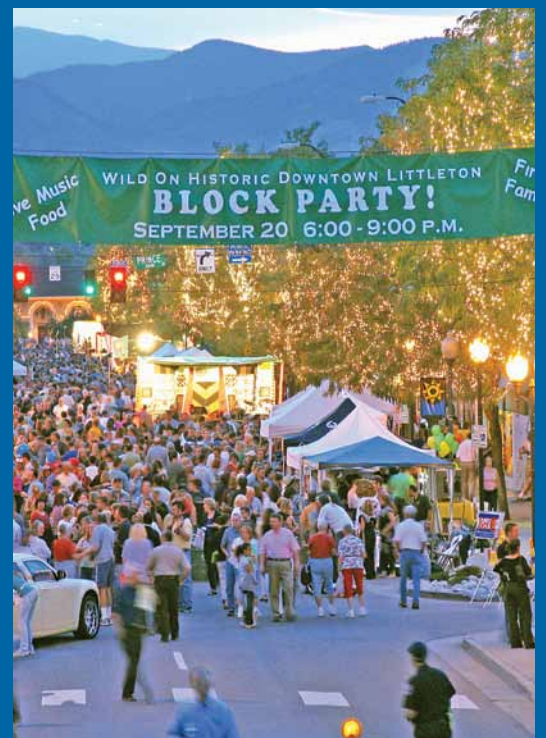


# SUPPORTING ENTREPRENEURS AND SMALL BUSINESS

## A Tool Kit for Local Leaders



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# FOREWORD

Entrepreneurship. Startups. Small businesses. These are words that are used to describe the future of economic growth in our cities and regions. City leaders have seen the data and are ready to act. What's missing is guidance about constructive local action to foster an environment that encourages entrepreneurs and small business developers.

The National League of Cities (NLC) conducted a multi-year effort to better understand how local governments can support growth in small businesses, startups and entrepreneurs, building off of research and identification of innovative local practices. NLC is pleased to introduce Supporting Entrepreneurs and Small Business: A Tool Kit for Local Leaders. This document builds on research conducted by NLC and the insights of experts, city leaders, and practitioners from across the country. A special thanks goes to the NLC Advisory Council for its leadership in this effort.

The tool kit includes examples of entrepreneur and small business support programs ranging from regulatory improvement to intensive university partnerships in cities from small to large. Across these differences, the programs all model common themes of leadership, communication and partnerships.

It is our hope that the strategies and lessons learned, presented here, will help city leaders better support entrepreneurs and small businesses in their own communities and shed additional light on how local governments contribute to business growth.

**Christopher Hoene**

Director, Center for Research and Innovation  
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# ABOUT THIS PUBLICATION

## ABOUT THE NATIONAL LEAGUE OF CITIES

The National League of Cities is the nation's oldest and largest organization devoted to strengthening and promoting cities as centers of opportunity, leadership and governance. NLC is a resource and advocate for more than 1,600 member cities and the 49 state municipal leagues, representing 19,000 cities and towns and more than 218 million Americans.

Through its Center for Research and Innovation, NLC provides research and analysis on key topics and trends important to cities, creative solutions to improve the quality of life in communities, inspiration and ideas for local officials to use in tackling tough issues, and opportunities for city leaders to connect with peers, share experiences, and learn about innovative approaches in cities.

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# INTRODUCTION

Local leaders recognize and often publicly tout the importance of a strong, growing entrepreneurial and small business community. Yet, when it comes to supporting entrepreneurs in practice, many local leaders are unsure how they can make a real impact.

Experts suggest that one essential element for entrepreneurial growth is the presence of an “eco system” or “culture.” Given the various dimensions and actors that can create eco systems — including universities, large and small businesses and their leadership, entrepreneurial support programs, workforce skills, financing, and probably a bit of luck — do local governments really have a role to play? Research by the National League of Cities’ Center for Research and Innovation suggests that they do.

This tool kit examines the question: How can local governments support entrepreneurship and small businesses?

This question is extremely timely and relevant. The importance of entrepreneurs and small businesses has been a central theme in discussions of the U.S. recovery. On the local level, there are distinct tangible reasons to do this:

- New companies create the majority of net new jobs in the economy<sup>1</sup>;
- Small businesses employ local residents;
- New and small business play a pivotal role in creating a unique sense of place that enhances a community’s quality of life; and
- In a more footloose, global economy, homegrown businesses may have deeper roots than those gained through attraction strategies.

To encourage entrepreneurs, local governments need to examine how they can contribute to an entrepreneurial eco system by tackling efforts within city hall and partnering and connecting with external stakeholders. To help, NLC created this tool kit to outline activities local leaders can explore. This tool kit is divided into four sections:

1. Understanding small business development
2. Roles within city hall
3. Partners
4. City examples

Throughout this toolkit there are examples from cities that range in population from 40,000 people to 8 million. The examples presented hinge on leadership, communication, regulations and partnerships, and building connections on the individual or neighborhood basis — activities that are doable and necessary for any city of any size.

As with all economic development topics, small and new businesses are not a panacea for all local economic woes. Furthermore, all suggestions and examples in this tool kit need to be viewed through the lens of your own unique city, region, programs and partners. Additionally, while this tool kit does not touch upon the important roles that education, community development and infrastructure policies play in creating the environment for new and small businesses to thrive, these too are essential elements.

# KEY TAKE AWAYS FOR LOCAL LEADERS

## UNDERSTANDING SMALL BUSINESS DEVELOPMENT

- While small businesses as a whole look incredibly diverse, research suggests entrepreneurs and businesses move through stages of development that reflect a high level of uniformity of management, technical, financial and challenges.<sup>2</sup>
- As they grow, entrepreneurs face new challenges and will likely need different resources and relationships to support them.
- Understanding small business development stages is important for local governments, because it allows them to better understand the challenges facing entrepreneurs and provide policies to support them.

## ROLES WITHIN CITY HALL

- To support entrepreneurs and small businesses, local leaders should first look to the tools within their own wheel house — leadership, communication and regulations.
- Strong local elected leaders are needed to prioritize issues and outwardly demonstrate that entrepreneurs and small businesses are important to a community.
- Communication between the entrepreneurial and small business community and the municipal government is needed to improve processes and better respond to needs.<sup>3</sup>
- Unclear regulations with confusing steps are especially burdensome on new and small business. Successful review and improvement of permitting and regulatory functions hinges on communication with internal and external stakeholders and committed political leadership.
- Local leaders need to provide an accessible way for businesses to interface with regulations and permitting.

## KEY PARTNERS

- To support entrepreneurs and small businesses, outside organizations with technical experience, resources and relationships are essential.
- Local leaders can bring together service providers and business groups to help identify gaps, encourage collaboration and be a centralized information source.
- If a local government embarks on a program that offers more targeted, direct services to entrepreneurs, it's imperative to include partners with expertise and to have clear goals and realistic expectations.

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<sup>2</sup> Lichtenstein, Gregg A. and Thomas S. Lyons. Managing the Community's Pipeline of Entrepreneurs and Enterprises: A New Way of Thinking about Business Assets. *Economic Development Quarterly*, 20(4) (2006): 377-386 and Churchill, Neil C. and Virginia L. Lewis. The Five Stages of Small Business Growth. *Harvard Business Review*, 61(3) (1983): 30-49.

<sup>3</sup> "Simplification of Business Regulations at the Sub-National Level," (Washington, D.C.: International Finance Corporation, World Bank Group, 2006).





# UNDERSTANDING SMALL BUSINESS DEVELOPMENT



# UNDERSTANDING SMALL BUSINESS DEVELOPMENT

Looking around a community, there are likely to be a variety of examples of entrepreneurship in action. These could include a neighborhood restaurant, a local manufacturing company and a small technology firm. On the surface, these companies look incredibly different. However, despite different sizes, growth aspirations and industries and outputs, entrepreneurs and businesses move through stages of development that reflect a high level of uniformity of management, technical, financial and other challenges.<sup>4</sup>

A helpful way for local governments to understand small business is through a “stage” framework.<sup>5</sup> Within this context as entrepreneurs and businesses transition through stages they will likely need different resources and relationships and local efforts can be adjusted to respond.

**Self-employed:** Businesses in this stage result from an entrepreneur’s ability to turn a good idea into a product or service. In this early stage, challenges typically revolve around ensuring the survival of the business, including the ability to build assets, create a solid business model, assemble resources, develop a business plan or marketing strategy and create networks. The success of the venture is almost exclusively dependent on the competencies of the small business owner.

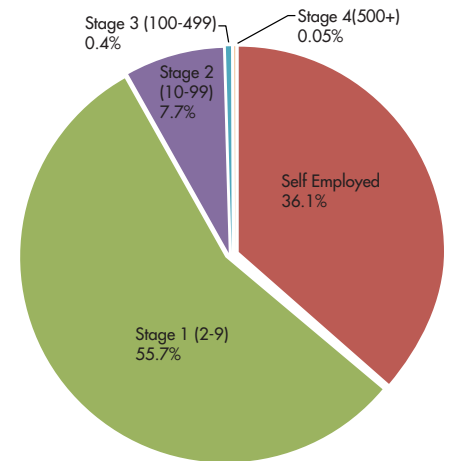
**Stage One:** Businesses in this stage include lifestyle businesses, commonly referred to as “mom and pop” establishments, and young growth businesses. These firms are focused on building market share and a customer base, developing a product or service and securing external financing to cover start-up costs and/or expansion. Much of the venture’s success is dependent on the owner’s talents and capacity to accomplish these tasks. Although growth is the goal for many stage one companies, many businesses will either by choice or by necessity stay in stage one (for example “mom and pop” businesses).

**Stage Two:** Second-stage companies typically have a proven product, a niche in the market, a customer base and are hiring more employees. As the company grows, the skills of the entrepreneur will also need to. The entrepreneur needs to be able to delegate authority to managers to handle more staff and production. Needs related to funding for expansion are also likely to be challenges. Many, but not all, second-stage companies are described as “high growth” or “gazelles” typically because they have grown quickly over their first few years of existence.

