



**Final comprehensive report for the Momentum Texas, Inc.
Texas Entrepreneurship Initiative Project (TEI)**

(Texas Workforce Commission Contract No. 0607WPB000)

October 2008

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Executive Summary of Texas Entrepreneurship Initiative (TEI)

INTRODUCTION: Economic Development has traditionally focused on business attraction and business retention/expansion. In the last decade a focus has emerged on strategies to promote entrepreneurship known as “economic gardening” i.e. growing your own business. This is noted in the excerpt from “Entrepreneurship and Local Economic Development” edited by Norman Walzer (2007). i.e. “More attention has been paid to creating a local climate that promotes entrepreneurship...identifying people, including youth, with entrepreneurship potential, creating a system in which education and technical assistance is available to entrepreneurs at all experience levels, and developing financing alternatives when traditional sources are not available.” The focus of the Texas Entrepreneurship Initiative is “growing our own” businesses.

In August 2007, MTI received a \$50,000 grant from the Texas Workforce Commission and subsequently a \$2,000 grant from each of the 5 participating cities, Abilene, Corpus Christi, El Paso, Lubbock and Tyler to carry out the Texas Entrepreneurship Initiative. TEI is designed to systemically promote entrepreneurship in those cities.

Momentum Texas, Inc. is a statewide non-profit based in Dallas, Texas with a mission of “Building Communities and Growing Entrepreneurs” that began operations in November 2005. MTI’s President, Jim Reid, is a former Dallas Assistant City Manager who subsequently managed small business loan programs, and business services for the Southern Dallas Development Corporation, and Texas Mezzanine Fund (TMF) from 1989 to 2005.

The five basic assumptions that undergird the Texas Entrepreneurship Initiative follow:

- Many entrepreneurs do not know how to get help they need.
- Many providers of services need to be continuously updated on the resources available for entrepreneurs and how to link the entrepreneurs to these resources
- Most Texas areas/cities have not made a detailed assessment of the current efforts in their city or region to promote entrepreneurship
- Most Texas areas/cities do not have a plan or a collaborative systemic process in place to promote entrepreneurship.
- An initiative to remedy the above gaps would position an area/city to make a “Quantum Leap” forward by increasing the business “churn” and creating wealth and jobs by systematically promoting entrepreneurship.

MTI has established goals and objectives for the Texas Entrepreneurship Initiative as follows:

- **Goals of Texas Entrepreneurship Initiative are to:**
 - Provide better linkage between entrepreneurs and the information they need to succeed and
 - Enhance the capacity of business service providers to help entrepreneurs
 - Improve the local business climate for entrepreneurs

- **Objectives of the Texas Entrepreneurship Initiative are to:**
 - Increase the number of business starts
 - Help sustain emerging businesses and
 - Create jobs

The Texas EI has the following phases:

- An Assessment Phase
- An “Idea” Phase
- An Implementation Phase

The work carried out in each phase was transparent and designed to involve key stakeholders in every phase of the process.

ASSESSMENT PHASE: *During the assessment phase data collection and structured interviews with key stakeholders helped MTI staff evaluate the current status of efforts to promote entrepreneurship including:*

- Assistance starting a business
- Identification of business markets/opportunities
- Education
- Training
- Technical assistance
- Coaching
- Business incubator(s) / commercial accelerators
- Networking
- Mentoring
- Business Award(s)
- Business plan competition(s)
- Access to Capital for e.g.
 - “Entrepreneurs of necessity” who need to generate or supplement income for survival.
 - “Lifestyle entrepreneurs” who prefer to run their own businesses and
 - “Gazelles” i.e. entrepreneurs with fast growing businesses
- Initiatives for women entrepreneurs
- Initiatives for minority entrepreneurs
- Initiatives to promote youth entrepreneurship
- Regional Initiatives that Support Entrepreneurship

The end product of this phase was an assessment of the current situation shared publicly with a local committee composed of the major stakeholders i.e. business organizations, service providers, entrepreneurs, etc.

IDEA PHASE: *Subsequent to the assessment MTI carried out the “Idea” Phase of TEI. This phase included preparation of ideas from three sources:*

- Major findings based on MTI research
- Ideas based on a synopsis of the best practices in the five participating cities and
- Ideas generated by MTI research and experience

This phase culminated by a discussion at an onsite meeting held with stakeholders in the five participating cities.

IMPLEMENTATION PHASE: *Subsequent to the “Idea” Phase, MTI prepared a letter to the participating cities, listing three priorities for early action and other ideas that merit consideration in each of the individual cities. Examples of priority for early action include:*

- Development of a retail Mercado
- Networking for technology entrepreneurs
- Business plan competition(s)
- Development of angel finance options
- Outreach and provision of information to entrepreneurs – preparation of an advertorial
- Outreach and provision of information to entrepreneurs – participation in National Hispanic Business Information Clearinghouse
- Collaboration among business service providers – Establishment of an Entrepreneurship Collaborative

Subsequent to providing the letter MTI made specific proposals to carryout recommendations:

- Preparation of an 8 page advertorial in a major newspaper in the respective cities as a means of communicating resource information to aspiring entrepreneurs and emerging business owners.
- Establishment of an entrepreneurial alliance or collaborative as a mechanism to enable major business service providers to meet quarterly and give a status report on their recent and projected activities, receive information on the latest “state of the art” techniques and discuss cross cutting issues.

