

Bold Voices, Bold Choices

Making Michigan *the place* to start,
grow and retain a business

December 2008

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Entrepreneurship committee charge

In 2007 the Council for Labor and Economic Growth (CLEG) charged the Committee on Creating a State Culture of Entrepreneurship to make recommendations to support entrepreneurship through:

- K-12 and postsecondary education
- workforce and economic development partnerships
- other high leverage strategies.

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Gathering input

The committee took its charge seriously, engaging stakeholders through:

- focus groups
- online surveys
- one-on-one conversations

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Focus groups

- 35-40 participants in Upper Peninsula
- 15-20 participants in upper Lower Peninsula
- 15-20 participants in Southeast Michigan

Online surveys of committee members, plus Mid Michigan community pulse responses on entrepreneurship, as well as results from event-based Audience Response System.

One-on-one conversations with West MI stakeholders and many others (Michigan Entrepreneurship Education Network, Small Business Development Technology Centers, peers, colleagues, etc.)

Central assumptions

Members deliberated and agreed on the following:

Theory of change
Entrepreneurial communities will be the most prosperous, agile and competitive of the 21st Century.

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U.S. Small Business Administration: Small businesses (fewer than 500 employees) pay more than 45% of total U.S. private payroll, have generated 60 to 80 percent of net new jobs annually over the last decade, and create more than half of nonfarm, private gross domestic product (GDP).

Today Michigan is home to an estimated 849,500 small businesses. Of the state's 219,100 employer firms, 215,900 (98.5%) are considered small business.

According to the Kauffman Foundation's 2007 *Index of Entrepreneurial Activity*, Michigan has 290 entrepreneurs per 100,000 people, roughly 29,000 people at any given point who are working at least 15 hours per week on business creation.

Central assumptions

Members deliberated and agreed on the following:

Michigan has much entrepreneurial potential
Michigan has a legacy and current and future propensity to substantially grow its entrepreneurial base.

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Michigan's Innovation Strengths

Select indicators

Measure	Nat'l Rank	Performance
Industry R&D	1	\$5,045/\$100,000 GDP
Patents per innovation worker	8	19.2/100,000 workers

University royalty/license income	12	\$121.9/\$1 million GDP
University licenses to small biz	17	37.4/100,000 firms
University R&D expenditures	19	\$387/\$100,000 GDP

In many respects Michigan has tremendous capacity to support entrepreneurship. It has exceptionally high rates of industrial research and development and patents per innovation worker (see table), ranking 1st in the nation in industrial research and development and 8th with regard to patents per innovation worker.

Michigan also does well in leveraging its higher education assets, with university royalties from licensing technologies ranking 12th nationwide, and the actual rate of licensing coming in 17th. Michigan universities also perform well (19th nationwide) in overall research and development expenditures.

Meanwhile, the state is well-situated to offer a competitive entrepreneurial environment. According to the Kauffman Foundation's *New Economy Index*, Michigan ranks 19th nationally, taking into account a host of factors identified as supporting a new economy (e.g., prevalence of IT professionals, knowledge workers, job churning and numerous other factors).

Improving performance

And in many respects, Michigan's performance with regard to key entrepreneurship indicators has been improved substantially over time. Between 2003-2006, Michigan ranked 5th in the rate of net new firms (minus failed firms) entering the marketplace, 10th with regard to *increase* in high performance firms, 12th in the total number of net firm entrants (new firms as a percentage of all firms at the beginning of the year), and 21st in increased self-employment.

Room for improvement

Michigan must do a better job of actually turning potential into actual business ventures. The Kauffman Foundation's 2007 *Index of Entrepreneurial Activity* finds that Michigan's performance is average relative to its peers, ranking the state 25th in a count of new business start-ups over time. Meanwhile, according to the *Entrepreneurship Scorecard of Michigan*, upon reviewing numerous private and government reports, in 2005 Michigan ranked 30th in business establishment formation rate, 30th in university spinout business, 47th with regard to growth in the number of small businesses (under 99 employees), and 50th in small business payroll growth.

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Central assumptions

Members deliberated and agreed on the following:

Vision
Michigan is the place to start, grow, and retain a business.

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In considering its charge, the Committee embraced a vision in which the *State of Michigan is "the place" to start, grow, and retain a business.*

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Central assumptions

Members deliberated and agreed on the following:

Definition
"An entrepreneur is one who brings resources, labor, materials, and other assets into combinations that make their value greater than before, and also one who introduces changes, innovations, and a new order."