Local governments and small business development stakeholders have created programs that target supporting businesses and entrepreneurs within these various stages, for example:

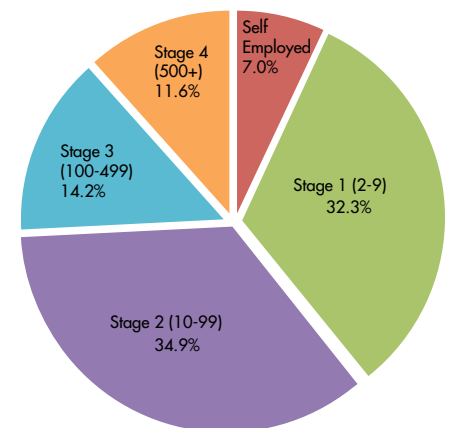
- **Self-employed:** support programs may help examine the feasibility of a business idea and provide the resources to legally become an entity in the community.
- **Stage One:** support programs try to help a business survive its early years and may include mentoring and activities focused on improving a business plan and building a local customer base.

2008: Percentage of U.S. Establishments by Firm Size



\*Data derived from YourEconomy.org (<http://youreconomy.org/pages/states/us.lasso?region=Comp&state=US&year1=2007>)

2008: Percentage of Total Employment by Firm Size



\*Data derived from YourEconomy.org (<http://youreconomy.org/pages/states/us.lasso?region=Comp&state=US&year1=2007>)

4 Gregg A. and Thomas S. Lyons Lichtenstein, “Managing the Community’s Pipeline of Entrepreneurs and Enterprises: A New Way of Thinking about Business Assets,” *Economic Development Quarterly* 20, no. 4 (2006); Neil C. Churchill and Virginia L. Lewis, “The Five Stages of Small Business Growth,” *Harvard Business Review* 61, no. 3 (1983).

5 Adapted from the Edward Lowe Foundation, [www.edwardlowe.org](http://www.edwardlowe.org).

- **Stage Two:** support programs are often referred to as “economic gardening” and provide businesses with targeted resources to help businesses grow - including research to help them expand into external markets and avenues to network with peers and mentors on common growth issues including, management challenges, expansion financing and new legal and regulatory commitments.

Understanding entrepreneurial stages and how to support business at different stages is important for local governments. It's also imperative that local leaders understand the overall good governance strategies that exist within their own wheel house as detailed in the next section.

## MENTORING FOR SMALL BUSINESS AND ENTREPRENEURS

Circles of Seven Mentoring Program, Normal, Illinois

More information: [http://www.bnbiz.org/business/business\\_mentoring.php](http://www.bnbiz.org/business/business_mentoring.php)

The Normal Circles of Seven mentoring program was started four years ago by the Economic Development Council of Bloomington-Normal, Ill., and was recently transferred to the Illinois State University's Center for Emerging Entrepreneurs. The program provides opportunities for small and medium-sized businesses to be mentored by seasoned businesspeople in a group setting. Each year, cohorts of six or seven businesses, led by a business owner mentor, meet for two-three hours once a month to discuss issues in their businesses.

Through the program, entrepreneurs get a handle on the day-to-day issues that inevitably arise during the course of building a business, including complex issues such as accounting or branding, to simple tasks such as business email. According to Cindy Eack, coordinator of the Circles of Seven program, the most successful cohorts have been groups that worked effectively as a team to brainstorm solutions. In addition to helping to solve problem, the program also provides an environment for networking and camaraderie within the local business community. The program evolves based on local needs, and it recently added a business-planning course to its curriculum to respond to demand.

The program is funded by the combination of a Small Business Administration grant and participant fees. For more information on the Circles of Seven mentoring program, visit [http://www.bnbiz.org/business/business\\_mentoring.php](http://www.bnbiz.org/business/business_mentoring.php) or contact

Source; "Economic Development Council", n.d., [http://www.bnbiz.org/business/business\\_mentoring.php](http://www.bnbiz.org/business/business_mentoring.php).

### KEY TAKE AWAYS FOR LOCAL LEADERS

- While small businesses as a whole look incredibly diverse, research suggests entrepreneurs and businesses move through stages of development that reflect a high level of uniformity of management, technical, financial and challenges.<sup>6</sup>
- As they grow, entrepreneurs face new challenges and will likely need different resources and relationships to support them.
- Understanding small business development stages is important for local governments, because it allows them to better understand the challenges facing entrepreneurs and provide policies to support them.

<sup>6</sup> Lichtenstein, Gregg A. and Thomas S. Lyons. Managing the Community's Pipeline of Entrepreneurs and Enterprises: A New Way of Thinking about Business Assets. *Economic Development Quarterly*, 20(4) (2006): 377-386 and Churchill, Neil C. and Virginia L. Lewis. The Five Stages of Small Business Growth. *Harvard Business Review*, 61(3) (1983): 30-49.

## SUPPORTING SECOND STAGE COMPANIES

Economic Gardening, Littleton, Colorado

More information: <http://www.littletongov.org/bia/economicgardening/>

Instead of approaching economic development like many other cities and towns — attracting large companies with tax and land incentives — Littleton, led by Christian Gibbons, developed the now widely known technique of economic gardening to develop its economy from within. This meant that instead of spending time and resources hoping to catch a big fish, Littleton focused on retaining and assisting second stage companies, while creating a friendly environment for local entrepreneurs. According to Gibbons, the advantages of an economic gardening strategy versus an incentive-based strategy are that the cost per job created is much lower, the investment stays local and it is a long-term strategy as opposed to a short-term fix.

Littleton developed and targeted assistance for smaller companies with high growth potential, especially second stage companies. The tools Littleton offers include search engine optimization, social network mapping, geographic information systems and database research. Gibbons focuses on second stage companies because they are established enough that they are ready to grow, but small enough that they don't always have the resources to take the next step. Gibbons explained that "if you're a company of twenty, thirty people, you're doing good just to make and sell and get it out the door. You don't have the excess people to go and do that sophisticated stuff, and that's what we do for them."

Since its inception, the program has "helped entrepreneurs double the job base in Littleton from 15,000 to 30,000 and more than triple the retail sales tax from \$6 million to \$21 million over the past 20 years." However, it is important to note that it was not an overnight success. It took years to develop a program to fit the needs of Littleton.

Source; Chris Gibbons, "Littleton's Economic Gardening Strategy," Nation's Cities Weekly, January 11, 2010, <http://www.nlc.org/File%20Library/Utility%20Navigation/News%20Center/NCW/2010/NCW011110.pdf>.

Kyle Garratt, "Littleton's Economic Gardening, up for an award from Harvard, helps jobs out-number residents," Denver Westword Blogs, November 16, 2011, [http://blogs.westword.com/latestword/2011/11/littleton\\_economic\\_gardening.php](http://blogs.westword.com/latestword/2011/11/littleton_economic_gardening.php). Gibbons, "Littleton's Economic Gardening Strategy."



# ROLES WITHIN CITY HALL



# ROLES WITHIN CITY HALL

To support entrepreneurs, local governments must first examine the policies and actions that lie squarely within their powers. The National League of Cities conducted research in 2010 and 2011 to help identify key areas for action, including:

- Leadership;
- Communication strategies that create avenues for local businesses to engage with local government; and
- An efficient regulatory environment.

Each one of these factors is interrelated and each subsequent factor benefits from the one(s) preceding it.

ACCORDING TO NLC RESEARCH, THE LOCAL POLICIES THAT MOST STRONGLY CONTRIBUTE TO SMALL BUSINESS GROWTH ARE:

- Providing avenues local businesses to engage with policy makers
- Providing regulatory assistance

## LEADERSHIP

Local leadership appears to be a critical factor in promising small business and entrepreneurship efforts. Particularly important are local leaders with a clear economic vision who actively encourage entrepreneurs and small businesses to participate in the city policy and planning issues that relate to them.<sup>7</sup>

On the most practical level, strong local leadership with committed political capital is needed to get things done. It helps motivate internal and external stakeholders, provides legitimacy for issues and programs and can provide the budget and staff needed for program success. On a “soft” level, strong local leadership demonstrates to small business and entrepreneurs that they matter and are important to community success. It also raises increased awareness of the importance of entrepreneurs in the local economy.

The need for leadership will be apparent in the next two sections.

## MAYORAL LEADERSHIP FOR ENTREPRENEURS

Innovation District, Boston, Massachusetts

More information: [www.innovationdistrict.org](http://www.innovationdistrict.org)

Mayor Thomas M. Menino of Boston models leadership for entrepreneurs. As part of his effort to transform Boston's 1000 acre waterfront into a new “Innovation District,” he uses public forums to stress the importance of entrepreneurs to Boston's success. He and his staff attend events that showcase entrepreneurs, such as openings of new businesses, co-working spaces and accelerators in the area. The City utilizes the Innovation District's website, blog and active Twitter feed to celebrate successes and to connect space-seekers with the incubators. Additionally, the city and the Boston Redevelopment Authority (BRA) staff frequently meet with new companies to introduce them to the Innovation District and relay the mayor's vision for the area. To read more about the Innovation District please see page 29.





## COMMUNICATION

A government's ability to contribute to an entrepreneurial eco system is inherently tied to a local government's ability to understand local entrepreneurs and small businesses. Without venues of communication a local government cannot:

- Get input to examine how local regulations and policies help or hinder growth;
- Identify small businesses that are expanding;
- Promote community resources that provide support;
- Provide permitting and zoning information; or
- Celebrate success.

Research conducted by the National League of Cities suggests that creating avenues for communication, especially creating avenues for local businesses to engage with policy makers, is one of the key ways local governments can encourage small business growth.<sup>8</sup> Research also suggests that it is a two-way street. Entrepreneurs and small businesses value having open channels of communication with local governments.<sup>9</sup> Communities that have input and involvement from the business community in policy making have also been found to have a business community that is more active in other parts of the community, including arts, education and quality of life issues.<sup>10</sup>

It is quite likely that many entrepreneurs may not see local government as a natural partner. As such, a good way for local government to begin communications is by engaging with the stakeholder groups that represent or support small and new businesses, like chambers of commerce and universities.



