

# The NetWork Kansas Financial Capital System

## A Model for Other Regions and States

By Don Macke with Steve Radley, Imagene Harris and Christina Long

At the very beginning of the Center for Rural Entrepreneurship's (now e2 Entrepreneurial Ecosystems) work, we traveled across America to learn from legacy rural entrepreneurship initiatives. One of those was the [Kentucky Highlands Investment Corporation](#) based in London, Kentucky. For decades, Kentucky Highlands innovated and supported entrepreneurial venture development in the challenging landscape of Appalachian Kentucky. Providing capital access was foundational to its success. Like Kentucky Highlands, NetWork Kansas has become an innovative leader in providing capital access to rural, and now distressed, urban entrepreneurs and their ventures in Kansas.

### Introduction

Financial capital is a foundational resource within any robust entrepreneurial ecosystem. Entrepreneurs and their ventures require a wide range of financial capital resources to fuel their development. In this paper, we profile NetWork Kansas' financial capital system (or FCS) and its impactful operation in the Sunflower State. Before we outline the topics to be covered in this profile, a bit more on the Kentucky Highlands Investment Corporation:



**Kentucky Highlands Investment Corporation** (KHIC) was formed in 1968 as one of the original community development **corporations** (CDCs) funded through Title VII and the Office of Economic Opportunity. Originally, KHIC served a nine-county geographic area in Southeastern Appalachian Kentucky. Their mission is to provide and retain employment opportunities in Southeastern Kentucky through sound financial investments and the provision of managerial assistance. Their purpose is to coordinate, devise, implement, and promote community, economic and social development efforts within our twenty-two-county footprint.

Kentucky Highlands website, March 2021

Early in our history, we spent considerable time with Ray Moncrief, Executive Vice President with Kentucky Highlands. We learned how this innovative and rural-focused development organization collected and deployed capital to entrepreneurial ventures in Appalachian Kentucky. Appalachian Kentucky is a challenged region where the loss of coal mining activity has eroded the economic rationale of so many communities. Check out e2's story about the Kentucky Highlands Investment Corporation, [Kentucky Highlands Case Study](#).

We share this story of Kentucky Highlands because its focus on capital access imprinted on us the importance of appropriate capital in growing entrepreneurial economies and communities. While most of the entrepreneurial development systems or EDSs (e.g., before we used the term “entrepreneurial ecosystems” we employed “entrepreneurial development systems” or “EDSs”) provide capital access, Kentucky Highlands was remarkably responsive in creating funds for different entrepreneurs at different stages of development from startup to growth. Not since Kentucky Highlands have we found an equally innovative and responsive capital access system until the creation and development of NetWork Kansas.

Our paper is organized into the following sections:

- About NetWork Kansas
- Community Capitals Framework
- The Basic Entrepreneurial Ecosystem
- Evolving Role of Capital for Ventures
- Continuum of Entrepreneurial Talent
- NetWork Kansas’ Capital System
- Deconstructing the NetWork Kansas Capital Model – Design Elements
- Self-Financing, Sustainable and Scalable
- Capital Access and Justice, Equity, Diversity, and Inclusion
- Conclusion – Is this Capital System Transferrable?

We begin our journey with some basic background on NetWork Kansas.

NetWork Kansas is one of the best examples of statewide entrepreneurial ecosystem building in the United States today. Its focus on generating capital access and driving venture deal development and flow is proving impactful throughout Kansas, ranging from metropolitan cities, like Wichita, to smaller rural communities like Phillipsburg.

### About NetWork Kansas

NetWork Kansas ([www.networkkansas.com](http://www.networkkansas.com)) is a 17-year-old, quasi-public entrepreneurial organization driving positive change in both rural and urban Kansas. The following provides some contextual information about NetWork Kansas as an entrepreneurial development organization with statewide reach.



Two insights have become increasingly clear to us at e2 regarding NetWork Kansas. First, it is the most robust and long-living, statewide entrepreneurial ecosystem building effort in the United States. Second, NetWork Kansas has evolved into one of the most innovative and impactful capital access systems among entrepreneurial development organizations in the United States.

The following is from NetWork Kansas's website, providing important context for this remarkable entrepreneurial development initiative and ecosystem building effort.

NetWork Kansas is devoted to the growth of entrepreneurship and small businesses throughout the state of Kansas. Our mission is to promote an entrepreneurial environment by providing a central portal that connects entrepreneurs and small business owners with the right resources—Expertise, Education and Economic Resources—when they are needed most. In pursuit of this mission, we partner with well-respected business development organizations and educational institutions that work with entrepreneurs and small business owners who have the vision and potential to succeed. The result is a seamless system that accelerates economic and community development in Kansas.

Established by the Kansas Economic Growth Act of 2004 (KEGA) as the Kansas Center for Entrepreneurship, NetWork Kansas became operational in March 2006. The NetWork Kansas portal is available statewide and currently enables entrepreneurs and small business owners to connect with 500+ NetWork Kansas partners throughout the state.

**NetWork Kansas' Vision.** To be recognized nationally as a leading organization devoted to the establishment and growth of entrepreneurship and small business as a priority for economic and community development.

**NetWork Kansas' Mission.** To promote an entrepreneurial environment throughout the state of Kansas by establishing a central portal that connects entrepreneurs and small business owners with the right resources—expertise, education, and economic resources—when they are needed most.

**NetWork Kansas' History.** Established by the Kansas Economic Growth Act of 2004 (KEGA) as the Kansas Center for Entrepreneurship, NetWork Kansas became operational in March 2006. The NetWork Kansas portal is available statewide and currently enables entrepreneurs and small business owners to connect with 500+ NetWork Kansas partners throughout the state.

To further its mission, NetWork Kansas developed Entrepreneurship (E-)Communities. These selected communities partner with NetWork Kansas to establish a locally administered loan fund to assist entrepreneurs with capital, to increase connectivity to resources available to assist entrepreneurs and small businesses, to initiate activities to generate entrepreneurial development, and to participate in a statewide partnership with other E-Communities. Learn more about E-Communities by clicking [here](#).

In 2019, NetWork Kansas also became the home for **e2 Entrepreneurial Ecosystems**, which is led by Don Macke, who has more than 40 years of community economic development and policy experience. e2 Entrepreneurial Ecosystems helps communities and regions connect, learn, and share best practices for building sustainable entrepreneurial ecosystems across North America. The partnership between NetWork Kansas and e2 Entrepreneurial Ecosystems provides a platform to offer learning institutes, a consulting network, analytics support and mentoring to benefit the entrepreneurs, small businesses, resource partners and communities in Kansas as well as nationally.

True to its mission, NetWork Kansas continues to develop programming and tools to support Kansas entrepreneurs. In 2020, the organization launched VentureDash, an online entrepreneurship competition management system designed to streamline the facilitation of entrepreneurship fairs and business plan competitions. The system was created by **Moonbase Labs**, based out of Wichita. Learn more about the technology by clicking [here](#).

The learning, knowledge and models created by NetWork Kansas hold great promise in inspiring entrepreneurial ecosystem building involving a **top-down** and **bottom-up** strategy. This paper provides preliminary thoughts with respect to NetWork Kansas' capital system and the importance of capital access in stimulating and supporting venture development resulting in impactful economic development.

### The Importance of Capital with E-Communities

*"An effective capital access ecosystem is not only inclusive of all forms of financing, from financial institutions to revolving loan funds to angel and venture capital, but it also is clear in the purpose and hierarchy of each. A well-functioning community must ask itself, 'if an entrepreneur walks through the hypothetical doors of our community with an idea, regardless of the business type, size and scope of the idea, do we know all the economic resources that we can bring to bear and what role each can play?'"*

Erik Pedersen, NetWork Kansas

Check out our 2014 case study of NetWork Kansas [here](#). Later in 2021 a new case study of NetWork Kansas will become available. Our next stop is some more contextual information focusing on the role of financial capital within the larger **Community Capitals Framework**.