Originally MTI hoped to secure \$100,000 in funding to carryout a 2 year program with the 2nd year focused on implementation activities. Since this is a 1 year program further implementation work depends on the response to specific MTI proposals and other initiatives taken by respective cities to carryout the recommended ideas.

CONCLUSIONS: *The following conclusions can be drawn from the Texas Entrepreneurship Initiative:*

- Many entrepreneurs were not aware of the services available to them or how to access those services.
- Many service providers have inadequate or under funded marketing programs and there is little emphasis on cooperative marketing by the providers.
- While each of the cities had most of the elements of the system to promote entrepreneurship in place they did not have strategies in place for collaboration among the key stakeholders in the entrepreneurial support system.
- Each of the cities could use a comprehensive business service guide that provided the services providers up to date information on what other business services are doing so that there can be “no wrong door” for entrepreneurs entering the system and viable referrals.
- Many of the business service providers were unaware of seminal research in the field of entrepreneurship and sources of current information to improve promotion of entrepreneurship.
- There is a need for exchange for best practice information among the cities so that they can learn from each other.
- The Texas Entrepreneurship Initiative made qualitative progress towards achieving the goals of the Texas Entrepreneurship Initiative, i.e.;
 - Provide better linkage between entrepreneurs and the information they need to succeed and
 - Enhance the capacity of business service providers to help entrepreneurs
 - Improve the local business climate for entrepreneurs
- The systematic, synergistic approach that took place during the 1 year Texas Entrepreneurship Initiative will not yield immediate results with respect to the quantitative objectives of the program, i.e.;
 - Increase the number of business starts
 - Help sustain emerging businesses and
 - Create jobs

To achieve the quantitative results described above recommended system changes would have to be implemented and the impact of these changes evaluated over a 2 to 3 year period by focus groups, surveys, etc.

Each of the participating cities had a positive evaluation of the work carried out under the Texas Entrepreneurship Initiative. These cities concluded that the Texas Entrepreneurship Initiative will qualitatively assist local efforts to increase the number of successful business starts (the “churn”) and create jobs over time.

INTRODUCTION

Economic Development has traditionally focused on business attraction and business retention/expansion. In the last decade a focus has emerged on strategies to promote entrepreneurship known as “economic gardening” i.e. growing your own business. This is noted in the excerpt from “Entrepreneurship and Local Economic Development” edited by Norman Walzer (2007). i.e. “More attention has been paid to creating a local climate that promotes entrepreneurship...identifying people, including youth, with entrepreneurship potential, creating a system in which education and technical assistance is available to entrepreneurs at all experience levels, and developing financing alternatives when traditional sources are not available.” The focus of the Texas Entrepreneurship Initiative is “growing our own” businesses.

Momentum Texas, Inc. is a statewide non-profit based in Dallas with a mission of “building communities and growing entrepreneurs” that began operations in November 2005. One of the four segments of MTI’s program structure is promoting entrepreneurship as a stimulant for local economic growth. The National /Commission on Entrepreneurship concluded in 2002 that if local officials want to get the “most bang for the buck” they should focus on promoting entrepreneurship. The genesis of this MTI program dates back to March of 2005 when current President of MTI who was then serving as President of the Texas Mezzanine Fund spoke on “Promoting entrepreneurship stimulation in the United States” at the First World Forum on Regional Economic Development held in the Madeira Islands, Portugal.

In the spring of 2006, MTI designed the Texas Entrepreneurship Initiative -- “Economic Gardening” to Grow Our Own. This was originally set forth as a two year \$125,000 initiative with \$50,000 coming from each of two funding sources and \$25,000 from five participating cities. Although there was some initial interest in this proposal by the Meadows Foundation eventually one source of funding i.e. the Texas Workforce Commission (TWC) agreed to fund TEI at \$50,000 for one year. Subsequent to this expression of interest MTI redesigned the program with a one year \$60,000 budget with \$50,000 coming from the Texas Workforce Commission and \$2,000 from each participating city.

In the fall of 2007 after receipt of the TWC grant MTI began its research and the recruitment of five participating cities that were willing to put up a \$2,000 match for the program. Initially, 21 cities were contacted ranging in size from El Paso (2004 population-713,126) to San Angelo (2004 population 105,510). Initial expressions of interest were received from eight cities/areas including three who decided not to participate i.e. Bryan-College Station, Waco, and Wichita Falls. During the period of City sign-up MTI prepared a survey instrument included in the Appendix to be used to gather information from stakeholders within the designated cities. Also during this period, MTI prepared a detailed project plan and an implementation schedule including expenditure projections and performance benchmarks. The sequence of city sign-up and the local program sponsor(s) for TEI follows:

- September – Lubbock – the Lubbock Economic Development Alliance
- September – Tyler – The Tyler Economic Development Council
- October – Abilene – Develop Abilene Inc and the Abilene Small Business Development Center affiliated with Texas Tech University
- November – El Paso – Trans/ Pecos/El Paso regional Center for Innovation and Commercialization and
- December – Corpus Christi – City of Corpus Christi Department of Economic Development

ASSESSMENT PHASE: *Work on the assessment phase began in October 2007 in Lubbock and concluded in mid March of 2008 in Corpus Christi. During the five month period an average of 3 visits were made to each participating cities and about 65 stakeholders were interviewed one on one. Further, another dozen stakeholders identified by these sponsors were interviewed telephonically.*

During the assessment phase data collection and structured interviews with key stakeholders helped MTI staff evaluate the current status of efforts to promote entrepreneurship in the key categories including.

