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Detroit Startup Study: An Exploration of Technology Based Entrepreneur Opportunities in Detroit

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This study investigated the resources and support available to Detroiters to create successful technology businesses. It focused specifically on resources and opportunities applicable to young people, investigated the anticipated needs for a Youth Entrepreneur program and reviewed the successful programs from around the country to depict a baseline. The research provides a review of the courses available in Detroit categorized by type of providers.



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1	ABSTRACT	1
2	INTRODUCTION	1
3	YOUTH ENTREPRENEURS	2
4	METHODOLOGY AND FINDINGS	3
5	ACKNOWLEDGEMENT	3
6	BACKGROUND	4
7	ORGANIZATIONS SUPPORTING YOUTH ENTREPRENEURSHIP	10
8	DETROIT ENTREPRENEURIAL STARTUP ORGANIZATIONS	11
8.1	Detroit Creative Corridor Center	12
8.2	Bizdom	13
8.3	Michigan Small Business & Technology Development Center	13
8.4	Blackstone LaunchPad	13
8.5	TechTown	13
8.6	D:hive	14
8.7	Detroit Technology Exchange (DTX)	14
9	OVERVIEW OF SERVICES IN DETROIT	16
10	DETROIT ENTREPRENEURIAL PROGRAMMING	17
10.	Labs Venture Accelerator	17
10.2	2 Retail Boot Camp	18
10.3	3 Open Pitch Night	19
10.4	1 Diary of the Entrepreneur	19
10.	5 Coffee & Capital	19

10.6	Legal Notes	19
10.7	Integrated Ecosystem Services	19
10.8	Launch Detroit	20
10.9	D-Venture	20
10.10	O DTX Fellows	20
11	DISCUSSION	21
11.1	What support services are available?	21
11.2	What components will benefit the youths?	21
11.3	What are some suggestions on education?	22
11.4	What kind of program would be developed for the youths?	22
12	CONCLUSION	22
13	REFERENCES	24

1 Abstract

This study will investigate what resources and support is available to create successful technology businesses in the city of Detroit. The study will focus specifically on start-up resources and opportunities applicable to young people in Detroit. The report investigates the anticipated needs for the creation of a Youth Entrepreneur program. The program aims to uplift Youth in the Detroit area by providing start-up services, educational resources, technology resources, and appropriate employer training to empower and improve their lives and the lives of those around them.

2 Introduction

According to the Bureau of Labor Statistics, in September, 2011 the unemployment rate for young people was 17.4% for ages 16 to 24 years old and the total number of jobs for young people ages 18 to 34 years old remains 2.5 million below it pre-recession level (kauffman.org/newsroom/millennials). In order to turn the situation around, President Obama plans to decrease unemployment and stimulate the economy by starting new businesses, which in return create new jobs. President Obama stated, "Entrepreneurs embody the promise of America: the belief that if you have a good idea and are willing to work hard and see it through, you can succeed in this country. And in fulfilling this promise, entrepreneurs also play a critical role in expanding our economy and creating jobs (WhiteHouse.gov).

Entrepreneurship is imperative in economic development as it contributes to technological innovation, which increases productivity, boost competition and new job growth. Not only entrepreneurship has an economic impact but a social impact as well. Entrepreneurship contributes to growth in the communities such as investing in community projects, giving to nonprofits, ecosystems and creating and participating entrepreneurial networking. Teens and young adults can actually start a business today. Studies have been conducted in regards to youths wanting to start their own business and live the "American Dream". However, young entrepreneurs have more roadblocks to encounter than older entrepreneurs. Through research, this report identifies the type of services and resources needed for entrepreneurial/startups: mentoring, funding, incubator, co-working, sales and marketing, research and development, financial management, coaching/advisory and legal assistance. This report will illustrate the organizations, and services that are being provided for entrepreneurs along with the few that are offered to youth entrepreneurs in the City Detroit.

