

## **THIRTY-SECOND NEW MEXICO FIRST TOWN HALL**

### **“Growing an Entrepreneurial Economy: Small and Emerging Business in New Mexico”**

**Las Cruces, New Mexico • April 15 -17, 2004**

**The Vision:** New Mexico will be a nationally recognized example of business and capital growth by creating a vibrant small and emerging business culture with demonstrated and repeated entrepreneurial success. This vision relies on the premise that private industry is best suited to making decisions concerning business growth and wealth creation.

Elements of this success include:

- an educated workforce with access to specific skill training and business formation preparation,
- a business-friendly regulatory climate,
- a multilingual, multicultural, multinational and diversified entrepreneurial atmosphere that values wealth creation,
- business access to capital and to assistance in translating ideas to marketplace results, and
- strong networks linking capital, talent, innovation, education and resources.

There are currently barriers which impede realizing this vision:

- The current educational system needs to foster increased development of entrepreneurial skills and emphasizes these skills in teachers’ professional development.
- We need to retain more educated and trained New Mexicans because the loss of skilled individuals (brain drain) is a barrier to business development.
- Skills gaps and limiting attitudes hinder employees and business owners.

- Job skills and management training are often available but unknown and sometimes difficult to access for small and emerging businesses, particularly in smaller communities.
- The uneven quality of K-12 education, inadequate basic skills, and insufficient collaboration among and between higher education and business are also problems.
- A significant challenge to spawning growth ventures in New Mexico is lack of exposure to investment capital. Financial resources are limited, and there are gaps in our mix of capital sources.
- While government is not the primary source of capital, government could stimulate entrepreneurship through enlightened tax strategies.
- Infrastructure barriers, especially in rural areas, include the lack of availability and access to transportation, communications (e.g., telephony, Internet and broadband), utilities and energy systems (water, wastewater, solid waste, gas and electric).
- Government barriers could be reduced by increasing the knowledge and support by policy makers of the issues that small businesses face, including complex, overlapping and conflicting regulations, and restrictive and burdensome tax structures.
- Current state and local economic development agencies may emphasize recruitment rather than start-ups.
- There is also a lack of knowledge of the diverse resources available; in fact, many business people do not even know what questions to ask.
- Cost and availability of health and business liability insurance are limiting factors for the small business owners of the state.
- Attitude is a barrier to an entrepreneurial economy in New Mexico because of self-defeatist attitudes and a risk-averse culture.
- A sense that the economic pie is finite precludes focus on expanding the economy.
- There is also a resistance to change and a reluctance to ask for help or share information.

- Pockets of power exist in New Mexico; there is a fear of political repercussion if we break out of parochial thinking.
- In addition, there is an over-reliance on government funding instead of using government dollars to leverage private opportunity.
- Some kinds of small and emerging businesses may face different barriers. For example, businesses located on tribal lands often do not have needed start-up capital and access to markets.
- There are differences between geographic regions and between rural and urban areas.

Economic development happens in the private sector and can be supported by government. Certain nongovernmental entities in New Mexico, driving policy, can act strategically and focus on growing certain kinds of high economic potential businesses that are market-driven, giving these businesses special attention and encouragement. Public and private sector partnerships are most effective when there are clearly delineated roles for each sector. Business clusters can be organic and evolve naturally; they are often the results of core competencies. Clusters with entrepreneurial potential include, but are not limited to, high technology, agriculture, publishing, filmmaking and media (including digital media), artisan manufacturing, tourism, aviation/aerospace, and energy.

The public-private partnership is an important piece of the economic development landscape in New Mexico. The role of the public sector should be to provide appropriate tax policy, infrastructure development, workforce training, and access to other publicly provided incentives and resources to foster entrepreneurship and business development.

Four major priorities were identified by the Town Hall.

One priority for creating an entrepreneurial economy that benefits small and emerging businesses must be increased collaboration among current and/or new support centers. In conjunction with New Mexico's Small Business Development Centers (SBDCs) and the New Mexico Economic Development Department a state-funded, statewide certification program for business incubation should be established for the purposes of assuring the quality of business incubation programs in New Mexico, based on the best practices of more than 700 such programs nationwide; helping to determine

the feasibility and advisability of business incubators in local New Mexico communities; and ensuring that New Mexico business incubators produce the successful economic development outcomes and return on investment to New Mexico that incubators are known for worldwide. The success of any business incubator program is dependent on local community involvement, local support and leveraging of public and private resources. The state certification program for business incubation is designed to complement those efforts and assure their success.

Ways must be found to eliminate the “information glut” by organizing, packaging and marketing information on available resources and services for emerging and small businesses. SBDCs or similar entities could simplify and funnel information (e.g., publish a multi-lingual, interactive database of regulatory issues and how-to’s) and coordinate value-added linking and networking opportunities between businesses. Resources should be steered to identify and recruit small business owners to mentor other small business owners and/or interns by providing relevant, hands-on teaching, guidance, and action. These resources can be found among local entities such as chambers, university branches, community colleges and SBDCs -- a place to go for hands-on help. More local staff, who understand the needs of those already ‘on the ground’, is needed to benefit small and emerging businesses.

