

How to be a Champion for Homegrown & Small Businesses

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INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

Outline

- ▶ The value of small businesses and entrepreneurs
- ▶ Programs that make a difference
- ▶ Measuring growth
- ▶ How you can make a difference





Small businesses make up a whopping 99.7 percent of U.S. employer firms, accounting for 63% of the net new jobs created between 1993 and mid-2013. Since the end of the recession, small firms accounted for 60% of the net new jobs.

- ▶ SBA's Office of Advocacy



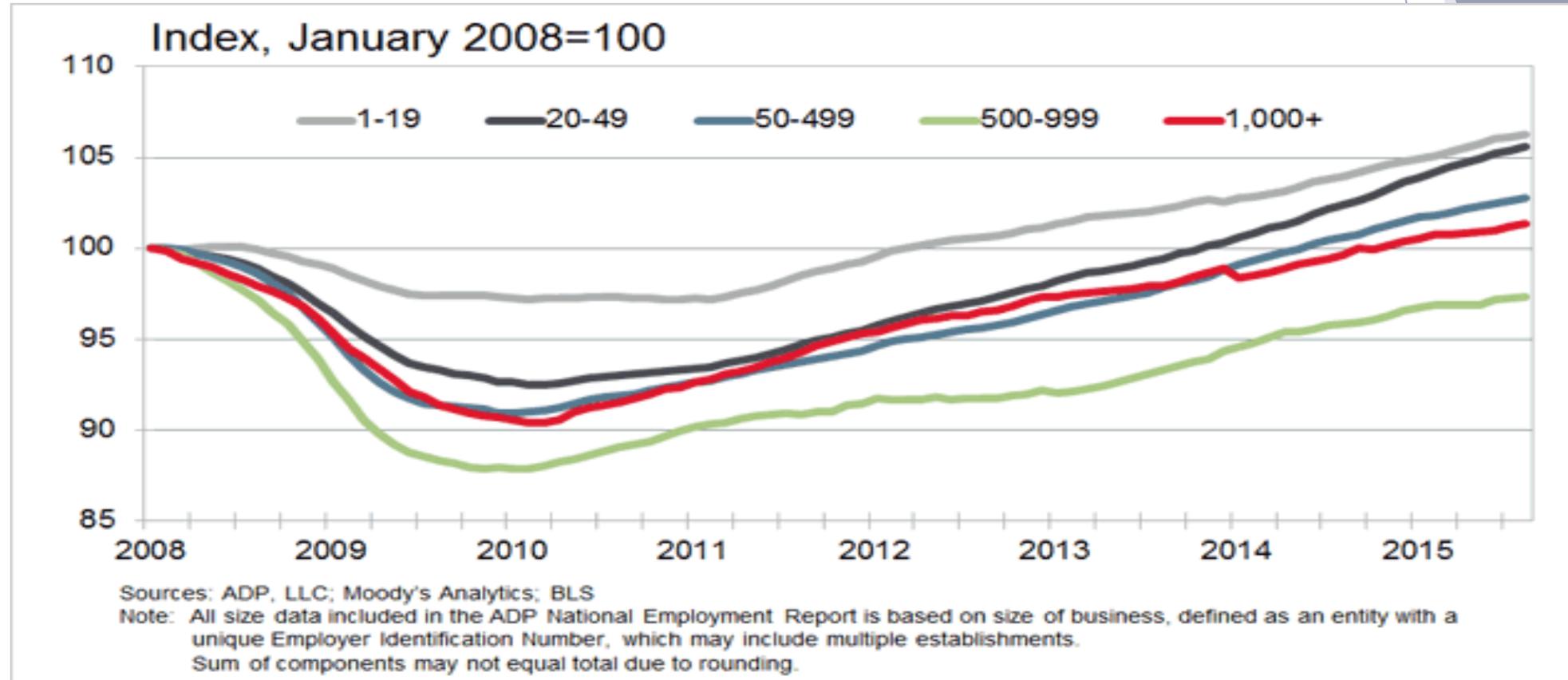
Stats & Realities

- ▶ US has 28.4 million small businesses
 - 5.7 million have employees
 - 56 million people are employed by small businesses
- ▶ 97.7% of US exporting firms are small
 - 1/3 of the nation's total export value
- ▶ Realities
 - Most start-ups fail within 18 months
 - 40% survive 5 years of operation
 - 10% survive a decade



