

Report & Recommendations to the Minnesota Legislature

on the proposed
Minnesota Office of Entrepreneurship

Create the **Minnesota Council on** **Entrepreneurship to**

- **Link & build networks**
- **Increase community capacity & support**

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EXECUTIVE SUMMARY

Minnesota is well positioned for economic growth with entrepreneur service providers and entrepreneurs eager to work together. **It is the recommendation of the Minnesota Entrepreneurship Working Group that we create a Council on Entrepreneurship that would:**

- 1. Facilitate and accelerate connections between entrepreneurs and service providers.**
- 2. Improve community capacity to create conditions supportive of entrepreneurs and entrepreneurship.**
- 3. Advance a policy framework to sustain Minnesota investments in entrepreneurship as a key economic development strategy well into the next generation.**

The Minnesota Entrepreneurship Working Group is a self-selected coalition of more than 100 people and organizations, brought together by our many years of working as entrepreneurs and entrepreneur service providers in Minnesota. We are rural and metro and community and state leaders and organizations. To create this report, we conducted three statewide videoconferences attended by up to 70 people per videoconference, spread over 8 to 12 sites across Minnesota. To complement the videoconferences, we collected information and ideas via e-mail and surveys over a three-month period between July and September, 2006. We compiled data on existing conditions, initiatives, and resources, and examples from other states. This data is included either directly in this report or in the appendices.

The attempt by state legislators in the 2006 Session to create a Minnesota Office of Entrepreneurship signaled to us an open door by state policy makers to recognize and act on a need many Working Group members have long known. While we have many resources and talented advisors and business people in Minnesota, we need to better coordinate those resources if we are to embrace and succeed with entrepreneurship as a strategy (among many other economic development strategies) to grow more businesses in the years ahead. We have a coordination and community capacity challenge, as we see that some locales and regions in Minnesota are better prepared and organized than others to support entrepreneurship.

We have the luxury of being able to glean ideas from the best elements of many other state models and local and regional innovations, to propose to create a **Minnesota Council on Entrepreneurship** to organize a comprehensive **Minnesota Entrepreneur Catalyst Network**.

It is clear from all levels of feedback in creating this report, including representatives of the current administration in state government, that a more formal Office of Entrepreneurship would not work for Minnesota, especially if placed permanently inside state government. A public-private Council and the creation of a Catalyst Network that includes state government agencies, but was not politically bound within state bureaucracy, would embrace all that is already happening in and outside of government. It would also allow for people in the Catalyst Network to work more freely for policy changes and seek sustaining funding mechanisms in a non-partisan environment.

The Council and Network can market and integrate existing technical assistance, funding, information and educational resources into a wide-ranging system that respects the autonomy and expertise of local organizations and individuals and knits that expertise across the state to ensure assistance is available anytime, anyplace. The coalition of entrepreneurs, community leaders, and entrepreneur service providers can together create the most innovative and hospitable climate possible to accelerate

entrepreneurship in Minnesota, securing a steady source of business starts and growth for generations to come.

--Jane Leonard, Chair of the Working Group, President of Minnesota Rural Partners, October 2006

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REPORT & RECOMMENDATIONS TO THE LEGISLATURE

Problem Statement

In collecting advice and feedback for a proposed Office of Entrepreneurship, people expressed a curiosity about two points: (1) how entrepreneurship would be defined (because there are many definitions and distinctions) and (2) the need for such an Office.

To answer the definition question, this report defines entrepreneurs as people who create and grow enterprise. Peter Drucker made this additional distinction: *“Entrepreneurs create something new, something different...show eagerness to innovate.”* Or more simply put by Working Group members, “an entrepreneur is a person who takes a risk for the sake of making a profit.”

As for the need for a state Office of Entrepreneurship, initial skepticism was born from local and/or regional service providers who already have resources well-organized and marketed to potential and current entrepreneurs.

