



## **Entrepreneurship Assessment and Recommendations**

**March 26, 2013**

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## I. Executive Summary

Virginia's Growth Alliance (VGA) contracted with Longwood Small Business Development Center (LSBDC) to conduct research and assist in developing an entrepreneurial development plan for the region. LSBDC chose to use multiple focus groups across the region to gather qualitative data and ideas from business owners and business supporters in the region. The exercise not only provided a means to gather information, it also began the process of regional team building and planning among local citizens and business leaders. Through 13 focus groups, the LSBDC developed an initial list of recommended actions for VGA. The recommendations are very systemic in nature, allowing VGA to begin to efficiently coordinate and deploy existing resources on a regional basis. The LSBDC also conducted quantitative data analysis on firm creation and job growth patterns to supplement and add depth to the listed recommendations.

The following documentation lists recommendations according to priorities of focus group attendees. Many recommendations are applicable to more than one priority. A summary of the recommendations is listed here, beginning with those that may be easier or more important to implement first.

- **Continue to leverage the input of those participating in the focus groups.** Group members were enthusiastic about the opportunity to learn from each other as well as contribute to regional progress. It is recommended that participants be considered for membership in an advisory group(s) for VGA going forward. **Additionally many wished to continue a peer group/round table for businesses in the region.** A plan should be developed to coordinate and facilitate such groups on a regional level resulting in meaningful usage of the business owners' time.
- **Develop an "Entrepreneurial Pipeline."** A concern was expressed across all priorities that information on available entrepreneurial programs and assistance was not coordinated and not well marketed to potential and existing business owners. For example, many focus group discussions centered on whether access to capital is hindered by regulation, lack of availability, or by lack of preparation or education in business owners. As part of this discussion, many bankers expressed difficulty in getting borrowers to access available resources, and many borrowers expressed confusion with exactly what resources are available and the benefits of accessing them. This could be remedied by streamlining access to a portal of information on regionally available entrepreneurial resources.

Entrepreneurs would be exposed to resources through both online and print means in flow chart fashion, allowing the entrepreneur to "plug into" a resource that meets their need at this time. Such a system could be used to continually monitor access to listed resources and could be used to gather feedback, evaluate effectiveness and determine gaps.

VGA or a designated regional service provider should manage this system, incorporating programs from regional entrepreneurial service providers. A council of service providers

should be formed to meet regularly to support development and usage of this service as well as “place based” design and delivery of solutions within the region. Options for database platforms that can be linked to the VGA website currently exist and are discussed in more detail in this document.

The “Pipeline” should be marketed as a VGA resource in print and online, using advisory groups and strategic outlets, such as bankers and local licensing offices to publicize availability of the resources. Resources connected within the pipeline would include technical assistance, training, counseling, and traditional and non-traditional sources of capital.

It is worthy to note that non-traditional financial resources for small businesses are being expanded at the State level through the Virginia Small Business Financing Authority. While VSBFA has been actively marketing this program, awareness could be enhanced by inclusion in the recommended “pipeline.”

➤ **Identify Businesses Poised for Growth and Provide Resources to Encourage Growth.**

The following full report includes secondary research and statistics that support the need to nurture existing businesses that have at least two employees and have potential for scalability and job creation. There has been a dramatic shift in business creation from firms with 10 or more employees to those who are sole proprietors with one or two employees. Such shifts cause concern with the scalability and sustainability of job creation.

An entrepreneurial pipeline serves to support newly formed businesses and address concerns with viability. However, a critical strategy to leveraging potential job growth includes providing attention and resources to companies who may be capable and ready to grow their business, but may not have access to market research and other services that larger businesses typically employ. Tools and resources for existing businesses are available through the SBDC network, including GIS based market research tools, IBIS World Industry Research Databases, and industry specific financial analysis software. We recommend working with economic developers to construct a target list of existing businesses for assistance and using the entrepreneurial pipeline and face-to-face communication to market available resources. The target list may be focused on companies either in or supporting key VGA industry sectors (Wood Products, Advanced Manufacturing, Logistics/Distribution, Information Technology)

- **Work with Community Banks as an Advisory Group and Roundtable.** Community bankers who participated in a separate focus group were very interested in working together as a group on common issues. They were intrigued by the idea of potentially forming a loan pool for small business loans that are deemed too risky to handle within their bank. They are also supportive of guarantee programs such as T-CAP and V-CAP for small business loans. However, SBA and other loan guarantees could be used more frequently if the process were made more manageable for their staffing resources. **Bankers seemed intrigued and very interested in exploring how to share a specialist who is experienced in SBA and other federal programs in order to expand**

