



Entrepreneurship Overview

*Background Information and Research
Eastern Illinois University's Center for Entrepreneurship and Innovation
Strategic Planning Session*

Thursday, October 26, 2006
Tuesday, November 7, 2006
Thursday, November 16, 2006
9 am – 2 pm
Eastern Illinois University
Booth Library 4th Floor Board Room
Charleston, Illinois

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Table of Contents

1. Introduction.....	2
2. Strategic Planning Committee.....	2
3. National and State Overview	3
4. Regional Overview.....	3
5. Southeastern Region Overview.....	4
6. Eastern Illinois University Studies.....	7
7. Present Collaborations	9
8. Future Opportunities.....	9
9. Definition of Terms.....	10

Introduction

This report serves as an environmental scan of the entrepreneurial landscape in the Southeastern Illinois region and the nation. Good strategic planning starts with knowing the wants and needs of the entrepreneur and the internal and external factors that may affect the effectiveness of service from Eastern Illinois University's Center for Entrepreneurship and Innovation. This report includes a summary of both primary and secondary data sources, a history of Eastern Illinois University's activities and an identification of opportunities for the future.

Strategic Planning Committee Members (in alphabetical order)

- Dr. Waldo Born, Chair of the Southeastern Illinois Branch SCORE chapter
- Darin Bower, Owner of Pro Mow Lawn Care, Inc. and SCORE client
- Jeanne Dau, Director of EIU's Business and Technology Institute
- Alan Gilmore, Administrator for the City of Mattoon (Formerly administrator for Paris and Tuscola)
- Angela Griffin, President, Coles Together
- Dr. Diane Hoadley, Dean of EIU's Lumpkin College of Business and Applied Sciences
- John Inyart, Owner of Midas Auto Service Experts in Mattoon and Charleston, Mayor of the City of Charleston
- Jim McShane, Executive Director, Crossroads Workforce Investment Board
- Dr. Bill Minnis, Professor for the EIU's School of Business
- Anthony Pleasant, Vice President, Coles Together
- Sharon Schaubert, Sr. Vice President of Sales and Marketing, Midland States Bank
- Bob Schultz, Schultz Investment Company, Angel Investor, SCORE client
- Daryl Taylor, Associate Superintendent of the Charleston School District
- Dr. Bill Thallemer, President, Lake Land College
- Cindy Titus – Executive Director, Charleston Areas Chamber of Commerce, SCORE volunteer
- Michael Wall, Executive Director, Mattoon Area Family YMCA, Inc, Nonprofit Rep.
- Dr. Bill Weber, Associate Vice President for Academic Affairs, EIU

National and State Entrepreneurial Overview

The *Kauffman Index of Entrepreneurial Activity, 1996 – 2005* states that there was an average of 464,000 people creating new businesses each month during 2005 in the United States; 0.29 percent of the total adult population or 290 for every 100,000 individuals. This was a slight decrease from 2004, however, increases were seen in the rate of African Americans beginning new businesses (0.24 percent) and older individuals ages 55 to 64 (0.34 percent).

The study also indicated the following national trends:

- Entrepreneurial activity is substantially higher among men than among women. The average rate of entrepreneurship for men was 0.46 percent while the average rate for women was only 0.28 percent.
- Entrepreneurial activity appears to be higher in the past few years than in the late 1990s during the height of the Internet boom.
- Over the past decade, rates of entrepreneurial activity were highest for Latinos at 0.32 percent.

The *Kauffman Index of Entrepreneurial Activity, 1996 – 2005 State Report* indicates that Illinois has an index of 0.26 or 260 business startups for every 100,000 adults. This is .03 less than the national average. Greater entrepreneurial activity appears to be in the Mountain and Pacific States with the lowest in the Midwestern and Middle Southern States. Chicago-Naperville-Joliet (IL-IN-WI) was 0.27%.

Regional Overview

Millikin University - In the 2005, Millikin University launched an initiative called Accelerating Entrepreneurship in Central Illinois (AE-Central Illinois) – a collaborative process launched to foster a more supportive environment for entrepreneurship-based economic development in the region. A commissioned study, "Accelerating Entrepreneurship in Central Illinois: A Catalyst for Regional Opportunity" highlights interesting statistics. Although their study was based on Champaign, Douglas, Ford, Macon, Moultrie, Piatt, and Shelby counties, the close proximity to our region warrants a look at their findings.