In America, every community is primarily responsible for its own development and prosperity. Foundational to relevant, robust, and sustainable community economic development is community capacity. Community capacity is rooted in Jan and Neal Flora's (Flora and Flora) **Community Capital Framework**. When rural communities are stressed with failing economies and societies, these capitals erode, undermining the very capacity to undertake necessary and desired development.

### Community Capitals Framework

Flora and Flora were the founders of the **Community Capitals Framework**. The following is a quick history of all the **capitals** foundational to community economic development:

*"A community capitals framework was created by Flora and Flora (Iowa State, 2008) to map the strategies and impact capitals are playing in a community's well-being. ... A vital economy, social inclusion and healthy ecosystems demonstrate it is likely that the seven community capitals are working well together."*

December 2013 – [www.canr.msu.edu](http://www.canr.msu.edu)

This framework includes seven kinds of capital, including **financial capital**. Some scholars and practitioners add an eighth community capital of **spiritual** or **faith**. When a community, region, state or even nation has rich assets in all seven capitals, they have the capacity and building blocks for robust, dynamics and sustainable community economic development.

Figure 1. Community Capitals Framework



Source: Community Capitals Framework & Sustainable Communities, Cornelia Butler Flora, Rural Studies Research Seminar, July 4, 2006, University of Guelph

Figure 1 provides a visualization of the seven primary community capitals. To grow and develop the other capitals, there must be financial capital. Financial capital provides the funding for everything from programs that empower community leadership to initiatives to protect the natural environment to financing for everything from infrastructure (e.g., built capital) to gap financing for entrepreneurial ventures. Impactful capital systems are able to attract and deploy financial capital in support of everything from entrepreneurial ecosystem building to venture financing to technical assistance programs for entrepreneurs and their teams. In this paper, we focus on financial capital because of the diversity of entrepreneurial ventures we have in rural America.

Next, we share our basic e2 **entrepreneurial ecosystem**.

Stimulating and growing a dynamic market-based economy is foundational to community success in today's highly competitive global economy and society. Fostering entrepreneurship is core to growing a more diverse, higher-value and resilient economy that drives greater community prosperity. Entrepreneurial ecosystems provide the environment where entrepreneurial talent can thrive.

### The Basic Entrepreneurial Ecosystem

Figure 2 provides the basic elements of a high-performing entrepreneurial ecosystem relevant to most communities in the United States. Within our e2 ecosystem model, there are nine foundational elements. Not addressed in Figure 2, but foundational within e2's **Entrepreneurial Development Framework** is the role of a community helping entrepreneurs network to the right resource, at the right time and at the right cost. Core to entrepreneurial ecosystems is relevant venture financing specific to the development stages of different entrepreneurial ventures.

**Figure 2. Basic Community-Centered Entrepreneurial Ecosystem**

Technical Assistance	Market Intelligence Research & Analysis	Human Resources Team & Workforce
Places to Gather & Network	<b>Financial Capital Access</b>	Broadband & Cell Service
Peers, Mentors, Advisors and Teams	Community Placemaking	Community Culture

Source: e2 Entrepreneurial Ecosystems. March 2021

On the topic of entrepreneurial ecosystems, our e2 papers provide greater detail on each of these nine foundational elements. For the purposes of this paper, we want to focus on the role of **capital access**. Increasing relevant capital access to stimulate and support deal flow, and venture development, is of paramount importance, as discussed in the next section. American commerce runs on capital. The United States has one of the world's most highly evolved capital access systems, including the critical nature of the U.S. Federal Reserve ensuring U.S. monetary policy, which guarantees robust and credible capital markets. We have two background papers that provide greater detail on rural entrepreneurial ecosystem building:

[Entrepreneurial Ecosystem Building in Rural America, Four Decades of Learning](#)

[Entrepreneurial Ecosystem Building 101, Lessons from Northwest Missouri](#)

Next, we continue our journey and explore the **Evolving Role of Capital for Ventures**.

Economies and their ventures, including for-profit businesses, nonprofit organizations and governmental organizations including enterprises like National Parks and educational institutions, require regular infusions of financial capital essential for their development. For example, capital investments into plant and facilities, human resources, marketing and communications, and new product and service development.

### **Evolving Role of Capital for Ventures**

Over decades of field learning, and particularly through our work with NetWork Kansas, we have come to believe that creating access to capital is an accelerator. The sooner a community can get to stimulating and supporting venture deal flow, all the better. While not all deal flow requires new external capital, many if not most do. Under-capitalized venture development slows their growth and development. Providing the appropriate capital, packaged to enhance success, is foundational in emerging an entrepreneurial ecosystem driving meaningful economic development and community prosperity.

#### **Venture Deal Flow Defined**

In our various writings and podcasts, we talk a lot about **venture deal flow**. On the surface, it may be clear what we are talking about. By ventures, we are referencing for-profits businesses, nonprofits, and governmental enterprises. Deal flow refers to when an entrepreneurial venture engages in development and/or growth including new investment, hiring of staff, new markets, and new products/services.

Deal flow could include when entrepreneurs start a new venture in a community addressing a community need like a café. Deal flow could also be transitioning a venture such as a locally owned manufacturing operation to key employees, ensuring its future. Deal flow can also include growth-oriented and growth entrepreneurs seeking to expand what they do and reach new markets.

NetWork Kansas, in reference to its **Entrepreneurship Communities Program** (or E-Communities Program for short), often refers to providing capital access as a **Trojan horse** inciting communities to become involved in entrepreneurship. But we have come to believe that increasing capital access, deployed locally, is more than an incentive, it is foundational to engage deal flow development sooner to directly contribute to community momentum and sustainability.

A central function of an entrepreneurial ecosystem is finding and developing deal flow positioning for effective use of capital. This process moves entrepreneurial ideas to execution with a greater prospect of success. Proactive deal flow development should be an outcome for any community-centered entrepreneurial ecosystem.

#### **Financial Packaging**

Most venture deals, particularly in rural America, require multiple sources of capital to move that deal forward. In rural high-cost and low-density markets, conventional financing is often insufficient to



enable good deals. Financial packaging is both a central function within an entrepreneurial ecosystem and a capital access system. Financial packagers can include a wide range of persons and organizations within a community including commercial lending officers, small business development center counselors, local economic developers to volunteers. Optimally, financial packagers are professional staff housed in a community's economic development organization who are knowledgeable of capital resources and able to work one-on-one with entrepreneurs to build a financial package. Check out our [Ord, Nebraska Story Collection](#), and the role of its county economic developer as a **financial packager**.

Different deals have unique capital needs. The art and science of financial packaging employs a full range of capital resources to create the optimal financing for each venture. Next in our paper is an exploration of the **Continuum of Entrepreneurial Talent** and its implications for financial packaging customization.

### Continuum of Entrepreneurial Talent

Brian Dabson, formerly with the Corporation for Enterprise Development (CFED), conceptualized years ago the primary relationship within community economic development. Figure 3 visualizes the importance of investing in people development, generating investment in community building, and thereby enabling more impactful economic development.

Figure 3 – Foundations of All Community-Centered Development

## Development



Brian Dabson continues his argument that the foundation of all economic development is entrepreneurship. This positioning differs from earlier and more traditional views of entrepreneurship as just one of many economic development strategies, or one of the legs on an economic development

table. Brian's position is clear and compelling, when communities actively support their entrepreneurial talent generating deal flow, a community grows a more vibrant venture climate or entrepreneurial environment.

Figure 4 places entrepreneurship as the foundation for all economic development, empowering strong existing larger employer retention and expansion and ultimately positioning the community for more appropriate and successful attraction. Attraction includes both ventures (e.g., traditional venture attraction) and entrepreneurs with ventures. Entrepreneur attraction is particularly important in today's environment, with strong national trends driving both remote work and outsourcing. Attracting an entrepreneur can include a plumber down the road who hires a second plumber to service the needs of a community to a remote worker doing contract work through an outsourced arrangement for a major corporation to an entrepreneur moving their venture to the community because of the more attractive entrepreneurial ecosystem and culture.

