

“The North Dakota Entrepreneur: The Role of the Small Business Administration in Startups,
Entrepreneurship and Innovation”

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Good morning, and thank you Senator Heitkamp for the invitation to participate in this hearing.

And welcome to Marie Contreras-Sweet on your visit to North Dakota. My name is John

Machacek, the Senior Vice President – Finance & Entrepreneurial Development of the Greater

Fargo Moorhead Economic Development Corporation (GFMEDC). I appreciate the opportunity

to be here today to discuss what is happening in our region.

Our organization is a public/private EDC and our mission is to grow and diversify the economy by retaining, expanding and attraction primary sector businesses in Cass County, ND and Clay County, MN. Our region has benefited from economic prosperity, fairly rapid population and employment growth, and an exceptional quality of life. The diversity of our industries also helped our economy maintain relative stability during the time the rest of the country was more impacted by the recession. While manufacturing and agriculture have always been key industries in our region, we’ve been balanced with the growth in areas such as technology, administrative and support services, and corporate headquarters. Our metro is also blessed to be home to almost 30,000 college students and serves as regional destination for healthcare and retail. A struggle we are experiencing is that while our population has been quickly increasing, this growth is being outpaced by the employment growth, leading to our metro typically having over 6,000 open jobs. This is a major issue that we hope the community will

help collectively tackle. Our organization is working with United Way of Cass-Clay, Fargo Moorhead West Fargo Chamber of Commerce, Fargo Moorhead Convention and Visitors Bureau, and FM Area Foundation on some community call-to-action initiatives, as highlighted in a recently released workforce study.

GFMEDC recently completed a 5-year economic planning initiative laying out several economic development priorities. These priorities include: talent attraction to the region; expansion of technical and STEM training; advocacy of key public policy issues; leveraging existing industry and university research; and the development of the region's entrepreneurial ecosystem. I will focus my comments on that last priority of entrepreneurial support.

The first action item in the entrepreneurial ecosystem priority is continuing to play a supporting and sponsorship role of key programmatic activities. Much of this activity is in partnership with Emerging Prairie, which has become recognized as a lead convener and information sharing organization. Over the last several years, it has been exciting to witness the acceleration and enthusiasm towards supporting a highly collaborative entrepreneurial ecosystem that is enhancing the image that Fargo Moorhead is an outstanding place to live, work and create. The spirit of entrepreneurial development, support and collaboration has become infectious over the community and the visitors who are witness to it. This has been evident in the success and energy of our 1 Million Cups and Startup Weekends. Events like these are facilitating networks of connections between startups, small businesses, agencies, service providers, mentors and more. These networks are boosting the confidence of entrepreneurs and showing them that

they are not alone in their journey. The Midwestern work ethic, lack of entitlement and genuine willingness to help others are making this the place to start a business.

An additional action item from the priority is identifying and addressing gaps for startups. Different types of entrepreneurs require different resources and no one person or place can provide all of that. Some of the needs can be provided through the peer networks with advice and connections. Other needs are well-suited for the agencies and program providers to step in and help. The State of North Dakota's Innovative ND and Technology-Based Entrepreneurship Grant programs have been hugely successful in our area. The demand for this assistance was so strong that the funding originally intended through June 30th was exhausted by last fall. The program was replenished on July 1 and now can get back on track of providing the early-stage boost many startups need. Should the funding run out quickly again, this will serve as further proof of the importance of not only continuing the Innovate ND program, but increasing the legislative funding for the biennium. The local Small Business Development Center (SBDC) and SCORE chapter play a vital role in assisting existing and future entrepreneurs. The SBDC is always the first place I tell entrepreneurs to contact. Their services are very influential in the development and success of small businesses. For a community of our size and with our thriving economy, the demand for SBDC assistance exceeds what the one Fargo staff person on the North Dakota side of the river can thoroughly handle. Knowing that support comes through a combination of federal, state and local funding, we need to work together to provide our business community with not only a local center large enough to meet the demand, but also be home to a skill-set enabled to assist the growing technology industry.

To ensure the local offices are adequately staffed and spending quality time with clients, ideally current federal, state or host administrative and reporting processes are periodically reviewed to take into consideration any improvements to be efficient and equitable. Lastly regarding startup gaps, financing for an entrepreneur can be tricky, and the programs offered through the SBA, Bank of North Dakota and North Dakota Development Fund are wonderful tools made available to lenders and borrowers. It is important these programs continue to exist, be funded and be operated in a manner to effectively provide financing opportunities for businesses.

As I conclude this testimony, I would like to state a quick note of appreciation to Ms. Contreras-Sweet in regards to the SBA. GFMEDC was happy to see that Fargo was selected to be an Emerging Leaders city and that the inaugural class is underway. We look forward to seeing the impact of this program on the participants and we thank the SBA for providing this opportunity. Our organization is hopeful that we can work together on federal, state, and local levels to develop the resources needed to expand the Fargo SBDC office. Thank you again to Senator Heitkamp for hosting this hearing today and allowing me the opportunity to speak on behalf of my organization and the community. These are exciting times for new and existing businesses in the Fargo Moorhead area. Organizations and individuals are realizing the benefit of working together on lifting up our entrepreneurs and collectively playing a role in building a community that not only we want to live in, but hopefully many new residents will choose to call their home.