For example, in West Central Minnesota, *“We have a strong technical assistance infrastructure including, but not limited to, SBDC, Alex Tech - Customized Training and Small Business Center, and the secondary education systems. Debt financing is a strength with community banks (although acquisitions by large institutions are a concern), regional funds such as West Central Initiative, Otter Tail Power and other utility providers, county economic development and local/city based economic development. The nice thing is we all play together. Quarterly we bring the group together to share ideas and projects, etc. In addition, we have 36 communities that have created local funds with WCI for economic and community development projects not to mention several more communities with independent funds. I think that responds to a culture supportive of entrepreneurs in our region.*

“I am actually looking at starting a mentoring system where entrepreneurs have access to other entrepreneurs to share experiences and create solutions. This group would also have access to entrepreneurs that have succeeded in business and professionals such as attorneys, accountants, or marketing professionals. The intent would be to identify their individual weaknesses and build capacity. Southern MN Initiative Foundation does a similar program called High Potential Program”¹

To a person, however, there was a concern that overall, Minnesota has *“a lot of great resources for entrepreneurs in Minnesota, but none of us--as organizations or individuals--have the skills and experience to meet every entrepreneur’s needs.”²* Different kinds of entrepreneurs need different kinds of support at different times in their development.

This is where Minnesota’s need or gap is evident: to create the most seamless and accessible pipeline of support for entrepreneurs -- from any entry point -- using existing service providers, and to customize that support to the distinctive needs of a

¹ Thad Olsen, Vice President – Program, West Central Initiative, Fergus Falls, MN, email, August 16, 2006.

² Mary Mathews, President, Northeast Entrepreneur Fund, Virginia, MN. Email, August 15, 2006

wide range of stages and types of entrepreneurship, from pre-venture assessment to technical and educational assistance, to financial resources and more.

Recommended Response

To address this complexity of needs over a wide range of geography, time, and development stages, the Working Group recommends the following action:

Instead of a state Office of Entrepreneurship as suggested in the original proposed legislation, we recommend that the State Legislature authorize and provide two years of seed funding to create the private-public Minnesota Council on Entrepreneurship that would organize the Minnesota Entrepreneur Catalyst Network.

The Council would:

1. **BUILD LINKAGES:** Facilitate and accelerate connections between entrepreneurs and service providers.
2. **IMPROVE COMMUNITY CAPACITY** to create conditions supportive of entrepreneurs and entrepreneurship.
3. **ADVANCE A POLICY FRAMEWORK** to sustain Minnesota investments in entrepreneurship as a key economic development strategy well into the next generation.

The Council would accelerate support for entrepreneurs and entrepreneurship as a local, regional, and statewide economic development strategy. The Council would support and publicize the work and resources of existing entrepreneurs, entrepreneurial associations and service providers through the creation of the Minnesota Entrepreneur Catalyst Network. The Catalyst Network would reach across metro and rural sectors, organizations, and communities to connect existing services and organizations into a comprehensive entrepreneurship development system. The Council and Catalyst Network would coordinate resources and policy across community, county and regional service areas to create a supportive environment for entrepreneurs statewide.

The Council would not be an agency within state government. The Council would be staffed by a director and assistant and governed by a steering group and advisory council composed of entrepreneurs and entrepreneur service providers from the private, public, and non-profit sectors. It is clear from all levels of feedback in creating this report, including representatives of the current administration in state government, that an Office of Entrepreneurship placed permanently inside of state government would not work for Minnesota.. A public-private Council and Catalyst Network that includes state government agencies, but was not politically bound within state bureaucracy, would embrace all that is already happening in and outside of government. It would allow for people and organizations on the Council and within the Catalyst Network to work more freely for policy changes and seek sustaining funding mechanisms in a non-partisan environment.

Specifically, the Council would:

1. **Support existing service providers and build linkages** between existing service providers, between entrepreneurs, and between service providers and entrepreneurs.
2. **Increase community capacity** to support local entrepreneurs
3. **Sustain these strategies through consistent policy and program funding** mechanisms

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Build Linkages

Minnesota has several local and regionally-based systems and/or networks of entrepreneurial support. But they are difficult to find unless you are already “in the know” and many are volunteer-based or under funded. This is where Minnesota’s need or gap is evident: to create the most seamless and accessible pipeline of support for entrepreneurs -- from any entry point - - connecting existing service providers, and customize that support to the distinctive needs of a wide range of stages and types of entrepreneurship. The linkages would create a statewide system of support – **a Minnesota Entrepreneur Catalyst Network** -- that maps high quality service providers and leverages local asset strengths and autonomy as much as possible.

