STRENGTHENING
OUR LOCAL
ECONOMIES

Delta Regional Authority
Small Business and Entrepreneurship Policy Framework
ACKNOWLEDGEMENTS

This report was prepared by Dr. James L. Stapleton, Executive Director of the Douglas C. Greene Center for Innovation and Entrepreneurship (CIE) at Southeast Missouri State University, under the leadership of Delta Regional Authority, Federal Co-Chairman, Chris Masingill.

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About the Douglas C. Greene Center for Innovation & Entrepreneurship

The Douglas C. Greene Center for Innovation and Entrepreneurship at Southeast Missouri State University supports the University’s strategic priority to advance the region’s economic appeal and strength by leading in the development of an increasingly entrepreneurial economy that inspires and encourages individuals to adopt a culture of creativity, innovation, and entrepreneurship. The Center stimulates entrepreneurial growth and development that improves the quality of lives, communities, and businesses in Southeast Missouri and beyond through the delivery of a nationally-recognized set of academic, co-curricular, and outreach services programs.

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Since I was appointed to this position, I have said that one of the most important things the Delta Regional Authority (DRA) can do is work with federal, state, and local partners to establish the conditions under which innovative, entrepreneurial endeavors can take root and grow throughout the Delta region.

While we are hopeful about the progress our economy is making as we continue the long road to recovery after one the worst economic recessions in the history of our country, we’re not satisfied. That’s why we worked with the White House Rural Council over the last year to host roundtable discussions throughout the region. We hosted additional various local meetings to discuss a variety of specific topics related to small businesses and entrepreneurship. The result was an outstanding listening tour that allowed us to hear from hundreds of small business owners and entrepreneurs, economic and community leaders, and elected officials. We asked lots of questions, and we heard you loud and clear. The most important issue facing the region is job creation.

We know that most jobs created in the Delta region are the result of locally-owned small businesses. We also know that entrepreneurs are the key to entrepreneurship. The DRA’s Small Business and Entrepreneurship Policy Framework is a comprehensive strategy that will lead our efforts to develop more entrepreneurs with the skills and tools they need to create innovative, job-creating businesses.

I look forward to working with the amazing and dedicated leaders in our region to transform community economies throughout the Delta. This transformation will take time, commitment, and determination, but I’m confident that the resulting entrepreneurial ecosystem will improve the quality of lives, businesses, and communities in the Delta.

Sincerely,

Christopher Masingill
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One of the most important things the Delta Regional Authority (DRA) can do is work with federal, state, and local partners to establish the conditions under which innovative, entrepreneurial endeavors can take root and grow throughout the Delta region. The core mission of economic development policy is to enhance economic well-being by creating jobs and personal income, which improve the quality of lives, businesses, and communities. The jobs that produce economic wealth are created by entrepreneurs who identify market opportunities and build businesses that make the most of them. An effective system of developing entrepreneurs and supporting local enterprises is essential to successful economic development and has the potential to transform community economies throughout the Delta region.

Despite widespread evidence of the increasing difficulties and inefficiencies of business attraction strategies, state economic development agencies are planning to invest nearly 30% more in 2013 than they did in 2012 on these strategies (Poole, 2012). Many agencies and local leaders in the Delta region are still focused on attracting large companies in hopes they will immediately create a large number of jobs. According to a recent study of job creation and elimination over the last eighteen years in the Delta region, locally-owned companies with nine or fewer employees were responsible for 91% of the job gains in the Delta region in the past eighteen years. (Stapleton, 2012)

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Stapleton, 2012

Due in part to the changing nature of global competition, the relative importance of locally accelerating innovation, entrepreneurship, and small business growth has never been greater. A broadly endorsed strategic approach to strengthen regional and community economies
developed by Lichtenstein and Lyons (2011), posits that effective entrepreneurship and small business development policy focuses on connecting the dots or silos of the support infrastructure in a way that makes it easier for entrepreneurs and small business owners to find their way to the right service, at the right time. Such a systems approach also facilitates the identification of gaps in the infrastructure that can be filled more effectively and without duplication of effort. The system prioritizes the need to build a pipeline of entrepreneurs and business owners at one end and supportive entrepreneurial communities in which these enterprises can grow at the other.

The systems approach advocated in this policy framework has a number of key components that collectively contribute to the development of more entrepreneurs and small business owners who are better skilled and, in turn, create and grow stronger, more productive and competitive businesses. The components of the framework provide a roadmap that will guide the Delta Regional Authority’s Small Business and Entrepreneurship Initiative.

Formulating regional small business and entrepreneurship policy.

The DRA’s Small Business and Entrepreneurship Policy Framework will guide the agency’s continued development of a community-based entrepreneurial ecosystem. It sets out a structured framework of relevant policy areas, embedded in an overall strategy to guide the process of creating environments in the communities within the federally designated Delta region and facilitating the emergence of entrepreneurs, acceleration of start-ups, and the growth and expansion of small businesses.

