

# **Local Roles in Cultivating a Small Business and Entrepreneurial Culture**

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## **I. Introduction**

Local officials widely recognize that economic competitiveness is contingent upon a strong and growing entrepreneurial and small business community. This is particularly relevant given the national dialogue promoting entrepreneurs and small businesses as key drivers of economic recovery. In order for these businesses to thrive, however, they need a place, or local culture, that does not create barriers and is supportive of their development. While local governments do not necessarily create new businesses, their programs and policies heavily influence this local culture. Building on previous survey research and in-depth field work, we develop a framework to begin to understand and define the underlying characteristics of local efforts supportive of a small business and entrepreneurial culture. We offer case studies of four promising programs in Wichita, Kan., New York, N.Y., Seattle, Wash. and Boston, Mass. to illustrate these characteristics in practice.

### *Background*

Local governments are likely the primary policy makers and regulators that entrepreneurs and small businesses encounter. Unfortunately, many local governments do not know the impact of their efforts or what their most effective roles should be. Too often, local regulations can unknowingly create institutional and bureaucratic barriers that impede development and the speed to market for new businesses. Additionally, while most local governments have policies and programs designed to proactively support entrepreneurs and small businesses, these efforts are not necessarily well suited to meet the needs of the types of small businesses most likely to drive economic growth.

To better understand local government roles in creating a supportive small business and entrepreneurial culture, the National League of Cities (NLC) conducted research in 2010 on the impacts of local government policies and regulations on the growth of small businesses.<sup>1</sup> We examined policies reported by local governments as those most often used to support entrepreneurship and small business development, including: access to capital programs (revolving loan funds), management development (Small Business Development Centers), regulatory and permitting assistance, and marketing assistance. We also examined whether the local government engaged with the private sector for policy development.

Our preliminary research findings suggested that among these more traditional policies, the most effective ways local governments create opportunities for entrepreneurs and small businesses is to provide an efficient regulatory environment and to provide avenues for local businesses to engage with policy makers. These are facilitative roles of local government that lie squarely within their purview. These roles are clearly an imperative part of a supportive local culture, but the survey was limited to traditional policies. It did not allow for us to examine the specific components or governance processes associated with these roles. It also did not allow for an analysis or identification of more innovative approaches being taken by cities across the country. Beyond the leverage points identified in the survey research, more information is needed to better understand the underlying characteristics of promising local efforts, including more

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<sup>1</sup> This research was presented during the 2010 Small Business, Entrepreneurship, and Economic Recovery Conference at the Federal Reserve Bank of Atlanta.

innovative approaches and those supporting small businesses and entrepreneurs most likely to drive economic growth.

### *Framework*

Through a series of interviews, site visits, roundtable discussions and field scans, this research begins to fill the knowledge gap about what constitutes promising local practice for entrepreneurial and small business development. Our efforts to date have led to an initial framework, or common characteristics among promising programs: local leadership, communication with entrepreneurs and small businesses, partnerships and ability to be responsive to economic conditions or opportunities.

- **Leadership**

Local leadership appears to be a critical factor among promising small business and entrepreneurship efforts. “The local government social support system is constituted by a proactive local government leadership with a clear economic vision for the city that encourages participation of entrepreneurs and small businesses in city development planning...and other efforts to support these firms within the city” (Roxas et al. 2008). Although leadership can come from many places within the community, local elected officials are particularly well-positioned to take on this role (McFarland, et al. 2010). Dedicated elected leadership provides legitimacy for the issues and programs, motivates stakeholders into action, and shows small businesses and entrepreneurs that the local government is aware of their contributions and wants to help them succeed. Elected official support can also help provide the budget and staff accountability needed for program success.

- **Partnerships**

Given the increased complexity and diversity of interests involved, collaborative partnerships are a critical element in creating a supportive small business and entrepreneurial culture. These partnerships, whether contractual or less informal, allow local governments to access local businesses and harness the breadth of resources, knowledge, leadership and skills of stakeholders (McFarland, et al. 2010). For example, often, small business and entrepreneurial programs require a level of management, capitalization and industry expertise not available in local government (Reynolds, et al. 1994). Partnerships allow local government to offer support within their reach, such as political leadership or program budget contributions, while allowing service providers to implement the program or to access key constituencies. This can be beneficial given that community partners may also have a closer relationship with entrepreneurs and small businesses and a better understanding of the challenges they face.

- **Communications with Entrepreneurs and Small Businesses**

By making the effort to reach out and communicate with the local business community, local officials and other service providers can gather input to help improve local business policies, demonstrate that the community cares about the success of their business and helps city leaders and others celebrate small business and entrepreneurial success stories. In a survey of entrepreneurs and small businesses in Australia, Morris and Brennan (2003) find that small businesses highly value having open communications with local government. Cities promote communication with entrepreneurs and small businesses in a number of ways, including interviews with company CEOs, partnering with local Small Business Development Centers or

holding roundtables with local business organizations like chambers of commerce and technology councils.

- Responsive to Economic Conditions/Opportunities

Promising local efforts to provide a supportive small business and entrepreneurial culture appear to be nimble and responsive to local economic conditions and the concerns of the business community. Some also focus specifically on the types of small businesses and entrepreneurs proven to drive economic growth, including those with exporting potential, immigrants and those in emerging industries.