“In the Entrepreneur Fund’s experience, it is nearly impossible to identify who will succeed as an entrepreneur, which is why the pipeline concept is so critical. We start with the idea that anyone who chooses can be an entrepreneur and that many/most of the skills can be learned and nurtured. In considering a systematic approach, the Entrepreneur Fund seeks a graduation path for entrepreneurs who have ‘outgrown’ our resources. Through our current planning process we are mapping the skill levels of technical assistance providers by skill level of entrepreneur and stage/life cycle of business to identify coverage and gaps.”³

You can’t predict where or when the next entrepreneur will emerge, or what size business they will grow. You just have to be ready with help along the way.

Other states are ready. In recent years, neighboring Wisconsin, and Illinois, Kansas, Washington, North Carolina and Georgia, have made significant state-level investments of time and money to improve access to entrepreneurial resources by coordinating them across sectors, organizations, and geographic locations. States such as Maine and Nebraska have also invested in community-based economic development programs to help build local capacity to create a more welcoming environment locally for entrepreneurs and entrepreneurship as an economic development strategy.⁴

Minnesota has all the parts of the entrepreneurial puzzle that other states have assembled – in our public, private and non-profit spheres. It’s time to rededicate ourselves to putting them together in one coherent and focused picture visible to all.

Increase Community Capacity

Islands of entrepreneurial innovation and investment are scattered across Minnesota, in some locales and regions. But communities most in need of the economic diversification that entrepreneurship can bring often lack the resources to even get started. If we want to maximize opportunity, then we need to build community capacity to better coordinate and distribute

³ Mary Mathews, email August 15, 2006

⁴ We were ahead of the game 20 years ago when the Legislature created entities such as the Greater Minnesota Corporation (now Minnesota Technology, Inc.), Minnesota Project Innovation, the Agricultural Utilization Research Institute, and Natural Resources Research Institute to be catalysts for new products, services, and businesses. The state also partnered then with the McKnight Foundation to underwrite the creation of the Minnesota Initiative Foundations to increase regional and community business development capacity.

resources, sharing expertise between rural and metro thru: Online Tools & On-the Ground Assistance; Community Training; K-12, Higher Education & Libraries; and Financing.

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Online Tools & On-the-Ground Assistance

We have a smattering of online tools and on-the-ground mechanisms to access and distribute assistance. Some Minnesota resources are highly regarded in national circles – especially in the area of online, web accessible business assistance tools and specialized assistance to women, minority, and immigrant entrepreneurs -- but they are under funded and little known in the general public in Minnesota because of the lack of marketing support.

For example, in south central Minnesota, *“the Business Accelerator program is a regional solution helping entrepreneurs, start-up and emerging companies access the resources they need. The purpose of the Business Accelerator program is to be the user-friendly gateway to business-building service providers...we want to work with the providers to make it a smooth and simple process for the entrepreneurs and emerging businesses. Resources such as Bizpathways.org⁵ have helped strengthen the program. We have used the site as well as referred clients to the site. Another resource that is just over the horizon is the business portal. The business portal will be a great asset to the Business Accelerator program because it offers a marketplace for industry and higher education to connect and exchange needs and resources”⁶.*

Community Training

Communities are the front line for entrepreneurial support. We have access to community-capacity building programs to help communities learn how to be more organized for and more supportive of entrepreneurs and entrepreneurship. These include the Energizing Entrepreneurs training and Hometown Competitiveness programs offered by the Center for Rural Entrepreneurship and Heartland Leadership Center from Nebraska. However, we have no systematic way to equitably fund or distribute that programming for individual communities and neighborhoods.⁷

K-12, Higher Education & Libraries

We have several centers and programs for entrepreneurial education and training in our public and private higher education systems that could use more recognition and support. We have excellent business information libraries, such as the James J. Hill Reference Library in St. Paul, and the Minneapolis Public Library, that offer online, on-the-phone, and in-person assistance. How can we affordably expand their reach statewide? Perhaps most importantly, we need more support for entrepreneurship curriculum and experiences to be integrated in the K-16 education

⁵ Bizpathways.org is an online tool that makes customized matches to business resources based on an entrepreneur’s interests, general stage of development, and location. Other online tools exist as well, for a variety of business and educational needs, and all could be combined into a locally available but statewide-supported portal for a one-stop online entrepreneur resource center.

⁶ Jill Klinger, Director of Enterprise Development and Marketing, Greater Mankato Economic Development Corporation, Mankato, MN, email July 13, 2006

⁷ See Energizing Entrepreneurs website at <http://www.energizingentrepreneurs.org>.

arena, where the most modest, but far-reaching investments can help create and sustain an entrepreneurial culture in Minnesota for the next generations to come.

