

Policies to Grow State Economies

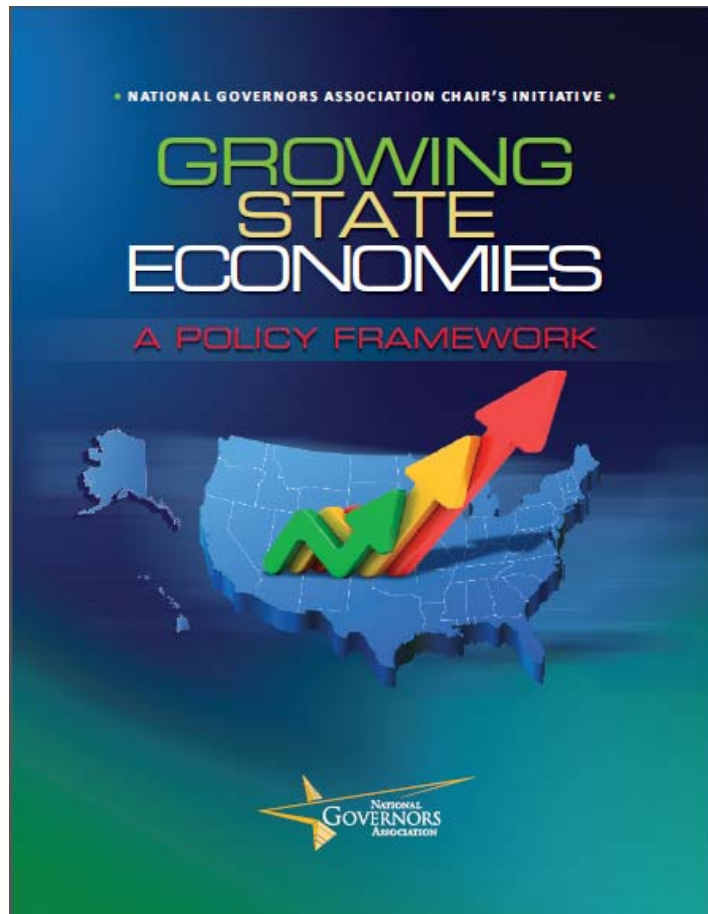
Erin Sparks

Kansas Economic Policy Conference

October 18, 2012

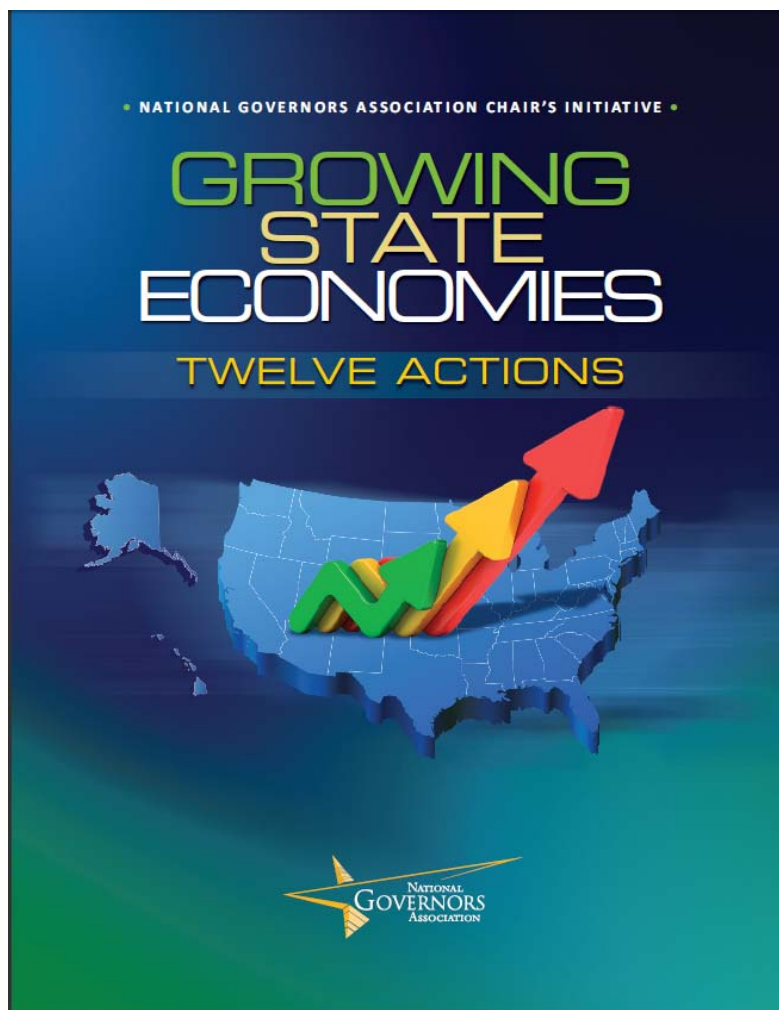


Policy Framework for Economic Growth: Six Factors



- **Entrepreneurs**, the individuals who seed, grow, and renew businesses;
- **Education and skills**, the concentration of highly educated, highly skilled individuals within economies;
- **Innovation and technology**, the new ideas and technologies that enter the economy and change what is produced, how it is produced, and the way production itself is organized;
- **Private capital**, the sufficiency and availability of debt and equity financing at all stages of company formation;
- **Global markets and linkages**, the businesses competing successfully in global markets; and
- **Industry clusters**, the firms embedded in regional clusters supported by institutions providing education, training, finance, and marketing services, which experience higher rates of job and wage growth than comparable firms not embedded in such clusters.

An Action Plan for Growth: 12 Actions



Twelve Actions for Growing State Economies