Sources: SBA 2015 Small Business Profiles; ITA

Small businesses & Jobs



Value of Small businesses & Entrepreneurs

- ▶ Employers - create new jobs and hire part-time workers
- ▶ Tax revenue generators - broaden the tax base, thus generating more tax revenues
- ▶ Economic supporters - buy and supply local products and services
- ▶ Innovators - bring new products and services to the market



Think of this as the next generation of our economy.

Roles of Small businesses & Entrepreneurs (cont.)

- ▶ Property owners and renters - lease local space and fill vacant storefronts
- ▶ Providers of economic stability - often have a personal stake in the community, and are more likely to remain



What is a Small Business?

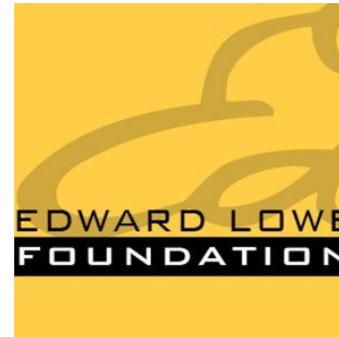
- ▶ SBA threshold = 500 employees
 - ▶ Many analysts use 20 employees or less
- ▶ Microenterprises = fewer than 5 people
 - ▶ Often home-based operations



Small Business Development Stages

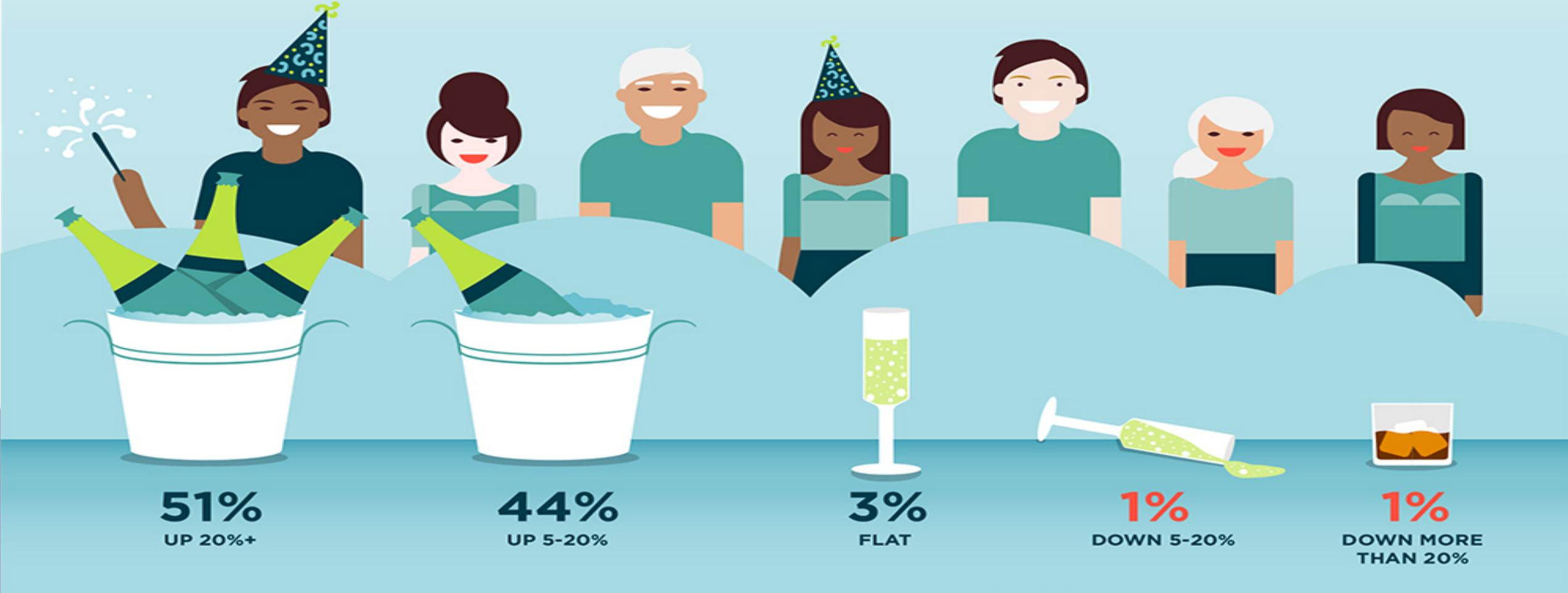


Second-stage companies are those that have grown past the startup stage but have not yet grown to maturity. They have enough employees to exceed the comfortable control span of one owner/CEO and benefit from adding professional managers, but they may not have a full-scale professional management team.



SMALL BUSINESSES ARE EXTREMELY OPTIMISTIC ABOUT 2015.

95% EXPECT REVENUE GROWTH IN 2015; 51% EXPECT TO GROW BY OVER 20%



Source: Kabbage Inc. 2015 Small Business Growth Index survey

<https://www.kabbage.com/blog/announcing-2015-small-business-growth-index-survey-results-infographic/>

Key Challenges for Entrepreneurs & Small Businesses

1. Determining form of enterprise they should start
2. Deciphering legal regulations and codes
3. Understanding tax requirements
4. Writing a business plan
5. Access to capital
6. Financial management techniques
6. Market and competition analysis
7. Workforce development
8. Commercialization and technology-transfer programs
9. Exit strategies when owner wishes to sell



Promoting the Creation of Small Businesses

Connect the dots:
Promote opportunities between small and large firms

Talk with your small businesses about their views

Recognize small businesses through awards and appointments



How to support entrepreneurs

- ▶ Leaders need not be experts, but can act as nurturers, conveners, and resource brokers
- ▶ Ensure entrepreneurial development is integrated into your ED strategy
- ▶ Business incubators provide essential networking functions
- ▶ Dialog - host forums where you talk with small businesses



