



# COUNTY AGENT MODEL FOR ENTREPRENEURSHIP

*An Economic Development Vision for Texas*

**John Sibley Butler, Ph.D.**

**Director, The IC<sup>2</sup> Institute**

Sam Barshop Centennial Fellow

The University of Texas at Austin

CBA 4.202 / B6300

Austin, TX 78712-1174

(512) 656-9903

[john.butler@mcombs.utexas.edu](mailto:john.butler@mcombs.utexas.edu)

The author would like to thank Dan Schmisser for his research assistance on this project.

## EXECUTIVE SUMMARY

---

The State of Texas is facing both a short and long term need for economic development through business and jobs growth. Sustainable economic development is achieved through four complementary activities:

- Recruiting businesses
- Starting businesses
- Growing businesses
- Building business partnerships, alliances, and networks

The short term need demands that we recruit already existing businesses through incentive programs and the state has recently acted to make Texas more competitive in this arena than it ever has been before.

With our nation's economy in a state of recovery, Texas needs shot-in-the-arm boosts such as the agreement with Toyota to help it build a new manufacturing plant. However, the nationwide competition is fierce for such one-time boosts. There are simply too many public dollars chasing a shortage of quality deals. Moreover, due in large part to the latest business trend of outsourcing manufacturing and technical jobs to low-wage countries, quality jobs are leaving Texas faster than new plants can be built.

The long-term demands that we help create with new ventures will power the next generation of our economy. Texas entrepreneurs like Herb Kelleher, Red McCombs and Michael Dell emerged from anonymity with innovative ideas and the will to see them through to fruition. With little or no aid from public funds, these entrepreneurs have delivered an extraordinary economic impact to Texas.

In Texas, the entrepreneurial spirit of our people is our most renewable resource. We believe that innovations from Texas entrepreneurs will drive our State's economic growth in the 21<sup>st</sup> century. When it comes to planning for our economic future, we see a choice – continue relying on the serendipitous good fortune that there will be another Michael Dell in our future, or begin *aiding our own* entrepreneurs with a systematic and intentional focus on *their* issues.

To achieve a better future for Texas, we envision the implementation of a County Agent Model for Entrepreneurship – an entrepreneurship support system analogous to the county agent system that helped build our agricultural economy in the 20<sup>th</sup> century [see Exhibit I].

This vision is to facilitate more efficient knowledge transfer activities between Texas' universities, local community leaders and individual business owners through a network of entrepreneurship agents and to create more effective tools and technologies for facilitating entrepreneurship through research.

## INDEX

---

<b>County Agent Model for Entrepreneurship</b>	<b>1</b>
Historical Context – the County Agent Model	2
The Innovation Equation	3
Leverage Existing Infrastructure	4
The <i>Texas Launchpad</i>	5
New Venture Incubators	6
The Critical Need for Training	6
<b>About the IC<sup>2</sup> Institute</b>	
<b>Exhibit I – Analogy to a 20<sup>th</sup> Century Success Story</b>	<b>8</b>

## COUNTY AGENT MODEL FOR ENTREPRENEURSHIP

---

*“93% of Texas employers have fewer than 50 employees – these businesses are the backbone of the Texas economy.”*

*– Governor Rick Perry*

*“Small businesses produce 55% of all innovations, including twice as many product innovations as large corporations.”*

*– Small Business Survival Committee  
and Entrepreneur Magazine*

Nearly a century ago, Texas responded to the needs of its economic backbone – family-owned farms – when it implemented a system of agricultural county agents, demonstration farms and university-based research initiatives. Today, Texas entrepreneurs are more likely to own restaurants, convenience stores, motels and small manufacturing operations that sell products via the Internet and ship them around the world. How will the State of Texas aid its entrepreneurial class in the 21<sup>st</sup> century?

Based on proven methodologies from the agriculture industry, the County Agent Model for Entrepreneurship (CAME) is potentially a breakthrough innovation in the way government, university and business work together for 21<sup>st</sup> century economic development – one successful small business at a time.

