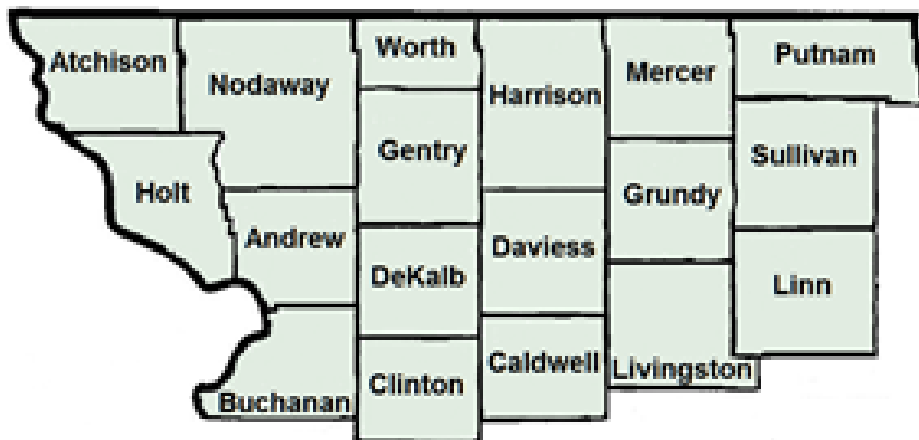




Entrepreneurial Ecosystem Building 101

Lessons from Northwestern Missouri



April 2019

Introduction

An interesting initiative is underway in Northwestern Missouri. This part of America's heartland is bounded by the Missouri River to the west, the Iowa border to the north, roughly U.S. 63 to the east and I-70 to the south. This is a physically large and predominately rural region with about 30 counties and hundreds of communities. Northwest Missouri is connected to the growing Greater Kansas City Metropolitan Area with nearly 2.3 million residents. There is also St. Joseph and some smaller regional cities (e.g., Maryville, Chillicothe, Cameron, Brookfield, Moberly, etc.). But everything else is rural and "small town" America.

The [Community Foundation of Northwest Missouri](#), partnering with the Malcolm Baldrige [Communities of Excellence 2026](#) initiative, is working with partner communities to stimulate and support community and economic renewal. We have been fortunate to follow this Initiative and are providing some support to this important work. Northwestern Missouri, like other rural regions is challenged as economic and social change has undermined the purpose for many of the communities within this vast region of America. Let's look at why this region is struggling.

Economic Transformation Needed

Legacy Regional Economic Development....