Hisrich, PhD, Robert D., Michael P. Peters, PhD and Dean A. Shepherd, PhD. *Entrepreneurship*, 6 ed. New York: McGraw-Hill Irwin, 2005.

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Definition of entrepreneur

The entrepreneurship definition takes into account both those who start or have started new companies; who assume risk and infuse innovation and assets into new or existing companies; and those who work for companies but towards new products or processes (intrapreneurs). Such firms, whether high-tech pioneers that have the propensity to transform a regional economy, or mom-and-pop shops that add the character and charm that draw and attract innovative talent, are essential components of Michigan's future, both in terms of employment and economic development.

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Central assumptions

Members deliberated and agreed on the following:

Inclusivity
Fundamental to achieving this vision is a statewide culture of entrepreneurship that touches people of all backgrounds and firms of all types and stages of development.

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Target audience

It is the system of entrepreneurship stakeholders, and not necessarily any one actor within the system, that is the audience for the committee recommendations, which complement current, ongoing efforts. Taken together, these will ensure Michigan stands above the rest for the entrepreneurial climate it offers.

Range of stakeholders

Government is one of many stakeholders, with business being foremost:

- Business
- Education
- Econ & workforce development
- Nonprofits
- Philanthropists
- Associations
- Communities and citizens



Alternative mindset

- Entrepreneurship is a personal employment opportunity, whether this includes starting a business or simply working in an entrepreneurial business environment.
- Entrepreneurship also is an economic development opportunity—a chance to attract and retain firms based on small businesses that promote quality of life.
- Once people make the entrepreneurial leap, the environment they enter must be as conducive to success as possible.
- Supporting entrepreneurship in Michigan means our support systems and stakeholders must imbue entrepreneurial characteristics themselves; hence, the focus on alignment, integrated networks, streamlining, etc.



Bold, deliberate voices

- State officials must take the lead in communicating to the public that entrepreneurship has, does, and will continue to play an increasingly important role in Michigan's future.
- They are deliberately and calculatingly taking steps necessary to make the path of entrepreneurship easier to tread.

Integrate efforts and messaging

- Efforts like 21st Century Jobs, No Worker Left Behind (NWLB), The Upper Hand campaign, the state's sector strategies, the green jobs initiative, and other key efforts should be framed in a single context that emphasizes entrepreneurship.
- Integrate messaging in the State of the State, regular press releases, and other public messages.

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Alternative mindset

Be bold, visible and deliberate about a culture of entrepreneurship—stimulate an entrepreneurial movement

- Create a cross-partner media team (cross-departmental, cross-branch, in/outside government)
- Create talking points, toolkits, etc. to keep everyone on message (emphasize legacy and future)
- Gauge, track and report initiative success
 - Public (web) space to keep players on track
 - Measure and re-measure attitudes and other progress

Alternative Mindset

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Form a team

- DLEG, MEDC, other state departments, and the governor's office, legislators, and other key stakeholders could play an important, catalyzing role in sparking an entrepreneurship movement in Michigan.
- These stakeholders could align efforts with other media partners and entrepreneurship stakeholders. As many public leaders as possible should be engaged in conversations to frame this approach.
- Engagement is essential, as it will lead to greater ownership, integration and adoption.
- Part of this strategy should entail regular (possibly even monthly) base touches between state departmental media relations staff with the particular aim of coordinating news and information around entrepreneurship.

Create toolkits

- Invite stakeholders to participate in the development of toolkits that include talking points, facts and figures, and other strategies to help communicate consensus arrived at around Michigan's future as "the place to start, grow and retain a business."

Emphasize support, recognize success

- We must help individuals recognize the import role entrepreneurship plays for everyone, both as individuals and as members of the broader state community.
- A targeted media strategy should outwardly celebrate entrepreneurial success, painting those who take the entrepreneurial leap—whether techies, restaurateurs, or yoga gurus—as virtual rock stars, celebrated for taking risks, leveraging assets and networks, and taking control of their futures.

Measure and track culture

- To fully understand shifts in Michigan's entrepreneurial mindset, and how this mindset compares to certain peer states, officials should encourage a comparative culture study, tracking mindset changes *vis a vis* actual business creation over time.
- Similar effort is undertaken regularly in the European Union, and the Mid Michigan Innovation Team launched a similar study in 2007.

