

**Accelerating  
Entrepreneurship  
in Central Illinois:**  
A Catalyst for  
Regional Opportunity



***Dear Central Illinois Stakeholder:***

I am delighted to share with you an important milestone in the Accelerating Entrepreneurship in Central Illinois initiative (AE-Central Illinois)—a collaborative process that Millikin University has launched to foster a more supportive environment for entrepreneurship-based economic development in the region. The release of *Accelerating Entrepreneurship in Central Illinois: A Catalyst for Regional Opportunity* is an exciting moment in the project. This report is a catalyst for action. It provides reliable and relevant information about our region's ability to nurture the launch and growth of innovation-based, entrepreneurial companies in today's technology-accelerated world. It gives an objective assessment of regional capacity and performance as well as a series of recommended strategic directions. Finally, it is an important starting point for focused dialogue, action planning, and, ultimately, mobilization in which I encourage you to become involved.



Why entrepreneurship and why Millikin University? The answers to these questions are interrelated. More than just a vehicle for personal economic gain, entrepreneurship is a proven driver of economic growth. At Millikin, we recognize the importance of entrepreneurship to economic health and are committed to developing a future generation of entrepreneurs and those who can work successfully in dynamic entrepreneurial settings. As members of an institution of higher learning, we understand our pivotal economic development responsibilities in an economy in which talent is the primary asset. Our commitment, however, extends beyond the classroom into the larger region of which we are and must be an active part—a region that has undergone challenging economic changes. We view it as our responsibility to reach out to the broader community, offering our assets in an effort to help create a more vital region.

By serving as a convener of the AE-Central Illinois initiative, we seek to facilitate a process in which individuals and organizations will draw upon their strengths and areas of expertise to help shape a dynamic process and together achieve entrepreneurship-focused development results. Central Illinois is a diverse and complex region that in today's economy must collaborate to compete. Millikin is committed to this process for change, because we *believe that* it is the only way to achieve sustainable success. To date, this project has involved more than 250 entrepreneurs and economic development leaders from Central Illinois, and the circle of participation continues to grow. I believe that our region must make entrepreneurship a public-policy priority, aligning its investments with strategies and practices that support the creation of opportunity for both people and place.

*Sincerely,*

A handwritten signature in blue ink that reads "Douglas E. Zemke". The signature is written in a cursive, flowing style.

**Douglas E. Zemke, President**

**Millikin University**

## Acknowledgments

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Advanced Research Technologies (ART) works closely with regions to understand whether they are realizing the returns from their investments in innovation and entrepreneurship and if not how to do so. ART has worked extensively on strategic planning, industry analysis, and technology assets assessment. It brings together the best in advanced quantitative research and analysis, community-building expertise, and regional strategic thinking and action. It is located in Cambridge, Massachusetts.

## Introduction

Experience shows that every region can act strategically to convert its assets into a stronger economy and more vital community. Evidence suggests that every industry can be improved, if not transformed, through technology, innovation, and entrepreneurship. Fundamentally, every regional economy, no matter its industry make-up, can be reinvented by effectively tapping its strengths and investing in its potential.

Entrepreneurship is a primary driver of regional reinvention and revitalization, creating far more than opportunities just for individual entrepreneurs and the people they employ. Research indicates that across the United States new enterprise creation accounts for

- **75 percent of the differences in total employment between U.S. regions;**
- **36 percent of the differences in productivity between U.S. regions; and**
- **nearly 50 percent of the differences in wages between U.S. regions.**

Some regions produce five new firms for every one firm produced in another.<sup>1</sup>

Entrepreneurial activity occurs in all industries and results in vital firms of all sizes that contribute to economic health.

Entrepreneurial firms can be neighborhood or community focused to serve local

populations or outward oriented to target global market opportunities. Ventures that compete for entry into the marketplace based on unique qualities of performance and innovation compete primarily on value rather than cost. These enterprises often have the greatest impact. Regional economies in which companies and their industries define their competitive advantage in terms of value, high productivity, and the ability to serve increasingly sophisticated and demanding markets represent today's vital economies.

Whether a plastics extrusion company using innovative methods to accelerate production time or a classic telecommunications spinoff from an existing firm, innovation-driven or value-based entrepreneurship generates the economic value embedded in innovative ideas. Entrepreneurs are most likely to capture locally the economic benefits of innovation through their

entrepreneurial activity. These calculated risk takers serve as intermediaries between the realm of invention and the marketplace. Without their relentless drive to create and produce, many important inventions with market potential would be nothing more than paperwork filed with the United States Patent and Trademark Office.

Regions that have pursued building an innovation infrastructure (e.g., university research and development capacity) without making an equal or greater investment in the support for entrepreneurship have learned the hard way that investing in the development of new ideas with downstream commercial opportunity might or might not have a strong local impact. Often it does not because the processes for generating innovations are not the same as those required for their commercialization.

Although entrepreneurship is sometimes portrayed as the

lone individual exploiting opportunities to make a profit, entrepreneurship is a complex process involving many players who influence and are being influenced by the regional context in which they attempt to launch and grow businesses. The level of entrepreneurship activity and its impact are in large part a function of a region's economic development assets, industry structure and competitive dynamics, and regional leadership and vision.

Today, being entrepreneurial involves connecting and leveraging sources of innovation across businesses and institutions within a

region. Doing so entails a specific leadership style and approach to knowledge development and management in companies and in regions. Just as businesses need to be fast acting, agile, and creative, so do service providers within the economic development support infrastructure, including the public sector.

To compete effectively in an innovation-driven, entrepreneurial economy, successful regions work strategically and proactively to (1) cultivate their value-based assets, including homegrown or imported sources of innovation, and (2) create a fertile context for converting those ideas into products and services to capture the economic impact. This process is the essence of a next-generation approach to fostering regional competitiveness.



