

# **Growing Entrepreneurial Economies: Resources, Promising Practices & Lessons Learned**

*Virginia Institute for Economic Development*

*Richmond, VA*

*September 25, 2019*



# Cooperative Extension @ Virginia Tech

- Virginia Cooperative Extension combines the resources of Virginia's two land-grant universities – Virginia Tech and Virginia State
- Financial support provided by USDA, Commonwealth of Virginia, 100+ municipalities, and private sector donors
- Local Extension Agents and Statewide Extension Specialists are a network of 300+ educators whose “classrooms” are communities, homes & businesses:
  - Place trustworthy scientific knowledge from universities and others in the hands of Virginians empowering them to improve the quality of their lives.
  - Apply research-based, data-informed solutions to challenges and opportunities faced by people and places.
  - Collaborate with public and private sector organizations and volunteers to reach larger, more diverse audiences and leverage the impact of our work.

## We have the commonwealth covered

- 107 Local Extension Offices
- ◆ 11 Agricultural Research and Extension Centers
- ▲ Two Departmental Research Centers
- Six 4-H Educational Centers
- ★ Virginia Tech, Blacksburg campus
- ★ Virginia State University, Petersburg



# Community & Economic Development @ VCE

- VCE Leadership wants the agency to emerge as an “indispensable resource for communities” working beyond its traditional concerns and constituencies
- Explore ways to increase intersections between VCE & the broader community, economic and entrepreneurship development universe in Virginia
- A new program approach = catalyst, communicator, connector, convener
  - Developing partnerships to create and enhance local ecosystems for place revitalization, small business development and creative entrepreneurship.
  - Creating programs and initiatives that enhance community, economic & entrepreneurial development in and around the Commonwealth.
- Three traditional program areas: Agriculture & Natural Resources, Family & Consumer Sciences, 4-H Youth Development
- Six new interdisciplinary, cross-cutting program themes: Communities, Economy, Families, Food, Health, Youth
- **VCE absorbed Virginia Community Economic Network and VT KnowledgeWorks programs in December 2016.**

# Agribusiness Development @ VCE

## ➤ Virginia Beginning Farmer & Rancher Coalition Program

➤ <https://www.vabeginningfarmer.alce.vt.edu/>

## ➤ VT Food as a Business Program

➤ <https://ext.vt.edu/food-health/food-business.html>

## ➤ VT Food Innovations Program

➤ <https://ext.vt.edu/food-health/food-innovations.html>

## ➤ VT Agritourism Programs

➤ <http://ext.vt.edu/agriculture/agritourism.html>

## ➤ VT Farm Transition Workshops & Resources

➤ [http://www.pubs.ext.vt.edu/tags.resource.html/pubs\\_ext\\_vt\\_edu:farm-transition-planning](http://www.pubs.ext.vt.edu/tags.resource.html/pubs_ext_vt_edu:farm-transition-planning)

## ➤ VSU Small Farm Outreach Program

➤ <https://www.ext.vsu.edu/small-farm-outreach-program-1/>

## ➤ VSU Family Financial Management Program

➤ <https://www.ext.vsu.edu/financial-management/>

# The Entrepreneurship Movement?

- Anyone who organizes and manages an enterprise with considerable initiative and risk
- Since the Recession ended, policymakers, communities and the media increased their attention to entrepreneurs (The “Shark Tank” Effect)
- 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
- Types of firms
  - Self-Employed: Account for the vast majority of new businesses
  - Lifestyle Business: Goal is self-employment (often family-owned – “Mom & Pop”)
  - High Growth: Seeks fast growth for, and investment in, a company
- Most entrepreneurial ventures do NOT have employees
- 80% of Americans believe that entrepreneurs are critical to job creation

# The Academic Lens

*Virginia Tech Office of Economic Development:*

- **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).
- **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.

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

- Small Business Ownership is the 2<sup>nd</sup>-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).