- The results of such research would demonstrate the true extent of this initiative's success while providing illumination in areas that may not be addressed in these recommendations.

Catalyze a movement

- All of these efforts should be packaged as an overall strategy to leverage Michigan's innovation and creativity assets as essential ingredients of economic transformation.
- Stakeholders in Kentucky, for example, recently launched the "State of Creativity" initiative, bringing together state government, education, foundations, innovation networks, and others, to promote the state as a center for innovation and creativity. <http://www.stateofcreativity.com/>

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Systems integration

Infuse entrepreneurship and entrepreneurial support into departmental/ agency objectives, goals and actions

- State of MI has been doing a great job of using tech to make it easier to start a business (e.g., MI business portal)
- Make MI the Ritz Carlton for business:
 - Convene interagency team of individuals who address entrepreneurship—align, network, learn
 - Integrate entrepreneurship into mission, goals, and performance measures
 - Extend customer service training to ALL who serve business

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What Michigan is doing right

- The State of Michigan's Office of Information Technology is undertaking a massive effort to revamp the way businesses experience this process, creating a one-stop, electronic business portal that immediately identifies and populates the many forms that businesses must complete
 - Permit process for manufacturing takes 183 days (down 465 days)
 - MI Biz portal: will save over 15,000 staff hours for business registrations (saves biz time too)
- This will prevent having to repeatedly provide basic information (like name, address, identification, etc.), ensure proper information is consistently provided, avoid opportunities for information to become lost or altered, and prevent the need for multiple interactions or visits to fulfill the paperwork and other regulatory requirements for starting, expanding, or maintaining a business.
- In 2006, Forbes magazine rated Michigan's regulatory environment the second best nationwide. In the same year, the Center for Digital Government ranked Michigan as the number-one most digitally advanced state in the nation. The #1 ranking was achieved again in November 2008.

http://www.forbes.com/lists/2006/9/06beststates_all_slide_45.html?thisSpeed=35000
<http://industry.tekrati.com/research/news.asp?id=8081>

Opportunity for improvement

In preparing this report, the CLEG entrepreneurship committee conducted a state government asset inventory that identified roughly 70-80 different programs, services and initiatives with some connection to business growth and development.

With regard to this system, and in recognition of the prominent role government plays in the registration and regulation of business, committee members urge:

- regularly convening a cross-departmental/agency team of state government officials serving entrepreneurs, for the purpose of aligning efforts and vision to streamline processes, overcome system gaps or redundancies, embrace exemplary practices, and guide development of several concepts provided in this report.
- making sure that state government employees charged with supporting entrepreneurs undergo customer-service training that educates them in the special needs of these businesses.
- integrating into state departmental and agency missions and performance measures of support for business development and, hence, jobs and economic vitality in Michigan.

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Systems integration

Infuse entrepreneurship into departmental/ agency objectives, goals and actions

- Support local and regional entrepreneurship efforts
- Engage local government/partners in MI business portal (planned), discussions around mission, goals, performance, etc.
- Support economic gardening—local business formation—by supporting education, coaching, training and recognizing leadership in this area

System integration

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Support local entrepreneurship efforts

In recognition of the prominent role government plays in the registration and regulation of business, committee members urge:

- making every effort to conduct outreach to local government officials and others to identify and remove barriers to local participation in the state business portal system.
- Supporting local governments' adoption of entrepreneurship-friendly mission, goals, performance measures, etc.

Meanwhile, Michigan can do more to encourage more deliberate and systematic efforts to enhance community-based entrepreneurship efforts (“economic gardening”).

Michigan State University Extension, and now MSU Land Use Policy Institute, has been working for over a year with nine rural communities through the *Creating Entrepreneurial Communities* initiative. This effort, due to begin a new cohort of additional regions in 2009, has been a leader in coaching communities to foster entrepreneurship as a primary economic growth strategy.

The effort emphasizes deliberate development of social networks and identification and alignment in an effort to enhance entrepreneurial culture, thinking both in terms of entrepreneurial pipelines (those likely to start new firms) and support systems.

The Michigan Economic Development Corporation, DLEG, and others should explore how to partner with and possibly even invest in this effort, leveraging collective support, both human and financial.