### PROVIDING CHANNELS OF COMMUNICATION

Seattle Business Casual, Seattle

More information: [www.seattle.gov/economicdevelopment/citybusinesscasual.html](http://www.seattle.gov/economicdevelopment/citybusinesscasual.html)

The City of Seattle is committed to creating channels for local businesses to interface with city government. The city created business advocates in its Office of Economic Development (OED) to help businesses navigate government processes and connect to resources. Additionally, OED hosts a well-attended, informal monthly networking event, so the local business community can connect with key political, departmental and economic development stakeholders. For example, the February 2012 event focused on connections with major education and healthcare institutions and had representatives from the region's universities, community colleges and hospitals in attendance. Additionally, OED staff, elected officials, the director of the department of planning and representatives from the mayor's office were also in attendance to network.

Source; "City Business Casual," Seattle Office of Economic Development.

Another way to open channels of communication between entrepreneurs and small business is to create ways for elected officials to publically celebrate and acknowledge accomplishments and stress their importance to the community. These celebrations can help demonstrate that leadership is supportive of an entrepreneurial culture, convey to individual businesses they are valued and also establish relationships with companies that may be growing and looking at new areas to expand.

<sup>8</sup> McFarland, McConnell, and Geary, "Small Business Growth: U.S. Local Policy Implications."

<sup>9</sup> Robin J. Morris and Gary P Brennan, "Creating a Seamless Local Government and Small Business Interface for Better Regional Economic Development Outcomes," *Journal of Small Business Management* 41, no. 4 (2003).

<sup>10</sup> Laura A Reese and Raymond A. Rosenfeld, "Yes, But...: Questioning the Conventional Wisdom About Economic Development," *Economic Development Quarterly* 15, no. 4 (2001).



## REGULATORY ENVIRONMENT

Regulations help safeguard citizens, protect built and natural assets and preserve a city's sense of place. They can also create bureaucratic barriers that impede development and speed-to-market for business. Since local governments are one of the primary regulators of entrepreneurs, it's essential for cities to evaluate the effects of their regulatory environment. In addition to communication efforts, providing regulatory assistance is one of the main ways local governments can encourage small business growth.<sup>11</sup>

Navigating a regulatory process can be difficult for any business, but can be especially hard on small or new businesses that do not have the time, resources, and experience needed to navigate bureaucratic steps. Difficulties with the local regulatory process could stem from:

- Inaccessible ways to interface with government and access information;
- Lack of transparent timelines;
- Slow reaction for requests for approvals;
- Multiple uncoordinated agencies; and
- Outdated laws that no longer serve a purpose.

## CELEBRATING SUCCESSFUL LOCAL COMPANIES

Companies to Watch Program, Boulder, Colorado

More information: <http://colorado.companiestowatch.org/>

Colorado's Office of Economic Development and International Trade, with support from community partners and private sector sponsors, runs the Colorado Companies to Watch Program. The program, developed by the Edward Lowe Foundation and now in its third year, celebrates and raises the profile of successful second-stage companies from all industry sectors and communities in the state. The impacts of these companies are impressive. For example, the 2011 award winners generated \$975 million in revenue and added 851 employees between over the period of 2007 through 2010 (both in Colorado and out of state).

Boulder is leveraging the Companies to Watch Program as a way to celebrate its second-stage companies. The city's Economic Vitality Program, Economic Council, Chamber of Commerce and Small Business Development Center work closely together, reaching out to deliver support to growing businesses, provide insight on which companies fit the second stage company profile and decide which organizations should be nominated to the program.

Boulder's mayor, city manager or council members attend individual recognition events, allowing city leadership to personally congratulate and express support for these successful companies. Additionally, the city council and mayor pass a proclamation celebrating the winning companies. These activities raise the profile of local companies and demonstrate Boulder's commitment to these businesses.

Source: J. Katie McConnell, "Unique Program Supports Colorado's Growing Businesses", *Nation's Cities Weekly* (2011).

At first glance, regulatory reform appears to be a "low hanging fruit" policy choice for local governments, as it lies squarely within a local government's wheel house. In actuality, the process is a much more complex undertaking, as it involves multiple stakeholders and government processes. Successful review and improvement of permitting and regulatory functions hinges on communication with internal and external stakeholders and committed political leadership.

There are a number of different, uncoordinated agencies that are involved in regulating new and small businesses (planning, public safety, health, etc). Typically, it is not a priority for these departments to be concerned with the experiences or ease of these processes on local business. Yet, it is one of the most direct ways that entrepreneurs and local businesses interact with their local government. A negative experience not only hurts a new business's ability to succeed, but also sets a tone for how a community values its entrepreneurs.

Local leaders can be pivotal players in overcoming these challenges in a number of ways.

- **Gathering input:** The business community is a necessary partner in assessing a city's regulatory

<sup>11</sup> McFarland, McConnell, and Geary, "Small Business Growth: U.S. Local Policy Implications."

## A WORD OF CAUTION:

Not all development is good development, and it's important not to throw important regulations out in the spirit of streamlining. Regulations should reflect and promote your city's long-term economic development vision and safe guard assets. The key for local leaders is to find a balance and remove unnecessary delays, improve communication, while preserving the integrity of the community.

Source: Christiana McFarland and J. Katie McConnell, "The Role of Local Elected Officials In Economic Development: 10 Things You Should Know," (Washington, D.C.: National League of Cities, 2010).

process, as they have intimate knowledge of the barriers associated with it. An open, two-way dialog between the business community's stakeholders and the municipal government is needed to improve the process.<sup>12</sup>

- **Encouraging collaboration:** A strong leader, with the power to encourage and expect cooperation between internal city departments with economic development staff is often needed to bring various departments together to ensure a coordinated and transparent process.
- **Providing an accessible interface:** Having informed staff or advocates within municipal government enhances the ways the city communicates with its entrepreneurs. A major barrier facing new and small businesses isn't insurmountable regulations, but a regulatory process that makes it difficult for them to engage with the system. Local governments can look to improve how it communicates about its regulatory and permitting process. For example, a city could have a central location, or a "one-stop" that houses all important information, handles forms and fees, and has knowledgeable staff. In a digital world, having an easy to navigate online presence with necessary information is become increasingly important.

Additionally, a local government can create business "advocates" or "ombudsmen" for entrepreneurs to help them navigate internal city departments. Tracking these interactions between city advocates and local businesses can also help local governments identify areas which cause repeated issues. This information can then be used improve policies or programs.

Last, in addition to creating resources, efforts must be made to communicate the availability of regulatory assistance services to entrepreneurs. Starting and running a business is a full time job, and entrepreneurs may be totally unaware that services are available to assist them.<sup>13</sup>

## REGULATORY ASSISTANCE

"Open for Business" Program, Rock Hill, South Carolina

More information: <http://www.ci.rock-hill.sc.us/dynSubPage.aspx?deptID=28&pLinkID=642>

Recognizing the difficulties that come with opening a new or expanding a business,, the City of Rock Hill created the "Open for Business" program, which includes a "special business assistance team ready to roll up their sleeves and guide you" through the regulatory process.

The program encourages business owners to fill out a questionnaire and to schedule an appointment with "Open for Business" staff. This meeting helps determines whether a proposed business location is properly zoned and identifies problems. Following the meeting, staff performs a feasibility inspection of a business' proposed site. To determine what modifications may be needed to ensure that it complies with existing codes. This information helps a potential owner understand timelines and costs. Following the inspection, staff will meet with the business owner again, go over results and provide guidance of next steps. This program ensures that plans will be reviewed within 5-10 days, and provide feedbacks for any issues. The "Open for Business" program also assists business in obtaining a business license and setting up utility and sanitation service.

Source: "Open for Business," ed. City of Rock Hill Planning & Development.



<sup>12</sup> "Simplification of Business Regulations at the Sub-National Level," (Washington, D.C.: International Finance Corporation, World Bank Group, 2006).

<sup>13</sup> "Taking Care of Business Improving Philadelphia's Small Business Climate ", (Sustainable Business Network of Greater Philadelphia 2011).