The DRA set out to build this roadmap by gathering input from stakeholders by hosting a number of regional and local meetings in 2011 and 2012. Federal Co-Chairman, Chris Masingill, and the DRA staff, in conjunction with the White House Rural Council, traveled throughout the region with a variety of federal partners hosting roundtable discussions located in: Union City, TN; Mayfield, KY; Selma, AL; Pine Bluff, AR; Houma, LA; and Bastrop, LA. The Chairman and DRA staff also hosted numerous local roundtable discussions on a variety of small business and entrepreneurship topics. The result was a listening tour with hundreds of small business owners, economic and community leaders, and elected officials.

At these meetings, a considerable number of issues were discussed that dealt with significant challenges and opportunities facing rural communities in the Delta region. Consistent topics included education, health care, access to capital, workforce development, broadband and other infrastructure needs, and government relations, among others. However, one topic rose well above the others—jobs.
Focus of the small business and entrepreneurship policy framework.

The DRA’s Small Business and Entrepreneurship Policy Framework focuses specifically on policy areas aimed at creating an entrepreneurial ecosystem in local communities that will develop more skilled entrepreneurs, lead to the creation of more job-creating new businesses, and help small businesses grow.

The policy areas focused on small businesses and entrepreneurship in this framework interact with broader economic development policies and cannot, of course, be treated separately. The system advocated in this framework requires contributions from a variety of stakeholders that will create mutually beneficial relationships and work toward a common goal. It includes entrepreneurs and innovators, existing businesses (large and small), elected officials and policy makers (local, state, and federal), educational institutions (all levels), social networks, and community advocates.

Key components of the small business and entrepreneurship policy framework.

The framework recognizes that in designing regional entrepreneurship policy one size does not fit all. It highlights key policy areas and suggests policy objectives in each area. The DRA has identified five priority areas that will guide its Small Business and Entrepreneurship Initiative. These are: (1) developing a pipeline of educated and skilled entrepreneurs; (2) cultivating technology exchange and innovation; (3) improving access to capital; (4) promoting awareness and advancing market opportunities; (5) and optimizing the regulatory environment.

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The critical determinant of a region’s economic vitality is the quantity and quality of its entrepreneurs and how well they are matched to the market opportunities they pursue (Lichtenstein & Lyons, 2001). For the Delta region to have a thriving entrepreneurial economy, it must have a supply of entrepreneurs who are capable of building successful companies in sufficient numbers to create wealth for the entire economy. Not all regions have a large existing pool of potential entrepreneurs who can be successful transforming ideas into vibrant businesses. Entrepreneurship is a set of skills that can be taught (Sparks & Waits, 2012). As with any other workforce training initiative, a pipeline of entrepreneurs can be developed.

Entrepreneurial skills include attitudes (soft skills), such as persistence, networking and self-confidence on the one hand, and enabling skills (hard skills) on the other hand, including basic start-up knowledge, business planning, financial literacy and managerial skills (Fiorina & Farinelli, 2012). Effective entrepreneurship policies and education programs focus on developing these entrepreneurial competencies and skills in formal and informal education at all levels. The aim is not only to strengthen the capacity and desire of more individuals to start their own enterprises, but also to develop an entrepreneurial culture in society—more individuals thinking and acting entrepreneurially. A region’s supply of entrepreneurs cannot be taken for granted; it is also not acceptable to argue that nothing can or should be done to change it.
Teach entrepreneurship in formal and informal education at all levels.

Perceptions and attitudes about entrepreneurship and other career fields start at a young age. Until recently, entrepreneurship education was not an explicit part of the curriculum of educational institutions at any level. In most situations, various aspects of entrepreneurship-related hard and soft skills are embedded in basic subjects. In order to develop a pipeline of educated and skilled entrepreneurs, entrepreneurship education should be mainstreamed into the formal curriculum from elementary school to college and beyond.

Entrepreneurship education at the primary level typically focuses on soft skills — awareness and the development of entrepreneurial behaviors (e.g. risk-taking, teamwork skills, and opportunity-seeking). However, a growing number of youth curricula provide increased development of technical skills that provide an engaging context to enhance achievement in academic core subjects such as math and language arts. Interactive games and online tools have also proven effective.

At the secondary level, students need to be informed about self-employment as part of career development. Students also need to learn basic business skills, such as economics, marketing, and introductory business law, preferably in an entrepreneurial context and with the option to complete a standalone entrepreneurship course. The implementation of extra-curricular activities including visits to local businesses and internships establish meaningful links with the local community (Fiorina & Farinelli, 2012).

In addition to embedding entrepreneurship education at all levels of the formal education system, informal programs are useful to extend reach to potentially underserved groups without access to school-based offerings. After school and community based programs provide unique opportunities to connect student with mentors and extend the reach of formal education into the community.

Cultivate entrepreneurship across college and university campuses.

A study by Babson College found that taking just two entrepreneurship elective courses in college increased the likelihood that students would start a company after graduation or later in their careers.

