

# Do's and Don'ts of Supporting Entrepreneurship

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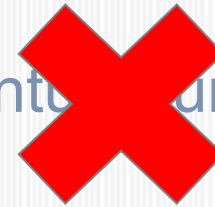


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# Typical Entrepreneurship Support?

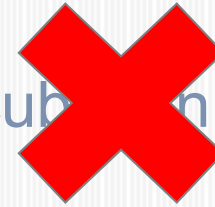
## 1. Money

- Venture funds



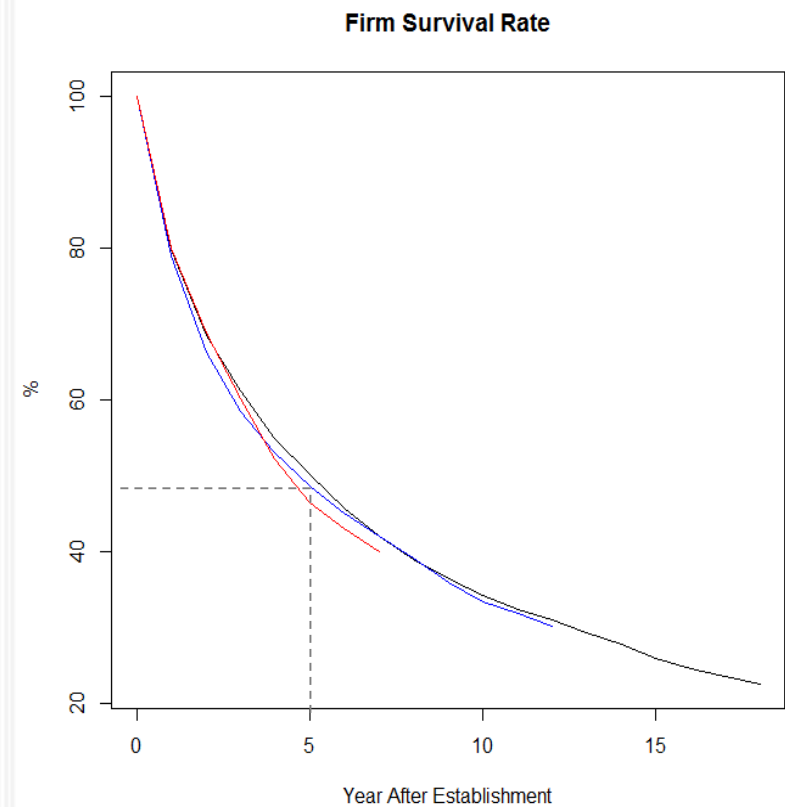
## 2. Place/Infrastructure

- Incubation centers

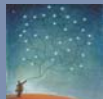


# 1. Failure of (Public) Venture Funds

- 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)



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# Alternatives to Money Problem

- The power of self-savings & bootstrapping (Motoyama et al., 2013)
- VC \$  $\neq$  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?
  - Accounting                      Legal services
  - Management advice    Intellectual property assistance
- Description of incubator staff (Hannon, 2003):
  - A computer expert, social worker, trusted counselor, front of all knowledge, endless source of contacts, fundraiser, and rent collector
- Only prolonging dying firms (Amezcuca, 2010)