## KEY TAKE AWAYS FOR LOCAL LEADERS

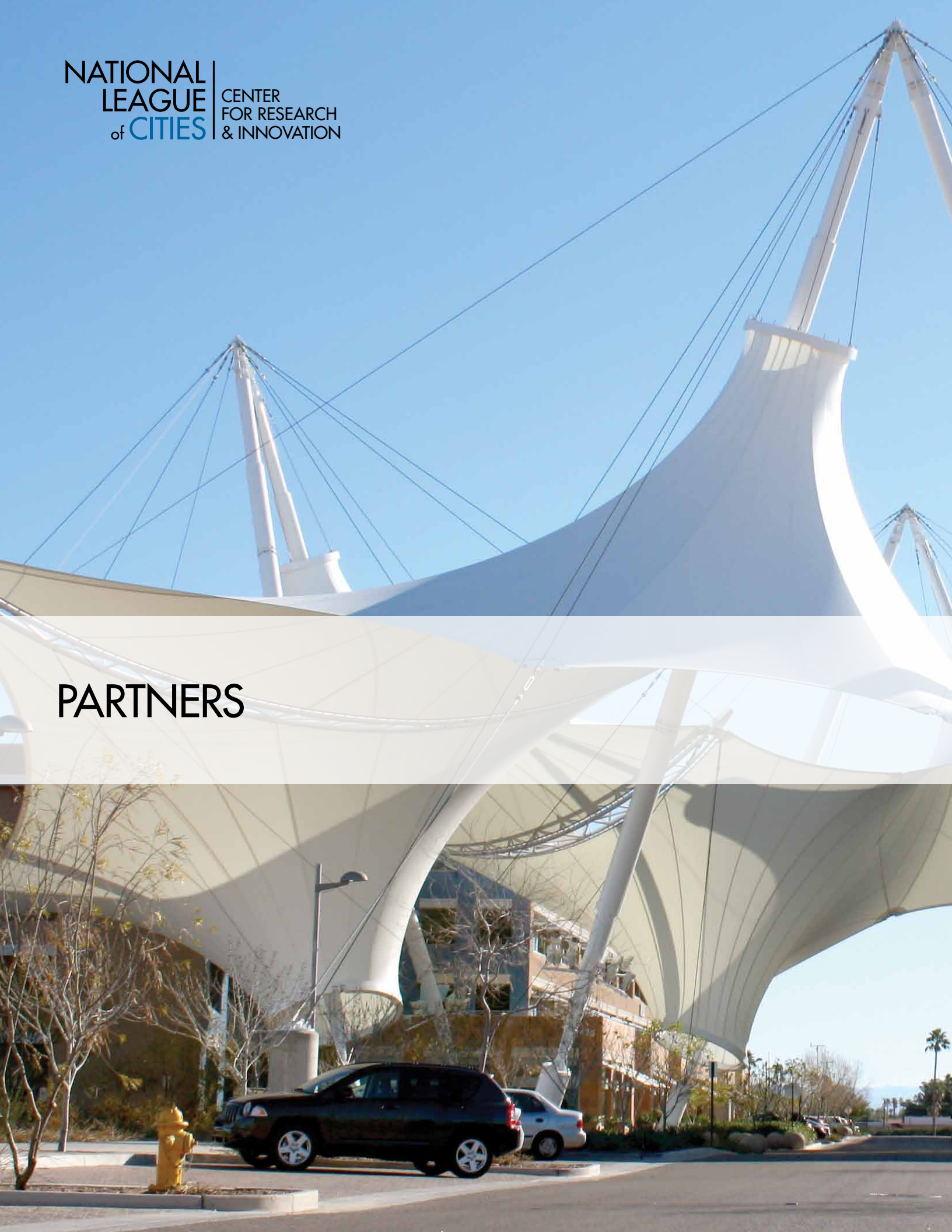
- To support entrepreneurs and small businesses, local leaders should first look to the tools within their own wheel house — leadership, communication and regulations.
- Strong local elected leaders are needed to prioritize issues and outwardly demonstrate that entrepreneurs and small businesses are important to a community.
- Communication between the entrepreneurial and small business community and the municipal government is needed to improve processes and better respond to needs.<sup>14</sup>
- Unclear regulations with confusing steps are especially burdensome on new and small business. Successful review and improvement of permitting and regulatory functions hinges on communication with internal and external stakeholders and committed political leadership.
- Local leaders need to provide an accessible way for businesses to interface with regulations and permitting.

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<sup>14</sup> “Simplification of Business Regulations at the Sub-National Level,” (Washington, D.C.: International Finance Corporation, World Bank Group, 2006).



# PARTNERS



# PARTNERS

Local governments cannot and should not approach small business and entrepreneur development in a vacuum. When working with entrepreneurs and small businesses, outside organizations may have standing relationships and often better understand their needs. Additionally, these organizations can bring resources and capacities that local governments do not have. This is important to keep in mind as small business and entrepreneurial support programs often require a level of management, capitalization and industry expertise not available in local government.<sup>15</sup>

Cities and local leaders are in a unique position to create meaningful partnerships, because they can:

- Leverage political capital and connections to bring together service providers and business groups who may not be connected to each other;
- Identify gaps in the types of services being provided; and
- Serve as a centralized location to advertise the available services for small and new businesses.

## A WORD OF CAUTION:

Research suggests a very shaky track record for programs that try to jump start entrepreneurial processes (for example government-sponsored venture funds). Yet there are cases of individual programs performing effectively. When local governments consider pursuing programs, it's extremely important to examine the purpose, expectations and local assets, and make sure the right partners with the necessary expertise are at the table.

## COLLEGES AND UNIVERSITIES

Nearby universities can be assets for cultivating entrepreneurs and launching new companies, particularly those that try to harness new technologies. According to a 2010 survey by the Association of University Technology Managers, within the 183 responding institutions,<sup>16</sup> 651 new startup companies had been created. Most important for local economic development, of these new startups, 498 had their primary place of business in the licensing's instructions' home state.<sup>17</sup>

Local governments can partner with universities in a number of ways, including a formal partnership to offer services to entrepreneurs, working with university staff to make sure local policies support entrepreneurs and finding ways local officials can celebrate and highlight the work of entrepreneurs.

## LEVERAGING HIGHER EDUCATION TO SUPPORT ENTREPRENEURSHIP

Arizona State University SkySong Center, Scottsdale, Arizona

More information: <http://skysong.asu.edu/>

Scottsdale, in partnership with Arizona State University (ASU), established the SkySong Center to incubate and accelerate entrepreneurial startups. The program offers a wide range of initiatives covering entrepreneurship, innovation, corporate partnerships and regional economic development, including flexible space for companies at differing stages of development, hands-on assistance for high-potential startups, a free startup program on campus that targets graduate and post-doctoral students and a seed funding competition for ASU student entrepreneurs. In addition to its focus on regional and university-hatched startups, SkySong also focuses on attracting high-potential startups from around the globe.

Source: "ASU SkySong - The ASU Scottsdale Innovation Center (About)", n.d., <http://skysong.asu.edu/about>.



<sup>15</sup> Paul Reynolds, David J. Storey, and Paul Westheada, "Cross-National Comparisons of the Variation in New Firm Formation Rates," *Regional Studies* 28, no. 4 (1994).

<sup>16</sup> 153 universities, 27 hospitals and research institutes, and 1 investment firm.

<sup>17</sup> "AUTM U.S. Licensing Activity Survey Highlights: FY2010," (Association of University Technology Managers, 2011).

## COMMUNITY COLLEGES

Community colleges are a natural partner with local governments and in many cases offer services and courses to support entrepreneurs and local small business. Additionally, building connections with these organizations allows cities to connect small businesses with workforce training resources as necessary.

## SMALL BUSINESS DEVELOPMENT CENTER

Small Business Development Centers (SBDC) are partnerships, between federal, state and local governments, the private sector and higher education, administered by the U.S. Small Business Administration. There are approximately 1,000 SBDCs located in all 50 states and the District of Columbia. Assistance from an SBDC is available to anyone interested in starting a small business or improving or expanding an existing small business.<sup>18</sup>

## SCORE

Mentorships can be an important way to support entrepreneurs. SCORE, a nonprofit association, operates with support from the U.S. Small Business Administration and is designed to educate entrepreneurs and help small businesses start, grow and succeed nationwide. SCORE has a network of more than 13,000 volunteers who offer small business entrepreneurs business counseling at no charge. SCORE also provides local workshops and events throughout the country to connect small business owners with the people and information they need to succeed, as well as online workshops available 24/7.<sup>19</sup>



## SUPPORT FOR IMMIGRANT SMALL BUSINESS

New York, New York

More information:

Immigrant Affairs: <http://www.nyc.gov/html/imm/html/home/home.shtml>

In March 2011, Mayor Michael Bloomberg launched three initiatives to make it easier for immigrant-owned businesses to start and grow: a business plan competition for innovative strategies to provide assistance to immigrant entrepreneurs; new, free small businesses courses in Chinese, Korean, Spanish and Russian; and a business expo to showcase locally-based immigrant food manufacturing businesses and link them to consumers nationwide (NYC Office of the Mayor, March 3, 2011). It is the first time that the city's Department of Small Business Services (SBS) and the Economic Development Corporation (EDC) were strategically aligned with the Mayor's Office on Immigrant Affairs (MOIA) to develop and provide services for immigrant small businesses.

This new set of initiatives requires extensive collaboration and communication both internally among the city's department and externally with community partners. In this capacity, the Mayor's Office of Immigrant Affairs serves as the representative to immigrant communities and as the connector between communities and government. MOIA's strong relationship with community based groups allows it to be the trusted mediator to help introduce government services to the immigrant small business community.

<sup>18</sup> [www.sba.gov](http://www.sba.gov)

<sup>19</sup> [www.score.org](http://www.score.org)



## COMMUNITY GROUPS

Sometimes the group of entrepreneurs the city is trying to reach may have stronger connections to neighborhood or community-based organizations. This is especially true when trying to support immigrant entrepreneurs or entrepreneurs in lower income communities. By partnering with community-based organizations, the city can build relationships and provide services to groups that may not traditionally trust government.

### HELPING SMALL BUSINESS EXPORT

Kansas World Trade Center, Wichita, Kansas

More information:

City of Wichita: <http://www.wichita.gov/>

Kansas World Trade Center: <http://www.kansaswtc.org/>

The Wichita metropolitan area is the nation's top exporting metropolitan area, exporting about 28 percent of what it produces. To this end, the City of Wichita, in partnership with the Kansas World Trade Center (KWTC), developed a number of services to help small businesses achieve greater profits through trade, including:

- Consultation and Research: assistance in product classification, patent and trademark information and labeling and marking requirements; in depth economic, political and commercial information about foreign countries; and customized consultation.
- Education and Training: trade compliance and processes and language courses.
- Translation and Interpretation: internal documentation and marketing communication, translation and interpretation to help businesses demonstrate their cultural acceptance and knowledge and to ensure that they get their message across.
- Global Credit Reports: development of credit checks to help reduce business liability when finalizing international transactions; use of prominent local agencies in the country in order to receive the most reliable information.

The city's annual contract with KWTC allows it to provide services to businesses within the city at no charge or at a reduced rate. These cost savings mean a higher probability of helping smaller businesses achieve export success.

Source; Emilia Istrate, Jonathan Rothwell, and Bruce Katz, "Export Nation: How U.S. Metros Lead National Export Growth and Lead Competitiveness," (Washington, D.C.: The Brookings Institution, 2010).  
"General Trade Services," (Wichita, Kan.: Kansas World Trade Center, 2011).



## GLOBAL CONNECTIONS

Since 1992, the number of small businesses that export has more than doubled, and their export revenues have tripled.<sup>20</sup> Although this is an impressive figure, it represents just one of every 100 U.S. companies.<sup>21</sup> Small businesses face greater barriers than their larger counterparts, which often have more experience and financial resources to navigate external markets.<sup>22</sup>

Local governments can help their small business community connect with local entities and resources to support exporting, including the nearest U.S. Export Assistance Center (USEAC), state export assistance centers and local world trade centers.