For example, *“If we are looking at changing the culture in Northeastern Minnesota to be more entrepreneurial, we need to start in the K-12 system and then continue the opportunity to take entrepreneur-related courses at a Community College or University. This is a long-term systematic change that will take years and it is totally dependent upon the Minnesota Educational System having the resources to move this initiative forward.”*⁸

Financing

And last but not least, at the community, regional and state level, access to equity financing is critical if we are to create community capacity that better supports the people who take risks. Available equity capital will cultivate an environment in which entrepreneurial ideas in a multitude of business sectors are given the opportunity to be pursued and risks are encouraged.

“Outside of the metropolitan community, access to venture capital/equity funds is limited. The state legislature could help tremendously in stimulating the availability of equity resources in a couple of ways:

- *Study and enhance the Wisconsin model of utilizing a small percentage of the high risk investment dollars from public retirement funds for equity investment within communities in the state outside of the metropolitan complex*
- *Authorize some version of previously proposed legislation that utilizes tax credits to provide incentive to private individuals to invest their dollars in regionally pooled equity funds (both Wisconsin and Iowa have or are using such credits).”*⁹

Advance Entrepreneurial Policy and Program Funding Support

Addressing all these challenges and making better use of opportunities requires thoughtful examination of and education on current and proposed policies that may help or hinder entrepreneurship in Minnesota. This includes equity capital and tax incentives, infrastructure investments for such things as transportation and telecommunications, and the increasing cost of health care insurance, which has moved to the top of the list as a barrier to starting or growing a business.

Supportive policy and stable funding is integral to:

I. building **linkages** to better support, coordinate, replicate, market and distribute the exceptional resources we already have and identify existing gaps and fill them, and

⁸ Jon R. Smith, CPA, Instructor, Vermilion Community College, Ely, MN – email from September 20, 2006

⁹ Jonathan G. Zierdt, Executive Director, Greater Mankato Economic Development Corporation, Mankato, MN – email from September 22, 2006

2. increasing **community capacity** to create conditions at local, regional, and state levels to better support the people who take risks – the entrepreneurs and entrepreneur service providers – to grow our economy and improve our quality of life.

Rationale for recommendations

Our major challenge in Minnesota is to build a more entrepreneurial culture, to create statewide community capacity to leverage the strong individual entrepreneurial energy that is present in Minnesota today. Why? Entrepreneurs are key to strengthening Minnesota's economy.

Entrepreneurial, very small business start-ups (fewer than 50 employees) continued to account for three of every four start-up jobs in the state and more than half of all expansion jobs. In 2002, more than 93 percent of business start-ups opened with fewer than 50 employees and they provided 77 percent of all start-up jobs (44,200 new jobs).

However, alongside those business starts, business dissolutions continued unabated (12,200 closed businesses) and job losses rose by 18 percent (to 39,200 lost jobs). Although the start-ups continued to create more jobs than those lost from closing businesses, the ratio of new job replacement has declined from nearly 2.0 jobs for each job lost during the growth years of 1999 and 2000 to 1.5 jobs during the 2001 recession and 2002 sluggish recovery.¹⁰

Though we have some local and regional organizations that are focused on supporting entrepreneurs, overall we don't do a good job sustaining these service providers with adequate funding. This translates into less technical assistance and funding to the people, the entrepreneurs, who want to start a new business or grow existing ones. For example, the state and federally sponsored Small Business Development Centers (SBDCs) in Minnesota have not received a funding increase for ten or more years. Many entrepreneur service providers are non-profits that rely on volunteers, personal enthusiasm and an unsteady string of grants to survive. This fragmented and fragile environment cannot by its very nature provide a steady and reliable statewide infrastructure of support over the long-run.

Yet, because of that dedication shown by existing providers, Minnesota received a straight "A" rating overall on the CFED 2006 Development Report Card for the States, so we do many things right to sustain and develop our economy for the 21st century.¹¹ And we rank 2nd in

¹⁰ Business Tracking System, Minnesota Business Start-ups, Dissolutions, Expansions & Contractions. October 2004, Annual Data for 2002, Minnesota Department of Trade & Economic Development (from the most recent U.S. Economic Census, 2002). Most of these entrepreneurial businesses were in the service sector (5,200 new businesses and 16,300 jobs) and retail trade (1,790 new businesses and 13,270 jobs). New construction had 1,400 new small businesses with 3,300 jobs.