# Challenges Faced by Entrepreneurs

- An entrepreneurs 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

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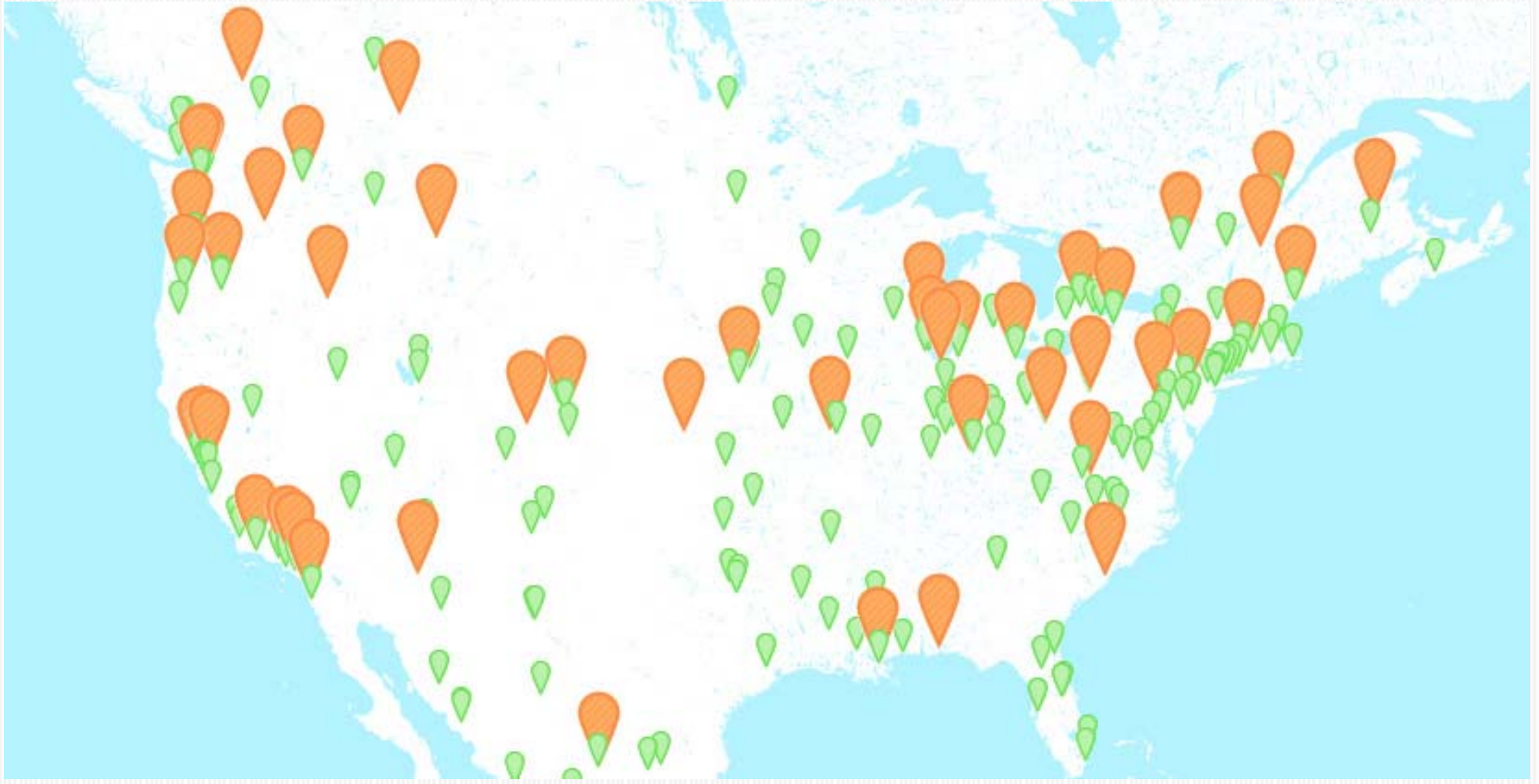