## BUSINESS GROUPS

Local business groups are essential to helping local governments understand the effects of their policies on local entrepreneurs. Groups like the local chamber of commerce are aware of the day-to-day concerns of small businesses and can help local governments be responsive to these needs. Concerns can be anything from burdensome regulations to needed infrastructure improvements. When trying to understand the needs of new and faster growing companies, local governments may also need to search out other groups such as technology councils and universities or other research institutions that may have better connections to these entrepreneurs.

20 "A Basic Guide to Exporting, 10th Edition," (Washington, D.C.: International Trade Administration, U.S. Department of Commerce, 2008).

21 "Help Small Businesses Export," U.S. Chamber of Commerce, <http://www.uschamber.com/international/agenda/help-small-businesses-export>.

22 Christiana McFarland and J. Katie McConnell, "Strategies For Globally Competitive Cities," (Washington, D.C.: National League of Cities, 2011).



## FINANCING INSTITUTIONS

Financing, whether to start or expand, is the leading challenge that almost all new and small businesses face. A misconception also exists that there are a variety of grants that are readily available to help individuals launch businesses. The reality is that many new businesses are initially financed with personal savings and credit.<sup>23</sup>

Regardless of the inherent difficulties related to financing a new business, local government can play a role in bringing together financing institutions, whether they are locally based credit unions, national banks, microloan organizations, Community Development Financial Institutions (CDFIs), or venture or angel investors that may be in the region, with the business community.



### IMPROVING ACCESS TO CAPITAL

Valley Economic Development Center, Los Angeles and Southern California

More information: <http://www.vedc.org/>.

The Valley Economic Development Center, based just outside of Los Angeles, California, has taken a proactive approach to small business development, particularly with regard to capital access, by holding networking events throughout Southern California. The events are aptly named “Where’s the Money? Access to Business Capital Expo” and have brought together more than 3,000 entrepreneurs, businesses, elected officials and lending resources over the past 10 years. “Where’s the Money?” events include networking breakfasts, business workshops, finance and resource expos, loan pavilions and business luncheons. Capital access can be one of the largest hindrances to fledgling small and medium-sized businesses. Providing an event that provides face-to-face contact with capital providers has been a great way to support local business formation.

Source: [www.vedc.org](http://www.vedc.org)

Some governments, in response to a real or perceived lack of capital within a region, create revolving loan funds to support new business creation. However, these efforts often yield disappointing results. Those programs that have shown signs of success are managed by organizations that have technical expertise and adequate levels of capital and decisions are made separate from political process.<sup>24</sup> When undertaking a program of this nature, local leaders must set realistic expectations, goals, timelines.

### KEY TAKE AWAYS FOR LOCAL LEADERS

- To support entrepreneurs and small businesses, outside organizations with technical experience, resources and relationships are essential.
- Local leaders can bring together service providers and business groups to help identify gaps, encourage collaboration and be a centralized information source.
- If a local government embarks on programs that offer more targeted, direct services to entrepreneurs, it’s imperative to include partners with expertise and to have clear goals and realistic expectations.

<sup>23</sup> Vivek Wadhwa et al., “The Anatomy of an Entrepreneur: Making of a Successful Entrepreneur” (Kansas City, Mo.: Ewing Marion Kauffman Foundation, 2009).

<sup>24</sup> David L. Barkley, Deborah M. Markley, and Julia Sass Rubin, “Certified Capital Companies (CAPCOs): Strengths and Shortcomings of the Latest Wave in State-Assisted Venture Capital Programs,” *Economic Development Quarterly* 15, no. 4 (2001).

## STARTUP ACCELERATORS AND COMPETITIONS

It's becoming increasingly common to see states, cities and regions, in partnership with universities and entrepreneurial-focused nonprofits, offer accelerator programs and startup competitions. Many of these programs are modeled after private sector accelerators and aim to attract entrepreneurial talent to a region with the hope that some will choose to stay in the area to continue their entrepreneurial or startup development once the program is done. While the jury is still out on the long-term effects of these efforts, they are certainly something to watch.

### MASSCHALLENGE

MassChallenge is a nonprofit organization that assists early stage entrepreneurs and also holds a yearly global start-up competition in Boston. MassChallenge finalists have three months of access to free office space in Boston's Innovation District, along with assistance from mentors, workshops and networking events. In 2011 MassChallenge attracted applications from 24 countries and 34 states, and gave away \$1 million in awards to the top 17 entries.

### IDEA VILLAGE

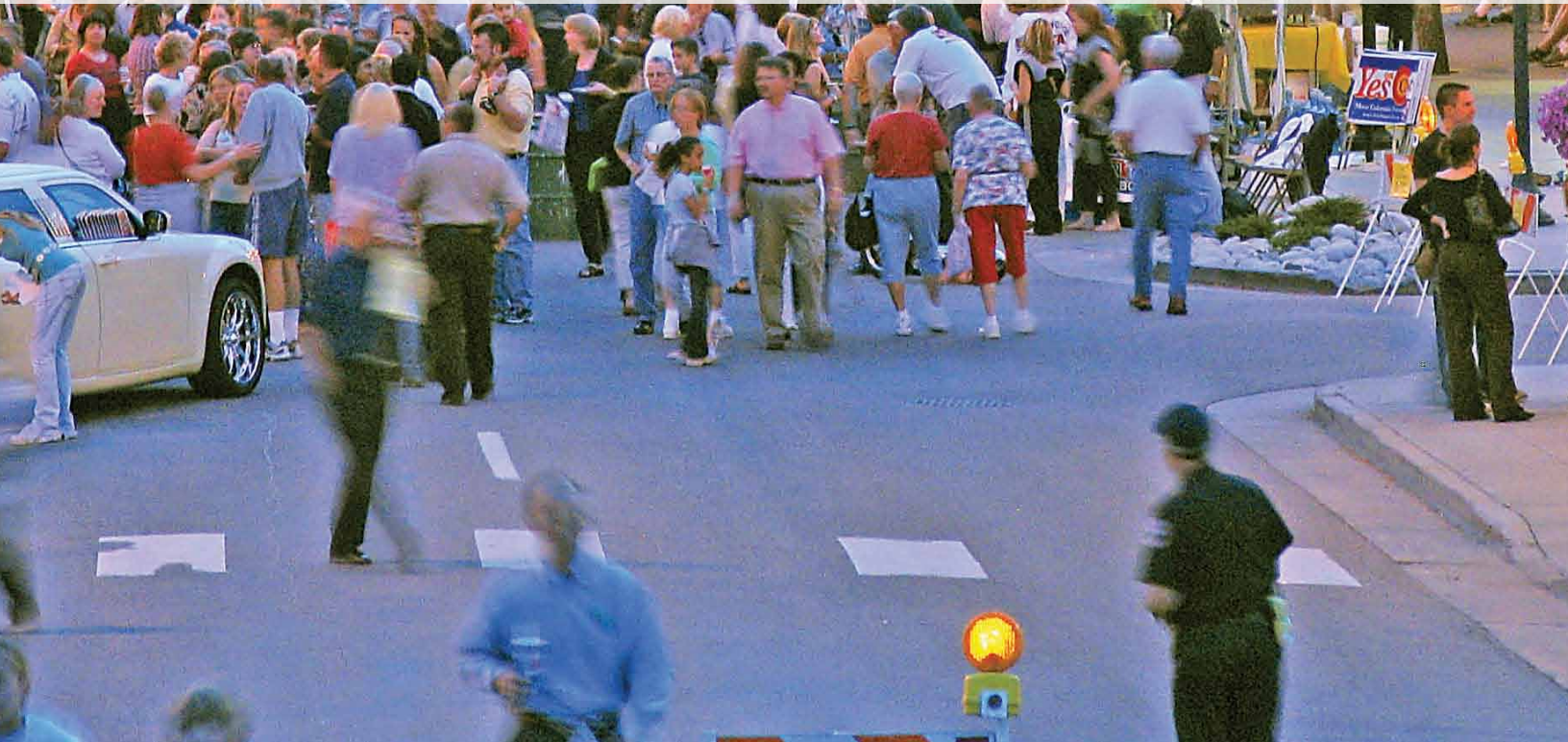
The Idea Village in New Orleans is a nonprofit organization started in 2000 to combat the "brain drain" New Orleans was suffering from in the 1990s by nurturing homegrown entrepreneurs. Each March, The Idea Village hosts New Orleans Entrepreneur Week, which brings local and national MBA students, corporate partners and academic and policy leaders to New Orleans to consult with local entrepreneurs, using networking, pitch sessions and dialogue. In 2011, New Orleans Entrepreneur Week attracted "over 1,000 of the best and brightest local and national minds to invest \$1,023,946 in capital, strategic consulting, and resources to 475 New Orleans Entrepreneurs."

Source; "MassChallenge Announces World's Highest-Impact Startups," MassChallenge <http://masschallenge.org/2011/10/24/masschallenge-award-ceremony>.  
"New Orleans Entrepreneur Week", The Idea Village <http://ideavillage.org/programs/noew>.



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Fire Family

CITY EXAMPLES





# CITY EXAMPLES

In addition to the short city examples in the previous three sections, the following longer case studies are included to offer additional details on entrepreneur and small business efforts:

## AUSTIN, TEXAS

Greening Businesses

## BOSTON

Innovation District

## LITTLETON, COLORADO

Economic Gardening

## NEW YORK

Supporting Immigrant Entrepreneurs

## SCOTTSDALE, ARIZONA

University Partnership

## SEATTLE

Improving Communication and Interaction with Businesses

## WICHITA, KANSAS

Exporting Assistance



## GREENING BUSINESSES: AUSTIN, TEXAS<sup>25</sup>



To encourage local businesses to begin and continue greening their operations, the City of Austin started a program called Austin Green Business Leaders (AGBL), which is intended to support such activities throughout the city. The voluntary program is run by the city's Office of Sustainability and aims to get local businesses and their employees actively involved in seven different sustainability areas: energy, water, resource management, transportation, a healthy work environment, communication and outreach and community stewardship. Businesses that participate not only get to support the city's sustainability goals, but are highlighted by the city and can market themselves as "green." After a successful pilot with 23 businesses in 2011, the program launched for the general Austin business community in March 2012.

