

Entrepreneurship: Recognizing Opportunities

BREI Conference

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Why Changes in Economic Development Strategy

- Global market
- Technological changes
- Complementary
- Fosters innovation

Entrepreneurial Ecosystem

- Culture embraces start-ups
- Networks of entrepreneurs
- Quality service providers
- Reinvestment – philanthropy & mentoring
- Creative class infrastructure
- Access to capital

Greatest Obstacles to Starting A Business (non-financial)

Management and Education Factors

1. Developing clientele
2. Being able to handle government regulations
3. Managing and motivating people

Source: 2005 Nebraska Entrepreneurship Poll, Gallup Press Publication

Biggest Challenges Facing Entrepreneurs in Existing Businesses

1. Finding and keeping talented, "ready to work" employees
2. Access to seed capital
3. Infrastructure and institutional support
4. Role of government

Source: National Commission on Entrepreneurship, 2000

Where can you find entrepreneurs?

- Roughly 58% are members of trade organizations, chambers
- Seeking news about latest technologies, specific industry and applicable regulations
- Majority want opportunity to network with other business owners

Source: National Small Business Poll, 2003

Are there under-utilized assets?

- Universities – talent magnets
- Funding – angels, revolved funds
- Unrecognized leaders
- Existing business survey assessments
- Streamlined access

A Nebraska Story...

Small business equity fund

What worked and what didn't

State of Nebraska Infrastructure Issues

- Identified small business equity need
- Assessment – 2006 CFED Report Card
 - Opportunity to work in entrepreneurial environment
 - Poor financial infrastructure and innovation resources

Equity Fund Challenges

- Deal Flow
- High costs to find and support projects
- Who will manage
- Players – banks?
- No champion
- History and cultural resistance
- Structure – debt vs. equity

What worked...

- Looked at alternative, motivated partners
- Alternative way to address deal flow
- Shop for fund manager and funding at same time
- Good managerial assistance infrastructure
- Willing to get social returns and a double bottom line

View of Business Success

- Research focuses on success or failures -
 - alternative needed ?
- Different measures for small and large firms
- Firm success is multi-dimensional

“Studies show long term sustainability of a firm depends on its ability to anticipate and respond to change”

Sources: Ward, Keeping the family business healthy, 1987

Opportunities with Existing Businesses

- Overall, one half of business owners currently over age of 50
- 1/3 population is a baby boomer and the % 65+ will more than double over next 25 years
- Two out of three have no written succession plan
- 5 – 10 year transition planning period

Who Nebraska Businesses Say They "Want" to Transfer to -

Family	36%
Third Party	21%
Employee(s)	16%
Liquidate	16%

2005 Nebraska Entrepreneurship Poll, Gallup Press Publication

Succession Fallacies – Perception vs. Reality

Think They Know Successor –

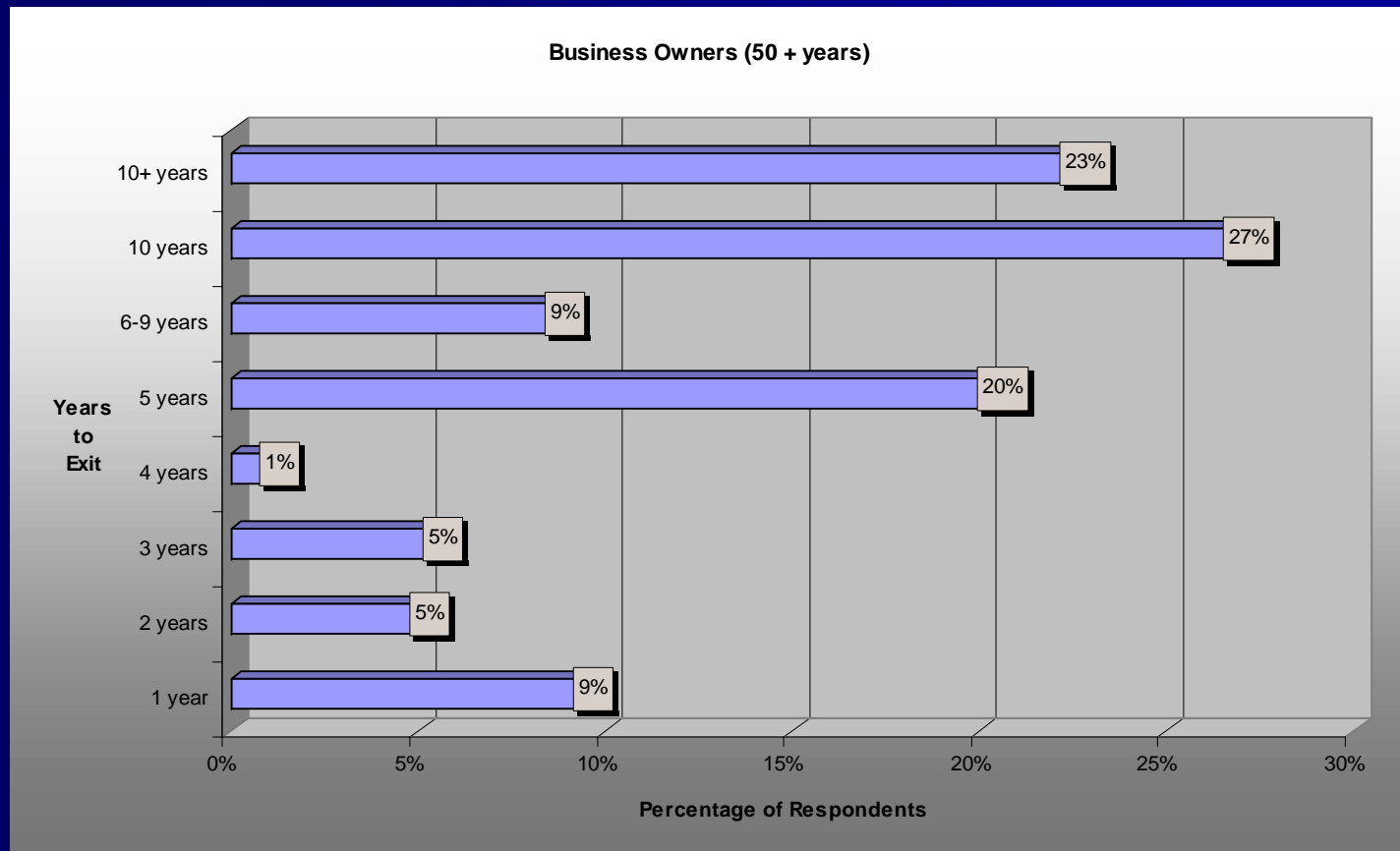
- Over 2/3 expect business to remain in family while only 35% survive to second generation.