# Example 1: Startup Weekend

- “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



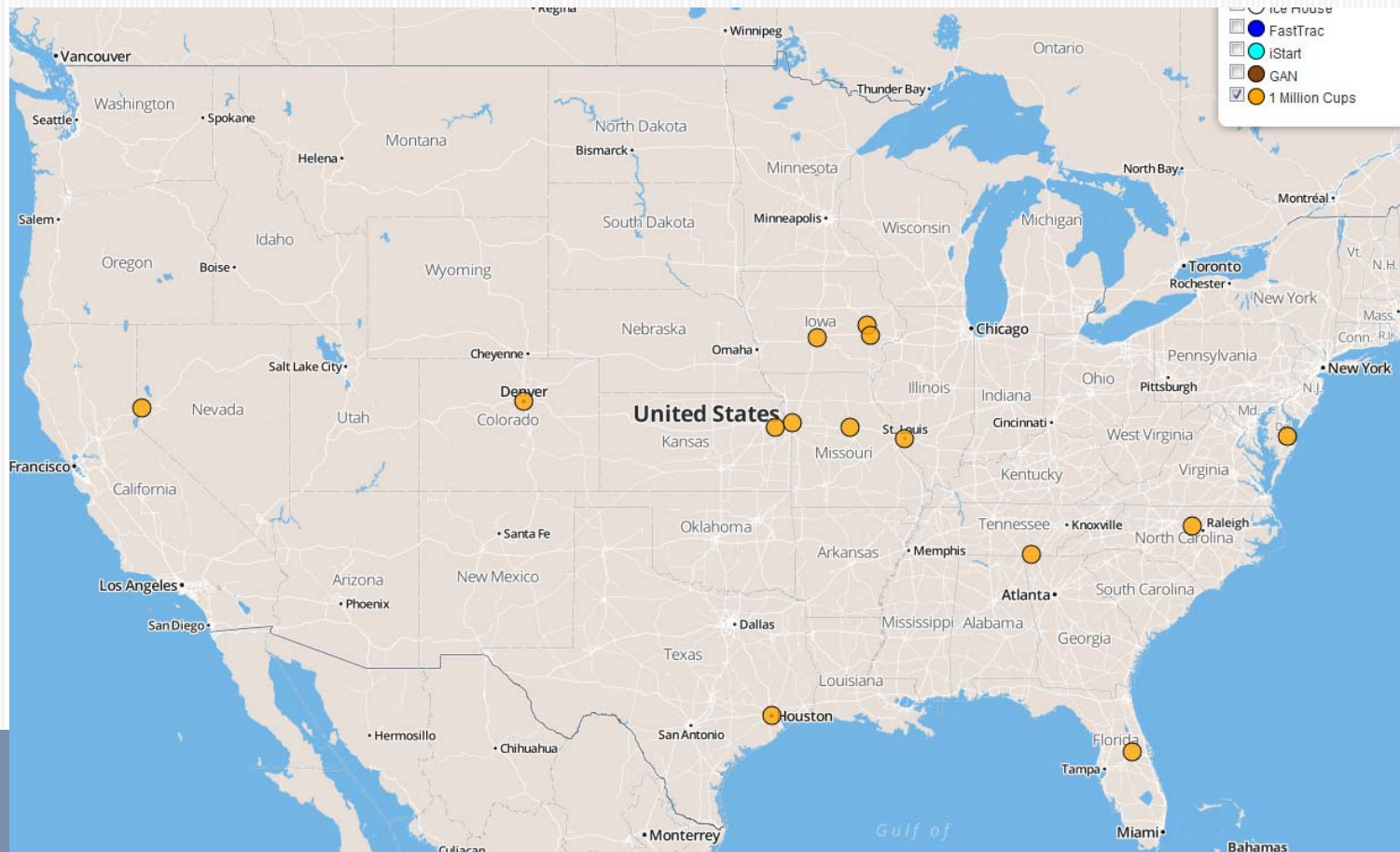
# Upcoming Events in Startup Weekend





