

# Do's and Don'ts of Supporting Entrepreneurship

...

Yas Motoyama, Ph.D.

Senior Scholar

Ewing Marion Kauffman Foundation

© 2014 Ewing Marion Kauffman Foundation



Ewing Marion  
**KAUFFMAN**  
Foundation

# Typical Entrepreneurship Support?

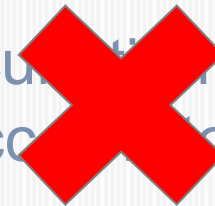
## 1. Money

- Venture funds



## 2. Place/Infrastructure

- Incubation centers (accelerators?)



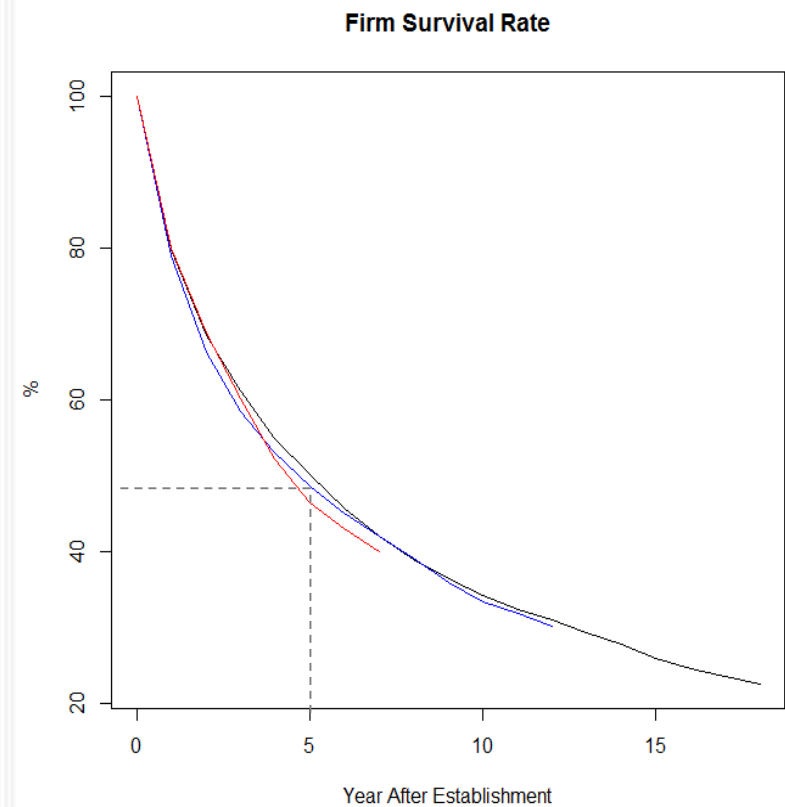
## 3. Univ. technology

- Technology transfer office

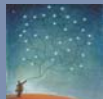


# 1. Failure of (Public) Venture Funds

- 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)



© 2014 Ewing Marion Kauffman Foundation



# 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
- 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 (Amezcuca, 2010)



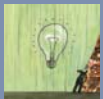
## 2.5 Accelerators?

- 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 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