**Figure 4 – Entrepreneurship as the Foundation for All Economic Development**

## Economic Development



Figure 5 provides e2's classic **Entrepreneurial Talent Typology**. This typology has been effectively used in the field for over 25 years to help communities better understand, map, and target their unique eTalent. Each type of eTalent has unique capital needs, as illustrated next:

**Startups.** There are so many kinds of circumstances surrounding venture startups. For example, there may be a 20-something couple wanting to reopen a community's only café. They have lots of student debt, a weak FICO score, and very little equity or collateral to bring to the deal. In this case, the financial package would likely include some capital from the couple's friends, family, and fools, a conventional

bank loan, gap financing, and even some equity through a local LLC investors group. Putting all these financing pieces together requires a capable financial packager.

**Struggling.** Rural America is home to many necessity entrepreneurs struggling to make a living. They do not want to leave, but there are few wage and salary jobs. They are piecing various work to make their living. This is a poverty treadmill. In this case, there may be a need for character-based micro enterprise loans that allows this entrepreneur to buy more supplies, improve equipment and acquire services like a bookkeeper. Eventually, as this venture moves from struggling to successful lifestyle, conventional bank loans, gap financing and even LLC equity capital will be required.

**Lifestyle.** Successful lifestyle entrepreneurs often have collateral and good credit ratings. They have other assets like equity in their building and/or home. For these entrepreneurs, when they need capital, a conventional bank loan for an improvement, or a line of credit to expand staffing, is the likely capital fit. However, if the deal is a bit uncertain, the bank may be unwilling to provide the full capital ask and a community's gap financing program can make the deal better and complete. Check out our [Ord Locker](#) story for an example.

### The Challenge of Thin Financing Deals

Even in the best of times, developing and growing a venture is challenging. Bad and unexpected stuff happens. For example, the capitalization enables an entrepreneurial couple to buy and equip a building to start a business. But then there is a major storm, and the building now requires major repairs like a new roof. Capitalization that is too thin and leaves the entrepreneurs with limited capacity to deal with both uncertain threats or opportunities, erodes the potential for longer-term venture success. Employing financial packaging can enable a deal with more slack or ability to bring in more capital as needed to address uncertainties when they happen. And happen they will!

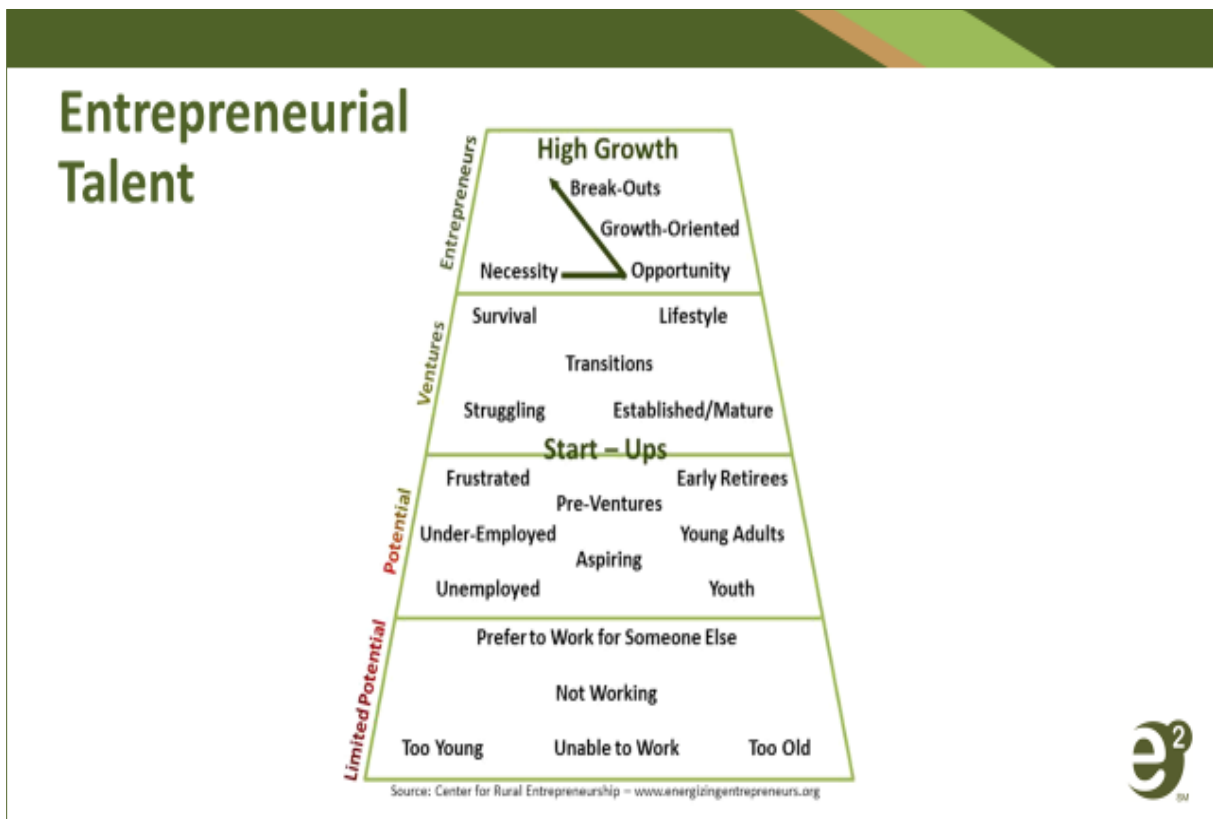
**Transitions.** Venture transitions in rural America, particularly with non-farm proprietorships, operate to minimize taxation, creating distorted venture financials. The true venture potential is hard to evaluate, complicating potential transitions from old to new owners. Financial packaging in this case requires more complex financial packaging that could address a building that needs repairs, getting rid of dead inventory, purchasing of new inventory and creation of social media and eCommerce strategies. The assets and current revenues with the selling venture typically will not provide sufficient collateral to obtain 100 percent of needed financing from a conventional bank loan. Gap financing and even LLC equity investing may be required.

**Growth-Oriented.** Growth-oriented ventures seeking new markets or expanding their goods and services offerings may require complex financial packages including a bank line of credit, gap financing for facilities expansion and LLC equity investments providing time to capitalize on growth investments. This is the sweet spot for most rural communities in terms of economic development impacts.

**High Growth.** Most rural communities have few or no high-growth eVentures. However, these ventures ultimately will need more traditional venture capital, ranging from angel investments to venture firms. For nearly all rural communities, they will have to build relationships with venture capital providers outside the community to meet high-growth venture capital needs.

The capital needs of a startup main-street business are very different from a growth-oriented venture moving into new products/services and markets. Different entrepreneurs have different capital needs as well, depending upon their unique situations. Helping 20 and 30-year-olds move into businesses may require not only bank financing, gap financing but also LLC equity investments to overcome the lack of collateral, family backing, too much student debt and a weak credit score. If we want to empower the fullest range of our entrepreneurial talent to succeed in venture development, we need a diverse set of capital resources and financing arrangements to enable these deals. Diverse capital systems create pathways for more of our residents, from a single mom to a new immigrant to more traditional entrepreneurs, to move into this space of entrepreneurship.

Figure 5 – e2 Historic Entrepreneurial Talent Typology



In their 2017 book *Beyond Collisions: How to Build Your Entrepreneurial Infrastructure*, Maria Myers, and Kate Pope Hodel with [SourceLink](#), provide a more streamlined entrepreneurial talent and venture typology as illustrated in Figure 6 on the next page. The financing needs of a micro-enterprise is very different from an innovation-led high-growth venture.

Also, remember capital needs of ventures based on their legal structures require unique financial packaging. Figure 7 on the next pages summarizes some insights with respect to this capital system consideration.