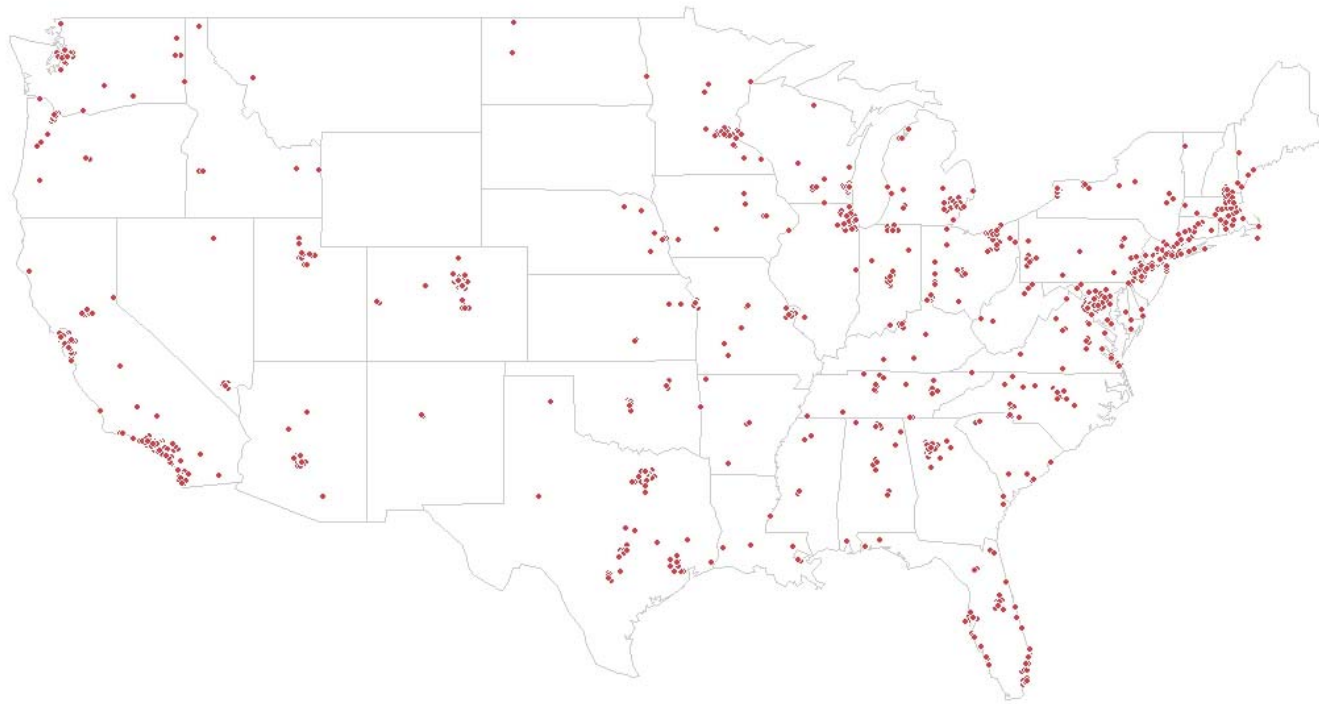
# Example 2: 1MC

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

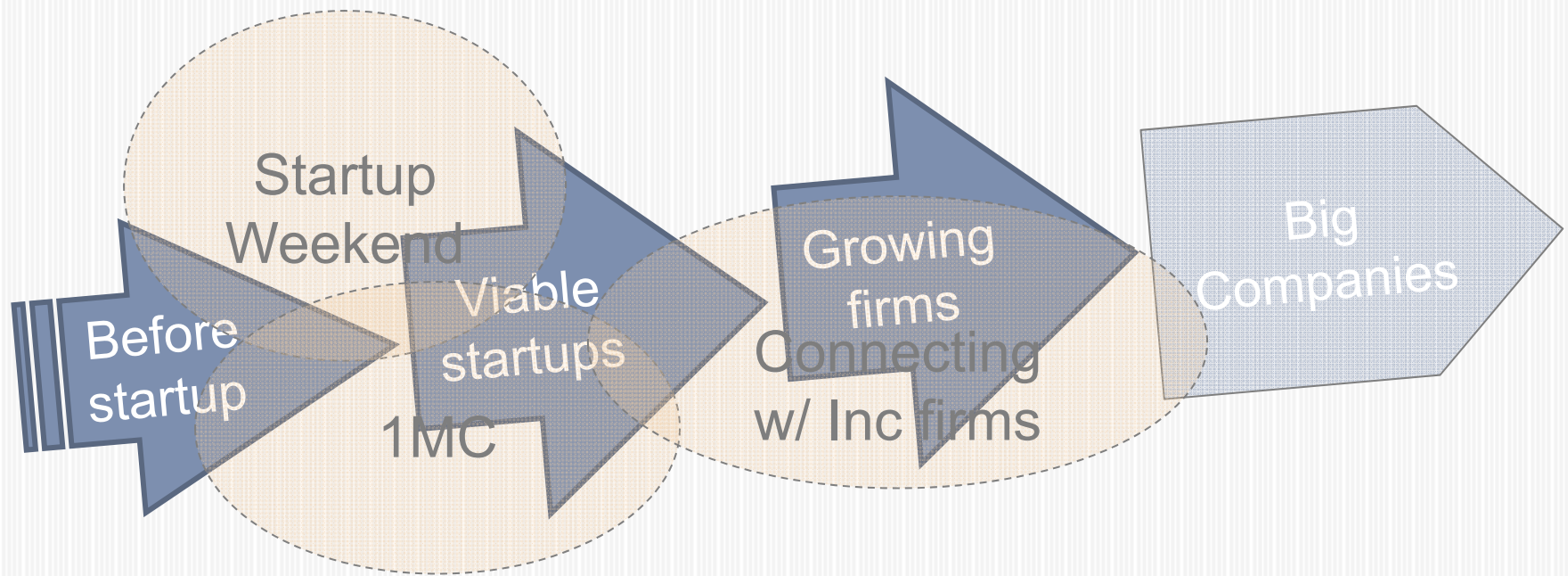


# Example 3: Inc Firms

- 