes)

Workers' Compensation

Recommendations for Reform

- Independent audits (\$\$ and operational)
- Small group self-insurance
- Private competition
- Fix Cockle & Avundes court decisions
- Limit attorney fees
- Bring benefit levels inline with nat'l avg

Liability and Tort Reform

- Washington one of 12 states on "RED ALERT" according to AMA.
- US Tort Costs in 2003 = \$233 billion
 - Translates to \$809/person "tort tax"
- Rising liability insurance costs drive up prices for everyone.
- H/C providers, builders, local gov't, etc ...

Liability and Tort Reform

What can we do?

- Cap non-economic damages
 - MICRA in CA = 30% reduction in awards
 - Limits attorney fees
- Allow binding arbitration
- Joint and several liability reform

Small Business in the News:

As a result of WPC's Conference, the concerns of small business are receiving statewide coverage in the media and before the Washington Legislature.



2003 Small Business Recommendations Recommendations Signed into Law

- HB 2460: Gives new flexibility to insurance companies and changes the definition of a small group. Passed the House 63-33 and the Senate 32-16.
- SB 5536: Allows binding arbitration and requires a statement on warranties and arbitration. Amended version passed in the House 97-0 & the Senate 49-0.
- SB 6428: Would allow L&I to audit and investigate medical providers to ensure compliance with workers' comp regulations. Passed in the Senate 49-0 and the House 96-0.
- SB 6598: Regulates the sale of wholesale telecommunications services by Public Utility Districts, requiring separate accounting for wholesale telecommunication services. Passed the Senate 47-0 and the House 96-0.
- SB 6601: Protects manufacturers, distributors and sellers of food from civil liability in obesity cases. Passed in the House 95-1 and the Senate 48-0.

Overview of 2004 Legislative Results/Project Impact

Small Business Recommendations Signed into Law	5
Small Business Recommendations Passed by Senate	11
Small Business Recommendations Passed by House	6
Bills that Directly Reflect Conference Recommendations	15

Next Steps


- Continue to work with our Small Business Coalition
- Statewide media tour promoting WPC's *Agenda 2005: The Guide to Public Policy Issues in Washington State* & focusing on small business climate chapter recommendations
- Work with state legislature during 2005 Session
- WPC's Small Business Project is a finalist for Small Business Administration's (SBA) 2005 "Best Practices" for Economic Development
- Planning for 2005 Statewide Conference this fall



Thank You!

Questions?


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Size Does Matter

Andrew Goldberg
Boston University

Putting It Together: The Role of Entrepreneurship in Economic Development March 7, 2005



InnerCity Entrepreneurs

An Initiative of Boston University's Entrepreneurial Management Institute & Department of Sociology

Putting It Together: The Role of Entrepreneurship in Economic Development March 7, 2005




Changing A Mindset

U.S. Small Business Development History:

- Programs focused almost exclusively on start-ups
- Micro-credit available to the un-bankable
- Emphasis on access to capital
- Driven by number of loans & number of clients seen
- Skyrocketing number of businesses started in inner city & by people of different race & ethnicity
- Studies show they have less revenue and income

Putting It Together: The Role of Entrepreneurship in Economic Development March 7, 2005



InnerCity Entrepreneurs Theory of Change Model

The Problem

Existing small business owners in inner city communities, particularly minority led in the U.S. are not growing to their full potential

The Key Underlying Causes/Barriers to Change

- A focus on providing primarily start-up assistance in small business economic development
- A focus on micro-loans to small businesses that do not provide often the necessary skills or capital to build sound businesses
- Very little research has been done to track small business owners who participate in programs
- Existing business owners in inner city that want to grow do not have the same access to resources: professional, financial, and peer.
- Provide programs for 'everyone' and offer them highly discounted and often free

←
→

The Levers

1. *if we build a high quality program that focuses exclusively on existing inner city small business owners interested in growth and provide them with the necessary resources: professional, financial, and peer to reach outside the normal constraints of the system*
2. *if we develop prime examples of inner city small business community leadership*
3. *if we develop pool of research to share with small business economic development and public policy communities*

The Strategy


Operational: choose an exclusive class, charge a fee that gives a perceived and real value, use a mixture of program delivery: peer, coursework, private sector resources, and coaches over extended period of time

Brand: Conduct a high profile graduation each year to celebrate and promote the participants in the program

Growth: Conduct 3-5 year research study with all participants as well as partner with community colleges to house the program in order for it to be sustainable in a given location.