3 Youth Entrepreneurs

There is not a plausible definition of "youth entrepreneur" however the root word "entrepreneur" has many explanations. According to thefreedictionary.com, entrepreneur is one who assumes risk in order to combine knowledge, capital, and resources to create a venture that will hopefully return a profit. This definition is generic but the definition that compliments this research paper was found on The Youth Effect website. According to David Bornstein views, "an entrepreneur as an

individual who sees a problem and is obsessed with a new idea solution, who takes the initiative to act on that vision, who gathers resources and builds organizations to protect and market that vision, who provides the energy and sustained focus to overcome the inevitable resistance, and who decade after decade, keeps improving, strengthening and broadening that vision until what was once a marginal idea has become a new norm" (Bangwell, 2011).

4 Methodology and Findings

The research team conducted a literature review and face-to-face interview the Director of Client Services at TechTown; to discuss possible opportunities for youth entrepreneurs in Detroit. The interview took place at TechTown located in Midtown Detroit, Michigan The interview was recorded and transcribed for clarity. The interview questions were geared towards local organizations, support service available, youth benefits, educational skills and program implementation.

5 Acknowledgement

We would like to thank Sheu-Jane Gallagher, the director for entrepreneurial services at TechTown for all the advice and information. She was instrumental in identifying appropriate resources and providing guidance on how to gather the information for this report. Information gathered in this report was captured from work in progress from work titled the 'Biz Grid'. The Biz grid ist is currently being developed by the Detroit business support network, funded by the New Economy Initiative. The business support network consists of Bizdom, Insyght, and D:hive,

DEGC, New Economy Initiative and TechTown. The Detroit network System is very rich and robust and with a collected effort to become more powerful. There is a misconception that Detroit doesn't have a lot of support for entrepreneurs. The Biz Grid consists of organizations that are supporting businesses in the City of Detroit. It is design for the entrepreneur who is at different stages in the entrepreneurial process. This report extracts information from the Biz Grid that is solely applicable to youth. It is created for the entrepreneur navigation-wise based on what stage the entrepreneur is in. The format is based on business stages, assistance needs, space and providers and parameters. The business progression stage is grouped as ideas or startup, startup; startup or existing business; existing business and any stage. There is a checklist of assistance needs that entrepreneurs may find useful and the organizations that provided those services. This initiative is available to entrepreneurs so they can navigate the ecosystem within the City of Detroit. The Detroit Business Support Network Biz grid is slated to be complete in the fall, 2013. This report only highlights some of the features.

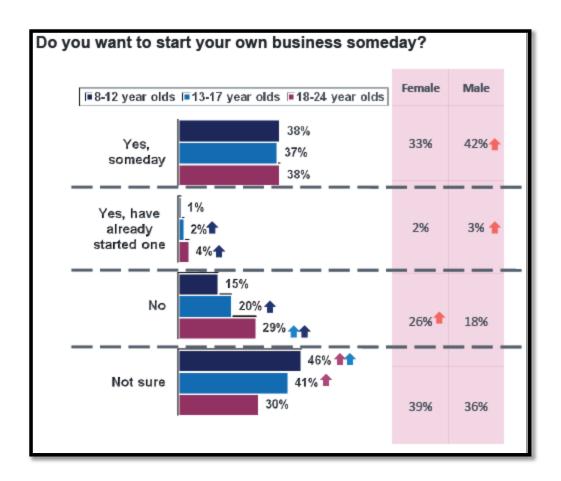
6 Background

The Global Entrepreneurship Week (GEW) of November 2011 was an initiative to inspire youths around the world to embrace innovation, imagination and creativity. In the U.S. 1,300 organizations in all 50 states, including universities, non-profits, thriving entrepreneurs, government agencies and corporate sponsors put on hundreds of activities, captivating students and honoring firm concepts (kauffman.org/newsroom/youth). The GEW sparked many studies in regards to

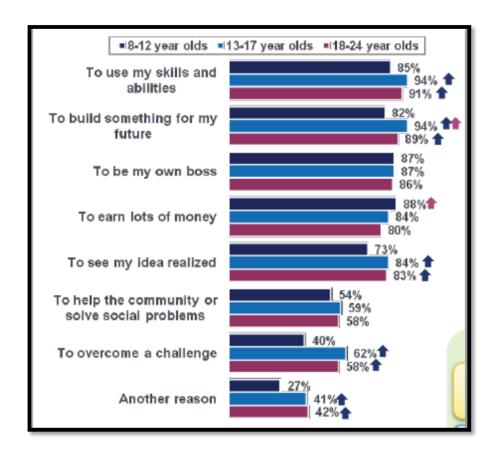
pinpointing the challenges that young entrepreneurs are facing while trying to start their business. In this literature review, Young Business International, The Kauffman Foundation and the Young Invincible will be discussed.