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

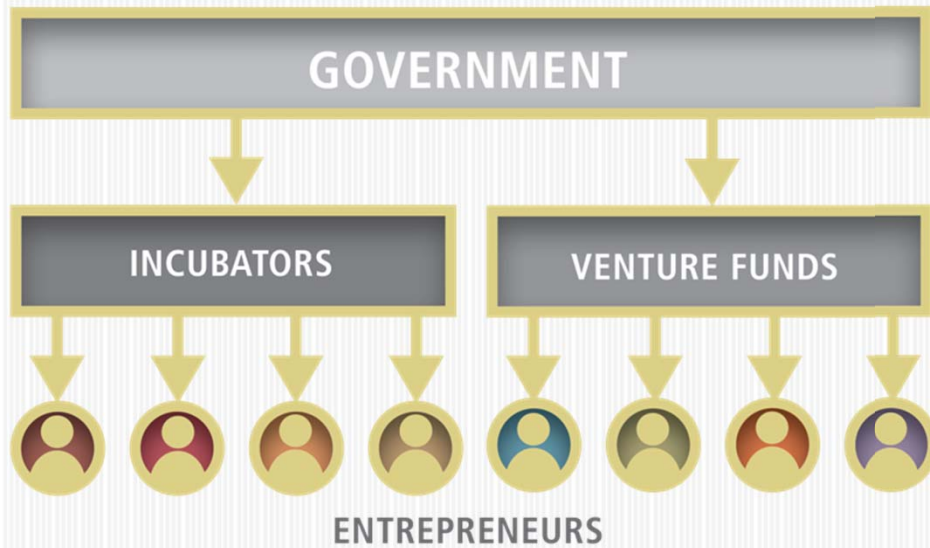


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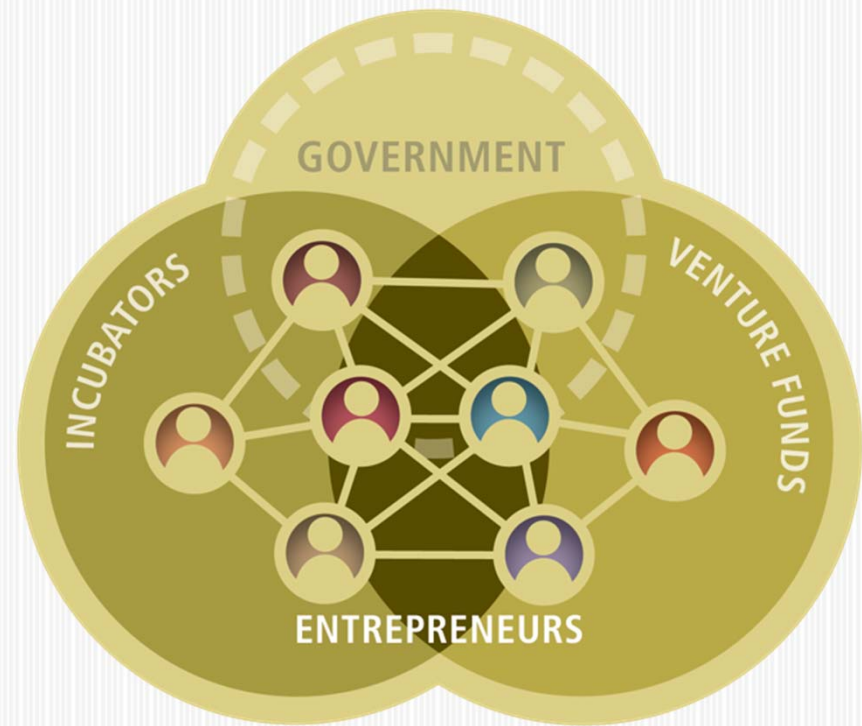