Lange, Marram, Jawhar, Yong, & Bygrave, 2011

At the higher education level, entrepreneurship courses and programs should be made available to all students—not just those studying business. Vocational students greatly expand their career mobility by combining entrepreneurship skills with technical skills. Like other emerging industries, pathways to organize the development of these additional skills are provided by the Department of Labor’s Entrepreneurship Competency Model (Career One Stop, 2012). To expand the capacity for skilled technicians to become skilled entrepreneurs, entrepreneurship competencies should be integrated into vocational curricula.
According to the Kauffman Foundation, entrepreneurship is one of the fastest growing postsecondary areas of study in U.S. Although models vary greatly, over 700 entrepreneurship programs can be found in colleges and universities across the nation. While many institutions embraced entrepreneurship by offering entrepreneurship courses in their business schools, the curricula has expanded into major and minor degree programs, and entrepreneurship is being integrated within disciplines across campus.

Effective university-level entrepreneurship curricula introduce experiential learning that encourages practical experience and learning-by-doing. Universities are devoting efforts to connect students to alumni and mentors in the community and exposing students to prominent entrepreneurial leaders through speaker series and field investigations. Others have focused on supporting students in their start-up efforts by providing competitions, incubation, and other incentives. Yet other campuses have created entire centers devoted to the advancement of entrepreneurship.

Entrepreneurship is already a routine human behavior and undeniable catalyst of regional economies. But it’s important for students to learn the difference that entrepreneurship makes for it to become a more routine subject of study and thought.

**Develop entrepreneurs with the skills needed to climb the ladder.**

Lichtenstein & Lyons (2010) call for a shift in economic development focused on entrepreneurship: shift the focus from tools to the entrepreneurs. If it is accepted that entrepreneurship lies at the essence of successful economic development, then it follows that the focus of successful economic development should be on the development of individual entrepreneurs and their companies.

In their seminal work in 2001, Lichtenstein and Lyons provided a systems approach for developing entrepreneurs. The system they refer to as "pipeline of entrepreneurs and enterprises" is founded on the principle that what determines one’s potential for success as an entrepreneur is the levels of skills in creating and operating new businesses. That is to say, entrepreneurs come to entrepreneurship at different levels of skills; and, entrepreneurial skills can be developed.

The authors assert that the skills entrepreneurs must master include four dimensions: technical, managerial, entrepreneurial, and personal maturity. The image of rungs on a ladder is used to illustrate the progress an entrepreneur can make up the ladder as they increase their skill levels in these functional areas. This means that the material in any curriculum, and the coaching or mentoring in any program, must meet individual entrepreneurs where they are, providing a pathway for entrepreneurial skill development and growth.
Leave no aspiring entrepreneurs behind.

In order to create a pipeline of entrepreneurs, it’s important to recognize the entrepreneurial capacity in unsuspecting groups. Americans between the ages of 55 and 64 had a higher rate of entrepreneurial activity than those ages 20 to 34 in each year from 1996 to 2008 (Stangler, 2009). In addition to baby boomers, women and minorities are among the fastest growing groups of new entrepreneurs.

Similarly, it’s critical not to overlook the significant part that immigrants play in starting new science and technology firms (Sparks & Waits, 2012). One study found that 25 percent of new computer and information technology firms formed between 1995 and 2005 had one or more immigrants among their founders (Wadhwa, Freeman, & Rising, 2008).

As stubborn unemployment and underemployment persists, many individuals have turned to self-employment. The recent announcement by the Department of Labor of its Self-Employment Assistance Program (SEAP) is driving some additional efforts to support unemployed individuals in becoming entrepreneurs (Self Employment Assistance, 2012). In addition to those attempting to reenter the workforce from unemployment, an increasing number of veterans are returning from active duty and have the capacity to leverage their technical and leadership skills to become successful entrepreneurs.

CULTIVATING TECHNOLOGY EXCHANGE AND INNOVATION

Entrepreneurship, technology, and innovation have always been key drivers of economic success. Technology provides entrepreneurs with new tools to improve the efficiency and productivity of their business or with new platforms on which to build their ventures. In turn, entrepreneurs fuel technological innovation by developing new or improving existing products, services, or processes, and ensuring commercialization (Fiorina & Farinelli, 2012).

The importance of innovation has grown in recent years, as those who create and apply new knowledge capture more and more of the value generated in the economy. As the economy
has globalized and entrepreneurs everywhere are eager to figure out how to replicate techniques and technologies at lower costs and even at faster speeds, the real challenge is increasingly that of continuous innovation (Cortright & Waits, 2012).

Although the focus of innovation is often on major scientific breakthroughs and technology industries like biotechnology—which are critical types of innovation—innovation actually takes many forms. As competition increases within nearly all supply chains and sectors, innovations that command higher prices, lower costs, or add value are increasingly important in all industries. As Michael Porter told the nation’s governors in 2011, “If a company in your state is doing the same thing that it did 10 years ago—using the same production processes, producing the same products—it’s going to be very hard to succeed” (Porter, 2011). This is particularly relevant in the Delta and other mostly-rural regions, as the majority of innovations stem from incremental advancements in traditional sectors, including agriculture, retail, and services.