- 71 percent of Central Illinois adults see an opportunity for starting their own business.
- Approximately one in thirteen people in the region has taken the first steps toward starting a new business. Two-thirds of these emerging entrepreneurs are pursuing their ventures as a result of an opportunity they see, whereas 20 percent are doing so because they have no better choice of work
- Nine percent of all Central Illinois adults expect to start a business within the next three years.
- The region is near the national average when it comes to the number of patents it receives annually, but only 35 percent of the patents achieved in 2003 were assigned to a regional company.
- Fear of failure would motivate 49 percent of residents to shy away from actually starting a business – two times the national average. Males age 25 to 34 are among the most risk averse.

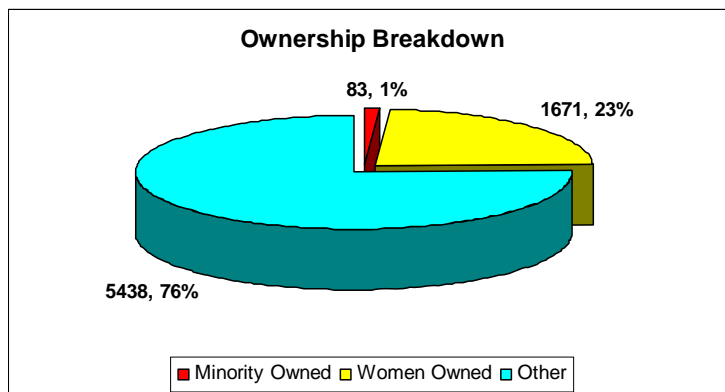
- Entrepreneurs believe that they receive less status and respect than a mid-level manager of a large established company.

Southeastern Region Overview

The chart below displays the **potential** estimated number of start-ups in the Southeastern region using the Kauffman Index and the Millikin Study. The 13 counties listed below compose the Illinois Department of Commerce and Economic Opportunity's Southeastern region. EIU's Center for Entrepreneurship and Innovation also uses this as their service area.

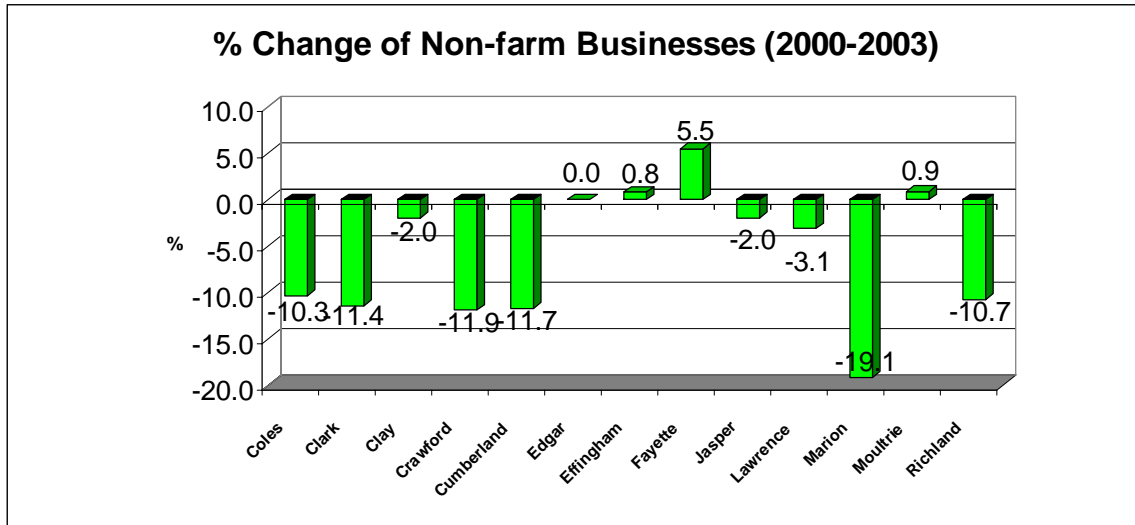
County	2005 Estimated Population	Population Ages 18 to 65	Millikin Study Est. Monthly Start-Ups (.09 x Adult Pop /36 months)	Kauffman Index Est. Monthly Start Ups (.0026 x Adult Pop)
Clark	16,976	10,185	25.5	26.5
Clay	14,122	8,204	20.5	21.3
Coles	51,065	34,315	85.8	89.2
Crawford	19,898	12,456	31.4	32.4
Cumberland	10,973	6,605	16.5	17.2
Edgar	19,157	11,570	28.9	30.1
Effingham	34,581	20,610	51.5	53.6
Fayette	21,713	13,505	33.8	35.1
Jasper	10,020	6,082	15.2	15.8
Lawrence	15,930	9,749	24.4	25.3
Marion	41,144	24,069	60.2	62.6
Moultrie	14,510	8,517	21.3	22.1
Richland	15,798	9,320	23.3	24.2
Total	285,887	175,193	438.3 per month or 5,260 per year*	455.4 per month or 5,464 per year*

