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Home Grown Economic Engines: The State of Entrepreneurship in Arkansas

*Part of a series exploring issues
from The Community Foundation's
Aspire Arkansas report.*



Joe and JoAnn Larkin

My First Entrepreneurs

I am a strong believer in the value of entrepreneurship in building Arkansas communities. In 1964, my dad, the hospital pharmacist at St. Edward’s Hospital in Fort Smith, and my mom, a recent RN graduate of St. Edward’s School of Nursing, married. Durance Damron asked them to open Laws Drugs in Charleston, at the time a town of under 1,000 folks.

After they moved to Charleston and had my brother Joe, Dad was offered a job with the corporate giant Eli Lilly. He and Mom seriously discussed going that route because of the pay, but they knew that path would eventually put them in Indianapolis or another big city. They liked Charleston, and decided they did not want to raise their family in a large city.

The Larkins made Charleston their hometown and took the leap as small-town entrepreneurs. Mom and Dad purchased the store in 1966, and they jumped right in as active members of the community: Dad was active in the local Chamber, they joined the First United Methodist Church there and were active supporters of their children’s school system.

It was touch and go at times and so much hard work. Running a small business is fraught with risk, but small businesses are the backbone of a small community. For my family’s entrepreneurial investment, we received:

- A great community, great friends, great support and a great place to raise kids

- A community that supported the local businesses
- A safe and stable community where kids walked to school

My family gave:

- Time, talent and treasure for the school — dad served on the school board for years
- Time, talent and treasure for the church — my parents have served on every committee there
- Support of community efforts like the fair, the Chamber and most recently a start-up nonprofit called Maggie House
- The first independent pharmacy in the state to computerize
- Local access to a small pharmacy

So when I think about the Community Foundation working to build stronger communities, I often reflect on my first — and best — experience with entrepreneurs in Arkansas: we must support local entrepreneurship.

Heather Larkin, J.D.
President and CEO

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The additional production capacity Boxer Chef partners Brian Rogers and Wendi Weber found at the Delta Cuisine Commercial Kitchen and Food Incubators “could literally mean the difference between growing and not growing” for their young business, Rogers says.

New Energy for Entrepreneurship

By Julie Johnson Holt

It’s a new day for entrepreneurs in Arkansas.

We’ll take a look at why in a minute, but first, we must note that entrepreneurs have succeeded in Arkansas for years. Think Sam Walton. Witt Stephens. Don Tyson. William Dillard.

“Arkansas is a very entrepreneurial state with a rich entrepreneurial history,” said Warwick Sabin, director of the Arkansas Regional Innovation Hub, adding that Arkansans have been “surrounded by entrepreneurs for many decades. It’s part of our culture.”

But there’s a new energy today, fueled in part by partnerships between private and public players joining forces to more effectively support Arkansans with promising business ideas.

“What’s happened recently is people are more aware of the need to intentionally support entrepreneurship as part of the overall strategy for economic growth,” Sabin explained.

Connecting the Dots for Entrepreneurs

The Innovation Hub in North Little Rock is a case in point. Supported by both private and public funding, the Innovation Hub opened its doors two years ago and has been igniting the local economy ever since with unique opportunities and programming for innovators and entrepreneurs.

“There are a lot of resources that are available that if you just connect the dots and make them accessible to people, they can take advantage of all that’s out there,” Sabin said. Connecting



John Auker of Delta Cuisine coaches food-related start-ups.

those dots is what the Innovation Hub does so well.

For instance, it houses The Launch Pad, where ideas can be transformed into prototypes for new products using high-tech equipment. Several local businesses, including Diamond Bear Brewing Company and PK Grills, are using the facility to design and build needed parts.

What's more, the Innovation Hub will soon open doors to The Silver Mine, where entrepreneurs can find support for accessing needed capital, refining business plans, growing new businesses or even renting co-working space. And the Innovation Hub partners with other organizations such as The ARK Challenge, which focuses on growing technology start-ups, and the state's angel fund organizations, which provide funding to emerging companies.

Supporting Food Start-ups

One of the newest organizations "connecting the dots" for people who have promising business ideas is the nonprofit Delta Cuisine Commercial Kitchen and Food Business Incubator in West Memphis, which opened in mid-summer. It partners with ASU-Mid South Community College and shares a new state-of-the-art facility with the school on its campus.

"In addition to kitchen rental for food entrepreneurs, we also provide business coaching" for people who have already taken the first steps of planning or opening a food-related business, Delta Cuisine director John Auker explained.

The incubator — "it's like a regular restaurant kitchen on steroids" — already signed up four clients in its first six weeks, and others are touring all the time, Auker said.