Promote development of innovation clusters.

Competitive industrial or innovation clusters, in which businesses reap the benefits of physical proximity and horizontal networks, do not pop up randomly. Innovation clusters can be built and strengthened from the interconnection of companies, universities and educational institutions, government agencies, and others that collaborate to build an ecosystem that supports the competitiveness of the cluster (Fiorina & Farinelli, 2012) (Sparks & Waits, 2012). There is solid economic evidence that clustering helps improve worker productivity, produces higher wages, promotes innovation, accelerates local job growth, and promotes entrepreneurship (Delgado, Porter, & Stern, 2010).

Cluster initiatives succeed by helping local enterprises improve information flows across sectors and by building a repository of specialized expertise, technology, and institutions to help companies continuously improve and compete. These efforts facilitate entrepreneurship by providing entrepreneurs opportunities to create ideas and businesses that further enhance cluster strength. Important to the local economy—these ventures are planted and grow in the local area.
**The benefits of innovation clusters tend to be regional.** Innovation and the capacity for innovation tend to be clustered in particular places, often where there are natural and other local resources that are leveraged for comparative advantage. All firms in the region stand to benefit directly and indirectly from the cluster, due to the knowledge and innovation capacity generated by the players in the cluster. The benefits of innovation clusters are also shared by large and small companies. Large companies that develop the capacity of local entrepreneurs to develop and transfer technology benefit by having access to a supplier network which can quickly and flexibly meet their needs.

**Target existing companies with growth potential and aspirations, and help them grow—locally and globally.**

If supporting the creation of more start-up businesses in the Delta region is one of the best strategies to spur job growth, supporting growing companies or those positioned to grow, follows closely. According to a report published in 2011 by the National Federation for Independent Business, the biggest concern among small business owners has not been taxes or regulations or capital, but the simple lack of demand. Many business owners are not interested in growing their companies.

> Only 25% of the CEOs running businesses in the U.S. want their companies to grow.  
> (Clinton, 2011)

According to research by Gallup, only 25 percent of the six million CEOs running businesses in the United States want their companies to grow (Clinton, 2011). Those CEOs aspire to lead their companies on a trajectory of high growth, to build revenues, and add jobs to the economy. The other 75 percent of U.S. companies are in business to provide a salary substitute to their owners, or because the owners are interested in being their own boss or maintaining a certain lifestyle, that most likely won’t require them to grow their companies significantly. All employers are extremely important to the Delta region economy, but these companies should not be confused with the companies that have the capacity and interest in growing rapidly.

**Economic gardening** is a development model that seeks to create jobs by supporting existing companies in a community. The key to the concept, which was pioneered in the late 1980s in Littleton, Colorado, is to connect entrepreneurs to resources that provide competitive intelligence on markets, customers, and competitors customarily available only to large companies. Although no formal research has been completed, the anecdotal results have been impressive in Littleton, where they have added over 15,000 new jobs with no incentives. Key to the strategy employed in Littleton was the recognition that a small number of firms had the capacity (second-stage businesses with 2-9 employees) and interest in growing rapidly.

**Economic gardening is the philosophy growing economies from the inside out, by supporting second-stage business growth.**  
Edward Lowe Foundation
Although a company’s first customers tend to be local, a step necessary for continued rapid growth for some entrepreneurs is to find customers worldwide. High-growth companies may have to find customers in emerging markets or integrate into global supply chains. Economic data illustrates that firms that operate in traded sectors or clusters, where goods and services are sold into broader national and global markets, contribute significant value to their local and regional economies. Firms that sell into global markets tend to provide higher wages (Istrate, Rothwell, & Katz, 2010), can spread the costs of technology and capital investments across more customers (Jones & Romer, 2010), and are more likely to improve performance to maintain competitiveness. Furthermore, according to the Organization for Economic Co-operation, global markets are projected to grow at more than twice the rate of the U.S. markets through 2013.

For these reasons, policies—if they are focused on job growth—are wise to emphasize identifying and nurturing companies with the capacity to rapidly grow, businesses. High-growth companies exist across all industries and in virtually every region, unlike the common belief that these companies have to be high-tech.

### Foster collaboration among universities, companies, and entrepreneurs.

Innovation is increasingly dependent on the interaction between the government, academia (i.e. public and private education institutions, universities, and research laboratories), and the private sector (Fiorina & Farinelli, 2012). Universities and colleges have the capacity to move beyond the confines of the primary academic mission and to become actively involved in the innovation and entrepreneurship development process by fostering commercialization of their research—basic and applied, by focusing on market needs. From an economic development standpoint, the primary goal of these collaborations is development and exchange of information, ideas, and technologies that manifest into commercially viable products, services, and high-tech ventures.