* These numbers would include home based and side businesses as well as primary income businesses.



In the Southeastern region, 76 percent of businesses are owned by males, 23 percent are owned by women and one percent is owned by minorities. This compares to a national average of 43 percent of businesses are owned by males and 28 percent are owned by females. (Source: US Census Bureau)

Only 4 of the 13 counties in the Southeastern region have increased or stayed the same in the number of businesses between 2000 and 2003. (Source: US Census Bureau)



Economic development activities in these areas have been ongoing for many years. However, services and assistance for entrepreneurs have not been the main focus for economic developers and is just one of many services that chambers and city and county offices provide. Below are entities in the counties that have been involved with economic development in the areas.

County	Chambers	Economic Development Entities	City
Clark	Casey Marshall	ECIDC	City of Marshall
Clay	Flora		
Coles	Charleston Area Mattoon Oakland	Coles Together Midtown Mattoon Economic Development Coles County Alliance CAED Foundation ECIDC Regional Planning Commission	City of Charleston City of Mattoon
Crawford	Palestine Robinson	Palestine Development Association Crawford County Development Association	Village of Palestine
Cumberland		ECIDC	
Edgar	Paris Area	ECIDC Paris Edgar County Development Corp	
Effingham	Greater Effingham	ECIDC	
Fayette			
Jasper	Japer County		
Lawrence	Lawrence County	Industrial Development Corporation	
Marion	Greater Centralia Greater Salem		

Moultrie	Sullivan	ECIDC Economic Dev with Chamber	
Richland	Olney and Greater Richmond		
<i>This data was gathered using secondary data and may not represent a complete listing.</i>			

Eastern Illinois University housed a **Small Business Institute (SBI)** in the mid 1990's. This was subsidized by the Small Business Administration (SBA) and engaged students in helping counseling small businesses in the area. The SBA chose not to fund the program in the in the late nineties, so the service was discontinued.

SCORE - (Counselors to America's Small Business) is a national organization that promotes free and confidential counseling to businesses using retired business owners and volunteer professionals. In 2004, Eastern Illinois University and the Charleston Area Chamber of Commerce created a sub-chapter of the Millikin SCORE chapter. The local sub-chapter has counseled more than 130 clients and trained more than 138 in the "How to Start a Business Class" training in the past two years. www.eiu.edu/~score and www.score.gov
Services provided include:

- Confidential business counseling
- Business plan assistance
- Training in How to Start a Business and QuickBooks,
- BizSCORE annual business conference
- How to Start a Business in Coles County packet
- QuickBooks Assistance from EIU Beta Alpha Psi students
- HillSearch Access – Marketing research compiled by graduate students

The Center for Entrepreneurship and Innovation (CEI), located in 3011 Lumpkin Hall has had a physical presence in the Lumpkin College of Business and Applied Sciences for approximately one and ½ years. Generous support from EIU as well as the Lumpkin Family Foundation and the Crossroads Workforce Investment Board has made the Center a reality. Dave Arseneau assisted Dean Diane Hoadley to create the Center. Mr. Arseneau is presently on leave of absence from EIU until May of 2007. The staff of the Business and Technology Institute, Jeanne Dau and Joy Rainey, are currently staffing the Center and assisting with its outreach activities. Dr. Bill Minnis is currently developing an entrepreneurial minor program for the students of the university. Eastern Illinois University's outreach goal is to improve service and outreach to the East Central Illinois Community by helping Illinois business and industry sustain strong economic growth. www.eiu.edu/~eiu-cei