**availability of higher risk loans in the region. Capital access is the number one concern of participants in this research project.**

- **Determine feasibility of an Angel fund for VGA and/or Southern Virginia as a whole.** Some research participants indicated that there are existing informal networks of investors who support small businesses who cannot receive traditional financing. While the networks are not well known publicly, their existence, along with participant's assessment of capital availability, demonstrates a potential need. There are resources to assist in developing more formal networks of investors. RAIN Source Capital is currently working with Virginia Community Capital to develop such a program in Southwest Virginia. The fund is slated to begin operation in 2013 and could become a model for a similar operation in the VGA region.
- **Encourage entrepreneurial training and basic business skill development in local schools.** Youth entrepreneurship education did not rise to the final top five priorities, however, frequent discussion on workforce development revolved around development of basic business skills. VGA or a designated committee should work with local school superintendents to understand what is currently offered, while making connections to area institutions of higher learning to develop partnerships in program delivery. This may work well with efforts to expand Vocational and Technical education in the VGA region.
- **Begin to investigate and possibly implement wireless broadband.** Participants listed broadband access as a top concern for business development and growth in the region. VGA should begin to contact service providers in the region to assess interest in the concept. Researchers have been made aware of a "test bed" for wireless broadband currently being developed for another rural area of the state through the Center for Advanced Engineering and Research. VGA may wish to investigate this effort and assess whether it may be duplicated in the VGA region.

The LSBDC is confident that this research has resulted in systemic recommendations that will have a very positive effect on the entrepreneurial climate in the VGA region. Solutions vary in required resources, time of study, and implementation and will require short and long term implementation schedules. Limited resources may require The VGA Board of Directors and Executive Director to obtain assistance through outside agencies and additional committees.

## **II. Background - Virginia's Growth Alliance and Entrepreneurship Development**

Virginia's Growth Alliance (VGA) was formed in 2012 as an effort to support regional economic development strategy and planning. The region consists of seven localities (Brunswick, Charlotte, Emporia City, Greensville, Lunenburg, Mecklenburg, and Nottoway) that are working together to craft a regional vision and plan of action. County administrators, economic developers, and members of the boards of supervisors represent their respective localities on the board of directors and various committees.

VGA's board began the planning process for the region by soliciting proposals for planning assistance in four areas: Branding and Marketing, Industrial Development, Workforce Development, and Entrepreneurial Development. In July 2012, VGA contracted Longwood Small Business Development Center (LSBDC) to provide research and assistance with an Entrepreneurial Development Plan.

Longwood SBDC is an economic development outreach of Longwood University. The mission of the SBDC is to bring university resources into the community to support new and existing small businesses with education, research, and individualized consulting. Funding support from the Small Business Administration, Longwood University, and area localities ensures that consulting services are provided to small business owners free of charge. The SBDC also provides qualitative entrepreneurial research for communities and agencies, working with faculty and students to supplement staff efforts in this area. The SBDC has three full time offices which serve the VGA Region: Farmville (Headquarters), serving Charlotte, Lunenburg and Nottoway; Crater SBDC of Longwood, serving Greensville and Emporia; and the South Boston office, serving Mecklenburg and Brunswick.