Delta Cuisine clients must have already developed a business model that has a chance of success, he said, adding, "You can't just have a recipe you want to try out" in a professional kitchen.

Auker then will work with those clients to refine their business models as well as to pursue the regulatory steps necessary to opening a food-related business.

Clients at Delta Cuisine include local farmers who bring in produce and add value to it before taking it to market. For instance, a blueberry farmer could bring in berries and make jams, or a vegetable farmer could use the facility to chop tomatoes and peppers and then create a salsa.

"You also could just take salad greens, sort and grade, rinse and sanitize" and then package them for sale, Auker said. "It's true farm to table."

Delta Cuisine meets a specific need in eastern Arkansas, Auker believes. "What it's doing is making possible some people's dreams of starting a food business. In the bigger picture, we're starting the platform for almost any business... I'll try to help them however I can," he said.

It's that kind of support that is reenergizing the culture for entrepreneurs in the state.

Investing in Women Business Owners

Entrepreneur Michelle Deininger is a perfect illustration of the change.

In 2000, she decided to make a huge career change, from being a nurse and pharmaceutical rep to becoming an entrepreneur. Her passion was helping patients, especially



Owner Brian Rogers added nutrition bars to his Boxer Chef line (chocolate chips with almonds or peanut butter — both with more protein than sugar) when he realized the the huge lack of healthy options among convenient snack foods.

elderly ones, live more fulfilling lives despite their health issues. After hours in local libraries researching "activities of daily living," she purchased a medical supply business and made it her own — Arkansas Medical Supply in Little Rock.

In addition to learning on her own all she could about medical supplies and how they can best assist patients, she realized she was also on her own when it came to the business and regulatory side of things. She was able to hire a friend who was an accountant, which helped. But with some of the evolving regulatory issues, well, she learned the hard way.

Fast-forward to the year 2012. Unlike many small businesses, Arkansas Medical Supply still opened its doors each week day. Yet Deininger knew that her staff needed recharging and her business needed a boost. While attending a state procurement workshop, she was impressed by presenter Sherry Howard, then the new director of the equally new Arkansas Women's Business Center, a co-venture of the Small Business Administration and Winrock International headquartered in El Dorado.

"She gave me her card and told me her services were free. When I heard 'free,' I immediately thought 'red flag!' Not really, but I wasn't sure either," Deininger remembered. "But I liked her and contacted her."

During the next two years, the Arkansas Women's Business Center was instrumental in helping Deininger resolve some issues with her staff as well as put a renewed effort into marketing her business.

"We provide one-on-one counseling to women entrepreneurs as well as a large variety of training programs, largely in conjunction with community colleges," explained Liz Young, the current director of the Arkansas Women's Business Center. The focus on females is because "women entrepreneurs have historically run into many more challenges, especially when it comes to access to capital."

Since its start five years ago, Young says that the Arkansas Women's Business Center has hosted 176 training classes, during which it has trained 560 individuals. In addition, "we have helped 35 businesses start and create over 50 jobs."

Deininger points to the Arkansas Women's Business Center and other organizations designed to help businesses get off the ground, such as angel fund organizations, incubators and accelerators, and knows she would have had a much easier time working through the stresses of starting a business had they been available in 2000.

But she's grateful they are here now.

"The Women's Business Center gave my business that extra spark," Deininger said, crediting the organization's help for "getting my staff excited about the business in general and about how we can be better at what we do."



Start-up Restaurant is in the Business of Fighting Global Hunger

A meal for me, a meal for you.

It's the simplicity of the concept that is fueling growth for Conway-based fast casual restaurant Tacos 4 Life. For each taco a customer purchases, the company donates a meal to a hungry child.

Proprietors Ashton and Austin Samuelson were already volunteering for various hunger relief programs when they heard a presentation that changed their lives — a speaker at a church event explained that 18,000 children worldwide die of starvation every day. It was a figure they couldn't ignore. Eighteen thousand children. "We heard about those hunger statistics, and it wrecked our world. At first we thought, 'That's too big of a problem. How can we have an impact?'" Austin said.

The Samuelsons began to dream big. What if there were a way to do more than donate a few dollars here and there? What if there were an entire business dedicated supporting hunger relief — fighting hunger with food!

"They thought, 'That's an awesome idea! Someone should do that,'" explained Kristen Young, the company's marketing manager. Eventually, they realized they were just the "someones" to do it.