When a local business signs up to participate in the ABGL Program, it pledges to "go green" and receive a scorecard. The business then uses the scorecard to rate its current operations and make changes as it sees fit. Once the business has reached an acceptable score, it returns the completed scorecard and relevant documentation to the city for review. The Office of Sustainability then recognizes the businesses' achievement at various awards ceremonies, networking events and on the city website.

AGBL is part of a larger effort by the City of Austin to connect the various "green efforts" made by the city's departments, as well as to move the city towards a livable, sustainable and interconnected city, as

stated in Imagine Austin, the city's comprehensive plan. The city has marketed the program's benefits as the following:

- Business owners have an opportunity to promote their business by utilizing the marketing tools provided to bring in new customers;
- Reducing waste, water and energy usage will save money for businesses;
- Being branded as a "green" company offers a way to stay competitive in this economy; and
- AGBL businesses have an opportunity to network, learn and share best practices with other businesses that are committed to greening their operations.

The program will help move the city toward its goals of becoming a livable and sustainable place to live, work and play. For more information, visit <http://www.austintexas.gov/department/austin-green-business-leaders>.

## INNOVATION DISTRICT: BOSTON, MASS.



In January 2010, as Mayor Menino began his 5<sup>th</sup> consecutive term as Boston's Mayor, he launched a new approach to spur economic development along Boston's waterfront. The Mayor called for a strategy that was both more deliberate and more experimental to create jobs, housing opportunities, and to build upon the city's many assets. The Mayor's strategy focuses on nurturing new and growing industries. This new model fosters a collaboration that drives productivity, especially among start-ups and research-based companies. While many companies are part of the emerging industry clusters like clean technology, life sciences, and new media, the district has also attracted large, growing companies, like Vertex Pharmaceuticals, whose new headquarters will house 2,000 employees.<sup>26</sup> Mayor Menino was inspired by Boston's sister city, Barcelona, Spain's 22@ Barcelona, a large redevelopment project designed to turn Barcelona's large industrial waterfront into a center of the knowledge economy.<sup>27</sup>

A key component of building the Innovation District is attracting entrepreneurs and start-ups, many of which are hatching out of nearby universities like MIT and Harvard. According to Susan Elsbree, Director of Communications for the BRA, one of the major advantages of the Innovation District is that it offers entrepreneurs networking opportunities and firm development accelerator services.<sup>28</sup> MassChallenge, a nonprofit organization and the world's largest start-up accelerator and competition connects early stage entrepreneurs to the resources they need to launch high-growth, high-impact businesses. Over a three month accelerator program, the 125 MassChallenge finalists have access to free office space in the Innovation District, mentors, workshops and networking events. Finalists ultimately compete for 10-20 cash prizes totaling \$1 million. The 2010 MassChallenge had 110 companies participate, and they collectively raised over \$90 million in funding and created 500 jobs in less than a year.<sup>29</sup>

In addition to MassChallenge, there are a number of other accelerators and incubators in the Innovation District which provide the necessary working areas that a fledgling non-profit, clean tech, or life-science company would need. Space with a Soul is an accelerator dedicated to helping Boston-area nonprofits achieve efficiencies so they can spend less resources on operations and more time on achieving their missions. Greentown Labs a clean technology start-up incubator feels more like a machine

<sup>26</sup> Ibid.

<sup>27</sup> Thomas Menino, "Panel Comments, Florence, Italy 2010," (2010), <http://www.innovationdistrict.org/2010/12/02/ciao-innovation-district-menino-shares-bostons-innovation-agenda-in-italy>

<sup>28</sup> Susan Elsbree, email message to author, September 13, 2011.

<sup>29</sup> Kyle Psaty to The Next Great Generation, September 28, 2011 [http://www.boston.com/lifestyle/blogs/thenextgreatgeneration/2011/09/masschallenge\\_startups\\_working.html](http://www.boston.com/lifestyle/blogs/thenextgreatgeneration/2011/09/masschallenge_startups_working.html)

shop than an office.<sup>30</sup> The redeveloped building provides 40-foot-high ceilings for one occupant to test “giant turbine-toting balloons” and will soon house a wet lab space.<sup>31</sup> The soon-to-be-built Fraunhofer Center for Sustainable Energy Systems, a U.S. subsidiary of the German research institution will use 50,000 square feet to house Fraunhofer’s headquarters, including research and development labs and Techbridge, a clean energy startup accelerator.<sup>32</sup> A newly constructed shared lab facility, Drydock Labs, continues to attract several early stage life science companies including biotech startups and life/clean tech hybrids.

The city is helping spur this entrepreneurial culture in a number of ways. The Mayor has communicated a vision for the area, and he is backing up that vision with actions and programs. Mayor Menino cut the ribbon at GreenTown Labs and MassChallenge.<sup>33</sup> In March 2011, he presented the check to the winner of the Innovation District Home Town Challenge, an effort between the City and Ven-corps, a seed capital venture fund that awarded prize money for a start-up to move into or expand in the Innovation District.<sup>34</sup>

In addition to public demonstrations of support, the City of Boston utilizes a number of public relations strategies to assist incubators. For example it uses the Innovation District website, blog, and active Twitter feed to promote the Innovation District and to connect space-seekers with the incubators. Additionally, the City and BRA staff meets frequently with new companies to introduce them to the Innovation District and relay the Mayor’s vision for the area.<sup>35</sup>

In many of the Mayor’s speeches, he discusses the need for workforce housing designed to meet the needs of entrepreneurs who do not have the means to purchase the luxury apartments typical of a new urban development. To this end, the City is using its zoning and planning abilities to push for new types of designs and is actively working with developers to make sure this entrepreneurial culture is apparent in their plans. “The strategy for spurring physical development on the waterfront has been to work with the developers to infuse “innovative” features to their plans. Two such examples include residential floors designed for an InnoHousing concept, more compact units without luxury finishing, as well as a Public Innovation Center for organized groups to host free entrepreneurial events in the area.”<sup>36</sup> Additionally the City backs the effort via its transportation planning and through financing tools, such as business loans and tax partnerships.<sup>37</sup>

The success of Boston’s Innovation District is shown in the numbers. Currently home to 33,000 jobs and generating over \$10 billion towards the city’s gross product, the Innovation District has attracted 100 new businesses adding 3,000 new jobs to the area since January 2010. These new businesses and restaurants have increased foot traffic in the district, and as of July 2011, Boston Subway’s Silver Station, which runs into the Innovation District, has seen a significant increase in ridership over the previous 6 months, including a 6 percent boost on weekdays, 14 percent on Sundays and 61 percent on Saturdays.<sup>38</sup>

30 Galen Moore, “Cleantech ‘incubator’ Sights South Boston,” Boston Business Journal.

31 Don Seiffert, “Cleantech finds a home at Greentown Labs,” Boston Business Journal (August 5, 2011), <http://www.bizjournals.com/boston/print-edition/2011/08/05/technology-finds-a-home-at-greentown.html?page=all>

32 “Fraunhofer Center for Sustainable Energy System Announces Sustainable Energy Research and Building Innovation Center in Boston’s Innovation District,” (2011), <http://cse.fraunhofer.org/5cc/press-media/>.

33 “MassChallenge 2011: The Launch Heard Round the World,” <http://masschallenge.org/blog/masschallenge-2011-launch-heard-round-world>.

34 “Welcome Home Challenge,” [Innovationdistrict.org](http://innovationdistrict.org).

35 Aubre Carreon Aguilar, e-mail message to author, October 17, 2011.

36 Zoe Koven, “Case Study: The Boston Waterfront Innovation District,” (Energy and Climate Partnership of the Americas Urban Planning Initiative, 2011).

37 Elsbree.

38 Ayla Rosen to BostInnovation, July 27, 2011, <http://bostinnovation.com/2011/07/27/mbta-silver-line-riders-increase-60-as-the-innovation-district-booms>



# ECONOMIC GARDENING: LITTLETON, COLORADO



Instead of approaching economic development like many other cities and towns — attracting large companies with tax and land incentives — Littleton, led by Christian Gibbons, developed the now widely known technique of economic gardening to develop its economy from within. This means that instead of spending time and resources hoping to catch a big fish, Littleton focuses on retaining and assisting second stage companies, while creating a friendly environment for local entrepreneurs. According to Gibbons, the advantage of an economic gardening strategy versus an incentive-based strategy are that the cost per job created is much lower, the investment stays local and it is a long-term strategy as opposed to a short-term fix.<sup>39</sup>

Littleton's decision to focus on "economic gardening" instead of "economic hunting" was primarily based on research conducted by David Birch at MIT that indicated that "the majority of all new jobs in any local economy were produced by the small, local businesses in the community" and that in terms of job creation, the size of the company did not matter as much as the company's rate of growth did.<sup>40</sup> Littleton developed a vital aspect of its economic gardening program, assistance to companies with high growth potential, especially second stage companies. The tools Littleton offers include search engine optimization, social network mapping, geographic information systems and database research. Gibbons focuses on second stage companies because they are established enough that they are ready to grow, but small enough that they don't always have the resources to take the next step. Gibbons explained that, "If you're a company of 20, 30 people, you're doing good just to make and sell and get it out the door. You don't have the excess people to go and do that sophisticated stuff, and that's what we do for them."<sup>41</sup>

Littleton's economic gardening program has been a success, but it is helpful to note that it was not an overnight success. It took years to develop a program unique to Littleton, and each city or town is different and dictates a tailored strategy depending on its strengths, weaknesses, opportunities and threats (SWOT). Since its inception, the program has "helped entrepreneurs double the job base in

39 Chris Gibbons, "Littleton's Economic Gardening Strategy," *Nation's Cities Weekly*, <http://www.nlc.org/File%20Library/Utility%20Navigation/News%20Center/NCW/2010/NCW011110.pdf>.