Education & training

Infuse entrepreneurial culture and support entrepreneurs through education (pipelines)

Incent desired K-12 and post-secondary education approaches

- Develop challenge grants (e.g., via funders collaborative) to encourage innovations in:
 - Experiential/hands-on learning
 - integrated/infused curriculum (e.g., entrepreneurship as part of math, communications, CTE, fine arts classes)
 - secondary/postsecondary-linked through programs of study (2+2+2)

Education & Training

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A 2008 Michigan Entrepreneurship Education Network (MEEN) report indicates that higher education programs over the last several years have expanded exponentially the number of classes and credentials associated with entrepreneurship education. Today, 100% of Michigan's public four-year institutions, 78% of private four-year institutions, and 80% of two-year colleges offer at least one formal academic opportunity for students in entrepreneurship or small business.

Grant incentive efforts

The Committee on Creating a State Culture of Entrepreneurship recommends convening a subgroup of the earlier-suggested state departmental stakeholders group to bring together representatives from higher education (four-year institutions and community colleges), K-12 education, career and technology education, the state's WIRED regions, and other stakeholders to identify and benchmark state and national leaders in experiential learning models. Based on this information, the group should identify and aggregate funds (e.g., through a later-mentioned entrepreneurship funders collaborative) to hold statewide grant competitions to encourage adoption and expansion of exemplary practices in experiential learning, integrated/infused curriculum, and secondary/postsecondary linkages. The model could be similar to that employed in 2006 to encourage articulated entrepreneurship curriculum models between K-12 institutions and community colleges.

Experiential learning

Behavioral and education experts all conclude that people learn best by doing. People also are more likely to embrace a favorable cultural value or attitude towards something they have experienced. It is no surprise, therefore, that studies are revealing and analysts are predicting exciting outcomes relating to hands-on entrepreneurial learning experiences.

According to MEEN, only 15 of the state's 21 four-year schools offer or require experiential learning opportunities (intern/externships, business plan competitions, etc.). These include internships and consulting to startups, job shadowing, mentorships, and team projects to launch or assist startups, business plan competitions, and investment programs. It is unclear, though, how many 2-year institutions require such activities—the percentage is likely much lower.

Integrated curriculum

Integrated entrepreneurship curriculum would ensure that every student, beginning from very early to later stages of educational development, is exposed to entrepreneurship-driven cultural values and know how. For example, if they take an art class or program, part of the experience would entail entrepreneurship education, training, and awareness.

Analysts believe that integrated education is a more efficient and realistic approach to entrepreneurship, knowing that most students who decide to enter the world of business do not typically pursue a business degree. Rather, they study in their primary field of interest. An integrated approach would prepare these students for work in entrepreneurial settings, as well create the expectation—not just raise the possibility—that various fields of study are appropriate for business development. Such an approach could help build the pipeline of innovative business leaders in the future.

Arizona State University (ASU) is an excellent case study in the integration of this approach, and Michigan's Kettering University is creating its own model. This approach allows teachers to adhere to required curriculum while still integrating important content around new business development.

Exemplary practices from which to draw and partners to engage in developing and integrating youth education in entrepreneurship in Michigan include programs like: Junior Achievement (leads hands-on, experiential programs teach the key concepts of work readiness, entrepreneurship and financial literacy to young people all over the world), Generation E Institute (trains educators from a variety of settings to teach entrepreneurship to their students), Experiencia (immersive, simulations-based learning experiences), Hot Shots Business (web-based gaming/simulation-based learning experience developed by Disney and Kauffman Foundation), and the National Foundation for Teaching Entrepreneurship (provides entrepreneurship education programs to young people in low-income communities).

Linked secondary/post-secondary systems

In 2006, the State of Michigan provided grants to support partnerships between K-12 and community college institutions to develop creative entrepreneurship programs and articulate credit. This effort resulted in numerous new collaborations and 2+2 programs that allow students to earn college credit while studying in high school.

The committee also encourages award and recognition for best-in-class activity around entrepreneurship training and education with respect to K-12/postsecondary linkage programs, as well as experiential and integrated learning initiatives. A potential financial resource for disseminating exemplary practice entrepreneurship programs targeting youth (ages 14-18) and young adults (ages 18-21) are Workforce Investment Act funds for youth. The Michigan Shared Youth Vision Partnership should be engaged in entrepreneurship culture initiatives to leverage efforts and maximize opportunities.