### *Methodology*

Research for this effort involved a series of qualitative methods. In summer 2011, we conducted a roundtable discussion with local practitioners and national experts in Washington, D.C., and tapped partners in national organizations, academia, business, Federal government and practitioners (see appendix A for participant list). We also conducted a two-day information gathering and engagement session with 30 local elected officials from the National League of Cities' (NLC) Advisory Council leadership group, comprised of former NLC board members (see appendix B for participant list). This group of elected officials represents a diverse cross section of communities from across the country.

We also conducted a field scan via extensive local newspaper and web searches to identify and better understand the history, components and outcomes of local programs and policies. Based on these information gathering techniques, we discerned several key characteristics that begin to define promising local practices that build a supportive small business and entrepreneurial culture. We selected four programs that reflected these attributes and followed up with interviews of elected officials and program staff.

Although our methodology for identification of underlying characteristics and case study programs does not guarantee a comprehensive, national view of promising local programs, we are confident that this effort is a step in the right direction to helping fill the knowledge and data gap about what works at the local level. Interviews with local businesses engaged in the programs will be a beneficial next step. In the meantime, we are hopeful that our results will be useful to practitioners and researchers alike and will advance the dialogue of how to create a supportive environment for small business and entrepreneurial growth. The next section of the paper provides four case studies illustrating our framework, followed by conclusions and next steps.

## **II. International Trade: Wichita, Kan.**

### *Background*

There are many reasons for businesses to export and for local leaders to foster international trade in their communities, particularly among small businesses. While providing new goods and services to U.S. consumers will always be central to a thriving economy, for businesses to grow and create jobs, they need to find new markets and customers (McFarland and McConnell 2011). With nearly 96 percent of consumers and over two-thirds of the world's purchasing power outside the U.S., and with global boundaries becoming less of an obstacle, exporting is becoming a more viable business strategy (International Trade Administration 2008). Exporting can reduce dependence on the domestic market, diversify sources of revenue, extend sales potential and product shelf life of existing products, and stabilize seasonal markets and sales fluctuations (U.S. Small Business Administration 2011). Additionally, on average, businesses that export experience faster sales growth, create more jobs and their employees typically earn 13–18 percent more than non-exporting firms (U.S. Commercial Service 2011).

Small businesses, in particular, are a growing segment of exporters. According to the U.S. Department of Commerce (2008), more than 97 percent of U.S. exporters are small and medium-sized enterprises (SMEs), accounting for nearly a third of U.S. merchandise exports. Since 1992, the number of smaller businesses that export has more than doubled, and their export revenues have tripled. Although this is an impressive figure, it represents just one of every 100 U.S. companies (U.S. Chamber of Commerce 2011).

Small businesses face greater barriers than their larger counterparts, who often have the more experience and financial resources to navigate external markets. Small businesses often lack the ability to make large upfront financial commitments needed to begin exporting. They also may not be knowledgeable about the potential of foreign markets or the legal and logistical parameters of exporting. Many also have trepidation about cultural and language barriers and may lack trust in foreign business partners (Zwahlen 2011).

### *International Trade in Wichita, Kan.*

International trade is a particularly important part of the economic activities in Wichita, Kan., which exported over \$12.5 billion worth of manufactured and agricultural products in 2008 alone; supporting 187,500-250,000 jobs (Kansas World Trade Center 2011b). The metropolitan area is the nation's top exporting metro, exporting about 28 percent of what it produces (Istrate 2010). Despite the many larger companies contributing to this exporting success, including Airbus North America Engineering, Black and Veatch Corporation, and Garmin International Inc., the city of Wichita recognizes both the potential of small businesses for economic growth and the export barriers they face.

To this end, the city of Wichita, in partnership with the Kansas World Trade Center (KWTC), developed a number of services to help small businesses achieve greater profits through trade, including:

- *Consultation and Research*: assistance in product classification, patent and trademark information and labeling and marking requirements; in depth economic, political and commercial information about foreign countries; and customized consultation.
- *Education and Training*: trade compliance and processes and language courses.
- *Translation and Interpretation*: internal documentation and marketing communication translation and interpretation to help businesses demonstrate their cultural acceptance and knowledge and to ensure that they get their message across.
- *Global Credit Reports*: develop credit checks to help reduce business liability when finalizing international transactions; use prominent local agencies in the country in order to receive the most reliable information (Kansas World Trade Center 2011a).

According to the KWTC 2010 *Annual Impact Report*, nearly all clients reported an increase in international sales; 22 percent reported at least \$500,000 in international sales generated through use of KWTC services. “Through our relationship with KWTC we have been successful in establishing overseas distribution location and have greatly benefitted from the professional networking of seminar presenters, enabling us to work with them on efforts to better develop our international sales abilities,” notes one client. In 2010, KWTC offered 17 trade compliance education and training courses, serving 333 attendees; offered a regional agribusiness trade conference; provided direct trade services to 404 companies; and coordinated eight government and business inbound and outbound trade missions.

Although the fee-based services provided through the KWTC are available to all businesses in the region interested in international trade, the majority of clients are small and medium-sized enterprises (SMEs). According to Karyn Page, CEO and President of KWTC, “SMEs have less resources (time, personnel, knowledge, money, attorneys, CPAs, experience, etc.) than larger businesses. This causes SMEs to need the full gamut of international trade services and guidance – from one-off questions to help them get an export shipment out the door or complete a document, to how to enter a particular foreign market, to how to export, etc.” Large companies usually know the basics of how to export, they just need support to help them export more or export more efficiently. SMEs are usually seeking the full range of services, but often do not have the budget to purchase services or the staff to implement.