# Reorganize Incubators & Venture Funds

- Old Model



- New Model



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# 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.
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- Avoid one big prize, but distribute smaller prizes
  - Create a cohort of peer entrepreneurs
  - Coordinate with local entrepreneurship groups

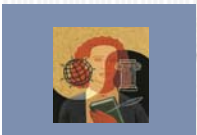
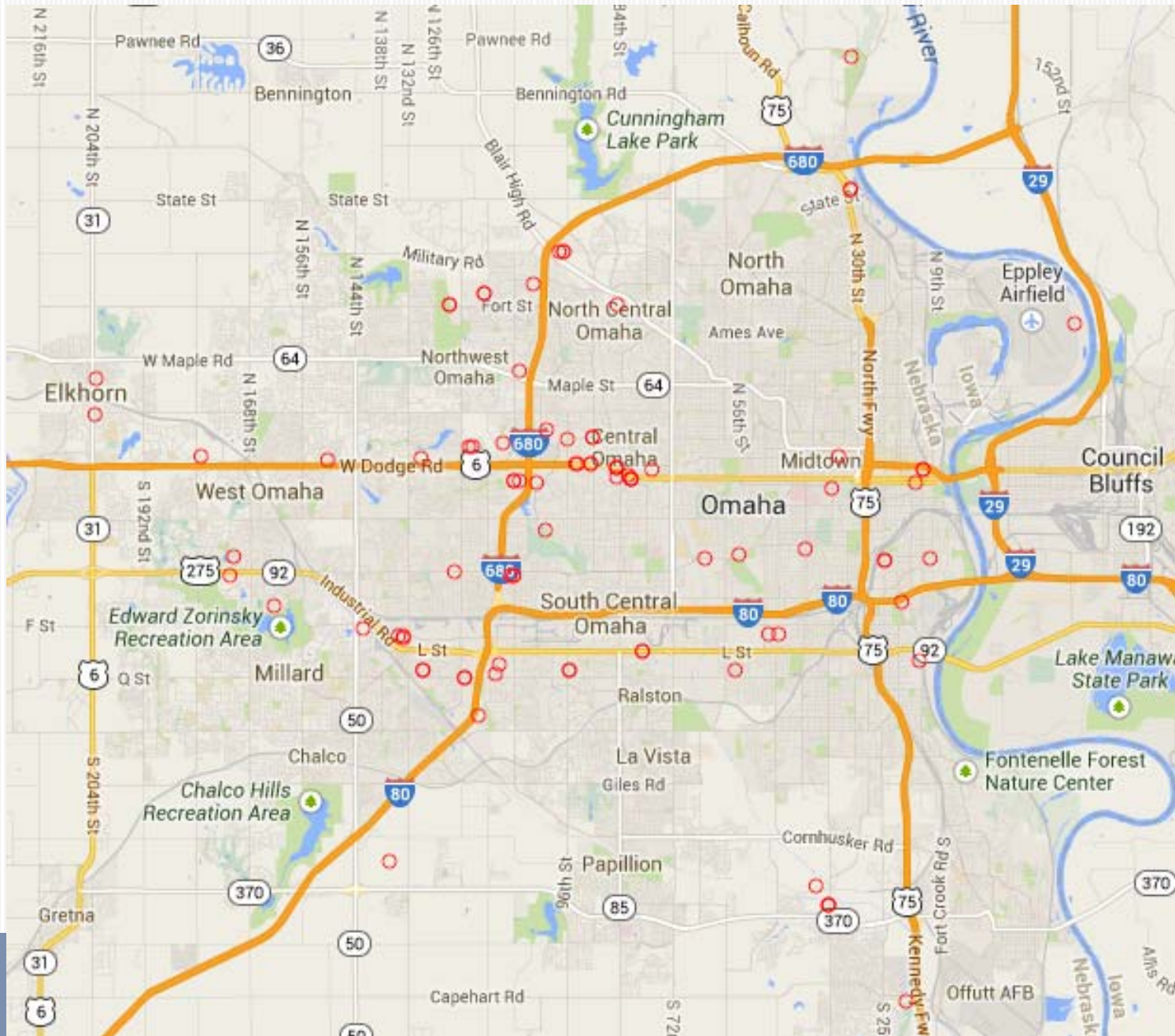