Evaluation and award

Of course, the State of Michigan in the past has undertaken grant-incentive efforts to encourage desired curriculum innovations and secondary/post-secondary linkages. It would be wise to evaluate several of these programs (or at least capture programmatic outcomes) before undertaking a second or related phase of the effort. This way it will be possible to learn from success and encourage exemplary practices by offering awards or otherwise recognizing desired behavior and breakthroughs.

MEEN 2008 report: <http://www.sbam.org/download.php?id=711&file=3>

Education & training

Infuse entrepreneurial culture and support entrepreneurs through education (pipelines)

- Support new business, products and processes coming out of higher education institutions
 - Identify/reward exemplary programs
 - Create toolkit for establishing development of or linkage to university-connected commercialization efforts
 - Offer a state liaison to connect government and other stakeholder resources and information to the efforts
 - Urge institutions to reevaluate policies and procedures to make them more commercialization friendly

Education & Training

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Higher Education and Commercialization

Among the Committee's recommended goals for the State of Michigan is an increase in university spinoff businesses. Besides being an opportune place to educate people in the fundamentals of entrepreneurship and encourage more entrepreneurial behavior and thinking, Michigan's higher education institutions are a tremendous breeding ground for the research and development, technology, consulting-ability, and other know-how that entrepreneurs need to succeed.

Connect dots among commercialization efforts

Through efforts like the 21st Century Jobs Fund and WIRED—and sometimes based on simple determination—several efforts are underway in Michigan to help connect local entrepreneurs and inventors with higher education institutions that can provide support in product development, lab space, technical assistance, research and more. The Committee recommends conducting an inventory and raising awareness of these efforts and better connecting government, foundations and other partners to them. In undertaking the identification/mapping process, there is opportunity to glean exemplary practices, reward them, and share with others, perhaps through a toolkit or organized, post-secondary learning collaborative.

An important goal is to provide support and make connections across the efforts, as well as to help create linkages to state, federal and other opportunities that could mean additional resources and support for them. MEDC once had a university liaison: the committee recommends revisiting the assignment of a similar individual (whether through MEDC or elsewhere) to ensure awareness of higher education commercialization efforts (both within state government and through the media) and provide brokerage and support services to them, pending a more formal assessment of their needs.

Re-think policies/procedures

The committee also encourages awareness and new thinking in the ways that Michigan's higher education institutions weigh commercialization and business development activities as part of the tenure process, and in how they treat intellectual property rights relative to student and faculty involvement in research and new product and process development. Efforts like the URC's 2007 *Rising Above the Gathering Storm* (RAGS) conference point to new opportunities in these areas. The Committee encourages monitoring resulting efforts and supporting the pursuit of recommendations stemming from this and other similar efforts.

Examples of Michigan Higher Education Commercialization Initiatives

Moving Ideas to Market (Mid Michigan): enhance regional prosperity and development by stimulating more entrepreneurial activity tied to the region's robust education community.

Michigan Technology University: Technology and Economic Development (TED) facilitates connections between Michigan Tech's research capabilities and prospective industrial partners by identifying people, facilities and technologies that can develop unique and innovative solutions to challenging technical problems.

Michigan Universities Commercialization Initiative (MUCI): a collaboration designed to complement and enhance the technology transfer at Michigan academic and research institutions by supporting commercialization of Intellectual Property.

University Research Corridor. To unite and lead, playing a key role in creating a vibrant Michigan economy that leverages the intellectual capital of its three public research universities, to work proactively to attract the knowledge economy businesses that can find the research activity that feeds new enterprise, educates the workforce and plants the seeds for the new industries of tomorrow.

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Education & training

Infuse entrepreneurial culture and support entrepreneurs through education (current)

- Leverage No Worker Left Behind (NWLB) to more broadly support entrepreneurship education/training
- Fully fund NWLB, which supports entrepreneurship education
- Increase and make it easier to find entrepreneurship education/training initiatives eligible for NWLB
- Infuse exemplary entrepreneurship education principles in these programs (e.g., integrated learning, modular classes, coaching)

Education & Training

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NWLB course maps and enrollment

- Ensure that all possible entrepreneurship-related degree and non-degree offerings are included in the Eligible Training Program list, which is required for those receiving training through WIA.
- Map degree and certificate programs offered by Michigan colleges and universities, as well as customized and “just in time” opportunities offered in communities across the state.
- Make information available for both NWLB purposes but also to Michigan communities at large to share with their entrepreneurs, both potential and current.