# 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)
  - 1<sup>st</sup> for Growth Entrepreneurship (out of 25 largest states)
  - 12th for Main Street Entrepreneurship (out of 25 largest states)
  - 17<sup>th</sup> 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?**

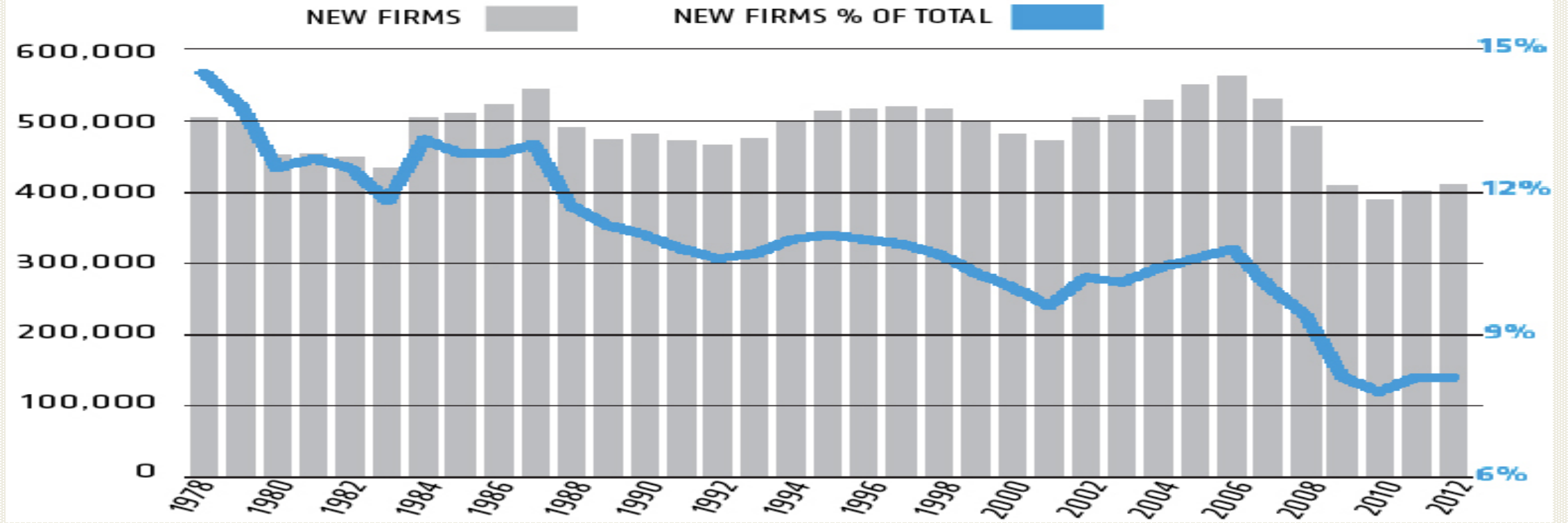
# Virginia Companies by Workforce Size

<u>Employees</u>	<u># of Companies</u>	<u>% Total</u>	<u>% State GDP</u>
1-10	194,366	77%	24%
11-100	52,740	21%	34%
101-250	3,643	1.5%	13%
250+	1,368	0.5%	29%
All Companies	252,117	100.0%	100%

*Sources: VEDP IMPLAN/NETS; VEC Q4 2016 QCEW; BEA*

# CHARTING THE STARTUP DECLINE

According to Census Bureau data reported by the Kauffman Foundation and the Brookings Institution, the number of new companies as a share of all U.S. businesses has dropped 44 percent since 1978.