In its most basic form, the CAME will be comprised of the following:

- “Knowledge Hubs” at The University of Texas at Austin and other public universities throughout the State.
- “Prosperity Agents” in *local* communities throughout the State who are responsible for supporting homegrown businesses and facilitating the transfer of knowledge and resources from the knowledge hubs to local entrepreneurs.
- “Experiential Events” centered on entrepreneurship education, regional leadership development and economic development, such as the *Texas Launchpad* curriculum and series of local new venture competitions.
- “Capital Sources” for special programs and strategic investments, including local 4A/4B revenues, the Texas Enterprise Fund, SBA/SBIC lenders and corporate sponsors.

By leveraging the infrastructure of existing publicly funded institutions, the CAME could be fully implemented in less than five years and provide economic returns equal or greater than programs currently under consideration for investment with the Texas Enterprise Fund.

## Historical Context – the County Agent Model for Agribusiness

*“In this organization the most important person was the county agent, who worked with people to identify their problems, motivated them, made scientific information available to them, and then helped them use the information. The county agent’s primary responsibility was teaching. His goal was to help people to have a higher standard of living and a more enjoyable life.”*

Irving M. May, Jr.

Brief History of “Texas Agricultural Extension Services”

The agricultural county agent model is perhaps the most successful technology transfer mechanism that the United States has developed. This agricultural model has transferred an enormous amount of agricultural research to the American farm. The return on investment is self-evident, and it all began in Texas.

“Demonstration farms” established in Texas in the early 1900s were instrumental in quelling the threat of the cotton boll weevil. Organized by a visiting professor of agriculture from Iowa, these farms employed “special agents” to work with local communities in diagnosing problems and sharing the latest knowledge and best practices. This university/industry success story provided the foundation for the Smith-Lever Act of 1914, which created the Cooperative Extension System that has been administered by land-grant institutions ever since.

We believe that this model can be leveraged to *extend beyond agribusiness and encompass all forms of entrepreneurship and regional economic development* in the 21<sup>st</sup> century. The modern-day “demonstration farms” are business incubators, and today’s “special agents” are business, university and civic leaders who take a special interest in helping entrepreneurs survive and prosper.

## The Innovation Equation

*“When you put all of this together – an organization designed to innovate, and catalytic events that spark even more ideas – you get what I call the Innovation Equation:*

- *Good ideas flowing friction-free across the enterprise;*
- *Times the multiplier of external connections with best-of-breed partners;*
- *Plus seed funding so good ideas get oxygen fast;*
- *Equals BIG, Predictable, and Profitable innovation.”*

A.G. Lafley  
Chairman, President and CEO  
*Procter & Gamble*

In the Internet boom era of the late 1990s, Procter & Gamble had acquired a reputation as a bureaucratic and stagnant conglomerate. In 2000, its new CEO, A.G. Lafley, provided a vision of P&G as an innovation engine. Since then, P&G has launched a series of innovative consumer products and solidified its stature among the world’s great corporations.

The State of Texas can also be an innovation-driven “enterprise” in the 21<sup>st</sup> century. Our universities have the capacity and resources to work with local community and business leaders to ensure that “good ideas flow friction-free” to the entrepreneurs who need them. They also are capable of facilitating “external connections with best-of-breed partners” through the implementation of a knowledge network designed with the following objectives in mind:

- 1) Disseminate entrepreneurship and economic development “best practices” directly to local Texas communities.
- 2) Facilitate grassroots business community development through the process of commercializing new ideas, mentoring aspiring entrepreneurs, planting job-creating businesses with opportunities for local ownership, and creating access to financial capital ranging from microlending to venture capital.
- 3) Develop quality information channels for researchers to gain a true understanding of the evolving economic landscape and the “five capitals” that must be effectively combined to achieve long-term job securing and economically viable outcomes: knowledge capital, leadership capital, social capital, natural capital (land, water and other natural resources), and financial capital.