Figure 6. SourceLink’s Entrepreneurial Venture Typology

<b>People thinking of starting a business – 14.8 million</b>	
<b>Micro-Enterprises – 77% - 23.8 million</b>	<b>Main Street – 21% - 6.8 million</b>
<b>Innovation-Led – 1% - 290,000</b>	<b>Second Stage Growth – 1% - 281,000</b>
<b>Big Business – Employ more than 500 Employees – 171,000</b>	

Source: U.S. Census Bureau, 2013 Data and the Kauffman Foundation/ACS Survey 2014, MERIC  
 Page 35 of the [Beyond Collisions](#) book.

Based on e2’s field experience, we would expect that most rural communities will have a higher share of aspiring, micro-enterprises and main street ventures. Between three and five percent of these have growth potential and motivation. There will be fewer innovation-led and particularly second stage growth ventures.

**Demand-Driven Capital System Development**

Within your entrepreneurial ecosystem development, focus on the needs of your unique pool of entrepreneurial talent that you have targeted for assistance. If your community has no high-growth entrepreneurs, traditional venture capital is not needed. Demand-driven ecosystem and capital system building based on the actual needs of your entrepreneurs creates both efficiency and effectiveness, generating optimal economic development impacts.

Figure 7. Three Kinds of Entrepreneurial Ventures

<b>For-Profit Businesses</b>	<b>Nonprofit Organizations</b>	<b>Governmental Enterprises</b>
Clearly, a target for our capital financing systems are for-profit businesses. But in rural America, nonprofit organizations and governmental enterprises are very important economic drivers.	Nonprofits are very important in rural America, ranging from traditional organizations like community centers to community ventures like grocery stores, cultural venues, and coffee shops.	Government enterprises, ranging from regional colleges to state parks, to health care facilities, are very foundational in rural America. They need financial capital; just as for-profit businesses do.

Before we move onto our next topic in our paper on capital financing systems, with a focus on the NetWork Kansas system, we review why we do this work. The text box on the next page employing the [Heartland Center for Leadership Development’s Hierarchy of Community Impacts Framework](#).

Figure 8 on page 15 provides a continuum of capital for entrepreneurial venture financing.

### Economic Development Impacts

Regular and sufficient infusions of financial capital drives our economy and community building work. At the end of the day, we seek the following economic development impacts.

Employing the **Hierarchy of Community Impacts** framework, the three likely Tier 3 through 5 economic impacts include:

**Tier 3 – Commitments.** Commitments relate to deciding to make a new investment resulting in improvements into the venture, hiring employees, moving part-time to full-time and benefitted employees, development of new products and services, and reaching new markets.

**Tier 4 – Outcomes:**

- New Investment into Ventures
- New Jobs
- Better Jobs
- Expanded Local Tax Bases

**Tier 5 – Transformative Impacts:**

- Increased Competitiveness
- Economic Diversification
- Higher Value Economy
- Stronger Base Economy as well as Increasing Area Spending Capture
- Greater Economic Resiliency
- Increasing Community Prosperity

There are also a whole set of desired community impacts ranging from quality-of-life placemaking investments to people development investments like traditional youth-oriented education to community leadership development. All this development requires regular and sufficient financial capital.

**Consequences of Capital Starvation.** For a typical rural community of 5,000, it hosts a \$500 million economy. If this were a corporation, it would be reasonable to need at least 5-10 percent of new investment every year to keep it competitive. Assuming just 5 percent reinvestment every year, our community would need at least \$25 million every year forever to stay current and vibrant. Unfortunately, most rural communities fall far short of these targeted new capitalization levels.

Figure 8. Continuum for Entrepreneurial Venture Financing

<b>Traditional Debt</b>	Traditional debt financing includes collateralized loans from a commercial bank, credit union or some other kind of FDIC insured lending institution (conventional lending institutions). These lending institutions operate under significant regulatory environments restricting their involvement into “riskier” venture deals.
<b>Loan Guarantees</b>	Various public/private institutions offer loan guarantees that reduce risk for conventional lending institutions. Loan guarantees can stretch what these institutions can lend to and the amount of lending relative to the total capital needs of a deal.
<b>Gap Financing</b>	Gap financing, often provided by public/private development organizations, is increasingly important, filling the capital “gap” between the entrepreneur’s resources and bank financing. Gap financing often provides between 10 and 50 percent of a deal’s capital needs. Gap financing is subordinate to conventional lending institutions and often offers reduced interest rates or more flexible payback terms.
<b>Owner/Operator Capital</b> <i>Friends, Family &amp; Fools</i>	Even with highly leveraged financial packages, there is an expectation that the venture owner/operator will provide some capital via Friends, Family and Fools. Micro lending employing character-based finance employs borrower behavior as a form of collateral and risk management, empowering these poorer entrepreneurs to get started, improve FICO scores, and grow collateral.
<b>LLC Investors</b>	Local investors, often employing investor clubs, angel investment groups or limited liability corporations (LLCs) can provide flexible capital and technical assistance through either loans or equity investments with clear exit strategies. For some deals, this extra help from LLC investors is critical to crafting a sound financial package.
<b>Angel Investors</b>	Angel investors are popular topics in entrepreneurship discussions. These groups typically focus on growth ventures that have the potential for higher returns, while LLC Investors focus on a wider range of entrepreneurial ventures.
<b>Venture Capital Investors</b>	True venture capital firms are focused on high growth potential entrepreneurial ventures offering high rates of return relative to perceived risk with defined exit strategies. Most of the ventures in rural America do not fit the traditional Venture Capital Market model.

With this background in mind, now we explore **NetWork Kansas’ Capital Model**.

Like Kentucky Highlands introduced earlier in this paper, NetWork Kansas is evolving a remarkable, innovative, and impactful capital system. NetWork Kansas is now a **go-to** resource attracting capital from various sources including government, foundations, and corporations, and efficiently and effectively deploys this capital into decentralized, mission-focused, and community-centered venture opportunities.

## NetWork Kansas' Capital System

Now we explore NetWork Kansas' growing family of funds filling niche market needs in the Sunflower State.

### The Importance of Asset Formation

*"Our philosophy for building an entrepreneurial environment has always centered on creating assets, finding others committed to an ecosystem building philosophy, and working to do something different to disrupt the status quo. But there are also several more important characteristics to building a capital system in order to have the potential to impact a local economy. They include 1. Empowering decision-making at the local level as much as possible, 2. Ensuring that the capital provided the gap, which means that additional capital was leveraged from other sources such as private and other nonprofit lenders, and 3. Targeting businesses of all types that provide both community and economic benefits to the community. These elements provide a system and process that builds local capacity, creates new assets, and ultimately builds stronger businesses."*

Steve Radley, NetWork Kansas

Steve continues on the theme of asset formation within the NetWork Kansas capital system:

As previously discussed, NetWork Kansas's history includes the statutory requirement to build a central portal for entrepreneurs and small businesses looking to start and grow. There was also a component to build a matching loan program for small businesses in rural and urban distressed areas of Kansas. It did not take long to realize that these two components, while beneficial to Kansas small businesses, did not have the capacity to make a dramatic impact. These were transactional components within the entrepreneurial ecosystem, offering limited options for connections and building relationships, for providing opportunities to revolutionize Kansas's entrepreneurial ecosystem.

Instead, we looked to use these components to build a system through local empowerment, connections, leveraging other resources; by using a method many under-resourced communities already understood, more can be accomplished by working together. Our E-Community model is the most prominent example of local empowerment. Local community leaders are provided access to capital for gap financing, but they make the decisions on who is funded. However, even our statewide funding programs involve our community partners and are a means to help keep entrepreneurs connected to resources on a local or regional level. Each time we are afforded an opportunity to build out our loan programs by either using our own funds, access to federal dollars, or philanthropic sources, we have used that moment to utilize our existing network of partners, find ways to deepen existing relationships,



and identify and build out new ones. The programs alone are not the focus, but rather how the program fits within the system and can be used as a catalyst to enhance the system itself.