This is why KWTC’s work with and for the city of Wichita is a particularly important partnership, especially for small businesses. The city’s annual contract with KWTC allows KWTC to provide services, such as answering technical questions, providing basic research and offering training to businesses within the city at no charge or at a reduced rate. These cost-savings mean a higher probability of helping smaller businesses achieve export success. City council reviews the contract for renewal annually, upon the city’s economic development staff recommendation. The contract is in the economic development budget. KWTC staff work closely with the mayor, city council, city manager’s office and the economic development staff to ensure that local policies and programs are supporting KWTC trade activities, and vice versa. On a regular basis, city manager staff and economic development staff are KWTC’s main points of contact with the city.

KWTC reports that working with the city can be challenging, because the contract requires extensive follow up with clients and report back to the city. The city requires annual review of

key performance measures (international sales and performance of KWTC services) via online survey tools for immediate evaluation of services rendered, survey of local company participants in foreign government and business missions and survey and focused telephone interviews of seminar and conference attendees.

KWTC also partners directly with Mayor Carl Brewer to make sure that he has all the information and support he needs to be a champion for trade development. According to Ms. Page, “this is no small task because he is involved in many activities and is a great supporter of KWTC activities and trade in general... He is always available to provide welcome remarks for trade events, meet with foreign delegations and provide support in many other ways.” The Mayor leads trade-focused missions to Sister Cities and is the co-chair (with Kansas Senator Carolyn McGinn) for the City of Wichita’s [EcoPartnership](#) with Wuxi City (Jiangsu Province, China). He has also led the first mission to Wuxi.

In addition to the city of Wichita, KWTC works with other partners in the public and private sectors to provide exporting services to small businesses, including U.S. Small Business Administration, local Small Business Development Centers, local chambers of commerce, independent business associations, trade associations, consultants, economic development professionals, private sector service providers (CPAs, attorneys) and the state. For example, KWTC works hard to ensure it maintains contacts with staff and appointees in U.S. government agencies. “Having key relationships or just knowing who to call is integral to providing training, answering questions, and obtaining information and resources to share with area companies,” said Page. Partnerships also allow KWTC to access and better understand the trade needs of small businesses and also provide services in most efficient and effective way.

### *Reflections*

The city of Wichita, Kan. recognizes the important role of international trade to strengthening the local economy, and the growing prominence of small businesses as exporters. However, the city approached its interest in providing a supportive small business and entrepreneurial trade culture through a partnership with an organization that has the expertise, industry networks and access to the business community necessary for an effective program. The city provides leadership on trade issues, a program budget to ensure affordable services for small businesses and the active engagement of city staff to ensure that local policies and programs compliment KWTC services.

Looking to the future, the role of the city, KWTC and its partners will continue to evolve and become more closely aligned, especially as exporting becomes a more prevalent strategy among local businesses. “Although I hope that someday there is not a separation between the economic development recruiters (and the budgeted dollars) and international trade activities (international trade needs to be part of the entire package for us to be globally competitive), we and our counterparts are pulled in more often than ever before,” said Page. KWTC reports that it partners more often with local economic development departments and predicts this trend to continue. If this trend continues to play out and local governments, such as Wichita, become more involved in trade activities, the economic development landscape, including activities, priorities and budgets, will certainly be affected.



### III. Immigrants: New York, N.Y.

#### *Background*

*The young men and women who fly to the United States today with two suitcases and a coveted visa are a self-selected group of dreamers, often well-schooled in math and science. They are people courageous enough to leave home and resilient enough to endure the hardships of starting over in a new culture. Often, they are frustrated by the controlled economies and rigid cultures of their native lands. They fall into capitalist America like seeds into the good earth. And they bloom here, hatching ideas and launching companies at a pace never seen before (Herman and Smith 2010).*

The data bear out this narrative about immigrant entrepreneurs. According to the *2010 Kauffman Index of Entrepreneurial Activity*, immigrants are more than twice as likely as native-born people to start a business. Immigrant entrepreneurship has been steadily rising, widening the gap between immigrant and native-born entrepreneurs (Fairlie 2011). Immigrant business owners make significant contributions to local economies, including job creation, stabilizing neighborhoods and commercial corridors and helping to retain local investment (Shama 2011a). Immigrant business owners also represent a large share of businesses in both high and low skill sectors. According to a 2007 study by Duke University, immigrant entrepreneurs in the U.S. founded 25 percent of engineering and technology companies established in the past decade and filed over 24 percent of international patent applications in 2006 (Wadhwa, et al. 2007).

Despite these successes, immigrants nationwide lag behind native-born entrepreneurs in terms of longevity of business operations, with a smaller proportion of immigrant owned businesses operating more than 42 months compared to non-immigrants businesses (NYC Office of the Mayor, March 3, 2011). Immigrants must contend with challenges that go above and beyond those faced by other business owners (Bowles and Colton 2007). Overall, immigrant business owners may experience problems connecting with mainstream business development services and resources, often due to lack trust in government and language barriers. Many have limited resources, both time and money, to plan for growth and are not able to fully access local, regional and national markets. They also experience greater difficulties getting credit and understanding local rules and regulations (Shama 2011a).

