Entrepreneurship in States!

Fostering entrepreneurship

✓ An increasingly important strategy for economic development & revitalizing regional economies

✓ Governors & states are putting entrepreneurship at the top of their economic agendas

Therefore, entrepreneurship is an important policy issue area for NGA!

• 2019 NGA annual DC meeting fireside chat - AZ Gov. Ducey, NC Gov. Cooper, Steve Case

• Many NGA meetings over time
  • Experts’ roundtables
  • High-profile NGA Chair’s Initiative events & reports
  • Sessions at the Institutes and other convenings of the governors’ economic & workforce policy advisors
New NGA publication

There are multiple angles & approaches for fostering entrepreneurship – please see NGA’s latest report!

“Entrepreneurship in States: Fostering a Startup-Friendly Economy” (June 24, 2019)

Today, we’ll be hearing from …

• Jason Wiens, Policy Director in Entrepreneurship, Ewing Marion Kauffman Foundation
• Anna Mason, Partner, Revolution’s Rise of the Rest Seed Fund
• LaJuanna Russell, Chair, Board of Directors, Small Business Majority
• Dan Salvetti, Colorado Governor’s Office of Economic Development & International Trade
• Lindsey Cox, Director, 36 | 86 Entrepreneurship Festival, Launch Tennessee

Moderating: Sally Rood, National Governors Association, NGA Solutions: The Center for Best Practices
Entrepreneurship in States: Fostering a Startup-Friendly Economy

Jason Wiens, Policy Director
What is Entrepreneurship and Why Does it Matter?

• Entrepreneurs are America’s makers, doers, and dreamers.
• New businesses (less than 5 years old) account for nearly all net new job creation.
• We are in a period of entrepreneurship stagnation with many Americans facing unique barriers to starting a business.
Americans Dreaming of Starting a Business Face Many Challenges

• Entrepreneurs are often overlooked.
• Government support is skewed toward established businesses.
• Many government programs are based on size—not age.
• Billions are spent on attraction and retention of established businesses.
America’s New Business Plan
What Entrepreneurs Need

- **Opportunity**: a level playing field and less red tape
- **Funding**: equal access to the right kind of capital
- **Knowledge**: the know-how to start a business
- **Support**: the ability for all to take risks
Governors Can Help Entrepreneurs Now

- Use the State of the State to make entrepreneurship a priority.
- Appoint a Secretary of Entrepreneurship.
- Charge economic development agencies to make supporting entrepreneurs a priority.
- Conduct a review of existing rules and regulations.
“Rise of the Rest started as an idea, grew into a movement, blossomed into a platform — and now is a professional investment fund with a unique profile and highly differentiated strategy.

Today, we invest catalytic capital in top early stage companies in rising cities across the United States.”

STEVE CASE
We have been at the forefront of a thesis that is getting more attention:

Some of the most compelling investment opportunities in the next decade will likely emerge from startups in cities all across the United States.

2011 Steve Case launches the **Startup America Partnership**, building entrepreneurial ecosystems across the U.S. and championing the **JOBS Act**, to increase startup opportunity.

2014 Revolution launches the first **Rise of the Rest Bus Tour** in Detroit to formally spotlight regional startup ecosystems.


2017 Steve Case launches the **Rise of the Rest Seed Fund**, a $150M vehicle backed by dozens of iconic business leaders and investors.

2018 **ROTR Seed Fund** comprises ~100 investments across 55+ cities, with more than 150 institutional co-investors.

2019 Detroit-based StockX becomes the first unicorn in the ROTR Seed portfolio.
125+ Investments in 60+ cities across the country
Rise of the Rest Portfolio Support

The three pillars provide tangible value, offer strategic guidance, and leverage ROTR’s unparalleled network reach.

**Technology & Tools**
Pre-negotiated deals and discounts that are uniquely-tailored because of the Rise of the Rest relationship.

**Education**
Curated network of contacts that uniquely position us to help address challenges faced by our portfolio companies.