In 2011, the Samuelsons opened their first restaurant, Pitza 42, with a meal-for-meal mission. For each pizza purchased, they donated 22 cents to Feed My Starving Children, a Minneapolis-based nonprofit organization that distributes nutrition packs to hungry people in more than 70 countries. "For us, opening a restaurant was a means to get to participate in what we're passionate about — world hunger. By opening a business, we get to play offense a little bit," explained Austin Samuelson.

"Feed My Starving Children has developed scientifically formulated, nutrient-packed meals called Manna Packs. They contain every nutrient a kid needs for a day," said Young. After visiting Swaziland, where their meals are donated, and seeing the impact the Manna Packs have on hungry children there, the Samuelsons were inspired to raise even more meals. They opened a second restaurant, Tacos 4 Life, in June 2014, and soon, the new store was outselling its predecessor. "Tacos 4 Life was donating double what Pitza 42 was donating because people order so many more tacos in a single visit," Young said.



In March 2015, the original Pitza 42 location became a second Tacos 4 Life, and earlier this summer a third Tacos 4 Life opened in Fayetteville. It's significant growth for a four-year-old company. "People often say, 'How are you guys doing this?' We just have to be that much more efficient as operators. There might be a little less profit that comes down," Samuelson explained. "We get some incredible managers in our stores — highly capable people who are drawn to us because of the mission. The first thing we tell them is that we've got to run our restaurants better than anyone else does or we can't continue to do the mission."

Young also attributes much of Tacos 4 Life's success to its double bottom line. "We bring people in through great customer service and good quality food, but we keep them coming back because of the mission. Most of our customers really care about the meal-for-meal aspect," she said.

Customers even have the chance to have a hands-on impact through annual meal-packing events. Over the course of three or four days, thousands of volunteers come together to pack and vacuum seal Manna Packs to be shipped overseas. "Feed My Starving Children ships all of the raw ingredients for the meals we've raised to us," Young said. "They're not packed by a machine. It's not automatic; it's actual customers packing their



own meals with the money they've raised."

Samuelson is optimistic about the future for businesses looking to build a social mission into their operating model. As he sees it, "It's easy for start-ups to think about incorporating a cause from the get-go. We add an extra line item into our income statement, and it's one extra check we write a month. It doesn't have to be that overwhelming in the beginning. It can be fun. It makes the hard and long days really worth it."



Tacos 4 Life owners Ashton and Austin Samuelson

How to Invest in Arkansas Entrepreneurs

Four essentials for communities where local businesses take root and grow.

"We've pursued corporate recruiting for decades at the expense of our small business community," said Ines Polonius, CEO of Communities Unlimited, a nonprofit organization and community development financial institution (CDFI) working to create economic environments where communities and small businesses can flourish. "Previously we've focused our mayors and economic developers on recruiting the next big auto manufacturer, but now we need to appreciate the fact that our small businesses are the ones creating the jobs and quality of life."

Polonius proposed a few ways Arkansas communities can invest in the needs of small businesses and local entrepreneurs.

Create capital infrastructure.

Local entrepreneurs need local funding. It's not just the funding that matters, though (although money is certainly vital!). When entrepreneurs work with local investors, they benefit from relationships with mentors and community leaders who are truly invested in seeing their businesses succeed. Communities Unlimited and other banks and CDFIs can work with communities to create loan funds specifically for emerging small businesses in need of start-up capital to launch.

Build an entrepreneurial ecosystem.

Entrepreneurs need places to come together to share ideas, inspire and learn from one another. They also need technical training and advice about revenue models, legal issues, marketing techniques and personnel management. Programs that bring entrepreneurs together — either in a shared space like a business incubator or a workshop/training course — foster the relationships and learning opportunities that create momentum in the small business community.

Buy it local.

Often, consumers don't realize the impact their purchases make on the local economy. "Buy it local" campaigns can educate consumers about small businesses they may not know about and show how consumers can improve their community's economy by doing business with homegrown vendors.

Keep kids engaged.

In struggling communities, the best and brightest young people often have one goal: to leave! But as technology makes it more and more possible to connect to a global market from a rural community, it's feasible for smart young people to bring their talents back home after college. "We've got to send our young people away with the message that we want you — and your businesses — back," Polonius said.



The average and median age of company founders when they started their current companies was 40. Less than 1 percent came from extremely rich or extremely poor backgrounds.

— Kaufman Foundation for Entrepreneurship report, "The Anatomy of an Entrepreneur"



Brooke Schmidt of Ouachita Baptist University pitches her team's business plan, "Explosive Performance" to the audience at the 2015 Governor's Cup Awards Luncheon.

Competition Fuels Entrepreneurial Spirit

The Donald W. Reynolds Governor's Cup Business Plan Competition is a laboratory where student teams are challenged to apply real-world principles to entrepreneurial goals. Competitors call the experience transformational.