#### *Immigrant Small Business in New York City*

New York is the country's most notable immigrant gateway, and its immigrant population has more than doubled since 1970, representing nearly 40 percent of the city's population and 43 percent of the city's labor force (Fiscal Policy Institute 2011). They are a significant piece of the city's entrepreneurial economy, making up 49 percent of all self-employed workers in NYC, compared to 25 percent in New York State and only 12 percent in the U.S. (Fiscal Policy Institute 2011). However, immigrant entrepreneurs and small business owners in NYC, like many other communities across the country, remain an overlooked part of cities' economies, and are largely disconnected from local economic development planning (Bowles and Colton 2007). Recognizing this disconnect, the city of New York recently established a series of programs

within its economic development and immigrant offices to help immigrant business owners flourish and integrate into the broader local economy.

In March 2011, Mayor Bloomberg launched three initiatives to make it easier for immigrant-owned businesses to start and grow: a business plan competition for innovative strategies to provide assistance to immigrant entrepreneurs; new, free small businesses courses in Chinese, Korean, Spanish and Russian; and a business expo to showcase locally-based immigrant food manufacturing businesses and link them to consumers nationwide (NYC Office of the Mayor, March 3, 2011). These programs are not the city's first initiatives to serve immigrant entrepreneurs and small businesses, however, they are first "articulated" set of initiatives for the comprehensive audience of immigrant small business owners (Shama 2011b).<sup>2</sup> It is also the first time that the city's Department of Small Business Services (SBS) and the Economic Development Corporation (EDC) were strategically aligned with the Mayor's Office on Immigrant Affairs (MOIA) to develop and provide services for immigrant small businesses.

"The March 3<sup>rd</sup> announcement was the outcome of realigning our commitment to the economic engine in our city, our small businesses, and realizing who our small business community included and the supports we were specifically providing," said Commissioner Fatima Shama, MOIA. Prior to this alignment, services were provided to immigrant business owners, but in many cases did not specifically address their unique challenges. Additionally, because there was limited outreach to immigrant business owners, most did not even know that these services existed. The national focus on federal immigration reform, the Mayor's active voice in this debate and the recent recession provided the opportunity and the political will for a renewed commitment to immigrant small businesses and entrepreneurs. "The Mayor's leadership, locally and nationally, has been wonderful. It has helped develop trusting relationships that will hopefully result in continued development with immigrant communities," notes Shama.

New York's programs for immigrant small businesses, funded through a mix of public (city tax levy, state and federal funds) and private funding (from foundations or local banks), address the challenges unique to immigrant status and small business growth by helping build business capacity, link businesses and customers and connect businesses with resources (NYC Office of the Mayor, March 3, 2011):

- *Business Plan Competition:* The immigrant entrepreneur business plan competition, a joint-effort of the EDC and the Deutsche Bank Americas Foundation, challenges entrants to propose innovative, scalable ideas to assist immigrant entrepreneurs. Participants have been invited to submit business plans for ventures that would address concerns of immigrant entrepreneurs like access to credit, financial management, language barriers or access to business networks. Five plans will be selected and each awarded seed funding of up to \$25,000 to pilot their program. After the pilot period, the program recognized as the most scalable and sustainable by a panel of judges will be selected as the winner and

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<sup>2</sup> Over the past decade, the city offered programs that supported immigrant small businesses, including efforts to revitalize commercial corridors in ethnic neighborhoods, a refugee microenterprise program, a Latino small business initiative and bilingual workshops to gather input from immigrant restaurant owners on the restaurant grading system (per personal communication with Shama, October 15, 2011).

receive funding of up to \$100,000 to further scale their program. The judging panel will be comprised of members of academia, city agencies, nonprofits and business leaders.

- *Services in Multiple Languages:* EDC, MOIA and several community-based organizations, including Baruch College, GrowNYC, Make the Road New York and Renaissance Economic Development Corporation, are joining SBS to offer recurring courses to small businesses in Chinese, Korean and Russian, and additional courses in Spanish. The community-based organizations will provide space and instructors to teach the courses to members of each targeted community. It is anticipated that the pilot program will serve hundreds of immigrant entrepreneurs over the next 12 months.
- *Food Expo:* EDC and SBS worked with Baruch College, the Pratt Center for Community Development and the South Brooklyn Industrial Development Corporation to establish and manage a pilot business expo on May 25, 2011 for locally-based immigrant food manufacturing businesses to showcase their products. Technical assistance was provided to each of the participating businesses in order to help them refine their pitch and prepare for professional trade show events. At the end of the event, six companies were selected to attend the National Association of Specialty Food Trade Fancy Food Show or Kosherfest – two of the largest national trade shows in the region – in a booth subsidized by EDC. The initiative will build upon existing City programs to help food manufacturers, such as the kitchen incubator at La Marqueta and the Entrepreneur’s Space in Long Island City.

This new set of initiatives clearly requires extensive collaboration and communication both internally among MOIA, SBS and EDC, and externally with community partners. In terms of roles, MOIA serves as the Mayor’s representative to immigrant communities and as the connector between communities and government. MOIA does not provide direct small business services, however, it has relationships with communities and can provide access to help understand the breadth of issues that immigrant small businesses face. MOIA is also the trusted mediator to help introduce government services to the immigrant small business community.

SBS is the service provider for small business services. Within the scope of immigrant small businesses, MOIA regularly articulates immigrant-specific issues to SBS and EDC to assist with the development of targeted services. “Many immigrant business owners have never heard of SBS, fear engaging with SBS, or have attempted to work with SBS but due to language access communication has not been easy,” said Shama. These realities have allowed MOIA to offer help and guidance on ways to better serve immigrant small businesses, and conversely, help the immigrant small business community more thoughtfully access SBS services.

