

AMERICA'S NEW BUSINESS PLAN

STARTUS UP
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Ideas and Actions for Local Policymakers

EXECUTIVE SUMMARY

America's entrepreneurs don't ask for much. They embrace the future by building it themselves, working toward goals with the spirit and drive to overcome every hurdle in their paths. But too often and for too long, America's policymakers have taken that spirit and drive for granted. Being "pro-business" has come to represent favoring big business in today's politics. And when government does act to help American enterprise, support is heavily skewed toward established businesses — not scrappy and striving new business owners and entrepreneurs. This is despite the fact that new businesses created by entrepreneurs are the primary source of almost all net new jobs.¹

Making it easier for everyday Americans to start their own businesses is essential for creating economic growth that works for everyone. After all, this is what the American Dream is all about: the belief that anyone, regardless of who they are or where they are from, has the opportunity to make a better life. Unless leaders move quickly to reduce unnecessary barriers and expand the circle of American entrepreneurs, the United States will no longer be the most innovative nation with the most dynamic economy on Earth.

America's New Business Plan puts the ambitions and can-do spirit of everyday Americans first through a four-part entrepreneurship plan that ensures anyone with an idea has access to the opportunity, funding, knowledge, and support to turn it into a reality.

OPPORTUNITY ★ A Level Playing Field and Less Red Tape

When it comes to starting a business, entrepreneurs need a level playing field to compete with established businesses, which have better access to policymakers. Among other things, this means economic development efforts should support local business owners and not just offer incentives to attract outside businesses. Policymakers should prioritize the development of supportive ecosystems that help everyday Americans start businesses and they should cut red tape that holds people back.

FUNDING ★ Equal Access to the Right Kind of Capital Everywhere

Entrepreneurs continually emphasize the need for access to capital, including patient capital and other innovative models that give them an opportunity to get their businesses off the ground. These funding streams must extend beyond the coasts and reach deep into the heart of America to serve communities that lack access to capital and populations that are underrepresented as entrepreneurs.

KNOWLEDGE ★ The Know-How to Start a Business

Starting a business is a courageous act, and far too many entrepreneurs take that risk without really knowing where to begin or understanding the requirements and barriers that come with turning an idea into reality. Policymakers can help by supporting policies that connect entrepreneurs to those who can show them the ropes and programs that teach entrepreneurs the skills needed to successfully launch a business. Policymakers can ensure a strong current of new entrepreneurs and their employees by embedding real world learning in classrooms — sharpening workplace skills such as communication, problem-solving, judgement, and decision-making.

SUPPORT ★ The Ability for All to Take Risks

Becoming an entrepreneur means leaving behind the stability of a traditional job, and with it benefits such as health care and retirement savings. Most importantly, it often means forgoing a stable salary — a daunting proposition for anyone, but especially for the many Americans living paycheck to paycheck or with little savings. Policymakers must act to ensure the next generation of entrepreneurs is not locked out of opportunities to improve their economic situations by addressing Americans' real financial concerns that limit risk-taking.

¹ John Haltiwanger, Ron S. Jarmin, and Javier Miranda, "Who Creates Jobs? Small Versus Large Versus Young," The Review of Economics and Statistics 95, no. 2 (May 2013): 347-361.

A PARADIGM SHIFT: AGE, NOT SIZE

Policymakers often think of small businesses as the employment engine of economic growth. But when it comes to job creation, it is not the size of the business that matters as much as the age of the business. Businesses that are less than 5 years old create nearly all of the net new jobs in the American economy, including fueling net new job creation during economic downturns.²

Net Job Creation by Firm Age, 2000-2018



Data from the Bureau of Labor Statistics

■ Less than 5 years ■ 5-9 years ■ 10-plus years

Policymakers must shift their focus to think in terms of age, not size. Accordingly, the federal government should create a standard definition of “new businesses” as those less than 5 years old. Codifying the distinction between the age and size of a business and providing policy support for new businesses across each stage of the entrepreneurial journey will better enable everyday Americans to start businesses and, in the process, employ millions.

2. John Haltiwanger, Ron S. Jamin, and Javier Miranda, “Who Creates Jobs? Small Versus Large Versus Young,” *The Review of Economics and Statistics* 95, no. 2 (May 2013): 347-361.

What Local Policymakers Can Do To Tap America's Entrepreneurial Spirit

OPPORTUNITY ★ A LEVEL PLAYING FIELD AND LESS RED TAPE

Create an Entrepreneurship Impact Statement

Nearly three-quarters of entrepreneurs believe that government regulations on businesses are complex and hard to follow.³ Another 65% say that it is too time-consuming for business owners to stay legally compliant with local, state, and federal regulations.⁴ While retroactively addressing laws that have had negative effects on entrepreneurs is critical, it is not enough. It is imperative that entrepreneurs be considered from the start as new laws and policies are enacted. To do so, local governments should:

- Require an Entrepreneurship Impact Statement (EIS) for all new laws, regulations, and rules developed that affect businesses less than 5 years old. The EIS would require cities to estimate the direct costs to new businesses (i.e., those less than 5 years old) of changes to laws and regulations so that policymakers become aware of the impact these policies would have on new businesses before bills are passed or new regulations issued.

Streamline the Process of Starting a Business

Too often, the regulatory requirements of starting a business are unclear for entrepreneurs. This is especially the case when starting a brick-and-mortar business. Conflicting information from various local regulatory bodies can cause delays that are far costlier than just the added time to become compliant. To entrepreneurs, it may mean more time paying rent on a commercial space with no revenue or income, and it can often be the difference between a successful enterprise and one that is forced to close its doors far too early. Even seemingly insignificant fees and forms can add up to have a detrimental effect. Government should support the following solutions:

- Create a single list of all requirements to start any business and easy-to-read guides that walk entrepreneurs through the permitting process. These should be translated into multiple languages and posted in public offices and in an easy-to-find location online.
- Require coordination across agencies to simplify all federal, state, and local procedures, forms, licenses, and permits required to start a business.

