

## State Programs Supporting Entrepreneurship and Job Growth

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### Issue

Identify innovative state programs to support entrepreneurship and stimulate job growth.

### Summary

Comprehensive state entrepreneurship and job growth programs have many elements, including developing entrepreneurial networks; increasing access to venture capital; and providing technical assistance to business startups, usually in facilities that provide services for such newly formed businesses. Such programs recognize the unique role entrepreneurs play in fostering innovation, starting new businesses, and creating jobs.

Like inventors, entrepreneurs grasp the potential commercial applications of academic research. But they also know how to attract venture capital, assemble management teams, and create business models to develop, test, and market new products and services. Their ability to do so however depends on how often they run into inventors, venture capitalists, and business people with the skill and motivation needed to

### *Entrepreneurial vs. Economic Development*

*Entrepreneurial development and economic development is not the same thing, and states that distinguish between the two do a better job stimulating innovation and business startups ([State Entrepreneurship Policies and Programs](#), Kauffman Center for Entrepreneurial Leadership (1999)).*

*Entrepreneurial development policies focus on individuals who know how to convert new ideas into a new product and service, and develop the business model to produce, market, and support it. They aim to create the conditions that allow entrepreneurs to connect with inventors, venture capitalists, and other players with expertise in starting new businesses.*

*Economic development policies mainly focus on mature companies, using state funds and other resources to stimulate job creation and capital investments.*

successfully launch a new business (i.e., entrepreneurial networks).

In 2016, the Connecticut legislature recognized how entrepreneurial networks stimulate innovation and business startups and created an agency, called [CTNext](#), dedicated to developing and supporting entrepreneurial networks. In doing so, the legislature gave the agency, a subsidiary of the quasi-public Connecticut Innovations, Inc., broad powers to achieve this purpose. It also created a grant program to stimulate new networks or strengthen existing ones.

This report focuses on various other ways states promote and support entrepreneurial networks. Broadly speaking the programs are similar, but some concentrate on developing entrepreneurship throughout the state (Kentucky, Ohio, and Rhode Island), while others concentrate on developing this condition in economically distressed areas or impoverished communities (Oklahoma) or focus on a state's key industries (Colorado). The programs also differ based on the techniques used to stimulate and support entrepreneurship.

## Role of Entrepreneurial Networks

Developing entrepreneurial networks means creating the conditions that allow entrepreneurs to grow and thrive, according to the National Conference of State Legislatures ([Promoting Entrepreneurship in State Policy](#), 2013). Entrepreneurs— people who see the commercial potential of new knowledge and know how to bring it to market—thrive in places where they continuously make contact with researchers, inventors, venture capitalists, university technology transfer officials, business consultants, economic development administrators, and incubator facility managers, among others.

States that support entrepreneurs increase the connections between entrepreneurs and the other players who know how to commercialize research. They recognize that “entrepreneurship is a highly context-dependent activity, with the sub-national region, the city, or even the neighborhood being a more natural scale of analysis than the nation” ([Enabling Entrepreneurial Ecosystems](#), Kauffman Foundation, October 2015, p. 3).

These connections are the “ecosystems” in which entrepreneurial activity thrives.

### *Entrepreneurial Network Performance Measures*

*A vibrant entrepreneurial network pulses with people exchanging ideas, developing plans, accessing venture capital, and launching new businesses. [Strangler and Bell-Masterson](#) measure a network's dynamics by measuring these factors:*

- (1) connections between the networks elements, which are just as important as the elements (connectivity);*
- (2) movement of people and the redistribution of workers among businesses within the network's region (fluidity);*
- (3) variety of people within the region, including immigrants (diversity); and*
- (4) number of startups and the share of jobs they create (density).*

## **State Entrepreneurial Network Development Programs**

### ***Connecticut's Innovation Places***

In 2016, the legislature established a comprehensive entrepreneurship and innovation program that includes many of the programmatic elements listed above and created a quasi-public agency, CTNext, to implement them ([PA 16-3, May Special Session](#)). The act gave CTNext broad statutory powers to promote entrepreneurial networks, but specified a method to do so, the [Innovation Places Grant Program](#). The program provides grants to corporations, nonprofits, municipalities, colleges and universities, and other entities to create or reinforce the ecosystem conditions in compact, mixed-use geographic areas with accessible public transportation that foster the types of interpersonal connections that generate innovation and the formation of new businesses.

### ***Kentucky's Innovation Network***

Since 2001, [Kentucky's Cabinet for Economic Development](#) operated the Kentucky Innovation Network that oversaw a decentralized regional system that provided comprehensive direct or brokered services to entrepreneurs and innovators in 13 regions. Each regional office had the knowledge and connections to assess entrepreneurs' business plans, provide business development services, and access startup capital.

