Do’s and Don’ts of Supporting Entrepreneurship

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Typical Entrepreneurship Support?

1. Money
   - Venture funds

2. Place/Infrastructure
   - Incubation centers (accelerators?)

3. Univ. technology
   - Tech transfer office
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
- Money blinds you in the market (Aulet, 2013)
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 (Amezcua, 2010)
2.5 Accelerators?

- **Accelerator bubble?**
- **Different from incubators?**
  - Highly competitive application process
  - Pre-seed investment, with equity exchange
  - Create a cohort of entrepreneurs, and focus on teams
  - Connect to mentors
- **1,436 companies accelerated; $1.18 billion raised (Konczal, 2012)**
  - 30 programs, 200+ startups in Canada (MaRS, 2013)
- **No data available; No evaluation research yet**
  - Outliers (Y-Combinator & Foundry)
  - What happened after funded?
3. Failure of Technology Transfer Office

• **Rationale**
  - Bridge professors and companies
  - Formalize university’s intellectual property

• **Reality: Proprietary office**

• **University startups? (426-703 / year by AUTM)**
  - They remain small (Harrison and Leitch 2008)

• **World-class university, poor entrepreneurship:**
  - Baltimore

• **No world-class university, good economic development:**
  - Portland, Seattle, Boise (Mayer, 2011)
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 (Konzcal & Motoyama, 2013)
- 6 min presentation, 20 min Q&A
Example 3: Pipeline Program

• “regional fellowship program designed to both equip high-growth entrepreneurs with the training, networks, resources and mentors to assist them over their entire career”
• To scale up: Company CEOs of $1 mil sales
• 3-month mentorship with bimonthly events (modules)
• To connect with peers, mentors, and supporters
Example 4: 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

1. Startup Weekend
2. Viable startups
3. 1MC
4. Growing firms
5. Connecting w/ Inc firms
6. Pipeline
7. Big Companies
Reorganize Incubators & Venture Funds

• Old Model

GOVERNMENT

INCUBATORS

VENTURE FUNDS

ENTREPRENEURS

• New Model

GOVERNMENT

INCUBATORS

VENTURE FUNDS

ENTREPRENEURS
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
Inc 5000 firms in 2011
Startups by Colorado Governor’s Office
Startups in Phoenix by NETS Data

- Source: Elizabeth Mack, Arizona State Univ.
References

• Amezcua, Alejandro S. 2010. Boon or Boondoggle?: Business Incubation as Entrepreneurship Policy, Doctoral Dissertation in Public Administration, Syracuse University, Syracuse, NY.
• Bradley, Harold S., Diane Mulcahy, and Bill Weeks. 2012. We have met the enemy ... and he is us. In Kauffman Foundation Research Series. Kansas City, MO: Kauffman Foundation.