¹¹ Corporation for Enterprise Development, 2006 Development Report Card for the States, <http://www.cfed.org/focus.m?parentid=34&siteid=1581&id=1600&year=2006&stateid=23>
<http://www.cfed.org/imageManager/documents/Minnesota.pdf>

CFED's Disparity between Rural and Urban Areas Index, meaning we have a pretty good balance in economic performance indicators between our rural and urban areas.¹²

But there are a few alarming trends buried in our business vitality rankings that we should catch now. Economic development policy and funding at state and local levels has traditionally been focused on large-scale industrial recruitment and retention, not on small business and entrepreneurship where business and job growth are strongest. We rank 47th in loans to small business, 49th in change in business closings (we saw an increase of businesses that closed their doors between 1999 and 2004), and we rank 40th in funding for academic research and development. Moreover, we have lost ground in economics and business education programs in the K-12 schools, undercutting our future.¹³ And we have slowly been under funding higher education as well.¹⁴ These indicators mean we must do more to shore up and sustain investment in innovation and in risk takers, key factors in a successful entrepreneurship strategy.¹⁵

Most new job growth in Minnesota and the United States in general, comes from small and new firms. In Minnesota, the smallest firms are the fastest growing segment in all of Minnesota's 17 largest industrial sectors. These firms account for more than half of all job growth in 11 of these 17 sectors.¹⁶ Yet we pay little heed to these job-generators and wealth producers when we formulate economic development policy.

The old excuse has been, it's too expensive to provide technical assistance to small businesses and start-ups. Given the reach of 21st century communications technology, we have more capacity today to serve start-ups and small businesses more cost efficiently, both online and on-the-ground. We haven't taken full advantage of those technology breakthroughs.

We have been complacent, used to large, dominant industry employers providing jobs for many Minnesotans in the last century. That is changing as we suffer from one of the worst records of mass layoffs in the country (45th in the U. S. rankings.)¹⁷ Though we are above average in our entrepreneurial ratings when compared to other states (15th in Entrepreneurial Energy)¹⁸, we can do better to shore up the weak spots and be more encouraging of those willing to take risks to start businesses and create jobs, especially in the areas of community support and policies to

¹² CFED, 2006 Development Report Card for the States. Washington D.C.: 2006. Calculated from data provided by the Economic Research Service, U.S. Department of Agriculture.

¹³ Working group members in rural Minnesota report a dwindling number of business/accounting/economics courses in our high school system. For instance, Babbitt High School has one economics course available to students; no accounting or business courses are available. Also, this past spring, the Ely High School Accounting Instructor retired and they did not replace the position or continue to offer accounting courses.

¹⁴ From the Institutional Research and Reporting report (Peter Zetterberg, Feb. 2005): "...funding for higher education in Minnesota has become progressively weaker relative to funding in most other states, as measured by the U.S. average.

¹⁵ CFED

¹⁶ November 2005 Minnesota Department of Employment and Economic Development, "Entrepreneurship and Economic Growth," by Anthony Schaffhauser,

<http://www.deed.state.mn.us/lmi/publications/trends/1105/growth.htm>

¹⁷ CFED, <http://www.cfed.org/focus.m?parentid=34&siteid=1581&id=1600&year=2006&stateid=23>

¹⁸ CFED

support micro enterprise development. Minnesota ranks 47th in ‘friendly’ policy environments (taxes, regulations) for small businesses.¹⁹

Moreover, we need to do a better job of letting people know that help does exist. We need to lift up and market our existing business assistance resources, find and fill gaps, and build a renewed state and community capacity to create life and work environments that support – not deter - the people taking all kinds of risks to start and grow businesses.

Perhaps most importantly, we need to foster within young people and adults the attitude and confidence that entrepreneurship is a welcome occupational choice and achievable strategy for personal and community economic development.

This report’s recommendations concentrate on better serving the people who are willing to take the risks to build and grow enterprises. They are the ultimate business, social and civic entrepreneurs. The more we support them, the better off Minnesota will be in an increasingly global, competitive economy. The report also reminds us that to better serve those risk-takers, Minnesotans and Minnesota communities have to do a better job of organizing and supporting the service providers that provide direct services to entrepreneurs.