<sup>1</sup> "Innovation-Entrepreneurship Nexus," Advanced Research Technologies, Inc., Spring 2004.

## Accelerating Entrepreneurship in Central Illinois: The Initiative

The purposes of the Accelerating Entrepreneurship in Central Illinois initiative (AE-Central Illinois) are to analyze the Central Illinois region's capacity for innovation-driven entrepreneurship development and formulate targeted development strategies for enhancing regional capabilities and results. As a central element of the overall strategic action process underway, this report

- **gauges entrepreneurship activity and dynamics** through an analysis of emerging and high-growth entrepreneurship trends in Central Illinois;
- **assesses how well firms are positioned for growth** by analyzing the financial performance and structure of the region's high-potential firms compared to peer firms within the same industries across the nation;
- **reviews the region's strengths and weaknesses in supporting entrepreneurship** by analyzing the quality and capacity of the innovation and entrepreneurship infrastructure and assets;
- **analyzes the industry cluster structure and competitive dynamics** that provide the industry context for entrepreneurship; and
- **offers a series of strategic directions** that have evolved during this assessment phase of the initiative that can serve as catalysts in the development of specific action initiatives during the project's next phase.

## Entrepreneurship Quantified

To understand entrepreneurship within a regional context, the AE-Central Illinois initiative used secondary data from both public and private sources. It also conducted approximately 30 semi-structured interviews of entrepreneurs from across the region and three customized surveys within the Central Illinois region. The 2004 *Emerging Entrepreneurship Survey* focused on identifying early-stage entrepreneurial activity and public attitudes toward such activities. The 2004 *Entrepreneurship Infrastructure Survey* examined the entrepreneurship infrastructure from the perspectives of both economic development service providers and entrepreneurs. The 2005 *High-Growth Entrepreneurship Survey* evaluated the entrepreneurial leadership orientation of high-performance firms that had grown at an annual rate of 15 percent or higher for a three-year period. Details on methodology for data collection and analysis can be found in Appendix A of the full report.

## A Collaborative Leadership Process Launched

Successful innovation-driven, entrepreneurial economies share certain key features. They have an entrepreneurship-focused vision and strategy, collaborative regional leadership, and a sustained commitment and receptivity to change.

Strategic planning that only involves the "usual suspects" is no longer effective. Economic development practitioners and the "old-boy" network are too narrow a group to sustain regional outcomes. The chamber president, banker, realtor, and corporate leader are still vital players, but the participant list needs to be expanded to reflect new economic realities.

This broader team includes chairs of corporate boards, community activists, small and high-growth business entrepreneurs, university presidents, chamber heads, environmentalists, realtors, and corporate heads. These diverse leaders are linked together by a shared sense of opportunity, the spark of entrepreneurial personalities, and the belief in the value of working in teams. They are also connected by a deep understanding that innovation is a social and iterative process. They possess the ability to set individual ideologies aside and not allow past history to become an anchor. Most important, they recognize the critical need to cross-jurisdictional, geographic, and sectoral boundaries to effect change.<sup>2</sup>

To date, more than 250 regional stakeholders and leaders have shared their perspectives and insights about the Central Illinois region's entrepreneurial present and future. Forty-eight of these representatives from industry, education, government, and the civic arena have served in the critical role of Regional Partner to the project, participating in the analysis of interim findings, identifying people to whom the project needs to reach

out, and providing invaluable guidance and insight. Focused on mobilization and implementation, the initiative's next stage will require a different type of participation than this phase has, with its focus on regional assessment and prioritization of strategic opportunities.

### The Central Illinois Region

Champaign County  
Douglas County  
Ford County  
Macon County  
Moultrie County  
Piatt County  
Shelby County

<sup>2</sup> Doug Henton, Jennifer Montana, and Andrew Reamer, *Strategic Planning in the Technology-Driven World: A Guidebook for Innovation-Led Development*, Washington, DC: United States Economic Development Administration, Department of Commerce, 2001, 31-35.

## Major Findings

### ***Entrepreneurship Characteristics: New Firm Formation Activity and Dynamics***

***A small but important potential force for economic growth is emerging in the Central Illinois region, requiring a supportive environment to gain momentum.*** Approximately one in 13 people in the region has taken the first steps towards starting a new business, only one-half of the nationwide rate. 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 for work.

An entrepreneurial climate in which to launch and grow a new firm is critical to the success of these current risk takers. Given that nine percent of all Central Illinois adults expect to start a business within the next three years, the demand for a supportive entrepreneurship infrastructure is evident and an exciting development.

***The quantity of entrepreneurship lags the nation significantly, but the gap is smaller when it comes to the quality of those ventures.*** At any given time, only a small segment of new firm launches will be truly high potential due to the use of new technology or a radical innovation. Eight percent of Central Illinois entrepreneurs are introducing new products and services that require a technology for their development unavailable more than one year ago. This compares roughly to the nation where approximately ten to 15 percent of launches are based on recent technological breakthroughs.

***Market orientation and competitiveness reveal a promising picture about the growth potential of the region's entrepreneurial launches.*** Although most new firms being launched in Central Illinois primarily serve local markets, nearly 30 percent of them are selling their goods or services outside of the region. Local-serving industries tend to rely on local demand for the sale of goods and services. Firms that bring revenues from outside the region back into the region are considered "traded." Local-serving markets are typically smaller than traded ones, which are national or international in scope. Conducting business in traded

industries generally creates more opportunities for growth, which is much more likely to translate into greater regional economic impact.

A majority of Central Illinois entrepreneurs (64 percent) consider their product or service introduction highly competitive. Is this perception due in part to the lack of sophisticated demand within the regional marketplace, where a majority of goods and services are being sold? Further analysis indicates that although the lack of sophisticated demand may explain some of the perceived competitiveness, the product and service offerings of regional entrepreneurs are likely to be competitive in external markets, too.