### Support high-tech start-ups.

The link between university research and the private sector is often cultivated in incubators, technology hubs, and research parks. These facilities establish spatial agglomerations of growth-oriented firms and provide a range of services to support their technological innovations. They are often located close to universities and provide a range of core support services and targeted business development programs, and mentoring and coaching services on technical, management, and development issues. A range of models exist, from highly specialized services for a small number of firms with specific sector focus to broad services for a larger number of firms with a general focus.

A report titled Startup Act for the States, published by the Kauffman Foundation of Entrepreneurship in 2012, called into question the effectiveness of these initiatives, despite the widespread development across the U.S. The report posits that historically, when considering the considerable public investments, these efforts have, to put it mildly, underperformed. The report goes on to say that while universities,
even relatively small ones, contribute considerable knowledge creation that impacts regional economies, the system of moving innovations and ideas out of universities and into the marketplace where it can have an impact is highly inefficient and bureaucratic.

With fewer barriers between academia and the private sector, research can be more in tune with the needs of the market and have a bigger impact on the regional economy. At the same time, private firms will be increasingly interested in training, sharing of knowledge and collaboration with universities.

IMPROVING ACCESS TO CAPITAL

Although small business credit markets have improved, and the demand for small business loans started to increase in 2010, according to the Federal Reserve and the National Federation of Independent Business (NFIB), anecdotal evidence shows that supply is not meeting demand for small business credit from the borrower’s perspective (Booze, 2011).

For most kinds of consumer and business investment in the United States, capital is widely and, in most cases, equally available across the nation. Accordingly, research has determined that capital plays only a limited role in explaining variations in long-term economic growth rates. Two key exceptions to the limited effect of variations in capital availability would seem to be, one, risk capital for new and high-growth businesses, and, two, lack of adequate access to debt and equity for businesses in rural and economically distressed areas (Cortright & Waits, 2012).

Capital to innovators and entrepreneurs is analogous to fuel for an automobile—without it, nothing happens. Where there are market gaps and access to traditional bank financing is limited in the Delta region, alternatives must be developed. Capacity to attract and develop alternative sources of capital such as microfinance, angel investment, and venture capital is
essential to provide seed capital and gap financing to entrepreneurs with the ability to successfully launch new ventures. For those that have struggled to maintain credit worthiness and need a second chance, asset and credit building tools are equally important.

Promote funding for innovation and high-growth start-ups.

Entrepreneurs that are developing technology or high-growth companies have distinct capital needs compared to start-ups built around replicative business models. As noted by New Jersey based venture capital firm, Battelle Ventures, technology-based firms require high-risk or venture capital investments in the early stages of the design and development of products and services, long before the firms have the capacity to support debt costs. It’s these seed investments that ultimately determine whether innovative start-ups are ever formed.

Although conventional business financing for working capital, property, and equipment is generally accessible throughout the U.S., venture capital—equity investments in high-risk startups, especially in the early stages of development—is very concentrated in just a few regions of the country. Seventy-five percent of venture capital investments in 2010 were made in five states. New York, the San Francisco Bay area, and the Boston area have accounted for a majority of national venture capital investment over the past several decades (Lerner, 2010). According to Ernst & Young (2011) U.S. venture fund investments increased by 5 percent in 2010, but the number of funds decreased by 12 percent.

Fortunately, alternatives to venture capital exist. Angel investors are individuals that invest personal wealth in start-up companies that meet one or more dimensions of the investor’s personal mission or interest. Moreover, the Small Business Administration provides funding for Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs, which provide early stage funding before venture capital is available (Sohl, 2011).

Increase access to alternative financing for entrepreneurs in rural and distressed communities.

According to Cortright & Waits (2012) a major barrier to entrepreneurs in the distressed communities in rural regions is access to adequate financing. An emerging approach across the U.S. aimed to fill this market failure is microlending. Microlending is a relatively new approach to financing in the U.S. provided by mostly non-profit financial intermediaries that make small loans (typically under $50,000) to entrepreneurs and small business owners who may not be eligible for traditional bank financing. The lenders raise funds from private and public sources. The Small Business Administration, Department of Agriculture, and Department of Treasury all have programs that make low interest loans available to
microlenders. Funds garnered from private sources, often grants from large financial institutions and foundations, help reduce the interest rates charged by the lenders by off-setting overall fund costs.

According to the Association for Enterprise Opportunity, businesses with less than five employees currently make up eighty-eight percent of all United States businesses. However, even with this huge potential market, less than one percent of microentrepreneurs in the United States have received microloans to date (Richardson, 2009).

One of the challenges of microlending is that many of the potential borrowers lack adequate knowledge and skills in finance, accounting, and business planning. Given the additional risk of lending to borrowers labeled as high-risk by traditional financing sources, local mentoring, technical assistance, and support is required to cultivate a successful relationship between the lenders and borrowers.

