

LTL

The Legal Technology Laboratory

**Clinics-driven Data Analytics
to Support
Entrepreneurship Policy Making**

Kansas City, November 2017

Project Objectives

- **To improve support for entrepreneurs by...**
- **Introducing new policies, or changing existing policies, which are...**
- **Informed by a robust dataset that has been drawn from...**
- **Around 200 entrepreneurship law clinics, both within and outside of the U.S., which interact with thousands of entrepreneurs annually**

Project Objectives – More Specifically

- **Identify, develop, and circulate policy recommendations designed to help eliminate or lessen barriers to innovation and entrepreneurship, with special focus on currently disadvantaged individuals, groups, and communities.**
- **We will seek and produce insights on such potential barriers as:**
 - **(i) insufficient access to affordable legal services in general and of particular types,**
 - **(ii) unduly complex, inefficient or inequitable regulatory processes (at various levels of government);**
 - **(iii) difficulties in obtaining start-up capital; and**
 - **(iv) other economic or societal factors that may pose obstacles to successful entrepreneurship.**

Project Methodology

- **11 US-based Entrepreneurship law clinics serving as a pilot group to build momentum and establish initial results.**
- **Data Analysis:**
 - **Existing datasets** already collected by clinics, as well as
 - **New datasets**, to be collected from clinic directors and entrepreneurs.
- **Through analyzing the datasets, we will establish a stronger evidence base for:**
 - **Better matching of services offered with services required – ‘closing the market gap’.**
 - **Supporting / initiating changes in laws and regulations that impact entrepreneurs and start-ups--i.e., policy making at a local, regional or national level.**

Project Methodology – More Specifically

- **Examples of specific types of data the project targets:**
 - **What types of circumstances are inhibiting the startup and growth of entrepreneurial ventures**—e.g., non-compete restrictions in employment agreements signed by innovators/would-be entrepreneurs?;
 - **To what extent are would-be entrepreneurs unable to affordably access needed legal services**, even when nearby a law school entrepreneurship clinic or law firm that assists would-be entrepreneurs of modest current financial means—e.g., because of clinic/law firm volume of manageable workload or scope of services limitations?
 - **To what extent are barriers uncovered in (1) and (2) more prevalent with respect to particular individuals, groups, communities, or types of business than with respect to others?**

Project Participants: Law Clinic Involvement



ALBANY LAW SCHOOL

Nebraska Law

University of Nebraska



Analysis of Existing Datasets for Selected Clinics

	Penn	UMKC	SELC	Nebraska	Berkeley	Albany
Dataset Size	1000	1000	800	275	85	50
General Information - Contact Details	✓✓	✓✓	✓✓	✓✓	✓	✓
General Information - Other for Individual/Entrepreneur	✓✓	✓			✓	
General Information on Entity and Formation	✓✓				✓	
Barriers to Entrepreneurship	✓✓				✓	

Key: ✓✓ = **Comprehensive / Full Coverage**

✓ = **Partial Coverage**

- The Dataset is ‘collectively sparse’ in most areas except contact details.
- The Penn Dataset alone could provide some very useful insights into barriers to entrepreneurship.
- The existing Datasets for some of the participating clinics were incompletely reported, but ongoing work should yield further reporting.

Establishing New Clinic-driven Datasets

- **With the aim of establishing US-wide (and beyond) datasets looking at the barriers to entrepreneurship from the perspective of entrepreneurship law clinics, a new survey is needed.**
- **First step: Undertake a ‘Clinic Director Survey’ (for which we have received full input from all 11 participating clinics).**
- **Interim Step: Widen the clinic director participation by sending the survey to many more clinics in the EshipLaw and iLINC networks.**
- **Main Step: Once refined, the survey will be sent by the clinics to entrepreneurs.**

