

# ENERGIZING ENTREPRENEURIAL COMMUNITIES



*A Pathway to Prosperity*

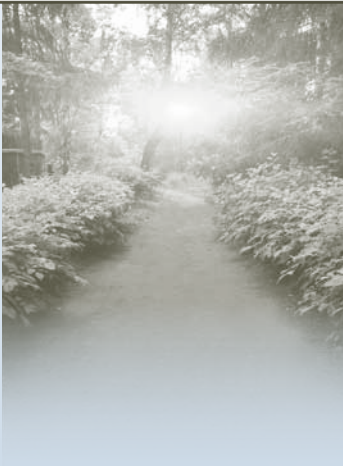
**by** Donald Macke  
Deborah Markley  
John Fulwider







# ENERGIZING ENTREPRENEURIAL COMMUNITIES



*A Pathway to Prosperity*

**by** Donald Macke  
Deborah Markley  
John Fulwider



Copyright 2014  
Center for Rural Entrepreneurship

All rights reserved. For permission to duplicate  
or use these materials, contact:

Center for Rural Entrepreneurship  
421 S. 9th Street, Suite 245  
Lincoln, NE 68508  
Phone: (402) 323-7339  
[www.energizingentrepreneurs.org](http://www.energizingentrepreneurs.org)

Book Design: Reynold Peterson

Published by the Center for Rural Entrepreneurship

Printed in the United States of America

ISBN 978-0-615-93748-9



# PREFACE

In 2001, we at the Center for Rural Entrepreneurship set out to understand what it takes to support entrepreneurs in rural towns, small cities and larger regions across the U.S. and Canada, and to work with community leaders to embrace entrepreneur-focused economic development strategies. Our goal then and now has been to **help communities build a prosperous future through the development of entrepreneurship**. Three beliefs guided our work from the start:

- Entrepreneurship development is a necessary component of any economic development strategy and is the most promising strategy for rural and small metro places.
- Creating an entrepreneurial environment requires culture change, adopting a “growing our own” mentality.
- Entrepreneurship development requires a systems approach, a collaborative, often regional approach of “connecting the dots.”

In our first book, *Energizing Entrepreneurs*, we focused on making the case for entrepreneurship development and provided a roadmap for communities interested in getting started. Since that time, we have worked deeply in many regions, learned from committed partners and built our own understanding and tools for entrepreneur-focused economic development. We especially honed our approach to building systems that help communities create a supportive ecosystem for their entrepreneurs and increase their impact. It was time for us to capture what we learned and share it with a broader group of community leaders via a new book.

## *Evolution of Entrepreneurship Development*

The entrepreneurship development movement has many strands, some dating back years before the launch of the Center. Our work has benefited from and been informed by a number of historic and contemporary entrepreneurial movements and we acknowledge their contribution to our learning.

### **Historic Movements**

Federal recognition of the important role that small businesses play in the economy resulted in the creation of several programs including SCORE (Service Corps of Retired Executives) in the mid-1960s, followed by the Minority Business Development Agency in the 1970s, the Small Business Development Center system in the 1980s and targeted efforts to support women entrepreneurs in the 1990s. About the same time, the seeds that would become Silicon Valley were planted with the launch of Fairchild Semiconductors in the mid-1950s and the birth of the venture capital industry that followed. On the other coast, Research Triangle Park in North Carolina and the Route 128 Corridor in Massachusetts were created to harness university innovation to advance economic development.

Entrepreneurship efforts in rural places and smaller cities took a decidedly different path. The earliest efforts to **grow from within** came out of the innovative work of Title VII community development corporations with a focus on job creation in areas of persistent poverty. Two organizations stand out: Kentucky Highlands Investment Corporation serving Appalachian Kentucky and Coastal Enterprises, Inc. serving coastal Maine. Both organizations were started in the late 1960s and, over time, evolved from job creation engines to entrepreneurial support organizations, channeling technical assistance, capital access and capacity building to entrepreneurs in their regions. While their missions have remained constant over time, the tools and approaches they use have evolved, providing models of effective practices.

Other entrepreneurial support organizations have had a lasting impact on their regions and the broader entrepreneurship development movement in the U.S. Northern Initiatives began in the mid-1980s in the Upper Peninsula of Michigan and combined

*Innovation doesn't  
come from just one  
person's mind.*

– Don Macke

the strengths of a university-based Manufacturing Extension Partnership program with the tools of a Community Development Financial Institution to serve entrepreneurs in an ever-expanding region. Northern Initiatives was an early champion of sector-based strategies and continues to be an innovative model for others to explore. Northeast Entrepreneur Fund in northern Minnesota was launched in the late 1980s following a painful recession for the region. The Fund brought microenterprise development to a region long dependent on mining and advanced the model for microenterprise nationally.

## Contemporary Movements

Entrepreneurship development has evolved from a focus on programs and entrepreneurial support organizations to a **systems approach** that incorporates the broader community. One of the early pioneers was Ernesto Sirolli who introduced the concept of Enterprise Facilitation® to the U.S. in the mid-1980s. Sirolli's premise was that every community has hidden entrepreneurial talent and with support these entrepreneurial dreams can bear fruit. About the same time, Gregg Lichtenstein and Tom Lyons were developing the Entrepreneurial League System® based on the tenet that entrepreneurial skills can be developed with intentional coaching effort. They introduced the valuable concept of the entrepreneurial pipeline and demonstrated in several regions how entrepreneurs could move through this pipeline toward higher levels of skills and business impacts.

Another pivotal movement born in the late 1980s was Economic Gardening. Led by economic developer Chris Gibbons, the community of Littleton, Colorado became one of the first to eschew industrial recruitment for growing their own by surrounding entrepreneurs with the information, connections and infrastructure they needed to grow. Following the success in Littleton, the movement spread to other regions and is now a primary focus of the Edward Lowe Foundation.

In addition to the Entrepreneurial League System® focus on coaching, other models have been influential. In the mid-2000s, the Kentucky Entrepreneurial Coaches Institute was launched. This effort sought to train community leaders to be advocates for and facilitators of entrepreneurial development in their communities. About the same time, the Greenstone Group began in

Northern Minnesota as a program of the Northeast Entrepreneur Fund. This effort evolved from an exclusive focus on one-on-one coaching to a more diversified initiative that includes peer group coaching in rural communities across the Iron Range Region.

## **The Center's Path**

The Center's journey has paralleled many of these movements and been informed by all of them. Our roots lie in the Rural Entrepreneurship Initiative supported by the Kauffman Foundation, the National Rural Development Partnership, Partners for Rural America, and the Nebraska Community Foundation in the late 1990s. This effort used a discovery process in several key states: Maine, Minnesota, Missouri and West Virginia, followed by Colorado and Texas. The learning from this initiative informed the creation of the Center in 2001, with support from the Kauffman Foundation and the Rural Policy Research Institute, and solidified our approach: identify where communities are focused on entrepreneurship; understand what is working and why; share that learning broadly.

Over time, we have moved from learning about entrepreneurship in rural places and smaller cities to developing and testing models for encouraging entrepreneur-focused economic development. Our learning was advanced through the collaborative development of the HomeTown Competitiveness<sup>®</sup> model, in partnership with the Heartland Center for Leadership Development and the Nebraska Community Foundation. As you will see from many of the stories in this book, our deepest learning and development is occurring in Kansas, where we have strong partnerships with NetWork Kansas, the Small Business Development Centers, the Kansas Farm Bureau and U. S. Department of Agriculture's Rural Development program. We continue to push the innovation envelope with community and regional partners throughout North America and we expect this learning journey to continue over the next decade of the Center's work.



## *Structure of the Book*

This book is organized into five parts that collectively lead you on the journey to becoming an entrepreneurial community:

- **Part One** introduces the book, making the case for why it is so critical that you take control of your community's economic development future. We discuss how the economic context has shifted and why it is more important than ever to become an entrepreneurial community.
- **Part Two** frames the content ahead, defining what we mean by an entrepreneurial community and laying out the keys to becoming one. We also describe the elements of a system of support for entrepreneurs.
- **Part Three** describes the Center's Entrepreneurial Communities action framework and the important assessments that will guide the development of your own strategy. We emphasize the building blocks of a smart game plan as an important piece of a winning strategy.
- **Part Four** digs deeper into working with entrepreneurs, how you understand them and connect to them. We also discuss the all-important role that coaching plays in creating a robust and successful entrepreneurial community.
- **Part Five** caps off the content by emphasizing the importance of creating, measuring and sustaining impact. We demonstrate how a strategic focus on growth entrepreneurs can enhance your impact and how measuring that impact is a first step toward putting your efforts on a path toward sustainability.

In writing this book, we kept three audiences in mind. We know each audience will find something of value in the pages ahead:

- ***For those who have never invested in economic development***, you will find a compelling argument for why you must take control of your community's economic future, and concrete ideas for moving ahead.
- ***For those who are looking for alternatives to conventional approaches to economic development***, you will find inspiration in a framework that will help you expand your economic development toolkit.
- ***For those who have practiced entrepreneur-focused economic development with limited success***, you will find a strategic edge in a more robust, systems approach that will ultimately achieve greater impacts.

At the same time, we launched into this book with a degree of trepidation. Is a book the best way to share what we have learned? How quickly will it become dated? What will we do when our learning, and our framework, evolves yet again, as we know it will? How will we continue to add value to the field?

The solution for us was to pair this book with **e2 University**, an online platform for sharing our work and our tools, and inviting your deeper engagement with the Center as you learn and do more in your communities. To introduce you to the **resources** of **e2 University**, we have provided guideposts throughout this book that point you to content in the University. Just watch for this graphic.



Don Macke  
Deb Markley  
John Fulwider

January 2014



## ACKNOWLEDGEMENTS

Like most of the Center's work, this book was a collaborative undertaking. First and foremost, we have benefited from many, many rewarding partnerships that have informed the content and character of our work over time. From national organization partners to individual community leaders, your work has taught and inspired us. For that, we are truly grateful.

We consider the Center's greatest asset to be its people and our partners. We are grateful to be working with and learning from Christine Hamilton-Pennell, Jack Newcomb, Leon Atwell, Greg Clary and Quincy Ellis. Our Center team has made a valuable contribution, directly and indirectly, to this book: Dana Williams, Ahmet Binerer, Michael Butler, Kyle Cummings, Ann Chaffin and Craig Schroeder. We also want to acknowledge the important contribution that John Fulwider has made to the book and, most importantly, to the e2 University. He brought fresh eyes and creative thinking to this endeavor.

Finally, thanks to Reynold Peterson for his superb design work. Reynold never fails to capture the spirit of our writing in his design.

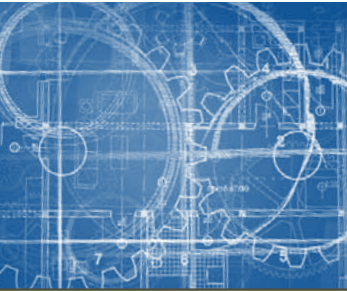
Don Macke  
Deb Markley

January 2014

## DEDICATION

---

*We dedicate this book to Sabrina Matteson,  
a true champion of rural people and places.  
May her spirit and her life well lived inspire others  
to service on behalf of rural communities everywhere.*



# CONTENTS



## **PART ONE**

Chapter 1.1 A Sense of Urgency . . . . . 1  
 Chapter 1.2 Keeping the End In Mind . . . . . 13

## **PART TWO**

Chapter 2.1 Ten Keys to Becoming an Entrepreneurial  
 Community . . . . . 25  
 Chapter 2.2 Entrepreneurial Development Systems . . . . . 37  
 Chapter 2.3 Building Your Area Resource Network. . . . . 53  
 Chapter 2.4 Expanding Your Horizons Through an  
 External Resource Network . . . . . 63

## **PART THREE**

Chapter 3.1 A Winning Strategy Starts with Assessment . . . . 73  
 Chapter 3.2 Engage Stakeholders... or Else . . . . . 87  
 Chapter 3.3 Crafting a Smart Game Plan . . . . . 93

## **PART FOUR**

Chapter 4.1 Understanding and Reaching Your Entrepreneurs 101  
 Chapter 4.2 Providing Value to Your Entrepreneurs . . . . . 115  
 Chapter 4.3 Entrepreneur Coaching . . . . . 131

## **PART FIVE**

Chapter 5.1 Creating Impact Through Growth Entrepreneurs. 143  
 Chapter 5.2 Measuring Impact. . . . . 159  
 Chapter 5.3 Sustaining Impact. . . . . 175  
 Conclusion . . . . . 193





## A SENSE OF URGENCY



Not to be overly dramatic, but the content of this book is crucial to your community's future success. The Great Recession that began in late 2007 was a powerful call to action. In our free-market economy, there is constant change. Every day there is repositioning that challenges both personal and collective economic relevance. Individuals, businesses and communities without smart and robust development strategies are destined to fall behind and eventually fail. Creating an opportunity-based and aggressive economic development game plan is fundamental. The cornerstone of such a game plan is entrepreneur-focused economic development that builds an entrepreneurial community.

### *Why is This Topic Important?*

Even before the Great Recession, some disturbing trends signaled the need for more, not less, attention to economic development in the United States. Comparing macro-economic indicators for 1970 through 2000 and 2000 through 2010 illustrates these trends.

#### Annualized Change for the United States

1970-2000	Macro-Economic Indicator	2000-2010
1.29%	Population	0.96%
2.28%	Employment	(0.49%)
4.10%	Personal Income	1.13%
0.55%	Average Earnings Per Job	0.29%
7.55%	Transfer Payments	6.64%
3.56%	Labor Earnings	0.72%
4.08%	Number of Proprietors	3.59%

*Note: All data are presented as inflation-adjusted values on an annualized rate of change basis so the two periods can be accurately compared.*

## What can we see in these data?

- Overall, there is dramatic deterioration in key economic indicators including population growth, employment and personal income.
- Average earnings per job are flat, reflecting deterioration in the quality of jobs and reduced household well-being. Note the dramatic decline in labor earnings!
- The continued high level of transfer payments (e.g., Social Security, unemployment insurance) is indicative of an aging population (long-term trend) and rising unemployment (associated with the three recessions of the 2000s).
- The number of proprietors—a measure of entrepreneurship—continued to increase in the latter period, reflecting the importance of entrepreneurs to overall economic development.

In the midst of this decline in economic conditions, what we have come to call the Great Recession began. It was the most significant economic downturn and crisis in the United States since the Great Depression of the 1930s. Despite the name, the Great Recession had some of the same impacts that typically are associated with economic depressions: increased and sustained unemployment, significant drop in industrial production, steep decline in the stock market, bank failures. Fortunately, past policies helped to limit the pain for many Americans and kept us out of a Depression.<sup>1</sup>

As painful as this recent period in our economic history has been, it created an opportunity. In his book, *The Great Reset*, Richard Florida offered genuine hope that a new era of prosperity was not only possible, but likely.

Florida and his research team researched the “Long Depression” of the 1870s and the “Great Depression” of the 1930s. They provided evidence that these destructive events resulted in fundamental change and new cycles of progress and prosperity. They showed that serious economic pain was followed by innovation. To simplify their thesis:

- ***The “reset process” begins with a crisis: the unraveling.***



<sup>1</sup> Marilyn Geewax, Did The Great Recession Bring Back The 1930s?, <http://www.npr.org/2012/07/11/155991507/did-the-great-recession-bring-back-the-1930s>.