© 2014 Ewing Marion Kauffman Foundation



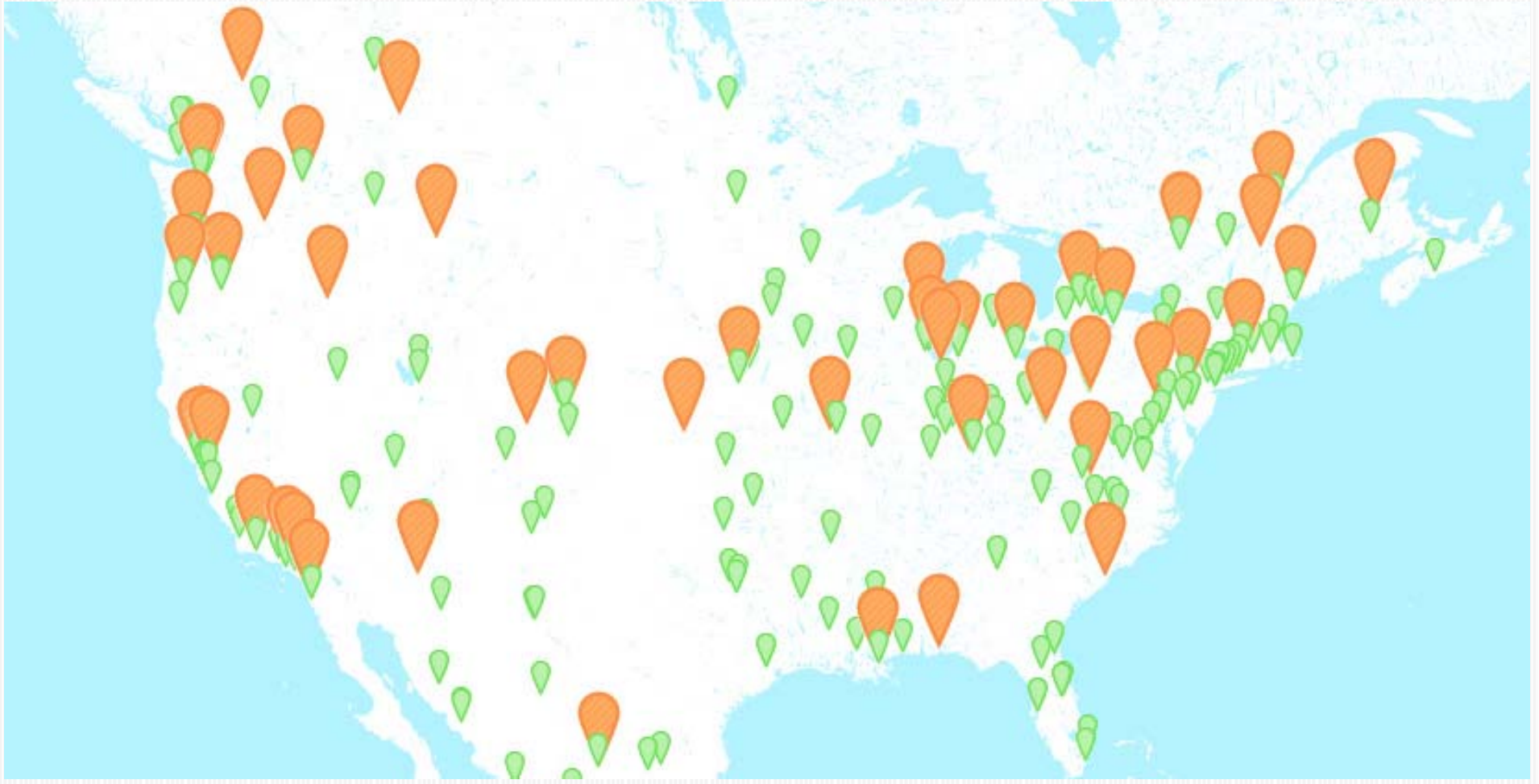


# Example 1: Startup Weekend