←
→

Entrepreneurship in E



Program Methodology

9 month program:

- Peer to Peer
- Coursework
- Private Sector Network
- Coaching

Differentiators:

- Entrepreneurs use business as case study
- Focus is on growth
- Outcome is a 3yr growth plan

Putting It Together: The Role of Entrepreneurship in Economic Development March 7, 2005



Results

ICE 2004 Mid-Year Report Card (Jan-May)**

- 18 new jobs
- \$825,000 in financing secured
- \$100,000 businesses conducted between participants
- \$300,000 in businesses accessed through ICE networks
- 8 stories in press about ICE participants
- Estimated 46% avg. growth in revenue year end

**** 14 businesses (\$150k-\$4m)**

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Key Success Factors



- Program focuses exclusively on existing businesses interested in growth
- 2 part application process
- Selected a limited number of participants
- \$1000 fee to participate (\$495 introductory)
- Receive Certificate in Small Business Entrepreneurship
- Housed at Community College

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Primary Issues



- Leadership skills and good people
- Marketing
- Increasing revenue and doing deals
- Focus
- Interest in and understanding growth

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ICE Today



Boston based initiatives:

- Launch ICE Alumni Network
- Form partnerships to build minority business capacity
- Refine recruitment process
- Hold national conference in fall of 2005
- Strengthen outcomes research

National initiatives:

- Formed partnership with ICEF to replicate ICE
- 2/15 teleconvening has generated interest in Detroit, Chicago, New York, Oakland

Putting It Together: The Role of Entrepreneurship in Economic Development March 7, 2005

Thank You



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Putting It Together: The Role of Entrepreneurship in Economic Development March 7, 2005

Regulatory Streamlining

The Oregon Model

- Regulatory Streamlining is a key element for promoting small business success and economic growth, but only one factor.
- This presentation will focus on the evolution of Oregon's Regulatory Streamlining process, and on lessons we have learned from it, rather than the specifics of the many regulatory changes.

Process Principles

- Use both Education and Advocacy.
- Have both Private and Public sector involvement.
- Get both Small and Large Business support.
- Use redundant, mutually supportive processes.
- Build evolving and inter-related organizations with common objectives.
- Stress cost reduction benefits for both business and government.

Four key organizations contributed to the support for the regulatory Streamlining Process.

Governor's Small Business Council

- Concept grew from Oregon delegates to 1995 White House Conference on Small Business. Participants saw the political impact at Federal level and effectiveness of SBA Office of Advocacy working from within the Government.
- Implemented by Governor's Executive Order creating an advisory council of small business leaders, and providing staffing & support by Department of Economic and Community Development.

Small Business Council Objectives

- Research and understand the key barriers to small business formation and growth.
- Communicate the needs of small businesses to the Governor and Legislature.
- Coordinate and promote the many existing federal, state, and community small business support programs.
- Advocate for regulatory or legislative changes that help small businesses.
- Encourage small business people to become active in government and the regulatory process.

Activities

- Statewide meetings to seek input on small business problems, build awareness of potential solutions.
- State Small Business Summit.
- Reports and testimony to the Governor and legislature identifying key problems, including the impact of regulatory burdens on small business growth and survival.

Emerging Business Initiative

- Initiated by Economic and Community Development Department.
- Based on research indicating the best potential for future economic growth would come from small fast growing, innovative businesses, rather than plants of large multinational businesses the state had recruited in the 80's and early 90's.

Process

- Involved a broad group of both small firm and large firm, knowledge based business leaders, university system leadership, Economic Development Dept. staff and elected officials.
- Researched key issue areas impacting formation, recruitment, and growth of new economy businesses.
- Held conferences to present background research and issues findings.

Key findings included the high impact of tax and regulatory burden on business location decisions and potential growth rates.

Public officials saw the potential for impact on job growth and future tax revenues.