Education & training

Infuse entrepreneurial culture and support entrepreneurs through education (current)

- Support “just-in-time” education for students to address issues or problems that arise at a point-in-time in business development
- Incorporate these principles in No Worker Left Behind and other higher-education-based programs
- Encourage more modular-based education experiences
- Offer wrap-around services, like coaching, with JIT education offerings

Education & Training

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“Just in time” vs. “just in case”

The Committee on Creating a State Culture of Entrepreneurship also is sensitive to the notion that NWLB requires a chosen entrepreneurship path to result in a credential, whether a degree or certificate. Credential-related programs, while valuable, often are coined as “just in case” education programs, meaning students who participate in them may eventually become entrepreneurs, though they have not yet necessarily made the choice to do so. Efforts lag, however, in the availability of non-degree offerings, or “just in time” education and training that allows entrepreneurs to obtain the knowledge or skills needed at a point-in-time in their business development. Consideration should be given to growing these programs over time and exploring how NWLB, WIA and other funding can better connect entrepreneurs to the assistance they need (in some cases this may require federal or other programmatic waivers). As above, it would be worthwhile to map the availability of non-credential-related programs and ensure that as many as possible are deemed eligible for workforce-development fund support.

Flexible treatment of entrepreneurship programs

Finally, the Committee supports the idea that NWLB tuition assistance be open to fields of entrepreneurship beyond those connected to emerging growth sectors or occupations. Entrepreneurship should continue to be considered an emerging sector in itself, whether relating to lifestyle or high technology opportunities. The goal should be to open people’s minds to the possibilities of business creation in general, without placing limitations in people’s minds as to what forms of entrepreneurship are desired or not. In the end, Michigan needs all forms of entrepreneurship to provide both the high-technology and life-style opportunities that will attract and retain talented workers and the companies that employ them.

Structural barriers

Make it easier to start and grow a business

- Improve access to credit and capital: embrace MEDC Small Business Advisory Board's 2008 Lending Study recommendations:
 - Expand Michigan's capital mix, with a focus on risk capital
 - Increase the number of niche banks to address the capital needs of companies in high-tech sectors
 - Create strategic partnerships with banking and finance associations and use innovative collaborations to create new finance mechanisms

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Banking and finance: by far the most frequently mentioned structural barrier noted by Michigan entrepreneurs who were part of the Committee's engagement process.

- MEDC recently conducted a benchmarking study on lending to better understand how Michigan's financing climate compares with other states. Findings were that, compared to eight peer states, Michigan has a high quantity of institutions able to lend to small business, but market imperfections limit access to credit and capital.
- These include: a lack of innovative risk-reduction mechanisms for debt financing and a sub-optimal mix of financial institutions in the state.
- These issues, which are not unique to Michigan, have been faced and overcome by other states across the nation that have employed innovative programs. The Committee applauds MEDC's efforts to explore these issues and encourages strong action to implement the recommendations.
- Additionally, it is important that the cost of doing business in Michigan remains competitive – including a consideration of the impact of taxation on small business. This issue was frequently referenced as a barrier by survey and focus group respondents. And, while the committee agrees that these are important concerns, members recognized that they lacked the expertise to make specific recommendations to address the issue. However, it is a topic likely to be in the forefront as Michigan's economic status continues to evolve, and the committee recommends that the impact of taxation on small business continue to be taken into consideration as future policies are developed.

Structural barriers

Make it easier to start and grow a business

- Improve access to credit and capital: partner with finance/capital stakeholders to host a banking and finance summit to explore options:
 - Raise awareness of entrepreneurship support services (to ensure banks make effective referrals to business)
 - Identify and celebrate the state's most active small business lenders, creditors and investors to encourage more like activity
 - Explore possibilities for improving access to credit and capital (e.g., lending study, tax incentives for certain types of support, etc.)