"I was able to learn a lot of skills, and that helps me a lot, going into job interviews and speaking with people," said Payton Finch, Hendrix College student and 2014 Undergraduate finalist. "The Governor's Cup helps me develop the skills but also credential myself to where other people will believe that I have the talent and the ability to do what I think I can do."

The Governor's Cup for teams of two-year and four-year college students is one of four competitions from the Arkansas Economic Acceleration Foundation, an affiliate of The Arkansas Capital Corporation Group. They also sponsor a tri-state competition for winners in the Arkansas, Nevada and Oklahoma business plan competitions and two Youth Entrepreneur Showcases for middle school and high school students.

The competition is also an opportunity for potential investors to see first-hand the entrepreneurial talent coming from Arkansas colleges and universities. The competition culminates with an awards



luncheon, during which all finalists pitch their ideas to the audience in 90 seconds or less.

"Through the Governor's Cup, we made a lot of connections within the Arkansas entrepreneurial ecosystem. Arkansas doesn't have the density of funders and entrepreneurs that some other regions have. I think participation in things like the Governor's Cup is critical to start developing those relationships, and those relationships are what ultimately allowed us to secure funding, grow our headcount and execute on the opportunity," said Douglas Hutchings, 2010 Graduate winner who is now CEO of Picasolar.

More than 2,200 students from 24 higher education institutions have participated since 2001. The Governor's Cup competition, judged by Arkansas business leaders, has awarded \$1.75 million in cash prizes to winners from throughout the state.

"It keeps us and our students thinking about innovation and thinking about business concepts that could bring jobs to our state, improving our communities. And I really believe that it puts us on the forefront of how we think about job creation and business innovation across the country," said Michael Newcity, 2002 First-Place Graduate winner who is now chief innovation officer and president of ArcBest Technologies.

Marie Bruno, executive director of the Arkansas Economic Acceleration Foundation, said a number of competitors discovered things they didn't know about themselves prior to their Governor's Cup experiences. "Some thought they weren't capable of putting together a business plan. But when they tried it they found they could do it. They surprised themselves," she said.

While it is the largest competition in Arkansas, there are other entrepreneurship competitions in the state. InnovateHER is a U.S. Small Business Administration prize competition to unearth innovative products and services that impact and empower the lives of women and families.

Startup Junkie Consulting facilitated an initial InnovateHER competition in Northwest Arkansas last April. Another InnovateHER competition is set for Nov. 19 in downtown Fayetteville. Finalists from regional competitions will compete for a total of \$70,000 in prize money in Washington, D.C. in March of 2016.

"The competition helped my team of seniors from John Brown University go at our business plan from a different angle. It gave us a sense of how to think about how our product could help

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Dr. Erick Chang of Arkansas State University, faculty advisor for Agricultural Innovations, celebrates his team's win of the 2015 Governor's Cup Graduate Division award.



Philip Turner of Kordate Solutions, University of Arkansas, pitches his team's idea to the audience at the 2015 Governor's Cup Awards Luncheon. Kordate Solutions took second place in the Governor's Cup graduate division, and went on to win the same division at the Tri-State competition in May in Las Vegas.



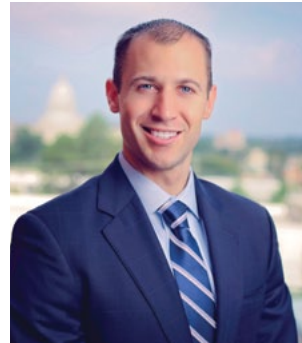
Fifteen high-growth startups have been formed by graduate entrepreneurship students since 2009.

— University of Arkansas Office of Entrepreneurship and Innovation.



ARKANSAS VIEWPOINTS

How can we create communities where entrepreneurship thrives?



By Mike Preston
Director, Arkansas Economic
Development Commission

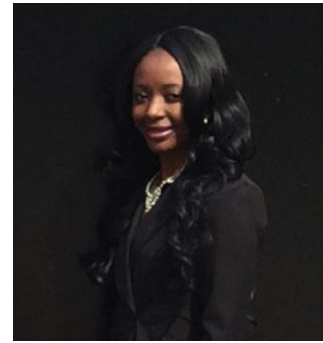
Entrepreneurs are the backbone of the state's economy. Their new technologies and inventions drive tomorrow's marketplace. As their businesses grow, they add more higher-paying jobs, which means more money in the economy.

Fortunately, Arkansas has a history of small businesses becoming large, global companies — proof that rural areas can grow big ideas. But like seeds planted in the ground, these young companies need the support of their communities to reach their full potential.