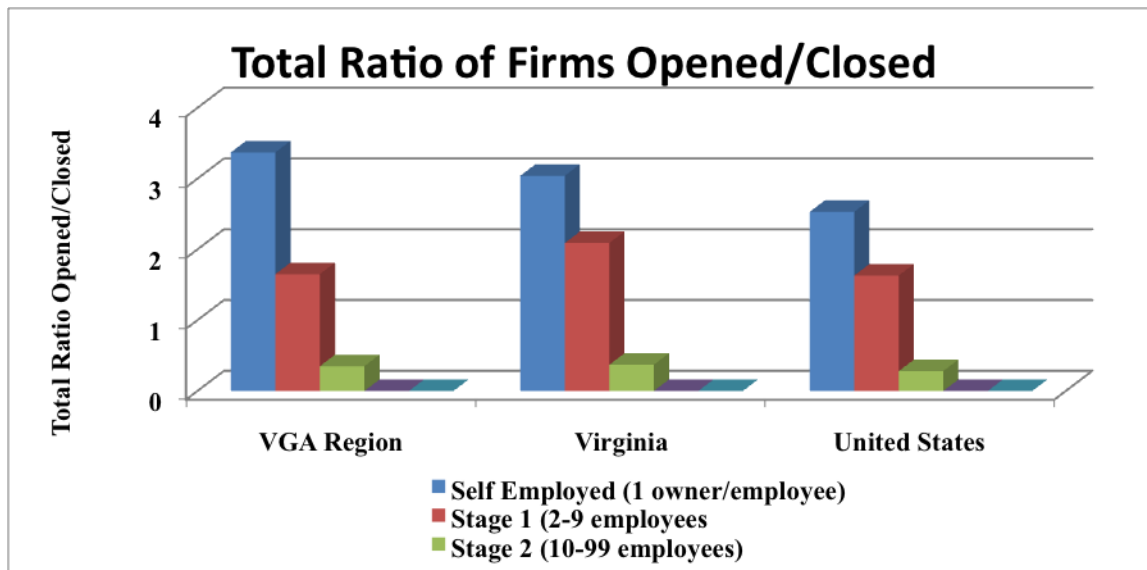
While the region must look towards the ability to attract industry and major job creators to increase the economic "pie," healthy growth is dependent upon the ability to also cultivate entrepreneurship to support the larger community and a higher quality of life. An initial study of regional business and jobs growth statistics underscores the importance of entrepreneurship. From 2006 to 2010, the majority of new jobs in the region were created within the self-employed or stage one business (0-9 employees). While stage two companies (10-99 employees) have long been credited with the ability to add jobs at a higher rate, the recent recession has highlighted the impact and importance of entrepreneurship as an option to shrinking employment in larger industries.

Research conducted by the LSBDC seeks to understand the current entrepreneurship environment in the region and identify the various resources that are, or may be, made available for entrepreneurship development. Recommendations are provided based on input from community members and business owners as well as secondary research by staff of the LSBDC.

### III. The Entrepreneurship Environment

Statistics on company births and deaths by size illustrate major shifts in the structure of national, state, and regional economies over the past several years. According to statistics from the Edward Lowe Foundation and YourEconomy.org, the number of self employed businesses (1 owner/employee) increased by 47.1% nationwide from 2006 to 2010. During the same time period, small businesses employing 2-9 employees increased by 34%. All larger business categories (from 10 employees up to 500+) declined in number. These statistics were repeated in both Virginia and regionally within VGA localities. The business mix within VGA shows an even heavier shift to very small self-employed/one owner businesses, with self-employed businesses increasing by 57.6% and small businesses employing 2-9 individuals increasing by 16.9%. (A full report of statistics by locality as well as by size of company is included in the appendix.)

Comparing the number of firms opening vs. closing in each size range can also help us to understand the pace of business development within the region and within each locality. For instance, the graph below shows that from 2006 to 2010, 3.3 self-employed businesses opened in the VGA region for every one self-employed business that closed. This is slightly above the average for Virginia (3.04) and the nation (2.53). We also can see that the VGA region has less development activity with larger businesses. In the category of “stage 1” businesses or those employing 2 – 9 employees, the VGA region produces 1.65 openings for each closing, lagging behind Virginia’s ratio of 2.09, but similar to the national average of 1.63.



This shift in our economic structure from larger companies to smaller companies illustrates the importance of supporting small businesses as job creators. This trend also causes some concern about viability and capacity for future employment growth within smaller firms.

Research by Dr. Gary Kunkle of the Institute for Exceptional Growth Companies argues that this shift towards very small companies reveals potential problems with scalability, or the ability to add jobs in an efficient and sustainable manner. He notes several statistics in this excerpt:

“First, it is true that the number of startups exploded over the past decade, rising from 870,394 in 2000 to 2.2 million by 2010... However, new startup ventures have become smaller and less likely to survive, and those that do survive create fewer jobs after their birth. For example, the average single location business born in 2000 employed 4.7 workers, but a similar business born in 2010 had only two employees. Looking at the smallest end of the startup scale, we find that the survival rate of sole proprietors has fallen dramatically over the past two decades. Consider that 83 percent of sole proprietors that opened shop in 1993 survived for the following five years -- a 20 year peak – but by 2000 the five year survival rate had already fallen to 72 percent. And the slide continued. Only 63 percent of sole proprietorships born in 2005 survived to 2010. Thus the chances of survival fell from over 4 in 5 to less than 2 in 3 since the high-water mark about 20 years ago.” (Kunkle, Gary “Building scale and sustaining growth: The surprising drivers of job creation” Institute for Exceptional Growth Companies, 2013)

Dr. Kunkle goes on to state that there was a 36 percent drop in the job generating power of sole proprietor start-ups in less than a decade.