Although the Initiative organization was dissolved, the network of participants has remained active and supportive of entrepreneurial development.

Issue leadership of new economy development issues evolved to a joint working group of the Economic Development Department and Higher Education System Boards, and later the Oregon Council on Knowledge and Economic Development (OCKED) with both public sector and private sector members.

Oregon Business Plan

- Initiated by Oregon Business Council, representing state's largest businesses, with support of US Senators Ron Wyden & Gordon Smith.
- Later joined by other large and small business organizations, Governor, legislative leaders.

Process

- Built on prior processes to develop a commonly agreed upon state economic development strategy, through research, education, and issue discussion.
- Focused on supporting and developing traded sector business clusters with high growth potentials.

Framework

- **Pioneering Innovation** – build a culture of research, innovation and entrepreneurship.
- **People** – well educated, skilled workforce.
- **Place** – quality of life, good infrastructure, attractive communities and a sustainable environment.
- **Productivity** – good business and capital resources, competitive business cost and regulatory environment.

Outcomes

- Development of issue plans for a broad range of business concerns including need for Regulatory Streamlining.
- Annual educational and support building summits with over 1000 statewide business and community leaders.
- Progress tracking reports, web site, and statewide outreach meetings.
- Regular meetings with political leaders.

Government Performance and Accountability Advisory Committee

- Initiated by newly elected Governor Kulongoski as an extension of Transition process. Composed of small and large business leaders.
- Charged with dual role of helping him manage declining resources of state government, and promoting economic growth that could produce future tax revenue.
- Staffed by Department of Administrative Services and Governor's Office leadership.

- State and community regulatory burden identified as a key barrier to business recruitment and growth.
- Governor's first Executive Order created Office of Regulatory Streamlining and directed agency heads to reduce regulatory burden on business growth.
- Program Director appointed from Economic Development Department staff, former staff director for Small Business Council.

Executive Order Directives

- All State agencies that regulate business activities to review regulations and regulatory processes to reduce un-necessary burden.
- Provide consistent and predictable regulatory application.
- Take a flexible, problem solving, approach where possible.
- Better coordinate or reduce overlapping regulatory processes.
- Provide faster, fairer, permitting and quick resolution of conflicting regulatory standards.
- Eliminate un-needed paperwork, and increase the use of technology for permitting and reporting processes.

Accomplishments

- Passed supporting legislation in 2003 legislature to establish process review standards and continuing business leader advisory groups.
- Conducted process quality and burden level opinion research of business community to develop priorities.
- Conducted multi-agency problem awareness and training workshops to help agency managers and staff better understand the impacts of excessive regulation.

- Coordinated development of a joint on-line regulatory information and support website.
- More than 40 state agencies have completed over 100 specific Streamlining projects, and 140 more are in process.
- Development of a central business registry site to reduce duplicate agency filings.
- Developed legislation for the current legislature to reduce burden and the costs of compliance.

Some Important Lessons Learned

- Streamlining and agency process efficiency aren't always the same thing.
- Cumulative impacts are more important than individual regulations.
- Many regulatory barriers were really created and supported by business or labor groups to reduce potential competition, and they will resist their elimination or streamlining.

Process Principles

- Use both Education and Advocacy.
- Have both Private and Public sector involvement.
- Get both Small and Large Business support.
- Use redundant, mutually supportive processes.
- Build evolving and inter-related organizations with common objectives.
- Stress cost reduction benefits for both business and government.
- Empower small business leaders with the belief that they can impact excessive government regulation.

References

www.Oregon.gov – Primary State web site
www.Streamline.Oregon.gov – Regulatory Streamlining web site
www.Oregon.gov/lic - Online License Directory
www.OregonBusinessPlan.org – Oregon Business Plan history and progress

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Wisconsin's Task Force on Small Business

Regulatory Reform

Pam Christenson
Wisconsin Department of Commerce
Bureau of Entrepreneurship

Getting the Reg Reform Ball Rolling

- **Buy-in from the Governor**
 - › *Executive Order creating a task force*
- **Buy-in from State Agencies**
 - › *WI Dept. of Commerce to staff/manage*
- **Buy-in from small business trade associations**
 - › *Willingness to participate*

Changing the Way Wisconsin Does Business

Who Made Up the Task Force?