Farm and Ranch Development

Village and Town Building

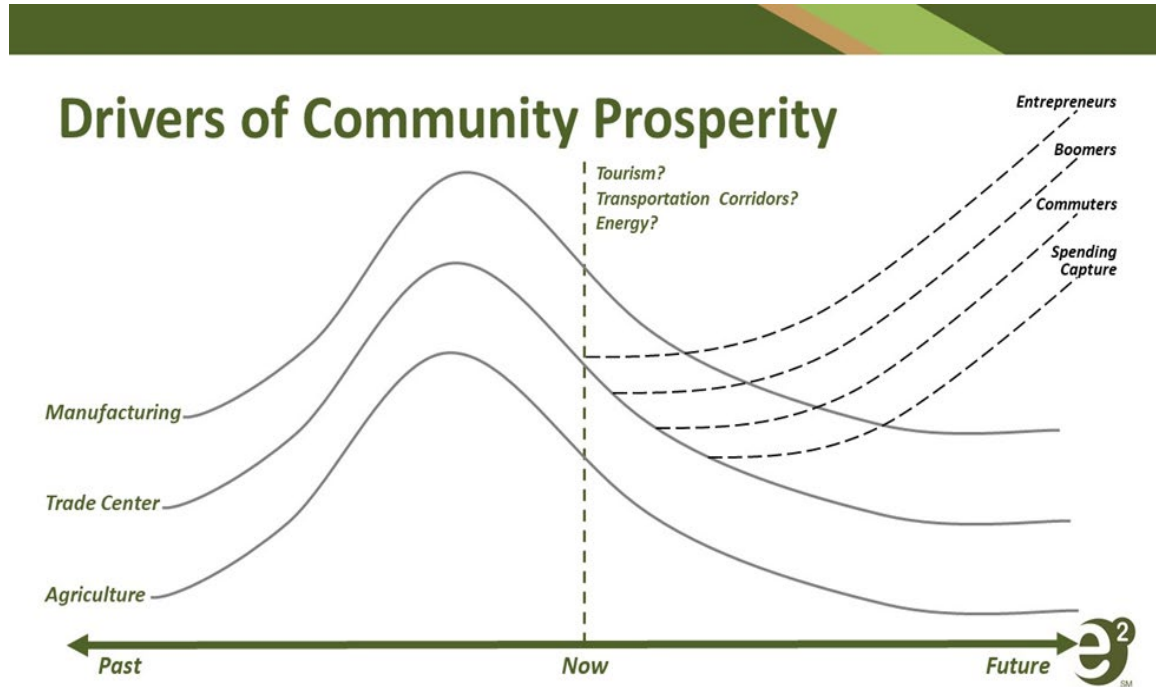
Transportation Corridor Development

Manufacturing and Industrial Development

Beginning with European American settlement in the 1840s, this part of America's heartland was rooted in agriculture. The development of farms and ranches led to community building in the 1850s. The transportation method of the day (horse and wagon) required a village or town every 10 to 20 miles travel distance to serve the agricultural community. Rural residents were served by local villages and in turn supported by area towns and regional cities. As the region's population and economy grew there was allied development in transportation corridors; first with railroads, and then roads and telecommunications. There was early small-scale manufacturing and industrial activities coinciding with farm and town building. But with American industrialization and World War II larger-scale corporate industrial and manufacturing activity bloomed in this region. During World War II massive industrial development occurred and defense concerns spread this development to America's interior and nearly every community of any size with sufficient workforce and infrastructure.

A Tipping Point in Northwest Missouri. By the 1970s or even early 1980s, the movement of industry from America's big cities and coasts to the heartland slowed as

offshoring trends took root and grew. Industrialization and automation in agriculture and industrial activities like manufacturing and transportation eroded the need for workers and undermined the very economic rationales of villages, towns and even smaller cities. This corner of America is challenged to create new economic rationales that can sustain, revitalize and grow this region's numerous communities.



Crisis Moment and Entrepreneurs. The **Communities of Excellence 2026** initiative is responding to the emerging crisis of chronic and severe depopulation, and the corresponding erosion of community and economic vitality. Continued depopulation is undermining the future of not only smaller communities, but larger trade center communities like Maryville or even St. Joseph. The rural workforce pipeline is emptying out and rural regional population contraction is undermining the potential for growth among the region's larger communities. Our analysis of this region concludes that smart and focused entrepreneur development is the most likely pathway forward to rebuilding area and regional economies and communities. More on this point a bit later. Now let's frame the kinds of entrepreneurs that are present and represent a new generation of community economic development opportunity.

Being Smart About Entrepreneurial Talent

There are two economic development strategies available to America's communities and regions:

Base Industries. The first strategy and the one America's economic developers have focused on since the 1940s is growing the "base" part of the economy. Basic economic activities are those that are rooted in a geography but largely sell

to consumers **outside of that geography**. Income and wealth imported through these external sales creates local jobs, tax base and prosperity. Industries like farming, forestry, manufacturing and the like are good examples of basic industries. As traditional economic development theory goes, if you grow the base part of the economy, the rest will take care of itself.

Secondary Activities. The second strategy, often the core work of local and area chambers of commerce, **focuses on local ventures that sell to local consumers**. By capturing local spending, we can increase the size and wellbeing of the area's economy through spending capture and multiplier effects. We have come to believe both strategies are foundational to community prosperity and that a little reframing of this picture is helpful as we engage in entrepreneur-led development.