- ***As the status quo and pre-existing norms and relationships are undone or weakened, space for opportunity is created.***
- ***Into this expanding opportunity space come new innovations.***

Think about this force for a minute. Millions of people, businesses, governments and institutions were hit, and hit hard, by the Great Recession. Their worlds were unraveled, as Florida puts it, but life must go on. Responding to this pain, people are motivated to make things better. These millions of people and organizations become energized to rebuild lives, careers, businesses and institutions. As part of this rebuilding process, new ideas—innovation—take root and grow. From this innovation come new ventures. Ultimately, the reset process creates a new cycle of prosperity. As we will make clear, entrepreneurial communities are the ones best positioned to enjoy this new prosperity.

While Florida's message is ultimately a hopeful one, the implications of this current economic dislocation for economic development are huge. Just as in the Long Depression of the 1870s and the Great Depression of the 1930s, well-established, dominant firms and entire economic sectors are disappearing or shifting dramatically. Millions of workers have been displaced and are seeking to rebuild their lives and careers. Millions of businesses have failed or been threatened and many are repositioning for new success. Using information from the Edward Lowe Foundation ([www.youreconomy.org](http://www.youreconomy.org)), we illustrate these profound changes and emerging opportunities by comparing the high growth years of the 1990s to the recessionary years of the 2000s.

Between 1995 and 2001, about 3.7 million net new businesses were established in the United States, a 30% increase. An amazing 28 million net new jobs were added to the economy, representing an average of nearly 400,000 net new jobs per month over this entire period. ***Consider what would happen to today's stock market if we had a month when 400,000 jobs were added!*** Business related sales during this same period increased by \$5 trillion (35%).

A very different picture emerges when we consider the period from 2001 through 2009, including the 9-11 crisis and en-

suing recession and the Great Recession. Non-resident employers (businesses located in one region but headquartered in another state) cut 7.1 million jobs. America's largest employers eliminated another 9 million jobs. At the same time, America's smallest firms generated 8 million net new jobs and self-employment grew by 3.2 million, representing a 91% increase for the period.

Why is this important? Self-employment is one measure of entrepreneurial activity. Rapidly rising **necessity** entrepreneurship typically increases the pool of **opportunity** entrepreneurs.<sup>2</sup> With more opportunity entrepreneurs, the potential number of breakout companies emerging from these ranks likewise increases. And, it is these breakout entrepreneurs and their ventures that accelerate job creation for non-entrepreneurs. Here are a few rule-of-thumb realities based on our field experience and research:

**Start with 10 million new, necessity entrepreneurs in America.**

**On average, 10% become opportunity entrepreneurs: 1 million new opportunity entrepreneurs.**

**Assume 10% of these opportunity entrepreneurs achieve breakout status: 100,000 job creating businesses.**

With reasonable support, this entrepreneurial transition has historical foundation and is theoretically feasible. Opportunity entrepreneurs create a few dozen to a few hundred jobs. Breakout entrepreneurs create new national and international corporations that create thousands of jobs. For most community leaders, it is the connection between entrepreneurship and job creation that really matters. As Jim Clifton writes, "the coming world war is an all-out global war for good jobs."<sup>3</sup>

<sup>2</sup> According to the Global Entrepreneurship Monitor (GEM), a necessity entrepreneur is one who starts a business because they have no other option for work. In contrast, an opportunity entrepreneur is one who starts a business to take advantage of an opportunity and improve prospects for earning income in the future. To learn more, go to [www.gemconsortium.org](http://www.gemconsortium.org)

<sup>3</sup> Jim Clifton, *The Coming Jobs War*, Gallup Press, 2011.

## The Shifting Employment Landscape in the United States Economy

### **Pre-World War II**

Most Americans worked for themselves or locally owned small businesses or governments. Local and regional entrepreneurship were important. A majority of people lived in rural areas and were tied to natural resource and production industries. Small farms and the small businesses that supported them were abundant.

### **WWII into the 1990s**

The United States was the only major country in the world to emerge from World War II stronger economically. Vast industrial and infrastructure development shifted more and more Americans to working for larger corporations and government agencies. During this period, more and more Americans became wage and salary employees with health care and retirement benefits. Levels of self-employment dropped to record low levels.

### **1990s to Today**

Beginning in the mid-1990s, America's larger employers began replacing workers with technology and outsourcing. These trends eroded legacy employment. There is evidence that we are entering into a new employment phase with rising numbers of self-employed and smaller ventures. While this shift comes with risks as contract employment, without accompanying benefits, rises, it also creates opportunities for those who can seize them.

## What Needs to be Done to Revitalize Economic Development?

Just as with economists, if you ask 10 economic developers to define economic development, you will get 10 different answers! We define economic development in the following way:

Economic development is the set of intentional policies and programs undertaken by national, state, regional or local interests to increase economic activity with the goal of creating a more prosperous, diverse and resilient economy. In market-based economies, these policies and programs typically center on in-

*The old career escalator is jammed. Age-old assumptions about work have come undone. There are new rules, and you need to know them—or else you may be on the track to irrelevance.*

– Reid Hoffman  
and Ben Casnocha  
the start-up of  
YOU

creasing private business activity as a way to increase new investment, create jobs, and expand the tax base. Economies, and the economic development activities that support them, should serve the needs of residents and society through the creation of meaningful work and the opportunity to build wealth over time.

Typically, economic development policy and program efforts are directed toward three building blocks.

The foundation, **Human Development**, is focused on expanding the capacity of leaders and residents in a community to envision, create and sustain meaningful and desired economic development. Relevant strategies include leadership development, community organizing and organizational development, particularly for non-profit institutions. On this strong leadership base, **Community Capacity Building** focuses on enhancing the assets central to a viable community for both commerce and living. Infrastructure—water, wastewater, roads, power and telecommunications—is fundamental. Other community development assets include quality schools, health care, local retail, environmental amenities, recreation, transparent government, housing, child care and elder care.

On these building blocks, the business of **Economic Development** takes place. The employment shifts witnessed in the economy have huge implications for the direction of economic development. While we have seen some movement since the Center's creation in 2001, overall economic development efforts—federal, state and even local—are still largely focused on the kinds of development opportunities that predominated from post-World War II through the 1990s. Economic development is like the proverbial battleship, slow to turn in the face of new realities.

## Economic Development and Prosperity

The focus of economic development in the United States, and even internationally, has been primarily on growth: increasing employment, income, consumer spending, industrial and agricultural production. For mature economies and from an environmental perspective, there are real limits to this focus on growth. Fortunately, the concepts of prosperity and resilience are gaining relevance and respect in economic development discussions. The concept of prosperity takes into consideration economic measures

as well as those related to well-being, defined to include quality of life, health, educational attainment, and happiness. Resilience brings in the dimension of sustainability and whether economic development contributes to communities that are adaptable in the face of change. The nation of Bhutan was one of the first to elevate happiness to the level of Gross Domestic Product with the creation of the Gross National Happiness index ([www.grossnationalhappiness.com](http://www.grossnationalhappiness.com)).

Today, there is growing recognition that effective economic development requires a focus on existing and new entrepreneurs. The Kauffman Foundation supports an active research effort to document the important connection between new and young businesses and job creation.<sup>4</sup> A strong game plan focused on entrepreneurs enables a community to more effectively support existing business through both retention and expansion. More and more communities are seeking ways to understand and respond to emerging entrepreneurial opportunities.

## Who is Doing This Well?

Perhaps the best example of state-led efforts to reposition economic development is found in Kansas. In 2004, the Legislature enacted the **Kansas Economic Growth Act**. This legislation created the Center for Entrepreneurship (a virtual network hosted at Wichita State University) and enabled the development of NetWork Kansas in 2005. NetWork Kansas' mission is "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."<sup>5</sup> Through this legislation, the state sent a strong message that encouraging the growth of new



<sup>4</sup> John Haltiwanger, et al. *Job Creation, Worker Churning and Wages at Young Businesses*, Business Dynamics Statistics Briefing, The Kauffman Foundation, November 2012. For additional relevant research, go to [http://www.kauffman.org/Section.aspx?id=Research\\_And\\_Policy](http://www.kauffman.org/Section.aspx?id=Research_And_Policy).

<sup>5</sup> 2012 Annual Report, [www.networkkansas.com](http://www.networkkansas.com)

and existing businesses across the state was an important emphasis of economic development.

Under the leadership of two entrepreneurs, Steve Radley and Erik Pedersen, NetWork Kansas has evolved over time to create and connect with new programs that help to build the support environment. They provide access to capital, connect to the state's economic gardening program, tap federal resources and, in 2007, launched the Kansas E-Communities initiative to help create greater capacity and local engagement of communities in supporting entrepreneurs and connecting them to NetWork Kansas resources.

NetWork Kansas is one of the most promising statewide entrepreneur-focused development strategies in the United States today. Through July 2013, there were 39 E-Communities (some countywide) across rural Kansas. The program has spread to urban Kansas City, Kansas. Also through July 2013, Network Kansas contributed to 339 business deals representing \$54 million of new investment. Deals include startups (44%), expansions (37%) as well as transitions and retentions. NetWork Kansas is getting results that economic development leaders are seeking, contributing to 1,017 full-time jobs created or saved and 816 part-time jobs created or saved since the inception of the network.

## *How to Move Forward with Entrepreneur-Focused Economic Development*

Here in the United States, place-based economic development is left to localities. Every community is ultimately responsible for crafting development policy, financing it and ensuring it contributes to economic prosperity. From a very practical point of view, this means that every community from New York City—with millions of people—to tiny Mullen, Nebraska—with fewer than 500 residents—must master this responsibility or tempt fate with their development. At the end of the day, Mullen, Nebraska has far fewer development opportunities and resources as compared to New York City or even one of her boroughs. The result is an uneven playing field, and the federal, state and private resources available to help are often limited and unpredictable. Conse-

quently, community capacity building is increasingly important as a development strategy to help less-advantaged communities become more effective at their own development. Without this capacity building support, communities faced with restructuring their economy after mill or plant closings, poor and isolated rural places, and even devastated urban neighborhoods will continue to perform poorly economically as compared to larger, better resourced communities in the United States.

Over the years, the Center has learned from thousands of entrepreneurs through interviews, surveys, and direct work with them. One of their most important traits is opportunity recognition, focusing on the right opportunity to move their business forward. Borrowing this lesson from successful entrepreneurs, communities and regions can enhance economic development success by taking the time to identify genuine entrepreneurial development opportunities. Some opportunities may be obvious, but most are hidden, like diamonds in the rough. One approach to finding genuine opportunities is to look for under-developed talent. Borrowing from sports—think *Moneyball*—communities should begin by looking for individuals or teams motivated to get better as entrepreneurs. Focusing on such talent may provide a cost-effective way to grow your economy by enabling this emerging entrepreneurial talent to shine.

It will take creative thinking and a systematic process to identify the likely opportunities for development within your community. This book is designed to introduce you to such a process.

The good news is there are emerging entrepreneurial development opportunities in communities all across the United States. We have uncovered them in our field work and been introduced to them through our partners. They exist in mid-sized cities and in small rural communities. To create some context for you to consider as you move forward, we have categorized these opportunities in the following way.

For more detailed information on these emerging entrepreneurial opportunities, go to Opportunity Assessment in the **e2 University**.



## Emerging Entrepreneurial Development Opportunities

### Economic Restructuring

The Great Recession led to business failures, reshaped markets and threatened the future of many existing businesses. With the Great Reset, there is fundamental economic restructuring that is driving entrepreneurial behavior and opportunity. Supply chain companies (e.g., auto industry suppliers) are rethinking what they are doing and how to find new customers. Small Main Street businesses are seeking ways to control costs, build new markets and return to profitability. Entrepreneurial opportunities are created in places where new energy development is rapidly occurring. All of these examples represent potential sources of entrepreneurial energy that can be targeted for development.

### Underutilized Talent

With unemployment and under-employment at record levels, most communities have tremendous under-utilized talent looking for opportunities. Tired of the revolving door of contract or short-term employment, some workers are creating their own businesses as a way to apply their skills. Young college graduates, faced with limited employment opportunities, are declaring themselves “entrepreneurs” and directing their talents to the launch of a new venture. Veterans returning from service to our country are often challenged to find a good job and some of this talent will find new expression in entrepreneurship.

### Restarts

A deep and long-lasting recession, coupled with a slow and uncertain recovery, leaves business and career wreckage in its wake. Workers displaced from a plant closing are building new entrepreneurial skills to turn a passion into a venture. Entrepreneurs whose businesses were upended by the Great Recession are learning from their failures and applying their talents to new ventures. Aging business owners are seeking to transition their businesses to a new generation of leadership, creating the opportunity for entrepreneurial talent to re-energize existing ventures.

### Immigrants

Immigration has been a source of creative energy in North America for centuries. Motivated by the idea of creating a new and better life, many are driven to take the risks needed to launch an entrepreneurial venture. Highly skilled immigrants are creating some of our most important



## Emerging Entrepreneurial Development Opportunities (continued)

high-tech companies, or bringing their talents to new high-tech startups. Refugees are turning to entrepreneurship as a way to create economic opportunity for themselves and their families, and meet the needs of the immigrant neighborhoods and communities in which they locate. Some “safe harbor” immigrants are gaining a foothold in the United States by investing in the establishment of a new business.

### Retired ... Maybe

“Be thrifty, save for retirement and the future will be bright.” That picture was clouded by the Great Recession. Job loss, diminished retirement savings and uncertainty about the future are driving many retirement-age individuals back into the economy. Some individuals will become entrepreneurs by necessity as a way to supplement or extend retirement income. Others may simply feel too young and healthy to retire and turn their talents to entrepreneurship. These “encore careers” may allow individuals to enter new fields or focus on achieving a social purpose.<sup>6</sup> Still others may channel their economic success into helping other entrepreneurs, becoming investors and even a key source of talent for these new ventures.

### Government Resets

While the “right size” for federal and state governments is a source of debate, the trend is toward a smaller public sector. Businesses benefiting from government contracts are seeking new markets in the private sector. Defense contractors are looking to move into new products and markets as a way to manage likely decreased demand for their goods and services. Cuts in higher education budgets create opportunities for entrepreneurs to offer new ways of delivering education services and may create new entrepreneurs from among the ranks of displaced teachers and administrators.

### Glass Ceilings

America is a land of opportunity, but gender, education, race, language and other factors still create glass ceilings in many careers. These glass ceilings may provide motivation for engaging in entrepreneurial activity: for women, new immigrants, individuals with disabilities, minorities and those skilled workers whose credentials are not recognized in the United States. (continued)

<sup>6</sup> Marc Freedman, *Encore: Finding Work that Matters in the Second Half of Life*, Public Affairs, 2007.

## Emerging Entrepreneurial Development Opportunities (continued)

### Technology/Innovation

Technological innovation and commercialization have long contributed to economic development. The emergence of new technologies and the need for technological innovation create new entrepreneurial opportunities. The growing concern over climate change and environmental sustainability has created the space for new “green” ventures related to such diverse technologies as smart grids, biofuels, and waste recycling. Biotechnology presents new opportunities to address medical, health and other concerns through entrepreneurship. Changes in the landscape of pharmaceuticals create opportunities for smaller entrepreneurial companies to work in partnership with larger firms. Information technology advances at gigabyte speed, creating opportunities for new apps, social media, and other ways to use cyberspace to our advantage. New and niche manufacturing operations are creating a more entrepreneurial manufacturing sector in the United States.

## Bridge to Chapter 1.2

- ***We have just survived the worst economic downturn since the Great Depression.***
- ***There is tremendous need to stimulate economic development.***
- ***Conventional development strategies are not working that well.***
- ***The primary responsibility for economic development lies with each community.***
- ***Entrepreneur-focused economic development presents the best opportunity for prosperity.***

These five statements summarize the need for more aggressive community-based economic development efforts and the rising opportunity associated with entrepreneur-focused development. Hopefully, you are now saying, “Okay, I get that this is important. But, what do I do now?”