- **Co-Chairmen**
 - › *Commerce Deputy Secretary*
 - › *NFIB State Director*
- **Ten Members Representing Small Businesses**
 - › *Business Owners (6)*
 - › *Trade Associations (4)*

Changing the Way Wisconsin Does Business

Task Force Members

- **Bar & Restaurants**
- **Dry Cleaners**
- **Hotels, Motels & Inns**
- **Construction**
- **Grocers**
- **Small Manufacturers**
- **Retailers**
- **Automotive Repair**
- **Trucking**
- **Agri-Business**

Changing the Way Wisconsin Does Business

Tasks of the Task Force

- **Regulatory Improvements**
 - › *legislative changes to ensure efficient and cost effective regulations*
- **Increased Compliance**
 - › *reduce negative impact of state rules*
 - › *without excess cost or inconvenience*
- **Regulatory Impact Analysis**
 - › *determine if a regulation will have a significant economic impact on a substantial number of small businesses*

Changing the Way Wisconsin Does Business

What the Task Force Did NOT Do

- **Eliminate regulations**
- **Seek exemptions for small businesses from rules**
- **Criticize specific agencies or particular rules**

Changing the Way Wisconsin Does Business

The Process

- 9 meetings over 7 months
- 99 regulatory issues and concerns identified and categorized
- Solutions for 50% of the issues and concerns
- Top 11 solutions turned into recommendations.



Outside Input

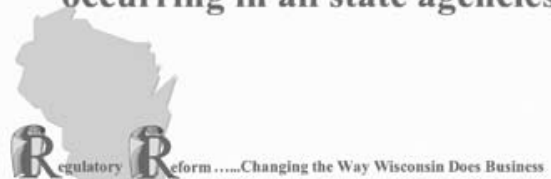
- Presented task force work to many different groups, organizations
- Three listening sessions around the state
- Agency briefing
- Websites set up for businesses to submit ideas, concerns, comments.



RECOMMENDATIONS



Create a
centralized website
housing new rules
and other regulatory actions
occurring in all state agencies.



Write clear cut rules
not subject to interpretation.
Use simple plain-language
and
reduce cross-referencing
to other statutes



Place a
Small Business
Regulatory Coordinator
within each agency to act as a
contact person on small business
regulatory issues and
rulemaking activities



Create a
***Small Business Regulatory
Review Board***

to enforce the components of the
Regulatory Flexibility Act
improving the way agencies
review rules for their impact on
small businesses.

  Regulatory ReformChanging the Way Wisconsin Does Business

***Provide an
additional 60 days
for small businesses to comply
with new regulations***

  Regulatory ReformChanging the Way Wisconsin Does Business

***Waive civil penalties
for violations a business
voluntarily discloses and corrects
in a reasonable amount of time.***

  Regulatory ReformChanging the Way Wisconsin Does Business

Require state agencies to either
justify
why regulations, permits and/or
licenses are still needed or
sunset
those rules/requirements.

  Regulatory ReformChanging the Way Wisconsin Does Business

***Update the Regulatory
Flexibility Act, Equal
Access to Justice Act and
Scope Statement***

within the Administrative Rule
process to clarify and promote
the original intent of the laws.

  Regulatory ReformChanging the Way Wisconsin Does Business

Adopt a state version of the
Federal Data Quality Act,
requiring agencies to
***ensure the quality of the
data used***
when issuing new regulations.

  Regulatory ReformChanging the Way Wisconsin Does Business

Allow for the judicial review of any penalties

resulting from actions (or inactions) taken by small business owners due to inaccurate or inconsistent information or advice received from state agency personnel.



Require an agency to include enforcement provisions in the regulations.

If the agency does not indicate how the rule will be enforced, the rule will not receive approval from the Small Business Regulatory Review Board.