Policymakers with responsibility for growing economies can create a locally meaningful strategy by following twelve basic steps to help the private sector grow and thrive, creating new job opportunities for their citizens:

STRATEGIC AND FOUNDATIONAL

- 1** Create a competitive tax and regulatory environment.
- 2** Put entrepreneurial activity at the top of the state's economic agenda.
- 3** Distinguish among different kinds of entrepreneurs and businesses—and target policies and resources accordingly.

FOCUSED ON STARTUP COMPANIES

- 4** Cast a wide net to find entrepreneurs.
- 5** Teach entrepreneurship skills and attitudes at all education levels.
- 6** Build a startup environment and culture.

FOCUSED ON HIGH-GROWTH COMPANIES

- 7** Find the potential high-growth companies and help them grow.
- 8** Get your entrepreneurs to give back.

FOCUSED ON ALL COMPANIES

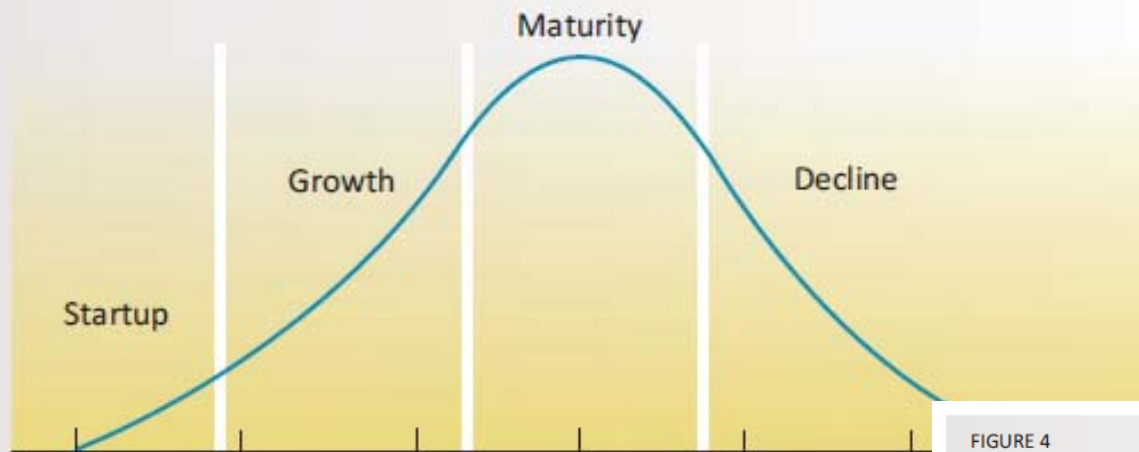
- 9** Help companies open doors to new customers—globally and locally.
- 10** Reward strong ties among universities, companies, and entrepreneurs.
- 11** Encourage entrepreneurs and companies, small and large, to build innovation clusters.
- 12** Build ecosystems, not programs.

