

- Preliminary Report –

Economic Development Strategies for Assisting Entrepreneurial Growth Companies

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Introduction

In order to assess the need and opportunity for an economic development (ED) program in Wisconsin to foster entrepreneurial growth companies (EGC), two focus group sessions were recently conducted with Wisconsin Economic Development Association Members (WEDA). With almost 500 members, WEDA is the trade association for economic development professionals in the state.

A total of twenty-seven members were present at the two sessions held in Wausau and Madison in the beginning of November. The members present represented a cross section of the total membership. Those invited were specifically chosen to reflect the broad spectrum of occupations and responsibilities present in the full membership. These descriptive characteristics included public/private, state/local, rural/urban, education, chambers of commerce, local development corporations, finance, utilities as well as the geographic stratifications.

WEDA members have been aware of the evolution of the “New Economy” for some time. A series of WEDA focus groups held around the state in 1998 generally identified these emerging trends when members were asked to define the outlook for economic development in the future. Consequently, the members were experienced in and highly articulate about the survey topic.

The current sessions concentrated specifically on the needs and service delivery capability for one aspect of the New Economy, namely, fostering the development of entrepreneurial growth companies. The questions also asked for description of any regional needs.

Specific goals for the focus groups were to:

- 1) determine resources currently available for technology-led, entrepreneurial companies and,
- 2) assess what is needed from an economic development perspective for Wisconsin to succeed in the New Economy.

During the sessions, participants were grouped within seven teams with each team member being from the same general geographic area, in a very broad regional sense.

Pre-Focus Group Survey

The following questions were asked in a pre-focus group survey to each participant:

- What types of resources, information or assistance are available in your region to help entrepreneurs succeed, including the providing source / organization?
- In what ways can economic development most effectively support entrepreneurs? What role(s) can economic developers play?
- Is a regional economic development strategy needed to support entrepreneurial growth companies? (YES or No and explain your answer)

Using the preliminary survey results in the sessions, the participants were asked to define the gaps or weaknesses in resources, information or assistance to support entrepreneurs. They were then asked to prioritize these needs and to identify potential delivery vehicles for “filling the gaps”. They were also asked to elaborate on regional economic development strategies and to define the role of economic development and economic developers in assisting EGC’s.

Sessions Summary

A brief summary of the results follows:

The results of the two sessions, one for northern practitioners and one for southern practitioners were at one time similar in outlook but different in need. Significantly, EGC’s were deemed to be important throughout the state. However, the definition of what is an EGC appears to be different in different areas of the state.

Another important issue was the differentiation between urban and rural needs, or as alternatively stated, the difference between service-available and remote locations for being able to help EGC’s.

Current Service Providers

A list of the service providers used by those present, in order of frequency mentioned is as follows:

Local/regional ED initiatives, SBDC, technical colleges, private sector providers, SCORE, public & private university initiatives, Wisconsin Department of Commerce, UW-Extension, CAP agencies and Chambers of Commerce.

Far and away the most commonly used providers were the local and regional ED resources and the SBDC. Tech colleges, the private sector, SCORE and university (public and private) initiatives constituted another grouping followed by the last four mentioned.

Service Gaps

Obviously, the closer an ED program is physically located to one of the sites of the institutional providers mentioned, the easier is the access to program resources. Therefore, there were perceived “gaps” of services in different parts of the state relative to servicing EGC’s. The gaps were also described as differing according to type of need, accessibility, audience and both the lack of as well as uneven quality of statewide providers.

In order to fill the gaps, focus group participants recommended new programs, new resources and new models of delivery. Virtual resources were recommended at both sessions as were the development of regional networks to address specific problems.

Regional Definition and Strategies

Considerable discussion focused on defining regions within the state. With no real consensus on how to define regions, the discussions suggested “spheres of influence” as a workable concept. Ultimately, the groups decided that “fluid regions” or regions with “soft borders” were a practical way to get around the territorial prerogative associated with using political boundaries. Respondents indicated that these regions should definitely include multiple governmental jurisdictions as well as rural areas. Existing capital sources, labor pools and post secondary institutions were most often mentioned as the central hubs for locating a region.