The cause of the economic shift towards very small businesses may be based on several factors including off shoring of manufacturing operations, rise in national productivity, changing consumer confidence, or national financial crises. Regardless of cause, research lends some concern on the survivability and scalability of these businesses. To assist in addressing these concerns, economic development plans should include systematic elements of support for new and existing entrepreneurs.

Economic Gardening is a term readily used to describe a system of support for small business within in a region. According to the Kauffman Foundation, “Economic gardening connects entrepreneurs to resources, encouraging the development of essential infrastructure and providing entrepreneurs with needed information.” One particular focus of economic gardening is providing support to the stage one and two businesses (2-99 employees) that are poised for scalability and job creation. Littleton, Colorado provided the first documented model of economic gardening. Littleton provided local entrepreneurs with access to resources that were previously available only to large companies. These tools included access to competitive intelligence on markets, customers, and competitors as well as are database and data mining resources, and geographic information systems. Identifying “gazelles,” (smaller companies poised for growth), and providing them with resources and information to assist in growing their firms may help to balance focus between startup businesses and existing businesses. This strategy could help to boost the growth potential of existing small companies, addressing concerns with scalable and sustainable job creation.



An analysis of firm creation by county, region and state is included in the appendix to assist each specific locality with additional strategy development.

#### IV. Keys to Economic Success – Growing Entrepreneurial Communities

The following excerpt from The AgUrban “ezine” emphasizes the need for systemic and well-planned solutions for Entrepreneurship. We include it here as a conclusion to the discussion on the entrepreneurship environment and as a logical transition into research findings. The following content is shared with permission from *The Agurban and Jack Schultz*.

**Key 1 – Local Responsibility** - Economic development does not just happen. There is no invisible force that creates jobs, provides new investment or expands the tax base authority of local governments. People and organizations make economic development happen either through private or collective decisions. Pro-active communities and regions can and do change their prosperity through smart, well-worked and sustained economic development.

**Key 2 – Smart Game Plan** - We can no longer ride on past advantages. Today’s highly competitive global economy and society demands that American communities invest in developing smart game plans rooted in genuine development opportunities. What has worked in the past may no longer make sense.

**Key 3 – Robust Investment** - We all know that businesses that do not reinvest in themselves are likely to erode their competitive advantage, lose market share and eventually fail. Well, the same is true for communities. As every farmer knows, you cannot reap what you do not plant. The same is true with economic development; there must be robust investment in a smart development game plan sustained annually over time.

**Key 4 – Entrepreneurial Development Systems** - We have studied economic development across North America. **One lesson we have learned is that systems generate greater outcomes when compared to unarticulated programmatic efforts.** In economic development with the shift in focus back to local entrepreneurs, the prime opportunity for development is through entrepreneurial development systems. Building entrepreneurial development systems is hard, but the potential dividends are huge.

**Key 5 – Sustained Effort** - Economic development never ends. There are no holidays, vacation or retirement. Communities that succeed sustain their efforts at a robust level year in and year out over decades. The key to sustained effort is renewal of community leadership. Building a game plan that invests in economic development leadership and ensures continued transition is the foundation for sustained effort.

**Key 6 – Growth Entrepreneurs** - Each community must find its own solution set. Every community is different and has unique opportunities for development. We believe that communities that succeed in the 21st Century focus on helping to grow more growth entrepreneurs.

**Key 7 – Attributes of an Entrepreneurial Community** – The State of Georgia has done a remarkable job with its Georgia Entrepreneurial Communities Initiative. This program has helped communities, large and small, across Georgia explore and build programs that foster an

entrepreneurial climate or environment.

**Key 8 – Immigrants & New Residents** – Immigrants and new residents have been a renewing force in American communities forever. Communities that welcome, embrace and support immigrants and new communities do better economically and socially over time

**Key 9 – Real Regional Collaboration** - One of America’s greatest economic development challenges is the lack of workable and meaningful vehicles for regional collaboration. Successful communities will likely foster regional development collaborations through locally supported regional development organizations.

**Key 10 – Civic & Social Entrepreneurs** - It is important to recognize that there are three kinds of entrepreneurs that will enable development success and sustained prosperity – business, civic and social entrepreneurs. Civic (government) and social (nonprofits) will lead in creating the strategies, quality of life amenities and business climates necessary for business entrepreneurs to succeed. Conversely, business entrepreneurs drive economic development creating new private investment, jobs and careers and local tax bases.

*The Agurban* is a free newsletter distributed each week to community and economic development professionals throughout the United States. Read past Agurbans and learn more about Agracel at [www.agracel.com](http://www.agracel.com).