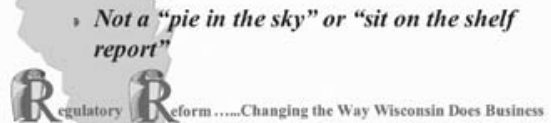
Recommendations to Legislation

- Recommendations incorporated into a bill. (SB100)
- Bill passed Assembly and Senate with bipartisan support.
- Governor signed into law March 2004. (2003 WI Act 145)



What We've Learned (on the reg reform process)

- Include state agencies
 - › this affects them...they will be nervous!
- Feed your task force well!
 - › Excellent participation
 - › Moved meetings around
 - › Great food and snacks!
 - › Not a "pie in the sky" or "sit on the shelf report"



What We've Learned (since implementing)

- Be clear on the time commitment
 - › reg review board members
- Beware of loopholes
 - › agencies will constantly refer back to state statutes
- Review agency rules as early as possible in the process



Questions or Comments?

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Office of Advocacy
U.S. Small Business Administration Conference
March 7, 2005
Washington, D.C.

Montana State University
*"Rural Entrepreneurship and
Economic Development"*

Economic Profile of the State of Montana

- Total population of 917,000
- 145,000 square miles
- 6.2 persons per square mile
- Mean per capita income is \$25,700--typically ranking Montana 47th to 50th annually in the United States
- In 2001, private non-farm employment totaled only 300,000 with the majority of those jobs in retail or other service (tourism) sectors.

The Alderson Program in Entrepreneurship

- Core skills/focused entrepreneurial skills
- Entrepreneurial experience: direct, intensive experience with businesses and science and technology entrepreneurs from proof of concept through competitor/market analyses to a capital pitch.
- Positive impact on the success of start-ups as students work directly with entrepreneurs and provide research on key business issues.
- Positive effect on rural economic development by increasing the probability that science and technology start-ups succeed.

The Alderson Program in Entrepreneurship

Core Managerial Base:

BUS 201—Managerial Communication
BUS 222—Managerial Accounting
BUS 301—Management & Organizations
BUS 341—Marketing
BUS 351—Finance
BUS 361—Introduction to Law

Entrepreneurship Focus:

MGMT 461—Small Business Management
MGMT 462—Entrepreneurship
Plus one (1) of the following:
MKTG 342—Marketing Research
MKTG 345—Professional Selling
MKTG 446—Marketing for Entrepreneurs

Entrepreneurial Immersion:

MGMT 463—The Entrepreneurial Experience

Mountains & Hinds
MONTANA STATE UNIVERSITY
The Center for Entrepreneurship for the New West

- A physical facility located within the venture incubator TechRanch chartered to assist entrepreneurs in the development of sustainable technology ventures.
- Students enrolled in Mgmt 463—The Entrepreneurial Experience—work side-by-side with entrepreneurs developing their businesses and MSU scientists who are assessing the commercial potential of their science.



Mountains & Hinds
MONTANA STATE UNIVERSITY
The Center for Entrepreneurship for the New West

- Students are mentored by a College of Business faculty member who serves as Director of Student Research Services in the Center
- Students are assigned to work directly with TechRanch clients and MSU scientists on a variety of projects
- Students provide 6-8 hours/week each of pro bono research where they are immersed in all aspects of the entrepreneurial cycle from concept to equity capital pitch.



Unique Features of the Alderson Program and the Center

1. *Students work side-by-side with entrepreneurs who are launching their businesses and with scientists assessing the commercial potential of their science.*

- Montana State University is one of the top 100 research universities in the country with annual research expenditures in excess of \$88 million.
- Internationally renowned research on campus: biotechnology and genetics, thermal biology, physics, and bio-films engineering.

Unique Features of the Alderson Program and the Center

2. *Students are able to interact with experts in entrepreneurship.*

- Through the faculty in the Alderson Program and the partnership with TechRanch, students discuss issues with a wide range of experts such as the Montana Congressional delegation, angel and venture investors, consultants, and other facilitators in the entrepreneur process.
- Students have access to multiple learning venues: TechRanch developmental seminars provided to clients, funding pitches made by entrepreneurs to either venture capitalists or angel investors. These learning venues surpass classroom learning and typical guest lectures.

Effects on Economic Development

1. *A culture of entrepreneurship.* Montana has relied on extractive industries and agriculture for its economic base, making the transition to a broader-based economy and a higher value-added agricultural economy is enhanced by the Program and the Center.