***Many of the region's entrepreneurial launches are being grown to create regional economic impact.***

Research indicates that firms launched to exploit

opportunity are significantly more likely to create jobs at greater levels than those started due to necessity. Slightly more than one-third of the region's entrepreneurs intend to employ one to five persons, while ten percent plan to employ six to ten people within the next five years.

***Entrepreneurial culture and attitudes present a serious conundrum that will require a sustained and multifaceted commitment to overcome.***

In general, 71 percent of all adult residents see good opportunities for starting a business in the next six

months, and their entrepreneurial acumen extends to making investments in the start-ups of others at rates close to the nation's. One-third of all adults know an entrepreneur, suggesting familiarity and awareness with the new venture career path. Yet risk aversion is so pervasive that 49 percent of all adults indicated that a fear of failure would prevent them from pursuing an entrepreneurial opportunity, compared to 20 percent nationally. And, those individuals statistically most likely to start a new business, 25-to-34-year-old males, are amongst the most risk averse. Finally, only a few people believe that they have an equal opportunity to exploit perceived market opportunities versus someone else. This response is not explained by race, ethnicity, gender, or income.



**Entrepreneurs and infrastructure service providers—those close to the entrepreneurship scene—strongly disagree about whether entrepreneurship is a desirable career path.** However, they all agree that less status and respect is accorded to the successful entrepreneur than the mid-level manager of a large, established company. This regional mindset lags a new economic reality that a majority of all jobs being created are in younger companies with an average employment size of 50 or less. Over the past decade, the average employment size of the region's establishments has contracted in keeping with this trend.

## **Entrepreneurship Assets: Talent, Innovation, and Financial Capital**

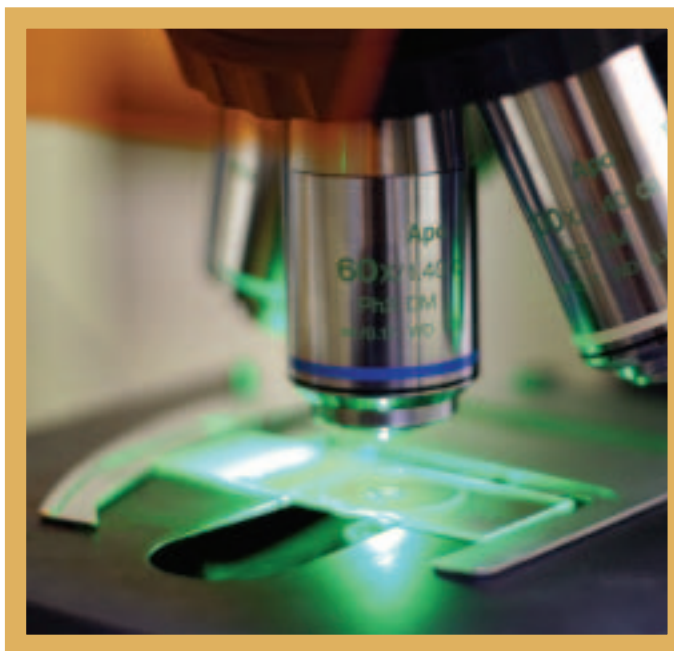
Inexpensive land, labor, and natural resources might have been the primary assets for entrepreneurship in the industrial era. In today's innovation-driven entrepreneurial economy, where the primary objective is to create value through product and service differentiation, talent, financial capital, and innovation are the key ingredients for economic prosperity. In regions that have historically relied more heavily on industrial assets, it is often more challenging to shift towards the cultivation of the more intangible assets associated with value-based economic growth.

**The Central Illinois region has many of the core assets for innovation-based, entrepreneurial growth, and these assets have been growing over time. But, they are not at levels that translate into economic impact regionally.** After a long period of depopulation, the region is growing again, and the population most likely to start a new business, 25 to 34 year olds, was on the rise as a percentage of the total population from 2000 to 2003.

Talent is a primary asset for economic growth in a technology-accelerated world. Educational attainment is linked to innovation-based, entrepreneurial growth and directly correlated with earnings potential. The adult population in the Central Illinois region has become more educated over time. Twenty-five percent of Central Illinois adults age 25 years and older had a college degree or higher in 2000, compared to 24 percent of the same segment of the U.S. population. The region's commitment to education can be seen in the achievement of college degree completions or higher among younger age cohorts, where the region outpaced the nation in 2000. In fact, 35 percent of all 25 to

34 year olds have a college degree or higher in Central Illinois, compared to 25 percent of the same age cohort nationally in 2000.

**The region maintains the status quo in the number of specialized science and engineering degrees granted over the past ten years.** Given the emphasis on innovation and entrepreneurship, individuals with specialized degrees in the sciences and in business represent a potential future work force of highly skilled talent. The region's institutions of higher education awarded specialized degrees in science, engineering, and technology at roughly the same levels from 1992 to 2001. Nationally, the growth in the number of degrees awarded grew significantly faster over the same period. By contrast, the rate at which regional institutions granted business and management degrees grew by almost 16 percent over the same period, compared to approximately nine percent nationally.



**If the Central Illinois region leveraged its patenting activity the same way that regions with similar population sizes do, it would have significantly higher and rising rates of new business formation.** The region's development of intellectual capital with downstream commercial potential climbed steadily, mirroring average national trends. However, the inability of the region to better leverage its innovation assets for greater regional economic gain remains a factor. Central Illinois exported a majority of the intellectual capital it developed in the form of patents to corporations across the United States.