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**Distinguish among
different entrepreneurs
and companies; target
resources accordingly.**

FIGURE 3
Business Life Cycle



Source: Savansky, Semyon D. *Engineering of Creativity*, CRC Press, 2000

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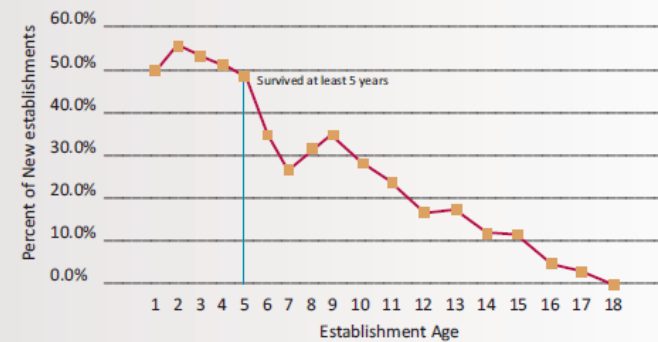
Job creation by very small firms (those with fewer than 20 employees) and newly formed firms (established within the past five years) accounts for a majority of all overall job creation in any given year.¹⁰

Kane, 2010

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FIGURE 4
Failure Rate by Business Age

Surviving the first 5 years is a key indicator of business longevity. Failed new establishments, by age (1990–2008), indicates that survivability improves markedly after 5 years.



Source: Don Walls, 2011

FIGURE 1

**Top Growth Concerns
by Business Type**

Kauffman Poll of Inc 500 Firms

*“What is the most important
impediment to growth of
your business.”*

**National Federation of
Independent Business Survey
of Small Businesses**

*“What is the single most important
problem facing your business today.”*

Finding qualified people	40%	5%
Managing fast growth	21%	—
Accessing capital	16%	3%
Sluggish economy	13%	25%
Regulatory uncertainty	3%	19%
Taxes	4%	19%
Penetrating global markets	3%	—
Other	—	29%

FOCUSED ON STARTUP COMPANIES

- 4** Cast a wide net to find entrepreneurs.
- 5** Teach entrepreneurship skills and attitudes at all education levels.
- 6** Build a startup environment and culture.

Cast a wide net.

Not all entrepreneurs are twenty-something “techies” – reach out to baby boomers (“reinventuers”), women, immigrants.



**Provide
entrepreneurship
training for
veterans and the
unemployed.**

State program helps veterans start businesses



Michael Sears
Navy veteran Jeremy Anderson, a mechanical engineering student at MSOE, works on his solar thermal biomass processor in one of the school's shops.

By Kathleen Gallagher of the Journal Sentinel

May 6, 2012

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The Wisconsin Economic Development Corp. will put \$150,000 into a new fund aimed at seeding start-up companies run by military veterans and helping them to hit the ground running.

The investment will make Wisconsin the first state to launch such a seed fund to support veteran-owned businesses, Gov. Scott Walker said in a statement. It will be the first of several investments the state commerce agency wants to make to help Wisconsin companies formed by military veterans, officials said.

FOCUSED ON HIGH-GROWTH COMPANIES

7

Find the potential high-growth companies and help them grow.

8

Get your entrepreneurs to give back.

**Find the high-growth
companies;
help them grow.**

Success Stories

- Innovation Works (Pennsylvania)
 - Has invested more than \$50 million in over 150 companies that have created thousands of new jobs and attracted over \$1.2 billion in follow-on capital.
- Pipeline Fellowship Program (Kansas)
 - Since 2007, companies led by Pipeline fellows have grown at an average rate of 82 percent.

FOCUSED ON ALL COMPANIES

- 9** Help companies open doors to new customers—globally and locally.
- 10** Reward strong ties among universities, companies, and entrepreneurs.
- 11** Encourage entrepreneurs and companies, small and large, to build innovation clusters.
- 12** Build ecosystems, not programs.