We would argue this creates a positive feedback loop. The more we can build trust with our partners and build trust into our network, the more access we have to programmatic feedback and knowledge of the gaps that still exist in the capital system. This allows us to be more responsive and adjust accordingly to ensure we are offering programs that complement with what already exists in the network. Listening, learning, and acting with the partner network and ecosystem in mind is a form of trust building. Building a program for a program's sake has limited impact within a system. Building programs as a means to building out an ecosystem by engaging and supporting strategic partners and stakeholders will offer a higher return to not only individual entrepreneurs, but also the entire capital system.

**Two Metrics Sets.** The first metrics set focuses on the cumulative deployment of capital by NetWork Kansas since its founding through its various capital funds. The second metrics set focuses on the special capital deployment associated with the COVID-19 Pandemic Recession.

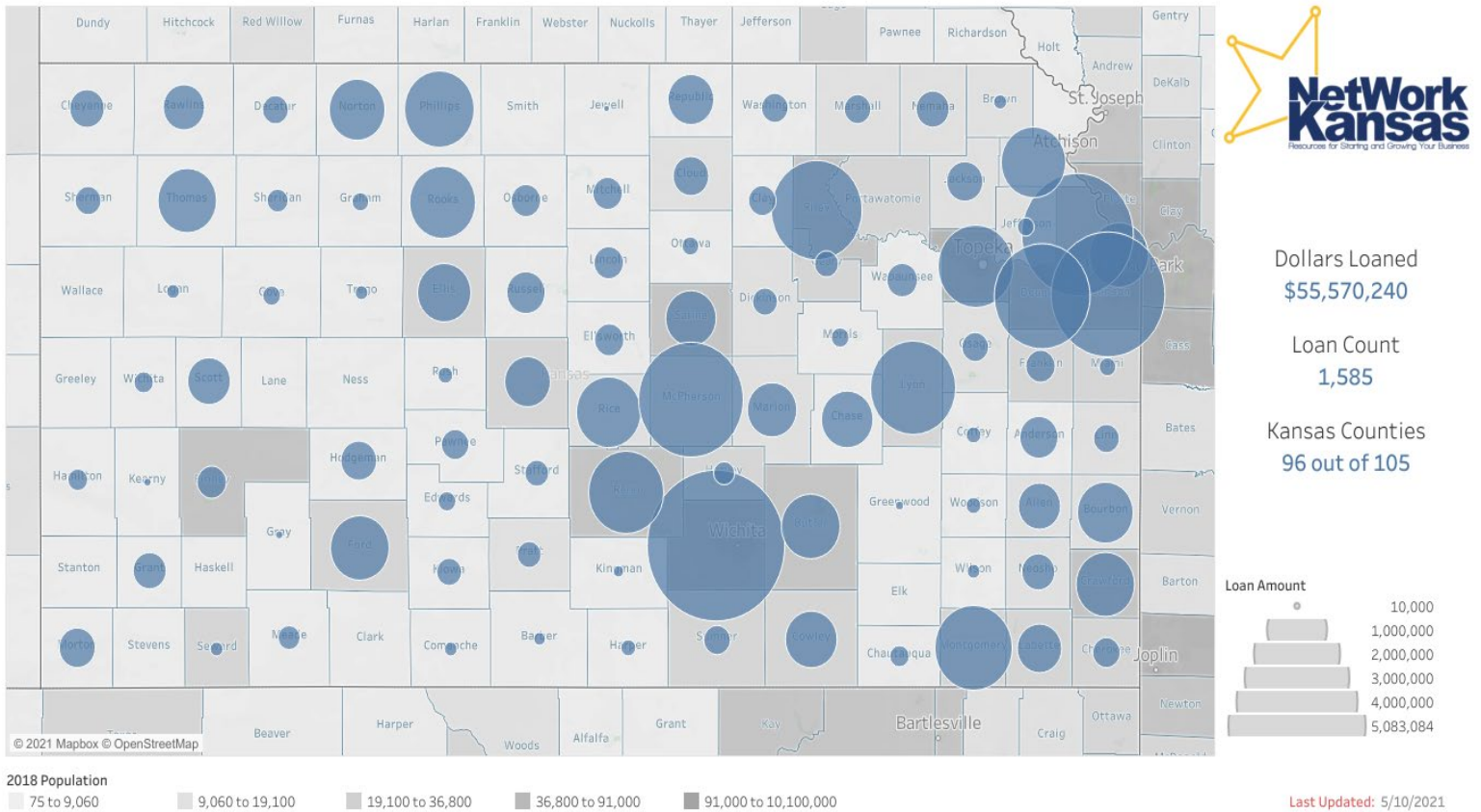
**Figure 9. Cumulative Capital Deployment by NetWork Kansas**

<b>Fund Name</b>	<b>Funds Deployed</b>	<b>Leverage</b>	<b>Total Deal Flow</b>
StartUp KS	\$8,834,905	\$40,989,314	\$49,824,219
E-Community	\$23,682,797	\$108,290,225	\$131,973,022
Capital Multiplier-Loan	\$15,140,237	\$225,182,860	\$240,323,097
Capital Multiplier-Venture	\$5,120,168	\$100,270,857	\$105,391,025
Kansas Community Investment Fund	\$1,681,671	\$6,578,885	\$8,260,556
Kansas Health Foods Fund	\$39,475	\$60,232	\$99,707
Restart Kansas (pandemic related program)	\$603,500	\$0	\$603,500
<b>Total*</b>	<b>\$55,102,753</b>	<b>\$481,372,373</b>	<b>\$536,475,126</b>

\*Total venture capital deployed since the start of NetWork Kansas through March 31, 2021.

NetWork Kansas' mission is to provide venture capital throughout Kansas. There is a particular emphasis on reaching under-served communities, including smaller rural communities as well as urban neighborhoods. The bubble map (Figure 10) on the next page shows how NetWork Kansas is realizing this goal.

Figure 10. Map of Cumulative Capital Deployment by County across Kansas



NetWork Kansas’ mission is to provide venture capital throughout Kansas. There is a particular emphasis on reaching under-served communities, including smaller rural communities as well as urban neighborhoods. The bubble map above illustrates how NetWork Kansas is realizing this goal.

### Enabling Deal Flow and Risk Management

Most government and nonprofit-empowered venture financing supported initiatives are focused on providing capital to ventures that otherwise could not be financed through traditional private sector mechanisms like banks or high-return venture funds. Unfortunately, too many of these public-mission capital access systems have become too conservative and unwilling to take risks to empower the fuller diversity of venture opportunities. NetWork Kansas has a deep-rooted value to push this envelope. While it is prudent and not the least bit reckless with the capital entrusted to it, NetWork Kansas is seeking to fund greater risk deals essential for thriving and distressed rural and urban communities. Between 2007 and the end of May 2021 total write-offs equaled \$3.8 million or about 7 percent of all NetWork Kansas deployed capital.

Presently Network Kansas supports the following family of venture financing funds employing common staffing, infrastructure, and protocols:

**StartUp Kansas Fund.** StartUp Kansas provides gap financing to help entrepreneurs start or grow a business in Kansas. The loan program matches up to 150 percent of other public sources of capital and/or funds from a financial institution such as a bank. Up to \$45,000 can be provided per project. Funds are flexible and can be used for a variety of business purposes, including equipment, inventory, and working capital. Entrepreneurs work with a NetWork Kansas resource partner to apply for funds. Funding rounds occur monthly.

**E-Communities Funds.** NetWork Kansas Entrepreneurship (E-) Communities create a revolving loan fund that is reviewed at the local level. The loans are intended as gap financing to help entrepreneurs start or grow a business in a specific community. The loan program matches public sources of capital and bank loans and can provide up to \$45,000 per project. Funds are flexible and can be used for a variety of business purposes, including startup costs, purchasing an existing business, business expansion, working capital, inventory, and more. In the Fiscal Year 2020 E-Community **Year in Review** report, the following performance metrics were shared for 2019-2020 (e.g., July 1, 2019, through June 30, 2020):

- 71 Loans made with a value of \$2.35 million
- 37 E-Communities approved at least one loan
- Loans by Business Industry:
  - Service 48%
  - Retail 28%
  - Restaurant 19%
  - Manufacturing 5%
- Loans by Business Composition:
  - Startups 40%
  - Expansions 34%
  - Other\* 26%
- Loans Made by Community Size: (e.g., K = 1,000s of residents)
  - <1K 12%
  - 1-5K 36%
  - 5-10K 8%
  - 10-25K 22%
  - 25-50K 15%
  - Urban/Distressed 6% (A relatively new focus for NetWork Kansas)

In 2007 the E-Communities program was created by NetWork Kansas. Between 2007 and the end of FY2020, 674 loans have been executed valued at \$21.8 million, empowering nearly \$100 million venture deal flow financing.