**Community**
Connecting founders and teams across the country with each other in a meaningful way, both in-person and online, all with an emphasis on value-add.
ROT 8.0
BY THE NUMBERS

$500,000
OF NEW CAPITAL INVESTED
into pitch competition winners
by Revolution’s Rise of the
Rest Seed Fund

5
REGIONS
ADDED
to the Rise of
the Rest map

ORLANDO, Florida
SPACE COAST, Florida
TAMPA BAY, Florida
MIAMI, Florida
SAN JUAN, Puerto Rico

5
OF 5
Pitch competition winners were
UNDERREPRESENTED FOUNDERs,
including four women and one
Latino founder

1,500
MORE MILES
LOGGED
by the Rise of the Rest
tour bus

GRAND TOTAL
TO DATE: 43
GRAND TOTAL
TO DATE: 11,500
The Seven Spokes of a Startup Hub

Through our travels, we have found that there are at least seven entities that help to fuel the rise of startup ecosystems: local government, universities, investors, startup support organizations, corporations, local media, and the startups themselves. These groups use a variety of levers to help connect, convene, and support startups. These efforts, in turn, inspire an environment that is conducive to innovation and entrepreneurship.
COMING SOON
Startup Growth Trends for NGA Members to Consider
COLORADO STARTUP
COMMUNITY SURVEY
2018
The Startup Community Survey measures what is most important to entrepreneurs when they startup and how Colorado is doing on each component.

**COLORADO OVERALL SCORE: 6.8**

**BENEFITS: 6.5 AVERAGE SCORE**

- **Network for Startups**: 28% - 6.3
- **Availability of Talent**: 10% - 5.4
- **Access to Capital**: 13% - 4.5
- **Local Atmosphere**: 34% - 7.5
- **Institutions**: 15% - 5.8

**REPUTATION: 6.3 AVERAGE SCORE**

- **Density**: 18% - 6.0
- **Success & Exits**: 28% - 5.5
- **Supportive Business Community**: 19% - 5.7
- **Cohesive Image**: 35% - 6.2
- **Overall Reputation**: 35% - 6.3

**COSTS: 4.8 AVERAGE SCORE**

- **Business Costs**: 36% - 4.7
- **Government-Related Costs**: 28% - 4.9
- **Personal Costs**: 36% - 4.6
- **Overall Costs**: 36% - 4.8

The Benefits and Reputation make up 80% of an entrepreneur’s satisfaction with their community.

The most important drivers in these two categories are the following: Local Atmosphere, Network for Startups, Cohesive Image, and Success & Exits.
Drives for Entrepreneurs Satisfaction

Based on interviews with entrepreneurs, we found the below drivers as the most important components to startup leaders’ when deciding on where they startup.

**BENEFITS:** The benefits of starting up in your community.

- NETWORKS: The knowledge and experience of other entrepreneurs and connections with mentors, leaders, investors, and talent via regularly held events and groups
- AVAILABILITY OF TALENT: Ability to hire people with the right characteristics and qualifications
- ACCESS TO CAPITAL: Ability to access and compete for funding
- LOCAL ATMOSPHERE: The quality of the community (schools, parks...), recreation and the outdoor environment, restaurants, nightlife, and lifestyle, and culture of openness.
- INSTITUTIONS: Centers of R&D and universities

**REPUTATION:** The reputation of your startup community.

- DENSITY: The appearance of a "critical mass" of entrepreneurs, supportive networks, and other ingredients for startups
- SUCCESS & EXITS: The level of outside awareness about companies in your community that have been very successful or have been acquired
- SUPPORTIVE BUSINESS COMMUNITY: The level of knowledge of the outside world about the presence of supportive large companies or "anchor tenants" in your community
- COHESIVE IMAGE: The perception of the outside world with regard to cohesion and cooperation among members

**COST:** The cost or challenges in your startup community.

- BUSINESS COSTS: The cost of capital, the cost of employee acquisition and their wages, the cost of business-related real estate, and other general costs of operating your business
- GOVERNMENT-RELATED COSTS: The level of taxes and the costs of ensuring compliance with regulations.
- PERSONAL COSTS: The cost of living, housing rent, and the time and costs of getting around the community
Launch Tennessee

Lindsey Cox
Director of Ops + Gov’t Relations
COMPETITIVE ADVANTAGE

Tennessee is one of the only states with a distributed entrepreneur network operating at the state level.
FOCUS AREAS