## V. Methodology

The LSBDC chose a qualitative, community based focus group method to study the various communities and their perceptions on the entrepreneurial environment. The purpose of this highly interactive method was two-fold: To engage the community in productive discussion on possible problems and solutions, and to educate the community on the purpose of the Growth Alliance and the importance of their input and involvement in this regional effort. Focus group work was supplemented with survey work and analysis on need for and usage of resources.

### A. Focus Groups

Focus groups were arranged beginning in August 2012. LSBDC hosted two focus group sessions in each county in VGA, one session for small business owners and one session for business supporters. (Supporters are those providing advisory services to small business, including bankers, CPA's, Insurance agents, Local representatives, etc.) Economic developers in each locality assisted in providing contacts and referrals for small businesses and supporters in their locality. Researchers then arranged each focus group in a sub-regional fashion, inviting a mixture of attendees from surrounding counties. The practice allowed attendees to get to know others from around the region and encouraged open discussion among peers that were not overly familiar with each other.

Twelve initial focus groups were held throughout the region with a total of 103 participants – 63 business supporters and 40 business owners. The mix of business owners included established businesses as well as new businesses. A final focus group of both supporters and owners was held, including volunteer participants from each former focus group. There were 28 participants in this final group: 12 business owners and 16 business supporters.

During each individual focus group, participants were given a listing of priorities for entrepreneurial development in the region. The listing included blank spaces for additional ideas. An example listing is included in the appendix and is also represented in survey reports within the appendix. Attendees were asked to rank the priorities in order of importance. After this had been completed, participants were divided into discussion groups to reason through their rankings together. Each group then presented a group ranking, which was discussed. At the end of the meeting a final listing of priorities was developed and discussion centered on solutions and recommendations. Researchers entered all priority sheets into survey software to produce an overall analysis and report.

The exercise above was repeated in each focus group, whether supporters or owners. In the final focus group, including both supporters and owners, the process was repeated again, using the final output sheets from each previous focus group. The discussion was lively and engaging with supporters and owners getting the opportunity to hear different viewpoints and debate solutions together. The order of priorities presented in this research report was the direct result of the final focus group, which compiled and discussed all priorities from previous focus groups. Recommendations for action on final priorities are the results of all focus group discussions as well as additional research done by LSBDC.

## B. Surveys- Usage and Knowledge of Entrepreneurial Resources

Focus group attendees were also provided a survey on their knowledge and usage of current entrepreneurial resources. 69 of the participants returned the survey, including 42 business supporters and 27 business owners. Respondents answered questions on the following resources:

- Venture/Equity Capital
- Loan Programs
- Technical Assistance/Mentoring
- Educational Programs/Training

Respondents were asked the following questions about each category of resources:

- Awareness
- Usage
- Perceived Availability
- Satisfaction with the Availability

Space was provided for additional commentary.

## C. Additional Research with Bankers

As research concluded, access to capital had risen as a top concern. In order to clarify information on the banking environment, LSBDC convened a last focus group consisting of community bankers who had participated in prior groups. This particular focus group led to recommendations for improving access to capital and strengthening the ability for community bankers to work together to enhance access to capital in the region. Elements of the conversation are woven into recommendations for VGA.

## **VI. Results of the Focus Groups and Surveys**

### **A. Top Five Priorities and Recommended Solutions**

#### **1. Capital Access**

##### **The Lending Environment**

Capital access has been rated as the number one priority/issue regarding entrepreneurship. Business owners shared the following concerns:

- Perceptions that capital is limited or restricted.
- Belief that getting loans now is too difficult and the process is intimidating.
- Borrowers are confused with restrictions on lending by banks with which they have historically had good long-standing relationships.

Banking attendees offered their perspectives:

- There is not actually a shortage of money to be loaned.
- Borrowers are not prepared when they apply.
- Regulations require that loan approvals rely heavily on cash flow more than assets.
- Regulations have increased since the recession of 2008 and have slowed processing, making it essential that borrowers become more prepared when applying.

Borrowers have not consistently embraced changes in the marketplace, which has given the perception that banks don't want to lend money. Attendees who would be potential borrowers asked how they could be better prepared when seeking a loan. The bankers replied that in most cases, they must have a business plan and can show cash flow within the business financials.

##### **Solutions for the Lending Environment**

While lending has become more regulated than ever before there are some potential solutions (steps that can be taken) to help with the issue of accessing capital for both bankers and borrowers.