# Data Collection

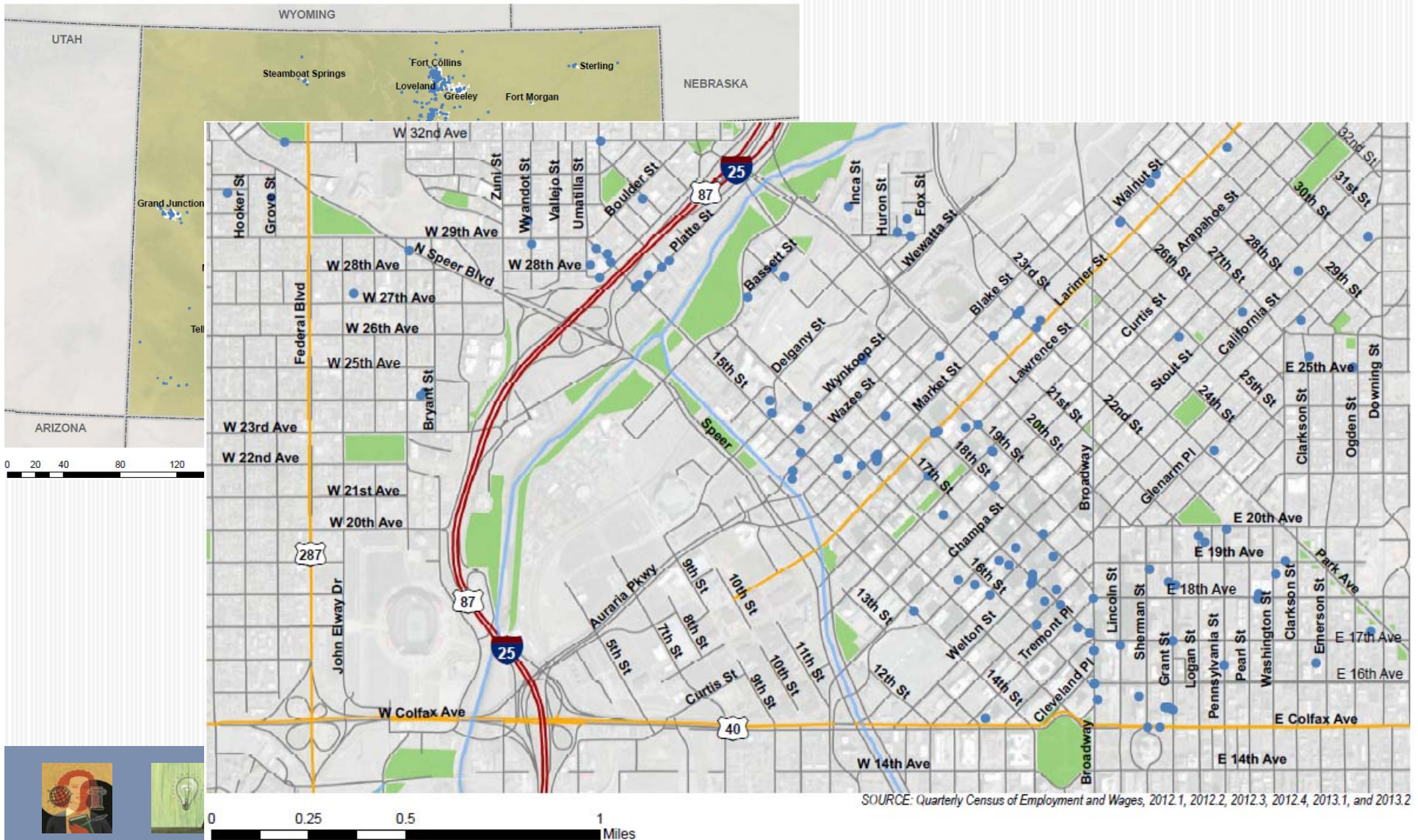
- No standard data on entrepreneurship & innovation
- Confidentiality issue with firm information
- Use publicly available information
- Disclose without violating confidential information
- Coordinate with local researchers
- Decide and track data about state & local programs
  - Beyond what was done: # of companies supported, # of jobs
  - Ask what kind of jobs, how many survived how long, then what happened to those entrepreneurs?
  - Benchmark between programs