Effects on Economic Development

2. *Impact on job growth:* The Program and Center involve students in the development of new ventures which promote economic development through technology transfer and knowledge-based industries. To date, 32 companies with whom students have worked have added over 220 new jobs to the Montana economy. The Program and the Center are not being offered as the primary reason for job growth. But, the students provide important analytical work which contributes to success. Examples:

- *LigoCyte Pharmaceuticals* is a biotechnology company that uses proprietary technologies to develop therapeutic drugs and vaccines. The firm has used students for market analysis and has grown to 50 employees and over \$9 million in revenues since its inception 6 years ago.
- *Bacterin* manufactures and licenses proprietary bioactive coating technology with applications in multiple medical settings. Bacterin began with two part-time employees in 2001 and has grown to \$10 million in revenues and 30 employees. Students were involved at the earliest stages of development and provided product application and market analysis.
- *PrintingForLess.com* was launched in March 1999. Through an interactive web site, clients submit print jobs and see on-line proofs before the job goes to press. The firm logs 10,000 visitors to the Web site each day and converts 50 to new customers. Revenues have increased tenfold in four years and surpassed \$14 million for 2004. The firm also surpassed 100 employees in 2004. Working through the Center, students have provided segmentation analysis and market potential analyses.

What Can be Learned from this Initiative

Implement a rigorous academic curriculum. Training the next generation of entrepreneurs requires a rigorous curriculum in both entrepreneurship and basic managerial skills.


Provide sophisticated hands-on entrepreneurial experiences. To provide a potent developmental experience, students need to have hands-on experiences with all dimensions of entrepreneurship. It is not enough to have business students interact with other business students and develop business plans. Entrepreneurs face challenges and barriers that go well beyond the mechanics of the business plan: providing proof of concept, facing the ambiguities of the actual market, and securing angel and venture funding.

Promote interaction in existing businesses particularly science and technology. Having business students work with existing businesses particularly scientist and technology entrepreneurs, is a potent model. Applying the knowledge of process to complex current business situations and scientific discoveries offers a learning environment that expands students' capabilities in complex ways.

13 Transforming an Economically Depressed Region into a National Model for Rural Economic Development

Timothy V. Franklin


The Institute for Advanced Learning and Research



Transforming an Economically Depressed Region...
...Into a National Model for Rural Economic Development

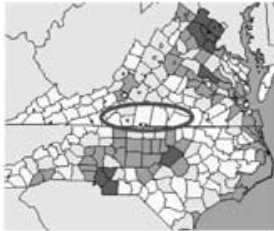
March 7, 2005

REINVESTING SOUTHSIDE.
REINVESTING IN VIRGINIA.
www.ialr.org




Southside Virginia: An Economically Depressed Region

- Four of the six counties comprising Southside face unemployment rates that are double the Virginia average
- 30% – 40% of population over 25 do not have a high school diploma or GED
- Lowest Median Household Income in Virginia



Legend
Data classes

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Problems in Southside Virginia

Market conditions work against self-correction
(What is of value to 21st Century Economy in Southside?):

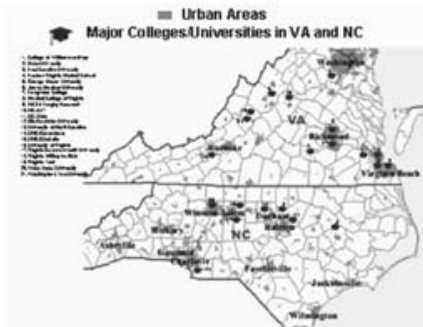
- Research universities are located in other places
- Critical infrastructure is developed in other places
- Talent migrates to other places
- High tech jobs are created in other places
- Growth happens in other places
- Wealth is created in other places

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Southside Virginia: An Economically Depressed Region

Urban Areas
Major Colleges/Universities in VA and NC



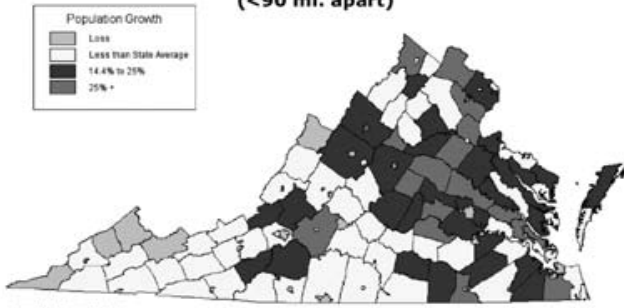
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Southside Virginia: An Economically Depressed Region