##### **Community Bankers' Roundtable**

Our first recommendation is for the community banks, which are located in the Virginia Growth Alliance region, to form a community bank roundtable and advisory board to discuss non-competitive issues that face both the banks and the borrowers in the region. While the roundtable would not be limited to community banks it is the community banks that have a more vested interest in the success of the region. Some of the non-competitive issues that are common to the community banks are:

- Educating borrowers
- Marketing to a larger audience
- Management of limited resources
- Understanding non-traditional sources of lending support such as T-Cap (Tobacco Capital Access Program administered through Virginia Small Business Financing Authority – See list of lending resources for small business).

The proposed roundtable would meet quarterly, or as needed to discuss issues of lending that would be

important to the region. The meetings could be coordinated by VGA (Virginia's Growth Alliance) and serve as a continuing focus/advisory group to advance the interest of banking and small business community in the region. Topics discussed should be non-competitive so that there would be a free flow of exchange between the members. The roundtable could provide an invaluable service by providing a list of needs to VGA, regulators, and business support groups such as the Longwood Small Business Development Center and others involved in entrepreneurial development.

### **Education of Borrowers – VGA Entrepreneurial Pipeline**

**A key component of educating borrowers will be the consistent packaging and presentation of existing resources that are available to small business owners. The bankers' roundtable could provide both a continuous source of information on resources and a coordinated outlet for distribution of such information. As discussed in other sections of this report, preparation of an "entrepreneur's guidebook" and "entrepreneur's web portal" for the region would be very beneficial. The guidebook would be developed to coordinate with VGA branding and the VGA website.**

A "pipeline" process should be developed so that, not only do entrepreneurs receive vital information, but referral to specific resources is also streamlined to fit an entrepreneurs needs. A visual flowchart of existing resources and the appropriate time or situation in which to access them should be a part of information shared with entrepreneurs.

It will be important to have a coordinated approach in the development of an education "pipeline." There must be a central coordinating agency, be it VGA or other regional entity which will "own" the process and be responsible for coordinating and updating information from all small business resource providers. The coordinating agency should regularly convene and communicate with various federal, state, and regional business development resources to keep the VGA entrepreneurial pipeline of information current and flowing.

The initial pipeline structure would include existing programming for small business owners, coordinated and communicated in a way that clarifies options for potential and existing business owners. Participants in all educational programs should be regularly surveyed to determine satisfaction as well as effectiveness of the programming. Information gathered may assist existing resource partners to then develop additional educational programs to meet the changing needs of small business owners.

**Community banks are excellent vehicles for coordinated publicity of the VGA Entrepreneurial Pipeline.** The community banker's roundtable should become a partner in educational programming throughout the region to explain the lending process, various resources for borrowers, and the importance of preparation. While banks may differ in some of the processing, the basics are the same. The roundtable could make recommendations of the types of programming needed and work with existing regional assets to encourage such programming. The roundtable group could also participate in youth entrepreneurship efforts to help explain how the lending process works.

### **Marketing**

**The community banks could co-sponsor advertising campaigns that would promote community banks, their virtues, and that they have money to lend.** Because there are many potential borrowers who are under the impression that there is a shortage of money, this campaign would be a service to both the community banks and the borrowers. **It would also expand and encourage usage of tools available to community banks.**

## Non-Traditional Loans

There is a need/market for non-traditional loans. Non-traditional loans are loans that are viable but can't be approved through regular lending practices. **One possible solution would be for the community banks to create a lending pool that gives these potential borrowers an opportunity to receive a loan.** While the members of the lending pool would contribute the same amount of money to the pool they would also share the liability so that no one institution would be overly burdened with risk. **The roundtable could also exercise influence to ensure that the region continues to receive special lending incentives such as T-CAP or V-CAP.**

While community banks may form their own option of alternative lending, it may be more feasible in the short term to use the proposed "Entrepreneurial Pipeline" to assemble and dispense information on existing alternative lending programs being expanded throughout the state. In such a rapidly changing environment, It is likely that the local banking community is not aware of all of the possible micro lending opportunities that are available for small businesses. For instance, Virginia Small Business Financing Authority has implemented two new alternative loan pools for small businesses. One such pool provides up to \$25,000 in direct, non-collateralized, funding for small businesses who use existing counseling services of the Virginia SBDC Network. The loan fund is being used at a rapid pace and is being considered for expansion. The required counseling accomplishes the goal of making sure borrowers are prepared by accessing available counseling resources. Additionally, VSBFA has instituted a "Cash Collateral" Program to encourage private lending for small businesses. The program provides private lenders with cash collateral deposits to use as additional collateral support for business loans.

In short, the intent of a bankers' roundtable would be to not only consider new solutions and provide input for resource providers, but to also be more informed of other lending resources through the "entrepreneurial pipeline," and, in turn, also educating their clientele by distributing this information.