## **Industry Composition and Competitiveness**

A region's industry base sets the stage for competition and critically affects prospects for entrepreneurial success. This context affects the amount of opportunity available for starting and growing companies. It influences the level of instability or unpredictability associated with starting and growing companies. Industry structure and competitive dynamics also have a significant impact upon the quantity, cost, and accessibility of the resources required to start and grow companies.

**After a period of wrenching change, there are signs that the Central Illinois region is undergoing a period of economic revitalization.** The region has been slowly moving from a commodity-based economy towards a value-

based, innovation-driven economy. Some companies are increasingly competing on the basis of innovation and entrepreneurship rather than low costs. However, as some businesses move up the value chain by focusing on value-added product and service creation, others still attempt to compete unsuccessfully in low-wage, low-productivity arenas.

The region's industry base is composed of businesses within the same or related industries, because businesses that create similar products or offer similar services and those that support them often cluster together, locating in close proximity to one another. When they do so, their concentration can serve as a magnet for growth, and their similar needs for resources, suppliers, and distributors create greater incentives to collaborate for success. Clusters that are sufficiently concentrated relative to the same clusters nationally are considered traded. They are sufficiently specialized to offer the region a potential competitive advantage within a given industry area. "Traded industry clusters" benefit from both their focus on national and international markets and the effects of clustering.

***The Central Illinois region has 13 traded industry clusters of which six are manufacturing and the remainder are services.***

Manufacturing accounts for 39 percent of all cluster employment. This increasingly diversified industry portfolio helps the region weather economic downturns and macro changes, including the continued restructuring of the region's manufacturing base. The restructuring of traditional manufacturing clusters continues, with some clusters such as Materials Manufacturing and Industrial Manufacturing losing employment but appearing to stabilize in the near term through productivity gains.

***The distribution of employment across the 13 clusters is striking in that a majority of clusters have medium-sized employment levels diminishing over reliance on any one cluster.*** This healthier employment diversification is a welcome development. Healthcare Services, Specialized Construction Services, and Food Production are the three largest clusters, accounting for 42 percent of all cluster employment. Importantly, the distribution of employment is fairly balanced across the remaining ten clusters.

***The largest clusters are not necessarily the fastest-growing clusters or the most prolific in creating high-quality jobs.*** While Healthcare Services, which accounts for the largest share of all cluster employment at 21 percent, grew by 17 percent from 1998 to 2003, the other two largest employers had negative or no growth over the same period. All three clusters offered average annual wages below the regional average.

By contrast, rapid growers provided higher-than-average annual wages and higher-than-average wage growth over the past five years, with the exception of Transportation & Logistics Services. Arts & Entertainment Services, offering an average annual wage of \$83,000, more than doubled in employment size from 1998 to 2003 but started from a small employment base of approximately 700 workers.

Transportation & Logistics Services, paying \$50,000 on average, grew by 45 percent, and Financial Services, with average annual wages topping \$114,000, increased in employment by 32 percent over the same five-year period. Both clusters experienced employment growth from medium-sized employment bases.

The Professional Support Services cluster also grew significantly. However, the creation of lower-paying jobs outpaced the development of relatively higher-paying ones in this cluster. In fact, this pattern of services jobs growth was mirrored in the region's other services industries, including Healthcare Services. Higher-paying services jobs grew in the region, but on average, lower-paying services positions increased more rapidly.

| Central Illinois Major Industry Clusters       |
|--|
| Food Production                                |
| Transportation & Heavy Equipment Manufacturing |
| Industrial Manufacturing                       |
| Materials Manufacturing                        |
| Chemical & Chemical Products Manufacturing     |
| Wood & Furniture Products Manufacturing        |
| Specialized Construction Services              |
| Transportation & Logistics Services            |
| Arts & Entertainment Services                  |
| Communications & New Media Services            |
| Healthcare Services                            |
| Financial Services                             |
| Professional Support Services                  |

***The technology orientation of the region's industry clusters reveals that most are not highly technology intensive, whether in the development or delivery of products or services.*** The use of technology to compete more effectively is an important measure of innovation in a value-based economy in which change has been vastly accelerated by technology. The region's lackluster performance helps explain the mixed picture of industry cluster productivity.

***Productivity figures reveal a cluster portfolio rising to the call to compete but with some clear exceptions.*** Eight of the 13 clusters outpaced or were competitive with their national industry peers in total value added per employee—a common measure of productivity. The three clusters that experienced a combination of the greatest percentage employment growth and highest average annual

wages over the past five years had varying levels of growth in productivity over the same period. Financial Services and Arts & Entertainment Services outstripped their national industry competitors in growth in value added per employee and also demonstrated substantial percentage wage growth.

By contrast, Transportation & Logistics Services lagged its competitors with decreased percentage changes in value added per employee and wages over the same period. Still holding a significant advantage in total value added per employee, Transportation & Logistics Services will need to generate growth in its productivity to protect its substantial lead from further erosion.

The competitive pressures within industry clusters influence the ability of entrepreneurs to launch and grow new companies. “Market openness” and “competitive uncertainty” are two important indicators of competitive entrepreneurial dynamics. Some clusters are characterized by high market openness. These clusters are ripe with market opportunity and typically more open to new firm formation. Some clusters exhibit greater competitive uncertainties, because their markets are more unstable. Launching a business in highly uncertain markets is challenging, and the results are less predictable. Clusters can rank “high” in uncertainty and market openness simultaneously.

***Nine of the region’s 13 industry clusters demonstrated a minimum of medium levels of market openness to new enterprise creation, suggesting opportunities for entrepreneurial gains.*** Financial Services, Wood & Furniture Products Manufacturing, and Professional Support Services are all characterized by high levels of market openness to new establishment creation, whereas Communications & New Media Services, Materials Manufacturing, and Transportation & Heavy Equipment Manufacturing are significantly less receptive to new establishment creation. A majority of clusters have medium levels of competitive uncertainty, suggesting reasonable levels of stability in pursuing market opportunities, with only Wood & Furniture Products Manufacturing and Industrial Manufacturing demonstrating high levels of unpredictability.