- Assistance starting a business
- Identification of business markets/opportunities
- Education
- Training
- Technical assistance
- Coaching
- Business incubator(s) / commercial accelerators
- Networking
- Mentoring
- Business Award(s)
- Business plan competition(s)
- Access to Capital for:
 - “Entrepreneurs of necessity” who need to generate or supplement income for survival.
 - “Lifestyle entrepreneurs” who prefer to run their own businesses and
 - “Gazelles” i.e. entrepreneurs with fast growing businesses
- Initiatives for women entrepreneurs
- Initiatives for minority entrepreneurs
- Initiatives to promote youth entrepreneurship
- Regional Initiatives that Support Entrepreneurship

The end product of this phase was an assessment of the current situation shared publicly with a local group composed of the major stakeholders based on sponsor recommendations i.e. business service providers, entrepreneurs, etc. The assessment of the each city was circulated to those cities in early April 2008. MTI received 10 e-mail comments in response to the assessment that served to improve the end product. The assessments revealed a number of excellent programs in each of the cities. MTI used the assessment to identify some gaps in services and provide some initial awareness of additional activities that could be undertaken by the five cities.

IDEA PHASE: *Subsequent to completing the assessments MTI began the idea phase of the Texas entrepreneurship Initiative. This phase included preparation of ideas from three sources:*

- Major findings based on MTI research
- Ideas based on a synopsis of “best practices” in the five participating cities and
- Ideas generated by MTI research and experience

This phase culminated by a review of the above and discussions at an onsite meeting held with stakeholders in the five participating cities.

MTI’s major findings are based on six sources including:

1. Booklet entitled “Understanding Entrepreneurship” by the Kauffman Foundation (2005)
2. Report entitled “Turmoil and Growth: Young Businesses, Economic Churning and Productivity Gains” by the Kauffman Foundation (June 2008)
3. Book entitled “Entrepreneurship and Local Economic Development” edited by Norman Walzer (2007)
4. 2007, “Thought Book”: by the Kauffman Foundation
5. Findings of the National Commission on Entrepreneurship (2002)
6. A Brookings Institutions article entitled “ Spreading the Wealth: Building a tech economy in small and mid sized regions” (2003)

A summary of the key findings attributed to the above sources are as follows:

- Promotion of entrepreneurship is feasible and straight forward (1)
- “Churning” of jobs and businesses sews the seeds for future growth and productivity gains (2)
- Impossible to identify in advance which entrepreneur will grow and have a significant economic impact (3)
- Ideas can take many forms e.g. new products: new services: new ways of doing things that save money, provide more convenience , or both (4)
- Fewer than 1 in 20 U.S. businesses achieve high growth rates, and most fast growing companies are not in high tech industries (5)
- Need to focus on “grow your own” strategies for technology development i.e. robust networking, mentoring, and start-up capital programs.... are key to enhance the competitiveness of local firms (6)
- Organizations tend to take a silo approach to providing services, and (3)
- Ideally there should be “No Wrong Door” for the entrepreneur when seeking services (3)

SYNOPSIS OF BEST PRACTICES: *During the assessment phase, MTI discovered a number of “best practices” being carried out by each city that had utility to one or more of the five participating cities. This best practice memo was reviewed at the ideas session in each city. The information that follows list these best practices by city in the order and categories suggested in the assessment. A memo describing the best practices in more detail is provided in the Appendix.*

ABILENE

Education

- The Students in Free Enterprise (SIFE) chapter at Hardin Simmons University
- The private equity capital course at the Abilene Christian University (ACU) College of Business Administration.

Business Incubators/Commercial Accelerators

- The Development of Corporation of Abilene initiative to develop a 23,000 sq ft bio technology accelerator.

Networking

- The Abilene Chamber of Commerce annual Business Expo with 300 booths and 5000 to 6000 attendees.

Business Plan Competition(s)

- “Spring Board Challenge” a business plan competition undertaken in March and April 2008 organized by the College Business Administration of ACU with student and faculty participation from 6 colleges and universities.

Access to Capital

- Innovation Partners LLC has established an informal group called “Reinvent Abilene” that links serial entrepreneurs with funding in an initiative designed to attract potential “gazelles” to Abilene by tapping into federal research labs and research universities that churn out technologies each year.

Outreach and Provision of Information to Entrepreneurs

- An informative monthly magazine of the Abilene reporter News known as “Abilene Biz”.

Assistance in starting a Business

- The First Step FastTrac® program of the Kauffman Foundation carried out by the Small Business Development Center at Del Mar College and funded by the Corpus Christi Business and Job Corporation.

Technical Assistance

- Provision of paid student interns for small businesses under an initiative funded by the Corpus Christi Business and Job Corporation and carried out by Texas A&M University/ Corpus Christi.

Access to Capital

- ACCION Texas is able to write down the interest rate on its micro loans from 12% to 5 ½% based on a “interest by down” program funded by the Corpus Christi and Job Development program.

Outreach and Provision of information to Entrepreneurs

- The Corpus Christi Hispanic chamber monthly publication called Vision with an innovative section known as idea watch
- The Small Business Policy and Guide book prepared by the City of Corpus Christi Office of Economic Development.

Education

- The Center for Entrepreneurial Development Advancement Research and Support (CEDARS) program established in 1992 and carried out by the University of Texas @ El Paso’s College of Business Administration.