All of us have to improve our attitudes about supporting local businesses and local entrepreneurs. Who knows where the next 3M or Medtronic, or Best Buy will come from? It might be your neighbor next door. So this report also emphasizes the relationships between people, communities, and service providers that must be supported and/or established and fostered across public, private, non-profit, and educational sectors.

Recommended Structure and Governance

The Minnesota Council on Entrepreneurship would consist of representatives of entrepreneurs and entrepreneur service providers from the private, public, and non-profit sectors. The Council would consist of a larger advisory body to ensure inclusiveness, and a smaller executive committee to help manage operations. The Council would organize the **Minnesota Entrepreneur Catalyst Network** to link together existing resources and local and regional networks into a seamless on-line and on-the-ground network.

The Council and the Catalyst Network would accelerate support for entrepreneurs and entrepreneurship as a local, regional, and statewide economic development strategy. It would not be an agency within state government. The Council would be staffed by a director and assistant.

The Council would support and publicize the work of existing entrepreneurs, entrepreneurial associations and service providers. The Catalyst Network would reach across urban and rural sectors, organizations, and communities to connect existing services and organizations into a comprehensive entrepreneurship development system. The Catalyst Network would coordinate

¹⁹ Brian Dabson, Rural Policy Research Institute presentation, April 2006.

resources and policy across community, county and regional service areas to create a supportive environment for entrepreneurs statewide.

It is clear from all levels of feedback in creating this report, including representatives of the current administration in state government, that a more formal Office of Entrepreneurship would not work for Minnesota, especially if placed permanently inside of state government. A public-private Council and Catalyst Network that includes state government agencies, but was not politically bound within state bureaucracy, would embrace all that is already happening in and outside of government and would allow for people in the Catalyst Network to work more freely for policy changes and seek sustaining funding mechanisms in a non-partisan environment.

Mission of the Council and Catalyst Network

The mission of the Council and Catalyst Network would be to advance conditions to help entrepreneurs succeed. Entrepreneurship development conditions include:

- *Entrepreneurship education*
- *Access to debt and equity capital*
- *Technical assistance and training*
- *Entrepreneur networking*
- *Entrepreneurial culture*²⁰

Target Audience

This report makes no distinction between serving private or non-profit, small or large enterprises, rural or metro. The Council and Catalyst Network would like to ensure that assistance is available to all who are eager to create, innovate, and risk so that Minnesota is well positioned for a healthy and sustainable economic future.²¹

Goals of the Council and Catalyst Network

The primary goals of the Council and Catalyst Network would be to help coordinate and market existing services and funding sources; identify gaps in the community, regional, and statewide environment; and develop resources to fill those gaps.

At community, regional, and statewide levels, the Council & Network would::

- I. Assist people, communities, and organizations to coordinate resources for entrepreneurs so that entrepreneurs can succeed, businesses can create new jobs, and communities can

²⁰ Brian Dabson, April 2006

²¹ The Global Entrepreneurship Monitor (<http://www.gemconsortium.org>) defines the following three categories in the Entrepreneurial Life Cycle:

- Nascent—commits resources, starts an enterprise
- New business owner—owns & manages enterprise and pays salaries (more than three months but less than 42 months)
- Established business owner—owns & manages enterprise in operation for more than 42 months

Entrepreneurial Activity: the percentage of population in these three categories

increase local incomes and develop new wealth sources, and connect to the larger, global economy.

2. Make connections between existing small business and entrepreneur service providers to encourage collaboration and coordination in providing a seamless Entrepreneurial Development System (see Northeast Entrepreneur Fund model).
3. Identify and eliminate barriers to cooperation, including serving as a comprehensive and informed voice at state and federal levels for entrepreneurship-related funding and policies.

Three-Year Objectives

The Council will work for the next three years to:

1. **Create a one-stop statewide Entrepreneur Catalyst Network** with local and regional nodes (accomplished and ongoing by end of year one) to connect between and among entrepreneurs and service providers – to help incubate ideas and steer people and ideas to the right person and/or resource at the right time in their development process.

We would use and evolve *existing online tools* and strengthen *existing on-the-ground organizations and relationships* to interconnect between people, communities, organizations, and services so that to a first-time or veteran user, the interaction for help and networking is one-stop and seamless across geographic and programmatic boundaries, no matter what the entry point for assistance.