***The region’s clusters present a mixed picture of financial competitiveness relative to cluster peers nationally, suggesting ample room for more effective financial-management decision making.*** On the whole, firms in a majority of the Central Illinois region’s clusters underperform compared to their peers nationally. Although sales growth rates are competitive, many cluster firms demonstrate a dampened ability to convert those sales into profits. A majority of the region’s clusters carry much higher levels of debt than their peers, with some exceptions. Many of the Central Illinois clusters also lag behind national competitors on assets to sales, profits per employee, and collection periods. Although national cluster competitors often outpace the region’s clusters on benchmarks of

financial efficiency, profitability, and liquidity, more targeted financial management could close the current performance gap.

***Although they do not dominate the economic landscape in Central Illinois, the region’s fast-growth companies typically favor strategies associated with value-based development.*** This small cadre of firms competes primarily on innovation rather than low-cost strategies. They tend not to allow resources to dictate their ability to recognize and leverage market opportunities. A majority of these companies place a strong emphasis on research and development (R&D), technological leadership, and innovation. These firms record average levels of proactiveness vis-à-vis their competitors and, in this regard, appear a little less aggressive. This tendency may also be linked to their stated preference for more hierarchical management and control structures than those typically associated with entrepreneurial firms. It is important to note that these firms place a high priority on skilled talent, access to new markets and technologies, and opportunities to network with peers.

## Implications for Action

Competing through innovation and entrepreneurship is both a desirable and achievable goal for the Central Illinois region. The Central Illinois economy has been moving in this direction. However, these developments are not the result of a concerted regional effort but incremental and discrete efforts that on their own have not generated a level of focus and momentum that translates into regional economic impact. With assets distributed across the region, limited resources for investment, and little time to waste, a regional approach will maximize each community’s long-term opportunities for economic vitality.

The regional opportunities for and challenges to accelerating value-based entrepreneurship suggest that this process will require

- **a reprioritization of economic development assets from inexpensive land, labor, and natural resources to talent, innovation, and financial capital;**
- **continued strengthening and diversification of the region’s industry cluster portfolio;**
- **a sustained commitment to collaborative regional leadership and an inclusive community mindset; and**
- **cultivation of a culture of calculated risk, creativity, and aspiration.**

### *I. Investing in Value-Based Assets*

The Central Illinois region needs to make a commitment to a reprioritization of economic development assets from inexpensive land, labor, and natural resources to highly skilled talent, innovation, and financial capital. There are

signs that it is already doing so. However, a concerted effort is necessary as these investments represent long-term commitments requiring public- and private-sector leadership to champion them beyond economic and political cycles.

Whether investing in the region's potential future work force, the capacity for innovation, or the development of financial capital, the region has made progress and in many cases mirrors the national average. However, it is not enough to be average. Expectations for a better future must be raised without denying current successes.

## ***II. Diversifying the Region's Industry Cluster Portfolio***

The Central Illinois region's entrepreneurship development strategy must build on its assets as well as its industry structure and competitive dynamics. This approach will in turn foster the continued strengthening and diversification of the region's industry base.

To be successful, the region's entrepreneurship development strategy needs to focus on growing not just firms but clusters of firms for two reasons. First, the strategy will need to be cluster based in order to enhance the probability of the successful launch and growth of individual firms. New firms have a higher likelihood of launching successfully in regions with complementary industry bases and assets to the new venture than in regions that lack the industry base from which it might draw inputs, including talent, suppliers, or technology.

Second, the entrepreneurship development strategy needs to be cluster based to build an industry base that drives economic growth and vitality. Fostering new and high-growth companies has an obvious and often desirable impact on job creation. This outcome is the most commonly understood purpose of entrepreneurship development. However, more important than job creation is the development of a powerful dynamic presence in vital economic regions. In these regions, the birth and growth of entrepreneurial companies attracts talent and related and complementary firms, including producers, suppliers, and support businesses. When this activity gains momentum, a critical mass of players and activity creates a healthy demand for people, ideas, and infrastructure, producing a reinforcing cycle that stimulates a region's prospects for competitive advantage.

## ***III. Valuing Collaborative Regional Leadership***

Collaborative regional leadership challenges some basic assumptions about Central Illinois. It raises two fundamental questions. First, is it a region? Although residential commuting patterns to and from work inextricably link the seven counties of Central Illinois into one economic region, distinct subregional cultures, industry dominance, and attitudes tend to enlarge the sense of distance and minimize the possibilities for recognizing commonalities.

Second, does it make sense to collaborate to compete? The region's historical reliance upon commodity- and cost-driven economic factors has made it difficult to accept that the region needs to collaborate to ensure its competitiveness, and that a diverse leadership team guided by a collaborative process is the tipping point for successful economic development in today's economy. There are few win-win opportunities in cost- and commodity-driven economies.

Not surprisingly, the business sector in Central Illinois is an early adopter of collaborating to compete. The business community can and must be a model to others, serving in a central leadership role in the region's entrepreneurship development strategy. For each community to be successful over the long term, it will be essential for leaders, both public and private, to overcome any scarcity mindset that might inhibit building the collaborative regional

leadership base needed to compete in a global marketplace from which no community is exempt.

## ***IV. Embracing Risk, Creativity, and Aspiration***

With the Central Illinois region's inclination towards risk aversion twice that of the national average, the focus on shifting mindsets from an inhibiting fear of failure to pursuit of calculated risk, experimentation and creativity is vital to the region's economic health.