Five Kinds of Entrepreneurs. Consider this alternative picture of your community's economy where there are five basic types of entrepreneurs that are core to your community's or region's success:

1. Essential
2. Amenity
3. Growth-Oriented
4. Growth
5. Breakout Growth

Essential and Amenity Entrepreneurs. Every local community, whether it is a small rural village, or an urban neighborhood needs both "essential" and "amenity" entrepreneurs and ventures. Essential ventures range from a local grocery store (no one can thrive in a food desert), to a medical clinic to a well-stocked hardware store. These are essentials we need regularly and for our community to thrive we need easy access to these services. Additionally, there are "amenity" entrepreneurs and ventures. These are goods and services we can get along without, but they make our quality of life so much better. Amenity ventures range from churches to the neighborhood bar and café, coffee shop and to a great local recreational facility. Communities with a rich collection of amenity ventures have higher quality of life and are more competitive in attracting and retaining residents and workforce. Essential and amenity ventures are part of the traditional secondary activity development strategy.

Regions with agriculture or manufacturing will likely continue to rely on these historic industries. However, for most communities a new generation of economic activities will be required to enable our communities and regions to thrive. We like to break these entrepreneurs into one of three groups; **growth-oriented, growth and breakout growth entrepreneurs**. Gallup estimates that about 0.25% of all ventures in America achieve breakout growth. They also

estimate that about 3% of all ventures achieve sustained and meaningful growth. Based on our field work we find that rural America has fewer growth and even fewer breakout growth entrepreneurs. These Gallup probability estimates are really driven by faster growing and dense urban areas. While there are some growth and breakout growth entrepreneurs in Northwestern Missouri, there is clearly “growth-oriented” entrepreneurial talent. Our field work suggests that up to 5% of all local ventures (i.e., for-profit, nonprofit and governmental – think national park) have growth potential or are growth-oriented. Supporting all entrepreneurial talent can identify growth-oriented talent and stimulate overall entrepreneurial development through ecosystem support.

Stimulating and Growing the Pipeline Effect. Developing an entrepreneurial pipeline is like what Tom Lyons incorporated into his [Entrepreneurial League System](#) based on America’s pastime or baseball. Baseball has a talent pipeline. Kids start early and talented kids with promise get scouted and move into club and college ball. The most talented get a shot at minor league baseball and those few who prove up make the majors one of the greatest sporting games on earth. Sports, corporations, music and the arts have employed talent pipelines for decades. The same system applies to entrepreneurial talent. A local coffee shop owner discovers they have a neat and competitive concept that has growth potential to become your region’s next breakout entrepreneurial venture. Check out [Dutch Bros Coffee](#) from southern Oregon for a great example. For Northwest Missouri, core to its success is energizing its entrepreneurial pipeline. Entrepreneurial ecosystem development can seem very complex and it can be. In the next section of this paper we break this work into one basic transaction we want to stimulate and support thousands of times every month in Northwestern Missouri.

Growing an Entrepreneurial Economy

There is a basic transaction, when completed effectively and efficiently, that creates entrepreneurial development and ultimately can create a more robust entrepreneurial development ecosystem. The basic elements of this transaction include:

Entrepreneurs with development needs
Resources that can address the needs
Connecting entrepreneurs with resources

Entrepreneurs are consumed with developing and running their venture. When we can create an ecosystem where entrepreneurs are connected to the right resource, at the right time and at the right cost, we can accelerate entrepreneurial development one entrepreneur at a time. When we listen to what entrepreneurs are looking for, we can also build out our ecosystem so that it can meet more needs more effectively. When

this basic transaction achieves scale (hundreds of daily transactions) we can grow a more entrepreneurial economy and culture.