We don't want to create another level of bureaucracy. We think great gains can be made in Minnesota simply by better organizing, providing reliable funding for, and increasing the marketing of existing service providers to entrepreneurs and small businesses.

As one Working Group participant put it: *"There are more than enough service providers in all areas of the state. Unfortunately the major problem they have is under-funding. Services like the Small Business Development Center through the Department of Employment and Economic Development, Small Business Management Programs through MnSCU (the Minnesota State Colleges & Universities System), Minnesota Technology and AURI (Agricultural Utilization & Research Institute) are all under funded and they are just a few of the service providers out there."*²²

An Entrepreneur Catalyst Network in action would include:

- a. **Networking face-to-face** (entrepreneurs, services providers and community leaders) at monthly or quarterly informal gatherings, supplemented by online interaction in between. This would take place at local, county, subregional, regional and state levels. In particular we recommend that service providers

²² C. Dean Otto, Instructor, Small Business Management, South Central College, North Mankato, MN, email, July 25, 2006

sponsor gatherings where local entrepreneurs can meet one another, as Wisconsin does with the Wisconsin Entrepreneurs and Inventors breakfast meetings.

- b. **Increased and improved networks within communities** among community leadership entities, including existing businesses, educational institutions, bankers, the Chamber of Commerce, Economic Development Authorities, Community Development Corporations, local units of government, service clubs, etc. – to build local capacity to understand and support the entrepreneurial development process as part of multi-modal economic development strategy.
- c. **Council staff convening regular contact** between communities, regions, organizations, people. The Catalyst Network would serve as a state level catalyst to develop new connections and support existing organizations and networking.
- d. **Combining existing online services and emerging ones** (such as Bizpathways.org and the Minnesota Business Exchange) into a sustainable, predictably available one-stop online and phone system to immediately get help to people with ideas, to entrepreneurs, and to existing small businesses, no matter their geographic location or time of day or night.²³
- e. **Market existing services**, including the:
 - i. wide array of existing technical assistance and funding providers, including Small Business Development Centers, non-profit organizations such as the Northeast Entrepreneur Fund, People Connection, Minneapolis Consortium of Community Developers, WomenVenture, Greater Mankato Development Corporation, Riverbend Enterprise Facilitation Center, Minnesota Initiative Foundations and Regional Development Commissions, and more.
 - ii. libraries in Minnesota that specialize or offer special services in business assistance, including the James J. Hill Business Library, the Minneapolis Public Library and more
 - iii. educational options and education institution-based entrepreneurship centers, including those in the local and regional Minnesota State Colleges and Universities institutions, the University of Minnesota, and private colleges across Minnesota
 - iv. services for special populations, such as DisabilityVENTURES, which is a state-sponsored program to provide resources to four small business development organizations to encourage them to provide increased amounts of pre-venture consultation with people with disabilities

2. **Increase capacity of local communities to create an environment conducive for entrepreneurship** (accomplished and ongoing by end of Year Three).

²³ Rather than building new systems, the Council would combine the existing online tools and technology to build a one-stop portal that featured increased levels of support, from self-guided browsing, to live chat, to person-to-person live phone calls. This would require increased support of existing online tools to maintain an online clearinghouse/database of resources at state, regional, and local levels. The online portal would automatically match resources and service providers to people, facilitate virtual space for networking and eventually for deal making, and facilitate just-in-time and on-demand education no matter time or place.

The local community is where entrepreneurs typically face barriers (and where communities have the best opportunity to support and retain innovative people and businesses). The Council and Catalyst Network, working in partnership with local community leaders and service providers, would:

- a. Provide curriculum and training to local community leaders on organizing their economic development strategies to include entrepreneurship development and support. (Such as the Energizing Entrepreneurs curriculum available from the Center for Rural Entrepreneurship.)
 - b. Provide training on use of online tools and on-the-ground practices to support entrepreneurship.
 - c. Provide locally available training and education in business and entrepreneurship (via on-site teaching from local higher education institutions and/or via Internet, including videoconferencing, podcasts, etc.).
 - f. Establish local online gateways (customized for that locality) into the **Minnesota Entrepreneur Catalyst Network** online tools and resources. Work with local leaders to find and add locally available services and resources to the statewide database so local capacity is known and used before people move on to area, region, state, and federal resources and service providers.²⁴
 - g. Investigate creative ways to fund entrepreneurs in remote areas using existing funding organizations and/or creating new collaborations.²⁵
3. **Monitor and advise on policy changes or developments that would increase the likelihood of success for entrepreneurs and the communities and service providers that support them (ongoing).**

Policy influences entrepreneurial behavior and can help or hinder entrepreneurship. For this reason, we must understand the consequences of policy and be more involved in shaping it to improve the climate for entrepreneurship. This may include issues such as health insurance costs or other barriers that increase the risks those entrepreneurs, their families, and communities take and that when ignored can impede success.