Increasing regional awareness of the current culture of risk aversion, putting its origins into some context, and consciously making efforts to encourage and celebrate experimentation are all essential. And it almost goes without saying, to begin to change the regional mindset towards risk, Central Illinois leaders need to demonstrate a willingness themselves to be entrepreneurial.



## Strategic Directions

Innovative regions engage in collaborative strategic action to reinvigorate and reinvent their economic communities. This breakthrough process enables regional leaders and stakeholders to understand the region's opportunities and challenges, envision its future, and work collectively to achieve results. Strategic planning is also fundamentally a relationship-building process that facilitates sustainable commitment to change over the long term. The process provides a forum for those who care about the region to build effective working relationships with each other, and these relationships form the foundation for a focused development process that generates successes.

Ultimately, the strategic partners for AE-Central Illinois will determine the specifics of the roadmap for accelerating entrepreneurship through a dynamic process of incubation and action planning. Five themes most likely to impact the region's entrepreneurship development trajectory emerge from the analysis:

- **Information dissemination and education**
- **Institutional capacity and collaborative leadership development**
- **Mindset development for value-based economic opportunity**
- **Regional foundation building**
- **Network development**

Each of these themes, along with associated recommendations and examples of innovative practices from other regions, are discussed in detail in the conclusion of the full report.

### *Information Dissemination*

#### **1. Provide Stakeholders and Leaders with Information to Facilitate Increased Awareness, Dialogue, and Informed Action**

Although information does not equal action, it is an important ingredient for supporting informed action. AE-Central Illinois surveys of the region's entrepreneurs and infrastructure service providers consistently reveal an information gap that has critical implications for action. Those most likely to have their fingers on the pulse of the region's entrepreneurial health and to participate in a leadership role in a strategic action process lack vital information on a range of issues important to

entrepreneurship development.

To help close this gap, regional leaders need to make a commitment to improve access to reliable and objective sources of information for those involved in entrepreneurship development. The AE-Central Illinois report is a step forward in this regard. It provides an analysis that needs to be widely disseminated, discussed, and debated. It addresses some important questions but also raises many more that prompt the need for further analysis. It should be supplemented and updated on a regular basis to help educate and inform public officials, private-sector leaders, educators, and community stakeholders as a whole and help decision makers and opinion leaders in particular to formulate perspectives, challenge assumptions, and establish priorities for the region's entrepreneurship development agenda.



### *Institutional Capacity Building and Collaborative Leadership Development*

#### **2. Proactively Support Cluster Development**

To be successful, the region's entrepreneurship development strategy needs to focus on growing not just individual firms but clusters of firms. New firms have a higher likelihood of launching successfully in regions with complementary industry bases and assets to the new venture than in regions that lack the industry cluster base

from which it might draw inputs, including talent, suppliers, or technology. And the stimulation of demand for these inputs produces a self-reinforcing cycle that builds momentum towards a critical mass of clusters.

To foster the development of a critical mass of firms, vital regions create cluster support organizations that provide advocacy, networking, competitive intelligence, research and information, marketing, and technical advisory services to the members of each cluster. Central Illinois regional leaders need to engage in this type of institutional capacity building to enable the region's newly emerging and established firms to collaborate to compete.

### **3. Create an Agriculture Technology Commercialization Center for Entrepreneurial Excellence**

The Central Illinois region has a competitive strength in food production and processing relative to the nation, but global market forces threaten the commodity-focused bases of that advantage. To help accelerate the value-based development of food production, an Entrepreneurial Excellence Center in Agricultural Technology Commercialization (EEC) should be considered carefully. The opportunities to lead the development of next-generation agricultural industry products and services are significant and exciting—ranging from soy-based plastics development to the cultivation of plants that serve as factories in the production of medicine. Fortunately, potential partners for the EEC are already present in the region's business, governmental, and educational sectors. The viability of this complex partnership will require a clear commitment to collaborative regional leadership.

To be distinct, relevant, and competitive, the EEC needs to focus specifically on development, commercialization, and entrepreneurship rather than research—already a clear regional strength. To leverage all opportunities and stay close to the marketplace, the EEC also needs to broaden its search for sources of innovation from the typical focus on university-developed technology by also seeking to use or acquire proprietary intellectual property (e.g., patents) from the commercial sector through out-licensing and donation arrangements.

### ***Mindset Development for Value-Based Economic Opportunity***

#### **4. Celebrate Growth-Oriented/High-Performance Companies**

Regions that celebrate their successes reinforce an appetite for achievement, and regions in which people can speak freely about failures promote the type of learning necessary for increased success. Entrepreneurial firm successes need to be acknowledged to build positive awareness and understanding of the role these companies play in economic development.

Central Illinois leaders need to make a commitment to acknowledging their high-growth entrepreneurial firms in order to help enhance understanding about the role of entrepreneurship among the general public, encourage entrepreneurship as a career path, and reward individual entrepreneurs through recognition. Simple programs designed to honor the region's fastest-growing and most promising firms, based on such factors as sales and jobs growth, financial performance, and corporate citizenship, are part of fostering a supportive environment for entrepreneurship. Making these new and vital companies household names reflects an important internal marketing need for a region historically dominated by a few large corporations that are no longer the primary drivers of employment growth.

#### **5. Help Entrepreneurs See the Value in Equity Capital**

Sometimes entrepreneurs finance growth with debt capital or rely on internal company funds due to insufficient local supply of and/or access to equity capital. In the Central Illinois region, a third variable also affects this type of decision making, namely strategic management. The 2004 Entrepreneurship Infrastructure Survey reveals that many Central Illinois firms are more likely to be governed by management philosophies and models that preclude consideration of equity capital, initial public offerings (IPOs), and mergers and acquisitions (M&As) as strategies for growth. Firm reliance upon debt capital is also illustrated by the capital structure of the region's industry clusters, which have significantly higher debt-to-equity ratios than their peers nationally, with some notable exceptions.