EDC, a quasi-public, income generating agency, provides much of the working capital for immigrant small business programs. Additionally, whereas SBS tends to focus on “mom and pop” businesses, EDC has experience engaging high-impact, high-growth small businesses, allowing the city to provide services to the spectrum of immigrant small business owners. For example, EDC, in partnership with a top immigration law firm in New York City, has recently launched immigration seminars to help start-up companies understand immigration considerations, including non-immigrant visa categories, requirements for eligibility for both

businesses and employees and employee/beneficiary issues (NYC Office of the Mayor, October 11, 2011).

In addition to helping provide service development and implementation expertise, community partners, including chambers of commerce, community based organizations, faith leaders, local civic and business leaders and the ethnic press are critical in order to gain credibility and access to immigrant small business owners. The city often works with community-based partners to host roundtables, meetings and surveys of business owners. These are used not only to gauge issues and challenges, but also to send the message to the business community that they are being heard by the city. This builds trust between the city and the business community, using community partners as intermediaries. The city also relies on community partners to ensure that linguistic and cultural competencies are not barriers to service access.

### *Reflections*

Despite the fact that these initiatives are indeed “promising” in that they are new and do not yet have a clear track record of success, there are reasons to be hopeful. Specifically, the political leadership of Mayor Bloomberg has elevated the legitimacy of immigrant entrepreneurs and small businesses in the work of local government, and has helped create a trusting relationship with the business community. Additionally, given that many economic development services provided by local government are just the boost that immigrant businesses need in order to help them succeed in the long-term, the realignment of immigrant-focused services with economic development may help overcome the longevity lag between immigrant and native-born entrepreneurs and small business owners.

#### **IV. Regulatory Processes: Seattle, Wash.**

##### *Background*

Evidence suggests that an inward examination of how local governments interface with local businesses via its regulations, policies and communicatory and governance processes is an important factor in supporting new and small business growth. Regulations affect the ease of doing business in a community, and open channels of communication help establish trust, build supportive policies and provide avenues to problem solve (McFarland et al. 2010). “Governments can, given their powers, have considerable influence over the entrepreneurial process by stifling the efforts of those attempting to start a new business. This may be done through onerous bureaucratic requirements, complex regulations or merely slow reaction to requests for decisions required to form a new business” (Reynolds et al. 1994). The speed, efficiency and complexity of local regulatory processes are indicators of a local government’s responsiveness to the needs of small business.

While clear regulations and open channels of communication appear to be the “low hanging fruit” policy choices for local governments, in actuality the process is a much more complex undertaking. The city of Seattle offers an example of a city striving to improve its communication with local businesses and improve regulatory processes by promoting interdepartmental cooperation.

##### *Regulatory Reform in Seattle*

In 2008, with the recession increasingly taking its toll on the local economy, the city of Seattle was searching for ways to be more effective in supporting its business community. At the same time, one of its main vehicles for responding to the economic crisis, the Office of Economic Development (OED) was deemed to be not up the task. In January of 2009, with six months to retool itself, OED embarked on an effort to examine how it could best serve the needs of the Seattle business community. After an internal analysis of key capacities, input from external stakeholders, and support and guidance from Seattle’s elected leadership, OED emerged with a new focus on what, given its position in government, it believes it can do best— facilitate connections, provide on the ground services to businesses needing assistance and advocate for policies and service changes as appropriate to improve Seattle’s business climate (Seattle’s Office of Economic Development Strategic Framework 2009).

OED is now focused on connecting businesses with resources offered by the city and its partners, including strategic advice, financing and navigation of government regulatory processes. For example, between August 2010 to 2011, the city and its partners loaned over \$36.5 million in financing to 84 businesses, resulting in 919 jobs created or retained (Seattle Jobs Plan 2011). OED also hosts a well-attended, informal monthly networking event for the business community with key political, departmental, and other economic development stakeholders. For example, the October 2011 event will be attended by Councilmember Sally Clark, Councilmember Nick Licata, Deputy Mayor Darryl Smith, Department of Planning and Development Director Diane Sugimura and JPMorgan Chase Vice President of Community Lending Chuck Weinstock (City Business Casual 2011).

Additionally, the OED actively works with partners like the Downtown Seattle Association, enterpriseSeattle, Manufacturing Industrial Council and Washington Biotechnology and Biomedical Association, to communicate directly with the local business community and respond to its needs. In the past year, OED conducted 612 such business visits and provided 361 businesses with resources and assistance (Seattle Jobs Plan 2011).

While having open channels of communication with businesses and providing services is important, without increased coordination between multiple city departments, OED's efforts would exist in a silo. Although economic development offices are often assumed to control economic development policies, the reality of city planning is that a number of agencies interact with and impact the success of new or existing businesses. To truly help local businesses solve problems, OED needed all critical agencies to see economic development as core to its mission. To that end, OED's position in the city was elevated, giving it closer proximity to the political leadership of Seattle.

This intergovernmental effort dedicated to efficiency and solving problems is possibly most apparent in the formation of the new Citywide Business Advocacy Team (CBAT). One of the major frustrations for Seattle's businesses has been the permitting process, which is often slow, uncoordinated and at times contradictory (Conlin 2011). To combat this, an interdepartmental group with representation from all of the major departments involved in regulatory, zoning and economic development issues (OED, Planning and Development, Transportation, Seattle City Light, Police, Fire and Finance and Administrative Services) was created to deal with complex inter-departmental decisions and issues. It is important to note that this effort goes beyond feel good meetings. Each department signed a Memorandum of Understanding, which formally commits staff time and effort to CBAT (Johnson 2011). As necessary, issues that cannot be resolved within the group are elevated to the Mayor and Council level. Since May 2011, CBAT has helped 59 businesses on issues relating to public safety, land use and planning (Seattle Jobs Plan 2011).