**Capital Multiplier Loan Fund.** Qualifying businesses are eligible to apply for up to 10 percent of private or public capital loans and investment. Banks must be a part of the funding package. Businesses can apply for up to a \$150,000 loan or venture investment per project through the Capital Multiplier programs.

**Minority and Women Business Multiplier Loan Fund.** The Minority and Women Business Multiplier Loan Fund provides gap financing to help minority and women-owned businesses (MBE/WBE) and other disadvantaged business enterprises (DBE). The loan program matches up to 20 percent of public or private capital invested in a business project, with a minimum loan amount of \$10,000 and a maximum loan amount of \$150,000. A bank must be part of the funding package. Funds are flexible and can be used for a variety of business purposes, including startup costs, purchasing an existing business, business expansion, working capital, inventory, and more, and have low, fixed-interest rates and no collateral requirements.

**Kansas Community Investment Fund.** KCIF is a relatively new initiative funded by the [Kansas Health Foundation](#) in partnership with NetWork Kansas, LOCUS Impacting Investing and community foundations in Kansas. This new initiative is pioneering the deployment of foundation funds through impact investing to advance health and well-being in Kansas communities. The model that is being created is energizing place-based foundations like community foundations across Kansas to use part of their assets for venture-related and mission-focused impacted investing.

**Kansas Healthy Foods Initiative.** According to its website, the Kansas Health Foundation's mission is:

At the **Kansas Health Foundation**, all of our work centers on our **mission**: To improve the **health** of all Kansans. We envision a culture in which every Kansan can make **healthy** choices where they live, work and play. ... And we will continue to form and strengthen partnerships with more **Kansas** organizations and communities.

In pursuit of mission realization, KHF has long supported a multi-dimensional **Healthy Foods Initiative** to advance increased resident health and well-being through access to affordable healthy foods. Within this Initiative, KHF is partnering with NetWork Kansas to deploy both loans and grants to ventures such as rural grocery stores. To learn more, check out [KHFI Funded Projects Overview](#).

During the COVID-19 Pandemic Recession, NetWork Kansas mobilized its capital system to deploy venture financing through the following initiatives:

- [Restart Kansas Fund](#)
- [HIRE Loans](#)
- [Blue Cross and Blue Shield of Kansas PPE Grant Program](#)
- [SPARK Small Business Working Capital Grants](#)
- [IdeaTek Impact Investing](#)

Use the above hyperlinks to access stories about each of these programs and initiatives. [The Kansas Leadership Center](#) launched an innovative, high-impact and community-centered initiative to help communities win the COVID-19 Pandemic challenge. To learn more about this initiative, check out [Kansas Beats the Virus Grant Deployment](#).

NetWork Kansas continues to innovate by creating new resources to capitalize on and meet specific market niche needs:

**NetWorked – Partnership for Community Investment** ([www.networkedforchange.com](http://www.networkedforchange.com)). As the newest NetWork Kansas initiative, the purpose of NetWorked as stated on its website is “*Connecting unconnected networks and closing gaps between people, information and assets to develop pathways that **boldly** solve community challenges.*” NetWork Kansas has always been entrepreneurial and willing to evolve to better fulfill its core mission. More recently, NetWork Kansas has been very aggressive in developing new collaborative partnerships, developing new products and services based on demonstrated market demand, and acquiring allied nonprofits and programs to expand its footprint in Kansas and its potential for impact.

*“NetWorked Partnership for Community Investment represents a profoundly simple shift in resource allocation and distribution – talking across silos, building awareness, and matching assets to needs. We are at our best when we work together, analyzing challenges using a solution-focused lens. In this way, NetWorked provides a pathway to catalyze change no matter the complexity of the challenge.”*

Christina Long, Strategic Director of NetWorked

**Empower Fund.** NetWork Kansas is launching a new pilot certification process for identified programs that require specialized assistance for the businesses and/or nonprofit organizations they serve. These identified programs often require specialized technical assistance and additional accountability for the partner and the entrepreneur. The pilot project for this new certification is the Empower Fund for minority businesses and nonprofits. Certified partners will execute agreements outlining the specialized technical assistance and/or entrepreneurship programming provided to certify the client is “application ready.” The designation allows such partners to serve as official liaisons to aid NetWork Kansas in the delivery of the Empower Fund.

Next, we deconstruct NetWork Kansas’ Capital Model and explore its **Design Elements**.

The 2004 authorizing legislation that created NetWork Kansas provided clear mission direction. However, this legislation was not prescriptive and enabled NetWork Kansas to operate outside the constraints of governmental agencies. As a result, NetWork Kansas and its evolving capital system has been responsive to both needs and opportunities in the ever-changing economy in Kansas.

### Deconstructing the NetWork Kansas Capital Model – Design Elements

Based on our national work, we have experienced remarkable capital access systems supporting entrepreneurial ventures across America ranging from the [Kentucky Highlands Investment Corporation](#) to [Coastal Enterprises](#) based in Maine to [Northern Initiatives](#) in upstate Michigan. But over time, we have come to acknowledge that NetWork Kansas is possibly one of the most developed capital access systems in rural America. The following provides our top 10 key design elements within NetWork Kansas' capital system:

1. Focus on Deal Flow
2. Entrepreneurial
3. Adaptive Capabilities
4. Opportunity-Focused and Market-Responsive
5. Capital Attractor, Aggregator, and Deployer
6. Relationship-Based and Network Infrastructure
7. Risk Management Rooted in Decentralized Decision Making
8. Lean Approach – Efficient and Effective
9. Capacity Building while Doing
10. Self-Financing, Sustainable and Scalable

We explore each of these capital system design elements or attributes in greater detail next, beginning with NetWork Kansas' **Focus on Deal Flow**.

**1. Focus on Deal Flow.** NetWork Kansas has a laser focus on stimulating and supporting venture deal flow. Currently, NetWork Kansas' capital system is highly responsive to identify capital needs. Increasingly, NetWork Kansas is exploring how to become more strategic and proactive, actually increasing entrepreneurial outcomes by enhancing successful deal flow ensures stakeholder relevance for NetWork Kansas.

NetWork Kansas has multiple stakeholders:

- Kansas Legislature, Governor, and the Department of Commerce
- E-Communities Partners
- Loan System Partners including banks, certified development companies, economic development agencies, and main street organizations
- Foundation partners, including statewide partners like the Kansas Health Foundation and local community foundation partners
- Local municipalities
- Universities and CDFIs

**2. Entrepreneurial.** Ewing Marion Kauffman, founder of Marion Laboratories and the Kauffman Foundation, is known to have counseled, “...if you want to help entrepreneurs, you have to be entrepreneurial yourself.” By design, NetWork Kansas was intended to be an entrepreneurial organization. Its founding employees – Steve Radley and Erik Pedersen – were for-profit entrepreneurs who brought these talents, attitudes, and experiences, ensuring NetWork Kansas is an entrepreneurial organization with a deep entrepreneurial culture extending beyond its founding employees. For more information about Steve Radley and Erik Pedersen, check out their biographies [here](#).