The Clinic Scene and Entrepreneur Persona

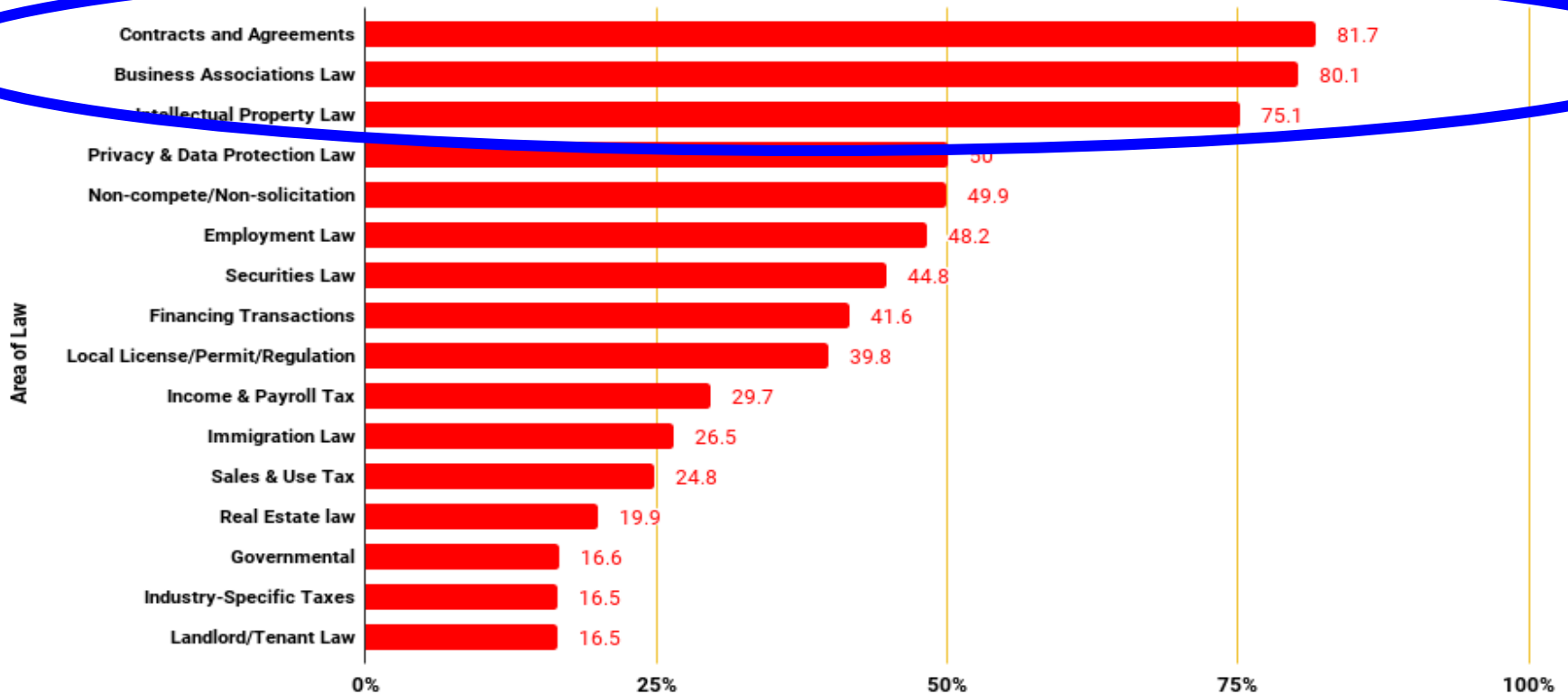
- The clinics receive, on average, **152 inquiries a year** (ranging from 60-250) from entrepreneurs seeking legal services.
- The clinics took an average of 66, or **43.4%, of these entrepreneurs on as clients.**
- Of the entities formed by the clinics, typically:
 - **68% are for profit,**
 - 25% non-profit, and
 - 7% hybrid entities.