Young Business International (YBI) realizes that young entrepreneurs are essential to the future economy and security. There is limited amount of data to conclude what it takes to meet the needs of young entrepreneurs and assist them with becoming the business leaders of tomorrow. YBI conducted a survey (Global Youth Entrepreneurship Survey 2011) that focused on the value of non-financial support for young entrepreneurs. The non-financial support involves services such as mentoring, training, technical assistance, online forums and networking. The key findings of the survey were that non-financial support is the most important driver of business performance and capability for young entrepreneurs. Along with, training and mentoring will compensate for the shortage of experience and funding that often drives out young people from mainstream enterprise lending. The positive impacts on receiving mentorship are: successful businesses, overcoming operational obstacles, and loan repayment rates improvement, a hike in access to finance, confidence and motivation (youthbusiness.org).

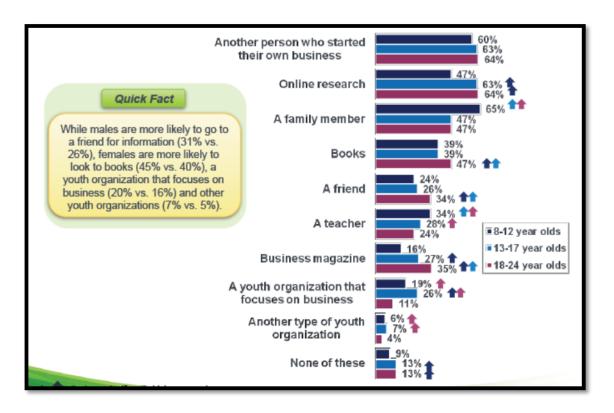
The Kauffman Foundation conducted a study of among 5,077 youth ages eight to 24 in the U.S. The study revealed, "a substantial number of youth lean toward entrepreneurship to build something for their futures, to use their skills and abilities, and for the promise of making a better living". Here are some quick facts that the study identified:



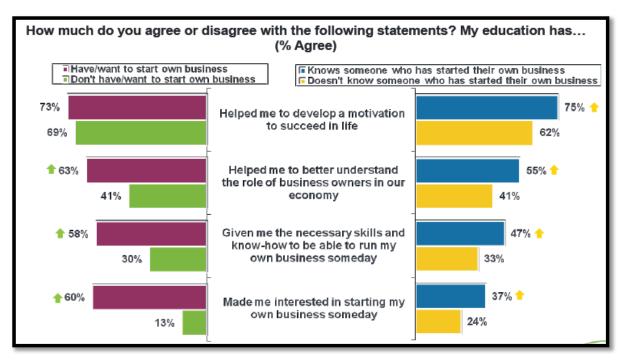
• Forty percent of eight to twenty-four year olds report that they want to start a business someday or already have.



• For thirteen to seventeen year olds, "To see my idea realized" is tied with "To help my community or solve social problems for 5th place.



• Youth who have interest in starting a business of their own would seek information first from someone who has started a business (65%). Among all youth, 60% of the eight to twelve year olds, 63% of the thirteen to seventeen year olds, and 64% of the eighteen to twenty-four year olds would seek out entrepreneurs for information about starting a business.



 Sixty percent of young people who want to start a business agree that their education has made them interested in doing so, compared to only 13% of other youth.