Building on this foundation, Chapter 1.2 begins to address the “what” and “how” of becoming an entrepreneurial community. It takes us from a focus on economic development more generally to the real work of energizing entrepreneurial communities.



## **KEEPING THE END IN MIND**

Contrary to conventional economic development mythology, costs, taxes and regulations may not define the kind of ecosystem that fosters and supports entrepreneurs. In this chapter, we frame the key attributes and outcomes that distinguish a community that is supportive of entrepreneurs. This context sets the stage for Part Two where you begin the journey toward becoming an entrepreneurial community.

### *Why are Entrepreneurial Communities Important?*

The global economic development environment described in Chapter 1.1 is characterized by one constant: change! From our perspective, communities that are entrepreneurial are positioning themselves to benefit from, or at least weather, those changes. Communities in the United States and Canada have a leg up on this process by virtue of society's embrace of free market capitalism and entrepreneurship. A supportive environment for entrepreneurship is not as universal.

#### **Defining Community**

Throughout this book, we use the term "community." We define community broadly to include a specific village or city, county or township, or a regional community of place. Community may also include communities of interest based on the development of value chains, such as farm to table food systems.



The Global Entrepreneurship Monitor (GEM) project is a cross-national research effort designed to better understand what it takes to create a strong entrepreneurial environment. From its inception in 1999, the project has focused on understanding the importance of entrepreneurial framework conditions: factors that can either encourage or discourage entrepreneurial activity.<sup>1</sup> While the work has been done at the national level, insights from this research are useful for communities as well. Drawing on this research and our field experience, here is a short list of characteristics, many related to the free market, that contribute to an entrepreneurial community environment:

- **Open and accountable government:** Corruption is relatively isolated and controlled.
- **Easy market entry and exit:** Regulatory hurdles are clear and limited.
- **Acceptance of failure:** Business failure is a learning opportunity, not a fatal event.
- **Adequate and efficient infrastructure:** Commercial infrastructure is accessible and up-to-date.
- **Class and geographic mobility:** People can move in and out of communities based on opportunities and have real hope that they can improve their well-being through hard work and effort.
- **Access to capital:** Diverse sources of capital are accessible to entrepreneurs at various stages of business development.
- **Benevolent public sector:** There is help to recover from natural, financial and other disasters.

Keeping the end in mind, entrepreneurial communities are also important for what they can achieve. Communities that are entrepreneurial are constantly finding competitive niches and renewing economic, social and civic relevance through hundreds, thousands and even millions of individual players (e.g., people, organizations, businesses and institutions). Entrepreneurial communities have the capacity and characteristics to continually reinvent themselves. New York City is a great example of a community that has risen, fallen and risen again over the decades. The city's entrepreneurial assets enable this renewal and create new economic and

<sup>1</sup> To learn more about GEM, go to [www.gemconsortium.org](http://www.gemconsortium.org).

social relevance over time. Typically, entrepreneurial communities are better at generating three important outcomes:


- **Diversity:** Communities that depend on a single industry or even sector are at risk, just as lack of environmental diversity creates stress on an ecosystem. Increasing diversity is one way to provide more balance to an economy, and support for a range of entrepreneurs is a strategy to create more of that diversity.
- **Resilience:** Communities that demonstrate resilience are better equipped to weather shocks, whether an economic downturn, a natural disaster or the loss of a key leader. Resilience is more likely when the economy is comprised of diverse entrepreneurs working within a supportive community environment designed to help them navigate the booms and busts of business development.
- **Prosperity:** Communities that are able to generate wealth, broadly defined and widely shared, are in a better position to achieve sustained prosperity. Prosperity, in turn, enables continued investments to further enhance economic, civic and social life, creating a virtuous cycle.

Can a community achieve prosperity without being entrepreneurial? You need only consider the experience of Detroit during the automotive heyday to answer yes to that question. But, it is our experience that rarely do these communities **sustain** prosperity over generations due to the lack of diversity and resilience that entrepreneurial behavior can bring. Right now, western North Dakota is setting economic growth records unchallenged across the United States; but as the oil boom softens over time, this single-industry driven prosperity will also abate.

## *What Needs to be Done to Create an Entrepreneurial Community?*

Based on our field work and insights, we have identified five central attributes that are the foundation of any entrepreneurial community. These attributes cannot guarantee success; they

are the building blocks or assets with which community leaders construct a supportive ecosystem. We list the attributes here and explore each in more depth below:

- 
- 1. Entrepreneurial talent:** Substantial numbers of business, social and civic entrepreneurs.
  - 2. Entrepreneurial culture:** Tolerance of failure and celebration of success.
  - 3. Entrepreneurial infrastructure:** Robust infrastructure appropriate to the needs of entrepreneurs.
  - 4. Human development focus:** Focus on developing the entrepreneur, not the business.
  - 5. Youth engagement:** Exposure and engagement of youth to entrepreneurship as a career track.

## Entrepreneurial Talent

It may seem like a truism, but entrepreneurial communities identify and embrace their entrepreneurial talent. Business entrepreneurs are obvious. These entrepreneurs create and grow private sector, for-profit businesses. They line Main Streets, operate out of garages and even inhabit industrial parks. Civic and social entrepreneurs may be less obvious. Civic entrepreneurs work in the public sector. They provide education, health care, and recreational activities. They may occupy elected offices or run government departments. Social entrepreneurs are found in non-profit organizations. These are the professionals who provide child care, offer health and wellness services, run youth programs, and address environmental stewardship. They may operate a business venture with a triple bottom line—working to achieve economic, environmental and social goals—but at the end of the day, they have to generate annual revenues to survive and thrive like any other business. All three kinds of entrepreneurs share common traits and are driven by a passion for their work. All three kinds of entrepreneurs are foundational to creating, growing and sustaining an entrepreneurial community.

## Entrepreneurial Culture

Entrepreneurial culture has two important components: other entrepreneurs and the community itself. Other entrepreneurs are critically important. A robust and capable peer group can do more to stimulate and support entrepreneurial behavior than almost any other intervention. The creation of entrepreneur networks, peer groups, advisory boards of directors and mentor programs are proven tactics for increasing entrepreneur to entrepreneur connections. These interactions, however, do not occur in a vacuum but in a community. The community is where entrepreneurs not only work, but also live and play. Their families are part of the community. A community's attitude toward entrepreneurs is important. Supportive communities welcome the new ideas and businesses that entrepreneurs bring, getting to know them and their needs. They provide support in good times and when failure strikes. And, these communities make investments so that they can offer the quality of life that footloose entrepreneurs seek. If you can operate your business anywhere, why not do it in a community that welcomes you and where you want to live and play as well?

## Entrepreneurial Infrastructure

Physical and business infrastructure are important to all businesses. Supportive business infrastructure includes such things as a moderate cost of doing business, appropriate taxation and regulation, accessible business support services, and a skilled workforce. Physical infrastructure includes such tangibles as water, sewer, highway and Interstate access, along with intangibles such as high-speed broadband availability and reliable cell phone service. The relative importance of these elements varies with each entrepreneur, depending on the business and stage of development. A start-up entrepreneur operating from home will be more concerned with Internet and cell phone service than with water and sewer. However, there are certain critical elements that matter to entrepreneurs and are too rarely the focus of economic development efforts: providing the right kinds of spaces for entrepreneurs to work flexibly and to connect both formally and informally with other creative individuals. Co-working and other shared spaces located near coffee shops, pubs, and outdoor venues seem to attract and keep entrepreneurial talent.

## Human Development Focus

At the heart of any entrepreneurial venture lies an entrepreneur. Too often in economic development, the focus is on “growing the business,” when in reality what is needed is to grow the human talent behind the business: the entrepreneur. This shift in focus requires understanding that entrepreneurship is primarily a human development strategy, building the skills of the entrepreneur and creating the environment in which they choose to work.<sup>2</sup> Investing to develop this human talent is a competitiveness strategy. A main reason why high-cost places like New York, California and Minnesota are very entrepreneurial is because these places attract human talent. As one example, the foundation of Chicago Mayor Rahm Emanuel’s economic development strategy is to attract the largest potential share of graduates from Big 10 universities. Communities have a responsibility to provide that talent with the support needed to grow and develop; education and training, customized assistance, mentoring and networking are all ways to surround entrepreneurs with the support they need to grow so that they, in turn, can grow their businesses.

## Youth Engagement

The U.S. Census Bureau now defines a “generational period” as 25 years. In the course of history, this is the blink of an eye. Entrepreneurial communities understand the fundamental need to engage youth and harness their talents. Retaining and, more importantly, attracting young talent requires more than making the right pitch or creating the right living and working spaces. Entrepreneurial communities understand that our traditional educational system—focused on producing workers or employees—does not grow entrepreneurial talent. These communities engage with educators and existing business owners to create opportunities and pathways for identifying and growing young entrepreneurial talent. In doing so, these communities help to evolve the attitudes of existing businesses to move beyond the idea of employees as mere inputs, such as electricity or parcel post service, to one that places these valuable employees at the cornerstone of a competitive entrepreneurial venture.

2 Some of the pioneering work in this area was done by Thomas Lyons and Gregg Lichtenstein. For a good overview, see Thomas S. Lyons, *Creating a Complete Entrepreneurial Community*, Rural Research Report, Illinois Institute of Rural Affairs, Spring 2004, [http://www.iira.org/pubs/publications/IIRA\\_RRR\\_630.pdf](http://www.iira.org/pubs/publications/IIRA_RRR_630.pdf).



## Entrepreneurial Places and Conventional Economic Development Wisdom

Dr. Eric Thompson and Dr. William Walstad at the University of Nebraska, with support from the Gallup Corporation, publish an annual *State Entrepreneurship Index* that ranks each state based on five entrepreneurship indicators: Growth in Business Establishments; Growth in Business Establishments Per Capita; Business Formation Rate; Patents per Thousand Residents; Average Proprietor Income. The results for 2010 appear below:

Top 5 States		Bottom Five States	
1	Massachusetts	50	Louisiana
2	North Dakota	49	Michigan
3	California	48	South Carolina
4	New York	47	Mississippi
5	Minnesota	46	Kentucky

What insights do these rankings offer? First, North Dakota and Michigan are outliers because of the oil boom in North Dakota and the manufacturing crash in Michigan. Second, the top states are those known for many of the characteristics highlighted in this chapter, particularly entrepreneurial talent, culture, and infrastructure while those in the bottom five are not. Third, and perhaps ironically, four of the top five states are known as high cost, high tax and highly regulated environments, while four of the bottom five states are known as low cost, low tax and less regulated environments. These results appear at odds with conventional economic development wisdom. To learn more about the State Entrepreneurship Index, go to [http://bbr.unl.edu/documents/September\\_2012\\_BIN.pdf](http://bbr.unl.edu/documents/September_2012_BIN.pdf).

## Who is Doing This Well?

When you think about entrepreneurial places, Boulder, Colorado or the Silicon Valley in California may spring to mind. One of the first smaller places to receive attention as an entrepreneurial community was Fairfield, Iowa. This community of about 9,500 people lies in a predominantly agricultural region of southeastern Iowa. However, its nickname, Silicorn Valley, speaks to the start-up culture that permeates the community. The roots of this culture come from a decision made in the mid-1970s by Maharishi University (now Maharishi University of Management) to move into the buildings in town once occupied by Parsons College. The university brought along with it and attracted a group of practitioners of transcendental meditation: creative, skilled, entrepreneurial individuals who needed to figure out a way to make a living in this rural Iowa town.

Entrepreneurs were and have been at the heart of Fairfield's efforts to build a strong entrepreneurial ecosystem. The Fairfield Entrepreneur Association was started in the late 1990s as a network by and for entrepreneurs. In Fairfield, the challenge was not to identify the entrepreneurs, since many were already engaged through the network, but instead how to provide value-added services to them. The ecosystem in Fairfield has grown organically as needs were identified, including mentoring programs for startups, microenterprise loans, and CEO roundtables. The community has also embraced economic gardening, working to provide economic gardening hot spots across the community where entrepreneurs can access online resources and assistance. As importantly, Fairfield has done a remarkable job of celebrating the success of its entrepreneurs, creating an Entrepreneur Award and an Entrepreneur Hall of Fame. Understanding and supporting entrepreneurs has become a way of life in Fairfield.



University

You can find case studies of Fairfield, Iowa by going to Working with Entrepreneurs in **e2 University**.

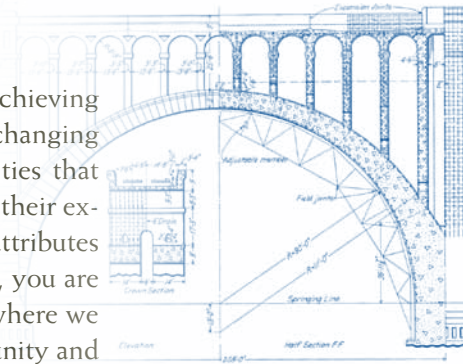
## *How to Move Forward Toward Creating an Entrepreneurial Community*

Much of this book is devoted to helping you become an entrepreneurial community. The first step, however, is to figure out your starting point. How entrepreneurial is your community right now? Where do you have some positive energy to build upon? Where are there some significant holes in your capacity to become more entrepreneurial? Answering these questions will help you be more efficient and effective as you undertake the challenging but rewarding work of creating an entrepreneurial community.

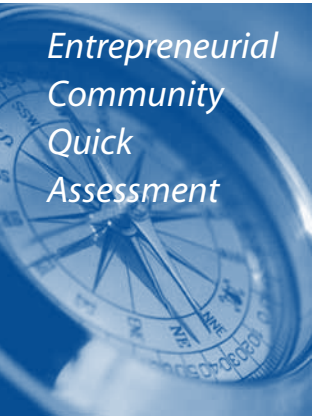
To help you assess your starting point, we encourage you to use the Entrepreneurial Community Quick Assessment shared at the end of this chapter.

### *Bridge to Part Two*

Entrepreneurial communities have a better shot at achieving diversity, resilience and prosperity in today's rapidly changing economic environment. Fortunately, there are communities that chose this path years ago and what we have learned from their experience can guide your journey. By understanding the attributes of an entrepreneurial community and your starting point, you are well positioned to move into the next part of this book where we focus on the keys to becoming an entrepreneurial community and the elements of the system of support that serves as its foundation.



Score each statement based on how strongly you agree or disagree with its accuracy relative to your community.



Statement	Strongly Agree	Agree	Neutral or Unsure	Disagree	Strongly Disagree
We have many business entrepreneurs in our community.	5	4	3	2	1
We have many civic entrepreneurs in our community.	5	4	3	2	1
We have many social entrepreneurs in our community.	5	4	3	2	1
We have a strong entrepreneurial culture in our community that accepts failure as part of being entrepreneurial.	5	4	3	2	1
We have a strong entrepreneurial culture in our community that celebrates rather than resents entrepreneurial success.	5	4	3	2	1
Our community has an entrepreneurial infrastructure that promotes strong networking and peer support among entrepreneurs.	5	4	3	2	1
Our community provides “cool spaces” and informal places for entrepreneurs to connect with each other.	5	4	3	2	1
Our community invests in growing entrepreneurs and their human talent, not just on growing their businesses.	5	4	3	2	1
Our community invests in helping existing business owners become more entrepreneurial in their ventures.	5	4	3	2	1
Our community—parents, educators, and business owners—believes that entrepreneurship is as viable a career option for our children and grandchildren as finding a great job.	5	4	3	2	1
<b>TOTAL SCORE</b>					

- If your score was less than 20 ... Keep reading, your journey's just begun!
- If your score was between 20 and 30 ... Identify your strengths and begin to pull partners together.
- If your score was between 30 and 40 ... Share this book with your key partners and begin to build on your strengths.
- If your score was greater than 40 ... Use the content of this book to move your work forward and increase your impact.