Training

- The use of focus groups to determine the training needs and priorities of small businesses by the Small Business Development Center of El Paso Community College.

Networking

- Outstanding monthly “Café y Pan Dulce” and speed networking events carried out by the El Paso Hispanic Chamber of Commerce.

Business Incubators/Commercial Accelerators

- A “virtual” strategic incubator designed to assist 12 to 18 fast growing businesses per year and staffed by the Trans/Pecos/El Paso Regional Center for Innovation and Commercialization (RCIC).

Outreach and Provision of Information to Entrepreneurs

- The monthly newsletter of the El Paso Hispanic Chamber of Commerce is reprinted in the widely circulated El Paso Times.

Mechanism to Promote Collaboration among Business Service Providers

- El Paso has designed an innovation echo system which describes initiatives in talent, technology, capital, corporative infrastructure, and education/workforce.

Regional Initiatives that support Entrepreneurship in El Paso

- Entrepreneurship in El Paso takes place in regional context which involves the Paso Del Norte region i.e., Texas, New Mexico, and Juarez Mexico. An important activity being undertaken in this context is the By-National Sustainability Laboratory with a mission of building border businesses.

LUBBOCK

Youth Entrepreneurship

- Lubbock High School has a chapter of the Future Business Leaders of America (FBLA) that has set up a retail gift shop known as “A Piece of Paradise”.

Training

- The Texas Tech University Small Business Development Center recently distributed its first in a regular of series of newsletters to communicate with entrepreneurs and business service providers.

Networking

- The Lubbock Economic Development Alliance has developed an innovative young professional network designed to attract and retain young business persons in the Lubbock community including students from Texas Tech.

Access to Capital

- The Lubbock Area Foundation has funded a micro loan program delivered in cooperation with the Texas Tech Small Business Development Center.
- Subordinate debt is available through a multi bank community development corporation in Lubbock known as High Plains Capital, LLC.

Business Incubator/Commercial Accelerator

- There is currently an excellent services and manufacturing incubator operated by the Tyler Community College. This 26,000 sq ft incubator houses 10 businesses including some manufacturing and services businesses. Preference is given to perspective tenants “based on technologically-innovative products or services”.
- **Networking**, The Tyler Area Chamber of Commerce has a commendable Hispanic Outreach Initiative, within the Chamber. This outreach initiative is targeted to immigrant businesses and is supported by Hispanic newspapers in Tyler.
- **Business Plan Competition(s)**, Of the 5 cities assessed by MTI, Tyler has the most experience with business plans competitions. Their experience is listed under “best practices” not because of the successful outcomes but rather as an example of support for business plans competition(s) as a strategy.
- **Access to Capital**. Tyler has set up a special micro-enterprise fund with several banks involved. This fund will be managed by ACCION Texas a micro lender, and serves as an inducement for ACCION to be active in the Tyler market.
- **Mechanisms to Promote Collaboration among Business Services Providers**; Tyler has a unique organizational structure for economic development that combines the Tyler Economic Development Council Inc., the Tyler Area Chamber of Commerce the Convention and Visitor’s Bureau and SPORTyler. Also, the Chamber has a Hispanic businesses services office which has an outreach committee known as the Hispanic Alliance.

Ideas Generated by MTI Research and Experience

A memo describing ideas generated by MTI research (18) and experience (18) was also reviewed at the idea meeting. A summary of these ideas follows;

Identification of Business Markets/Opportunities

- The best example of this activity is carried out by the City of Littleton Colorado under their “Economic Gardening” Program. They have done pioneering work in market research and the identification of niche markets.

Education

- Innovative programs carried out by the Johnson County Community College in Overland Park Kansas which linked the entrepreneurship training to skilled career training.

Training

- Commercialization and entrepreneurship boot camps carried out by the Institute for Innovation and Entrepreneurship at the University of Texas Dallas
- “Presidents forums” conducted by the Entrepreneurship Institute based in Columbus Ohio
- An SBA funded program in Boston known as Inner city Entrepreneurs that offers “a street wise MBA” program focused on markets, money, and management.
- FastTrac® TechVenture™ is a 10 week entrepreneurial training program that combines comprehensive tools, guest speakers, one-on-one coaching, and peer learning to help tech entrepreneurs produce solid business plans and growth strategies in technology or life science industries.

Technical Assistance

- The Multi Ethnic Education and Economic Development Center (MEED) affiliated with the Greater Dallas Asian American Chamber of Commerce (GDAACC) operates one of six “mini SBDC’s” in the City of Dallas. This neighborhood program is focused on technical assistance and training.
- MTI is familiar with a California organization known as The Venture Alliance (TVA). TVA established in 2001 has helped more than 2000 entrepreneurs access venture funding.

Coaching

- The innovative coaching program focused on areas affected by hurricane Katrina and described in the 2007 Kauffman Foundation “Thought Book”. This program links emerging businesses with growth potential to high level business “coaches”.

Business Incubators/Commercial Accelerators

- The Enterprise Centers of Johnson County (ECJC) Kansas has a model incubator program. Since 1999, ECJC companies have created 675 jobs, raised more than \$45 million in capital, and generated over \$32 million in sales. Further, ECJC manages the Mid-America Angel Network.