Provide asset and credit building tools.

According to the Aspen Institute, in today’s economy, a good credit score in an important financial asset allows families to access resources, and in some instances, reduce their cost of living. Many low-income entrepreneurs in rural and distressed regions lack significant credit experiences or have damaged credit histories that make it challenging for them to access business loans at affordable interest rates.

Traditional credit counseling is useful to identify steps that will reduce or eliminate credit file histories with inaccurate or resolvable entries. Unfortunately, these actions have a limited positive impact on the credit score because higher credit scores require positive credit histories. Many people are trapped. They can’t increase their credit score, because they can’t access credit.

Credit building tools extend the value of credit counseling by providing good lines of credit history using financial products like credit builder loans and secured credit cards. As individuals acquire and repay small amounts of credit, their credit scores will rise and begin decreasing the cost of credit. Not only does this save families money, since most microentrepreneurs rely heavily on personal assets, it enables low-income entrepreneurs to access the capital needed to sustain and grow their businesses.
Fostering an entrepreneurial culture that values entrepreneurs and entrepreneurship is a key determinant of the successful transformation of community economies. An entrepreneurial culture is also a crucial factor to overcome the culture of dependency on employers. Especially in rural communities, leaders must make concerted efforts to publicize the economic and social impact of entrepreneurs and entrepreneurship. Entrepreneurs should be cast as role models, like local sports heroes, by showcasing and celebrating their business developments and successes. It’s critical that members of the community begin to see entrepreneurship as a viable and rewarding option.

Entrepreneurs benefit greatly from supportive environments and cultures. It’s well documented that the first five years of a new business is the most challenging for the entrepreneur (Walls, 2011). This is a time when connecting entrepreneurs with start-up experts, industry experts, and mentors with extensive business skills offers considerable value and may determine the ultimate success or failure of the venture. According to U.S. Census data, only 48.7 percent of the new establishments started between 1977 and 2001 were alive at age 5 (Strangler & Kedrosky, 2011).

What if we celebrated local entrepreneurs as much as we do local athletes?
James Stapleton, 2012

Less than half of the new establishments started between 1977 and 2001 were alive at age 5. Strangler and Kedrosky, 2011

Look no farther than high school football fields throughout the Delta region on Friday nights, and it’s apparent that there is a competitive spirit in the Region. An excellent tool to inspire idea generation and accelerate enterprise
development is business competitions. At all ages and across all sectors, entrepreneurs benefit from competitions that provide them an opportunity to test the feasibility of their start-up concepts and connect them with coaches. Most accomplishments in life, and in communities, are celebrated. Communities should take advantage of the opportunity to bring together innovators, investors, and leaders to celebrate and support their entrepreneurs.

Connect innovators and entrepreneurs.

What entrepreneurs need most is access to expertise and expanded knowledge, which can be provided by capable and engaged mentors. Evidence has developed that the best mentors are willing to make investments of time and resources and that it is important to categorize mentors according to their expertise. Some mentors have experience with multiple start-ups. Others may have less start-up experience, but they have considerable industry-specific experience. Many entrepreneurs benefit from individuals that have considerable business knowledge in one or more functional areas. The most effective mentoring programs ensure that mentors are trained and clearly understand their role.

Entrepreneurs also need ongoing support and an environment that encourages risk taking. One way to provide support and to link mentors with entrepreneurs is to create physical spaces, such as business incubators, accelerators, and research facilities. These physical spaces provide rich environments for learning, exchange of ideas, and ongoing support. While some thrive in physical proximity, other entrepreneurs are productive in virtual mentoring programs. Any infrastructure to facilitate mentoring—physical or virtual, must be focused on matching entrepreneurs with all kinds of expertise.

Even experienced entrepreneurs benefit from associations and organizations that link entrepreneurially-minded people. Networks are able to disseminate information, share opportunities and best practices, bring individuals together for shared cause and advocacy, and facilitate development of partnerships. Networks may provide linkage between experienced and novice entrepreneurs, those in the same industry sector, groups that face similar challenges, or those simply in the same geographical area.

Compete and Celebrate.

To begin transforming community economies, activities are needed that help map the entrepreneurial ecosystem and provide high-impact awareness. These activities, from named weeks or single days that include large-scale competitions and events to intimate network gatherings, connect participants to potential collaborators, mentors, and even investors—introducing them to new possibilities and exciting opportunities. These events provide an opportunity to celebrate the success of innovators and job creators who launch start-ups that bring ideas to life, drive economic growth, and expand human welfare (Global Entrepreneurship Week, 2012).
Publicize the social and economic impact of entrepreneurship.

Despite the widespread agreement within the economic development profession about the impact of entrepreneurs and their businesses on local economies, there are still local leaders, elected officials, and residents that do not understand the importance of entrepreneurship. Outreach and awareness campaigns should be launched at the local and regional levels in collaboration with all stakeholders that bring about an increased awareness of the importance of local entrepreneurship to the quality of lives, businesses, and communities.