Another priority identified by the Town Hall was taxes. New Mexico’s tax system should be restructured to be more business-friendly. The tax code should be rewritten to reduce its complexity and to remove conflicting parts of the statutes to eliminate vagueness. Uniform application of the tax laws should be ensured through better education of small businesses; fair and equitable enforcement of tax laws should be ensured. For example, the pyramiding of gross receipts taxes on services could be removed and tax credits could be granted on investments in small and emerging businesses to encourage more angel investment. Investments in New Mexico’s small businesses should be exempted from capital gains tax, and greater incentives should be provided for investments in rural small businesses. Tax breaks should be given for companies that invest in intellectual capital, e.g., employee education. New Mexico tax requirements should be compared with other states and revised to provide incentives to

small and emerging business. Public-sector contracting needs to have an in-state preference and a level playing field.

Another priority is to streamline the regulatory process, and common-sense practices should be implemented to reduce time inefficiencies and red tape. A one-stop shop should be established for small businesses within existing agencies. Particular agency employees should be designated to shepherd entrepreneurs through required processes. The state small business ombudsman should coordinate with those agency employees to expedite the solving of problems and provide recommendations to improve processes. Existing processes along with desired processes should be mapped, analyzed and acted upon. Quality training (such as the Quality New Mexico approach) with a particular emphasis on customer service and performance measures should be provided for all staff.

A fourth priority is finding ways to help small businesses obtain affordable healthcare and liability insurance. The Town Hall recommends that a market driven healthcare/insurance system be created for small businesses that recognizes the complexity of the overall existing healthcare system. The decoupling of healthcare coverage from sources of employment to encourage employee mobility should be explored.

Other priorities include developing a public relations campaign and channeling success stories to the media promoting focus on measurable outcomes (e.g., wealth creation). As part of the state's fiduciary responsibility to diversify and maximize investment performance on state funds, the legislature should enable PERA and the Educational Retirement Board to target industry standard allocations in alternative asset classes such as venture capital, micro-lending and other types of private equity and debt. Direct flight access to key markets including San Jose, California, and Austin, Texas should be provided. Innovation and technology must be and will be injected into government entities that assist small and emerging businesses. Information technology needs to go hand-in-hand with new business development from the initial stages of business creation. In addition, technology must be injected into the schools, rural areas, private sector, and start-ups. Local communities must take primary responsibility for their own broadband implementation such as recognizing broadband as being separate

from “telecom utility.” Community programs should be offered and supported that cultivate entrepreneurial skills in youth, such as Junior Achievement, 4-H, and DECA. New Mexico’s entrepreneurial infrastructure should be mapped and compared to the lessons learned from the historical development models of Research Triangle Park, San Diego, Austin or other appropriate models. Gaps should be filled in education and training resources, access to capital, debt, and equity, and services should be directed through for-profit and non-profit/governmental organizations. Work needs to be done to modify the university mindset regarding economic development and entrepreneurial/small business support and to provide incentives for faculty/administration to participate business activities or business communities. The National Governors Associations recommendations should be adopted (“A Governor’s Guide to Strengthening State Entrepreneurship Policy” ISBN 1-55877-364-9).

Some long-range ideas suggested by the Town Hall include:

- Funding should be available to support marketing efforts to inform the public about services provided to small and emerging businesses.
- Existing agencies and organizations could improve services to small and emerging businesses by:
  - Becoming measurably more consumer oriented;
  - Encouraging service organizations to provide a wide mix of products to the small and emerging business marketplace;
  - Focusing on the capital community, in addition to entrepreneurs, as the “customer”;
  - Implementing E-Mercado New Mexico as a business information resource of New Mexico; and
  - Reading this Town Hall document and supporting materials.
- All service providers should collaborate to identify and select value added activities that state and local governments might provide to foster business and capital growth.

As examples of the activity described above, we encourage staff of service providers to assist and educate entrepreneurs by conducting needs assessments, holding entrepreneur

fairs, and mentoring. All agencies and organizations need to collaborate, communicate and partner with each other.

Signs that progress is being made toward an entrepreneurial economy could include the following:

- number of jobs created, reduced unemployment, higher per capita income;
- more business startups, new/renewed business licenses, fewer business failures;
- successful public stock offerings;
- churn rate;
- companies backed by venture capital or corporate capital;
- improved rankings on national studies; and
- expanded tax revenues.

Benchmarks will also include a publicly traded company birthed in New Mexico with market cap exceeding \$500 million, eight New Mexico companies in the Inc. 500 list, the opening of the first office of a venture leasing bank, and a private sector/government job ratio exceeding 80/20.

In addition, new indicators of business activity need to be developed, including an indicator of the multiplier effect and a statewide assessment methodology for determining entrepreneurial success. A benchmark assessment against the Milken Institute and market results could be made.

Progress will be demonstrated by positive changes in metrics that are cooperatively identified, defined and agreed upon by Town Hall members and other service providers. The Economic Development Department should act as facilitator for compiling and sharing data and broadly communicating the results. This will demonstrate to the people of New Mexico, the nation and beyond that our state is a leader in the generation, growth and sustainability of successful small and emerging businesses.

## **Conclusion**

New Mexico's future lies in the hands of more than 30,000 small businesses with fewer than 20 employees.

The 125 participants of this Town Hall spent two days identifying issues and recommending solutions that will position New Mexico as a major player in the new entrepreneurial economy. It is now up to all New Mexico's citizens to work towards this common goal.