## **Leverage Existing Infrastructure – Public Universities and Community Colleges, Local Chamber of Commerce Organizations and Local Economic Development Professionals**

In more than 550 Texas communities, local economic development corporations are entrusted with 4A/4B revenues from sales tax proceeds. Many have full-time administrators who – with training and support from knowledge leaders at the university “knowledge-hubs” – could be utilized as the entrepreneurship equivalent of the agriculture “special agents” that were so important in transferring knowledge to Texas farmers in the 20<sup>th</sup> century. Local chamber of commerce organizations also could play a critical role in funding dedicated professionals to help communities support tomorrow’s successful entrepreneurs and leading local employers.

4A/4B resources aid Texans when used to recruit companies from outside our State and encourage them to locate quality jobs in our communities. However, too often, 4A/4B resources are used to take jobs from one Texas community into another. This zero-sum game discourages investments for growth and inspires investments for *retention* out of fear.

We do not presume to have a holistic answer to this unfortunate cycle; however, we do believe that communities can use a small portion of 4A/4B funds towards investments in educational and other support activities for homegrown entrepreneurs. For many communities, the investment will amount to less than 10% of accumulated revenues, and others will be able to band together with neighboring communities to fund the local “knowledge nodes” necessary to tap into the statewide network.

## **The Texas Launchpad**

The *Texas Launchpad* (TL) is an experiential entrepreneurship education outreach program aiming for an extraordinary impact through the achievement of five far-reaching goals:

1. Promote entrepreneurship education in underexposed markets;
2. Facilitate local business community development through the process of commercializing new ideas;
3. Identify new innovations that could potentially develop into extraordinarily successful products or high growth businesses;
4. Disseminate entrepreneurial “best practices” with the power to increase survival rates for local small business owners; and
5. Accumulate data for researchers studying entrepreneurs and the factors predictive of their success.

At its core, TL is a comprehensive repackaging of UT-Austin’s highly successful MOOT CORP Program for the purpose of reaching a new audience – aspiring entrepreneurs without the time or money to seriously consider studying entrepreneurship through an established full-time or part-time MBA program. TL will introduce both participant-entrepreneurs and local business community leaders alike to a dynamic educational process that has been incorporated into entrepreneurship education programs at leading business schools throughout the world.

Suitable for entrepreneurs from all walks of life. The only prerequisite for participation by an entrepreneur is an aspiration to obtain financing for the commercialization of a new product or business growth strategy. Whether the entrepreneur is seeking venture capital for a high tech venture or an SBA Loan for a local restaurant expansion, the TL process will help the entrepreneur to better 1) understand the capital-raising process, 2) communicate the value proposition of the idea and 3) locate sources of capital best suited for the opportunity.

With its “train-the-trainer” business model, TL will enable local educators and business professionals to develop a locally branded program, thereby providing a tangible example of university-lead entrepreneurship research delivering value to Texans from all walks of life in every corner of the State.



## **New Venture Incubators – 21<sup>st</sup> Century “Demonstration Farms”**

In June 1989, the University of Texas at Austin and its IC<sup>2</sup> Institute initiated a community-based experiment in launching companies devoted to science and technology – the Austin Technology Incubator (ATI). Funded by The University of Texas at Austin, the Greater Austin Chamber of Commerce, the City of Austin, Travis County, and private businesses, and advised by a committee of business professionals, ATI became a true consortium of academic, government, and business interests dedicated to building a technological business infrastructure in the Austin community. Since its inception, ATI has worked with more than 120 companies representing a wide range of business sectors. The impact of ATI and its partnering companies can be recognized on numerous fronts, including:

- More than 2,850 jobs created
- More than \$1.2B in revenue generated
- More than \$600M in venture capital secured
- Approximately \$833 annual per capita contribution to area GDP

Economic development professionals and community leaders from around the world have visited the IC<sup>2</sup> Institute to learn how to replicate this success in their communities. Through the CAME, IC<sup>2</sup> would work with Texas’ public universities, community colleges and regional economic development leaders to develop a network of small business incubators throughout Texas.

