Entrepreneurs are the Future of State Job Growth

By
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Thursday, October 3, 2013 at 10:56 AM

Homegrown businesses might be the answer to adding jobs to states’ economies.

That was the message of a two-day policy academy, “Strategies for Fostering Entrepreneurship,” held at the Kauffman Foundation campus in Kansas City, Mo., in conjunction with The Council of State Governments 2013 National Conference.

“We all know that one of the most promising things that can happen is when two guys or two gals get together and start a business together in a garage,” Missouri Secretary of State Jason Kander said in a keynote address.

The problem for elected officials, he said, is because no ribbon-cutting ceremony is held nor a press release sent, it doesn’t garner the attention that adding jobs through “poaching” businesses from another state does. When that happens, he said, elected leaders get a lot of credit for bringing jobs to the state.

“That doesn’t do anything to grow our nation’s economy,” Kander said. “It’s not creating jobs nationally. ... It’s the internal transfer of jobs.”

Many jobs—either from other states or new startups—usually come to a state through a targeted recruitment using business incentives. But Missouri Gov. Jay Nixon, the 2013 CSG president, said businesses don’t always turn to which state offers them the most money. Such things as the tax structure, good schools and balanced state budgets matter just as much, he said.

Nixon outlined the steps the Show Me State has taken in the past few years to help Missouri seed growth of entrepreneurial activity. For instance, the state set aside nearly $17 million to establish the Missouri Idea Seed and Venture Capital Fund to provide critical early stage capital to promising startup companies. That fund has provided $12.5 million in funding to 42 companies, which have raised more than $58 million in private capital.

Missouri also has worked to help those companies find customers both in the U.S. and abroad. Nixon has taken a number of trade missions and said small companies were key participants in those trips.

“They biggest shift in my years of public service has been the movement from local and regional economies to a world economy,” he said, “and people that don’t understand that are missing what the competition of the future is and are going to get left in the dustbin of history.”
The state also has not only ramped up K-12 and higher education, but also improved its worker training investment.

“We have to embrace education as the best economic development tool that exists,” said Nixon.

In fact, the state developed the Missouri Innovation Campus to bring together stakeholders from the business community and across the education spectrum—from K-12 to community colleges to universities—to address the skills gap for new workers.

“We’re going to partner together to turn out a product that the real world, industry, will want those students to have to be successful,” said Stan Elliott, director of the campus.

The program takes high school juniors and seniors and gives them not only college education experience, but also real-world experience through internships. Students graduate high school with two years of college credit, plus the experience companies want.

While that helps to build up the potential employee side of needs for entrepreneurs, other programs provide the crucial networking for new ventures to find the things they need to start a company.

“What we’re finding now is it is not attracting companies that’s at issue, it’s attracting talent,” said Maria Meyers, CEO of U.S. SourceLink and KCSourceLink. “If you can bring the talent here, you can build the companies you need.”

That’s what SourceLink tries to do. It provides a one-stop website platform to help entrepreneurs find the information they need in a particular area to start a business.

Corey Mohn, director of statewide programs for NetWork Kansas, said entrepreneurs need education, expertise and economic assistance.

“How can we deliver those three ‘E’s’ at the right time to those folks that are trying to do good things for their community, their state and their business?” Mohn asked. “This is not about reinventing the wheel, but connecting the spokes you already have.”

That’s what NetWork Kansas tries to do. The agency has deployed $5.7 million in public funds to leverage $113.4 million in private capital to help entrepreneurs, Mohn said.

“Entrepreneurs, by definition, must chart their own course, but government can and should play a role in fostering a favorable climate where they can thrive,” said Nixon.

States have strived to establish that climate.

In Iowa, for instance, Brian C. Waller, manager of business development for the state’s economic development authority, recognizes the need to traverse the state to learn more about the entrepreneurial activity that’s taking place. His role, he said, is to be an access point and lead conversations.

“You really have to resist the urge to be the bride at every wedding and the corpse at every funeral,” he said. “It’s not about you.”

The goal, of course, is job creation. Ian Hathaway, economic adviser for Engine, a research and policy organization focused on technology entrepreneurship, pointed out the fostering entrepreneurship is needed for states because new businesses tend to be the job creators.
“It’s not small businesses, generally, that create the lion’s share of new jobs, but it’s new and young businesses,” he said. Research bears that out, according to Hathaway.

Dane Stangler, director of policy and research for the Kauffman Foundation, which hosted the two-day policy academy, believes the U.S. is on the cusp of an entrepreneurial boom or rebirth following the recession.

He bases that prediction on three major trends—public policy reforms that have made it easier to start a company, progress in technology and a renewal of American manufacturing, although not in the traditional sense.

But, he said, there are also genuine reasons for pessimism or concern, such as the changing demographics of an aging population and falling labor force participation rates.

“This is definitely not going to be an automatic thing,” Stangler said of the revival in entrepreneurship. “This is going to require public policy to shape and foster and promote a lot of these trends. This will take some really creative public policymaking.”
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