Think There is Plenty of Time -

- Two out of three firms lack a written strategic plan, most no plan at all

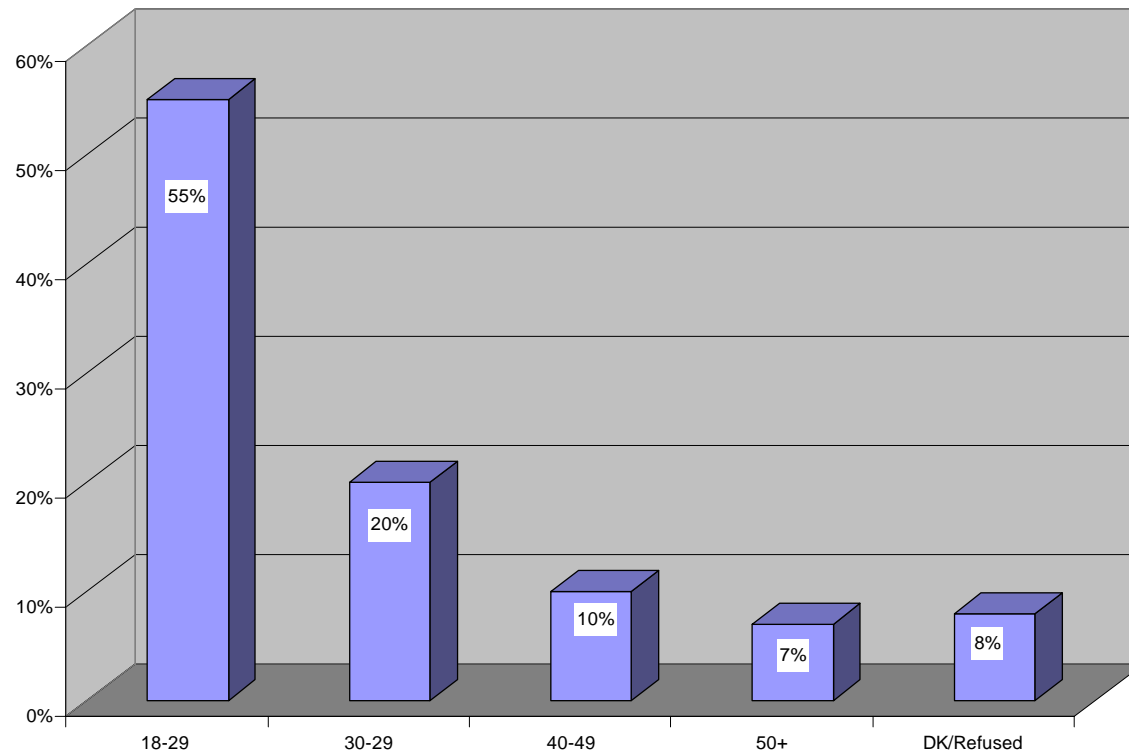
Sources: Ward, Keeping the family business healthy, 1987, Joseph Astrachan, PhD, Family Business Review, and S. Cliffe, Facing Up to Succession, 1998

Years to Exit – Business Owners 50+



Reach Out to Young Adults as Successors

Age When Thought of Starting Own Business
Gallup Survey of Nebraska Business Owners and General Public



Age of Respondents

Source: Gallup Survey on Entrepreneurship in Nebraska, 2006, n=555

Community Consequences

- Lost storefronts and services
- Lower tax revenues
- Loss of diversity
- Lose social and political power
 - 41% of rural business owners are community leaders
- Lose philanthropy
 - 91% of small businesses contribute to local community
- Lose community development assistance
 - 65% rural business owners contribute cash or technical assistance

Sources: National Federation of Independent Business, 2004, National Family Business, 2000

What actions can be taken to foster entrepreneurship?

Do not add new programs

Do –

- Focus on ecosystem and assets
- Promote cultural change
- Provide new delivery mechanisms/services
- Remove regulatory barriers
- Connect businesses exiting and new entrepreneurs