It is concluded that the economic downturn did not discouraged young people to start a business. The increase of entrepreneurship will help with the recovery of the economy. According to the Kauffman Foundation, in order to support entrepreneurship, it is found that it is imperative for youths to know and connect with an experienced business owner. This will give the youth's better knowledge on the role that entrepreneurs play in the economy and motivate them as well (kauffman.org/newsroom/youth).

The Young Invincibles conducted a nationwide cell phone and landline survey which polled 872 millennials (ages 18-34) on their views regarding the economy and entrepreneurship. The poll revealed that more than half of the

millennials want to start their own businesses. The demographic of the survey pertaining to being motivated to start a business is Young Latinos (64%) and African American (63%). Despite the enthusiasm of starting a business; young Americans feel unprepared and face many barriers. The most important barrier in this study is access to capital (41%) to assist with starting a business. Many young people also stated the increase of risk (31%) during this economy and not having the knowledge (19%) of running a business. The other barriers of concern are: training and education to start a business, motivation and mentors. Being able to overcome these barriers will increase their ability to work towards those entrepreneurial goals (kauffman.org/newsroom/millennials).

7 Organizations Supporting Youth Entrepreneurship

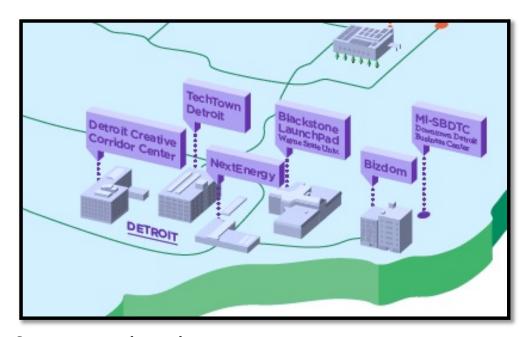
U.S. Small Business Administration has developed Teen Website, a program introducing business ownership to young entrepreneurs. The Teen Website assists youths with creating and implementing their visions of entrepreneurship. The Teen Website offers the fundamentals of starting a small business for instance, planning, mentoring, financial skills and access to various entrepreneurial development services. The development services are SCORE, Junior Achievement, DECA (Distributive Education Club of America), Young Biz and The National Academy Foundation. These services offer face to face counseling, financial skills, media services and training along with online tools and development workshops (sba.gov).

Young Entrepreneurs Series (YES) is located in Michigan and is an initiative of the Michigan Association for Female Entrepreneurs. The program provides

hands-on entrepreneurship education to young girls age fourteen to eighteen. The program focuses on entrepreneurship capacity building, leadership development, global citizenship, launching a company and establishing a not-for-profit social enterprise and community involvement. The YES program also provides world-class business tours to Chicago, Toronto, New York and Washington DC (youngentrepreneursseries.org).

8 Detroit Entrepreneurial Startup Organizations

According to Mayor Dave Bing's office, 7,000 plus jobs and \$120 million in investment have entered in Detroit since 2010. Detroit is drawing attention to businesses and becoming the target for IT jobs (downtowndetroit.org). Dan Gilbert, the founder and chairman of Quicken Loans states, "Downtown Detroit is quickly becoming a hotbed for both entrepreneurs and entrepreneurial companies" (Conlin, 2011). The Detroit Creative Corridor Center, NextEnergy, Bizdom, MI-SBDTC, Blackstone LaunchPad and TechTown are located in Midtown Detroit. They are a part of the Southeast Michigan Technology-based Entrepreneurial Ecosystem. The ecosystem was developed to direct tech startups through the difficult path to market by means of access to fundamental support services.



Source: www.techtowndetroit.org

8.1 Detroit Creative Corridor Center

DC3 (detroitcreativecorridorcenter.com) is fashioned to support the growth of Detroit's creative economy by offering business acceleration and attraction services and developing signature programming customized specifically to creative professionals' needs. One of the offerings for entrepreneurs are the Creative Ventures which is a business development program that consist of one to one mentoring, project management support and coaching with professional leaders and experts. The program has networking and collaboration opportunities with local leadership as part of their everyday culture. DC3 also connects Detroit's creative talent to global markets, advocate for policies and programs that support the local design and manufacturing of consumer products and promote talent through a series of high-profile programs. There is access to dedicated, collaborative studio space that is designed to encourage informal exchange, dialogue, and intersecting ideas. The features of the space are: Wi-Fi access, guest parking, design and business library, meeting room and dining area.