Regional entrepreneurs need efficiently delivered advice and training on entrepreneurial strategic management and models that address issues of resource control, competitiveness strategy, and management orientation. They need training in how to be entrepreneurial company leaders rather than administrative managers or owners on the small-business management trajectory. This involves educating firms about financing options and familiarizing them with the associated risks and benefits of outside capital. To help firms grow, regional leaders need to make a commitment to creating initiatives that identify and work specifically with firms at the industry-benchmarked stage within their growth cycle when they should be considering the equity option—fostering changes in mindsets about the assets and routes to prosperity in today's economy.

#### **6. Develop Financial-Management Decision-Making Training for High-Growth Firms**

Although fast-growth companies are those most likely to generate the greatest portion of all net new jobs in today's economy, they are also prone to bankruptcy in the year of their greatest sales growth. Unfortunately, fast growers are not necessarily top performers. However, their potential to be high-impact firms suggests the need for flexible training that can reduce the probability of failure during periods of rapid growth.

At the core of sustainable growth is a detailed understanding of financial-management decision making. Firm managers require the ability to understand detailed information about their firm's efficiency, liquidity, profitability, and growth. All too often, these basic elements of sound financial management do not get the attention they deserve. These types of companies need access to training in sustainable growth strategies tailored to their financial-management decision-making needs.

Regional leaders need to make a commitment to the design and delivery of flexible initiatives that ensure awareness of and access to financial-management decision-making learning opportunities and tools. The use of software decision-making tools to provide companies with detailed financial pictures of firm performance, including benchmarks to their industry peers, is an important part of this service offering. It adds a level of objectivity and specificity missing from traditional support services that tend to be too generic and oriented towards management consulting rather than financial-management decision making. These tools can also ensure greater consistency in quality of advisory services and create opportunities for program scalability.

## *Regional Foundation Building*

### **7. Invest in the Development of Skilled Talent**

Skilled talent is a primary asset in an innovation-based, entrepreneurial economy, and Central Illinois regional leaders need to make a commitment to setting high expectations and accelerating efforts to ensure that a larger portion of the adult population obtains a college degree at minimum.

The region's universities and colleges serve a vital economic development function that needs to be recognized by these institutions and others within the economic development community. They attract and train domestic and foreign-born students—creating a potential pool of management, technical, and entrepreneurial talent. These institutions, in concert with other economic development organizations, can and should maximize the opportunity to encourage more of these students to remain in the region following graduation.

Internship programs that connect students to local companies and entrepreneurial launches in particular are one way to foster and raise talent-retention rates. Facilitating regional career connections for these students is a welcoming invitation to stay. Existing internship programs at universities and colleges should consider a more regionalized approach to this process, working together to form a region-wide internship program that makes commercial-sector participation more efficient and, therefore, appealing.

In addition to introducing young people to regional career opportunities, creating vital communities attractive to young talent is an important strategy for growing an

entrepreneurial talent pool. The maintenance of open space, parks, and recreational facilities, along with vital downtowns that offer 24-hour lifestyles, are other important assets frequently associated with young talent attraction.

### **8. Validate the Entrepreneurship Career Option**

Exposure to ideas, people, and new experiences is critical to shaping an individual's sense of opportunity. Knowing that entrepreneurship is a credible career path provides another option to those at any point in their working lives, including those about to enter the work force. Career advisory service providers, whether they work with primary and secondary students, college graduates, or adults in career transition, need to commit to providing information and resources about entrepreneurship. Their message needs to be holistic, providing information about entrepreneurship within the industry cluster context of Central Illinois.

Opportunities to teach entrepreneurship in the primary and secondary schools also need to be sought. This needed investment in the region's youth of today is a commitment to its leaders of tomorrow. Well-tested entrepreneurship curricula and resources already exist for primary and secondary school children, as well as entrepreneurship training programs for teachers. At the post-secondary level, initiatives can be created to provide certification and credentials to students who, in addition to their major field of study, also undertake course work in entrepreneurship and/or complete entrepreneurship laboratories or internship programs.



### **9. Convert Participants into Leaders in Intellectual Capital Development and Commercialization**

Regional researchers and inventors tend to participate in intellectual property (IP) development processes that lead to the creation of patents with commercial viability; however, more often than not, they do so as second, third, and fourth inventors. Their joint endeavors are critical and reflect a collaborative spirit—working with other innovators all across the United States. But these innovators need increasingly to take the lead in these partnerships to better control the commercialization trajectory of the intellectual capital once developed.

The shift from participant to leader in intellectual capital development is challenging to overcome, and change is likely to be incremental. In the university sector, this change is likely to require intensified competitiveness in garnering federal funding for academic research and development and

continued development of favorable technology licensing policies and incentives. Some universities have chosen to recruit “star” academics who garner significant R&D funds to increase their overall funding levels. However, more systemic approaches to supporting faculty and researcher proposal development are likely to achieve strong and sustainable results dependent upon a culture of research excellence rather than a few celebrity researchers.

#### **10. Proactively Position the Region for the Realities of Venture Capital Infusion**

Equity capital often generates the needed financing to launch and grow fast-paced companies. It also often provides vital exposure to other key resources such as management expertise, networks, and additional market opportunities. Many entrepreneurs and stakeholders believe that there is an adequate regional supply of equity capital. However, if the region puts entrepreneurship development at the top of its agenda, this response is likely to change over time, as it has in other regions that have aggressively courted venture capitalists.

