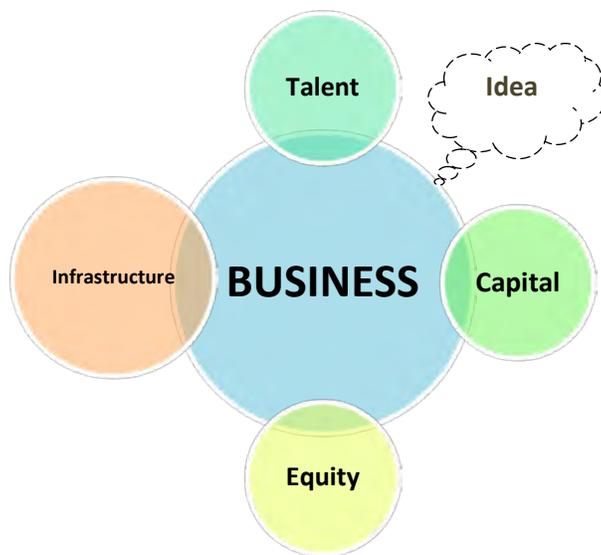


Idea Rich and Equity Poor in America

By Cynthia Nevels

There is no shortage of business ideas in America but the levels of business equity created are skewed. Some experts believe there is a gap in some American communities where a large percentage of ideas spawned by would-be entrepreneurs never reach your shelf, table or browser. I researched and analyzed this paradox, after attending the Federal Reserve Bank of Dallas' event entitled "Strengthening the Economy by Strengthening Microbusiness" on January 31, 2013. I wanted to understand why some ideas become reality and financially impact the business owners in a positive way and others fade as quickly as they come. Is the problem, solely, lack of capital? Are the majority of the business ideas created by women and people of color terrible ideas or too small for bankers or investors to care?



According to Rosemary Carlson Peavler, a retired professor of Business Finance and a freelance writer for About.com, small business owners have to put up some of their own money or equity in order to start their business and before seeking financing from other sources. Equity is the ownership interest of investors in a business firm. If you are the sole owner of your business then you have 100% equity stake in that business. The value of your equity is

determined by the total liabilities subtracted from the business' total assets. In some American communities, small businesses are like most savings accounts in poor neighborhoods - equity deficient; and studies show the businesses with equity, capital, infrastructure and talent often take the lead in front of small enterprises that lack a solid mixture of the same elements. They all start out as an idea but the entrepreneur that is able to acquire the elements is more likely to be rewarded financially for their success.

I read the story of the founder of one of the hottest businesses who took Coke and Pepsi head on with her unsweetened, flavored water. This business was an idea of a mother of four who created HINT™ Water in her kitchen because she recognized a problem – her kids weren't drinking enough water and plain water was boring. I can imagine her talking about this idea at the annual holiday party and someone telling her it will never work or perhaps questioning the market demand for such a simple idea. However, millions of dollars later, Kara Goldin has been rewarded handsomely because she didn't listen to the naysayers. She found her own way to take her concept from idea, to business model, to money making microbusiness with employees. Research shows, microbusinesses generate approximately \$4.87 trillion dollars to the United States economy annually; and create 41.3 million jobs of which 31% of those are private sector jobs.

These are enterprises that started as an idea that have grown to become key factors in sustaining the viability of the American dream.

What makes Kara different from the uncle who talks about starting his own car detailing business or your aunt, the retired school teacher, who bakes the best cakes this side of the Mississippi; both of whom have big dreams of creating a successful business yet never quite seem to move from the idea box to the business box?



“This problem is not solely about money, it is about not being in the network” says angel investor Gregory Campbell. Ideas are the seeds to innovation yet finding the right cultivator can be a struggle in some communities where cultivators do not live or work. “Startup entrepreneurs often do not know where to start or whom to trust with their ideas,” states Tiffany Reese, Chief Creative Strategist for INKS. “I had never met a venture capitalist nor had I ever met a legitimate financial/business advisor who could explain to me what equity is in a way I could understand until I became a senior manager for a large urban nonprofit. They just don’t live where I live and they don’t come into our neighborhoods to deal with small potatoes,” says Reese.

Campbell believes there are four areas where America is failing entrepreneurs with feasible ideas in low-income communities, they are:

- Providing a space where entrepreneurs can come together to work, collaborate and share ideas without reprise or fear of intellectual property being stolen
- Creating a culture of encouragement in schools, colleges, and community based organizations
- Encouraging more successful entrepreneurs who look like the residents to return to mentor potential startups
- Cultivate a network of researchers, marketers and investors who are willing to supply the underserved with tools they need to move to the next level

What made Kara different? Kara had a background in marketing, she spent hours conducting research to understand the competitive landscape of the beverage market and she did not wait for the idea to fade – she took the business to the next level through the following steps:

- Education – learning on her own to fill the knowledge gaps she had
- Communication – communicating to the people she knew what resources she needed
- Connections – testing her concept by utilizing what she had at the time – data, an idea and customers
- Capital – she and her husband used their own savings and the revenue generated during the startup phase to demonstrate to investors her idea was proven; she had to put something into the business before anyone would take the company seriously

Goldin has turned HINT Water into a \$30 million enterprise and has plans to continue her expansion based on a simple idea.

Reese states, “Entrepreneurship is a mindset, you either have it or you don’t.” Entrepreneurs with ideas recognize opportunity in the problems that exist all around us but the really special ones are willing to invest the elements needed to create that special recipe for success. It takes more than an idea to build equity in a business yet it only takes one idea to change the world around you, create your own financial stability and positively impact economic development in the United States.

Available Resources

Association for Enterprise Opportunity	www.aeoworks.org
Women’s Business Enterprise Alliance	www.wbea-texas.org
Innovation Greenhouse @ UNT	www.innovation.unt.edu
Capital One Bank <i>Getting Down to Business</i>	www.capitalone.com