- “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

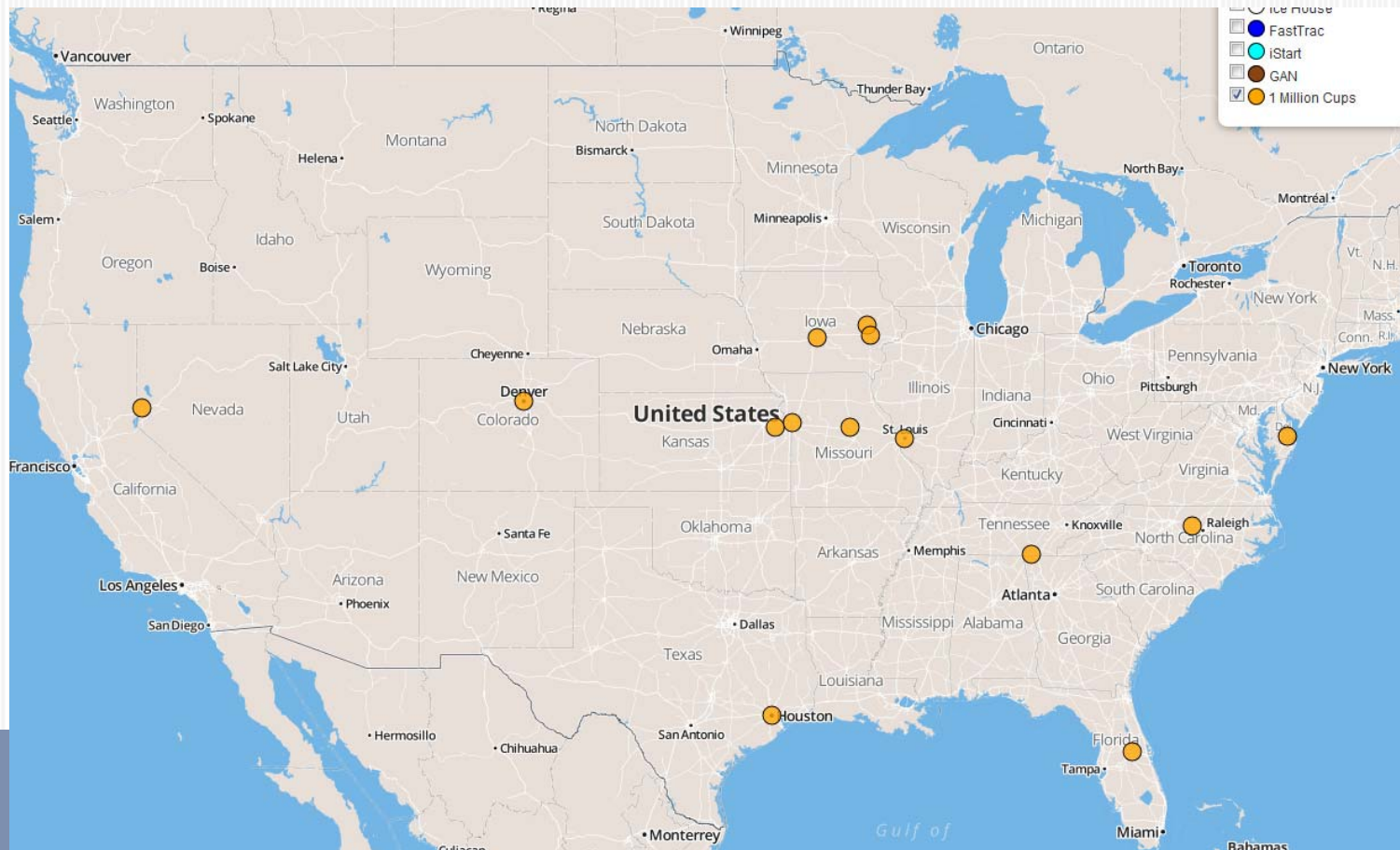


# Upcoming Events in Startup Weekend



# 