Virginia's Population Growth 1990-2000

Growth Connects the Va. Intellectual Hubs (<90 mi. apart)




Population Growth

- Less
- Less than State Average (14.4% to 25%)
- 25% +

Source: U.S. Bureau of the Census

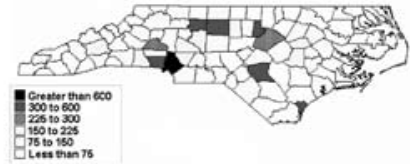
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Southside Virginia: An Economically Depressed Region


Growth Connects the NC Intellectual Hubs (<90 mi. apart)

Population Density 1970 (Persons/Square Mile)



- Greater than 600
- 300 to 600
- 225 to 300
- 150 to 225
- Less than 75

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Southside Virginia: An Economically Depressed Region

- Percentage of Population holding a Bachelor's Degree or Higher is Less than 10%



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A Plan for Change



Future of the Piedmont Foundation



Virginia Tobacco Indemnification and
Community Revitalization Commission

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Strategy: Asset-Based Economic Development

Target: Participate in the Innovation Economy

Create an Intellectual Hub: Attract and Develop College Educated Workers and Research & Development Dollars

- Bring University-led Research Activity to Region by Employing a Novel Distributed Research Model
- Spur Entrepreneurship, Expand Regional Business Capacity
- Academic Programs to Prepare Workers for Innovation Economy Jobs
- Provide Communications Infrastructure
- Facilitate Community Conditions that Support Economic Development Strategy

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Two Broad Initiatives



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Two Broad Initiatives



eDan



Regional Backbone Initiative

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Financial Commitments: 1/2000 – 6/30/2006

Private	\$ 5,950,369
Federal	20,613,472
State	
• General Fund	6,143,362
• Equipment Trust Fund	3,500,000
Tobacco Commission	
• Danville	\$ 9,500,000
• Pittsylvania County	9,500,000
• IALR	<u>2,805,205</u>
Tobacco Commission Total	\$21,805,205
IALR Total	\$58,012,408

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Regional Research, Technology and Education Center

The IALR will *develop and attract* technology and talent critical to Southside Virginia's economic transformation through:

Strategic Research and Technology Transfer

Advanced Learning

Outreach Programs

Commercial Opportunity Development (i.e., Institute Conference)

Advanced Networking & Technology

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Partnerships and Local Ownership

The Institute for Advanced Learning and Research's Partners and Stakeholders: A Snapshot



Distributed Research

- Advanced and Applied Polymer Processing Institute - AAPPI
- Institute for Sustainable and Renewable Resources - ISRR
- Joint Unmanned Systems Test, Experimentation, and Research Center - JOUSTER
- Virginia Institute for Performance Engineering and Research - VIPER

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Commercial Impact of IALR Research Centers

- Commercial Testing
- Technology Transfer
- Research and Development Dollars
- Number of College Educated Residents, Workers, and Visitors
- Private R&D Facilities



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Improving Southside Virginia's Human Infrastructure

- IALR Academic Programs
- IALR Community Outreach Programs



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Early Successes

Luna nanoWorks (Danville)
 Lindstrand (Halifax)
 Applied Felts (Martinsville/Henry)
 City of Danville and Pittsylvania County:
 2400+ New Jobs since 1/2004

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Moving Forward...

By 2010:

- 25 Eminent Scholars located at IALR
- 250 FTE graduate students
- As many as 1000 jobs created throughout Southside
- \$40 million in regional salaries
- \$2.2 million in state tax collections
- \$25 million in research & development
- \$80 - \$120 million in regional economic impact

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Lessons Learned

- Research First with Major Research Institution
- Critical Mass of Scholars
- Local Ownership in Governance
- Stewarding Institution with Program Partners
- Market- versus Provider-Driven Funding Model
- Assets versus Incentives
- Holistic Approach

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