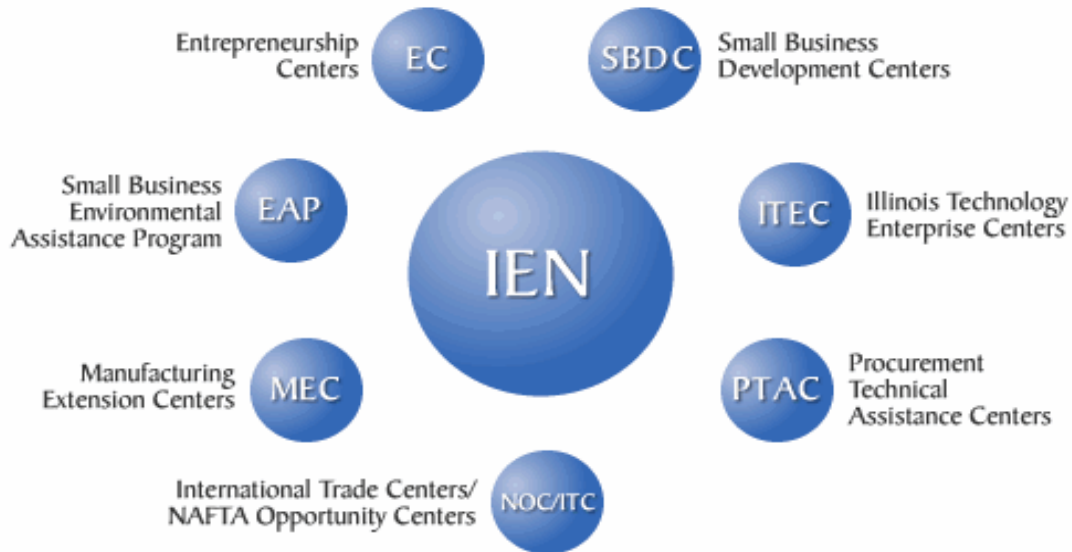
Small Business Development Centers (SBDC) - Illinois Eastern College, in Olney, Illinois and Kaskaskia College in Salem, Illinois are the designated SBDC's that service our region. Barney Brumfiel travels to Mattoon every other week to meet with clients in the Mattoon Chamber of Commerce office. Other SBDC's housed in university settings in downstate Illinois include: Western Illinois University (Macomb), Southern Illinois University (Carbondale and Edwardsville), U of I Extension (Decatur and Champaign), Bradley University in Peoria. SBDC's housed at community colleges not mentioned above include: Danville, Lincoln Land (Springfield), Rend Lake (Ina), Kankakee and Illinois Valley (Oglesby). www.sbdc.gov

Crossroads Workforce Investment Board - Illinois Employment and Training Center -
The IETC provides a variety of services for employers and job seekers who are seeking assistance in meeting the challenges of today's job market. They are interested in supporting wealth creation

and a healthy economic develop of the region. This organization has physical locations in Mattoon, Effingham, Olney and Centralia.

Illinois Entrepreneurship Network - Other programs sponsored by the SBA and the Illinois Opportunity Returns program through the Department of Commerce and Economic Opportunity. Note: Most regions in the state have had a designated Entrepreneurship Center named in their region. They are usually housed in universities. The Southeast Region is one of the few regions in the state that doesn't have a designated Entrepreneurship Center.

www.ieconnect.com



Lakeland College housed a Small Business Development Center (SBDC) in the mid-eighties in the Workforce and Economic Development department. Lakeland decided to discontinue the office and allow Illinois Eastern to absorb the territory due to the excessive amount of reporting requirements from the SBA. Lakeland also housed a SCORE chapter in the 80's or 90's but the group disbanded because it was difficult to sustain a critical mass of volunteers. (Source: Rob Westcott – Center for Business and Industry, Lakeland College)