- The Arlington Texas Center for Innovation has a 32,000 sq ft. facility that houses emerging technology firms on the third floor, the offices for the University of Texas at Arlington College of Business on the second floor and entrepreneurship/small business support services on the first floor e.g. the Tarrant County Community College SBDC, SCORE, and ACCION Texas etc.,
- The “Mercado Central” located in the Powderhorn Park neighborhood of South Minneapolis. This “authentic Latin American Market Place” was initially the home to 47 Latino businesses that are provided technical assistance and training. In their first year these businesses had over \$2 million in combined sales.

Networking

- Eric Pages, former policy Director of the National Commission of Entrepreneurship, in conjunction with others has produced a publication entitled; “*Hello, My Name is...*, A Guide to Building Entrepreneurial Networks in North Carolina”. Published in August 2006. A course for entrepreneurs in covering this information would be useful.
- Technology Entrepreneurs' eXchange “Texchange” is an example of networking opportunities as provided by tech oriented groups in Austin, Houston, and Dallas. This initiative is managed by a local Board of directors that organize monthly net working dinners for technology oriented entrepreneurs and business service providers.

Mentoring

- The North Texas Commission in cooperation with the Dallas/Fort Worth Minority Business Council founded the Mentor/Entrepreneur program in 1992. The Mentor-Entrepreneur Program was designed to nurture the professional development, productivity and overall success of small, women and minority owned businesses in the Dallas/Fort Worth Metroplex through the formation of a mentor-entrepreneur relationship with a suitable, larger or more corporate experienced business persons. During the 13 year existence of this program more than 450 emerging companies were provided mentorship services.

Business Awards

- Many Chambers of Commerce have awards programs that typically recognize fast growing local businesses. MTI believes that current business award programs could be more useful by providing additional awards to companies that use technology to grow their business and by providing awards to companies that are growing their business through access to global markets.
- In Dallas each year there is an initiative recognizing the top 100 fastest growing businesses. This award competition is by the Southern Methodist University Cox School of Business.
- A second initiative in the Dallas/Fort Worth Metroplex carried out by the Metroplex Technology Business Council is the Tech Titans award program that focuses on fast growing technology companies. Founded in 1994, the Metroplex Technology Business Council is a non-profit organization that includes technology businesses and providers in the Metroplex.
- A third initiative in Dallas is the Entrepreneur of the year award program founded by Ernest & Young, which covers North Texas, Arkansas, and Oklahoma.

Business Plan Competition(s)

- MTI is familiar with a low budget North Texas Business Plan Competition focused on two competition categories i.e. New Venture-start up (businesses open for 0-2 years), and emerging businesses with 2-5 years track record and financials, The winning businesses receive from \$5,000 to \$1,000 in cash grants and professional services. At the conclusion of the competition, typically on a Saturday, there is a “Small Business in Action” forum that serves as a small business training workshop. The highlight of the forum is the announcement of awards to the winning businesses.

Access to Capital

- A current trend in micro finance is the emergence of organizations with web sites that facilitate direct contact between a micro entrepreneur needing funds and one or more individuals interested in providing the funds. A fast growing organization that links business persons and the funding resources is Prosper.com.
- The Texas Mezzanine Fund, Inc., (TMF) is a statewide Community Development Financial Institution (CDFI) established to promote economic growth across Texas with a focus on low-and moderate –income, and rural communities. TMF has 3 primary loan products including loans to growth oriented businesses located in low- and moderate – income communities or that provide jobs for low and moderate income persons or that are minority owned.
- Small Business Investment Corporations (SBIC’s) partially funded by the Small Business Administration (SBA), provide both subordinate debt and forms of equity finance for business. An example of this type of entity is Pacesetter Capital Group which was established in 1970, and is the nations oldest, largest, and most broadly corporate owned of all SBDC’s.
- Texas Certified Capital Companies (CAPCO’s) are entities that are funded by insurance companies that receive tax credit from the State of Texas based on the amount of money they loan to or invest in a CAPCO. The Texas CAPCO program initiated in 2005, was fueled by the availability of \$200 million in state tax credit. A second installment of \$200 million was awarded in December 2007.
- Small Business Innovative research (SBIR) program requires that 10 federal agencies allocate a portion of all research and development (R&D) funds to small businesses. A second initiative is known as Small Business Technology Transfer (STTR) program. STTR provides funds from five federal agencies for R&D designed to link nonprofit colleges, universities, research organizations and federally-funded universities, research organizations and federally-funded R&D centers with small businesses.
- An alternative for providing financing to fast growing companies at the seed stage is formation of an angel investment group or accessing financing from an angel fund. Angel investors frequently co-invest with other Angels with an average investment size per company of \$500,000. Almost half of the investments by angels are businesses in the seed or “start up” stages. MTI is aware of at least 6 Angel funds operating in different geographic areas in Texas.
- On a statewide level Texas entrepreneurs may access angel investors through the Texas Investment Network.
- Firms seeking an angel investment can also do so through the internet.

Initiatives for Women Entrepreneurs

- MTI is familiar with the Texas Women's Venture Funds with a mission investing equity or providing subordinate debt to women/led companies. The fund is managed by women and has over 40 women investors and includes corporate funds and funds from SBA.