**3. Adaptive Capabilities.** Any successful entrepreneur worth their competitive salt knows their venture’s core capabilities and are able to adapt those capabilities to new products, services, and markets. Over its relatively short life, NetWork Kansas has evolved some significant core capabilities rooted in some of its product/service lines:

- Capital access
- Entrepreneurship Communities
- Referral services
- Youth entrepreneurship
- Board certified entrepreneurship programs
- Grant administrative services
- Metrics tracking
- Core community analytics support

NetWork Kansas, particularly in its capital access offerings, has developed a set of core capabilities that has allowed it to become infrastructure for attracting and deploying capital through often unanticipated opportunities:

- Various Kansas Health Foundation initiatives, including healthy food access
- Deployment of Capital to ventures during the COVID-19 Pandemic Recession
- Empowering community foundation impact investing

Employing its capital access knowledge and systems, NetWork Kansas has become a **go-to** organization for deploying capital to ventures in Kansas.

**4. Opportunity-Focused and Market-Responsive.** The leadership at NetWork Kansas is highly networked and spends valuable time cultivating and sustaining relationships across Kansas. Network Kansas, core to its culture, is opportunity-focused and market-responsive. This entrepreneurial trait enables NetWork Kansas to work hard to say yes to opportunities while not diluting its core mission. This balancing act is hard and reflects the sophistication of NetWork Kansas in managing this fine line.

### The Power of Being a Distributed Network in Rural America

Ventures throughout rural America need capital and all forms of capital. Most of this deal flow is smaller and harder to find. NetWork Kansas plays an important intermediary role, connecting sources of capital with rural communities and their entrepreneurial ventures. Absent NetWork Kansas and its distributed

system of community and partner networks empowered with decision-making authority, therefore, capacity, the notion of accelerating deal flow would be difficult. Many deals would not be done or would be financed in a way that slows or undermines success. Every region and state in America needs a Kentucky Highlands Investment Corporation or a NetWork Kansas that can mobilize, attract, and deploy capital through a relationship-based network.

*“A lot of entities meet and talk, and at the end of the day get nothing done. This has not been the case with NetWork Kansas and with 38 years of banking experience and working with numerous economic development entities, this has been the most used and rewarding venture-- NetWork Kansas. As we sit in Baldwin City with no or very few commercial vacancies (commercial buildings for rent or sale) it tells you how much NetWork Kansas has assisted our community. As a bank, we have utilized this program a lot to fill our buildings with businesses and/or business real estate.”*

Dave Hill, President, Mid America Bank, Baldwin City, Kansas

**5. Capital Attractor, Aggregator, and Distributor.** As a go-to development organization, NetWork Kansas has become an impactful capital attractor, aggregator, and distributor of funds. These three attributes are essential in maintaining strategic mission focus and ensuring a lean organization that is successful and sustainability. It is accomplished through significant networks of partner and community capacity, including 66 local leadership teams and more than 50 additional partners engaged in risk assessment for deal flow. In many ways, a core business of NetWork Kansas is this role of attracting, aggregating, and distributing capital to ventures across Kansas.

**6. Relationship-Based and Network Infrastructure.** NetWork Kansas, from its leadership team and board to its rank-and-file staff and most of its partners, embraces relationship-based development. Cultivating meaningful and trusting relationships before they are needed empowers smarter and quick responses to both crisis and opportunities. Building relationships, by taking time to get to know people, their organizations and needs also provides NetWork Kansas powerful market intelligence that can lead to new development opportunities.

*“Go Slow, So You Can Go Fast!”*

Steve Radley, NetWork Kansas

One manifestation of relationship-based development is the networked infrastructure embedded in NetWork Kansas' venture model. NetWork Kansas and its extensive network of partners can help deliver everything from technical assistance to capital. The sum of these network parts are significantly greater than NetWork Kansas' in house capabilities. Because it is a networked organizational model, these networked relationships can be scaled up or down, contributing to rapid response and ensuring a lean core organization. Also, there is a flexibility with this networked model where NetWork Kansas, based on performance, can strengthen, or lessen relationships with minimal damage to these relationships.

**7. Risk Management Rooted in Decentralized Decision Making.** Even though NetWork Kansas provides gap financing that it subordinated and at higher risk of loss, its loan loss rates are relatively good. Risk is



managed by devolving due diligence to those closest to the deals and ensuring that NetWork Kansas funds are just a portion of the total deal. Knowing that a bank, a local review committee and others have reviewed the deal provides strong capital risk management while again contributing to a lean organization. Additionally, this approach grows devolved and distributed capacity and strengthens the overall capital access system. More on capacity building later in this section.

In a Department of Treasury Report, NetWork Kansas, the administrator for the State Small Business Credit Initiative (SSBCI) was also sighted as an exemplary program for “Using the SSBCI Program to Improve Access to Capital in Underserved Communities.” Here is a quote from the report: *“NetWork Kansas was a pre-existing hub and information broker whose mission was to connect entrepreneurs and small business owners with more than 500 business development organizations and educational institutions in Kansas. Marketing the SSBCI program throughout the state was a natural extension of NetWork Kansas’ mission.”*

The report sighted several additional advantages to the Kansas implementation, including the following:

- Breadth and depth of delivery system improves geographic coverage.
- Product design to support working capital loans.
- Product design targets specific underserved markets. (Women and minorities)

**8. Lean Approach – Efficient and Effective.** By all standards, we know NetWork Kansas is a very lean organization relative to the economic development it empowers. It is highly efficient and effective. These attributes contribute to flexibility, adaptability, responsiveness, and sustainability. Organizations with high overheads and large, established staffs have to find ways to pay for these costs, contributing to lower levels of flexibility, adaptability, responsiveness, and sustainability.

**9. Capacity Building While Doing.** 4-H, one of America’s largest and most effective youth development programs, embraces the following value:

### **Never Do To - Try Not to Do For - Always Do With!**

While NetWork Kansas does not overtly embrace this value, it is core to its value system. NetWork Kansas operates in a way that it builds development capacity with its organizational and community partners. Building capacity of networked partners strengthens the capacity of the network and its ability to undertake established and new development work.

**10. Self-Financing, Sustainable and Scalable.** This last design element is so important we want to spend more time describing NetWork Kansas’s Venture Model contributing to its ability to self-finance, ensure initiative sustainability and contribute to scalability.

Next, we want to focus in greater depth on the self-financing nature of NetWork Kansas and its ability to become sustainable and scalable at the same time.

Financing robust, scalable, and sustainable entrepreneurial ecosystems is possibly the biggest glass ceiling from growing more dynamic and impactful entrepreneurial ecosystems in the USA. Unlike a commercial bank or even a public school system with very defined venture models, ecosystems lack this kind of demonstrated venture models. Most ecosystem building and operations are starving for capital. While these systems can often attract capital for venture financing, they struggle to find associated financing that can cover operations, other entrepreneurial assistance, and development costs. While NetWork Kansas is not fully sustainable or scalable, it has continually focused on becoming less dependent on state funds. Loan funds provide the opportunity for interest income and a vehicle to attract additional capital. The NetWork Kansas core philosophy is to always strive to create a self-sustaining model by building alternative revenue opportunities.

### **Self-Financing, Sustainable and Scalable**

Funding entrepreneurial ecosystem building is a primary challenge facing community-centered entrepreneur-led development in America today. Too many promising initiatives start with seed grants and some funders but fail to sustain support and fail. Others survive living on the fundraising treadmill where significant time, energy and resources are invested in securing funding and eroding involvement in mission accomplishment.

In 2022 in partnership with the Kansas City Federal Reserve Bank, SourceLink and others, we will be hosting a national gathering exploring funding ventures models and related policies. [Subscribe](#) to our e2 newsletter for more information as it becomes available.

NetWork Kansas still needs to work hard to secure funds to support capital access, its operations, and programs. However, it is one of the longest living and at-scale entrepreneurial ecosystem building initiatives in America today. NetWork Kansas has grown an entrepreneurial and highly successful venture model that is empowering self-financing, sustainability and scalability. While loan fee income is one of the revenue streams important to NetWork Kansas, its combined statewide and local model attracts resources and leverages a remarkable network of partners, enabling mission realization and growth. During the COVID-19 Pandemic, NetWork Kansas has been able to acquire and/or explore the acquisition of a number of mission related nonprofits that could develop this initiative.