### **The Critical Need for Training**

New ventures in the 21<sup>st</sup> century will require trained individuals. The CAME infrastructure must be able to provide effective and timely training processes and materials. To do this the CAME must:

1. Develop the more effective training tools that can train individuals in weeks, not years
2. Use the CAME network to distribute these materials throughout the state so that all Texans may benefit from them.
3. Partner with local community colleges and other educational institutions to provide these services in any rural community that wants to have them.

New training materials are already being researched and developed. These include intelligent use of *games and simulations* for training. This training requirement surfaces the need for further development of distance and classroom training materials for training entrepreneurs and their potential employees.

The CAME infrastructure should be supported by a multi-university digital media collaboration that will research and develop these processes and materials.

## ABOUT THE IC<sup>2</sup> INSTITUTE

---

The IC<sup>2</sup> Institute is a world-renowned “think and do” research center at The University of Texas at Austin. Founded by Dr. George Kozmetsky in 1977, IC<sup>2</sup> gained acclaim as the visionary force behind the development of the “Austin Technopolis,” one of the great regional economic development success stories in the past 25 years. In fact, leaders of regional economic development consortia from around the world, including the European Union, Toronto, and Philadelphia, have sponsored independent researchers to study “The Making of the Austin Technopolis” and “How to Create a Knowledge Economy.”

Dr. Kozmetsky passed away on April 30, 2003, but the legacy of this extraordinary man survives through his students, family, charitable giving and the work of the IC<sup>2</sup> Institute. Unquestionably, Dr. Kozmetsky’s life and work inspired the concept of the *Prosperity Agent*, an esteemed person who operates at the intersections of business, government and higher education to create economic wealth for local and regional communities.

Through its worldwide network of IC<sup>2</sup> Fellows and experience constructing collaborative project teams, it is widely regarded as a leader in local and global economic development strategy. Its international initiatives include projects in Armenia, China, Japan, Jordan, Poland, Russia and the Ukraine. In Armenia, for example, a consortium of granting agencies selected IC<sup>2</sup> to develop and revise Armenia’s communications and information technology strategy. The project entails the creation of an industry promoting the wide use and application of information technology by Armenian citizens, businesses and government to improve business opportunities of Armenians. IC<sup>2</sup> also has recently been awarded a \$6 million contract in Poland to develop its knowledge-based economy and help establish ties between U.S. and Polish technology companies and/or research institutions.

**EXHIBIT I – ANALOGY TO A 20<sup>TH</sup> CENTURY SUCCESS STORY**

<b>Era</b>	<b>20<sup>th</sup> Century</b>	<b>21<sup>st</sup> Century</b>
<b>Catalyst</b>	Boll Weevil crisis; significant economic reliance on agriculture	Post-Internet boom recession; high unemployment; outsourcing trend for quality technical jobs.
<b>Solution</b>	Agricultural Cooperative Extension System	County Agent Model for Entrepreneurship
<b>Primary Beneficiary</b>	Family-owned and operated farms	Entrepreneurs from all walks of life
<b>Knowledge Hub</b>	Texas A&M University	University of Texas at Austin
<b>University Research</b>	Various – fertilizer technologies, pesticide technologies, livestock antibiotics technologies, etc.	Digital Media Collaboratory – focused on learning technologies for 21 <sup>st</sup> century workers and entrepreneurs
<b>Knowledge Network</b>	Agricultural land-grant universities in Texas	All public universities and community colleges in Texas
<b>Local Representatives</b>	“Special agents” – a.k.a. county agents	“Prosperity agents” – principally local economic development professionals with entrepreneurship training
<b>Local Laboratories</b>	“Demonstration farms”	Small business and technology incubators
<b>Community Events</b>	County fairs	<i>Texas Launchpad</i> new venture competitions
<b>K-12 Education</b>	4-H	Junior Achievement
<b>Financial Capital Sources</b>	Farm Credit Bank / Farm Credit Services	SBA/SBIC