For more information on assessments to help you identify your starting point, go to Organizing for Action in **e2 University**.





A photograph showing several hands of different people stacked on top of each other, symbolizing teamwork and collaboration. The image is in a blue-tinted style.

## PART TWO

## CHAPTER 2.1

# TEN KEYS TO BECOMING AN ENTREPRENEURIAL COMMUNITY

Whenever we do a presentation on economic development, inevitably someone asks, "What are the keys to economic development success today?" The short answer to that question is to become an entrepreneurial community. In this chapter, we draw on over 35 years of practical experience and insights that translate into ten keys to becoming an entrepreneurial community. In our view, these are the keys to economic development success:

***Key 1: Embrace Local Responsibility***

***Key 2: Design a Smart Game Plan***

***Key 3: Commit to Robust Investment***

***Key 4: Build an Entrepreneurial Development System***

***Key 5: Sustain your Effort and Renew Leadership***

***Key 6: Focus on Growth Entrepreneurs***

***Key 7: Develop the Attributes of an Entrepreneurial Community***

***Key 8: Incorporate Immigrants and New Residents***

***Key 9: Practice Genuine Regional Collaboration***

***Key 10: Cultivate Civic and Social Entrepreneurs***

In Chapter 2.2, we talk about the central importance of an Entrepreneurial Development System as a way to organize and implement an entrepreneurial community strategy.



## Why are These Keys Important?

Stephen Covey built a successful business and influenced lives with his book, *The 7 Habits of Highly Effective People*. In a clear, concise way, he provided a sense of structure and guidance that individuals could use as they worked toward a better future. In a similar way, communities can take guidance from these keys to becoming an entrepreneurial community.

In economic development, as in most of life, there is no silver bullet or single path to success. Success comes from a well-designed and well-worked plan. But, that does not mean there are no lessons to be learned from the experiences of other communities. These keys are derived from what we have learned working in communities across North America. We believe it is important to know what the critical elements for success are so that you can maximize the potential that your hard-fought efforts will lead to desired results: community prosperity. Each of these keys represents an ingredient that you need to bring to the process of building an entrepreneurial community.

The other way that a set of keys or guideposts is important is helping you assess your starting point. As you consider these keys, you can think about your strengths: perhaps you have already accepted that your development future is in your hands or maybe you are already involved in a strong regional effort targeted toward economic development. You can also identify those places where you need real culture change, perhaps related to investment or your community's openness to newcomers. Throughout this book, we emphasize the importance of assessment as a way to really understand your situation and make smart, relevant decisions going forward. Understanding these keys is an important first step in that assessment process.



## What are the Keys to Becoming an Entrepreneurial Community?

While we could write a chapter on each key, in this section, we introduce each concept and provide some basic context. We provide detailed white papers and case studies for each key in the Readiness department of e2 University.

### Key 1: Embrace Local Responsibility

Economic development does not just happen. There is no invisible force that creates jobs, provides new investment or expands the tax base of local governments. People and organizations make economic development happen through private and collective decisions. As noted in Chapter 1.1, the United States is unique in that economic development is largely a local responsibility. There are federal, state and even private resources and initiatives that can be helpful and supportive of local efforts, but the decision to act, or not, on economic development rests with local people. For example, the U.S. Import/Export Bank is a potential resource for small businesses, but it is unlikely to be used or even accessed unless communities help link their local businesses with this resource.



*Proactive communities and regions can and do alter their path to prosperity through smart, well-implemented and sustained economic development efforts.*

### Key 2: Design a Smart Game Plan

Today's highly competitive global economy and society demand that American communities invest in developing **smart game plans** rooted in genuine development opportunities. The time for resting on past laurels is over. When we are asked to comment on why so many communities are losing ground, often our answer is that their strategies are just not that smart! What has worked in the past may no longer be relevant when the world and the market have changed dramatically. Two examples illustrate this challenge. Consider the large number of communities still investing most of their development dollars and energy in business attraction. This strategy made some sense when indus-

try was moving out of core cities to suburban and rural areas in the United States. When markets are globally competitive, and companies are relatively footloose, it makes little sense for attraction to be the sole focus of any community's economic development efforts. Yet too often communities are sticking with what they know even without getting the results they seek. Or, what about those communities whose industries have prospered in the past as part of a defense procurement cluster? There is already evidence of cutbacks in defense spending that are likely to accelerate as America winds down two wars and struggles to reduce federal deficits. These companies, and their communities, cannot rely on the markets of the past to generate prosperity for the future. Are these communities prepared to help these mainstay employers shift focus to remain viable?

### **Key 3: Commit to Robust Investment**

We all know that businesses that do not reinvest in themselves are likely to erode their competitive advantage, lose market share and eventually fail. The same is true for communities. How might this business truth apply to a community's long-term development success? We have adopted a rule of thumb to guide communities. To remain competitive over the long haul, you should have an annual investment rate of 10% of your economic value. For example, Grand Island, Nebraska is on the verge of becoming a small metropolitan area. Local leaders have worked hard and smart to ensure the community's future over the years. If Grand Island were a corporation, it would have an annual value of nearly \$5 billion. For this community to grow and prosper requires annual reinvestment of about \$500 million (10%) in new plants, streets, workforce skills, public amenities and the like. Remember, this investment is likely to come from both public and private sources. Based on our field experience, a community should invest about 1% of its annual output in community economic development in an attempt to leverage this larger investment. For Grand Island, that would mean \$50 million each year. Every community is different and this rule of thumb is meant to be a guide. It is helpful as a way to see how under- or over-invested in economic development your community might be.

*As every farmer knows, you cannot reap what you do not sow. The same is true with economic development. A key to success is robust investment in a smart development game plan that is sustained annually over time.*

## Key 4: Build an Entrepreneurial Development System

Systems are a central way to organize and accomplish desired and complex outcomes. Think of all the moving parts involved in delivering educational services in your community: teachers, administrators, food service providers, transportation, parents and many other partners. Is economic development any different than educating people in your community? We have studied economic development across North America from small rural Great Plains communities like Rawlins County Kansas (population under 2,500) to the Los Angeles basin (population exceeding 10 million). One lesson we have learned is that taking a systems approach generates greater outcomes as compared to disconnected, programmatic efforts. As the focus of economic development shifts toward supporting and growing local entrepreneurs, an entrepreneurial development system (EDS) becomes very important. As the quote suggests, an EDS connects the dots between a variety of programs and service providers, creating a more cohesive and effective network. Building entrepreneurial development systems is hard, but the potential dividends are huge. We will explore the EDS concept in more detail in Chapter 2.2.

## Key 5: Sustain your Effort and Renew Leadership

Remember the old saying anything worth doing is worth doing well? Malcolm Gladwell introduced us to the 10,000 hour rule in his book, *Outliers: The Story of Success*. If it takes a community 10,000 hours to get really good at economic development, that means you need to sustain your efforts at a robust level year in and year out over decades. When competition is global and new insights are generated continuously, your economic development efforts never end. There are two dimensions to this sustained effort. One is financial resources, the robust investment described earlier. The other important factor is maintenance and renewal of community leadership. We have seen all too often how the loss of a key champion can derail a community's economic development efforts. A smart economic development strategy includes investments in leadership development and a commitment to bringing in and empowering new leaders continuously.

*An effective entrepreneurship development system integrates a wide range of programs and tailors products and services to meet the diverse needs of entrepreneurs. It should be comprehensive, flexible, culturally sensitive, and integrated, and should require providers to collaborate rather than operate independently or in isolation.*

– Brian Dabson<sup>1</sup>

<sup>1</sup> Brian Dabson, *Fostering Entrepreneurship Development Systems in Rural America: First Review of the Results of the Request for Proposals*, Report to the W.K. Kellogg Foundation, CFED and the Rural Policy Research Institute (RUPRI), January 2005.

Communities currently nurture their economies through economic development, workforce development and small business development, but there is a fourth dimension we need to add. Growth-company development is the missing piece.

— Mark Lange, Edward Lowe Foundation<sup>3</sup>

## The 10,000 Hours Rule

Malcolm Gladwell's 10,000 hours quote actually comes from neurologist Daniel Levin. "The emerging picture from such studies is that 10,000 hours of practice is required to achieve the level of master associated with being a world-class expert in anything. In study after study of composers, basketball players, fiction writers, ice skaters, concert pianists, chess players, master criminals and what have you, the number comes up again and again. Of course, this doesn't address why some people get more out of their practice sessions than others do, but no one has yet found a case in which true world-class expertise was accomplished in less time. It seems it takes the brain this long to assimilate all that it needs to know to achieve true mastery."<sup>2</sup>

## Key 6: Focus on Growth Entrepreneurs

Every community is different with unique opportunities for entrepreneurial development. Your entrepreneurial development strategy must be designed to address the needs of your entrepreneurial talent. What is clear from our field work, however, is the imperative in most communities to focus on growth entrepreneurs. These entrepreneurs are present in most communities and they can be nurtured. As these entrepreneurs grow, they bring new income into the community, create more jobs and stimulate the growth of other businesses, whether their suppliers or local retailers. The key to success in the future is for communities to focus on helping to grow **more growth entrepreneurs**. In doing so, these communities will create more and better investments, jobs and careers, and stronger local tax bases, important outcomes for any economic development effort.



For an example of a growth entrepreneur, read the story of Solar Roast Coffee in Pueblo, Colorado found in Working with Entrepreneurs in the **e2 University**.

2 Malcolm Gladwell, *Outliers: The Story of Success*, Little, Brown and Company, New York, 2008.

3 Accelerating growth: Foundation sharpens its focus on advancing second-stage entrepreneurs," Annual Report, Edward Lowe Foundation, 2008.

## Key 7: Develop the Attributes of an Entrepreneurial Community

In Chapter 1.2 we introduced the attributes of an entrepreneurial community. Over time, communities need to be very intentional about cultivating and developing each of those five attributes:

- 1. Entrepreneurial talent:** Substantial numbers of business, social and civic entrepreneurs
- 2. Entrepreneurial culture:** Tolerance of failure and celebration of success
- 3. Entrepreneurial infrastructure:** Robust infrastructure appropriate to the needs of entrepreneurs
- 4. Human development focus:** Focus on developing the entrepreneur not the business
- 5. Youth engagement:** Exposure and engagement of youth to entrepreneurship as a career track



All of these attributes are equally important. There are examples of communities and regions that have failed to emphasize one attribute to the detriment of their economic development efforts. For example, a business incubator space (entrepreneurial infrastructure) on the edge of town sits empty because the entrepreneurial talent in the community, for example a group of artisans, wants individual studio space along Main Street. Or, potential young entrepreneurial talent leaves the community because they do not recognize the opportunity to grow their own businesses and careers.

## Key 8: Incorporate Immigrants and New Residents

Immigrants and new residents have been a renewing force in American communities for generations. Although we struggle as a country with immigration issues and as communities with the challenges of integrating new residents, communities large and small that welcome, embrace and support immigrants and new residents expand their economic opportunities. Think about

Silicon Valley in California, the Diamond District in New York City or the province of Manitoba. All of these regions have benefited from the influx of new residents, many of whom applied their entrepreneurial skills and capacities in their new communities. It is one thing to intellectually and emotionally embrace immigrants and new residents as a positive asset; it is more challenging to actually create an intentional game plan that fosters a welcoming and supportive climate.



To learn more about immigrant agri-preneurship in Minnesota, read our case study, *Agripreneurs: A Free Range of Opportunity*, in Opportunity Assessment in the **e2 University**.

## Key 9: Practice Genuine Regional Collaboration

With the global economy as a backdrop, it is hard to imagine that economic development efforts confined to a single locality can be successful. Entrepreneurs do not use arbitrary county or municipal boundaries to define their markets, so why should communities? The challenge, however, is the lack of workable and meaningful vehicles for regional collaboration in the United States. Again, we come back to the reality that economic development is a local responsibility. However, there are important advantages to be gained by fostering genuine regional collaboration by having local support for regional development entities. A number of federal efforts have recognized the value in such collaboration and are awarding grants based on evidence of workable collaborative structures (e.g., the U.S. Housing and Urban Development's Sustainable Communities Program.) Overcoming the barriers to effective collaboration—competition for scarce resources, historic community rivalries, uninspired leadership, to name a few—will be critical to creating at-scale development resources and game plans. These collaborations might include multiple rural counties (e.g., Vision West in North Dakota) or hub cities and the surrounding rural regions (e.g., Athens, Ohio) linking together to foster regional economic growth and success.

## Key 10: Cultivate Civic and Social Entrepreneurs

Based on our years of experience, we believe that entrepreneurs are the foundation or the keystone to economic development success in the 21st century. As we shared earlier in this book, it is not just business entrepreneurs who are critical to success but also entrepreneurial leaders in the public and non-profit sectors. Those civic and social entrepreneurs often lead in creating the strategies, making the quality of life investments and defining the business climate necessary for business entrepreneurs to succeed. Communities need to recognize that business, civic and social entrepreneurs are complementary resources and make the strategic investments to grow the capacity of all three groups.

### *Who is Doing This Well?*

Chase County Nebraska, and its county seat, Imperial, is a place that embraces many of the keys to becoming an entrepreneurial community. Located in extreme southwest Nebraska, the community is rural, relatively small and geographically closer to the Denver Front Range metropolitan area than Lincoln, Nebraska's capital. Chase County is farming and ranching dependent, but it has built a vibrant economy and a "can-do" community development attitude.

Like many communities, a critical tipping point helped to spur action. Between 1970 and 2009, county population dropped by 12% from a little more than 4,000 to about 3,600 residents, part of a long downward trend. It had reached a critical tipping point with annual deaths exceeding births. But, Imperial is a community with hope and a long-term community commitment to economic development. Over time, they have adopted a smart game plan that includes tapping the resources of many partners. Another key to their success is good visionary leaders, both public and private, who collaborate and work well together. The community has embraced and supported its entrepreneurial talent, illustrated by remarkable businesses both on and off the farm including everything from diversified agriculture to a growing telecommunications firm,

*"Where others see problems, social entrepreneurs see opportunity. They are not simply driven by the perception of a social need or by their compassion, rather they have a vision of how to achieve improvement and they are determined to make their vision work.*

– J. Gregory Dees<sup>4</sup>

<sup>4</sup> J. Gregory Dees, *The Meaning of 'Social Entrepreneurship*, Center for the Advancement of Social Enterprise, Duke University, May 30, 2001.

Allo Communications. This community and its active community foundation are investing in a dual development strategy focused on smart economic development coupled with serious investment in quality of life assets through sound community development.

Chase County is winning its future by the actions it is taking today as evidenced by changes in its trend lines. The 2010 Census confirmed that Chase County and Imperial are succeeding in attracting new residents and retaining existing residents through business growth. For the first time in many decades, Chase County had documented positive population growth for 2010. This evidence suggests that its development game plan is working and offers the hope that with continued investment and effort, this community will continue to succeed well into the 21st century.



To read a case study of Chase County Nebraska and the city of Imperial, go to Energizing the Community in the **e2 University**.