To prepare for greater demand and the likely implications of such demand, regional leaders need to make a commitment to position the region strategically by addressing proactively the barriers it will face attracting outside equity investment. Amongst those challenges is the likelihood that outside investors will put pressure on the region’s firm in which they invest to move closer to the sources of capital. In anticipation of this issue, regional leaders should consider creating funding mechanisms that create incentives for outside investors to invest in local companies. These incentives can be tied to disincentives to firm relocation. Incentives can include providing qualified venture capitalists with the ability to diversify risk, enabling them to potentially raise more funds from investors in regional business ventures.

#### **11. Streamline Permitting and Regulations for Business Launches and Growth**

Public officials play a vital role in facilitating new business development and growth. Permits, licensing, and regulatory processes can be transparent, accessible, and streamlined, or they can be highly bureaucratic, arduous processes. Creating one-stop shops and using online tools can save entrepreneurs important time in bringing their products and services to market in a highly competitive global marketplace. Just as entrepreneurs need to possess speed, agility, and innovation, so do the government agencies that regulate these businesses.

User-friendly, online information clearinghouses are needed to enable entrepreneurs to navigate the government regulatory terrain efficiently. These services can provide access to tools that identify permit, license, tax, and employment requirements specific to a given business; connect the entrepreneurs directly to the necessary form or application; identify relevant contact persons; and detail direct links to relevant rules or statutes.

## *Network Development*

#### **12. Tap the Power of Networking by Connecting Existing Networks and Building New Networks to Fill Gaps**

Each suggested strategic direction clearly involves or could be supported by the presence of effective networks and networking. Networks are webs of relationships that form the connective tissue of today’s economy. Knowledge, information, and resources, which are at the core of innovation, flow with people. People and their networks are ultimately where value resides in an innovation-based, entrepreneurship-driven economy.

Leadership in Central Illinois needs to make a commitment to generating connectivity between existing entrepreneurship networks within the region and to developing networks that serve the needs of entrepreneurs where gaps currently exist. Formal networks need to be sufficiently targeted to be effective and meaningful for entrepreneurs who have little time to spare.

### *Moving Forward: A Few Observations*

Strategic action challenges us to work with others, to be both teachers and learners, to listen when we prefer not to do so, and to be patient with good process, as we seek to ensure tangible outcomes. Although integral to effective community and regional change, no one has ever said, “Collaboration is easy.” Yet, competing in today’s innovation-driven, entrepreneurial economy requires the ability to collaborate within and across boundaries. These borders include those that separate the commercial sector, educational institutions, government, and the community from each other.

This form of growth and development, which relies so heavily on innovation and entrepreneurship, truly challenges regions to cultivate all of their assets to their fullest potential and, practically speaking, to be entrepreneurs in envisioning the opportunities that can be garnered by fully leveraging the region’s assets. Central Illinois is a region with significant potential. However, the bottom line is that opportunities will remain unrecognized until a regional vision is embraced, real leadership commitments are made, and tangible investments are allocated to catalyze change.

## *About Millikin*

**Millikin University**, founded in 1901 by a local entrepreneur, is a dynamic comprehensive university offering traditional undergraduate, adult degree completion, and master's degree programs to nearly 2,700 students. Millikin enjoys an excellent relationship with Decatur, Illinois, the city in which it is located. Since its founding, the University's mission has remained consistent: it is a place where, in the words of founder James Millikin, "The scientific, practical, and the industrial shall have a place of equal importance, side by side with the literary and the classical." He envisioned an institution that blended the theoretical with the practical and jointly emphasizes professional as well as liberal arts education. Today, Millikin students engage in integrated, collaborative learning that links the practical and the theoretical in every discipline. Millikin students and educators learn and teach across disciplines, participate in and serve our Central Illinois communities, and become involved, productive world citizens. The University has generated, through the support of Decatur and the surrounding region, financial support, bright students, and jobs for its graduates. At Millikin University, we deliver on the promise of education.

In 1998, Millikin's Tabor School of Business launched the Center for Entrepreneurship. Building on more than a quarter century of students working with small businesses through the classroom, the Center serves as a catalyst for entrepreneurial learning and development. Millikin University's Tabor School of Business strives to deliver an educational foundation for graduates' professional and personal achievements and to be a learning partner valued by the community.

As an academic and outreach center within the Tabor School, the Center for Entrepreneurship coordinates programs that extend the study of entrepreneurship to all campus disciplines, from businesses to nursing to the fine arts. The Millikin University Center for Entrepreneurship's network of programs is supported by many organizations, friends, partners, businesses, and individuals who see the value of our work. We are particularly indebted to the Teagle Foundation, Inc. of New York City, which, as part of its grant supporting new structure and process by which Millikin engages in its community, has fully underwritten this study.

This report also results from the work and participation of the AE-Central Illinois Network, a dedicated group of partners who believe in the potential of entrepreneurship in Central Illinois. Through work like this, Millikin not only does its part to engage in real issues and opportunities within the region but also ensures that our academic programs remain fresh and relevant for our students and therefore relevant to the greater regional economy.

## *Project Director*

Accelerating Entrepreneurship in Central Illinois was directed by Sharon T. Alpi. Sharon is a member of the Tabor School of Business faculty at Millikin University and serves as the Director of the Center for Entrepreneurship. She teaches the senior seminar for the entrepreneurship curriculum and was one of three Millikin professors to develop the Art of Entrepreneurship program at Millikin. She is a recipient of Millikin's Teaching Excellence and Campus Leadership Award and, in 2001, received the Governor of Illinois' Small Business Award for Women in Business Advocate of the Year. In 2001, she organized a team of investors in the creation of a venture fund, InDecatur Ventures, LLC. In 2004, she was named a Coleman Foundation Professor in Entrepreneurship, joining 11 other named professors from around the country. Sharon also works with the Coleman Foundation's Council for Entrepreneurship Awareness.





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