

Entrepreneurship in Distressed Urban Areas in North America

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Definitions



- **Entrepreneurs**
 - People who create and grow enterprises
 - Many types – survival, lifestyle, growth, serial
- **Entrepreneurship**
 - Process through which entrepreneurs create and grow businesses
 - Opportunity>idea>translation>creativity

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Definitions

- **Entrepreneurship development**
 - Infrastructure of private and public supports that facilitate entrepreneurship
- **Entrepreneurial communities**
 - Significant economic and social entrepreneurial activity; effective system for entrepreneurship development

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Entrepreneurship Development

- Two main components:
 - Creating a **pipeline** of entrepreneurs
 - Entrepreneurship education
 - Awareness raising
 - Creating a **system** of development supports
 - Training and technical assistance
 - Access to equity and debt capital
 - Networking

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Entrepreneurship in Distressed Urban Areas



- Starting and growing a business anywhere is fraught with perils
- Compounded in inner cities by crime, traffic, inadequate land/buildings, higher costs of doing business, access to capital, peers, infrastructure
- But significant advantages of location (customers, commerce, transportation), neighborhood linkages

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Entrepreneurship in Distressed Urban Areas



- Clusters in Inner Cities (ICIC)
 - Healthcare
 - Retail
 - Commercial services
 - Transportation
 - Tourism and entertainment
 - Manufacturing esp. food processing, apparel, metalworking, furniture

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U.S. Landscape of Development Supports



- Federal
 - 7 federal agencies operate 25 technical, marketing, and procurement assistance programs
- States
 - Mix of federal programs, state programs, support for intermediaries
- Local/regional
 - Mix of federal programs, state and local (city/county) programs
- Private
 - Chambers of commerce, joint ventures, private professional services, financial institutions

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Federal programs



- **Manufacturing Extension Partnership**
 - National network of technical assistance providers for small/medium manufacturing companies (Commerce: \$115 million)
- **Small Business Development Centers**
 - National network of business advisory and training services – university-based (SBA: \$75 million)
- **Minority Business Development Centers**
 - National network of specialized centers to support minority businesses mainly in inner cities (Commerce: \$15 million)
- **Microloan Demonstration Program**
 - Funding for 165 nonprofit intermediaries to provide small loans to low-income microentrepreneurs (SBA: \$15 million)

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Federal Programs in Inner Cities



- ICIC study of inner city business development (1999):
 - 17 Federal programs targeted at inner cities totaling \$112 million – primarily mentorship, technical assistance, microlending, minority business development
 - 12 of these programs for inner city Boston totaling over \$600,000 – mentoring, microlending and microenterprise development

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Issues



- Prevailing assumption
 - More services will create more businesses
- But
 - Ignores the specific needs of entrepreneurs
 - Standardized programs emphasize efficiency over effectiveness
 - Programs are fragmented and categorical
 - Providers compete for entrepreneurs and resources rather than collaborate

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Social Capital Strategies

- **Urban Industry Initiative (UII)**

- Philadelphia

- Pew Charitable Trusts, Phila. Industrial Development Corporation (G. Lichtenstein)
- Inner city area of 300 manufacturing firms, 13,000 employees, \$3 billion sales
- Firms isolated – little interaction with neighbor firms, with local communities, likely to leave
- Aware of TA services available but neither trusted them nor saw how to use them to meet needs

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Social Capital Strategies

- UII aim:

- Increase firm competitiveness and strengthen neighborhood roots

- Focus on:

- Finding 'spark plugs'
- Developing inter-firm relationships
- Diagnosing firm problems not just providing information
- Seeing every firm as set of assets; all firms as portfolio of relationships

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Social Capital Strategies

- Activities:
 - Quarterly manufacturers networking meetings
 - Twice-monthly plant managers' meetings
 - Supplier alliances
 - Shared resources – human resources, marketing
 - Mentorships
- Benefits to firms:
 - Material – increase sales, reduce costs
 - Psychological – reduction in isolation, community
 - Developmental – opportunities to learn/grow

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Social Capital Strategies

- Challenges for local economic development:
 - Focuses on creating relationships not simply completing transactions
 - New skills of diagnosis, facilitation, organizing
 - Labor intensive at start-up
 - Open-ended and opportunistic – hard to plan ahead
 - Need for patience

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Social Capital Strategies

- **Entrepreneurship Development System**
 - Success in entrepreneurship based on mastery of skills – technical, managerial, entrepreneurial, personal maturity
 - Assessment tool to place entrepreneurs in hierarchy of skill development – Baseball analogy
 - Providers organized to work with entrepreneurs at particular skill levels
 - Introduced in Louisville for minority business development – new service providers network, talents and opportunity scouts

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Social Capital Strategies

- **Enterprise Facilitation**
 - Organizing community resources to provide support for entrepreneurs
 - Full-time facilitators to make connections between

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Framework for Entrepreneurship Development



- Four key principles:
 - **Community-driven** – community provides immediate environment for entrepreneurs – needs tools, resources to identify assets, make choices, learn what works, innovate
 - **Regionally-oriented** – political jurisdictions not same as economies; access to main regional drivers

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Framework for Entrepreneurship Development



- **Entrepreneur-focused** – programs need to be tailored to needs of entrepreneurs, not “one size fits all”; emphasis on coordinated systems; building social capital
- **Continuous learning** – plentiful opportunities to learn about entrepreneurship, peer exchanges, networks

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Framework for Entrepreneurship Development



- Three essential factors:
 - **Anchor institutions** – intermediaries with capacity to articulate vision, think/act locally and regionally, build partnerships, mobilize resources. Universities, community colleges, CDFIs, CDCs
 - **Supportive public policy** – provide leadership, foster collaboration and innovation, leverage resources

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Framework for Entrepreneurship Development



- **Inclusiveness** – growth/serial entrepreneurs are engines of wealth & job creation, but need to encourage large pool of entrepreneurs of all types
 - 69% of Inc 500 fastest growing firms began with less than \$50,000 in capital, 50% non-tech-related, 56% started in home

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