## *How to Move Forward with These Keys to Success*

We have provided a glimpse of the keys to building an entrepreneurial community. A good next step would be to explore each key in more depth. We also encourage you to do your own investigation of entrepreneurial communities: where are they; what elements do they have in place; what kind of impacts or success are they having. We suggest starting with the following places:

- **Fairfield, Iowa:** One of the earliest rural communities to embrace entrepreneurship as a development strategy
- **Littleton, Colorado:** The birthplace of economic gardening
- **Rawlins County Kansas:** An early adopter and participant in NetWork Kansas' E-Communities initiative



While each key is important to success, we want to highlight **Key #3: Commit to Robust Investment.** We make the case for robust investment above but how do you mobilize these resources, particularly when you are just getting started? We will delve deeper into sustaining your impact in Chapter 5.3. For now, we want to highlight four parts of an early capitalization strategy:

- 1. Raise an initial grubstake:** We encourage you to identify key stakeholder groups and seek their modest financial investment in funding the grubstake. By bringing these stakeholders to the table early, as small funders, you increase your chances of having deeper engagement and support from them going forward.
- 2. Leverage early fundraising with grant programs:** Many state development agencies have grant programs that communities can use to leverage or match their grubstake. You might also consider federal programs; U.S. Department of Agriculture's Rural Development programs and the U.S. Economic Development Administration programs can fit this bill.
- 3. Redirect existing effort into your emerging entrepreneurial community strategy:** Your entrepreneurial community work is focused on making entrepreneurship development a core component of your current development activities. You should look for development efforts that already enjoy strong community support and think creatively about their connections to entrepreneurship. For example, there may be strong interest in creating a youth strategy, giving you an opportunity to bring a youth entrepreneurship focus to the discussion. Or there may be strong support for a tourism strategy and you can introduce support for tourism sector entrepreneurs. In either case, you are looking to draw some existing development dollars into support for your efforts.
- 4. Bring new stakeholders and resources to the effort:** We will talk in depth in Chapter 3.2 about engaging stakeholders. One way to attract additional capitalization is to bring new and untapped stakeholders into your entrepreneurship effort. Think about the non-usual suspects who are

*We believe that successful economic development requires a long-term community commitment to the whole package: playgrounds, updated infrastructure, business programs, day care, etc. How can we attract the investment of new residents, entrepreneurs and businesses, if we are not willing to invest in the future of our community?*

– Leslie Carlholm,  
Community  
Development  
Director, City of  
Imperial, Nebraska

concerned with community prosperity. You may find them in faith-based organizations, in community development organizations, in microenterprise development organizations and at the regional community college. Think outside the box when you are trying to attract the resources needed to get off to a strong start.

You are probably wondering how much money you need to get started. The level of funding will vary by size of community and the aggressiveness of your plan of work. As a rule of thumb, you will need between \$15,000 and \$35,000 for early capitalization of the first three- to 12-months of your work.

## Capital Flows

Capital in the U.S. flows more freely when there is certainty and success; new ideas and products must demonstrate value to attract additional investment. The same is true for a community's willingness to invest in its own development efforts. Capitalizing your early entrepreneurial communities work is about the quality of your ideas, your people and your plan; additional resources will flow by demonstrating the results of your efforts.

## Bridge to Chapter 2.2

Having the keys is just the beginning of any journey. The next step is to assemble the other elements to help you reach your destination. On the journey to becoming an entrepreneurial community, you need to be armed with a better understanding of an entrepreneurial development system (EDS) and how it can help to move your community forward in a more strategic, sustainable way. The next chapter will introduce you to the basic elements of an EDS and provide some guidance on where to go to learn more.



## PART TWO

## CHAPTER 2.2

# ENTREPRENEURIAL DEVELOPMENT SYSTEMS

A system is a set of interrelated elements that work together in a way to achieve some particular end. These elements create a whole that truly does amount to more than the sum of its parts. An **entrepreneurial development system** (EDS) is one focused on identifying, developing and supporting entrepreneurial talent so these entrepreneurs can start, grow and sustain their businesses. The ultimate endgame is economic development: creating wealth and prosperity for communities.

### *Why is an EDS Important?*

Most states have some focus on economic development. Leadership might come from the Department of Commerce or from a quasi-public entity organized explicitly to promote economic development. The U.S. federal government, through the Small Business Administration, the Economic Development Administration and other agencies, also supports a set of programs that communities and regions can tap in support of economic development. Rarely, however, are these individual programs interconnected in a way that allows them to leverage each other and achieve greater impact. Arising from separate agencies, at different jurisdictional levels, these programs and services are not working together in a way that really develops entrepreneurial talent. Put simply, there is no EDS.



*When one tugs at  
a single thing in  
nature, he finds it  
attached to the rest  
of the world.*

– John Muir

The importance of creating an EDS is taking root in some local and regional development circles.<sup>1</sup> The three important components of the system are:<sup>2</sup>

1. Creating a pipeline including youth entrepreneurship and helping entrepreneurs access the appropriate resources at each stage of business development.
2. Building systems of financial and technical support to better connect entrepreneurs to the resources they need and to better identify and fill gaps in the system so needs do not go unmet.
3. Fostering favorable policy and community environments so entrepreneurship becomes an important component of economic development and entrepreneurs are supported by the community.

How does such a systems approach help to grow a community's economy? As more entrepreneurs are supported to start and grow their ventures—for-profit and non-profit—they create new investment, jobs and tax base that support quality of life amenities. As communities grow clusters of successful entrepreneurs, they are more economically relevant and competitive. A diverse set of entrepreneurial ventures contributes to resiliency in local and regional economies, an increasingly important trait needed to weather the dramatic changes occurring in our dynamic global economy.<sup>3</sup>

1 The origins of an EDS lie in the work of Lichtenstein and Lyons, and the benefits were further documented through the Kellogg Foundation's national demonstration projects. Gregg A. Lichtenstein and Thomas S. Lyons, *The Entrepreneurship Development System: Transforming Business Talent and Community Economies*, *Economic Development Quarterly*, 15 (February 2001), 3-30. Elaine L. Edgcomb, Joyce A. Klein, and David Black, *Revitalizing Rural Economies through Entrepreneurship Development Systems*, The Aspen Institute, December 2008, <http://fieldus.org/Publications/EDS2008.html>.

2 Elaine L. Edgcomb, Joyce A. Klein, and David Black, 3-5.

3 In addition to the two resources cited above, to learn more about entrepreneurial development systems, we recommend Erik Pages, *Building Systems for Entrepreneur Support*, *Economic Development America*, Winter 2005, <http://www.entreworks.net/Download/EDAWinter2005Final.pdf> along with the other articles in this issue; the Winter 2006 issue of *Economic Development America* focused on *Rural Entrepreneurship and Innovative Leadership*, <http://www.entreworks.net/Download/SupportingRuralEntrepreneurship.pdf>; CFED, *Mapping Rural Entrepreneurship*, August 2003.

## What is an EDS?

Like any other system, an EDS has a number of moving parts. In addition to understanding the elements and attributes of an EDS, it is important to create some benchmarks for the evolution and development of this system. Most communities need to start small and grow the system over time. We think in terms of three benchmark stages: basic, advanced and high performing. As we describe the components of an EDS, we provide some guidelines for what that element might look like at each benchmark stage.

Communities with an effective EDS have addressed four key elements to stimulating and supporting entrepreneurs:

- ***Entrepreneurial markets reached***
- ***Services provided***
- ***Organizational infrastructure***
- ***Economic and social impacts***

These four elements are highly interrelated. Expansion in organizational infrastructure enables more services to be provided, more of the entrepreneurial marketplace to be reached and greater economic and social impacts to be achieved. The attributes of each core element are explored below, organized by EDS benchmark stage.

### Entrepreneurial Markets Reached

Every community has a range of entrepreneurial talent. And, every community faces resource limitations: money, staff time, leadership capacity. Creating an EDS means making some tough choices about the entrepreneurial markets you can effectively serve at each stage of development for your EDS. The table below describes these markets in more detail.

## Entrepreneurial Markets Reached by EDS Benchmark Stage

Benchmark Stage	Description
<p><b>Basic</b></p>	<p>A basic EDS generally has less capacity and, as a result, often focuses on the earliest or most developmental end of the entrepreneurial talent market including:</p> <ul style="list-style-type: none"> <li>• Youth: Young people with a business idea or existing venture.</li> <li>• Aspiring: People with ideas who have not yet started their venture.</li> <li>• Startups: People who have just launched or are just achieving sales.</li> <li>• Formal existing businesses: Business owners who may have entrepreneurial ideas.</li> </ul>
<p><b>Advanced</b></p>	<p>An advanced EDS has more capacity and experience. It is significantly more sophisticated, serving basic and additional market segments:</p> <ul style="list-style-type: none"> <li>• Informal existing businesses: Business owners who are not part of the formal economy.</li> <li>• Struggling or challenged businesses: Business owners who are facing difficulties in building their businesses.</li> <li>• Business transitions: Business owners seeking new owners to transition the business.</li> <li>• Growth entrepreneurs: Entrepreneurs who are actively working to grow their business.</li> </ul>
<p><b>High Performing</b></p>	<p>A high performing EDS is relatively rare, particularly in less urbanized places. These systems offer a more comprehensive and sophisticated set of services to a more encompassing set of entrepreneurs:</p> <ul style="list-style-type: none"> <li>• Serial entrepreneurs: Entrepreneurs who start and grow a business, over and over again.</li> <li>• High growth entrepreneurs: Entrepreneurs who are experiencing rates of growth of 15-20% annually.</li> <li>• Attraction entrepreneurs: Entrepreneurs who move into a particular community to start or grow their business.</li> </ul>

For stories of how communities moved from basic to advanced and from advanced to high performing in their ability to reach entrepreneurs, see Energizing the Community in **e2 University**.



## Services Provided

An EDS should provide two services regardless of benchmark stage. One core element is a **local resource center** anchored by a website. The website, in conjunction with other parts of the EDS, can be a central mechanism to promote good referrals and stimulate effective networking. The website should inventory, on a real-time basis, all available resources—public and private—capable of supporting entrepreneurs. We make this suggestion with an abundance of caution, however. We see such a website as a tool for service providers to improve their outreach and referrals. And, we are not suggesting that every community should create a website from scratch. There are two resources that have proven quite effective at helping communities establish an online resource presence efficiently (see below for more details).

## Tools for Business Success

We have witnessed many communities struggle to create resource inventories and web-based resource directories to support entrepreneurial development. Many dollars have been spent and, in our experience, these investments often reap limited results and are not sustainable. Tools for Business Success founders Kay Reynolds and Carolyn Usinger have reversed this experience. Their web-based resource provides a turnkey, but customizable website that can provide communities and regions immediate online resources for entrepreneurs. Their sites are field-tested, work well and are very affordable. An efficient and effective website is important because many entrepreneurs go to the web long before they ever call a development office, often when they are up in the wee hours of the morning pondering a challenge. A well-designed site can provide another pathway for entrepreneurs to identify services. In addition, the Tools for Business Success site is a resource for economic developers, providing a wide range of tools they can use in their day-to-day practice. To learn more about Tools for Business Success, go to [www.toolsforbusiness.info](http://www.toolsforbusiness.info).



## KCSOURCELINK

KCSOURCELINK (KC stands for Kansas City) was the pilot for U.S.SOURCELINK, created with support from the Kauffman Foundation, SBA and the University of Missouri-Kansas City. This resource was under development at the same time that the Foundation was supporting the startup of our Center for Rural Entrepreneurship. The motivation for U.S.SOURCELINK was clear and compelling. Have you ever witnessed a new entrepreneur as they pick up one of those massive resource directories on starting a business? Every state has one and they typically run three to four inches thick! The look of bewilderment on the entrepreneur's face suggests how little help those directories truly are. In contrast, U.S.SOURCELINK employs state of the art information technology and resource networks to connect entrepreneurs with those who can help. The use of U.S.SOURCELINK is a key part of NetWork Kansas' success in connecting hundreds of resource providers across the state to entrepreneurs who need their help. U.S.SOURCELINK is particularly helpful in those environments where there are many entrepreneurs and resource providers. It can be very useful in matching the right resource with the right entrepreneur at the right time. KCSOURCELINK began in Kansas City but U.S.SOURCELINK now works with states, regions and communities across America. To learn more about U.S.SOURCELINK, go to [www.ussourcelink.com](http://www.ussourcelink.com).



*The system would be defined by the concept of 'no wrong door.' This new system would move the burden of understanding how best to access support services from the entrepreneur to the system itself.*

— Erik R. Pages,  
Building Systems for  
Entrepreneur  
Support

Two, we propose a "no wrong door" rather than a "one-stop shop" approach to market outreach. The "no wrong door" approach requires effective networking within the community. All support providers must be familiar with the work of their partners so that effective referrals are made. Under this approach, multiple entry points create pathways into the resource system and help direct the entrepreneur to the quickest possible answer. "No wrong door" means that regardless of where the entrepreneur enters the system, she will be effectively assessed and guided to the most appropriate resource. In addition to these two foundational services, other services are described in the table on the next page.



### Services Provided by EDS Benchmark Stage

Benchmark Stage	Description
<p><b>Basic</b></p>	<p>A basic EDS provides access to three kinds of core services:</p> <ul style="list-style-type: none"> <li>• Entrepreneurial training (e.g., FastTrac®)</li> <li>• Entrepreneurial counseling (e.g., Small Business Development Center – SBDC)</li> <li>• Debt financing through microenterprise organizations, revolving loan funds, or other existing programs</li> </ul> <p>Additionally, many basic systems have a modest youth and/or young adult entrepreneurship program such as the 4H program, EntrepreneurShip Investigation (ESI), Rural Entrepreneurship through Action Learning (REAL) or a school-based program such as Junior Achievement. Some may be implementing elements of the Center's Youth Engagement System. Finally, a basic EDS may spend a modest amount of time on entrepreneur identification, visitation, and targeting for assistance.</p>
<p><b>Advanced</b></p>	<p>An advanced EDS provides basic services, but also begins, through volunteer and paid staff, to provide more one-on-one assistance including:</p> <ul style="list-style-type: none"> <li>• Entrepreneur coaching</li> <li>• Networking support and infrastructure</li> <li>• Simple angel investment networks</li> <li>• Expanded financing tools including working with commercial banks</li> <li>• Better connections to specialized, outside resources</li> <li>• Business incubation, either bricks and mortar or virtual</li> <li>• More extensive youth and young adult entrepreneurship offerings</li> <li>• More aggressive visitation and entrepreneur development</li> </ul>
<p><b>High Performing</b></p>	<p>A high performing EDS effectively provides both basic and advanced services. Levels of one-on-one assistance are more robust, primarily due to increased experience and more highly skilled staff. In a high performing EDS:</p> <ul style="list-style-type: none"> <li>• The ability to network and to access critical outside resources is more complete, including accessing venture capital, market research, import/export assistance, business transition planning, innovation and technology access, and specialized services such as intellectual property rights expertise.</li> <li>• Entrepreneur visitation is ongoing and robust.</li> <li>• Efforts to organize and support peer groups, mentors, and advisory board-type strategies occur on a more regular basis.</li> </ul>



For stories of how communities moved from basic to advanced and from advanced to high performing in providing services, see Energizing the Community in **e2 University**.

## Organizational Infrastructure

Building organizational infrastructure is not an end in itself. However, it is fundamental to creating an EDS that generates economic and social outcomes. Smart investments are important and will require that communities and the region make hard decisions about investing in their future. Key elements of organizational infrastructure, built over time, are described in the table below.