Eastern Illinois University Studies

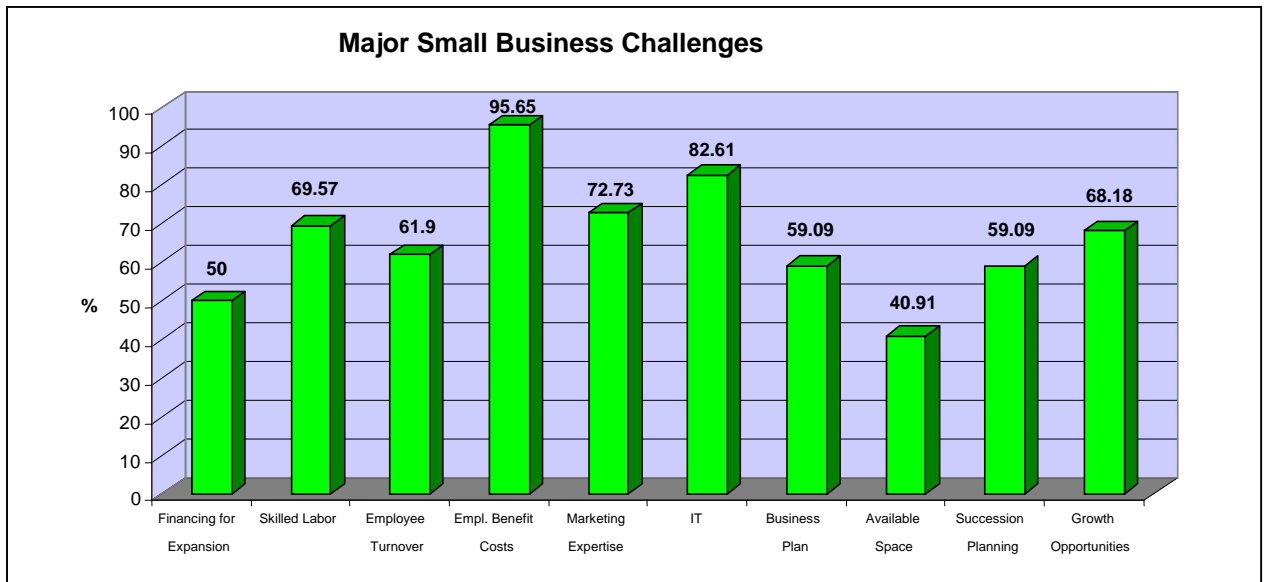
A study was conducted by Dave Arseneau and Kim Fischer in an effort to determine the specific needs of entrepreneurs in the area. The studies polled small business owners in the region using mail, telephone and in-person interviews. Most respondents were from existing businesses. Listed below in rank order are the activities businesses valued:

1. Entrepreneurial networking
2. Workshops/Skill set training (rank order: marketing, tax/acct. employment, business plan creation, legal, business and land acquisition, patents)
3. Youth Entrepreneurship Activities (High School and College hands-on opportunities)
4. Student Interns – Student/Group Research Projects
5. Lecture Series for Entrepreneurs
6. One-on-one consulting and counseling

- 7. Venture Capital Funds
 - 8. Angel Networks
 - 9. Business Plan Competitions
- (Social Entrepreneurship initiatives and Incubator activities were not options in the survey)

The second study was a focus group of 22 economic developers, city officials, and educators that was conducted at the September 2006 East Central Illinois Development Corporation meeting to determine their thoughts regarding the regions needs for entrepreneurship. Conclusions were:

- 50% of the respondents stated that more than 11 *start-up* businesses contact them each year and 38% of the respondents said that over 20 *existing* business contact them each year.
- Existing businesses contact them for the following assistance:
 Resources and referrals (95%),
 Governmental loans (82%),
 Training needs (75%)
 Financial assistance (50%)
- Over 86% of respondents felt that existing business would seek assistance to grow or improve their business.
- While most respondents felt there were many challenges for existing businesses (financing for growth, skilled labor force, retaining employees, providing employee benefits, marketing expertise, technology knowledge, and business plan development) 43% felt that existing businesses needed strategic planning followed by new technology assistance and help with cash flow
- Respondents felt that business plan development followed by financing alternatives were critical for start-up businesses
- Financing appears to be a major concern as respondents were almost evenly divided on the question of banks providing financing on value-based criteria rather than asset based. Sixty percent of the respondents felt that start-ups did not have access to capital to begin businesses.