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

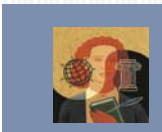
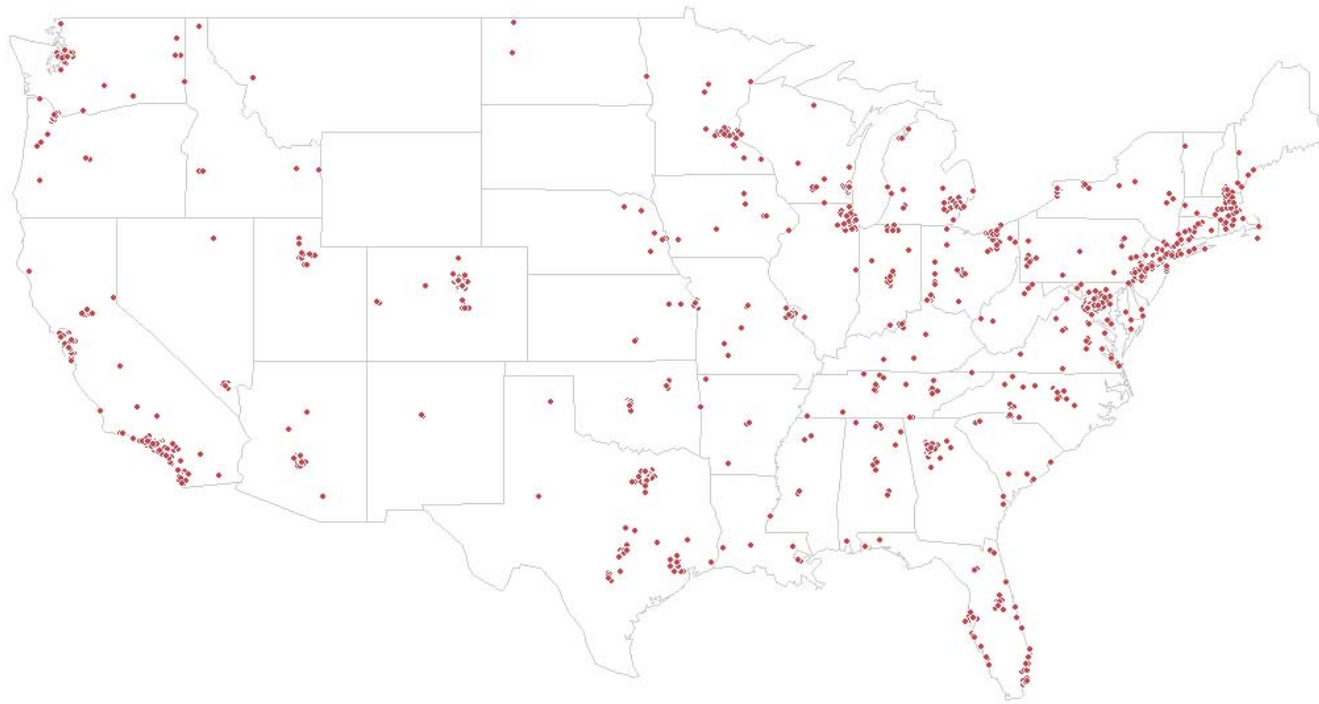


