Towards an Innovative and Entrepreneurial Economy

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... Helping communities better understand the phenomena of entrepreneurship...

... as a way to encourage and accelerate their movement towards a local entrepreneurial economy.

What is Entrepreneurship?

“What Entrepreneurship is assuming the risks to transform ideas into sustainable enterprises that create value.”

Judith Cone, Vice President, Ewing Marion Kauffman Foundation
Entrepreneurs are the engines of growth and innovation to a greater extent than other types of firms and hold greater potential to enhance local and regional economies.”

National Governors Association, Center for Best Practices

Entrepreneurship 101

Types of Entrepreneurs...

There are generally three types of entrepreneurs that create value:

- social entrepreneurs
- intrapreneurs and
- small business entrepreneurs.
Intrapreneurs

Intrapreneurs are individuals who reside in existing companies and/or organizations.

Intrapreneurs use the principles and tools of entrepreneurship to create value for their host institution.

Social Entrepreneurs

Social Entrepreneurs are individuals who recognize a social problem and use entrepreneurial principles to organize, create, and manage a venture to make positive social change.

Social entrepreneurs often work through nonprofits, citizen groups, foundations, education and government and are instruments for positive social change.

Small Business Entrepreneurs

Most small businesses are private lifestyle companies seeking to generate sufficient revenue to cover operating expenses during the life of the enterprise.

It is a sad fact that most small businesses fail.

Thus, you can’t build a vibrant economy on Small Businesses.
Robust Economies ARE built on Innovative Small Business Entrepreneurs!

An “Entrepreneurial Venture” is one that establishes and manages a business for the principal purpose of profit and growth.

The entrepreneur is characterized principally by innovative behavior and will employ strategic management practices in the business.”

Three broad Categories:

- **Lifestyle Entrepreneur** (generate revenue sufficient for operating expenses);
- **Steady and Entrepreneurs** (generate revenue for owners/investors in excess of operating costs);
- **High Growth (“Gazelles”) Entrepreneurs** (on average, 10 to 15 percent growth per year, over 4 years or more, measured by revenues, sales, employment and other means).

Innovation...

“Entrepreneurs innovate. Innovation is the specific instrument of entrepreneurship.”

Peter Drucker, Innovation & Entrepreneurship, 1985
“Innovation is where creative thinking and practical know-how...
... meet to do new things in new ways, and old things in new ways.”

Thomas Friedman, NYT, OpEd, 9/7/08

Three broad Innovation Types:

Innovator Entrepreneur – Incremental strategy whereby the entrepreneur modifies or improves on existing technology, product and/or process. Innovator entrepreneurial firms mostly use technology to facilitate their business processes.

Practitioner Entrepreneur – Employ current technology to improve products, services or processes. Practitioner Entrepreneurs primarily rely on incremental improvements in existing innovations.

First Mover Entrepreneur – Pioneering entrepreneur with a disruptive technology that creates a new paradigm and makes previous technology obsolete.

The distinction between “first” and “second” stage companies is particularly important.

- Stage Four (500+)
- Stage Three (100 to 499)
- Stage Two (10 to 99) ($1 - $50 Million)
- Stage One (1 to 9) ($0.0 - $1 Million)
Stage of Growth and Associated Risks

...have passed the volatile startup, or first, stage and face issues associated with *growth*...

**Technology Risk (does it work?)**
**Market Risk (is there a market?)**
- Management Risk (expertise & experience?)
- Market-growth Risk (is the market growing?)
- Manufacturability Risk (can we make it – preferably in MICHIGAN?)

Stage Two Entrepreneurs

50 Michigan *2nd Stage* Entrepreneurs in 2008:
- $464 Million in Total Sales
- $116 Million increase in Total Annual Revenue
- 1,825 employees and 345 net new jobs

In the last five (5) years, these companies have generated:
- $1.4 billion dollars in revenue (211% increase)
- Added more than 1,000 employees (145% increase)

This translates into:
- 33% annual growth in revenue and
- 25% annual growth in employees

Very Important Finding...

- Michigan has *more* Second-Stage Entrepreneurs than the national average...
- But ours are growing at a *slower rate* than the national average...

*Something is holding them back...*
Entrepreneurs and Community Development

Community/Economic Development

Chris Gibbons, Director, Economic Gardening (Littleton Colorado) aptly notes:

"Economic development and community development are two sides of the same coin...

...A community without many amenities is going to have a hard time being an environment for entrepreneurs — especially as their wealth starts to grow."

Economic Gardening...

Economic Gardening is a community development model used to expedite the formation and growth of robust innovative entrepreneurs.

Communities with a Sense of Place use Economic Gardening as an economic and community development tool!"
The Michigan Housing Development Authority (MSHDA) and Michigan Municipal League (MML) are leading an important effort to stimulate a stronger “Sense of Community” among Michigan communities as an economic development strategy.

As a member of the Sense of Place Council, Mark Clevey is working on how communities can use Economic Gardening to effectively build an innovative and entrepreneurial economy within the context of Sense of Place.

Example of some projects…
Michigan Entrepreneurship Score Card

The Entrepreneurship Score Card uses 127 standard metrics to benchmark Michigan against all other states with regard to entrepreneurship.

MSHDA and MML are Financial Sponsors of the Score Card and focus on the NEXUS between Entrepreneurship and Community Development.

See: http://www.sbam.org/download.php?id=904&file=1

Survey of Entrepreneurs...

In 2007 Michigan Entrepreneurs were surveyed to determine the role “community” played in their success.

“Community Infrastructure” was listed as the number one factor in helping (“Greatest Help”) businesses in the start-up phase.

USDA RBEG

$130,000 grant from the USDA RBEG program was awarded to SBAM, MSU and others to launch an Economic Gardening Pilot Program in Keweenaw and Tuscola Counties.…. 
USDA RBEG Program Components...

Differentiate between no/low/slow growth small businesses from steady/high growth-oriented entrepreneurs.

Reorient existing and create new programs and services to expedite the formation and growth of innovative, steady & high growth-oriented entrepreneurs. For example:

* High quality and actionable Market Research, Intelligence and Information
* Strategic Growth Management Assistance

New Pilot Projects...

A number of other MML member communities have expressed strong interest in launching Economic Gardening efforts of their own.

The Sense of Place Council is working with Mark Clevey and MML to design several new Pilot Projects that incorporates Sense of Place and Economic Gardening…

“Economic Gardening”

Again, Economic Gardening is simply the…

... mechanism communities can use to foster innovative entrepreneurs that in turn...

... serve as the engine for a vibrant and robust local entrepreneurial economy.
New Pilot Program Elements...

- Sense of Place
- Economic Gardening (start up and growth of innovative entrepreneurial businesses)
- Entrepreneur friendly Public Policies (e.g., entrepreneurial education, etc.)
- Business As Usual/More of the Same
- Economic Growth & Prosperity

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Thank You