NextEnergy (nextenergy.org) offers technical resources necessary for projects to be developed and validated. They provide comprehensive program management services and advise our partners on commercialization of advanced energy technologies, components and systems. NextEnergy assists energy ventures through the utilization of market intelligence to support technology commercialization and advance the transition of existing businesses to the advanced energy technology industry.

8.2 Bizdom

Bizdom (bizdom.com) helps entrepreneurs launch, fund, and grow innovative, web and tech-bases startups. Bizdom has three accelerator sessions per year in both Detroit and Cleveland; each city will launch approximately 18 companies annually. Startups receive seed funding, active mentorship, training/workshops, vendor network, collaborative workspace and transitional resources. Bizdom has strong relationships with business leaders and experts in Michigan, and is building their national mentorship network. The vendor network helps entrepreneurs connect with some of the best designers, developers, marketing experts, finance experts, and law services. Bizdom also offers a very cool, collaborative workspace in downtown Detroit and each team has access to workspace, wireless, tech support, office supplies and conference rooms.

8.3 Michigan Small Business & Technology Development Center

MI SBDTC (http://misbtdc.org/) assists entrepreneurs with one-on-one counseling sessions, training and market research assistance. The Michigan Small Business & Technology Development Center (MI-SBTDC) provides no-cost counsel to entrepreneurs and small business owners who need assistance launching or growing their small business. They counsel in growth strategies, business plan, cash flow issues, marketing initiatives and sales strategies. Training is available through the MI-SBTDC Venture Start Series which involves starting a business, writing a business plan, marketing, financial management and legal issues. As well as, obtaining patents and trademarks at little to no cost.

8.4 Blackstone LaunchPad

Blackstone LaunchPad (wayne.edu/blackstonelaunchpad) is funded by the Blackstone Charitable Foundation which offers career guidance, resources, and advice to entrepreneurs, innovators, and inventors at Wayne State University. The mission is to show students that a new venture is a legitimate career path and attainable reality. Blackstone LaunchPad is strengthening the entrepreneurial culture at Wayne State University and helping students and from every school, college, and campus transform innovative ideas into successful Southeast Michigan start-ups. It is made up of entrepreneurs, inventors, business professionals, and students who are committed to helping at every stage of the entrepreneurial journey.

8.5 TechTown

TechTown (techtowndetroit.org) is a 501(c)(3) nonprofit located in Midtown Detroit (Woodward Technology Corridor SmartZone). TechTown was founded in 2000 to assist with stimulating the local economy by developing and growing sustainable technology-based businesses. TechTown supports industry verticals that are geared towards the region's inherent assets and focus on the city's identified needs, supporting retail and neighborhood enterprises along with tech-

based businesses. Through its partners and programs, the incubator and accelerator link small businesses to the customers, talent, capital and location essential to create a thriving enterprise. In addition to gaining unique access to research, academic and technology assets through TechTown's partnership with Wayne State University. Some of TechTown investors are: New Economy Initiative for Southeast Michigan, Ewing Marion Kauffman Foundation and Michigan Economic Development Corporation. TechTown offer labs to develop and grow sustainable, technology-based businesses which are Venture Accelerator and Detroit Technology Exchange (DTX). TechTown blocks are developed for the support of retail entrepreneurs and neighborhood enterprises. The blocks are Retail Boot Camp and SWOT City. The programming of TechTown will be discussed further.