in Kauffman Foundation

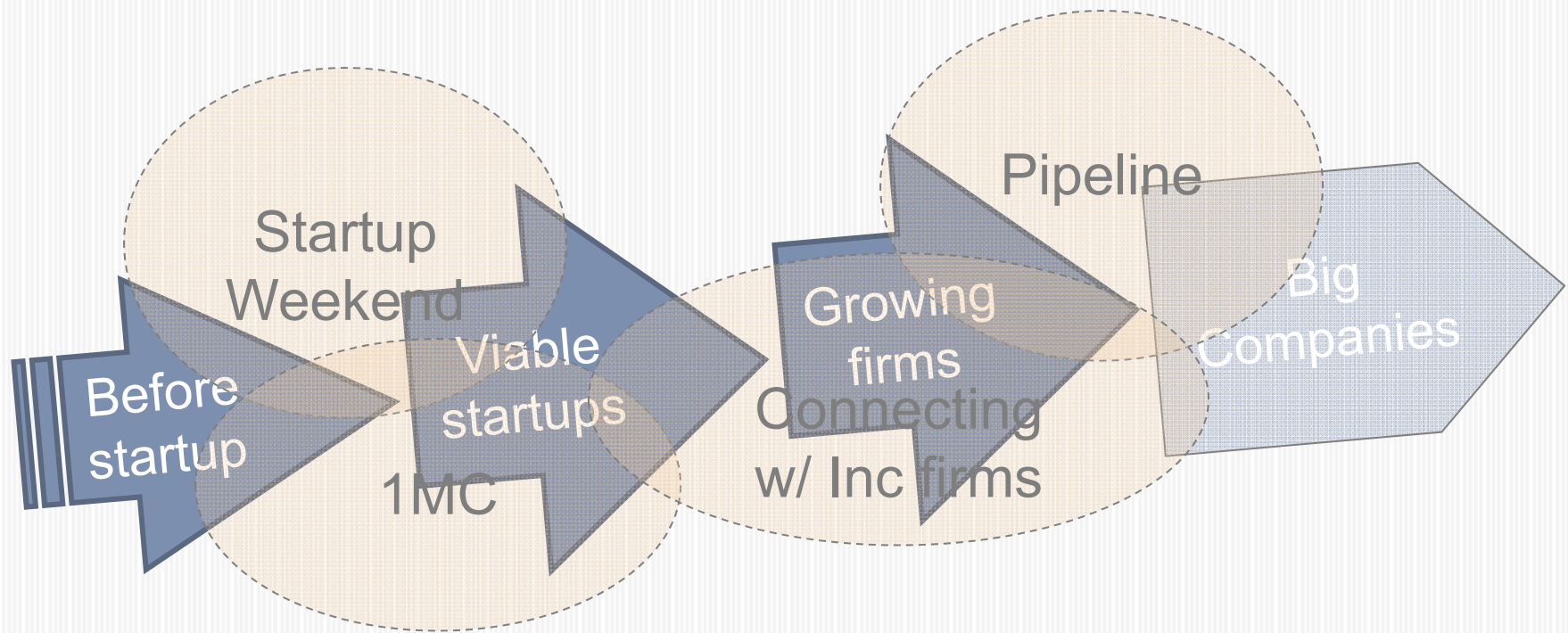


# Example 4: Inc Firms

- 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

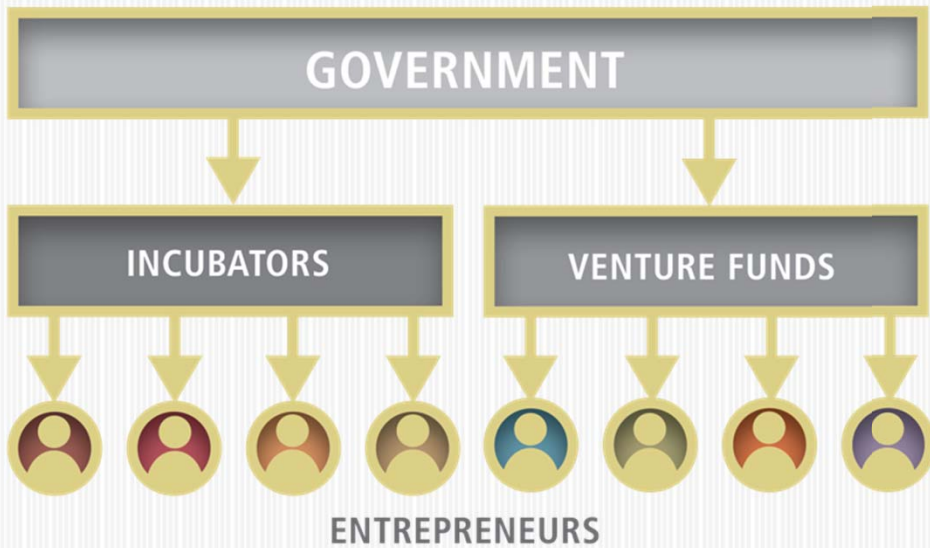


© 2014 Ewing Marion Kauffman Foundation

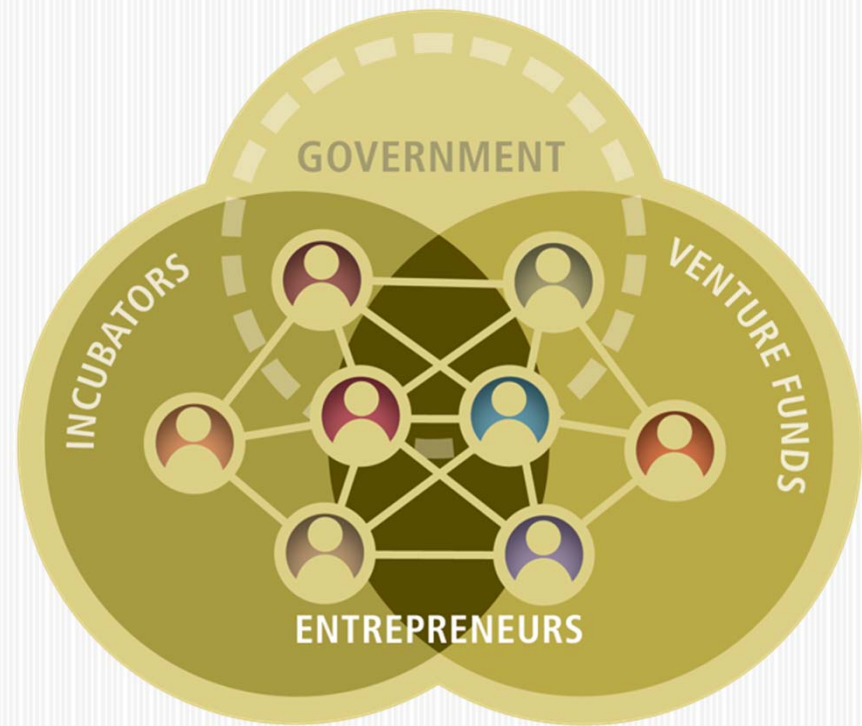


# Reorganize Incubators & Venture Funds

- Old Model



- New Model



© 2014 Ewing Marion Kauffman Foundation



# 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

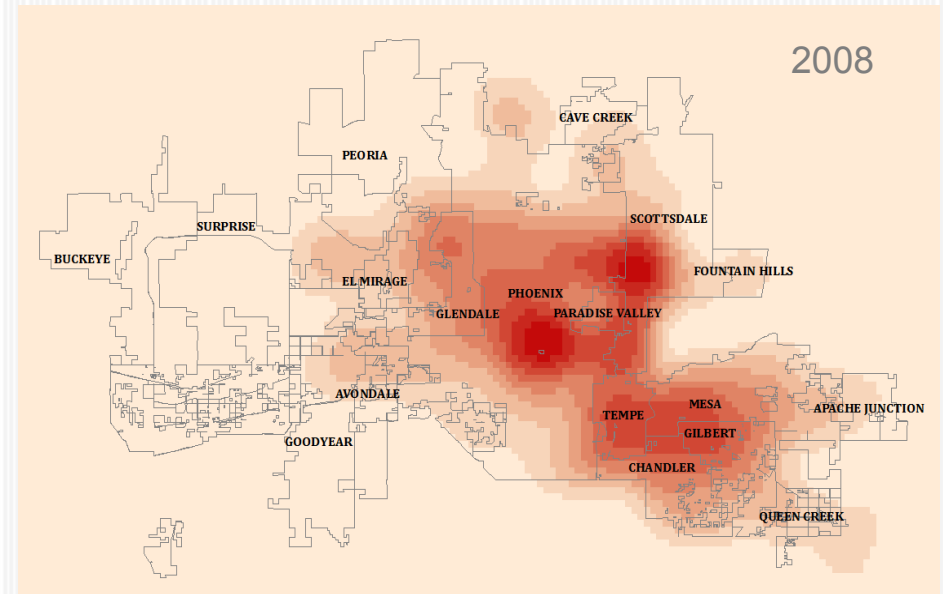
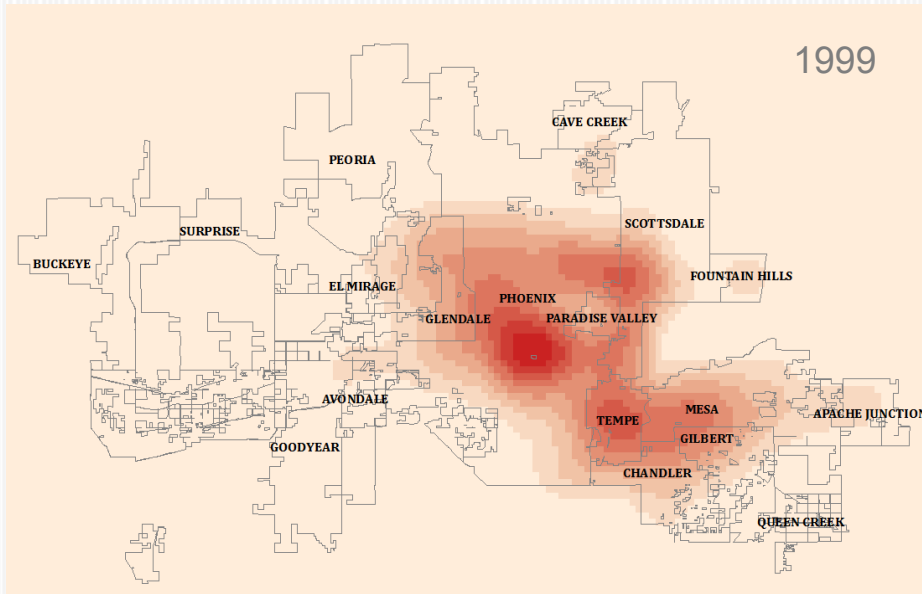


# Inc 5000 firms in 2011

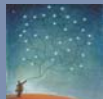




# Startups in Phoenix by NETS Data



- 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.
- Aulet, Bill. 2013. *Disciplined Entrepreneurship: 24 Steps to a Successful Startup*. New York: Wiley.