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Banking and finance summit

Beyond the findings of the MEDC study, the Committee feels that it must understand other opportunities to improve the state's credit and capital environment. To support this process, members suggest hosting a banking/investment forum or summit to explore, among other things, how to better:

- use existing regulatory systems and agencies to raise awareness of support services available to entrepreneurs (e.g., as distribution centers of information) Banks and finance institutions are one of the first places that entrepreneurs go for help, only to find that these institutions do not offer direct technical assistance in starting a business. Several have relationships and make referrals to Michigan's Small Business & Technology Development Centers (SBTDCs), but there is need to explore how often such referrals are being made, whether entrepreneurs are able to follow through, and how to improve both measures.
- identify and celebrate Michigan's most active small business lenders/creditors/investors to encourage more like behavior and help entrepreneurs find the most friendly institutions The Committee recognizes a need to make more readily available to small businesses information about performance in small business lending among Michigan institutions. This could apply both to the breadth of programs that lenders offer but also the frequencies with which banks are making loans and credit available to small businesses in the state. The U.S. Small Business Administration names a "Small Business Administration Lender of the Year" in every state, including Michigan. The award focuses specifically on the number of loans made and the percentage increase in number of loans made over a year's time. More broadly disseminating such information could be a focus of the banking and finance summit, as well as clarifying what other factors would be important for businesses to know so they can better maneuver the banking and finance system and make their search for financial help as efficient and frustration-free as possible.
http://www.sba.gov/idc/groups/public/documents/mi_detroit/mi_lender_awards04052007.pdf
- explore enhancing alternative credit/financing options identified in the MEDC Lending Study, but not limited to it. An example could be the Michigan New Markets Small Business Incentive, which would leverage federal tax credits for investments in community development entities. These entities make equity investments and loans to businesses in low-income communities. A state program could take a similar approach and encourage more access to capital in traditionally rural and other underserved areas.

Structural barriers

Make it easier to start and grow a business

Remove barriers and make it easier to get help

- Complete an independent benchmark analysis of MI's regulatory system (internal review, action to improve)
- Form the internal entrepreneurship interagency team
- Encourage regional entrepreneurship asset mapping, with results to be shared statewide but easily searchable by community and available online to entrepreneurs

Structural barriers

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Remove barriers and make it easier to get help

It is unclear how Michigan's regulatory environment compares to other peer states. *Forbes* magazine, in 2007, ranked Michigan's environment #2 in the nation, yet other rankings point to deficiencies in various legal systems and regulatory costs. Even if Michigan is performing as well as *Forbes* seems to indicate, the state must continually improve its regulatory climate, which remains a perceived business barrier. The Committee recommends:

- completing an independent benchmark analysis of Michigan's regulatory system to better understand the policies and procedures that most impede small business success. Like the State of Ohio, Michigan also could require state departmental and agency leaders to conduct their own regulatory review and then take action to improve the system.
- appointing point-persons (or raising awareness that point-persons are available) to help entrepreneurs better navigate the state's regulatory system, augmenting efforts of the Michigan Ombudsman Office.

No Wrong Door

Certainly in Michigan there is a vast array of support services for entrepreneurs, but very often entrepreneurs do not know where to start to get the information they need. Also, while they often are well-connected to resources and services, it is not uncommon for entrepreneurship support organizations themselves to lack awareness of existing programs or how/when to refer an entrepreneur to an external area of expertise

A Mid Michigan study on the culture of entrepreneurship found that the first place people seek information is banking institutions, followed by government programs that offer financing and loans, and then the internet. While this information is relevant for only one region in Michigan, it provides directional evidence that government per se is not a likely first place entrepreneurs stop to find information and, when money is not involved, the first choice for assistance is the internet.

No matter where people go to find information, they need to support and grow a business. Communities can benefit from conducting entrepreneurship asset inventories, with the goal of helping support organizations connect to one another as well as helping entrepreneurs connect to them. With this purpose in mind, it is important for inventories to be easily findable, accessible, and searchable. This could mean, for example, that the asset inventories are available on the web, much like "source-link" models currently available online. Similar Michigan models also are under development in Mid Michigan and Southeast Michigan, in addition to a statewide virtual incubator available through the state's SBTDCs.

To help resource providers and entrepreneurs find these tools, the state and other stakeholders could develop marketing and awareness initiatives and explore how to incorporate these tools as part of the State Small Business Ombudsman and SBTDC services. Further, one of the tasks of the earlier mentioned state department/agency entrepreneurship stakeholder group could be to raise awareness of and support for the small business

concierge/ombudsman service, with the idea of creating a “no wrong door” system of support, as opposed to a single “front door” that people may or may not encounter in their search for assistance.