Present Collaborative Opportunities

Partners in Continuous Business Learning is a new collaborative effort comprised of Eastern Illinois University, Lakeland College and Crossroads Workforce Investment Board (new name - Worknet). This group is meeting to:

- Identify unmet needs in entrepreneurial education and skills development
- Align visions to achieve the common goal of creating continuous learning
- Explore ways to capture efficiencies and to share resources

Millikin University has been a partner with EIU's Center for Entrepreneurship and Innovation since its inception. Sharon Alpi and the staff at Millikin's Center for Entrepreneurship have been wonderful resources. They are the parent chapter for our SCORE sub-chapter and we have plans to collaborate on training in the future.

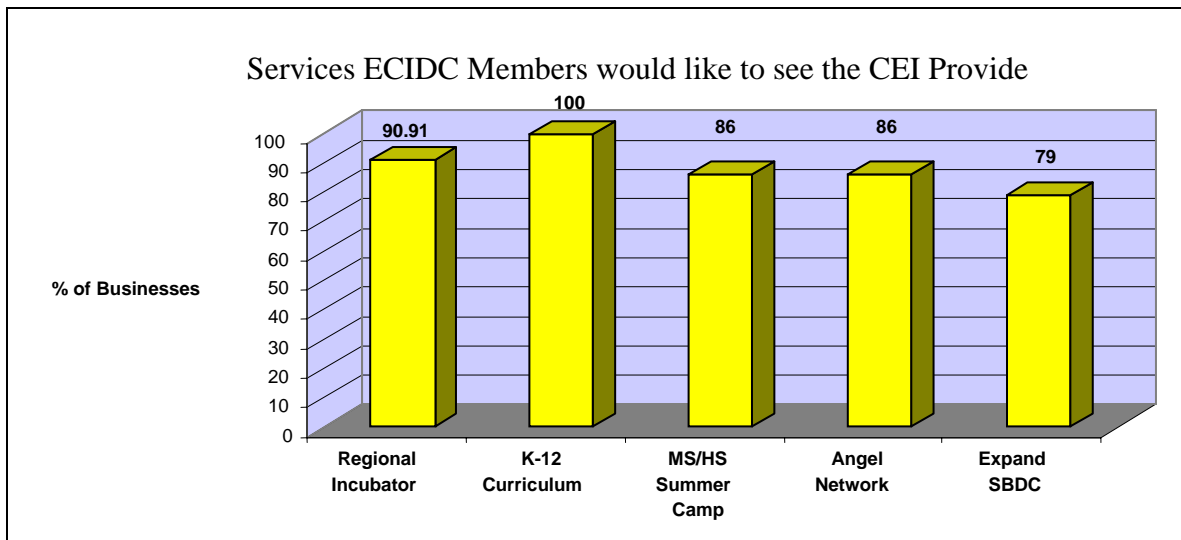
Southern Illinois University and the University of Illinois Extension have established an entrepreneurial center located at the Centralia Technology Center, in Centralia, Illinois. They have looked to Eastern Illinois University's CEI to discuss collaborative opportunities to serve the market.

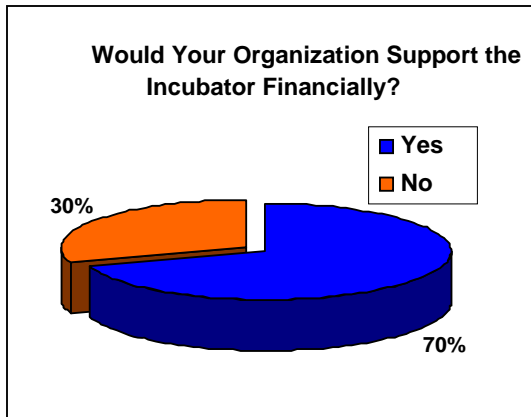
The Lumpkin Family Foundation has partnered with the EIU's Business and Technology Institute and together they have provided training and capacity building activities for the nonprofit business sector in the region. Discussions on how to promote social entrepreneurialism (how to promote entrepreneurial activities in the nonprofit sector) have been discussed because traditional donations are decreasing.