³ "Breaking Barriers: The Voice of Entrepreneurs," Kauffman Foundation, Global Strategy Group, and Public Opinion Strategies, November 30, 2018.

⁴ Ibid.

FUNDING ★ EQUAL ACCESS TO THE RIGHT KIND OF CAPITAL EVERYWHERE

Make a Local Commitment to Expanding Access to Capital for All Entrepreneurs

Too many Americans have been denied the opportunity to turn their ideas into businesses because they lacked the funding required to do so. Between 90% and 95% of entrepreneurs who hire employees require some amount of financing to start their businesses, making capital a critical requirement for new business creation.⁵ However, many government programs meant to provide capital to entrepreneurs are biased in favor of established businesses instead of newer businesses. To address the significant and persistent gaps in access to capital, the mayor should announce a public-private partnership to close such gaps for entrepreneurs in the city. In doing so, local policymakers should:

- Incentivize financial innovation that addresses gaps in capital access by spurring the creation of new funding models and technologies that serve all types of new businesses, especially those currently underserved by the capital marketplace.
- Examine how their state and local ecosystems can be improved to increase access to capital for all entrepreneurs.

Develop State and Local Entrepreneurial Capital Catalyst Grants

With bank loans and venture capital unavailable to so many entrepreneurs, states and communities should develop innovative funding streams to promote entrepreneurship and to help support new businesses in their jurisdictions.⁶ Capital should help entrepreneurs at different stages of starting a business, from having new ideas to opening doors to serving customers. There are a number of innovative models that could be scaled across America. Localities should create competitive Entrepreneurial Capital Catalyst Grants to:

- Create “evergreen” community investment funds that support new businesses as they move through the early stages of proof-of-concept and product development. States and localities can look to successful models such as MassVentures in Massachusetts and JumpStart Evergreen Fund in northeast Ohio.
- Build collaborative investment funds that engage established businesses to work with emerging businesses for joint product development and supplier relationships. States and localities can gain lessons from the experiences of Cintrifuse and Renaissance Venture Capital, operating in Cincinnati and Michigan, respectively.
- Support investment funds that spur the growth of new financial intermediaries — entrepreneurs creating capital to invest in other entrepreneurs — particularly those with innovative models such as revenue-based investing and profit-sharing. States and localities can leverage domestic learnings from Lighter Capital and the New Hampshire Community Loan Fund, and can borrow international lessons from Israel's Yozma Group, IDB Lab, and Capria on growing new investment categories.

5 Kauffman Foundation, “Access to Capital for Entrepreneurs: Removing Barriers.”

6 Kauffman Foundation, “Access to Capital for Entrepreneurs: Removing Barriers.”

KNOWLEDGE ★ THE KNOW-HOW TO START A BUSINESS

Integrate Entrepreneurship into K-16 Education

To ensure that a strong current of entrepreneurial talent is continuously emerging in the United States, policies must jumpstart the stagnant rate of new entrepreneurs, grow the next generation of business owners, and develop employees with entrepreneurial capabilities. To do this, policymakers should:

- Embed entrepreneurial know-how and spirit in classrooms throughout America by creating opportunities for students to explore and acquire the habits of mind, behaviors, skills, knowledge, and competencies that equip them to be entrepreneurial – whether by creating businesses themselves or by making contributions as employees and community members.
- Provide students with real world learning experiences through project-based learning, client-based projects, and internships.
- Give students opportunities to explore design thinking and prototyping, problem-solving and communications, as well as ensuring all students are leaving high school with basic financial literacy skills.
- Monitor state funding formula implications that will support or incentivize real world learning within districts.

Become A Champion For Entrepreneurs Now

Entrepreneurs and government operate at different speeds. As policymakers pursue the adoption of new policies to support everyday Americans opening new businesses, they can also leverage the unique powers associated with their public offices to champion entrepreneurs today. Below is a list of tangible, actionable steps that local policymakers can pursue now.

- ★ Use their State of the City and other public addresses to make increasing entrepreneurship a priority by highlighting the benefits to individuals, families, and the community.
- ★ Conduct focus groups and town hall meetings with entrepreneurs to learn how to address barriers to starting and growing businesses.
- ★ Appoint a city entrepreneurship coordinator to be in charge of making new business creation a priority across the city. The entrepreneurship coordinator would build the entrepreneurial ecosystem by working in partnership with entrepreneurs, entrepreneur support organizations (ESOs), city agencies and councils, local business and nonprofit leaders, K-12 and higher education systems, and others.
- ★ Require a review of the impact of existing ordinances, licenses, permits, zoning requirements, and other regulations on the creation of new businesses, and work to eliminate or revise them as appropriate.
- ★ Charge economic development agencies with making the support of new, homegrown entrepreneurs a top priority, hire managers in city agencies who understand this priority, and invest in entrepreneurs instead of prioritizing business recruitment.
- ★ Play a leading role in supporting incubators, accelerators, and other entrepreneur support organizations through actions ranging from touting the vital role they play in local economic development to providing them with needed resources.
- ★ Examine how city contracting and procurement can support new businesses and be more entrepreneur-friendly, including among underserved areas and populations.
- ★ Develop and leverage a place-based identity or brand for locally made goods and services to support local makers and entrepreneurs.
- ★ Direct municipal agencies to collect and utilize data on new businesses in order to appropriately target interventions that reduce local barriers to new business creation.

To view the full America's New Business Plan or for more information, visit www.startusupnow.org.



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