8.6 D:hive

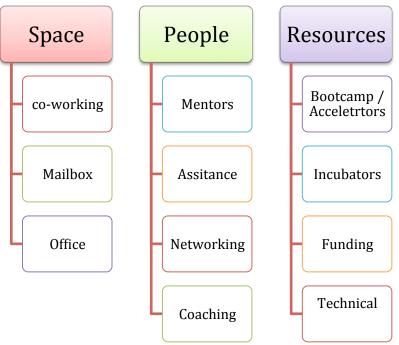
D:hive (dhivedetroit.org) is a physical storefront and welcome center in Detroit Central Business District. D:hive developed BUILD which support Detroit entrepreneurs in the process of transforming their ideas for a program, project or business into action. The eight-week small business class focuses on sustainability, durability, and feedback from community experts on entrepreneurship and creating a business plan. The Open City portion is a partnership with Detroit Creative Corridor Center and Model D. It is a forum for aspiring and current business owners to exchange ideas and information. D:hive has resources for general business startups (Insyght and Detroit Venture Partners), marketing and demographics (Data Driven Detroit and Seth Godin-Marketing Guru) and tax, law and accounting (Nolo Press).

8.7 Detroit Technology Exchange (DTX)

Detroit Technology Exchange (DTX) is a partnership with TechTown, Bizdom, Detroit Creative Corridor Center and Invest Detroit. A grant for \$1 million over two years from the Michigan Economic Development Corp's Michigan Strategic Fund was given to create DTX. The goal for the DTX programs is to create 15 new companies and 25 new jobs, along with 35 jobs and generating \$881,000 in new investments. The initiative involves four programs designed to create, attract and retain talent. The program is also intended to exploit disruptive technologies, create hearty deal flow in the city, and support the efforts of early stage development and achieve competitive-edge companies while getting rid of duplicative efforts. The four programs are: Integrated Ecosystem Services, Launch Detroit, D-Venture and DTX Fellows.

	Tech Town	Bizdom	D:hive	DC3	Blackstone LaunchPad	DTX	MI- SBDTC
Mentorship		✓		√	✓	✓	√
Coaching/ Advisory				✓	✓	✓	✓
Funding	✓	✓				✓	
Incubator	✓	✓	✓	✓	✓	✓	✓
Accelerator/ Boot Camp	✓	✓	✓	✓		✓	
Co-Working	✓	✓	✓	✓	✓	√	✓
Legal Assistance			✓				✓
Market Research	✓	✓	✓	✓	✓	√	✓
Development	✓	✓			✓	✓	✓
Business Planning	✓	✓	✓	✓	✓	√	✓
Financial Management	✓	✓	✓		✓	✓	✓
Ecosystem	√	√		✓	✓		✓
Technology	✓	✓					✓

9 Overview of Services in Detroit



- ➤ **Mentorship** Provides access to mentors who share their experience and insight to help innovative and driven entrepreneurs launch businesses.
- ➤ Coaching/Advisory Resources to help entrepreneurs explore problems, issues and opportunities in greater depth and holds members accountable for plans and actions needed to move their companies forward.
- ➤ Funding Highlighting appropriate sources of funding. Seed funding helps companies achieve such early milestones as final product development, preclinical and clinical trials and initial product launch. In addition to the traditional venture capitalist and Angel funders, some alternative sources of funding platforms include: Hatch, Kiva, Indiegogo, Kickstarter, Eventbrite and Startgarden.
- ➤ **Incubator** Provide startups with office space, computers, machinery, secretarial pool and research and development centers.
- ➤ Sales & Marketing Resources and guidance to discover what people really want, need, or believe and also how they act. Once research is completed, it can be used to determine how to best to launch the company.
- ➤ Research & Product Development Help the entrepreneur to benchmark peers, undertake market research, plan investments, train the workforce and perform other crucial activities that ensure the success of their venture.

- ➤ The Cloud A pool of highly available servers and computing services, made available for general use by entrepreneurs who are building web and other network-based applications.
- ➤ **Networking** Events that foster connections to businesses, nonprofit organizations, public sector and academic resources.
- **Ecosystem** Helps entrepreneurs and small businesses foster value creation by applying innovative ideas, technology and policy to initiatives focused on economic growth.
- ➤ Accelerator Group program designed to improve business performance and environmental management, and encourage innovation.
- ➤ Co-Working Shared and private workspaces that are uniquely designed for entrepreneurs which includes virtual office, individual and startup co-working, dedicated workstation, professional mailing address and office phone number, conference room and event space availability.
- ➤ **Boot Camp** An intensive training program to help entrepreneurs in technology to develop their skills. The program consists of courses tailor made for the specific sector and equips the entrepreneur with comprehensive technical information, industry trends and more.
- ➤ Legal Assistance Programs that provide legal support and tackle transactional contract issues.
- ➤ **Financial Management** Assists entrepreneurs with identifying achievable opportunities for profitable and sustainable growth.
- > Technical Resources- Providing access to scientific knowledge or engineering designs for practical purposes.