Campaigns can include showcasing entrepreneurs, awards, and competitions, among others. Media can be utilized for policy dialogue, to disseminate research and issue reports, and to spotlight local and regional initiatives. It’s important to link local entrepreneurship with economic and social effectiveness, and where there are examples of social entrepreneurship, it should be highlighted to raise awareness of the relationship between social entrepreneurship and commercial entrepreneurship.

Engaging entrepreneurs to address the region’s greatest opportunities.

The power of both social and traditional entrepreneurs to create jobs and transform communities should be supported in the key areas of opportunity in the Delta region by advancing change-making innovation in agriculture, clean energy, healthcare, and education. These innovations can be in the form of a new product, improved process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations (OECD, 2005).

Agriculture. A large portion of the Delta economy is based on agriculture. Agricultural entrepreneurs are bringing new ideas to the region that accelerate innovation and added value. An emerging example is regional food hubs. These hubs, a form of process innovation, benefit both farmers and consumers by facilitating the aggregation, storage, processing, distribution, and marketing of locally produced food products (USDA, 2012). New ideas like this in agriculture not only create jobs, they ensure our nation’s food security.

Clean Energy. Many investment opportunities exist in the burgeoning clean energy economy. Like the personal computer that was engineered in a garage, new technology that spurs cleaner, less expensive energy will require entrepreneurs to advance those opportunities into job-creating new ventures. The current opportunity for clean technology advancement has the potential to create a new class of entrepreneurship in the same way information technology did in the 1990s.

Healthcare. The Bureau of Labor Statistics projects that between 2010 and 2020 the healthcare and social services sector will add 5.6 million jobs, an annual growth rate of 3%. The ageing population is
largely driving the projected growth in jobs in this sector, more than any other. This growth coupled with the challenges associated with rapidly increasing healthcare costs are driving the demand for sweeping innovations in all aspects of healthcare. Solutions aimed at these problems can also contribute to reducing consistently high rates of health problems in the Delta like diabetes and obesity. (United Healthcare Foundation, 2012)

**Education.** Entrepreneurs are needed to bring new products and processes to the educational environment. For years, too many schools in the Delta region have ranked near the bottom of national lists for K-12 achievement. The problems run deep, but innovative approaches like those developed in charter schools are bringing a quality 21st century education to the region. Opportunities to use existing technology in new ways and develop new and adaptive learning technology can lead to higher productivity and improved learning outcomes.

### OPTIMIZING THE REGULATORY ENVIRONMENT

Effective entrepreneurial ecosystems require an environment that enables the entrepreneur to create, operate, and manage a business within a context where taxes and regulations do not adversely affect the competitiveness of the venture. Taxes, including income, sales, property and other business taxes, can make a difference in a business’s ability to compete, especially in national and global markets, which provide the largest opportunity for business growth.

The local regulatory environment should encourage entrepreneurs to formalize their businesses, try new ideas, and take calculated risks, keeping administrative burdens to a minimum. Government processes should not unreasonably burden small business owners, so they can focus on operating and growing their businesses.
Streamline start-up administrative processes and information.

Imposing heavy administrative and regulatory burdens on start-up businesses can be very counterproductive to entrepreneurship development. According to Doing Business, an international ranking system that measures the ease of doing business in countries around the world, the most entrepreneurial and competitive economies impose the least administrative costs and requirements on start-up businesses. Economies that impose more onerous administrative requirements show lower rates of entrepreneurial activity.

The adverse effects of excessive and costly administrative barriers go beyond the start-up company which has to bear costly and time-consuming procedures. When barriers to entering a market discourage competition from new entrants, existing firms are not compelled to reinvest in innovation and the churn of new ventures slow economic growth.

In rural and distressed communities, the costs of business registration and licensing, for example, have a particularly negative effect on low-income families. These costs may be negligible investments for a wealthy entrepreneur who can expect substantial profits, but for a first-generation or low-income entrepreneur, these costs may have a heavy burden. High entry costs incentivize many entrepreneurs to maintain an informal business structure.

Likewise, it is important for licensing, permitting, and other start-up requirements to be transparent and easily understood. Clarity of procedures and access to accurate information are a part of a community’s open-for-business characteristics. Meticulous care taken to ensure that entrepreneurs can easily traverse start-up processes, increases customer satisfaction and encourages compliance. First-generation or first-time entrepreneurs are particularly subject to becoming confused or frustrated because they are not familiar with common business processes.

Incentivize start-up formalization.

Regulatory and administrative burdens, complex procedures, and costly registration and licensure encourage some entrepreneurs to continue operating their businesses informally and illegally. This obviously prevents these businesses from having contractual relationships with banks and other business partners and restrains growth. Not only is overregulation unfair to low-income entrepreneurs, but also it is inefficient.