Initiatives for Minority Entrepreneurs

- Miller Brewing Company, in affiliation with the Greater Dallas Hispanic Chamber of Commerce and The Urban League of Greater Dallas and North Central Texas has an annual business plan competition for persons age 21 and over who seek to achieve economic empowerment through entrepreneurship. In its 8 year existence this business plan competition the Miller Urban Entrepreneur Series has distributed more than \$1 million in business grants in annual amount of \$35,000, \$15,000, or \$5,000.
- The Kauffman Foundation funds an annual entrepreneurship boot camp carried out by the Kenan/Flagler Business School at The University of North Carolina, the camp brings together junior faculty who are interested in research on minority business enterprise (MBE) and women business enterprise (WBE) with scholars in the field.

Youth Entrepreneurs

- The National Foundation for Teaching Entrepreneurship (NFTE) this teaches inner city at risk youth about entrepreneurship and the basics of starting a business has a satellite office in the Dallas area. Each year the Dallas office has a business plan competition including financial awards for the winners.

Outreach and Provision of Information to Entrepreneurs,

- Western Union is the charter founder and sponsor of the National Hispanic Business Information Clearinghouse & Entrepreneurial Development Center (NHBIC) is designed to provide information and online instruction to strengthen and grow existing Hispanic businesses, and assist with the successful start-up of new Hispanic business.
- KCSOURCELINK is another initiative which started in Kansas City in 2003. The mission of KCSOURCELINK is to help small businesses grow and prosper in the Kansas region by providing business owners easy access to needed services provided by business service providers.
- MTI is also familiar with a third approach to providing information to entrepreneurs i.e. the publication to an advertorial insert in a major newspaper that contains human interest stories on entrepreneurs that tie back into business resources. This approach allows for a wide initial distribution and the use of overruns to provide information to entrepreneurs. On a national basis American Express has done this several times by funding special small business inserts in USA Today. In the 90's while serving in another capacity the President of MTI secured funding for, conceptualized and wrote an 8 page insert in the Dallas Morning News on Southern Dallas Economic Development for 6 successive years.
- Another approach to convey essential information to entrepreneurs and providers is to hold a 1 day entrepreneurship summit. In another capacity the President of MTI organized the Southern Dallas Economic Development Summit with 300 participants. Summit materials included an information guide focused on 43 organizations that supported economic development and entrepreneurship.

Mechanism(s) to Support Collaboration among Business Service Providers,

- An example of an initiative to carry out this objective is a recently formed organization in Amarillo known as The Amarillo Entrepreneurs Alliance Inc. The vision of this organization is “a region where no business opportunity goes unrealized for lack of resources or assistance”. The activities of the Alliance are driven by the goal of making every possible match between resource providers and local businesses. The result is a coordinated offering of a comprehensive range of resources.
- In a previous position the President of MTI organized a Business Services Network composed of a dozen providers who met quarterly. The network meetings were focused on sharing information, and collaborative initiatives. A Business Services Network Guide was published to acquaint network members with the services of other providers in the network. Further, a Business Services Network Brochure was published and distributed to 7000 businesses in South Dallas.

The idea phase concluded with a review and discussion of the MTI findings, best practices, and ideas generated by MTI research and experience at meeting(s) of stakeholders held on-site in each of the five participating cities in June 2008.

IMPLEMENTATION PHASE

In the original MTI proposal the implementation phase was to be carried out during the second year of the initiative. Based on reduced resources MTI focused on implementation during the months of July and August 2008. The implementation phase began with a letter from MTI to each of the participating cities which requested priorities for early action and other ideas that merit consideration. The section that follows includes the rationale for these ideas based on the sequence of strategies in the initial assessment. The ideas for priority action included a retail Mercado, the “Texchange” network, Business Plans Competition(s), angel finance, outreach advertorials, participation in the National Hispanic Business Clearinghouse, and establishment of entrepreneurship collaborative efforts. A detailed description of these priority recommendations follows;

- **Development of a retail Mercado**, MTI recommended that several cities consider creation of a neighborhood restaurant and retail incubator. An example of this is the “Mercado Central” located in the Powderhorn Park neighborhood of South Minneapolis. This “authentic Latin American Market Place” was initially the home to 47 Latino businesses that are provided technical assistance and training. In their first year these businesses had over \$2 million in combined sales. For more information go to www.mercadocentral.net.
- **Networking/”Texchange”**, MTI recommended that El Paso establish a “Texchange” Chapter. “Texchange” is managed by a local Board of directors that organize monthly net working dinners for technology oriented entrepreneurs and business service providers. These “Texchange” opportunities are non-profit networking organizations for emerging technology entrepreneurs, professional and angel investors, experienced mentors, and professionals in services firms, government, media and academia. Typically their monthly dinners are preceded by a net working session. During the dinner portion of the meeting a presenter addresses the group. | *For more information visit: www.texchange.org.*

After the presentation discussions are held at tables of 8 to formulate questions for the presenter based on the table discussions. MTI has attended both Dallas and Houston “Texchange” events.

At the Dallas net worker there was a presentation by Phil Romano, who developed restaurant concepts, e.g. Fuddruckers, Romano’s Macaroni Grill, etc. At the Houston “Texchange” there was a presentation by 11.