This changed in 2018 when the cabinet began implementing a new model in which each region specializes in providing certain services to capitalize on each region's resources and advantages. It also uses video conferencing and other digital technology to connect entrepreneurs and innovators to service providers throughout the state. The model—[Regional Innovation for Startups and Entrepreneurs](#) (RISE)—also emphasizes the development of partnerships between universities, companies, entrepreneurs, business accelerators, and incubators.

### ***Ohio's Entrepreneurial Services Provider Program***

Ohio's [Entrepreneurial Services Provider](#) (ESP) program uses state funds to pull together a region's disparate entrepreneurial service agencies into a coordinated and entrepreneur-friendly service delivery system. Managing each regional ESP is a "lead applicant" that partners with a variety of public, private, and academic economic development entities. The lead applicant establishes ESP's governing structure, manages the network, identifies the program's economic impact, prepares the budget, and reports to the state. To manage the network, the lead applicant must develop the program's overall strategy, including defining the services needed to support its major client service components.

As Table 1 shows each ESP must have three basic service components, each designed to meet the specific needs of an innovation project’s developmental phase.

**Table 1: ESP Service Components**

<i>Component</i>	<i>Phase</i>	<i>Activity</i>
Institutional Technology Commercialization	Early phase aimed at creating value from early stage intellectual property	Engaging region’s research institutions, health care delivery systems and other technology sources to: <ul style="list-style-type: none"> <li>• Promote deal flow</li> <li>• Identify and validate technology</li> <li>• Streamline licensing</li> <li>• Provide initial validation funding</li> </ul>
Venture Development Services	Earliest business startup stages	Providing: <ul style="list-style-type: none"> <li>• Incubator space</li> <li>• Business acceleration and prototyping services</li> <li>• Mentoring</li> <li>• Entrepreneurs in residence</li> <li>• Early stage seed capital</li> <li>• Professional services, including legal assistance</li> </ul>
Enterprise Development Services	High potential, high growth firms	Giving firms the tools to rapid, sustainable growth by providing: <ul style="list-style-type: none"> <li>• Access to capital</li> <li>• In-depth customer access</li> <li>• Specialized mentoring</li> <li>• Access to talent needed to fulfill key company roles</li> <li>• Delivery of high-value professional services, including legal, regulatory, quality assurance, and marketing assistance</li> </ul>

Source: [Ohio Third Frontier Entrepreneurial Services Provider Program \(CY 2017-2018\), Evaluator’s Final Report](#), March 29, 2017)

### ***Oklahoma’s GrowOK Venture Assessment Program***

Launched in 2017, Oklahoma’s [GrowOK Venture Assessment Program](#) is an education-based initiative designed to provide entrepreneurial growth services to rural areas in the state. The program is a partnership between a nonprofit high-tech business incubator (i2E) and seven state partners. The intensive three-week course is intended to help entrepreneurs in rural and Native American communities validate their business concepts by identifying their customers and determining whether their concept solves a true market need. The initiative is funded in part by a \$200,000 grant from the federal Economic Development Administration.

## ***Colorado's Catalyst Campus for Technology and Innovation***

[Catalyst Campus for Technology and Innovation](#), a nonprofit located in Colorado Springs, is designed to provide entrepreneurs with the infrastructure and collaborative environment needed to grow and expand their businesses. It does so by creating a “hub and spoke” environment that connects innovators, entrepreneurs, and startups with federal agencies, academic institutions, nonprofits organizations, business resource partners, and venture capital to accelerate innovation and the commercialization of technologies.

Colorado's Office of Economic Development and International Trade (OEDIT) recently awarded the Catalyst Campus a \$750,000 grant to build out an [information technology network and laboratory](#) where satellite, space, and GPS technologies will be developed and tested for military and commercial use. The grant is leveraging an additional \$1.5 million in private matching funds. OEDIT awarded the grant as part of the state's Advanced Industry Accelerator Grant Program, which is designed for collaborative projects that will have broad impact across one or more of the state's key industries, including aerospace, advanced manufacturing, bioscience, electronics, and technology and information.

## ***Rhode Island's Innovation Campus Program***

In 2016, Rhode Island voters approved \$20 million in state bonds to create one or more [innovation campuses](#) affiliated with the University of Rhode Island (URI). The program is designed to bring together industry, academic, and research partners in collaborative environments to promote innovation, the commercialization of academic research, and job growth. Approved projects must consist of one or more physical facilities, partner with URI, leverage private investment, involve at least one business partner, and create a substantial number of jobs at a variety of skill levels. The state awarded its [first round of grants](#) this past December.

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