

The Promise of Entrepreneurship for the Chattanooga Region

EXECUTIVE SUMMARY

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Executive Summary

As the Chattanooga region moves into the twenty-first century, its leaders seek to rekindle the spirit of entrepreneurial development that has been an important source of its economic development in the past. This report, based on a six-month study of the region by the Office of Economic Development (OED) at the University of North Carolina at Chapel Hill, provides a foundation for that effort. While there is no “best” single strategy to develop, grow, and maintain a competitive local economy, many experts recognize the importance of small businesses and entrepreneurship as one cornerstone of economic development.

For this study, we interviewed more than forty regional experts and entrepreneurs to identify strengths and weaknesses for the Chattanooga region in eight dimensions¹ of economic competitiveness. We collected information about the current situation as well as policies and programs that are currently in progress or planned. The following figure summarizes our assessment of the current and future entrepreneurial potential within the Chattanooga region.

Our overall assessment is that the Chattanooga region is currently just past “fledgling,” working toward “emergent” in its entrepreneurship profile. The region would be more competitive *vis-à-vis* other parts of the southeast and U.S. if it were able to blend better the resources (including leadership) available not only in the City of Chattanooga and core counties, but in the adjacent rural counties in Tennessee and Georgia, as well. The success of the region ultimately rests on its ability to develop a coordinated economic development strategy.

A summary of the strengths and weaknesses within each of the dimensions in the following exhibit:

- *Workforce, education and training:* The high dropout rates in some counties in the region create a significant obstacle for workforce service providers. Chattanoogaans generally recognize the poor quality of K–12 public education

1. These were developed by the Kauffman Center for Entrepreneurial Leadership (KCEL). Its Global Entrepreneurship Monitor (GEM) project, a cross-national study of entrepreneurship dynamics for the United States and 20 other countries (in 2000), identified conditions that have a major impact on the nature and level of entrepreneurial activity nationally. The KCEL then adapted the international comparative design of the GEM study to regions within the U.S.

Overall Assessment of Chattanooga Region as an Entrepreneurial Economy²

Dimensions of Economic Competitiveness	Fledgling	Emergent	Established	Accelerated
Workforce, Education and Training	Yellow	Yellow		
Financial Capital: Debt	Yellow			
Financial Capital: Equity	Yellow		Red	
R&D/Technology Commercialization	Yellow	Red		
Commercial/Professional Support	Yellow		Red	
Physical Infrastructure	Yellow		Red	
Government Policy: State - Tennessee	Yellow	Red	Red	
Government Policy: State - Georgia	Yellow		Red	
Government Policy: Local	Yellow		Red	
Regional Leadership	Yellow	Red		
Quality of Place: to Live and Play	Yellow			Yellow
Quality of Place: to Work	Yellow			
OVERALL	Yellow	Yellow	Red	

current
 if existing plans get implemented

in their region and have been working to improve the system. The community colleges and UTC are important regional assets; it is important for them to continue developing entrepreneurship programs.

- *Financial capital — debt*: While the supply of lendable funds is generally adequate, the conservative nature of local banking has impeded the flow of those monies into the hands of the entrepreneurs and small businesspeople who need debt capital.
- *Financial capital — equity*: Like many other parts of the country, the Chattanooga region has not had a venture capital industry that actively invests in regional businesses. However, two new innovative activities — Southeast Community Capital and the creation of an angel investor network — should improve access to venture capital.

2. We developed an assessment continuum identifying different levels of commitment to entrepreneurial development.
 - **Fledgling**: The community is just beginning to recognize the need for policies and programs that support entrepreneurship and there are limited economic development efforts underway currently.
 - **Emergent**: The community provides support for local business and industry and recognizes entrepreneurship as important; however, proactive policies and programs to encourage and support entrepreneurs are relatively new.
 - **Established**: The community understands the importance of entrepreneurship development and has created specific programs focused on supporting local entrepreneurs.
 - **Accelerated**: The community embraces entrepreneurship development and provides a wide range of supportive institutions and programs.