- Ms. Kala Marathi, managing Director of the Houston Angel Network.
- **Business Plan Competition**, MTI recommended that several cities carry out an annual business plan competition focused on 2 categories i.e. a new venture competition focused on start-up business open for 0-2 years, and a emerging business plan competition for business opened for 2 or more years with financials. The winning businesses would receive up to \$5,000 in cash grants and professional services. At the conclusion of the competition there would be an award ceremony, combined with a workshop designed to promote entrepreneurship.
- **Development of Angel Finance Options**, MTI recommended that Tyler implement an initiative to provide angel financing to fast growing companies at the seed stage by formation of an angel investment group or accessing financing from an angel fund. Angel investors are accredited based on their net worth and generally invest equity capital in seed or startup businesses, most of these investors have been successful entrepreneurs and use their acumen to assist the business they invest in. Angel investors frequently co-invest with other Angels with an average investment size per company of \$500,000. Almost half of the investments by angels are businesses in the seed or start up stages. The Camino Real Angel Group in El Paso is a vehicle for angel investment. Other examples in Texas include the Central Texas Angel fund, the Houston Angel Investment Fund and the Invest-In Forum in Dallas and the San Antonio Angel Fund. For national information contact the angelcapitalassociation.org. On a statewide level Texas entrepreneurs may access angel investors through the Texas Investment Network. For more information on this options contact TexasInvestmentnetwork.com.
- **Outreach and Provision of Information to Entrepreneurs**, MTI recommended that several cities take the initiative to be featured in the National Hispanic Business Information Clearinghouse and entrepreneurial development center web site. Western Union is the charter founder and sponsor of the National Hispanic Business Information Clearinghouse & Entrepreneurial Development Center (NHBIC) is to provide information and online instruction to strengthen and grow existing Hispanic businesses, and assist with the successful start-up of new Hispanic business. Typically there web site provides useful responses to frequently asked questions with respect to money, markets, and management. In addition there are local resources by city pages in Arizona, California, Colorado, Florida, Illinois, Kansas, New Jersey, and Texas. In Texas information regarding local assistance resources is currently online in Austin, Dallas, Houston, and Fort Worth. Local assistance resources are identified in 7 categories including, State-Wide Resources, Local Agencies, Chambers of Commerce and Associates, Business and Economic Development, Business Media Sites, Business Education and Training, and Financial Institutions and Other Sources. | *For more information visit:* www.nhbic.org.
- **Outreach and Provision of Information to Entrepreneurs**, MTI recommended that an 8 page advertorial be published in several cities which would feature stories focused on business services providers and human interest stories on successful entrepreneurs who have

used their services including contact information on the business resources to help the entrepreneur succeed. MTI provided a specific proposal to carry out this recommendation to 4 cities.

- **Mechanism to Support Collaboration among Business Service Providers,** MTI recommended that several cities organized an entrepreneur’s alliance or an entrepreneurship collaborative that would bring together major business service providers on a quarterly basis.

The agenda for the quarterly meeting would include a report on the activities on the participants, discussion of cross cutting issues which would involve several members, and a review of “state of the art” research derived from sources such as the Kauffman Foundation publications and or the Weekly National Dialogue on Entrepreneurship underwritten by the Kauffman Foundation. MTI will be provided a specific proposal to carry put this recommendation to 4 cities.

The second category of implementation actions included a list of ideas that merit further consideration i.e., an entrepreneurship boot camp, a neighborhood mini-Small Business Development Council (SBDC), coaching, micro lending, traditional incubator, innovation center, establishing a Small Business Investment Corporation (SBIC), and promoting youth entrepreneurship. A detailed description of these actions follows;

- **Training,** In El Paso MTI recommended that Trans Pecos Regional Center for Innovation and Commercialization and the CEDARS program at UTEP collaborate to carry out a commercialization and entrepreneurship boot camp. The Institute for Innovation and Entrepreneurship at the University of Texas Dallas has developed a Commercialization and Entrepreneurship Boot Camp. MTI attended the boot camp held on May 9, 2008. The typical boot camp runs from 7:30 a.m. to 3:45 p.m. and includes subjects such as; Overview of Technology Commercialization, Opportunity Identification/Evaluation, UTD/UT System Technology Transfer Process, Protecting Your Intellectual Property, Basics of the Business Plan for New Enterprise, Financing Technology Ventures, SBIR/STTR R&D Funding for Startups, and concluded with a Panel Discussions i.e.; What are Investors looking For? To learn more, visit: www.innovation.utdallas.edu.
- **Coaching,** MTI recommended that several cities establish a “coaches” program to assist emerging businesses “one on one” after they receive training, technical assistance, and financing for growth. Many business owners do business plans and continue to stick to them despite changing external circumstances. These growth oriented business owners could use ongoing advice from third party “coaches” to make adjustments and be linked to the resources they need to succeed. In many instances there is no “one size fits all” answer to the problems of emerging businesses.