The Clinic Scene and Entrepreneur Persona

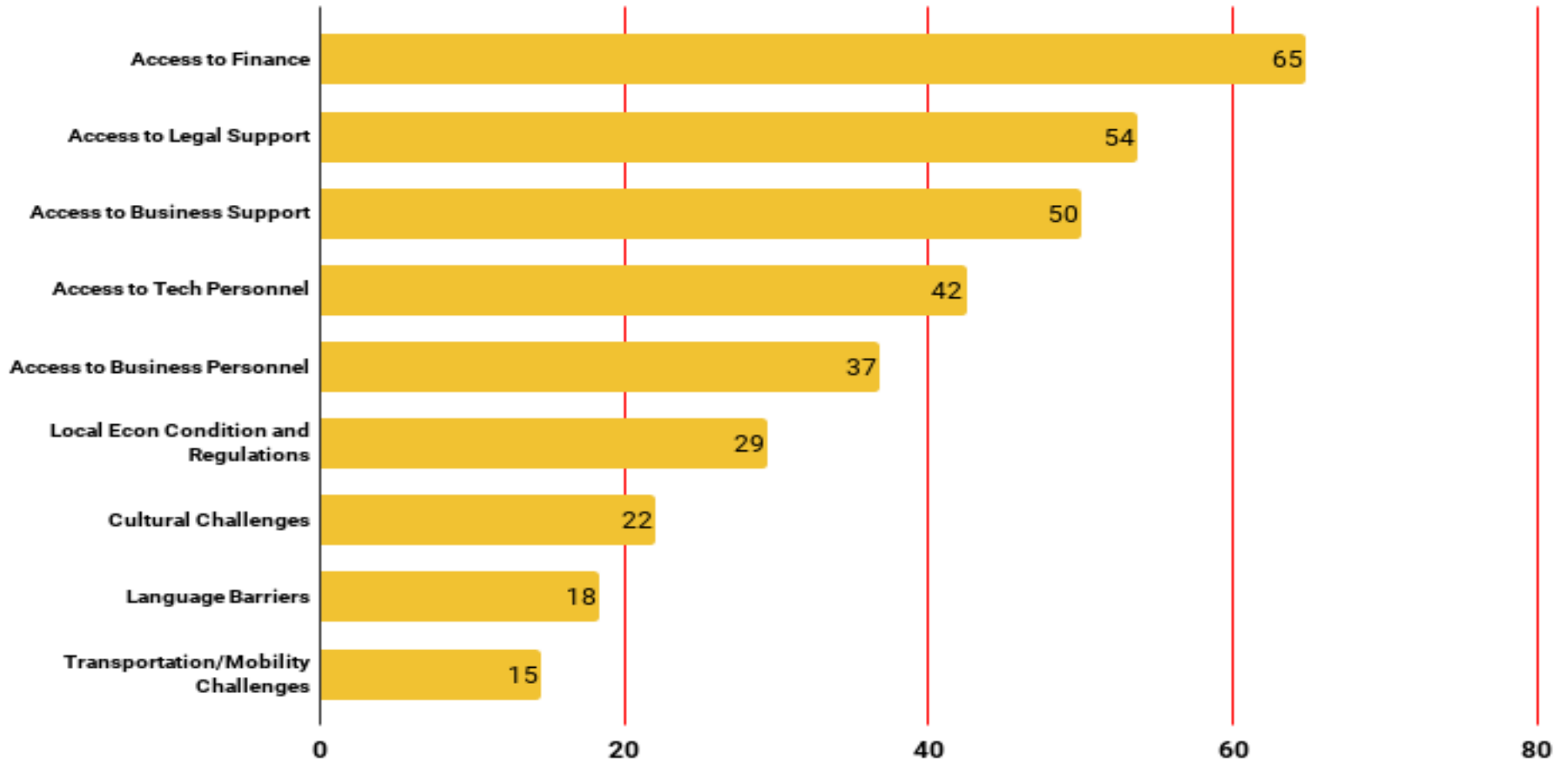
At the time of consultation:

- 76% of clinic clients had **annual revenues of \$10,000 or less**
 - 95% of these entrepreneurs had **0-4 employees** when they were working with the clinic.
 - 78% of clients had **funding of \$10,000 or less**
- Overall, the clinics provide legal services in a very broad range of legal areas.

Legal Service Areas and Frequency of Provision



Working Hypothesis: Increasing efficiency and level of services provided by clinics using document automation will help to increase clinic capacity and therefore the number of clients served.



IN ORDER OF DECREASING IMPORTANCE:

- 1. ACCESS TO FINANCE**
- 2. ACCESS TO PROFESSIONAL SERVICES (INCLUDING LEGAL)**
- 3. ACCESS TO TALENT**
- 4. OTHER: REGULATION, LANGUAGE, MOBILITY**

Access to Finance is the #1 Barrier to Entrepreneurship

- Clinic directors estimated that access to financing was **a barrier for 68% of clinic clients**
- Data from outside sources, including surveys funded by the Kauffman Foundation, also identify capital as the biggest barrier to entrepreneurship
- In one such survey, 32%-52% (depending on race) of people cited access to financing as a barrier to starting a business¹

Entrepreneurship Barrier: Access to Legal Services

- Clinic directors cite access to legal support to address key legal issues as the 2nd most common barrier to entrepreneurship.
- On average, clinics estimate that **54% of the time**, their entrepreneur clients are inhibited by this barrier.
- All clinics, to some extent, decline client needs in legal areas that require some level of expertise (e.g., many do not do significant tax or IP work)

Limited Access to Legal Support Includes...

- The pervasiveness of the law in business formation and operations is often overlooked
- Lack of awareness of legal issues of various types by entrepreneurs
- Legal “mop up” or “undo” situations (i.e., need to amend or replace inadequate/faulty DIY legal documents) can often impede access to or delay receipt of legal services and may cause other adverse consequences

Awareness of Legal Needs



Limited Access and Awareness Means...

- On average, clinic directors estimate that **37% of clients have incompletely formed their business entities.**
- Some clinics estimated this number to be as high as 75%.
- The directors estimated that 38% of the time their clinics must “undo” shoddy and counterproductive DIY legal work.

Other Implications for 3 Key Service Areas

- The 3 areas where the disparity between services provided and clients' perceived legal needs were Contracts, Intellectual Property, and Business Associations Law.
- Contracts
 - Loss of financing opportunities
 - Litigation
- IP
 - Loss of property rights
 - Loss of company brand or logo
 - Litigation
 - Loss of goodwill
 - Damages for infringement
- Business Associations
 - Higher taxes
 - Penalties
 - Loss of liability shield