10 Detroit Entrepreneurial Programming

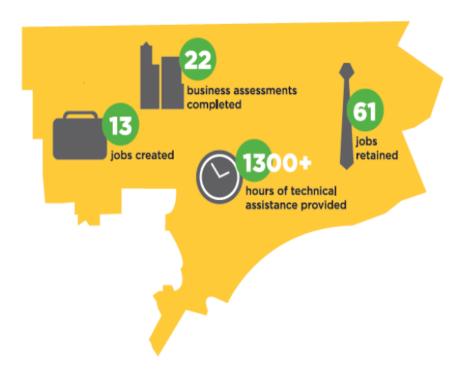
10.1 Labs Venture Accelerator

The **Labs Venture Accelerator** is a 12-week boot camp-style program at TechTown that will help turn early stage technology-based startup into a sustainable, market-ready business. As well as, helps accepted startups to successfully navigate the funding landscape. During the program, the team will gain knowledge of test concepts, explore markets, develop business models, build prototypes, acquire resources, find potential customers and align with partners. The structure of the program consist of a step-by-step business development guide,

regular meetings, and networking with peers and pitching business plan to potential investors for early stage funding.

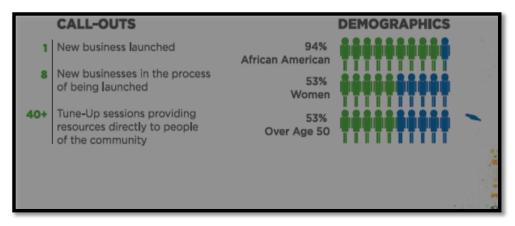
10.2 Retail Boot Camp

The **Retail Boot Camp** helps serious-minded entrepreneurs with strong retail concepts to launch their business in Detroit. The camp offers workshops and mentoring sessions hosted by business and retail experts. Retail Boot Camp cover strategies such as identifying the right location, planning and operating cost, merchandising, marketing, branding and customer service, financial management, government regulations, human resources and taxes and insurance.



Source: www.techtowndetroit.org

The **SWOT City** supports Detroit neighborhoods that fall beyond the borders of downtown and Midtown. The purpose is to strengthen Detroit's neighborhood and district economies. The Brightmoor neighborhood is a focus of the SWOT City program. SWOT City offers TechTown acceleration services to these underserved neighborhoods through partnerships with community and economic development organizations. TechTown provide "Tune-Up" sessions, one-to-one coaching and full SWOT analyses to essential businesses in need of stabilization or growth. The TechTown SWOT City work to identify community-specific needs then search for entrepreneurs to fill those voids.



Source: www.techtowndetroit.org

10.3 Open Pitch Night

Open Pitch Night is quarterly TechTown event that gives entrepreneurs the opportunity of refining their skills in pitching. The target entrepreneurs are in the early-stages of their technology-based business. They can also network, listen to pitches and offer feedback.

10.4 Diary of the Entrepreneur

Diary of the Entrepreneur is a quarterly TechTown event that features an open discussion with a successful entrepreneur.

10.5 Coffee & Capital

Coffee & Capital is a workshop on the microloans available to Detroit retail establishments. This is a TechTown quarterly event that focuses on the funding opportunities available through TechTown and its partners.

10.6 Legal Notes

Legal Notes is a quarterly TechTown workshop focused on the legal concerns of entrepreneurs.