- **Technical Assistance**, MTI recommended that several cities consider creating a neighborhood business assistance center patterned after their larger Small Business Development Center. This center would provide incubator space for small businesses at the neighborhood level and the services of a small counselor and trainer similar to the MEED Center written up in the MTI report. The MEED center provides incubation space for 4 businesses, workshops and seminars, and unlimited (one on one) business counseling assistance in addition to community empowerment programs e.g. financial literacy, computer training, etc. | *For more information visit:* www.meedcenter.com.
- **Business Incubator/Commercial Accelerators**, MTI recommended that several cities consider revisiting traditional incubator options. There is currently an excellent services and manufacturing incubator operated by the Tyler Community College. This 26,000 sq ft incubator houses 10 businesses including some manufacturing and services businesses. Preference is given to perspective tenants ‘based on technologically-innovative products or services’. | *For more information visit:* www.tyler.cc.tx.us.
- **Business Incubator/Commercial Accelerators**, MTI recommended that several cities should consider establishing an innovation center comparable to the Arlington Institute for Innovation described in the MTI “ideas” memo. The Arlington Center for Innovation has a 32,000 sq ft. facility that houses emerging technology firms on the third floor, the Center for Continuing Education and Workforce Development managed by the Chamber and offices for the University of Texas at Arlington College of Business on the second floor and entrepreneurship/small business support services on the first floor e.g. the Tarrant County Community College SBDC, SCORE, and ACCION Texas etc., The technology initiatives are linked to the research capacity of the University of Texas at Arlington. There is also an Arlington Angel Group affiliated with the center.
- **Access to Capital**, MTI recommended that Lubbock needs to substantially increase micro lending activity now being carried out by the Texas Tech SBDC, and the Lubbock Area Foundation. One approach to this could be by partnering High Plains Capital Inc, with ACCION Texas to enable ACCION to be much more active in the Lubbock market. High Plains Capital Inc., could provide the funds for lending under a contract to ACCION who would underwrite, make, and service the micro loans.
- **Access to Capital**, MTI recommended that several cities should consider linkage with a Small Business Investment Corporation partially funded by SBA. These entities provide both subordinate debt and forms of equity finance for business. An example of this type of entity is Pacesetter Capital Group which was established in 1970, and is the nations oldest, largest, and most broadly corporate owned of all SBDC’s. Pacesetter SDIC has 80 corporate shareholders mostly fortune 500 companies. In the last decade Pacesetter SBDC’s have investment more than \$260 million. Currently, Pacesetter serves as the primary resource of growth capital for 60 growing small businesses with over 7000 employees. | *For more information visit:* www.pacesettercapital.com or www.SBA.gov.

- **Initiatives for Youth Entrepreneurs,** MTI recommends that El Paso place more emphasis on promotion of youth entrepreneurship by considering establishment of a local chapter of the National Foundation for Teaching Entrepreneurship (NFTE). There are many organizations in addition to Junior Achievement that promote youth entrepreneurship. One of these entities that MTI is familiar with is the NFTE. NFTE which teaches inner city at risk youth and their teachers about entrepreneurship and the basis of starting a business has a satellite office in the Dallas area. Each year the Dallas office runs a business plan competition including financial awards for the winners.
| *For more information visit:* www.nfte.com.
- **Outreach and Provision of Information to Entrepreneurs,** In Abilene MTI is aware of the excellent publication, Abilene Biz. Consideration should be given to preparation of a special edition of Abilene Biz which features stories focused on business services providers and human interest stories on successful entrepreneurs who have used their services including contact information on the business resources in Abilene that helped the entrepreneur succeed.

Subsequent to providing these letters to the 5 participating cities, MTI is engaged in 4 implementations actions as follows:

- After an August 18, 2008 presentation to the Corpus Christi Business and Job Development Corporation. MTI was asked to submit proposals on preparing an advertorial for Corpus Christi and assistance in setting up a Corpus Christi Entrepreneurship Collaborative
- MTI is working with the Mayor's office in El Paso on a potential advertorial to be published in the El Paso Times
- Lubbock has interest in both an advertorial and a Lubbock Entrepreneurship Collaborative however actions on this item has been deferred until November 4, 2008 bond election in Lubbock
- In Tyler MTI has submitted a proposal to establish an Angel Investment Fund. Further Tyler stakeholders will meet on October 29, 2008 to consider additional implementation steps.

In Abilene local stakeholders are establishing an Abilene Entrepreneurship Collaborative using local resources.

CONCLUSIONS OF THE TEXAS ENTREPRENEURSHIP INITIATIVE

- Many entrepreneurs were not aware of the services available to them or how to access those services
- Many service providers have inadequate or under funded marketing programs and there is little emphasis on cooperative marketing by the providers
- While each of the cities had most of the elements of the system to promote entrepreneurship in place they did not have strategies in place for collaboration among the key stakeholders in the entrepreneurial support system
- Each of the cities could use a comprehensive business service guide that provided the services providers up to date information on what other business services are doing so that there can be “no wrong door” for entrepreneurs entering the system and viable referrals
- Many of the business service providers were unaware of seminal research in the field of entrepreneurship and sources of current information to improve promotion of entrepreneurship
- There is a need for exchange of “best practice” information among the cities so that they can learn from each other
- The Texas Entrepreneurship Initiative made progress towards achieving the goals of the Texas Entrepreneurship Initiative i.e.
 - Provide better linkage between entrepreneurs and the information they need to succeed and
 - Enhance the capacity of business service providers to help entrepreneurs
 - Improve the local business climate for entrepreneurs
- The systematic, synergistic approach that took place during the 1 year Texas Entrepreneurship Initiative will not yield immediate results with respect to the objectives of the program i.e.
 - Increase the number of business starts
 - Help sustain emerging businesses and
 - Create jobs

To achieve the quantitative results described above recommended system changes would have to be implemented and the impact of these changes evaluated over a 2 to 3 year period by focus groups, surveys, etc.

Each of the participating cities had a positive evaluation of the work carried out under the Texas Entrepreneurship Initiative. These cities concluded that the Texas Entrepreneurship Initiative will qualitatively assist local efforts to increase the number of successful business starts the “churn” and create jobs over time.

For questions regarding the Texas Entrepreneurship Initiative, please contact Jim Reid at 214-773-4663 or e-mail me at jreid@momentumtexas.org.