The informal economy is like an incubator sector of our economy—many of the major businesses in the U.S. started out this way (Neuwirth, 2011). Although the number of informal businesses may be a small percentage of all firms, the dollars traded in this economy are huge. Neuwirth added that informal businesses are all over the place, from the guys you see waiting around for construction jobs at Home Depot, to folks selling food on the street, to auto swap meets, and so on. If formalized, these transactions could substantially impact the competitive tax structures in local communities.
PUTTING THE POLICY FRAMEWORK INTO PRACTICE

The DRA continues to work with federal, state, and local partners to invest in programs and projects that develop entrepreneurs and accelerate entrepreneurship.

The completion and publication of this policy framework provides a roadmap and guide for future initiatives and investments. The guiding principles that make the DRA an invaluable resource for the Delta region will ensure the successful management of this initiative. The development of the DRA’s Small Business and Entrepreneurship policy measures will be managed to ensure continued relevance and effectiveness. The DRA will monitor and assess the impact of the policy measures and regularly assess feedback from lessons learned.

Guiding principles.

The Delta Regional Authority has consistently leveraged federal investments to create outstanding value for the citizens in the region and deliver a substantially positive return on investment on federal funds. A set of guiding principles has ensured the success of initiatives in the past. The following principles will guide development of programs and investments utilizing the roadmap provided by the DRA’s Small Business and Entrepreneurship Policy Framework:

1. **Long-Term Commitment** – development of the system outlined by the policy areas in this framework, and the transformational change that will take place, will take time.

2. **Local Capacity and Investment** – successful implementation of the policy objectives in this framework will require local leadership and investments.

3. **Transparency** – as in the development of this policy framework, the DRA will continue to operate a system of transparency, public participation, and collaboration.

4. **Accountability and Sustainability** – all investments by the DRA requires measurable short-term outputs and long-term outcomes aligned with overall objectives, and to ensure efficient and appropriate use of resources, all projects require self-sufficiency as an explicit goal.
5. **Regional Collaboration and Alignment** – emphasis is placed on projects that contain activities that link other federal, state, and local investments, and brings together various agencies and groups with similar interests or responsibilities to build regional capacity.

6. **Inclusion** – traditionally underserved ethnic minorities, women, and impoverished populations must be included in the innovative and entrepreneurial growth of the Delta region.

7. **Program Outreach** – to ensure maximum relevance and impact, the DRA provides the infrastructure to continuously monitor and update information, communicate advances and celebrate success as the capacity to support entrepreneurs in the Delta region grows.

Indicators to measure effectiveness of entrepreneurship policies.

It takes years to produce the transformational change that is a desired outcome of entrepreneurship system development. Therefore, a broad set of performance metrics and a robust evaluation system is needed to measure investment outcomes from the overall initiative. These metrics include possible outputs that are suitable for short-term objective measurement and outcomes that require some level of subjective evaluation over a longer time period.

<table>
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<th>POLICY AREA</th>
<th>POSSIBLE OUTPUTS</th>
<th>POSSIBLE OUTCOMES</th>
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| Developing Entrepreneurs | • Share of K-12 schools offering entrepreneurship education programs/extra-curricular activities  
                         | • Share of postsecondary schools offering entrepreneurship education programs/experiential learning activities  
                         | • Number of informal education programs  
                         | • Number of entrepreneurs completing a skill-building program  
                         | • Number of start-up businesses  
                         | • Job growth due to start-ups  | • Availability of entrepreneurship education  
                         | • Success of schools to provide hands-on experiences  
                         | • Success of training and development programs  |
Cultivating Technology and Innovation

- Share of technology-based start-ups in total start-ups
- Share of trade-based jobs in total jobs
- Number of existing businesses that grow
- Number of existing businesses that export
- Number of patents granted

Improving Access to Capital

- Number of small business loans
- Amount of angel and venture capital investments
- Number and amount of microloans
- Number of credit building loans or secured credit cards

Promoting Awareness and Advancing Regional Market Opportunities

- Number of entrepreneurs working with mentors
- Survival rate of start-ups
- Number of networking events and programs

Optimizing the Regulatory Environment

- Number of procedures and agencies involved to start a business
- Number of days and costs to start a business
- Availability of assistance to help entrepreneurs complete administrative processes

Availability and success of programs that support technology start-ups
- Success of economic gardening initiatives
- Success of research-focused collaborations and technology commercialization

Availability of debt financing
- Availability of equity financing
- Availability of alternative financing
- Success of asset and credit building programs

Availability and success of mentoring programs
- Progress of entrepreneurial culture

Efficiency of administrative processes
- Business-friendly communities

Implementation plan.

The next step required to put the policy framework into practice, is the development of an implementation plan. The implementation plan will prioritize policy actions within the resource constraints of the DRA, using the framework as a guide. The implementation plan will be a fluid document that will consistently be updated as policy objectives are established and throughout the evaluation of the objectives. This transparent approach will ensure that partners and stakeholders continue to be at the center of the DRA’s Small Business and Entrepreneurship Initiative.
REFERENCES