Improving Access To Capital

First, understand
available
financing options

Determine why
there is a
problem

Decide what role
your community
and EDO will play



Financing for Entrepreneurs

- ▶ Debt financing

- ▶ Offer loan program based on ability to repay & borrower collateral
- ▶ Owner does not lose any ownership/non-dilutive

- ▶ Equity financing

- ▶ Owners give up portion of ownership/dilutive
- ▶ Does not require repayment
- ▶ Capital used to leverage debt
- ▶ Typically from venture capital firms & angel investors



What You Can do to help Close the lending Gap

- ▶ Encourage local lenders to launch a small-business lending program
- ▶ Persuade banks and investors to invest in a CDFI
 - ▶ ensure that technical assistance is included
- ▶ Encourage local financial institutions to establish a bank CDC
- ▶ Support the establishment of a Revolving Loan Fund (RLF)



Closing the lending Gap

- ▶ Support the creation of microenterprise lending programs
- ▶ Advocate for local access to a Small Business Development Center and U.S. SBA programs



Example: Los Angeles, California



- ▶ Mayor Antonio Villaraigosa
- ▶ Small dollar loans are accelerating job growth in LA, where there are 325,000 small businesses employing nearly 2 million people. This is the nation's largest small business community.
- ▶ Kiva City LA is a collaboration between the Mayor's Office of Small Business; VEDC (Valley Economic Development Center), Kiva, and Visa Inc.
- ▶ Anyone with access to the internet can support small business owners, local economies, and local jobs in LA. The initiative promotes microfinance opportunities among small business owners and entrepreneurs.



Best Practice: Incorporate youth entrepreneurship into local schools



- ▶ Instill entrepreneurial spirit in the community's young
- ▶ Entrepreneurs tend to start businesses between the ages of 25 and 40
- ▶ Training can incubate new firms that will remain in the community
- ▶ "Retirees" are another good source of entrepreneurs



Example: Rural Entrepreneurship through Action Learning (REAL) - North Carolina

- ▶ Began in North Carolina in 1985
- ▶ Students learn how to plan, open, create, and operate small businesses
- ▶ 12,000+ entrepreneurs have received intensive training
- ▶ 500+ high school, college and community-based organizations have completed professional development seminars, institutes.
- ▶ 1,500+ entrepreneurs, bankers, accountants, and others have assisted participants through REAL's Community Support Teams.