## SBA Loans

The Virginia Growth Alliance region should be prime market for SBA loans: however, most of the community banks find it difficult to offer SBA loans because of the complexity of the process. **A potential solution is to use the roundtable to discuss the possibility of the community banks sharing a SBA lending expert.** This person would be scheduled to work at each participating bank during a specified time. The SBA lending expert could help the participating institutions grow their businesses but most importantly it will give the business owners of the region another possible source of capital.

It is important to stress that all solutions mentioned would have a higher level of success if coordinated by a central agency. VGA or another regional entity should coordinate and promote an effective "pipeline" that makes efficient use of existing resources. This is particularly true for a region whose financial resources are limited. This need for coordination is evident by the many people interviewed who weren't aware of the many resources already available to help with loans.

## Seed/Equity Capital

Discussions and surveys indicate that business owners and business supporters feel that access to seed or early stage venture capital is an important component of services to emerging small businesses. The majority of participants were unaware of resources that are available or unsure of how to access them. Several participants indicated that there are informal networks of citizens in some member counties who actively invest in small businesses. Virginia's Growth Alliance would benefit from further study and development of existing informal investor networks.

There are resources available to assist in studying the feasibility of an angel fund and in organizing investors. For example, The Appalachian Regional Commission is currently working with Virginia Community Capital and RAIN Source Capital to establish a capital fund in the Southwestern Virginia coalfield region. According to their website and other references, RAIN Source Capital's vision is to build a national community-based system of investors, capital and expertise to grow private companies close to where investors live. RAIN Source Capital empowers angel investors (accredited investors) using a proprietary process to create, capitalize, and operate angel member managed funds called RAIN Funds.

**It is recommended that VGA closely follow the development of this fund, titled "Angels in the e region," as it is slated to begin operating in 2013 and could serve as a valuable case study. It would be beneficial to contact officials at VCC and RAIN regarding the potential feasibility of fund establishment in Southern Virginia.**

## **2. Workforce Training/Development**

The second highest priority or concern amongst the combined group of supporters and business owners was workforce training and development. While there is a separate study being performed for specific and industry focused workforce development in the Growth Alliance Region, conversations within focus groups reiterated the importance for small businesses as well.

Group participants generally felt that individuals who are available to work within small businesses in the region are lacking basic skills in workforce readiness. Focus group participants mentioned math skills, interpersonal skills, customer service skills, financial management and personal time management skills as areas in need of improvement. Participants mentioned the importance of vocational and technical job preparation in preparing students for jobs in the area.

**It is recommended that VGA work closely with local educational institutions and workforce development programs to develop not only industry specific skills, but also strong basic preparedness skills within area school systems.**

## **3. Good Business Infrastructure**

Participants listed concerns with infrastructure, including water, sewer, telecommunications, rail, natural gas, and other such services. While availability of these amenities is sporadically good, most participants indicated that some small town infrastructure caused concern, especially in terms of water and sewer.

When answering this question, many participants mentioned broadband as a component of good infrastructure. Broadband was also listed as a separate priority and also came in 5<sup>th</sup> as a separate concern.

Virginia's Growth Alliance may take advantage of lobbying power as a group to address funding for infrastructure needs. **In terms of broadband, a suggested solution is to investigate delivery of wireless**



**broadband. Researchers were made aware of a wireless broadband test project being conducted through Region 2000's Center for Advanced Engineering and Research in the Region 2000 area. A similar "test bed" may possibly be developed for VGA by working with local telecommunications providers and available centers such as CAER.**

#### **4. Business Counseling/Mentoring/Training**

The majority of attendees were aware of some specific technical assistance programs (counseling, mentoring, or training) that exist in the region for small businesses. There is a full offering of programming from various agencies for various stages of business including brief sessions on business planning, extended multi week courses for those new to business, focused workshops on specific topics, and individualized confidential consulting. Most of these services are free. Examples of programs mentioned included SBDC counseling and training, SVCC sponsored courses, Virginia Tourism Corporation workshops, Southside Planning District Commission loan programs, and programs offered through the Extension Service. In addition to those mentioned, newer programs have emerged since this study began. United Virginia has developed a longer-term training program to serve more in-depth basic business knowledge that is needed before preparation of a business plan.

Many business supporters indicated that there are numerous sources of business counseling and training; however, encouraging potential and existing business owners to access the services to their advantage is challenging. Potential and existing business owners are often less aware of these available services than those who are business supporters (i.e. bankers, government officials, etc.)