In 2022, e2 will update NetWork Kansas' Case Story, with a particular focus on its venture model and how it is funded.

Before we move to conclusion, we will spend just a bit of time focusing on capital access and how our entrepreneurial ecosystems can create fairer and more robust access to capital in diverse communities, whether urban or rural.

Many economists, e2 included, believe there is plenty of available capital within the United States. There are clearly capital-poor sectors, population cohorts and geographies. Segments of rural America, as well as distressed core cities, often lack access to sufficient or the right kinds of capital. For too long, there were intentional policies, driven by greed and racism, which denied reasonable capital access to Americans of color in what was known as **redlining**. In America, we have a **capital distribution challenge**. Organizations like NetWork Kansas are increasingly focusing on more equitable access to capital, empowering our fuller diversity of entrepreneurs to realize their dreams as they contribute to building more prosperity in their hometowns.

### Capital Access and Justice, Equity, Diversity, and Inclusion (JEDI)

Richard Rothstein's 2017 landmark book – [The Color of Law – A Forgotten History of How Our Government Segregated America](#) – is sad, powerful, and informative. This book provides a well-documented window of insight into how our policies – both public and private – conspired to deny Americans of color an equal opportunity to capital, development, and success. Lack of access to capital is a primary reason for lack of opportunity to advance, and accounts for, in large part, the income and wealth disparity between white and People of Color.

The following are some other e2 resources on diversity with capital access themes that may be useful as your corner of America works to grow both a stronger and more equitable capital access system:

- [Is Your Community a JEDI Hometown?](#)
- [Building Entrepreneurial Ecosystems in Communities of Color by Dell Gines](#)
- [Entrepreneurship and Communities on the Margin](#)
- [Marginalized Rural Americans](#)

### Kansas and Diversity

The following is a short piece we prepared earlier this year focusing on Kansas and its diversity. This is the environment where NetWork Kansas is striving to ensure equitable capital access within Kansas' many entrepreneurial ecosystems.

Kansas, located in the Central Great Plains, is among the least traditionally diverse societies in America. 82 percent of its residents are white, compared with just 69 percent for the United States. Yet within Kansas, from Kansas City, Kansas in the east to meat packing towns in southwestern Kansas, there is significant traditional race and ethnicity diversity. Beyond traditional diversity rooted in race and ethnicity is nontraditional diversity in what appears to be homogenous communities.

#### Traditional Diversity Defined

The practice or quality of including or involving people from a range of different social and ethnic backgrounds and of different genders, sexual orientations, etc.

-Oxford Languages

**Traditional Diversity.** Traditional diversity has typically focused on race and ethnicity. Within the past 100 years, gender diversity has become part of the traditional diversity definition. In just the past 10-years, gender identity is being embraced as a more traditional diversity consideration.

Figure 12 provides current data for both Kansas and the United States.

**Figure 12. Kansas Race and Ethnicity, 2020**

Census Category	Kansas	U.S.	Difference	Notes
White Alone	81.6%	69.4%	15.0%	Kansas is More white
Hispanic Origin	12.5%	18.8%	-50.4%	Significantly Less Hispanics
Black Alone	5.9%	13.0%	-120.3%	Dramatically Less Blacks
Other	4.6%	7.1%	-54.3%	Significantly Less
Asian Alone	3.2%	5.9%	-84.4%	Significantly Less
Two or More Races	3.7%	3.6%	2.7%	Slightly More
American Indian Alone	1.0%	1.0%	0.0%	Comparable
Pacific Islander Alone	0.1%	0.2%	-100.0%	Dramatically Less
Total	112.6%	119.0%		

Source: U.S. Census via Esri, March 2021.

Note... Totals do not equal 100% because of multiple selections.

Next, we explore a broader typology of diversity particularly relevant to community economic development and justice, equity, diversity, and inclusion (JEDI) focusing on nontraditional diversity groups in our communities.

### Concept of Caste

The concept of “caste” is foreign to American mythology and ideology. Yet caste structures are very well entrenched and active in America as illustrated by the Black Lives Matter movement and continuing White Supremacy and racial (e.g., people of color), ethnic (e.g., Jews) and religious (e.g., Muslims) discrimination. Consider the following definition from [Oxford Languages](#) that illustrates our point:

*“...any class or group of people who inherit exclusive privileges or are perceived as socially distinct.” ... “Those educated in private schools belong to a privileged caste.”*

In much of America the dominant caste continues to be white, male and from more affluent and upper middle-class families. The vast majority of American wealth is held in the dominant caste, providing it significantly greater choice and power.

**Nontraditional Diversity.** Central to our typology of nontraditional diversity is the concept of marginalized persons and groups in our communities. With respect to marginalized people and groups, the following includes those we should consider when engaging in community economic development. This list is particularly relevant in rural America.

- ✓ Traditional Diversity (e.g., race and ethnicity)
- ✓ Women
- ✓ Newcomers
- ✓ Older Residents
- ✓ Younger Residents
- ✓ Immigrants and Refugees (often of diverse race and ethnicity)
- ✓ Religious Orientation (relative to the community's traditional faith groups)
- ✓ Working Poor and Low Income
- ✓ Persons from Families with Weak or Troubled Reputations
- ✓ Those with Criminal Records
- ✓ Those with Substance Abuse Histories and Challenges
- ✓ Those Who Have Dropped Out of the Labor Market
- ✓ Veterans
- ✓ Veterans with Disabilities

#### Nontraditional Diversity Defined

...of a person, group, or concept treated as insignificant or peripheral...members of marginalized cultural groups...

-Oxford Languages

Many communities in America, and particularly rural communities, have a history of socio-economic similarity. On the surface, a rural community that is 98 percent white seems to have little diversity, but given the historical homogenous culture of this community, diversity, and marginalization, including access to venture financing, diversity manifests itself based on those who are **in** versus those who are **out** of the perceived mainstream or accepted residents of a community. Growing an entrepreneurial ecosystem that creates level playing fields and provides pathways for all entrepreneurial talent to grow is paramount.



Downtown Hillsboro, Kansas

Hillsboro (2019 population of 2,839) is located in central Kansas. Its history is rooted as a Mennonite community and home to Tabor College, a Mennonite higher education institution. Hillsboro is a successful community, very entrepreneurial and part of NetWork Kansas' E-Communities Program. Like other rural communities like it, it has relatively little traditional diversity but considerable nontraditional diversity.

The State of Kansas is pretty unique in its use of tax credits as a way to capitalize government missions. In addition to the State of Kansas creating NetWork Kansas through authorizing legislation, it also provides NetWork Kansas with an allotment of state tax credits that can be sold to capitalize operations, gap financing funds and programs. While this is a rather unique capitalization mechanism, the basic elements of NetWork Kansas can inform other regional and statewide entrepreneurial capital mobilization and deployment game plans.

### **Conclusion – Is this Capital System Transferrable?**

Capital is one of the key fuels that drives venture development within our economy and society. Increasing access to capital at the right time and in the right form can energize entrepreneur-led development in a community. Central to growing a relevant and robust entrepreneurial ecosystem is growing robust and relevant capital access systems matching the needs of a community's entrepreneurial talent. Most importantly, entrepreneurial ecosystem building is hard, just like starting and/or growing a venture. There are hundreds of ways to fail. Reaching success requires being strategic, smart, hardworking, and making progress soon enough before investor patience and support runs out. Addressing capital access early in the entrepreneurial ecosystem building process can accelerate deal flow, strengthening success momentum and ensuring ongoing support.

When we first profiled the Kentucky Highlands Investment Corporation twenty-five years ago, many dismissed its powerful stories as too unique to be informative, with circumstances that are not replicable. The same belief is true today with NetWork Kansas and its capital access system. These views, in our humble opinion, are fundamentally wrong. There are powerful models and lessons to be learned and used that are widely applicable to rural America from both of these capital access stories.

We hope this thought paper motivates and informs. Let us know what you think by contacting Don Macke at [don@e2mail.org](mailto:don@e2mail.org).

### **Questions and Additional Information**

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