There are several ways communities can help budding entrepreneurs through assistance and collaboration. "Idea generators" and hubs provide physical and intellectual spots where people can come together and test their ideas on one another for instant feedback. Businesses and schools need to partner to strengthen STEM education so that our future entrepreneurs have the skills needed to develop goods and services that we cannot yet even fathom in this day and age.

We need our local financial institutions to think past the bottom line and understand that new technologies create a domino effect with the creation of additional entrepreneurs. Communities must realize that an investment in a local entrepreneur is an investment in the future of the area's economy.

In short, entrepreneurship thrives in communities where no limits are placed on creativity and risk taking. Without our entrepreneurs and their new ideas, our economy will suffer.



By Veronica Davis
Owner, Ridgeline Construction

Entrepreneurship isn't an easy journey. There are always misconceptions about small businesses, but we work hard to provide the same level of professionalism as a big business. Small construction businesses are often overlooked for all the wrong reasons. Our company is made up of only five individuals, but I guarantee we can get the job done.

Ridgeline Construction LLC provides services such as asphalt paving, concrete paving, dirt hauling, demolition, decorative concrete, concrete stamping, excavation, seal coating, striping and excellent customer service. Ridgeline has a lot to offer Arkansas communities.

As a whole, we have to create a culture where innovation can flourish, and that begins with tools and support. Supporting small local businesses creates jobs, generates sales tax revenue and enhances the community's quality of life. I believe Arkansas communities could attract more entrepreneurial activity if we could offer a robust portfolio of programs and resources supporting small growing businesses to thrive, such as information on legal structure; obtaining business licenses, permits and tax identification numbers; registering a business name and choosing a business location. The energy in our community should be more motivating, inspiring and exciting, with no shortage of opportunity for growth.

I'm really appreciative for the start-up program offered by Thrive, which is located in Helena-West Helena. Thrive is a nonprofit organization that offers affordable strategic planning and marketing services to local small businesses and nonprofits. They provided me with business plan classes and one-on-one consulting as well as branding and design services. I was able to acquire knowledge on marketing tools, sales, information technology, and research and development, which became very useful once our business got off the ground. Thrive planted our business like a seed and they're continuously watering us into success!



Competition Fuels Entrepreneurial Spirit continued from page 8

people," said InnovateHER competitor Erin Morningstar, now an Arkansas Fellow at Collective Bias in Rogers. "Any time you take an idea you've been working on for a long time, one that you are in the weeds on, and boil it down to a written summary and a brief presentation, you have a better understanding of it."

Backed by the Delta Regional Authority in Clarksdale, Miss., the Delta Entrepreneurship Network holds Delta Challenge pitch competitions in Arkansas and five other Delta states. The competition identifies up to 20 entrepreneurs and 16 entrepreneurship support organizations for the DEN fellowship that includes technical assistance and training to enhance entrepreneurship capacity and opportunities in the Delta.

Delta Challenge regional competitions aim to identify entrepreneurs and entrepreneurship support organizations, nurture entrepreneurial talent and grow those entrepreneurs into talented, innovative drivers of the Delta's local and regional economies.

"We are trying to accomplish two things with business plan competitions," said Leslie Lane, COO of affiliate activities at The Arkansas Capital Corporation Group. "We want to elevate the conversation around entrepreneurship — are we getting people talking? Second, we want young people to get the message that you can be a successful entrepreneur in Arkansas."



Mike Preston (left), director of the Arkansas Economic Development Commission and Dennis Cooper of the Arkansas Capital Corporation Board of Directors watch as Lieutenant Governor Tim Griffin presents the Governor's Cup 2015 undergraduate division winning trophy to members of the team "TIRE" from Harding University.

In our state we have a rich history and the tools needed to be a successful entrepreneur."



24.5 percent of Arkansas firms were owned by women in 2007. In five years, the Arkansas Women's Business Center has helped 35 businesses start and create over 50 jobs. One of the biggest challenges AWBC clients remains access to capital.

— Arkansas Women's Business Center



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Growing the Economy One Entrepreneur at a Time



In this edition of *ENGAGE*, we explore public and private support for Arkansas entrepreneurs. You'll find information on public/nonprofit partnerships that are helping incubate entrepreneurship in our state on Page 1.

On Page 4 find the story of a Conway-based restaurant's fight to end global hunger. Read about how your community can invest

in entrepreneurs on Page 6. Several competitions are helping students grow into entrepreneurship — find out more on Page 7.

Mike Preston, Executive Director of AEDC, and entrepreneur Veronica Davis provide their ideas on what kinds of help entrepreneurs need to be successful in our state on Page 9.