**These findings point to a need for an entrepreneurial "pipeline" and web portal that is coordinated and marketed as an outreach of VGA. This is a recurring theme that is mentioned under capital access, in reference to providing well-marketed, easy and coordinated access to the types of assistance available in preparing clients to access capital.**

**A pipeline coordinated by VGA would be enhanced and more easily updated if an informal council of service providers were formed to work together on place-based entrepreneurial programs throughout the region. Any organization that provides entrepreneurial support services within the VGA region should participate. This group would regularly solicit feedback from the VGA board and VGA local advisory groups.**

**The pipeline, by virtue of being a centralized system of data collection, could provide a means to evaluate current programming and to study additional needs of business owners. There may be many diverse data tracking needs and questions about how to coordinate collection and analysis; however, the recommendation is for VGA, along with service providers, to explore this opportunity. While the system along with coordination of service providers could be built and managed by VGA; using an established regional service provider for this task can enhance efficiency and speed to market. The SBDC has an established network and statewide management information and client tracking system that may be customized by region to include other entities and users. It is recommended that this be investigated as a potential option. Alternatively, Sourcelink is a customizable stand-alone software package that collects basic information and provides linkages to**

**resources available for the business community. In Virginia, Loudon County is currently implementing this system. ([www.sourcelink.com](http://www.sourcelink.com))**

There was limited discussion on the potential for a business incubator to facilitate mentoring and counseling resources. While the “entrepreneurial pipeline” would form the basis for virtual incubation, certain localities may wish to explore a physical incubator presence with onsite resources. For these communities, we recommend approaching the incubator concept in terms of the overall economic base and economic development strategy within the specific community. In order to be successful, an incubator must be focused and aligned with economic development goals and a realistic business plan for the incubator itself should be developed, illustrating the market for tenants, a management and staffing plan, and financial sustainability. The statistics provided in the appendix on business generation may serve as a basic starting point for researching the market for a business incubator in any one locality.

## **5. Access/Affordable Broadband Service**

**(Covered along with Good Business Infrastructure in number 3 above)**

## **B. Other Discussion and Recommendations**

**While the following issues did not rise to the top during the final focus group meeting of business owners and supporters, their prominence in ongoing group discussions merits mention.**

### **1. Peer Groups**

Business owners and supporters openly commended the VGA and the facilitators for convening discussions with them across county lines. Coming together to discuss common issues allowed participants to not only develop solutions for their own success, but also allowed them to feel part of a common team and involved in the regional planning process. Most business owners and supporters indicated their desire to continue meeting to discuss common issues and solutions. **Continuation of focus groups as peer groups and/or advisory groups is highly recommended. These groups must be well – organized and managed to have a purposeful agenda in order to be effective.**

### **2. Youth Entrepreneurship Programs**

Discussions on workforce preparedness often developed into discussions on business education and preparing children to adopt an entrepreneurial mindset and gain basic business and financial management skills as they progress through middle and high school. Most participants felt that this mindset is necessary with a changing economy. The upcoming workforce must be entrepreneurial when working within a small business or in preparing to be self-employed.

The Kauffman Foundation provides many resources for development of youth entrepreneurship programs. ([www.kauffman.org](http://www.kauffman.org)) The Kauffman website includes a

study by the World Economic Forum titled “Educating the Next Wave of Entrepreneurs.” This particular study lists vital components of entrepreneurship education:

The curriculum for most successful youth entrepreneurship programs includes many or all of the following activities, typically with clear learning objectives tied to textbook themes, usually with pre- and post-reflective sessions and evaluations, and frequently taking place outside the classroom:

- Simulations and games
- Interactive teamwork and group activities
- Direct, action-oriented market research (students need to recognize market opportunities by observing and interviewing potential customers, identifying needs in their own communities)
- Student buying and selling events, using real money (grants or loans from the school or program)
- Field trips to local businesses, especially entrepreneurial ventures
- Entrepreneurs or venture funders as guest speakers in class
- Business plan competitions, with business people as judges
- Student-run businesses, using real money (including in-school stores)

(Educating the Next Wave of Entrepreneurs, World Economic Forum, Global Education Initiative, Switzerland, April 2009)

The Kauffman Foundation provides a platform of research, tools, and funding opportunities to develop entrepreneurship education programs for ages eight and above.

It is recommended that VGA, or a subcommittee of VGA, work with local school superintendents to understand what entrepreneurship programs already exist in their school divisions, provide input toward development of additional needed programs, and assist in researching viable opportunities for creation and funding of entrepreneurship education programs.

## Firm and Job Creation Data