- Capital
- Market Access
- Commercialization
- Talent
- Environment
Launch Tennessee

Network Results

**Launch Tennessee**

- **$415M** Capital Raised in Nework
- **65%** Increase in early-stage capital investment
- **30+** partners across TN
- **Industry Focus**
  - Healthcare
  - Music
  - Life Science
  - Energy
  - Logistics
  - Manufacturing
- **500+ Investors**
  - $196M Investment Capital Raised by Village 36 in a five year period
- **500+ Investors**
  - 102 Investment Firms represented
- **2,200 jobs created**

**2018 by the numbers**

- **9,280 entrepreneurs** served
- **2,350 Female**
- **915 Minority**
Launch Tennessee

**IDEATION**
- University Courses
- Student Engagement
- Discover Entrepreneurship Program
- EC Network Programs & Events

**PIPELINE** (Pre-rev to $100K)
- SBIR Microgrants
- SBIR Matches
- Angel Tax Credit
- EC Cohorts
- LaunchTN Networks

**PORTFOLIO** (Revs $100K-$1M)
- Portfolio Engagement Program
- INCITE
- Impact Fund
- EC Network Growth Programming
Recent Success

- $3MM SBIR Matching Fund
- Discover Entrepreneurship Program
- i6 Grant
- Internship Program
- Innovation Capital Continuum
  - Follow-on funding
  - Impact Fund
  - Blended Capital Fund
For the innovator.

36|86 is a two-day festival with workshops, panels, fireside chats and networking events in various venues in downtown Nashville.

attend3686.com
Launch Tennessee

Connect with @LaunchTN | launchtn.org
LaJuanna Russell

• Board Chair
• National – 6 offices Washington, D.C., California, Colorado, Illinois, Maryland and Virginia
• Focus on issues of top importance to small businesses (<100 employees) and the self-employed, including access to capital, healthcare, retirement, entrepreneurship, workforce, taxes and more; work supported by extensive research
• Our Entrepreneurship Program brings resources and education to small business owners in key areas of running and growing a small business
• Visit our website: www.smallbusinessmajority.org

• Founder, President & CEO
• Started in 2015
• Management Consulting Services Firm
• Federal Government Clients
Why states need to support entrepreneurship

Supporting entrepreneurs is good for the economy:
- 99.7% of all employer firms (<100 employees)
- 43% of U.S. private sector payroll
- Employ half of private sector workforce

Who are small businesses?
- Nationwide, 22 million self-employed and growing, as the nature of work changes (rise of the freelance economy)
- 5.8 million minority-owned businesses
- 10 million women-owned businesses
- Immigrants started 28% of all new businesses in 2011, despite accounting for 12.9% of population
Small business opinion poll: Biggest barriers to growth

Entrepreneurs identify the biggest barriers to maintaining or growing their businesses

- Taxes: 56%
- Health care costs: 47%
- Licensing and regulations: 36%
- Lack of qualified, skilled workers: 22%
- Access to capital: 22%
- Lack of access to business support services: 21%
- Infrastructure: 18%

Small Business Majority Opinion Poll: Small business owners say government doesn’t understand their concerns, need help with healthcare costs and other challenges | August 13, 2019
State Perspective: Next Steps

- Data, data, data
- Start the conversation
- Understand your assets
- Understand your processes
Entrepreneur Perspective: Next Steps

- Be vocal – ask many questions
- Participate and Advocate!
- Offer support and solutions
Q&A

For additional background & details, don’t forget to download:

“Entrepreneurship in States: Fostering a Startup-Friendly Economy”

Some states explored in this report...

Colorado,
Montana,
Tennessee,
West Virginia,
Pennsylvania,
New York,
Maryland,
North Carolina,
... and others
Thank you for joining us today!

And many thanks to our terrific speakers!

Contact information:

• Jason Wiens, jwiens@Kauffman.org
• Anna Mason, anna.mason@revolution.com
• Dan Salvetti, daniel.salvetti@state.co.us
• Lindsey Cox, lindsey@launchtn.org
• LaJuanna Russell, lrussell@bizmanagers.com
• Sally Rood, srood@nga.org