40 "Economic Gardening," <http://www.planetizen.com/node/7>.

41 Kyle Garratt to Denver Westword Blogs, November 16, 2011, [http://blogs.westword.com/latestword/2011/11/littleton\\_economic\\_gardening.php](http://blogs.westword.com/latestword/2011/11/littleton_economic_gardening.php).

Littleton from 15,000 to 30,000 and triple the retail sales tax from \$6 million to \$21 million over the past 20 years.<sup>42</sup> The approach continues to attract attention from communities around the country, as more than 700 have contacted Littleton to learn more about the project.<sup>43</sup>

For more information, visit <http://www.littletongov.org/bia/economicgardening/>.

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<sup>42</sup> Gibbons, "Littleton's Economic Gardening Strategy".

<sup>43</sup> Ibid.



## SUPPORTING IMMIGRANT ENTREPRENEURS: NEW YORK



According to the 2010 Kauffman Index of Entrepreneurial Activity, immigrants are more than twice as likely as native-born people to start a business. Immigrant entrepreneurship has been steadily rising, widening the gap between immigrant and native-born entrepreneurs.<sup>44</sup> Immigrant business owners make significant contributions to local economies, including job creation, stabilizing neighborhoods and commercial corridors and helping to retain local investment.<sup>45</sup> Despite these successes, immigrants nationwide lag behind native-born entrepreneurs in terms of longevity of business operations, with a smaller proportion of immigrant owned businesses operating more than 42 months compared with non-immigrants businesses.<sup>46</sup> Immigrants must contend with challenges that go above and beyond those faced by other business owners.<sup>47</sup> Overall, immigrant business owners may experience problems connecting with mainstream business development services and resources, often due to a lack of trust in government and language barriers. Many have limited resources, both time and money, to plan for growth and are not able to fully access local, regional and national markets. They also experience greater difficulties getting credit and understanding local rules and regulations.<sup>48</sup>

44 Robert Fairlie, "Kauffman Index of Entrepreneurial Activity," (Kansas City, Mo.: Ewing Marion Kauffman Foundation, 2010).

45 Personal Communications with Fatima Shama, Commissioner, Mayor's Office of Immigrant Affairs, New York City via email on October 15, 2011 and phone interview on October 17, 2011.

46 "Mayor Bloomberg Announces Three New Steps to Make it Easier for Immigrant-Owned Businesses to Start and Grow in New York City, PR-071-11," (New York: New York Office of Mayor, March 3, 2011).

47 Jonathan Bowles and Tara Colton, "A World of Opportunity," (New York Center for an Urban Future 2007).

48 Fatima Shama, October 15 and 17, 2011.

New York City is the country's most notable immigrant gateway, and its immigrant population has more than doubled since 1970, representing nearly 40 percent of the city's population and 43 percent of the city's labor force.<sup>49</sup> Immigrants are a significant piece of the city's entrepreneurial economy, making up 49 percent of all self-employed workers in New York City, compared with 25 percent in New York State and only 12 percent in the U.S.<sup>50</sup> However, immigrant entrepreneurs and small business owners in New York City, like many other communities across the country, remain an overlooked part of cities' economies, and are largely disconnected from local economic development planning.<sup>51</sup>

In March 2011, Mayor Michael Bloomberg launched three initiatives to make it easier for immigrant-owned businesses to start and grow: a business plan competition for innovative strategies to provide assistance to immigrant entrepreneurs; new, free small businesses courses in Chinese, Korean, Spanish and Russian; and a business expo to showcase locally based immigrant food manufacturing businesses and link them to consumers nationwide.<sup>52</sup> These programs are not the city's first initiatives to serve immigrant entrepreneurs and small businesses; however, they are first "articulated" set of initiatives for the comprehensive audience of immigrant small business owners.<sup>53 54</sup> It is also the first time that the city's Department of Small Business Services (SBS) and the Economic Development Corporation (EDC) were strategically aligned with the Mayor's Office on Immigrant Affairs (MOIA) to develop and provide services for immigrant small businesses.

"The March 3rd announcement was the outcome of realigning our commitment to the economic engine in our city, our small businesses, and realizing who our small business community included and the supports we were specifically providing," said Commissioner Fatima Shama, MOIA. "The mayor's leadership, locally and nationally, has been wonderful. It has helped develop trusting relationships that will hopefully result in continued development with immigrant communities," notes Shama.

New York's programs for immigrant small businesses, funded through a mix of public (city tax levy, state and federal funds) and private funding (from foundations or local banks), address the challenges unique to immigrant status and small business growth by helping build business capacity, link businesses and customers and connect businesses with resources:<sup>55</sup>

- **Business Plan Competition:** The immigrant entrepreneur business plan competition, a joint-effort of the EDC and the Deutsche Bank Americas Foundation, challenges entrants to propose innovative, scalable ideas to assist immigrant entrepreneurs. Participants submit business plans for ventures that address concerns of immigrant entrepreneurs like access to credit, financial management, language barriers or access to business networks. Five plans will be selected and each awarded seed funding of up to \$25,000 to pilot their program. After the pilot period, the program recognized as the most scalable and sustainable by a panel of judges will be selected as the winner and receive funding of up to \$100,000 to further scale the program.
- **Services in Multiple Languages:** EDC, MOIA and several community-based organizations, including Baruch College, GrowNYC, Make the Road New York and Renaissance Economic Development Corporation, are joining SBS to offer recurring courses to small businesses in Chinese, Korean and Russian, and additional courses in Spanish. The community-based organizations will provide space and instructors to teach the courses to members of each targeted community. It is anticipated that the pilot program will serve hundreds of immigrant entrepreneurs over the next 12 months.

49 "Immigrant Small Businesses in New York," (New York, New York: Fiscal Policy Institute, 2011).

50 Ibid.

51 Bowles and Colton, "A World of Opportunity."

52 "Mayor Bloomberg Announces Three New Steps to Make it Easier for Immigrant-Owned Businesses to Start and Grow in New York City, PR-071-11."

53 Fatima Shama, (paper presented at the National League of Cities Advisory Council, Alexandria, Va., August 18, 2011).

54 Over the past decade, the city offered programs that supported immigrant small businesses, including efforts to revitalize commercial corridors in ethnic neighborhoods, a refugee microenterprise program, a Latino small business initiative and bilingual workshops to gather input from immigrant restaurant owners on the restaurant grading system (per personal communication with Shama, October 15, 2011).

55 "Mayor Bloomberg Announces Three New Steps to Make it Easier for Immigrant-Owned Businesses to Start and Grow in New York City, PR-071-11."



- **Food Expo:** EDC and SBS worked with Baruch College, the Pratt Center for Community Development and the South Brooklyn Industrial Development Corporation to establish and manage a pilot business expo on May 25, 2011, for locally based immigrant food manufacturing businesses to showcase their products. Technical assistance was provided to each of the participating businesses in order to help them refine their pitch and prepare for professional trade show events. At the end of the event, six companies were selected to attend the National Association of Specialty Food Trade Fancy Food Show or Kosherfest — two of the largest national trade shows in the region — in a booth subsidized by EDC.

This new set of initiatives clearly requires extensive collaboration and communication both internally among MOIA, SBS and EDC, and externally with community partners. MOIA serves as the mayor's representative to immigrant communities and as the trusted mediator to help introduce government services to the immigrant small business community. SBS is the service provider for small business services. "Many immigrant business owners have never heard of SBS, fear engaging with SBS or have attempted to work with SBS but due to language access communication has not been easy," said Shama. These realities have allowed MOIA to offer help and guidance on ways to better serve immigrant small businesses, and conversely, help the immigrant small business community more thoughtfully access SBS services. EDC, a quasi-public, income-generating agency, provides much of the working capital for immigrant small business programs. Additionally, whereas SBS tends to focus on "mom and pop" businesses, EDC has experience engaging high-impact, high-growth small businesses, allowing the city to provide services to the spectrum of immigrant small business owners. In addition to helping provide service development and implementation expertise, community partners, including chambers of commerce, community based organizations, faith leaders, local civic and business leaders and the ethnic press are critical for gaining credibility and access to immigrant small business owners. The city often works with community-based partners to host roundtables, meetings and surveys of business owners. These are used not only to gauge issues and challenges, but also to send the message to the business community that they are being heard by the city.

## UNIVERSITY PARTNERSHIP: SCOTTSDALE, ARIZONA



Scottsdale, in partnership with Arizona State University (ASU), established the SkySong Center, a multipurpose development designed to incubate and accelerate entrepreneurial startups from across the globe and within the university. The plans for SkySong were introduced in 2004 after two previous plans for the area were scrapped; the first to move the National Hockey League’s Phoenix Coyotes to the property, the second to develop big-box retail.<sup>56</sup> A lease and infrastructure agreement was worked out between ASU and Scottsdale, and SkySong opened for business in 2008.

ASU SkySong strives to create interactions between what it describes as three ecosystems. One is the University Ecosystem and its stakeholders. Students, postdocs, staff, alumni and other connections make up the bulk of this ecosystem. The second is the Startup Ecosystem, comprised of startups, angel and venture capital, co-working spaces, mentor groups and international incubators. The final ecosystem is the Wider Ecosystem, made up of large companies, service providers, local government, federal government (leadership and agencies) and international connections.<sup>57</sup> SkySong makes use of all of these entities to provide a “one-stop-shop” for budding entrepreneurs and startups.

### ASU VENTURE CATALYST

Housed in ASU SkySong, ASU Venture Catalyst is a joint venture with ASU’s Tech Transfer Office (AzTE) that offers hands-on assistance for high-potential startups. Venture Catalyst works with students, faculty, staff, global and local companies and existing startups and ventures. Utilizing the resources available within the SkySong Innovation Center, Venture Catalyst provides on-site services, such as business plan development, mentorship, interim management, industry connections, links to the greater university and training.<sup>58</sup>

<sup>56</sup> Jane Larson, “SkySong Beaming with Addition of 2 Tenants,” *The Arizona Republic* February 1, 2007.