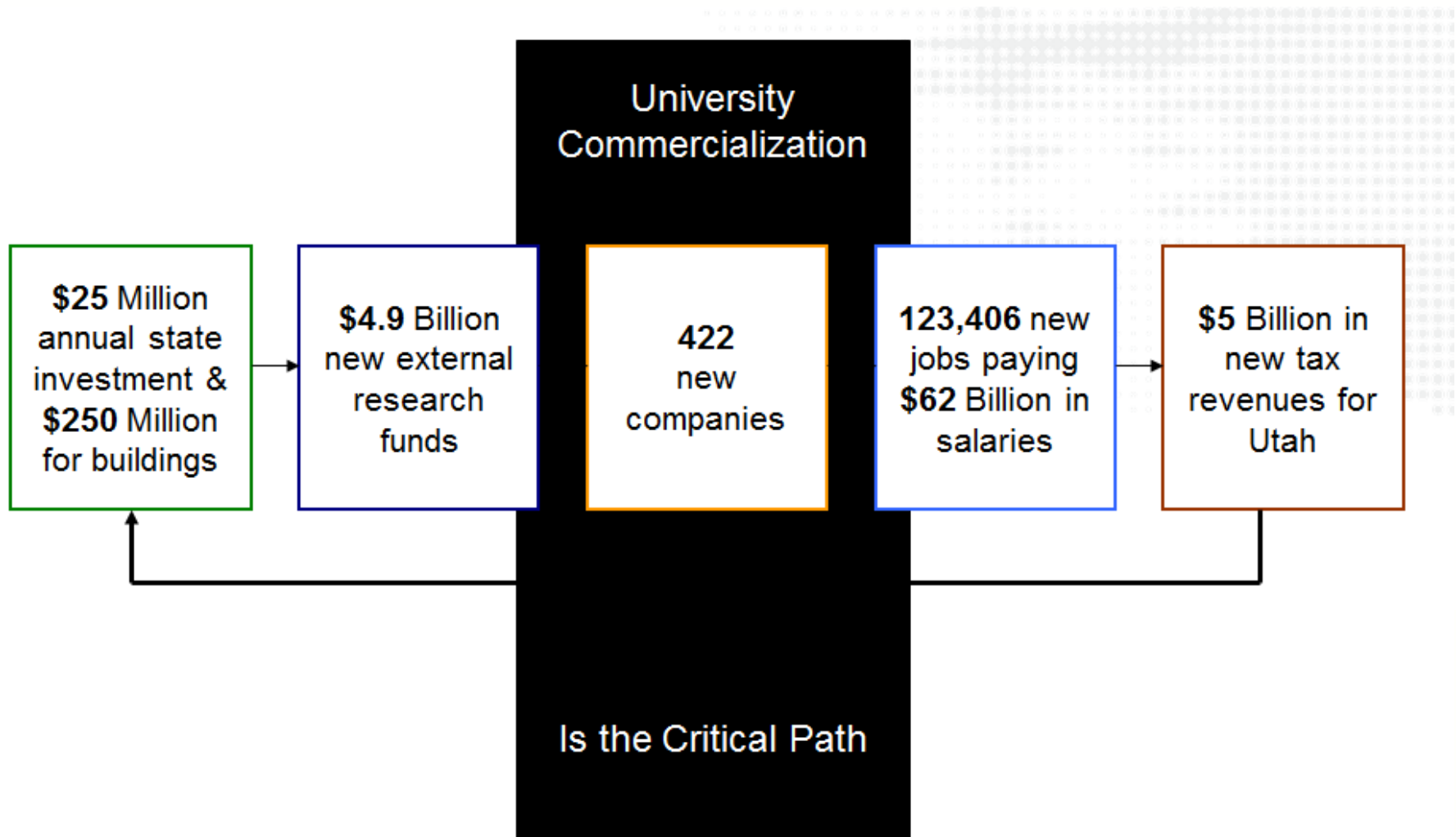
**Reward strong ties
among universities,
companies, and
entrepreneurs.**

Offer R&D funding in new ways.

Utah Science Technology and Research Initiative (USTAR)

- Utah has invested a total of \$977 million in research teams and infrastructure, which has generated \$4.9 billion in new research funds and \$4.9 in new state revenues.
- The University of Utah generated more startups in 2011 than any other U.S. university.

Utah's Results



Source: Jack Brittain, Presentation to NGA, April 25, 2012.

Invest in mega partnerships.

