Do’s and Don’ts of Supporting Entrepreneurship

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Typical Entrepreneurship Support?

1. Money
   - Venture funds

2. Place/Infrastructure
   - Incubation centers
1. Failure of (Public) Venture Funds

- **Reasons for failure** (Lerner, 2009)
  - Hard to pick winners
  - 50% out within 5 years
  - Politics overtake investment decisions

- **Failure of private venture funds**
  - 80% of VCs unable to return 3%/year (Bradley et al., 2012)
Alternatives to Money Problem

• The power of self-savings & bootstrapping (Motoyama et al., 2013)

• VC $ ≠ startups or high-growth firms (Motoyama & Bell-Masterson, 2014)

• Chicken or egg problem?
  - VCs invest in growing firms
2. Failure of Incubation Centers

Reality of incubation centers

• Over 1,400 incubation centers (NBIA, 2011)
• Average incubator: 1.8 full-time staff & 25 client firms
• Support services?
  o Accounting     Legal services
  o Management advice  Intellectual property assistance
• Description of incubator staff (Hannon, 2003):
  o A computer expert, social worker, trusted counselor, front of all knowledge, endless source of contacts, fundraiser, and rent collector
• Only prolonging dying firms (Amezcua, 2010)
Challenges Faced by Entrepreneurs

• An entrepreneur faces a number of problems
• Entrepreneurs cannot solve by themselves
• Entrepreneurs are not born, but must acquire various skills through learning & experience

• Less about money, but more about knowledge
• Not univ/scientific knowledge, but practice knowledge

• Local connections
• Peer-to-peer learning
• Nascent & experienced entrepreneurs
Example 1: Startup Weekend

• “54-hour events where developers, designers, marketers, product managers and startup enthusiasts come together to share ideas, form teams, build products, and launch startups!”

• The final business plan is only means

• Where people get inspired and connected
Upcoming Events in Startup Weekend
Example 2: 1MC

- Weekly meeting of two entrepreneurs to present their startups to other entrepreneurs (Konczal & Motoyama, 2013)
- 6 min presentation, 20 min Q&A
Example 3: Inc Firms

- 75% of them had mentors in the past (Motoyama et al., 2013)
- Many of them are willing to give back
- Connect Inc entrepreneurs and startup entrepreneurs
Different Stages, One Ecosystem

- Startup Weekend
- Viable startups
- 1MC
- Growing firms connecting with Inc firms
- Big Companies

Before startup
Reorganize Incubators & Venture Funds

• Old Model

GOVERNMENT

INCUBATORS

VENTURE FUNDS

ENTREPRENEURS

• New Model
Making Twists with Incubators & Venture Funds

• Provide a shared space for entrepreneurs to interact
• Inject catalytic events
• Hire managers with business experience
• Connect with local mentors, lawyers, accountants, etc.

• Avoid one big prize, but distribute smaller prizes
• Create a cohort of peer entrepreneurs
• Coordinate with local entrepreneurship groups
Data Collection

- No standard data on entrepreneurship & innovation
- Confidentiality issue with firm information

- Use publicly available information
- Disclose without violating confidential information
- Coordinate with local researchers

- Decide and track data about state & local programs
  - Beyond what was done: # of companies supported, # of jobs
  - Ask what kind of jobs, how many survived how long, then what happened to those entrepreneurs?
  - Benchmark between programs
Startups by Colorado Governor’s Office

Startups in Phoenix by NETS Data

- Source: Elizabeth Mack, Arizona State Univ.
References

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