- a. Recommend that the state adequately fund the existing support organizations, such as the regional SBDCs, which now rely more on local contributions as state

²⁴ Pilots using the Minnesota Entrepreneurial Gateway model and Bizpathways.org are already underway in three communities (one town, one county, and one multi-county area) in Minnesota. The Greater Mankato Area Development Corporation is also at work on a regional assistance model -- the Business Accelerator. The Northeast Entrepreneur Fund and an alliance of economic development organizations are building the Entrepreneurial League System®, and there are more examples.)

²⁵ A service suggested by the Working Group members from the Crookston area was to consider the idea of have the Council and Catalyst Network serve as a statewide intermediary for lending funds. *“Regional or city organizations may be constrained to their immediate geographic service area. Yet, these small organizations that serve sparse populations have a challenge when seeking capital funding because of the lack of perceived impact to the funding organization. (Impact is frequently measured by numbers that are much larger than our rural areas of Minnesota.) A state-wide intermediary would have a much bigger impact to a larger funding agency.”* Diane Morey (Northwest Initiative Foundation) and DonnaRae Jacobson (The People Connection), email, August 28, 2006.

and federal support has dwindled. Where business assistance is needed most is usually in rural communities and neighborhoods that can least afford to fund business assistance programs.

- b. Recommend to and work with the K-16 education community to determine ways in which more entrepreneurship curriculum can be integrated into current curriculum; encourage at local levels and at the regional and statewide levels that more young people be involved in designing the current and future infrastructure to create a conducive environment for entrepreneurship. (The Council on Entrepreneurship should include youth and young adult members to ensure it remains relevant to emerging ideas and needs for youth entrepreneurship.)
- c. Compile biennial “State of Entrepreneurship” reports to the Legislature and other sponsors and make programmatic adjustments as necessary to increase chances of success. Such measurements can help us see whether or not entrepreneurship will be a viable economic development strategy to help improve the quality of life in Minnesota at local, regional, and state levels.
 - i. The Council would measure success based on several indicators:
 - Entrepreneurial Activity:
 - a. new starts and early-stage entrepreneurs as compared with established businesses as percentage of population
 - b. Entrepreneurial Motivation: necessity vs. opportunity
 - c. Churn Rate: new starts and failures within three years
 - d. Take-up rates of selected programs
 - e. By county, region, sector, over time
 - Wealth-Creating Activity (For firms within three and five years of formation)
 - a. Number of jobs, size of payroll
 - b. Business revenues
 - c. Taxes paid
 - d. Nature, impact of program intervention
 - e. By county, region, over time²⁶

FUNDING

To accomplish the goals and undertake the activities outlined in this report, the Council and Catalyst Network would require approximately \$1 million operating funding for the first two years, to help fund the Council and provide catalyst funding to existing service providers. We recommend that these funds come through private-public partnerships with at least 50 percent coming from a state appropriation. State funding would jumpstart the Council and allows the Council time to seek matching funds and in-kind assistance from other public sector organizations and from the private, philanthropic and non-profit sectors.

²⁶ Brian Dabson, April 2006

CONCLUSION

Minnesota is well-positioned with service providers and entrepreneurs eager to work better together. A Council on Entrepreneurship would facilitate and accelerate connections between entrepreneurs and existing entrepreneur service providers, improve community capacity to create conditions supportive of entrepreneurs and entrepreneurship, and would advance a policy framework to sustain Minnesota investments in entrepreneurship as a key economic development strategy well into the next generation.

We lag behind other states in creating such an initiative. Our advantage is that we can leverage the best parts of other state models and local and regional innovation within Minnesota, to create a blueprint for Minnesota Entrepreneurship that fits our unique opportunities, resources and challenges.

We thank the Legislative leaders for their foresight in opening this door to a bright future for Minnesota and hope this report will help chart a solid course ahead.

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