The use of a customer relationships management tool is one way the city is helping to facilitate better interdepartmental communication (Conlin 2011). Interactions with individual businesses are recorded and tracked by staff, ensuring proper follow-up and identification of systematic and recurring problems. This information is then used to advocate for policy or services changes to better reflect the on-the-ground needs of local business.

According to Steve Johnson, OED Executive Director, and Brian Surratt, Business Development Director, Seattle City Council President Richard Conlin and Mayor Mike McGinn have been key to this effort. Conlin was instrumental in pushing for the reformed OED and has continuously been committed to its success and McGinn, through his Jobs Plan Initiative, has put emphasis on supporting the business community and improving the efficiency and clarity of services and regulatory processes.

### *Reflections*

While OED's efforts concentrate on the broader spectrum of local businesses, its efforts to create a more friendly business environment appear to be most helpful to those smaller and new businesses who lack the resources or experience of their larger, older counterparts. When

examining the new regulatory proposals put forth by the city, one can see small business influences like encouraging home-based businesses and allowing small commercial uses in certain multifamily zones (Seattle Jobs Plan 2011).

This effort reflects a city using tools immediately in its discretion, in the face of declining economic conditions, to improve the business environment for the community. Although regulatory reform is clearly in the purview of local government and may appear to be a simple local government task, in reality, the vast interagency coordination undertaken by the city of Seattle reflects why leadership, open communication, trust and a common vision are critical to success.

## V. Emerging Industries Cluster Approach: Boston, Mass.

### *Background*

Over the past twenty or so years, much has been written about the knowledge economy. In their paper analyzing the 22@ Barcelona program, Charnock and Ribera-Fumaz (2011) provide a brief, but succinct overview of the major theories related to the knowledge economy, including: it is continuously innovative and accelerates technological change; agglomeration of industries, or clusters, drive competition, collaboration, growth and innovation; cities are key players in regional economies; and talent is paramount-- attracting and retaining creative workers is the driving force behind success.

In cities and regions across the U.S. and the world, these theories play out in local policies in varying degrees and with varying impacts. It is now common place for cities to have policies that are cluster specific, focused on growing, attracting and retaining talent or creating urban cultures for such talent to thrive. Less common, however, are policies that are comprehensively devoted to building or facilitating all the necessary components of the knowledge economy in a concentrated area, and that utilize entrepreneurs and small businesses as a central force. The Innovation District in Boston, Mass. offers a case study of a promising city program to spur the full range of conditions for the so-called knowledge economy.

### *Innovation District Boston, Mass.*

In 1999, Boston, through its Boston Redevelopment Authority, produced a master plan for a redesigned, mixed-use “Seaport District” anchored by a convention center for its waterfront area located in South Boston (Chaghtzbanian et al. 2010). However, 11 years later, as Thomas Menino was beginning his fifth consecutive term as Boston’s Mayor, the Seaport District’s realities had not lived up to its expectations. Only half of the 6 million square feet of office space, one eighth of the residential units and 231,000 square feet of the 2 million planned retail space had been built and occupied (Harmon 2010). In his inaugural address, Menino announced that there would be a renewed focus on helping the district live up to its full potential and that the 1000 acre waterfront would be transformed in to a new “Innovation District.”

Boston’s project is modeled after a similar effort in its sister city, Barcelona, Spain dubbed 22@ Barcelona (22@), a large redevelopment project designed to turn Barcelona’s large industrial waterfront into a center of the knowledge economy (Menino 2010a). The focus of 22@ was to develop four industry clusters in a concentrated area that could unite and harness the resources of industry, universities, research centers and new firm support services like incubators and financial support to spur innovative and growth. Unlike typical urban regeneration, 22@ also focuses on providing social amenities and nontraditional housing forms for entrepreneurs within the district (Leon 2008). The similarities between 22@ and Boston’s Innovation District can be seen in the Menino’s (2010b) description of the project in his January 2010 Inaugural Address:

*“A new approach is called for on the waterfront – one that is both more deliberate and more experimental. Together, we should develop these thousand acres into a hub for knowledge workers and creative jobs. We’ll define innovation clusters – in green, biotech and health care, web development, and other industries. And there, we’ll experiment with alternative housing models.*



*We will test new ideas that provide live/work opportunities to entrepreneurs and affordable co-housing for researcher.”*

A key component of building the Innovation District is attracting entrepreneurs and young growing companies, many of which are hatching out of nearby universities like MIT and Harvard. According to Susan Elsbree, Director of Communications for the Boston Redevelopment Authority (BRA), one of the major advantages of the Innovation District is that it offers entrepreneurs networking opportunities and firm development accelerator services. For example, MassChallenge, a nonprofit organization and a global start-up competition and accelerator program in the Innovation District, connects early stage entrepreneurs to the resources they need to launch high-growth, high-impact businesses. Over a three month accelerator stage, the 125 MassChallenge finalists have access to free office space in the Innovation District, mentors, workshops and networking events. They ultimately compete for 10-20 cash prizes totaling \$1 million. The 2010 MassChallenge had 110 companies participate, and they collectively raised \$90 million in funding and created 500 jobs in the state (Psaty 2011).

