



Downtown Idea Exchange

Essential Information for Downtown Revitalization

August 2012

Perspectives

Fostering entrepreneurialism: Making economic gardening work downtown

By Chuck Eckenstahler

Every community wants new businesses that create jobs and signify a growing, prosperous city center. Academic research indicates that young small businesses lead in job creation as we exit a recession. Local economic developers have taken note and now include specific work tasks called “economic gardening,” designed to assist new business formation, as an element in the overall community economic development strategy.

However, community economic development tasks that make a significant contribution to the formation of new businesses can be difficult to identify. Below are seven things to consider when forming a community-based, new-business economic development “gardening strategy.”

- **Help surmount the hurdles.** Forming a business is much more than making a product or offering a service and collecting money. It gets involved, with complex things such as what form of legal entity is necessary; federal, state, and county business identification obligations; accounting that must be completed in compliance with tax obligations; license and permit requirements; adequate insurance coverage; obtaining startup funds; and more.

Recommendation: Sponsor “how to go into business for yourself” programs offered by the Small Business Association’s (SBA) local Small Business Development Centers. Often, local colleges and universities also assist with these challenges.

- **Host entrepreneurial cafes.** There is strong evidence that entrepreneurial camaraderie exists, especially among today’s younger generation of computer-based entrepreneurs. A recent study found that over 50 percent of Generation Z and X, and millennials, plan to start their own businesses eventually. To many younger entrepreneurs, traditional, dedicated office space is a thing of the past.

The new “office” can be any location having Internet connectivity. A cafe where resources can be found and where entrepreneurs congregate can provide the necessary networking and social support sought after by those considering entrepreneurship.

Recommendation: Create a cafe and virtual office to provide a physical location for the business and social needs of emerging entrepreneurs.

The creation of an environment that embraces entrepreneurialism should be a goal of every community economic development strategy.

This article was reprinted from the August 2012 issue of *Downtown Idea Exchange*.

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• **Carve out opportunities within the economic landscape.** Little research is completed on a community-wide scale to identify business opportunities that are likely destined for success based on the current and future projected local economy. Most times, identification of the business opportunity is left to the entrepreneur, and made by gut instinct without a formal examination or market study.

There are resources, such as Nielsen-Claritas data, that can help identify gaps in consumer purchasing patterns for retail and household goods which, when used by entrepreneurs, can highlight small business opportunities. Almost every university also has some type of research assistance mechanism that can aid entrepreneurs in identifying market opportunities for more complex business ventures.

Recommendation: Create an entrepreneurial investigation research team (typically university-sponsored) to identify community needs and opportunities that can be served by new businesses, and to provide private-sourced socio-economic data for use by entrepreneurs.

• **Raise capital to create a *Shark Tank*.**

One reason given for new business failure is the lack of capital. This is especially true today when commercial lenders and the SBA have reduced lending to small businesses. The need for entrepreneurial financing has been popularized on the ABC television series *Shark Tank*, on which entrepreneurs pitch their new business ideas to potential investors in an effort to gain needed capital for business startup and expansion.

Recommendation: Community economic development strategies may require assembling social venture capitalists, a new breed of investor typically organized in the form of a Low-Profit Limited Liability Company (L3C) to provide new business startup financing.

• **Support population diversity.** Entrepreneurial population studies document that certain demographic sectors have a greater propensity to form new businesses, especially Hispanics and recent immigrants.

Recommendation: Create support programs that celebrate population diversity and

embrace groups that have a high propensity to form new businesses.

• **Create a “Match-up” marketplace.**

Forming a business is a team effort, requiring different skill sets and talents, all of which must be assembled by the entrepreneur.

Recommendation: Create an electronic “wants and needs” bulletin board to match entrepreneurs’ business needs with available support capacities.

• **Celebrate success.** Nothing breeds success more than success. Being noted in state and national media as a community hosting new business formation not only demonstrates success, but encourages others to consider going into business for themselves, or taking up residency in a location where new business formation is thriving.

Recommendation: Create a media program announcing new business formations on a regular basis to create statewide and national recognition as a geographic location supportive of new business startups.

Today, everyone talks about economic gardening, the notion that government-sponsored, local community economic development programs can cause people to start new businesses that eliminate unemployment and create economic prosperity. Philosophically, the creation of an environment that embraces entrepreneurship should be a goal of every community economic development strategy.

However, it is still an individual decision whether someone actually starts a business. It’s easy to understand that a decision of this type will be stressful, affecting personal income and the family lifestyle. Adding some or all of these suggestions to your economic gardening strategy will enrich the soil for planting the seeds of new business.

Author’s note: This article is adapted from a presentation at the Purdue University North Central’s Topics in Regional Economic Development class.

Chuck Eckenstahler is a municipal planning, economic development, and real estate consultant and educator. He can be reached at (219) 861-2077 or pctecken@comcast.net. **DIX**