### Organizational Infrastructure by EDS Benchmark Stage

Benchmark Stage	Description
<b>Basic</b>	<p>There is a core group of <i>champions</i> within the community who believe that entrepreneurship is central to the community's future. There is also a <i>lead organization</i> that takes on the responsibility for building the community EDS. This process requires a <i>collaborative approach</i> with multiple stakeholders engaged and partnering to build and sustain the EDS.</p> <p>Paid staff may or may not be possible at this stage. Most likely, someone, as a part of their job description, will take responsibility for staffing the EDS.</p> <p>The financial commitment of the community is modest at this point, given the unproven nature of the strategy. Generally speaking, the community's local spending on a basic EDS ranges from \$5-\$10 per capita per year. For a community of 5,000, this rate equates to \$25,000 to \$50,000 per year.</p>

(continued)

## Organizational Infrastructure by EDS Benchmark Stage (continued)

Benchmark Stage	Description
<p><b>Advanced</b></p>	<p>There is a broad-based network of champions and partners who form a <i>community entrepreneurship network</i>. Within the network, established and experienced successful entrepreneurs provide leadership and support.</p> <p>Staffing and volunteers become more important. There is full-time staff, and possibly multiple staff members. The staff is more experienced and better trained.</p> <p>As the system moves from referrals to training programs such as FastTrac® to coaching or one-on-one assistance, costs rise rapidly. There is greater investment in an advanced EDS because staff and partners are doing more and achieving greater results. At this level, communities are investing a minimum of \$10-15 per capita per year, and possibly more. For the community of 5,000, this equates to an annual budget of \$50,000 to \$75,000 augmented by a much larger volunteer resource.</p>
<p><b>High Performing</b></p>	<p>A high performing EDS is characterized by dedicated organization and staffing, and the greater skill sets required to address the opportunities and needs of serial and high-growth entrepreneurs. At this stage, the community has staff and volunteers who specialize in everything from youth entrepreneurship to resource brokering.</p> <p>Investment increases to enable this level of infrastructure. Community spending may rise significantly, ranging from \$15 per capita to \$50 per capita per year. For the community of 5,000, this level of investment provides an annual budget of \$75,000 to \$250,000.</p>



For stories of how communities moved from basic to advanced and from advanced to high performing in organizational infrastructure, see Energizing the Community in **e2 University**.

## Economic and Social Impacts

Performance measurement is important at all stages of EDS development. It is important to document and track both numbers (e.g., job and business creation) and stories (e.g., ribbon cutting on a building expansion, new market for an existing business). The sophistication of goals and metrics increases as the EDS moves from basic to advanced to high performing.

### Economic and Social Impacts by EDS Benchmark Stage

Benchmark Stage	Description
<b>Basic</b>	<p>Outcomes achieved with a basic EDS are likely to be qualitative and limited since the entrepreneurs are in a more developmental stage. Clearly, there are process outcomes realized, such as the community's decision to move forward, investments of time and money, and a sense that this approach can make a difference. Economic and social outcomes are harder to realize but, at a minimum, the community EDS should have:</p> <ul style="list-style-type: none"> <li>• Identified entrepreneurs</li> <li>• Begun visitation</li> <li>• Identified specific needs and ways to help</li> <li>• Made good referrals to assistance providers</li> <li>• Created some success stories</li> </ul> <p>New investment, increased sales and job creation rates may be small, but the stories are there. These stories need to be captured and shared to build momentum and encourage the community to continue to build out the EDS.</p>

*(continued)*

### Economic and Social Impacts by EDS Benchmark Stage (continued)

Benchmark Stage	Description
<b>Advanced</b>	At this level, impacts should become more tangible and robust, including business activity measures (e.g., number of startups, retentions, total investment, and job creation) and community impacts (e.g., increased spending in the community, growth in the tax base or utility sales). While there are promising numbers and stories, the EDS has probably not yet reached indicators of systemic change.
<b>High Performing</b>	A high performing EDS is working with many entrepreneurs across the market spectrum. The impacts identified for an advanced system are being realized at a more robust level. At this stage, it is important to watch for indicators of systemic change, including positive trend lines for population, income, employment and tax base and evidence that these measures are growing faster than peer communities or even state averages. Higher rates of youth and young adult attraction, external entrepreneur attraction, and fundamental changes in community attitudes or culture can be documented as well.

For stories of how communities moved from basic to advanced and from advanced to high performing in generating economic and social impacts, see *Energizing the Community in e2 University*.



### *Who is Doing This Well?*

Rawlins County Kansas, with its primary city of Atwood, has a long-term commitment to planning for economic development. They started a strategic planning process back in the mid-1990s and continue to update and improve on those plans. Over the years, they have truly built out the components of an EDS in order

to achieve their community economic development goals.

The Rawlins County EDS story begins in earnest in the mid-2000s when three women reached out to learn more about the HomeTown Competitiveness® model being tested in Nebraska. They returned from a Nebraska field day inspired to create their own team and bring the elements of the framework to Kansas. A first step in implementing what they learned was hiring an economic

development director, the county's first. Chris Sramek came on board and began to build the infrastructure needed to make entrepreneurial development a reality in the county.

Their starting point for action was youth. The community learned that half of their young people would return to the county in the future if they had good job and career prospects, a fact that few if any adults knew. With this new understanding, the community organized its first e-fair to



*Courtesy of Kansas Farm Bureau*

expose young people to entrepreneurship. Teams from across the region participate in this now annual event and new business starts have resulted. Other youth organizations (e.g., FFA) actively participate in bringing entrepreneurship to young people throughout the county. The result has been a culture change; if a business has a job opening or if an entrepreneur wants to sell his business to a new entrepreneur, their first stop is the Chamber or economic development office so that the opportunity can be promoted to their active alumni network. The community is not going to leave these connections to chance.

Rawlins County also recognized that a sustained effort to support entrepreneurs required that they create real value for their entrepreneurs and that they assure a sustained source of resources to support their efforts. The solution to adding value was to partner with a strong network of organizations across the state, ranging from the Department of Commerce to NetWork Kansas to the Kansas Health Foundation. These partners are on call as resources for both the entrepreneurs and the leaders in the county. At the same time, the county looked inward for financial resources, working to create connections between three endowments created over the 1980s and 1990s.

The result of all these activities has been real community impact. Rawlins County experienced increased income and employment from a growing pool of non-farm proprietors; even factoring in the downturn caused by the Great Recession, the trend lines are positive and strong. People are moving back and the population is growing for the first time in decades. There are more young families in town and school enrollment is growing, again, for the first time in decades. There is still work to be done; there will **always** be work to be done. But, Rawlins County has built a system of support for entrepreneurs and the community that is bearing fruit now.

## How to Move an EDS Forward in Your Community

What steps might you take to begin to build an EDS in your community? There are several “first steps” that relate directly to the four core elements:

- **Markets served:** Before you begin, you need to have a better understanding of the nature of your community’s entrepreneurial talent. You need to be able to identify your entrepreneurs and know your market. For example, you may have a group of Main Street business owners with entrepreneurial ideas about growing their markets and becoming more profitable businesses. We will talk more about this necessary assessment in Chapters 3.1 and 4.1.
- **Services provided:** With a specific market in mind, you can begin the process of understanding the needs of this market and offering services in response to those needs. For example, those Main Street business owners may need customer service training for employees and marketing training to better deploy social media.

Entrepreneurial asset mapping is one way to help identify the assets you have to provide services and an organizational home for your EDS. Find an asset mapping tool by going to Readiness in the **e2 University**.



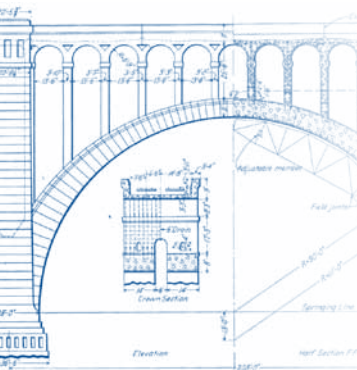
- **Organizational infrastructure:** You likely have a champion or two in your community already, people who are promoting the idea of an EDS. You also need to identify the best organization to lead these efforts. If your target is Main Street business owners, the Chamber of Commerce may be the best place to start.
- **Economic and social impacts:** You are not yet at the place of generating impacts through your EDS. But, it is never too early to establish the measurement system you will use to gather data and stories down the road. Each of those Main Street business owners is a potential impact story and you will want to work from the outset to establish the baseline for each business so you can track how far they come through the assistance offered by the EDS.



Learn more about building a measurement system by going to Energizing the Community in the **e2 University**.

## Bridge to Chapter 2.3

As a community or regional leader, you may well be saying to yourself, "This systems approach makes a lot of sense, but where will I find the capacity to implement an EDS as we seek to become an entrepreneurial community?" With apologies to Hillary Clinton, it does indeed take a village to build an EDS. Economic development is a team sport and the first step in getting started is to build your team. Chapter 2.3 talks in more detail about how you build a local or area resource team.





## Why Branding Matters

The lead organization in your community promoting entrepreneurship needs a **brand** to help people quickly identify it as an entrepreneurial resource and a **branding strategy** to carry that message to the target entrepreneurs you hope to motivate. Branding is as important for local economic development organizations as it is for any private company. Your brand is the set of perceptions that you establish in each member of your target audience. Your branding strategy is the set of marketing actions you take to actually win over your target audience and establish those perceptions.

If your organization wants to help others develop their business, you need to establish your brand and live it every day. Thus, when you design your brand, focus on the relatively few core principles you want people to identify with when they see your name or logo. For example, your EDS brand should convey that your organization:

- Has expertise in helping entrepreneurs
- Has the right entrepreneurial resources
- Is professional and competent
- Is helpful and friendly
- Cares about regional prosperity

**Marketing** encompasses all the actions you take to support your brand, not just your logo or the look and feel of advertising. When you consult with an entrepreneur and give her good actionable advice, it is marketing. It supports the claim that you have expertise in helping entrepreneurs and it is a message likely to spread into the community. By the same token, every time someone in your organization fails to deliver effective assistance to an entrepreneur, the value of your brand is undermined.

To learn more about the art of branding, go to Marketing in the **e2 University**.





## PART TWO

## CHAPTER 2.3

# BUILDING YOUR AREA RESOURCE NETWORK

We have made the case that entrepreneur-focused economic development is a critical piece of creating a more prosperous future for your community or region. Our field research is clear: envisioning, developing and operating a system of support for area entrepreneurs is fundamental to increasing desired economic development outcomes. Systems are sophisticated, robust and resilient. Whether in the field of commercial air travel, education or health care, smart systems operated well make all the difference. Building an entrepreneurial development system (EDS) to help you create an entrepreneurial community takes teamwork. An Area Resource Network facilitates that teamwork.

### *Why is an Area Resource Network Important?*

Whether you define your community as a single town, county or larger region, every community has significant local knowledge and resources that can help entrepreneurs achieve their dreams of growing more successful ventures. The Area Resource Network becomes the mechanism for putting local knowledge to use in connecting entrepreneurs with local resources that can help them succeed. You might think of this network as the bones of an EDS; it provides some of the structure for the system but still lacks the key connective tissue that the lead organization and ultimately



*Every community has significant local knowledge that can help entrepreneurs achieve their dreams of growing more successful ventures. The Area Resource Network becomes the mechanism for putting local knowledge to use in connecting entrepreneurs with local resources that can help them succeed.*

the Entrepreneur Coach provide. We explore the role of the Entrepreneur Coach in Part Four when we focus on working with entrepreneurs, but reference that coach's connections to the Area Resource Network throughout this chapter.

## Core Roles

There are three core roles that the Area Resource Network plays in supporting your EDS. These roles are important at startup and as the system evolves over time:

- **Identify and recruit entrepreneurs:** As you begin to build your EDS, outreach should be selective, low profile and organic. You will want to begin by identifying entrepreneurs within your target markets. The Area Resource Network (ARN) plays a central role in identifying and creating pathways to recruit entrepreneurs. ARN members are well networked in the area and agree to use those relationships to broaden outreach and enable recruitment. The members of the network are also critically important in helping you identify those all important growth entrepreneurs in your community. If robust development impacts depend on finding and supporting growth entrepreneurs, members of your ARN need to be on the lookout for entrepreneurs with growth potential and commitment.
- **Assist the entrepreneur coach in crafting strategies and tactics in support of entrepreneur clients:** As you will learn later in this book, the Entrepreneur Coach is the go-to person in an EDS. She spends each day visiting entrepreneurs, assessing their needs and strategizing how to help them most effectively. From time to time, the coach may encounter a challenge working with an entrepreneur or finding the right resource to assist them. The members of the Area Resource Network provide the coach with bench strength, helping to trouble-shoot problems and create resource solutions.
- **Develop and manage the portfolio of entrepreneur clients:** Entrepreneurial development requires a long-term commitment and works best when you take a portfolio approach. Such an approach requires finding promising clients

and working with them over time to build stronger ventures and a more robust and resilient community economy. Working together, the Entrepreneur Coach and the Area Resource Network develop and maintain a strong portfolio of entrepreneurs consistent with the community's strategic objectives and targeting. The coach manages the day-to-day workings of the portfolio while the Area Resource Network keeps the big or strategic picture in mind. Monthly meetings to rebalance the portfolio—investing more time in some clients and less in others—help to create a more flexible and effective EDS.

## Secondary Roles

The Area Resource Network adds great value to the EDS by fulfilling these core roles. As your EDS evolves, there are two additional roles the network might play, depending on the needs in your community. These roles are important but may assume prominence only as the capacity of your EDS increases:

- **Helping to expand entrepreneurial infrastructure:** Visiting and working with entrepreneurs offers a significant market research opportunity. Each visit may provide you with broader and deeper insight into local entrepreneurs and what kinds of support would accelerate their growth. This market data, in turn, can guide current and future community investments in entrepreneurial support infrastructure. For example, you may uncover a need for an angel investor network, a business resource website within local government, market research capacity, or one-stop permitting. The Area Resource Network, working with the Entrepreneur Coach, can process and prioritize this market research and share it with organizations such as the local or regional development corporation, Chamber of Commerce, or municipal government.
- **Engaging in community outreach:** While we argue for organic, low profile outreach to entrepreneurs during the startup of your EDS efforts, you are likely to have an ongoing need to educate the broader community about your work. The members of the Area Resource Network may

assume this role by participating in a speakers' bureau to share information with key community groups about the initiative and its impacts. For example, the Network may provide a twice-annual briefing to key sponsoring organizations (e.g., development corporation, Chamber of Commerce, municipal government, school board, county government) or make presentations to civic groups such as the Elks, Kiwanis, and Rotary.

*Relevant resources are those that best match the needs and opportunities of specific entrepreneurs based on their experience, stage of business development and the kind of venture in which they are engaged.*

## **What is the Area Resource Network?**

At its most basic level, the Area Resource Network is the source of assistance for entrepreneurs at various stages of development who are interested in starting or growing a business. Every community has a wide range of entrepreneurial talent, each with a unique set of skills and needs. One set of resources will not satisfy all types of entrepreneurs. A workshop on business planning might be great for an aspiring entrepreneur but would turn off a seasoned veteran seeking customized help. Relevant resources are those that best match the needs and opportunities of specific entrepreneurs based on their experience, stage of business development and the kind of venture in which they are engaged. Members of the Area Resource Network should represent providers of these relevant resources, organized into two categories below.

### **Go To Resources**

On the Chatham County North Carolina *Tools for Business Success* website, there are over twenty resources listed under the single heading of "marketing and selling," just one of many resource categories on the site. Many of these resources are highly specialized and useful to an entrepreneur seeking a specific piece of information or operating in one sector. There are, however, other resources that are more universal in nature. We call these **go to resources** and they include such services as:

- Small Business Development Center (SBDC) workshops and business planning services
- Business start-up training offered by a community college or regional university

- Lunch and learn events and other workshops offered by a Chamber of Commerce
- Local financing resources including community banks, revolving loan funds, local angel investment networks and micro-lending programs

These resource providers are foundational to a community's ability to provide meaningful assistance to local entrepreneurs. Building a strong understanding of and working relationship with these **go to resources** is essential and may well begin with an invitation to become part of the Area Resource Network.