Other Partners – The CEI has many local partners, most of whom are represented in the strategic planning committee. (See list on Page 2).

Future Opportunity

The list on page 7 identifies the services requested by the small business sector. The graph below show services requested by the ECIDC service providers.





Hopefully the State of Illinois will find money in the budget to designate and fund an entrepreneur center in our area. Other sources of funding could include: private/public sponsorships, fee for service, grants or a combination to support the center.

Definition of Terms

Angel Investors – Tend to be past entrepreneurs and retired business persons. They provide financing from \$250,000 to \$2 million per investment. They also invest immense time in their portfolio companies as mentors, advisors and board members. It is estimated that angel investors provide 90% of seed and start-up capital in the U.S. From 1996 – 2003 the number of angel organizations in the United States increased from an estimated 10 to over 200 groups. Angels tend to invest in businesses approximately 90 miles or less from their home. (Boomtown Institute – Aug. 06)

Business Incubator - may be a physical or virtual space where new businesses are housed together (or are virtually networked) to share business support resources and services with coaching from incubator management and its network of contacts. This model has been proven to accelerate successful development of entrepreneurial companies. 87% of all graduate firms are still in business compared to 50-60% of U.S. startups that fail in the first five years. Every \$1 in investment produces \$30 in tax revenue and 84% of graduates stay in the community.

ECIDC – East Central Illinois Development Corporation (ECIDC) – an economic development entity that promotes economic development regionally.

Entrepreneur – a person who organizes and manages a business or undertaking, assuming the risk for the sake of profit. An entrepreneur: sees an opportunity, makes a plan, starts the business, manages the business, receives the profit. www.sba.gov The Kauffman Foundation differentiates the businesses in two categories – a lifestyle business and an entrepreneurial business. The lifestyle business supports a family and their lifestyle only. An entrepreneurial business may be based on innovation in an industry and will grow to create additional value and job opportunities.

FastTrac – a comprehensive entrepreneurship education program (supported by the Kauffman Foundation) that provides entrepreneurs with business insights, leadership skills and professional

networking connections so they are prepared to create a new business or expand an existing enterprise. www.fasttrac.org

Illinois Entrepreneurial Network – a network of services subsidized by the State of Illinois Opportunity Returns program including (See page 7). www.ienconnect.com

SCORE – *Counselors to America's Small Business*, (formerly stood for Senior Corp of Retired Executives) A volunteer organization of more than 10,000 retired and active executives that provide free and confidential counseling to small business people and emerging entrepreneurs. They are subsidies by the Small Business Administration and have 400 chapters across the country. Eastern Illinois University and the Charleston Area Chamber of Commerce created a sub-chapter of the Millikin SCORE chapter two years ago.

Small Business – The Small Business Administration has established a size standard for most industries in the economy. Small business is:

- 500 employees for most manufacturing and mining industries
- 100 employees for all wholesale trade industries
- \$6 million for most retail and service industries
- \$28.5 million for most general and heavy construction industries
- \$12 million for all special trade contractors
- \$75 million for most agricultural industries

Lifestyle and Traditional small businesses are small businesses that support a family and their lifestyle and possibly a few employees. Approximately 75% of the small business falls into these categories. **Entrepreneurial businesses** are based on innovation and have a potential for high growth and economic impact for the area. High-performing and high-growth ventures make up 25% of the small business sector.

Small Business Administration – the federal agency that funds Small Business Development Centers, the Women's Business Centers and SCORE chapters.

Small Business Development Center (SBDC) – a government agency that provides free and confidential one-on-one business counseling and management assistance. An office usually will have a paid counselor and administrative assistant. The SBA will match funds to support these offices and usually partners with a university or college or other economic development entity.

Nonprofit Capacity Building – Imparting skills and knowledge so nonprofits can be more effective in achieving their mission. (Source: Dr. Richard Bush)

One Stop Shop – an office that houses the majority of services available to the entrepreneur all under one roof.

Social Entrepreneurship – to aim either exclusively or in some prominent way to create social value, and pursue that goal through some combination of recognizing and exploiting opportunities to create this value, employing innovation, tolerating risk and declining to accept limitations in available resources.