These “transactions” happen organically and on their own. But when we smartly curate (e.g., assist, facilitate, network, etc.) these transactions we can reduce transaction costs for both entrepreneurs and resources and accelerate more impactful outcomes. How we organize this ecosystem work at the regional level is important. We explore this area next in this paper.

Developing a Local and Regional Strategy

At e2 we have been exploring entrepreneurial development and ecosystem building for over four decades. We do not claim to have the “definitive” answers or solutions. But

Two Recommended Resources.

[Resources & Tools for Business Success](#) is a service that can help your community create a robust web presence highlighting how you can help your entrepreneurs and connect them to valuable assistance. At a regional or statewide level, we recommend [Soucelink](#)—a proven web-based information system that can support entrepreneurial ecosystem development.

we do have some insights that are worthy of your consideration based on cycles of field testing and learning. We used to call this our “top down and bottom up” strategy. Staying with our Northwestern Missouri illustration a “local and regional” strategy is more descriptive. What we have learned is the following:

- Local communities are best at finding and engaging entrepreneurial talent. Local development groups have the knowledge, relationships and pathways to find area talent and convince it that we can bring value to their entrepreneurial efforts.
- Organizing and managing robust entrepreneurial resource networks is best done regionally or statewide. Regions like Northwestern Missouri with hundreds of communities can more effectively organize its resources through regional networks. Regional resources are often connected to statewide and even national networks extending their value to local entrepreneurs connected.
- Local communities can focus on building their ecosystem by engaging and strengthening their area business services networks. For essential, amenity and even earlier stage growth-oriented entrepreneurial ventures many, if not most, of their needs can be met locally.

Curation. Our goal is a transparent, accessible, smart and responsive resource system. To create, sustain and grow a system it must be intentionally curated. There must be local curation that (1) focuses on identifying and networking entrepreneurs to resources and (2) grows a stronger local area resource network rooted in local business services. There must be regional resource network curation where available and relevant resources are identified, engaged and tested. Finally, there needs to be regional

curation that connects communities and their entrepreneurs with the regional resource network resources.

Our entrepreneurial development ecosystems should assist the full range of entrepreneurial talent from amenity to high-growth entrepreneurs. But we would argue for most regions focusing on growth-oriented entrepreneurs is the sweet spot for development efforts. Let's explore the "why" and "how" of transforming regional economies by helping some growth-oriented entrepreneurs become growth and even breakout growth entrepreneurs.

[Growth-oriented entrepreneurs](#) are so important because there are more of them and when they succeed, they can create transformative economic change for our communities and regions. Growth-oriented entrepreneurs create small and medium sized rooted corporations. These corporations contribute to the base economy, increase the value of our economy and provide a wide range of jobs and careers that attract and retain human talent. These rooted corporations, including their owners, investors and employees, also provide leadership, charity and identity for our communities. Each community and region should have its own "Fortune" list of major home-grown entrepreneurial ventures.

Connecting back to our regional resource network recommendation, the kinds of assistance that growth entrepreneurs need is often beyond the bandwidth of smaller communities. Providing these higher value resources is best done regionally with connections to state and national resource networks. The top five resource needs for growth entrepreneurs include:

1. **Access to Capital.** Growing ventures need access to the right kinds of capital to enable their growth ranging from angel investors to lines of credit from commercial banks.
2. **Market Research and Analysis.** Growing businesses need specialized market research and analysis (i.e., Economic Gardening) to help them not only make good decisions, but evidence their growth plans with investors, banks, partners and supply chain partners.
3. **Growth Planning and Coaching.** Transitioning from a larger Stage 1 (2-9 employees) or a smaller Stage 2 (10-99 employees) to a growth venture requires rewriting the venture. New key employees must be added, expanded and robust systems introduced and whole new activities visioned and supported. Sophisticated growth planning and coaching is a foundational resource for growing entrepreneurial ventures.
4. **Peers.** Growing a venture is a very challenging and stressful experience. It can destroy friendships, health and marriages. No technical resource can replace the

value of talking with others living and working in this “growth arena.” Providing access to peer groups is an invaluable resource for these entrepreneurs.