## Local Business Services

Most communities have additional business services, some in the public sector and some in the private sector. As part of your entrepreneurial asset mapping, you should be looking for both usual and unusual suspects as you consider these resources:

- Attorneys
- Marketing companies
- Human resource consultants
- Business supply companies, particularly for technical support and advice
- Web designers
- City, town or county planning staff
- City, town, county or regional economic development staff
- Local bankers

If you live in a smaller or more isolated community, you may not have all these resources at your fingertips. Some of these resources may seem rather specialized and not so important in the early days of creating your EDS. But, every entrepreneur needs these resources sooner or later. Identifying and engaging your business services community is an important assessment and strategy element.

Try to be creative in thinking about where you might find these resources, particularly in smaller communities. While you may not have marketing or human resource firms in your community, the local hospital, newspaper, or other major employers may have this expertise. These companies can be part of a no wrong

door strategy if they are aware of the work you are doing and invited to join the Area Resource Network.

Finally, in every community, there are successful entrepreneurs who have deep knowledge and experience. Consider identifying them as you map your assets and invite them to become part of the Network.

### **It's not what you know but who you know**

In our ever more connected world, networking is critical to business success. Your EDS is also as strong as its network. By mapping and developing relationships with your Area Resource Network, you have gained a number of natural network access points for finding more specialized and external resources. A member of your Network might not know someone who can provide trademarking assistance, for example, but the odds are good that someone in their broader network will be able to find the right resource quickly. Our advice is to focus more on the well-connected people in the network than on producing a comprehensive list of all possible resources. An up-to-date contact list and strong relationships with key people who are "in the know" may help you connect to the right resource at the right time faster than any directory.

## *Who is Doing This Well?*

Fond du Lac County is located between Milwaukee and Green Bay, Wisconsin. It has experienced the challenges of similar Rust Belt communities. The Fond du Lac County Economic Development Corporation (FCEDC) is committed, however, to looking forward. As their website states, their priorities are "healthy communities, successful businesses, strong economy." FCEDC takes a comprehensive approach to economic development, focusing on helping existing businesses grow and new businesses start, while also recruiting companies that can add to their economy. They are taking the lead in trying to create a stronger system of support for entrepreneurs and existing businesses. Their website includes



powerful video stories about the support they have given to existing and start-up entrepreneurs. But, FCEDC recognizes that the key to doing this work well is partnerships.

FCEDC, including its Center for Enterprise Development, has a well developed network of over 30 local and regional partners. This network includes regional economic development entities, local Chambers and Main Street programs, area universities, local, county and state government agencies. They also have their go to resources: the Small Business Development Center operated by the university, a non-profit community action agency and the Imagination Network (peer group for inventors and entrepreneurs). These resources are accessible through the FCEDC website; more importantly, though, they are part of the toolkit for FCEDC's Entrepreneur Coach.



Over time, FCEDC is committed to strengthening this resource network by implementing a more seamless client referral and tracking system across these partners. Even without this next step in the system, FCEDC is playing a critical coordinating role in the same way NetWork Kansas does.

## *How to Move Forward with Your Area Resource Network*

A good starting point for establishing your Area Resource Network is to start by identifying a core Network Leadership Team. While the network is about organizations and the resources they can bring to the table, the leadership team is about people: the role they play in the community and the skills/expertise they bring. In general, our experience suggests that the leadership team include people from:

- The host or sponsoring organizations for the EDS initiative
- Business leaders, current or retired, who bring particular business expertise (e.g., bankers, lawyers, CPAs, retired business owners and executives)
- Civic leaders

Initially we recommend that the leadership team have 5-7 members, perhaps 3-5 in smaller communities and more in larger communities. The group should be kept to a manageable size, with the members committed to using their networks to increase the team's capacity. The list above could generate a relatively large group of candidates so we offer the following 10 attributes of effective leadership team members:

- A+ reputation in the community
- Discreet and comfortable with maintaining confidentiality
- Positive; a good problem solver
- Able to make a reasonable time commitment
- A good networker and well connected
- Agrees with the job and willing to do it
- Business experience
- A good listener and open minded
- Able to be strategic
- Brings specific desired business expertise to the team



For a sample job description for a leadership team member and a simple checklist for assessing a potential member's attributes, go to Organizing for Action in the **e2 University**.

In recruiting members, it is important to stress a number of key points. One, too often an invitation to join a group such as the leadership team becomes a life sentence. We strongly suggest you establish the expectation from the start that members of the leadership team serve a fixed term with one or two opportunities for renewal. Remember, anyone can be part of the Area Resource Network for life without the monthly meetings!

Two, for entrepreneurs who are engaged in the highly personal job of creating and growing a business, privacy is very important. Confidentiality is foundational to the work of building an EDS and is often difficult to ensure, particularly in smaller communities. The members of the Area Resource Network and particularly the leadership team need to understand the confidentiality ground

rules, follow them and ensure everyone else within the system follows them. We recommend that each time the leadership team and broader network meet, members reaffirm the confidentiality pledge (e.g., read it aloud and sign it as testament to its overarching importance.)

### **The Leadership Team and the Entrepreneur Coach**

Remember the old saying, “hand in glove”? This saying applies to the Area Resource Network Leadership Team and the Entrepreneur Coach. It is important that both view themselves as partners in this work and understand their interrelated but unique roles. As a partner with the coach, the leadership team provides strategic direction with respect to the development of the entrepreneur portfolio. Members of the leadership team serve as advisors, counselors, and resources for the coach, and relationships really matter. To that end, it makes sense to leave the governance or performance oversight of the coach to the organization that hires her or him. That organization may well seek input from the leadership team in order to practice continuous improvement of the work.

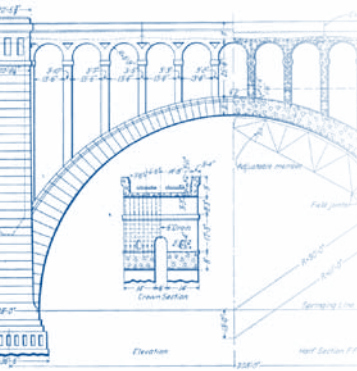
At the end of the day, some one or more organizations is responsible for the success of this EDS initiative and, consequently, the Area Resource Network and its leadership team. This host organization provides the leadership team with its vision, mission and scope of work. It provides staff support (typically through the coach) and training. If there are problems, the host organization should be available to resolve them. If hard directional decisions are needed, the host organization should be involved. It is critically important that the leadership team remembers its relationship with the host organization and ensures strong and appropriate communication. At the same time, this leadership team serves as the focal point for growing and maintaining your community’s Area Resource Network. Through its members, the team can be a powerful tool for creating an ever expanding community network that can identify, recruit, and help targeted entrepreneurs.

## Bridge to Chapter 2.4

You are engaged in the team sport of economic development. We have introduced the Area Resource Network and the importance of a strong leadership team to guide that network. While we recognize that each initiative and network must create their own way of doing business that is most comfortable for them, we encourage the use of a number of operational building blocks based on proven practice:

- Evolve and change membership over time. Participating on the leadership team is not a life sentence.
- Use the portfolio approach. Rebalance your entrepreneur portfolio frequently to better support the winners.
- Strive to remain intentional and maintain a focus on the long term, bigger picture. Leave the day-to-day operations to your coach.
- Have co-chairs for the leadership team. Protect against losing momentum by practicing leadership redundancy.
- Become a partner with the Entrepreneur Coach. Provide the bench strength needed to get the resources where they are needed most.
- Maintain strong relationships with the host organization, the community and resources within the network. No single person or organization can build and manage an EDS.

Remember, the goal of building an EDS is to create an entrepreneurial community, one that grows stronger economically and socially by helping entrepreneurs realize their dreams of growing successful businesses. To accomplish this end, you will likely need to expand your horizons and seek resources from outside your community. Building this External Resource Network is the subject of Chapter 2.4.





## PART TWO

## CHAPTER 2.4

# EXPANDING YOUR HORIZONS THROUGH AN EXTERNAL RESOURCE NETWORK

How do you make sense of a system with hundreds, if not thousands, of moving parts across a broad landscape? That is the challenge entrepreneurial communities across North America face as they design and build their entrepreneurial development systems (EDS). It is relatively easy to understand your local resources and to identify the key people and organizations that must be part of your network and leadership team to make an EDS effective. It is much more difficult to figure out the most effective way to network resources across geography, for an entire state as an example. In this chapter, we explore the value and structure of an **External Resource Network** as another foundational piece of an EDS.

### *Why is an External Resource Network Important?*

The realm of possible entrepreneurial development resources is vast. Often there are so many resources entrepreneurs have a difficult, if not impossible time, getting to the right help when they need it. In addition, there is often a profound gap in services for community-based entrepreneurs interested in growing their businesses. They are too far along to benefit from most public services and yet too small to afford private consulting resources.

Public resources are offered through government or non-profit organizations, often at low or no cost. These resources tend



to be targeted to early-stage entrepreneurs. While they can be very helpful to aspiring or start-up entrepreneurs, they are less useful for existing or growth entrepreneurs. For example, there are relatively few public resources to help an existing entrepreneur transition his business to new ownership, particularly in smaller landscapes.

Private resources are provided by for-profit businesses and sometimes non-profit organizations. In most cases, services are fee-based and can be costly, particularly for an inexperienced entrepreneur who has not worked with business consultants in the past. Additionally, many of the more robust and specialized services are geared to mid-sized and large businesses. Consequently, many entrepreneurs experience both a content and cost mismatch.

With the best of intentions, many states and communities look to paper or electronic directories as a way to gather and list all available resources, particularly those outside the community. Unfortunately, most of these efforts have failed because they:

- Are very costly
- Are difficult to maintain and update
- Often exclude private resources that account for most of the resources
- Do not provide enough qualitative information to really enable the entrepreneur to get where they need to go
- Are not used by most entrepreneurs

A website or directory is a potential tool, as we discussed in Chapter 2.2, for service providers to use. But, it is no substitute for a well-developed network!

While challenging to access, the resources available beyond your community may have significant value to your entrepreneurs. With a little creativity and intention, it is possible to create an External Resource Network that can link to these resources and provide another foundational plank in your EDS. For most rural communities, mid-sized trade centers and even some low-income urban neighborhoods, many of the public and private resources your entrepreneurs need are externally based. The External Resource Network can help to level the playing field for your entrepreneurs relative to those operating in better-resourced environments. This network provides the mechanism to connect with the full range of available resources enabling your community's

*In reference to the creation of NetWork Kansas: "One of the things that the legislators found was that there are a lot of resources available for small businesses but, for whatever reason, it's hard for the entrepreneur to figure out which ones can really help them at different times.*

– Steve Radley,  
CEO,  
NetWork Kansas

entrepreneurs to get the right help at the right time so they can realize their development opportunities.

## *What is an External Resource Network?*

In our EDS model, the External Resource Network is virtual and passive. The primary responsibility for connecting with the network lies with your Entrepreneur Coach and members of the Area Resource Network. Think of the External Resource Network as a set of on-call resources that you can tap on a just in time and as needed basis. We do not suggest asking external resource providers to attend network meetings in your community or to play a role beyond their normal service provision.

The real value of the External Resource Network is achieved when your coach and leadership team invest time and energy in getting to know what resources are available and who provides them, with a particular focus on those most useful to the entrepreneurs targeted by the community. For example, if assisting startups is a community goal, then finding out who provides micro-lending and counseling services would be a great resource fit. The goal is for your coach and leadership team members to become experts on both internal and external resources and to build personal relationships with resource providers who are particularly important to your community's strategy. Your coach, Area Resource Network,<sup>1</sup> and EDS will become such go-to resources that no entrepreneur will even think of trying to research these resources on her own; she'll simply call the coach.

The end result is that the community takes on the role of organizing, understanding and communicating about entrepreneurial resources; the burden does not fall solely on the entrepreneur. The Entrepreneur Coach and the Area Resource Network leadership team become skilled at knowing where to go for what and have two levels of resources to call on in any situation. This capacity becomes a powerful marketing draw for the community and its EDS. As your reputation—your EDS brand—builds, entrepreneurs already rooted in your communities and those searching for a place to build their business see the benefit and value of this networked approach to accessing external resources.

1 See Chapter 2.3 for more on Area Resource Networks.

## *Who is Doing This Well?*

NetWork Kansas represents one of the most robust statewide resource networks in the U.S. Created by an act of the legislature in 2004, NetWork Kansas was designed from the beginning as a collaborative undertaking. Resource partners from across the state were engaged in the run up to the legislation and the real work of relationship building happened once the NetWork Kansas leadership team was in place: Steve Radley and Erik Pedersen. Acting as the business entrepreneurs that they are, Steve and Erik held a series of town hall meetings in every region of the state to better understand their market and their potential customers. They listened and built trust with local economic developers and other service providers in the state.

The intent was to create a virtual portal that entrepreneurs could use to access resources: education, expertise and economic resources (financial capital). But, that portal needed a platform. NetWork Kansas did not have to look far to find an effective platform to build their network. U.S.SourceLink's first implementation was the KCSourceLink platform in Kansas City. NetWork Kansas became the first statewide model in their network, coming online in 2006. Since their start with less than 10 resource partners, NetWork Kansas has grown to over 500 resource partners and 39 community partners.

While NetWork Kansas has an effective online presence, it is much more than a resource website. The site itself is the entry point to a network of resource people, most of whom know and work with one another on a regular basis. And, NetWork Kansas leaders realized early on that the only way to effectively deploy their many assets across the state was to empower communities to join the network and become their partners. It is these engaged community leaders who provide the "boots on the ground" to connect an entrepreneur to the wider resource network. Without the strong, entrepreneurial leadership at NetWork Kansas, their committed community partners and an effective resource network built on trust and relationships, entrepreneurs in Kansas would be like those in too many other places: lost in a maze of resources looking for a way out.



## How to Move Forward with your External Resource Network

As you look to build your External Resource Network, we suggest you focus on answering two foundational questions:

1. When should the External Resource Network become a priority?
2. Where do you start in building your External Resource Network?

### When should the External Resource Network become a priority?

There is much work involved in building an EDS and only so much time and energy at any given moment. Setting priorities is important. While there is no **right** or **wrong** answer, we do believe, based on experience, that there is a sequence to building an EDS that makes sense:

1. Decide to create an EDS initiative.
2. Secure your host organization.
3. Decide on the level of programming to pursue in year one.
4. Procure adequate funding for at least three years.
5. Establish your Area Resource Network leadership team.
6. Hire, orient and train your Entrepreneur Coach.
7. Launch initial programming.
8. Document the resources, inside and outside the community, that are or would be most helpful to the entrepreneurs engaged by the initiative.
9. Wait until your program is well underway and has gone through start-up challenges before building the relationships needed to have an effective External Resource Network.

### Where do you start in building your External Resource Network?

There are two kinds of resources that are fundamental for an External Resource Network: **pathway resources** and **retail resources**.

## PATHWAY RESOURCES

In every state or region, there are organizations, public and private, with staff members who serve as “pathways.” For example, state development agencies often have business development field staff who may be regionally based and visit your community on a periodic basis. They serve as the link between state resources and a community’s economic development efforts. Within the private sector, such resources are often housed in trade associations such as the State Bankers Association. Because of their experience, they know where resources are and can often, on a confidential basis, provide insight on quality and price.

We recommend that you identify and personally get to know your pathway resources first. Start with public resource providers since they may well know both the private and public sectors. Invite them to brief you on what they know and what resources they can provide. Treat them well and build a trusting relationship. They have self-interest in your success since they benefit when economic development occurs in your community. As your community becomes known as a place where development deals get done, they will go the extra mile for you, giving your initiative cachet with entrepreneurs and further establishing your brand.