Source: Inc. Magazine

# 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.*



# It's Complicated

- Getting to know the universe of available resources in Virginia is challenging
  - Over a dozen state government agencies spread across five Cabinet secretaries support some form of small business development
  - 50+ regional planning commissions, regional economic development organizations, workforce development boards & other quasi-governmental entities with similar responsibilities.
  - 300+ municipal governments (95 counties, 38 cities, 190 incorporated towns) with dizzying arrays of tools and regulations pertaining to small businesses
  - 38 public higher education institutions (23 community colleges, 15 universities) charged with enhancing economic development via research, workforce education and startup formation.
- Research indicates that over 300 public and private organizations are actively supporting and serving entrepreneurs in the Commonwealth in some manner.
- The wide variety of programs and organizations can prove confusing to even the savviest entrepreneurs!

# The Maze of Methods & Models

- **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

# Key Federal Resources

- The *US Small Business Administration Richmond District office* serves most Virginia communities and administers a variety of leading programs. Visit: <https://www.sba.gov/offices/district/va/richmond>
- *USDA's Rural Development State Office* serves as an information gateway to accessing a variety of business-building services. Visit: <https://www.rd.usda.gov/va>
- *Service Corps of Retired Executives (SCORE)* provides volunteer business counselors who are usually experienced entrepreneurs and executives trained to work with entrepreneurs. Visit [www.score.org](http://www.score.org).
- *Virginia Procurement Technical Assistance Center (PTAC)* offers free and low-cost assistance to businesses who want to participate in local, state and/or federal government contracting: <https://viriniaptac.org>
- *Internal Revenue Service (IRS) Stakeholder Liaison for Virginia Small Business* (Anna Falkenstein, 804-916-3848-office, 703-581-8688-cell): <http://www.irs.gov/smallbiz>



# Key State Resources

- *VA Small Business Development Center Network (SBDC)*
  - 20+ centers provide free/low-cost assistance, esp. business and financial planning
  - visit <http://www.virginiاسبdc.org> to find the SBDC nearest to you.
- *VA Dept. of Small Business and Supplier Diversity (SBSD)*
  - staff based around the state plus online trainings and material.
  - visit [www.sbsd.virginia.gov](http://www.sbsd.virginia.gov) for access to their resources.
- *VA Dept. of Housing and Community Development*
  - offers technical assistance programs to communities to support entrepreneurs.
  - visit <https://www.dhcd.virginia.gov/> and select Business for a list of programs
- *Virginia Career Works*
  - *revamped workforce development programs with enhanced business services*
  - Visit <https://virginiacareerworks.com/> (see: Employers)

# More State Resources...

- *VA Tourism Corporation (VTC)*
  - statewide staff and resources to support development, expansion & marketing.
  - visit <http://www.vatc.org> (see: Tourism Development) for contacts and services.
- *VA Dept. of Agriculture and Consumer Services*
  - statewide staff promotes agriculture, consumer protection & environment.
  - visit <http://www.vdacs.virginia.gov/> (see: Agriculture & Forestry Development)
- *VA Economic Development Partnership*
  - state, national & global staff promoting business recruitment, expansion & trade
  - visit <http://www.vedp.org> and scan for resources for existing businesses
- *VA Office of Outdoor Recreation*
  - brand-new programs to support the outdoor recreation industry
  - visit <https://www.governor.virginia.gov/outdoor/> for more info

# 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)

# On the Horizon

- Working with two national organizations - CO.Starters and StartupSpace - to develop a simple, easy-to-use web-based directory of entrepreneurship and small business resources in Virginia
- Based on the information gathered by the SourceLink Virginia project (2014-2019) that ended in July 2019.
- Expected to go live in Fall 2019 as “StartupSpace Virginia”
- Stay tuned!

CO.STARTERS®



# 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!*

For more information

***Growing Local Economies through Entrepreneurship:  
A Guide for Community Leaders***

**<https://www.pubs.ext.vt.edu/AAEC/AAEC-165/AAEC-165.html>**



COLLEGE OF  
AGRICULTURE AND  
LIFE SCIENCES  
VIRGINIA TECH.

**Questions?**

**Comments?**

**Ideas?**



# Stay in touch

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