5. **Human Talent.** Growing entrepreneurial ventures need human talent ranging from key employees (e.g., CFO, human resources, finance, marketing, management, etc.) to workforce (e.g., logistics, production, transportation, etc.). Making the right choices the first time is key to enabling entrepreneurial success. In dense urban markets there are also dense human talent pools. In more rural regions finding the right talent is generally harder. Helping these growing ventures find human talent is very important.

While these five resources are best provided regionally, there are things the local and area community can contribute to supporting growth entrepreneurship, including:

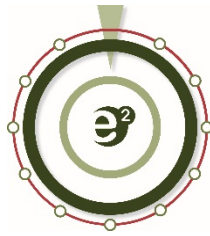
- Places to Create and Produce
- Spaces to Connect
- Broadband and Smart Devices Services
- Amenities (meeting the needs of human talent)
- Unique Community Quality of Life and Progressive Culture

Time to wrap up so I want to take you to a very different place when compared to Northwestern Missouri.

Closing Thoughts

My son lives and works in Los Angeles. My wife Jenny and I recently visited him. We stayed in an Airbnb in Long Beach, which is part of the Los Angeles Metroplex in southern California. But Long Beach is also the 39th largest city in America and is home to America’s busiest port and gateway to the Pacific Rim trade corridor. According to economist and New York Times columnist Paul Krugman, automation has cut longshoremen related employment in America by two-thirds. The Long Beach port is still very important to this community, but in classic entrepreneurial style, this California community has reinvested itself. It is vibrant, growing and today supports a remarkably diverse economy.

Every community and region undergo structural changes and must continuously reinvent its economic reason for existing. Like Long Beach, Northwestern Missouri and other challenged regions in America must focus on entrepreneurs as the primary pathway forward to a more prosperous future.



How e2 Can Help

e2 Entrepreneurial Ecosystems can help communities increase prosperity through entrepreneur-focused economic development and ecosystem building through:

- **Mentoring.** We mentor and coach new practitioners seeking to pursue entrepreneur-led development. We provide advice and support for building entrepreneurial ecosystem strategies that work.
- **Analytics Support.** E2 helps communities and regions understand their entrepreneurial potential through research. Please view a sampling of our research tools at: <https://www.energizingentrepreneurs.org/solutions/start.html>
- **Fostering the eMovement.** We support the national entrepreneurship movement along with our partners including the **Federal Reserve Bank of Kansas City, SourceLink, Edward Lowe Foundation, Kauffman Foundation, and NetWork Kansas.** Together, we continue to advance the foundational ideas of building entrepreneurial ecosystems and entrepreneurship-led economic development.

Our emerging vision includes the following solutions:

- **e2 Institutes.** Explore our new generation of e2 Institutes where teams come together, learn from each other and explore the expanded world of strategies, tactics and resources needed in entrepreneurial ecosystem development work.
- **National e2 Resource Network.** e2 offers a resource network capable of connecting those seeking help with those who can help across North America.

e2 Entrepreneurial Ecosystems (formerly the Center for Rural Entrepreneurship) is led by Don Macke, who has more than 40 years of community economic development and policy experience. We have a national team of practitioners, both inside and outside e2, who bring research, coaching, incubation, market intelligence and other expertise to this work.

Questions & More Information



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The mission of **e2 Entrepreneurial Ecosystems** is to help communities and regions connect, learn, and share best practices for building sustainable entrepreneurial ecosystems across North America. With more than 25 years of field experience, particularly in rural America, e2 is the preferred resource for communities of all sizes wanting to pursue prosperity.

For tools and resources, visit our online library at
<https://www.energizingentrepreneurs.org/library/>.

To learn more about e2, go to www.energizingentrepreneurs.org.

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