



## Rethinking Entrepreneurship

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When we think about economic development what comes to mind is business attraction. The literature and the data and the debates all support this view. Only recently has the economic development profession begun to focus on entrepreneurship and new business development. It is our position at TIP that this new focus is long overdue. It is becoming abundantly clear that **entrepreneurship is a key element in community and regional economic growth.**

Unfortunately, most of us are still a bit uncertain how to fit entrepreneurship into our economic development program. Does new business formation really benefit from public involvement? Does it yield measurable results? Do we think about entrepreneurship as a subset of small business? These are not trivial questions. With the possibility that we might face an economic downturn, and that business recruitment and expansion will slow dramatically, what can we expect from supporting entrepreneurship?

While it's not possible to address all these questions, we should take comfort in knowing that economists are also divided on these issues. Entrepreneurship has shallow roots in economic theory. A recent article in *The Economist* [March 9, 2006, "Searching for the Invisible Man"] does a good job telling us why so little attention has been paid to entrepreneurship by traditional economists. In effect, existing business growth is easier to quantify and easier to support. These are the same issues that bedevil us in economic development. The hallmark of entrepreneurship is innovation, and innovation has not traditionally yielded quick market results. That is changing. The Internet is a constant reminder of how quickly new ideas and business models take hold.

If we want to build programs around entrepreneurship, we need to understand who creates wealth and how they do it. This requires, first, a distinction between entrepreneurship and small business development. The latter are typically small, retail and service-oriented, and do not rely on innovation and technology. They are content to provide a service to a neighborhood or a city, maybe to a larger region. They don't reinvent products, design new business systems, or rely on new processes. In short, small business growth and entrepreneurship are uneasy bedfellows. They have different needs and different expectations. There are federal agencies designed around small businesses, they have their own "development centers," and statistics are gathered to support their relationship to job growth (without ever asking about the longevity of those jobs).

Entrepreneurship, on the other hand, is entirely about innovation: whether it be in product, process, or market. Entrepreneurship is about growth, accessing a larger customer base, and using cutting-edge technology whenever possible. As a consequence, entrepreneurial enterprises tend to be more capital intensive and they rely heavily on talent. And here's a crucial point: they cannot be serviced by traditional small business support agencies. The Small Business Administration and small business development centers have evolved around a particular service model. They continue to fulfill that role. To expect them to be involved in entrepreneurship, however, is unrealistic.

So does it make sense to be in this game and what's the best way to play it? The answer to the first part of the question is simple. If you aren't in the game, you are at a competitive disadvantage to those communities who are *building the infrastructure for entrepreneurial growth*. Which is how we at TIP think about it. It's not



about incubators (necessarily) or about hiring more people down at the SBDC. It's about strengthening the key elements of a sector that is increasingly vital to the U.S. economy. Communities that grow, that are vital and dynamic, have a flourishing entrepreneurial sector. The infrastructure for this growth includes access to talent, ideas, and capital. It also includes essential preconditions that we as economic developers can influence.

There is a synergy to be gotten from combining traditional economic development goals with entrepreneurship. This linkage occurs around a re-thinking of recruitment targets and expanding companies. While it is sadly possible to go very wrong with publicly supported small business assistance, the benefits of a well-designed entrepreneurship program are dramatic.