In addition to MassChallenge, there are a number of other accelerators and incubators in the Innovation District, some of which provide the necessary working areas that a fledgling clean tech or life science company would need. For example, Greentown Labs a clean technology start-up incubator feels more like a machine shop than an office (Moore 2011). The redeveloped building provides 40-foot-high ceilings for one occupant to test “giant turbine-toting balloons” and will soon house a wet lab space (Seiffert 2011). Another example is the soon to be built Fraunhofer Center for Sustainable Energy Systems, a U.S. subsidiary of the German research institution. The 50,000 square foot applied research facility will house Fraunhofer’s technical research and development labs and Techbridge, a startup accelerator group to support clean energy (Fraunhofer USA 2011).

The city is helping spur this entrepreneurial culture in a number of ways. The Mayor has communicated a vision for the area and the city and he is backing up that vision with actions, speeches and programs. For example, Mayor Menino helped cut the ribbon at GreenTown Labs and his Chief of Staff, Mitch Weiss helped launch the 2011 MassChallenge (MassChallenge 2011b). In March 2011, he presented the check to the winner of the Innovation District Home Town Challenge, an effort between the city and Vencorps, a seed capital venture fund that awarded prize money for a start-up to move into or expand in the Innovation District (Innovationdistrict.org 2011).

In addition to public demonstrations of support, the city of Boston utilizes a number of public relationship strategies to assist incubators. For example they use the Innovation District website, weekly blog and active twitter feed to promote the Innovation District and to connect space-seekers with the incubators. Additionally, the city and BRA staff frequently meet with new companies to introduce them to the Innovation District and relay the Mayor’s vision for the area (Carreon Aguilar 2011). In many of the Mayor’s speeches he discusses the need for workforce housing designed to meet the needs of entrepreneurs who do not have the means to purchase the luxury apartments typical of a new urban development. To this end, the city is using its zoning and planning abilities to push for new types of designs and is actively working with developers to make sure this entrepreneurial culture is apparent in their plans. “The strategy for spurring

physical development on the Waterfront has been to work with the developers to infuse “innovative” features to their plans. Two such examples include residential floors designed for an InnoHousing concept, more compact units without luxury finishing, as well as a Public Innovation Center for organized groups to host free entrepreneurial events in the area (Koven 2011).” Additionally the city backs the effort via its transportation planning and through financing tools such as business loans and tax partnerships (Innovation District Background 2011).

Boston’s vision for this area depends on companies beginning, growing and staying in the area. Wiggo, an online collaboration tool, is an example of what the city hopes will occur for many of the entrepreneurs in the area. The company started out on the first floor of one of their angel investor’s houses in Cambridge but moved to the Innovation District to be part of MassChallenge. From there, it moved into the affordable co-working space at Bocoup Loft – an open web technology company by and for programmers based in the Innovation District (Bocoup 2011). It also runs training services and workshops and provides free networking events. According to Shannon Lehotsky, Marketing Coordinator for Wiggo, both the MassChallenge space and the co-working space at Bocoup provided the collaborative environment that the young company desired. In terms of their next move, she wrote, “As we’ve been moving around, our user base has been growing, and so as has our team. At this rate, who knows? We might be looking for an even bigger space within the Innovation District sometime in the near future (Lehotsky 2011).”

Boston’s Innovation District is having signs of successes – over 70 companies have moved in to the Innovation District, many in the targeted emerging industry clusters like clean technology, life sciences and new media, and over 2,000 jobs have been added. The district has also attracted large, growing companies, like Vertex Pharmaceuticals whose new headquarters will house 2000 employees (Innovation District Background 2011). These new businesses and restaurants have increased foot traffic in the district, and as of July 2011, Boston Subway’s Silver Station, which runs into the Innovation District, has seen a significant increase in ridership over the previous 6 months, including a 6 percent boost on weekdays, 14 percent on Sundays and 61 percent on Saturdays (Rosen 2011).

#### *Reflections*

The Innovation District, while new, is showing signs of promise. It has attracted a number of entrepreneurial non-profits and support services, young companies and larger, established companies. The program leverages the regions higher education institutions and is focusing on industry clusters that were already building in the area. Additionally, it is utilizing state and federal sources of funding – for example \$3.5 million dollars from the U.S. Commerce Department for the Fraunhoufer project (U.S. Department of Commerce 2011).

In his analysis of the 22@ project, Leon (2008) stated 5 challenges Barcelona faces with its similar project: lack of human capital, low level of entrepreneurship, low level of venture capital, lack of large firms and its attractiveness to members of the international community. On all counts, Boston succeeds in these areas. One interesting challenge that could occur is that as the area becomes more successful, it may become difficult to remain committed to the lower rent spaces and non-traditional housing options of its roots. Regardless, the project presents a living lab for knowledge economy theories related to the connection between talent and innovation. It

also provides an example of the important role of mayoral leadership and the potential of partnerships between cities, private sector and entrepreneurial support organizations.

## **VI. Conclusion**

The case studies of programs in Wichita, Kan., New York, N.Y., Seattle, Wash. and Boston, Mass. illustrate the importance of local leadership, communication with entrepreneurs and small businesses, partnerships and responsiveness to economic conditions or opportunities. In addition to these characteristics, looking across the programs reveals that greater alignment of targeted efforts with economic development programs, such as in Wichita and New York, may also contribute to effective local efforts to support an entrepreneurial and small business culture. Additionally, as seen in Wichita and Seattle, the local government rethought its traditional role in economic development and used authorities within its immediate purview to better address the needs of small businesses and entrepreneurs. Boston's story reflects the importance of grounding innovation in local assets and strengths, including existing industries and university connections. Boston, and its potential affordable housing challenges, also presents a sound reminder of unintended consequences of local policy decisions.

