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
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

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
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

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
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)
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

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
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

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
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

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
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

Social Capital Strategies

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

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
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

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