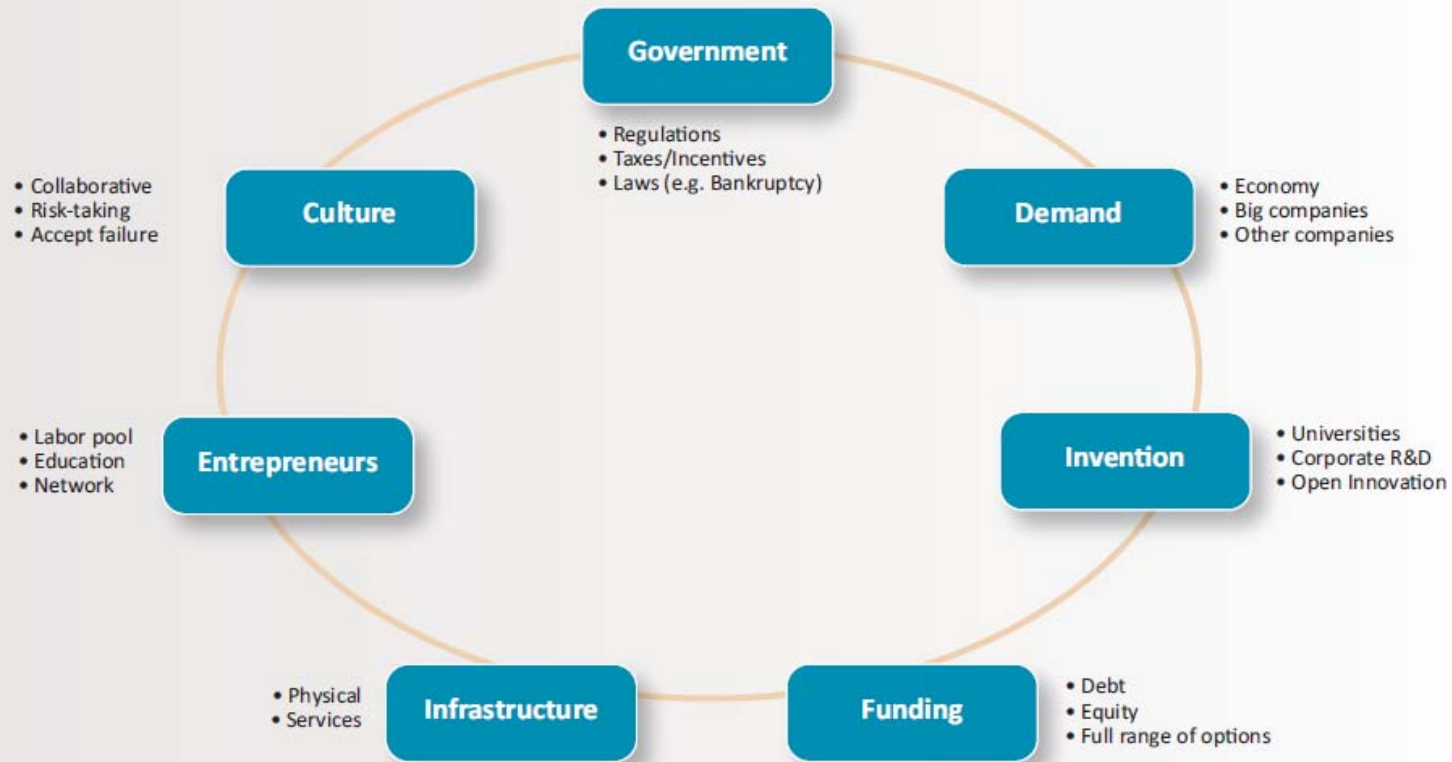
Virginia's Commonwealth for Advanced Manufacturing

- State played key role in developing a “mega” partnership of that provided tailored R&D and workforce to attract a Rolls Royce production facility to the state.
- Partnership includes worldwide manufacturers, 3 universities, and the state.
- CCAM's eight industry members, including Newport News Shipbuilding, Rolls Royce, and Siemens, make sizable contributions to the partnership, drive university research to be production ready, and provide direction on workforce strategy.

**Build ecosystems, not
programs.**

FIGURE 8

Elements Work in Concert to Build a Successful Innovation Ecosystem



Source: Based on Aulet Diagram, 2011