Regional strategies for working with EGC’s were recommended by a virtually all of the participants. However, they also were highly supportive of using existing regional coalitions or alliances. While these groups have materialized based on need, opportunity and individual initiative; the fact that they already exist presents opportunity for further accomplishment through their auspices. These existing collaborative efforts are especially important in reducing the time to implement any new initiatives.

Role of Economic Developers

Among the participants, there was a very emphatic agreement that the role of ED practitioners was important but widely variant. Personal interest, skills and success vary with both individuals and location. ED professionals are cognizant that theirs is a knowledge-based role conditioned by the needs of their constituents. Most often, they characterize themselves in the role of information clearinghouse, finance (especially venture capital) connector, and/or mentor/counselor.

Overall, it appears that economic development efforts can most effectively support entrepreneurs by helping to develop a multi-faceted infrastructure supportive of business startup and early growth. Locally, this infrastructure depends on existing conditions, individuals, previous/existing initiatives and relative geographic location.

Specific Recommendations

The following is the list of specific recommendations given by the respective teams in the two sessions. The responses are verbatim and listed in the order of priority given by the teams and their participants. This list is included in order to serve as an idea generator and to give a sense of the flow of the discussions.

Top priorities / needs for better serving entrepreneurial growth companies:

Team #1

- Support to evaluate intellectual assets and capacity of prospective entrepreneurs.
- Inadequate research and development (R&D) funding (*i.e., state, venture capital, angel investors and banking.*)
- Engineering access and retention of staff.
- Accessibility of “experts” (*i.e., university, local ED and regional ED for continuing education.*)
- Marketing / imaging / branding.
- Distance.

Team #2

- Develop a regional information site to assist entrepreneurs. The northern communities also need physical assistance – person(s).
- Establish a revolving loan fund (RLF) for entrepreneurs. Work with the state, bankers and utilities as well as other investors.
- Create clearly defined education classes to assist entrepreneurs, especially in the northern communities.

Team #3

- Develop a highly coordinated and integrated business assistance center – need to know who’s got what and where to send people.
- Improve technology infrastructure – regional broadband infrastructure plan.
- Address location of services for business – currently scattered, need more coordination and specialization of providers.
- Financing – micro-loan programs and more capital.
- Serve the growing minority population.
- Appleton needs to join the team.

Team #4

- Need input from entrepreneurs in E.D. process and program development.
- Location of capital currently not matched with location of need.
- “Relevant” mentoring.
- Address the perception that E.D. programs are too slow / complicated to meet needs of high-growth companies.

Team #5

- Financial institutions don't understand needs of fast-growing companies and are unaware of other resources.
- Address issues in communities (*especially rural*):
 - Elected officials do not understand basic economics and needs of fast-growing companies.
 - Resistance to change and lack of support for some people getting ahead of others too quickly – ever!
- Provide fast access to resources – money, workers, training, buildings, land and incubators.
- Pressure for fast-growing companies to cluster in urban areas with better access to high-skilled workers, E.D. resources, commercial airports and urban amenities.
- Rural areas lack skilled workers for fast-growing companies.
- Distance to access resources limits growth of companies in rural areas.
- Resources for smaller companies are harder to come by.

Team #6

- On-site individualized service in addition to classroom training:
 - Screening to qualify projects for services.
 - Strategic management consulting not just information.
 - Regional resource person who truly understands entrepreneurs (*is one?*).
 - Technically competent advocate(s).
- Further develop angel networks for high and low capitalization.
- Incubation space.

Team #7

- Lack of “how to” (*step by step*) start-up template.
- Coordinate / leverage resources and assets – networking the network (*providers*).
- Free vs. fee-based services (*cost of services*).
- Creating entrepreneurial mindset (*culture*).
- Lack of mentors / management expertise.
- Distance to service providers.
- Staff turnover among providers.
- Low ROI.
- Tracking mechanisms (*track entrepreneur thru system*).
- Provider capacity.