<sup>57</sup> Gordon. McConnell, “Supporting Small Business and Entrepreneurship presented at the NLC Congress of Cities” ( November 12, 2011).

<sup>58</sup> Ibid.

Since ASU Venture Catalyst was created, 48 spinout companies based on ASU intellectual property have been established. Eight ASU companies have been acquired or merged, and there have been two IPOs. AzTE's portfolio companies have received more than \$100 million in investments and funding, and the valuation of ASU spinout companies and sub-licensees is estimated at more than \$200 million.<sup>59</sup>

### RAPID STARTUP SCHOOL

Rapid Startup School is a free evening startup program on campus that targets graduate and post-doctoral students. The objective of the school is to stimulate startup activity within the university and give students an understanding of what is required to commercialize their ideas. The school focuses on key areas for the development of startup companies such as market feasibility, raising money and legal issues. So far, there have already been four potential university-related startups identified, and a follow-on accelerator and funding mechanism is due to come "on stream" sometime in 2012.<sup>60</sup>

### EDSON STUDENT ENTREPRENEUR INITIATIVE

The Edson Student Entrepreneur Initiative provides a total of \$200,000 annually in seed funding to ASU student entrepreneurs, and 10 to 15 teams are awarded \$5,000 to \$20,000 to develop their new ventures.<sup>61</sup> Edson is partnered with ASU SkySong, which provides office space and training to Edson teams. Along with space and training, Edson teams are matched with advisors who provide them expertise and practical knowledge to get their ventures off the ground.

In 2011, there was a pool of 250 applicants, 26 of which were selected to receive funding. Currently, there are eight Edson companies generating revenue — two generated more than \$200,000 in 2011.<sup>62</sup>

### ASU INNOVATION CHALLENGE

Focused on social entrepreneurship, the ASU Innovation Challenge accepts applications from undergraduate and graduate students university-wide with ideas to make a difference in local and global communities. Students can receive awards of up to \$10,000 to make their social entrepreneurial dreams a reality.<sup>63</sup> ASU Innovation Challenge is partnered with ASU Venture Catalyst and the Edson Student Entrepreneurship Initiative.

For more information visit ASU SkySong at <http://skysong.asu.edu/> and the SkySong Center at <http://www.skysongcenter.com/>.

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<sup>59</sup> Ibid.

<sup>60</sup> Ibid.

<sup>61</sup> <http://studentventures.asu.edu/about>.

<sup>62</sup> McConnell, "Supporting Small Business and Entrepreneurship presented at the NLC Congress of Cities".

<sup>63</sup> "ASU Innovation Challenge (Overview)," <http://innovationchallenge.asu.edu/about>.



## IMPROVING COMMUNICATION AND INTERACTION WITH BUSINESSES: SEATTLE



The City of Seattle has recently refocused its economic development activities on doing what it believes it can do best — facilitate connections, provide on-the-ground services to businesses needing assistance and advocate for policies and service changes as appropriate to improve Seattle’s business climate.<sup>64</sup>

The city created business advocates in its Office of Economic Development (OED) to help businesses navigate government processes and connect to resources. Interactions with individual businesses are recorded and tracked by staff, ensuring proper follow-up and identification of systematic and recurring problems. This information is then used to advocate for policy or services changes to better reflect the on-the-ground needs of local business.

Through partnerships with key stakeholders, such as the Downtown Seattle Association, Environmental Coalition of South Seattle, enterpriseSeattle, Manufacturing Industrial Council and Washington Biotechnology and Biomedical Association, OED communicates directly with the local business community and responds to its needs. Over the past two years, OED conducted 1219 such business visits and provided 671 businesses with resources and assistance.<sup>65</sup>

Additionally, OED hosts a well-attended, informal monthly networking event so the local business community can connect with key political, departmental and economic development stakeholders. For example, the February 2012 event focused on connections with major education and healthcare institutions and had representatives from the region’s universities, community colleges and hospitals in

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<sup>64</sup> “Seattle’s Office of Economic Development Strategic Framework,” (Seattle, Wash: Seattle Office of Economic Development, 2009).

<sup>65</sup> “Seattle Jobs Plan 2011 Report,” (Seattle, Wash: City of Seattle, 2011).

attendance. Additionally, OED staff, elected officials, the director of the department of planning and representatives from the mayor's office were also in attendance to network.<sup>66</sup>

While having open channels of communication with businesses and providing services is important, without increased coordination between multiple city departments, OED's efforts would exist in a silo. Although economic development offices are often assumed to control economic development policies, the reality of city planning is that a number of agencies interact with and impact the success of new or existing businesses. To truly help local businesses solve problems, OED needed all critical agencies to see economic development as core to its mission. To that end, OED's position in the city was elevated, giving it closer proximity to the political leadership of Seattle.

This intergovernmental effort dedicated to efficiency and solving problems is possibly most apparent in the formation of the new Citywide Business Advocacy Team (CBAT). One of the major frustrations for Seattle's businesses has been the permitting process, which is often slow, uncoordinated and at times contradictory.<sup>67</sup> To combat this, an interdepartmental group with representation from all of the major departments involved in regulatory, zoning and economic development issues (OED, Planning and Development, Transportation, Seattle City Light, Police, Fire and Finance and Administrative Services) was created to deal with complex inter-departmental decisions and issues. It is important to note that this effort goes beyond feel-good meetings. Each department signed a Memorandum of Understanding, which formally commits staff time and effort to CBAT.<sup>68</sup> As necessary, issues that cannot be resolved within the group are elevated to the mayor and council level.

Seattle Mayor Mike McGinn and immediate past Seattle City Council President Richard Conlin have been key to this effort. Conlin was instrumental in the push for the refocused OED and has continuously been committed to its success, and McGinn, through his Seattle Jobs Plan, has put emphasis on supporting the business community and improving the efficiency and clarity of services and regulatory processes.

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<sup>66</sup> "City Business Casual".

<sup>67</sup> Richard Conlin to Making it Work, May 23, 2011.

<sup>68</sup> Steve Johnson, October 11, 2011.

## EXPORTING ASSISTANCE: WICHITA, KANSAS



International trade is a particularly important part of the economic activities in Wichita, which exported more than \$6.8 billion worth of manufactured and agricultural products in 2008 alone; supporting nearly 41,000 jobs.<sup>69</sup> The metropolitan area is the nation's top exporting metro, exporting about 28 percent of what it produces.<sup>70</sup> While the many larger companies contribute to this exporting success, including Airbus North America Engineering, Cessna Aircraft Company and Koch Industries, the City of Wichita recognizes both the potential of small businesses to contribute to economic growth and the export barriers they face.

To this end, the City of Wichita, in partnership with the Kansas World Trade Center (KWTC), developed a number of services to help small businesses achieve greater profits through trade, including:

- **Consultation and Research:** assistance in product classification, patent and trademark information and labeling and marking requirements; in depth economic, political and commercial information about foreign countries; and customized consultation.
- **Education and Training:** trade compliance and processes and language courses.
- **Translation and Interpretation:** internal documentation and marketing communication translation and interpretation to help businesses demonstrate their cultural acceptance and knowledge and to ensure that they get their message across.
- **Global Credit Reports:** development of credit checks to help reduce business liability when finalizing international transactions; use of prominent local agencies in the country in order to receive the most reliable information.<sup>71</sup>

69 "Kansas International Profile," (Wichita, Kansas: Kansas World Trade Center, 2011).

70 Istrate, Rothwell, and Katz, "Export Nation: How U.S. Metros Lead National Export Growth and Lead Competitiveness."

71 "General Trade Services."



According to the KWTC 2010 Annual Impact Report, nearly all of its 404 clients who responded that year reported an increase in international sales and 22 percent reported at least \$500,000 in international sales generated through use of KWTC services. “Through our relationship with KWTC we have been successful in establishing an overseas distribution location and have greatly benefitted from the professional networking of seminar presenters, enabling us to work with them on efforts to better develop our international sales abilities,” notes one client.<sup>72</sup>

Although the fee-based services provided through the KWTC are available to all businesses in the region interested in international trade, the majority of clients are small- and medium-sized enterprises (SMEs). According to Karyn Page, CEO and President of KWTC, “SMEs have less resources (time, personnel, knowledge, money, attorneys, CPAs, experience, etc.) than larger businesses. This causes SMEs to need the full gamut of international trade services and guidance, such as answering one-off questions help them get an export shipment out the, entering a particular foreign market.”<sup>73</sup>

Wichita’s annual contract with KWTC allows KWTC to provide its services at no charge or at a reduced rate, resulting in a higher probability that it will help smaller businesses achieve export success. City council reviews the contract for renewal annually, upon the city’s economic development staff recommendation. The contract is in the economic development budget. KWTC staff work closely with the mayor, city council, city manager’s office and the economic development staff to ensure that local policies and programs are supporting KWTC trade activities, and vice versa.

KWTC also partners directly with Mayor Carl Brewer to make sure that he has all the information and support he needs to be a champion for trade development. According to Page, “this is no small task because he is involved in many activities and is a great supporter of KWTC activities and trade in general. ... He is always available to provide welcome remarks for trade events, meet with foreign delegations and provide support in many other ways.” The mayor leads trade-focused missions to Sister Cities and is the co-chair (with Kansas Sen. Carolyn McGinn) for the City of Wichita’s EcoPartnership with Wuxi City (Jiangsu Province, China). He has also led the first mission to Wuxi.

In addition to the City of Wichita, KWTC works with other partners in the public and private sectors to provide exporting services to small businesses, including the U.S. Small Business Administration, local Small Business Development Centers, local chambers of commerce, independent business associations, trade associations, consultants, economic development professionals, private sector service providers (CPAs, attorneys) and the state. For example, KWTC works hard to ensure it maintains contacts with staff and appointees in U.S. government agencies. “Having key relationships or just knowing who to call is integral to providing training, answering questions, and obtaining information and resources to share with area companies,” said Page.

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72 “2010 Annual Impact Report,” (Wichita, Kans: Kansas World Trade Center 2010).

73 Karyn Page, email and phone interview with author, September 3 and October 14, 2011.