- 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.
- Hannon, Paul D. 2003. "A conceptual development framework for management and leadership learning in the UK incubator sector." *Education and Training* no. 45 (8/9):449-460.
- Konczal, Jared. 2012. Evaluating the effects of accelerators? Not so fast. *Forbes* 2012 [cited Aug 8 2012]. Available from <http://www.forbes.com/sites/kauffman/2012/08/08/evaluating-the-effects-of-accelerators-not-so-fast/>.
- Lerner, Joshua. 2009. *Boulevard of broken dreams: Why public efforts to boost entrepreneurship and venture capital have failed and what to do about it*. Princeton: Princeton University Press.
- MaRS. 2013. *Seeding success: Canada's startup accelerators*. Toronto: MaRS Data Catalyst.
- Mayer, Heike. 2011. *Entrepreneurship and innovation in second tier regions*. Cheltenham, UK: Edward Elgar.
- Motoyama, Yasuyuki, and Brian Danley. 2012. The ascent of America's high-growth companies. In Kauffman Research Paper Series. Kansas City, MO: Kauffman Foundation.
- Motoyama, Yasuyuki, Brian Danley, Jordan Bell-Masterson, Kate Maxwell, and Arnobio Morelix. 2013. Leveraging regional assets: Insights from high-growth companies in Kansas City. In Kauffman Foundation Research Paper. Kansas City, MO: Kauffman Foundation.
- Motoyama, Yasuyuki, and Jordan Bell-Masterson. 2014. Beyond metropolitan startup rates: Regional factors associated with startup growth. In Kauffman Foundation Research Paper. Kansas City, MO: Kauffman Foundation.
- NBIA. 2011. Annual report. Athens, OH: National Business Incubation Association.