Source: <http://www.entrekeys.com>

Technical Assistance for Entrepreneurs

- ▶ Help determine best form of enterprise
- ▶ Decipher legal regulations and codes
- ▶ Understand applicable tax requirements
- ▶ Help write a business plan
- ▶ Teach financial management techniques
- ▶ Workforce development
- ▶ Commercialization & technology-transfer programs
- ▶ Exit strategies
- ▶ Market and competition analysis
- ▶ Marketing plans



*Enterprise Works Incubator
Illinois*



Economic Gardening

- ▶ Provides competitive business intelligence as a way to help companies grow
- ▶ Sophisticated data mining assistance
- ▶ Geographic information systems (GIS)
- ▶ Economic developer acts as facilitator
 - ▶ Leveraging public and private sector resources



Chris Gibbons, founder of Economic Gardening concept



Business Incubators



- ▶ Used to encourage and support young companies
- ▶ Provide new firms with affordable space
- ▶ Give technical and managerial support
- ▶ Assist in securing financing
- ▶ Help locate qualified employees



Role of Elected Leaders in Small Business and Entrepreneurial Development

Discussion Questions:

- 1) How would you rate your business climate for entrepreneurship and small business?
- 2) What is your community doing to help entrepreneurs and small businesses?



Key ways elected officials can spawn & support new businesses

- ▶ Simplify licensing procedures
- ▶ Streamline rules and regulations
- ▶ Ensure there are small business programs in your community
- ▶ Make resources available:
 - ▶ Educational programs for youths
 - ▶ Training and technical assistance
 - ▶ Financing



Example: Memphis, Tennessee

- ▶ Former Mayor A.C. Wharton Jr.
- ▶ In a program designed to reduce crime and revitalize neighborhoods, Memphis launched a program for small business.
- ▶ The city launched a Small Business Center, restructured Neighborhood Business Development Centers, launched a microlending program, and appointed the city's first Chief Small Business Officer.
- ▶ A pop-up market was established in Southern Memphis, part of MEMFix, a program that empowers neighborhoods to transform city blocks into temporary community gathering places -- through pop-up shops, marketplaces and painting projects, or by improving street design to increase walkability and biking



Example: Chicago, Illinois

- Mayor Rahm Emanuel

- Small businesses support nearly half the workforce in Chicago.
- With a \$6M grant from [Bloomberg Philanthropies](#), the Mayor deployed a team to help small, vulnerable businesses find solutions
- The Innovation Delivery Team engaged in fact-finding and planning on how best to continuously connect with small business owners in the neighborhoods to understand their issues in order to test solutions to growth.
- Through a streamlined program, the team has helped 1,000 small restaurants.



Business Acceleration Example: Philadelphia, Pennsylvania



- ▶ Mayor Michael Nutter
- ▶ 2014 Public Official of the Year, Governing Magazine
- ▶ Oversaw the city's first comprehensive plan in more than 50 years -- takes into account the growing number of young professionals and small and innovative businesses drawn to the city.
- ▶ Small business is thriving: 73% expect to meet or exceed revenue goals. 54% are projecting a growth in sales and revenue. 13% of expect 2015 to be their best year to date.
- ▶ Established new city procurement process allowing new small businesses to respond to RFPs. The program is helping to accelerate business growth



How do you measure progress?

- ▶ Number of small businesses assisted
 - ▶ type of assistance, \$ value of assistance provided
 - ▶ Ratings of the business climate
 - ▶ Amount of financing provided
 - ▶ Number of individuals trained in entrepreneurial training programs
 - ▶ Events/programs launched
- ▶ www.YourEconomy.org
 - ▶ Sustainability and growth of locally grown companies
 - ▶ Number of jobs created or retained
 - ▶ Tax revenues grown



Long-term Goal for Business Creation & Entrepreneurship

- ▶ More business starts as compared to population over time
- ▶ Diversity of entrepreneurs and small businesses

Thank you!