Future research on local government support of an entrepreneurial and small business culture should examine a broader cross section of communities, the relevance of potentially new framework characteristics, including alignment with economic development, retooling traditional roles and building on local assets, as well as understanding the experience of local businesses with these efforts.

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Personal Communications with Karyn Page, President and CEO, Kansas World Trade Center, Wichita, Kan. via email on October 14, 2011 and phone interview on September 8, 2011.

Personal Communications with Fatima Shama, Commissioner, Mayor's Office of Immigrant Affairs, New York City via email on October 15, 2011 and phone interview on October 17, 2011.

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## **Appendix A: National Expert and Practitioners' Roundtable Participants**

- Susan Au Allen, President and CEO, U.S. Pan Asian American Chamber of Commerce, Washington, DC
- Michael Chodos, Associate Administrator for the Office of Entrepreneurial Development, U.S. Small Business Administration, Washington, DC
- Thomas Flynn, Economic Development Director, Loudon County, VA
- Darrene Hackler, Associate Professor, Dept. of Public and International Affairs, George Mason University
- Christopher Hoene, Director, Center for Research and Innovation, National League of Cities
- Tim Kane, Research Fellow, The Kauffman Foundation, Washington, DC
- Graham Macmillan, Senior Program Officer, Citi, New York, NY
- Todd McCracken, President, National Small Business Association, Washington, DC
- J. Katie McConnell, Senior Associate, Finance and Economic Development, National League of Cities
- Christiana McFarland, Program Director, Finance and Economic Development, National League of Cities
- Debi Roder, Small Business Development Manager, Loudoun County, VA
- Fatima Shama, Commissioner, Mayor's Office of Immigrant Affairs, New York, NY
- J. Walter Tejada, Member, Arlington County Board, VA

## **Appendix B. Members of NLC's 2011 Advisory Council**

- Margaret Barrett-Simon, Council Member, Jackson, Mississippi
- Conrad W. Bowers, Mayor, Bridgeton, Missouri
- William G. Brooks, Mayor, Belle Isle, Florida
- Michael Cathey, Alderman, Senatobia, Mississippi
- Mildred C. Crump, Council Member At-Large, Newark, New Jersey
- Joseph A. Curtatone, Mayor, Somerville, Massachusetts
- Deborah Denard Delgado, Councilwoman, Hattiesburg, Mississippi
- Gretchen Driskell, Mayor, Saline, Michigan
- Doug Echols, Mayor, Rock Hill, South Carolina
- Samuel J. Ferreri, Mayor, Greenacres, Florida
- Margaret E. Finlay, Councilmember, Duarte, California
- Carolyn L. Floyd, Mayor, Kodiak, Alaska
- Donald A. Groesser, Mayor, Ralston, Nebraska
- Jeanne Harris, Councilmember, Vancouver, Washington
- Deborah A. Hill, Councilmember, Warrensville Heights, Ohio
- Ruth Hopkins, Councilmember, Prairie Village, Kansas
- Ted Jennings, Mayor, Brewton, Alabama
- Michael E. Johnson, Councilmember, Phoenix, Arizona
- Martin Jones, Council Member, Conyers, Georgia
- Helen Kawagoe, City Clerk, Carson, California
- Alan Kemp, Executive Director, Iowa League of Cities
- Conrad Lee, Deputy Mayor, Bellevue, Washington

- Myron Lowery, Council Chairman, Memphis, Tennessee
- Daisy W. Lynum, City Commissioner, Orlando, Florida
- Cynthia Mangini, Councilmember at Large, Enfield, Connecticut
- Henry F. Marraffa, Jr., Councilmember, Gaithersburg, Maryland
- Michael McGlynn, Mayor, Medford Massachusetts
- Don Moler, Executive Director, League of Kansas Municipalities
- Joe Moore, Alderman, Chicago, Illinois
- Garret L. Nancolas, Mayor, Caldwell, Idaho
- Frank C. Ortis, Mayor, Pembroke Pines, Florida
- Tzeitel Paras-Caracci, Mayor, Duarte, California
- Elizabeth C. Paterson, Mayor, Mansfield, Connecticut
- Willie J. "Bill" Pitt, Council Member, Wilson, North Carolina
- Daniel S. Pocek, Mayor, Bedford, Ohio
- Luis Quintana, Councilman At Large, Newark, New Jersey
- Sonja Reece, Councilmember, Normal, Illinois
- Ed P. Reyes, Councilmember, Los Angeles, California
- Sergio Rodriguez, Alderman, New Haven, Connecticut
- Steve Salazar, Councilmember, Dallas, Texas
- Audwin M. Samuel, Councilmember, Beaumont, Texas
- Sedalia L. Sanders, Councilmember, El Centro, California
- Ron Schmitt, Council Member, Sparks, Nevada
- Ken Strobeck, Executive Director, League of Arizona Cities and Towns
- Marian B. Tasco, Councilwoman, Philadelphia, Pennsylvania

- Richard Traini, Assembly Chair, Anchorage, Alaska
- Evelyn Woodson, Councilor, Columbus, Georgia