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Global thinking

Spearhead new ways of leveraging global partnerships

- Support new ways of pushing Michigan concepts to global markets and pulling global concepts and business home
 - Explore business matching services that help companies find each other, including missing expertise, regardless of geography
 - Identify promising practices in such matching and encourage adoption

Global thinking

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Examples of exemplary practices in local/global matching services exist in Southern AZ and SE Michigan, which, through WIRED, is developing a web-based push/pull accelerator that matches firm competencies. Partners in the Battle Creek area also are exploring virtual tools to match potential partners and technology.

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Global thinking

Spearhead new ways of leveraging global partnerships

Establish talent attraction strategies:

- Consider tuition incentives or special internship programs for those, for national and international students, looking to study entrepreneurship (or other desired fields) in Michigan
- Conduct outreach efforts that encourage outstate and international students to live and study in Michigan
- Explore loan or tuition offset or similar programs for all students who graduate from MI colleges and who stay and work here for a certain number of years
- More broadly promote Cool Cities and other positive aspects of Michigan quality of life

Global thinking

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- **Support new ways of pushing Michigan concepts to global markets and pulling global concepts and business home**
- **Establish talent attraction strategies**

In 2007, Michigan was one of only two states, the other being Rhode Island, that saw a population decline. The attraction, development, and retention of talent with a propensity toward entrepreneurial action will be key to our future success. The current global reputation of our universities and colleges, can be leveraged to accomplish these ends. Multiple studies have suggested that first generation immigrants have a high propensity to participate in entrepreneurial activity. Michigan should take proactive steps to encourage all students who study here to stay and people who move here to create economic wealth.

Michigan must find ways to create more global market connections to build the next economy.

Capacity for change

Aggregate and align financial and human resources to support successful action

- Convene a stakeholder group to steer adoption of the recommendations
- Form a Michigan funders collaborative to support entrepreneurial efforts (these recommendations and others)
- Build the infrastructure necessary to communicate, organize, manage, track and report on success over time, using web-based and other available tools

Capacity for change

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Enhance Capacity to Support Entrepreneurship

The Committee's recommendations to create and enhance a culture of entrepreneurship in Michigan are varied and robust. Certainly, implementing many of these efforts will require human and financial support, as well as the necessary infrastructure to coordinate and track results. With this in mind, the committee urges the creation of an entrepreneurship funders collaborative comprised of foundations, benefactors and others who value entrepreneurship and have demonstrated an interest in resourcing strategic, supportive activity.

To track success and report on efforts tied to the Committee's recommendations over time, one of the near-term needs is a public web or wiki site that consolidates and shares information about the state's entrepreneurship cultural movement.

Above all, for the committee's efforts to succeed, partners and stakeholders must understand that this is a long-term initiative and will take time to accomplish. The state's entrepreneurship movement should be viewed as transcending changes in personal and institutional leadership over time, and it is important to give consideration to how the state can play an important role as leader, convener and investor in the effort, partnering for success but without having to own every component. Pursuing such an ambitious undertaking will help Michigan reconnect to its entrepreneurial roots, where bold vision and thinking created vibrant, prosperous roadways to the future.

Requested CLEG action

- ◆ Endorse broad direction
- ◆ Endorse 6-7 high level action items
- ◆ Have CLEG maintain an active presence monitoring and implementing goals
- ◆ Encourage allocation of resources
 - Long-term steering committee with working groups
 - Implementation plan
 - Success metrics
 - Funders collaborative that supports entrepreneurship
 - Infrastructure (web, other) to track, evaluate over time

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Conclusion

Entrepreneurial growth in Michigan, above all, requires a strong economy and sound market conditions, which currently pose significant challenges to the state. Despite this, there are steps that Michigan can take to create a more friendly and inviting culture for those starting and growing businesses, which diversifies the economic base, as well as enhancing innovation and agility in the face of global competition.

Setting the tone for this culture involves lauding the benefits of entrepreneurship, celebrating the successes of entrepreneurs, acting like entrepreneurs, and encouraging others to act like entrepreneurs. These behaviors must be embraced at every level, from the grassroots up to top leadership.

The Committee on Creating a State Culture of Entrepreneurship has presented a range of options that can help Michigan move down a path friendlier to the startup, growth and retention of new businesses and the infusion of innovation and agility in existing ones. Michigan should set the goal of being the nation's top performer in this regard. While achieving this vision will take substantial effort, investment and time, the outcomes and benefit are well worthwhile. The first step along the way is launching a cultural movement that re-embraces Michigan's entrepreneurship legacy, where steady, determined action takes place in lockstep with bold vision and thinking.

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