10.7 Integrated Ecosystem Services

The **Integrated Ecosystem Services** hosted by DTX are activities constructed to address gaps in Detroit's entrepreneurial ecosystem. The activities consist of monthly portfolio reviews to recognize opportunities for collaboration among DTX partners; providing critical marketing and design assistance for companies involved in the programs; and diverse efforts to enhance each DTX company's ability to entice investment at key stages of business development.

10.8 Launch Detroit

The **Launch Detroit** is a DTX 10-week summer boot camp for Michigan college students and recent graduates aspiring to launch a technology-based or enabled startup. The goal of the program is to create tech-based companies and encourage young entrepreneurs to remain in Detroit by connecting entrepreneurs to the entrepreneurial network. The program will cover ideation phase, acquisition of necessary resources, obtaining first customers and developing a funding strategy.

10.9 D-Venture

The **D-Venture** is an Executive-in-Residence (EIR) DTX program that acquires selected entrepreneurial-minded professionals to help turn underutilized or underdeveloped intellectual property into companies. The program provides fund salary of \$60,000 per EIR for six months to a year. Each EIR will develop a business plan; act as CEO, and raise venture investment to advance the enterprise.

10.10 DTX Fellows

DTX Fellows is a program that supports six fellows over the duration of two years with an annual salary of \$40,000 per fellow. The program allocates individuals into Detroit's entrepreneurial service organizations and startups as well as to enhance the efficiency and talent that exists within these organizations. The program also provides the opportunity of connecting high-quality, mid-level talent to the Detroit entrepreneurial ecosystem.

11 Discussion

11.1 What support services are available?

Our research identified the most common services and key aspects for young entrepreneurs. The support services are: office space, funding, financial management, legal assistance, sales and marketing, research and product development, business planning and strategy. TechTown is part of the Southeast Michigan Technology-Based Entrepreneurial Ecosystem; the concept is "route to ready". Through the ecosystem, entrepreneurs can reduce the time to assess viability; connect to resources or form a team, secure essential funding and enter the market. Tech Town has two parallel tracks of entrepreneurial programming; tech-based focus and place-based focus. The Retail Boot Camp emphasize how an entrepreneur will gain experience and information one would need to launch a permanent business. The "pop up" strategies are encouraged in order to test the market.

11.2 What components will benefit the youths?

The components that would benefit youth entrepreneurs are mentoring and having a team. The component of mentoring is having a role model that the youth aspire to and learn from as well as getting advice and guidance. The team component is very important to start a business. Some of the programs at TechTown require that a company has a team of three founders. The three founders entail a CEO, technology expert and a marketing expert.

11.3 What are some suggestions on education?

The key skills recommended for young entrepreneurs include; problem-solving, team work, technology expertise and the ability to code. There should be at least one person that has the deep dive knowledge of technology and the others should have enough knowledge to converse. The ability to code gives the team the ability to develop the product in increments and after a few stages are completed then test your product in the market and get feedback. Afterwards, refine the product and then put it back in the market.

11.4 What kind of program would be developed for the youths?

The program would entail problem solving whereas understanding and identifying the problem then use problem-solving skills to arrive at a solution. Many entrepreneurs have ideas that they think it's cool and they are passionate about and skilled at the idea and they are trying to find a solution. And that's ok". The solution is recognizing a problem (a pain point) that customers will pay for then the entrepreneur is challenged with coming up with a solution that solves the problem and customers will pay for. The format suggested is to give the entrepreneurs a problem statement (issue or challenge) that a business, community or society has. Then put out a call-to-action to the entrepreneurs with parameters and the solution should be something customers will pay for.

12 Conclusion

Youth Entrepreneurs are part of the solution to stimulate the economy, increase job growth, create jobs and as stated above, it contributes to technological innovation which increases productivity and boost competition. Studies have

showed that youth entrepreneurs have the desires of starting a business. Studies have also pinpointed the roadblocks that youth entrepreneurs must concur; roadblocks such as lack of funding, mentoring, knowledge, training and motivation. The research has provided insight on the opportunities and the ecosystem that the City of Detroit has available for entrepreneurs. The challenge is how to make them aware of these opportunities, and deliver programs that encourage and engage your entrepreneurs.

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