- *R&D/technology commercialization*: The immediate region does not contain a research university, research hospital, or industrial R&D headquarters. It is critical, therefore, for the region to use Internet2³ to develop partnerships with research institutions elsewhere in the U.S., especially in the southeast (e.g., Oak Ridge, Atlanta, Research Triangle).
- *Commercial and professional support services*: The strong legal and accounting sector can assist most types of businesses, but there is a certain lack of expertise in high-tech and specialized service industries. Chattanooga lacks a one-stop shop or clearinghouse to match local expertise with existing and new demand.
- *Physical infrastructure*: The story is mixed. The road and air transportation networks are good and adequate, respectively, and being improved. Quality industrial sites are generally available, especially with the development of the Enterprise South Industrial Park. And, advanced IT is available in the region and the introduction of Internet2 will further enhance connectivity. On the other hand, rail service is underutilized to non-existent. And rural areas lag behind the cities in all types of infrastructure and are not likely to catch up in the near future.
- *Government policy — Tennessee*: State policies have only recently reflected any awareness of technology and entrepreneurship issues, and have yet to be implemented or funded. Recent budget cuts have stalled new programs.
- *Government policy — Georgia*: The State has a long track record of small business assistance, technology transfer, and workforce development programs.
- *Government policy — local*: The leadership of Hamilton County, the City of Chattanooga, and the Chattanooga Area Chamber of Commerce are focusing on entrepreneurship as an important economic development strategy. Leaders in the surrounding counties in Tennessee and Georgia are expected to give entrepreneurship more attention in the future.
- *Quality of place to live and play*: Many of the assets are natural endowments unique to the region; others are the products of community efforts.
- *Quality of place to work*: Sustained attention needs to be focused on workforce development and public education in order to make the region a better place to work.

3. Internet2 is a consortium being led by over 190 universities working in partnership with industry and government to develop and deploy advanced network applications and technologies, accelerating the creation of the Internet of the future. The primary goals of Internet2 are to: create a leading edge network capability for the national research community; enable revolutionary Internet applications; and ensure the rapid transfer of new network services and applications to the broader Internet community. For more information, see www.internet2.edu.

We should note that there is a great deal of diversity within the Chattanooga region that may be obscured in our overall assessment. A few initiatives and programs worth highlighting are included in the sidebar.

Recommended Next Steps

OED held a facilitated discussion of the project findings with local participants in May 2002. Based on the local priorities identified there, as well as the findings from the assessment, we recommend the following as next steps:

- Complete a regional entrepreneurship resource inventory (begun by this project) by circulating it among all the providers of related support services; then post and maintain it on an interactive website that all can link to and update. Convene periodic meetings of the principals of these organizations to work on coordination of similar services.
 - Create a regional steering committee to support entrepreneurship in the Chattanooga region, which would be a volunteer advisory board endorsed by all the chambers and local governments in the region.
 - Create a subcommittee of this steering committee to develop specific recommendations for how to focus education, training and workforce development programs to foster a) entrepreneurial understanding and learning at all levels and b) skills development, including vocational education, needed to create a workforce that will appeal to high-growth entrepreneurs.
 - Convene a regional advisory committee of entrepreneurs to react to and inform regional policy to foster entrepreneurship.
 - Compile an archive of regional entrepreneurship success stories, with the help of resource providers and entrepreneurs, and then work with existing and/or create new media outlets to publicize these on some regular basis.
 - Develop an inventory of specific technologies, technology developers and needs within businesses, universities and other institutions in the region (to include Georgia counties).
 - Use a broad-based group of regional leaders to develop a regional action plan for entrepreneurial development for the Chattanooga region that is consistent with other aspects of the economic development strategy and vision.
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- ### A few key resources to support entrepreneurship in the Chattanooga region
- Quality of place that entrepreneurs love
 - Leadership in local government, higher education and foundations
 - Southeast Community Capital
 - Entrepreneurs in a range of sectors
 - A successful incubator (Business Development Center)
 - Plans for link to Internet2
 - Strong industry clusters with entrepreneurship history, e.g. in health/insurance, floor coverings, and baking
 - Strong small business support programs in Georgia
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