# Inc 5000 firms: 2007-2011



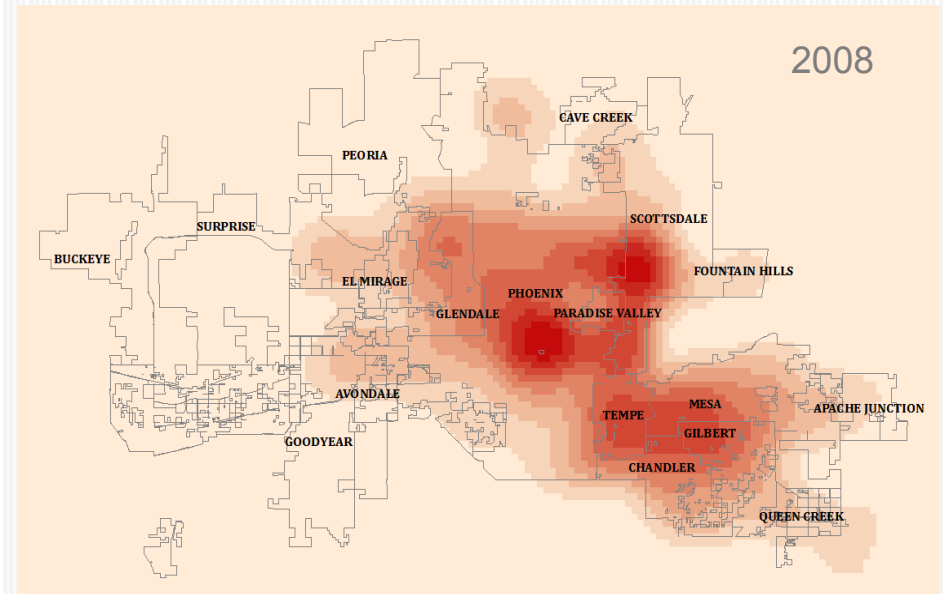
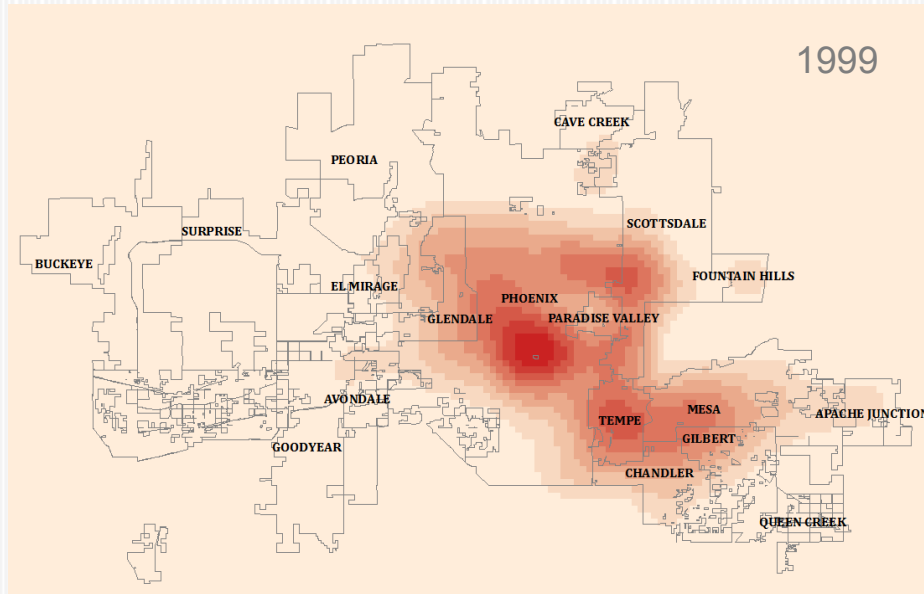
# Startups by Colorado Governor's Office



SOURCE: Quarterly Census of Employment and Wages, 2012.1, 2012.2, 2012.3, 2012.4, 2013.1, and 2013.2



# Startups in Phoenix by NETS Data



- Source: Elizabeth Mack, Arizona State Univ.



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