University

For a checklist of example Pathway Resources, see Organizing for Action in **e2 University**.

## Effectively Connecting with Small Business Development Centers

Every state has Small Business Development Centers (SBDCs) established and funded by the U.S. Small Business Administration, in partnership with the states. Typically, they are regionally based and represent a core component of the entrepreneurial support infrastructure in most states. However, often their workloads are greater than their capacity, creating challenges in delivering real time assistance. We recommend you get to know your regional SBDC staff personally. Learn what they can do and how

they work. If possible, convince them to visit your community regularly to provide assistance. Generally, SBDCs are most helpful with startups and smaller existing businesses. Because helping businesses is what they do, they can be a great pathway resource.

## RETAIL RESOURCES

We group other available service providers in this broad category of retail resources. You may access these resources directly, such as hiring a marketing consultant to help do a workshop on branding campaigns. You may simply connect entrepreneurs to these resources, such as identifying and connecting an entrepreneur to a patent attorney who can address an issue related to intellectual property rights. Which resources you access and when you do it should be driven by the entrepreneurs you serve. If you are focused on helping second-stage entrepreneurs obtain growth capital, you may want to establish relationships with equity capital providers and engage regional banking institutions. If you are focused on tech-based start-up ventures, you may need to build relationships with regional universities and angel investors.

For a checklist of example Retail Resources, see Organizing for Action in **e2 University**.



As you consider these two sets of resources as starting points, we offer some thoughts on the right balance between public and private resources. Public resources offering free or low cost assistance are fundamentally limited in what they can do. Their funding is rarely tied to demand so if they are good at what they do, they have far more demand than capacity to meet that demand. They often are prevented from providing free or below market rate assistance if such assistance is available through private firms. As a result, you should consider them a resource for beginning and start-up entrepreneurs.

As entrepreneurs grow, they are going to require higher levels of assistance that most often can be met only by fee-based private

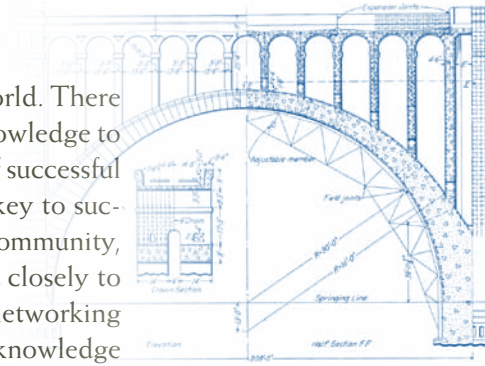
resources. You may find yourself faced with two challenges. One, how do you manage the politics of bypassing a local resource, for example a local attorney who lacks the capacity for a more complex intellectual property issue? Second, how do you help your entrepreneur get prepared to work with a high-cost resource located at a long distance? While these questions may cause you to steer away from private resources, we encourage you to consider the following:

- 1. Do not exclude private resources:** Just because it is hard and potentially political, do not elect to exclude private resources from your game plan and network. If you want to grow your entrepreneurs and your community, your network must include what these private resources have to offer.
- 2. Grow local expertise:** Where you have growing demand for select specialized assistance, work with local, area and regional private resources to grow their expertise so you have more local options.
- 3. Understand the more specialized, higher-priced providers:** Become informed on how to effectively work with higher priced, more specialized external private resource providers. You may need to serve as a bridge between the resource provider and the entrepreneur initially. You can take the time to learn the ground rules, cost and how to get the best value from a resource.
- 4. Engage local businesses that have done it:** Within your region, there are likely to be existing businesses that have dealt with various private resources; firms that have dealt with complex talent searches, exporting, outsourcing, accessing venture capital, and the like. In your own backyard, there is a brain trust that has seen it, done it and can help others travel these roads and survive, even thrive. You should consider building out your network to engage such resources as possible lower-cost and more appropriate options for your entrepreneurs.

## Bridge to Part Three

We live and compete in a dynamic and changing world. There is no way we or our entrepreneurs can have adequate knowledge to meet all our challenges and opportunities. A hallmark of successful entrepreneurs is the recognition that **networking** is a key to success. It is not what you know, but who you know. Your community, through an intentional External Resource Network tied closely to your local network and leadership team, can create networking infrastructure that offers the world's best answers and knowledge to your hometown entrepreneurs.

Our journey continues in Part Three as we share the Center's Entrepreneurial Communities action framework and the important assessments that will guide the development of your own strategy. We will explore the building blocks of a smart game plan as an important piece of a winning strategy.





## PART THREE

## CHAPTER 3.1

# A WINNING STRATEGY STARTS WITH ASSESSMENT

Creating an entrepreneurial community requires an **action framework**: a way to move from a conceptual understanding of what it takes to identify and support entrepreneurs, into the nuts and bolts of designing and implementing a specific strategy. Part Three of this book launches you on this important part of your journey. We begin in this chapter by demonstrating the power of assessment as the foundation for strategy building. We continue in Chapter 3.2 with a discussion about engaging stakeholders in your work. And, we conclude in Chapter 3.3 by sharing the design building blocks of a winning game plan.

### *Why is Assessment Important?*

Successful economic development moves from assessment to strategy to implementation. When assessment is done well, deciding on strategy becomes easier and smarter. One way to think about assessment is the process of moving from **data to knowledge to wisdom**. Crafting a smart game plan demands that we move through this progression! Too often, strategic analysis gets stuck at the "data" phase. Communities compile reams of data that provide a lot of information, but somehow it does not take root to become knowledge, let alone, wisdom. With wisdom comes deep and intuitive understanding that informs both large and small decisions. If your community applies this knowledge and wisdom to the strategic investment of your development resources, you will maximize the outcomes you seek with a minimum of wasted effort.

The Center's assessment approach is designed to move a community from data to knowledge to wisdom, to help you select the right road to take to achieve your outcomes. There is certainly a great deal of data gathering involved in the assessment process; interesting data that will guide strategy development. As important, we pay attention to the way data are gathered, analyzed and used. The process itself is designed to help the community develop knowledge related to entrepreneur-focused economic development and ultimately translate that knowledge into wisdom that shapes and informs a smart game plan now and in the future. When the community environment is taken into consideration and stakeholders are included in the assessment process, the potential for a robust and sustainable initiative that reflects the resources, preferences and culture of the community or region is greatly enhanced.

## *What is the Center's Approach to Assessment?*

The Center uses a five-part assessment that addresses these critical questions:

- 1. What are the community's genuine development opportunities?***
- 2. What kinds of entrepreneurial talent does the community have?***
- 3. What relevant resources does the community have to address the needs of entrepreneurial talent?***
- 4. What are the community's development goals and preferences?***
- 5. Who are the potential stakeholders most likely to support an entrepreneurial development strategy?***

When a community has broad-based agreement around the answers to these critical questions, crafting a short- and long-term entrepreneurial development game plan becomes a more focused and effective process. Ultimately, this assessment process will lay the foundation for a smart game plan that creates positive outcomes in your community.



The table below describes the five assessments we use to help a community prepare to create its strategy. Each assessment is explored in more detail in the sections that follow.

### The Center's Five Assessments

<p><b>Development Opportunities</b></p>	<p>Every community exists within a much larger regional economy, whether an urban neighborhood in a larger city or a rural community in a multi-county region. The potential for development is shaped and defined by what is happening in that larger region. The first assessment investigates how the regional economy is doing and where it is headed. This analysis can provide insights about potential development opportunities, trends and challenges.</p>
<p><b>Entrepreneurial Talent</b></p>	<p>The primary building blocks for entrepreneur-focused economic development are community-based entrepreneurs. The second assessment focuses on the size, nature and quality of entrepreneurial talent within the community or region. Over time, entrepreneurial talent can be grown or attracted into the community. However, at the beginning of your EDS work, you must work with the talent on hand.</p>
<p><b>Relevant Resources</b></p>	<p>Some communities have many relevant entrepreneur-focused development resources. Other communities exist in resource deserts. The third assessment focuses on the relevant development resources such as entrepreneur coaching, training, market research, capital and business-to-business networking resources. Identifying those resources that align well with your community's entrepreneurial talent is a high priority.</p>

*(continued)*

## The Center's Five Assessments (continued)

### Development Goals and Preferences

Development should serve the community and its residents. The fourth assessment focuses on what the community wants from development. Most communities have a variety of development stakeholder groups, with a range of preferences or priorities running from reducing unemployment and poverty to Main Street revitalization. This assessment process provides an opportunity for these preferences to be shared and for the community to begin to target entrepreneurial development toward achieving these desired outcomes.

### Strategy Stakeholders

We have referenced before that economic development, particularly in the U.S., is primarily a community responsibility. Local stakeholders—elected officials, large employers, and regional development organizations—are important players in terms of mobilizing robust and sustainable support for entrepreneur-focused development. The fifth assessment focuses on identifying and assessing your likely strategy stakeholders.



University

The Center offers a recorded webinar describing the Five Assessments that is available by going to Opportunity Assessment in the [e2 University](#).

## Development Opportunities Assessment

A hallmark of both successful entrepreneurs and entrepreneurial communities is their focus on recognizing and responding to opportunities. You can spend hours talking about your community's challenges and deficits, but that kind of assessment violates the first rule of **asset-based development**: focus on your assets!

A development opportunities assessment, on the other hand, focuses on the positives and helps to answer the following key questions:

- ***Upon what regional economic opportunities can we build?*** Your community is part of a broader economy. That economy may be an amenity-rich recreational tourism area or part of a major transportation corridor. You may be adjacent to a growing urban area or be part of a region rich in new energy development. By understanding the opportunities that exist in your broader regional economy, you can gain important insights into relevant local development opportunities.
- ***What is working now or has worked in the past in terms of your community's economic development?*** Most communities have a history and track record of successful development. Take stock of your community's recent past (last 10 or 20 years) and explore specific development projects that have worked. Once you have a list of successful projects, break them down and explore what made them work. This exercise can help a community reconnect with the keys to engaging in more successful future development.
- ***Where is there energy for development?*** There is absolutely no reason why the Mayo Clinic should be in Rochester, Minnesota. Yet it is there because of its founders and their commitment to the community. And, it has generated significant economic development energy and impact. Explore where there is existing community vision or energy for development. Taking stock of your community's development ideas and energy can provide a menu of possibilities to be explored. Not all of them will be feasible—and some might border on the absurd—but it is a hallmark of an entrepreneurial community to assess opportunities and discover those that could be transformational for the community's future.

We recommend that as part of the process of opportunity assessment, you cast a broad net and explore all your possibilities. To do so, you need to engage a broad and diverse set of community residents, those engaged in economic development and those

*A hallmark of both successful entrepreneurs and entrepreneurial communities is their focus on recognizing and responding to opportunities.*

who benefit from it. Once you have identified the opportunity landscape, you can begin to focus on those areas where you have genuine opportunity and real community commitment. Finding those “best” opportunities and then making them a reality will start your community down a road to development progress and greater prosperity.



University

To see a sample regional assessment, go to Opportunity Assessment in the **e2 University**.

## Entrepreneurial Talent Assessment

The cornerstone of entrepreneur-focused economic development is entrepreneurs. Every community has entrepreneurs, but the size and capabilities of entrepreneurial talent vary widely from community to community. It is best to think of entrepreneurial talent as a continuum, from those with little talent to those who are very talented. The goal of an entrepreneur development system is to take the talent you have and help develop it. By increasing the ability of your entrepreneurs to succeed in their own ventures, you will stimulate more economic development over time. Entrepreneur-focused economic development is incremental and achieves success through thousands of small victories such as:

- ***A Main Street entrepreneur launching a successful social media marketing campaign***
- ***A local manufacturer reaching a new market for an existing product line***
- ***An established business increasing sales and inching closer to profitability***
- ***A struggling business reinventing itself***
- ***A young person coming home to work with a local entrepreneur***
- ***A business that expands and creates a larger tax base***

- ***A local retailer who is able to compete with the big box store in a neighboring county, generating more local sales taxes***

The entrepreneurial talent assessment helps you identify and understand the kinds of entrepreneurs in your community. The assessment includes three components:

- ***Identification:*** First, you have to identify your entrepreneurial talent. Many communities begin this process by visiting local business owners, surveying entrepreneurs participating in a Chamber of Commerce or other event and even putting a notice in a local paper to gather information. The goal is to learn more from your entrepreneurs and deepen your understanding of their needs and opportunities for growth.
- ***Targeting:*** Second, you can begin to target groups of entrepreneurs that best fit your development goals. Your target may be local manufacturers because your goal is to retrain dislocated workers for new local jobs. Or, you may focus on encouraging startups on Main Street as a way to achieve your goal of downtown revitalization. Targeting will help you focus your limited time, talent and treasure and build a more specific and successful strategy.
- ***Outreach:*** Finally, you need to design and eventually engage in outreach to these targeted groups. During this assessment, you can begin to surface ideas for reaching your targeted entrepreneurs and begin to craft an outreach plan. Outreach creates a pipeline of entrepreneurs who are being contacted and assisted to stimulate economic development outcomes such as new investment, job creation and tax base expansion.

## Looking Back

In Part Two, we made the point that creating an entrepreneurial community takes a team. That team—your Entrepreneur Coach and the leadership of your Area Resource Network—will be involved in the assessment work outlined here. Identifying entrepreneurs in your community may seem like a challenging task. But, if you have engaged the key resource providers in your com-

munity who work with entrepreneurs now, you can enlist their help in completing the entrepreneurial talent assessment. Working together, you will be able to identify the entrepreneurs in your community and begin to see opportunities for targeting to achieve the outcomes you desire.

## Targeting Growth Entrepreneurs

You may be sensing a theme as you move through this book. We believe that you need to target entrepreneurs with realistic potential and commitment to growth in order to achieve the kinds of robust economic development outcomes you seek in your community. By supporting growth entrepreneurs to build stronger businesses and tap new markets, you are helping them achieve the business milestones that are needed to create real and lasting development impacts: good paying jobs and careers for your residents, increased sales and property tax revenues for your local government and new investments in community infrastructure.

## Relevant Resources Assessment

Entrepreneurial talent consists of many different kinds of entrepreneurs, all of whom are at various stages of creating or growing a business. Their needs for assistance are as unique as the paths they have taken to get where they are today. There is no single set of resources that will meet the needs of all types of entrepreneurs. This assessment is designed to help you identify the relevant resources that best match the needs and opportunities of the entrepreneurs you are targeting. These resources will vary depending on the entrepreneur's experience, the stage of business development and the specific kind of venture they are building. What works for the coffee shop owner on Main Street will not work for the serial entrepreneur spinning out another high tech venture.

What is your starting point for an assessment of the relevant resources available to support entrepreneurs? We suggest beginning with your Area Resource Network. The organizations involved in your network represent the inner circle or first point of contact for resources. Each of these organizations, in turn, is

connected to other networks of resource providers, perhaps at the regional or state level, giving you another layer of resources to tap. As you continue to build your EDS and establish an External Resource Network, you will want to revisit your resource assessment and add additional resources that can be effectively tapped to help your community-based entrepreneurs.

## **Development Goals and Preferences**

Economic development is not an end in itself; it is the means to achieve the vision, hopes and development goals of the community and its residents. Every community should periodically complete strategic planning and establish and refresh its development vision and goals. The same is true for organizations in a community charged with economic development (e.g., Chamber of Commerce, economic development corporation, city and county governments, Main Street organization or tourism promotion board.) Taking time to identify, review and update your community's development vision and goals is crucial. This assessment step can help you clarify your goals and create ownership for your strategy within the community and your respective development organizations.

As a starting point, it is likely that your community has already established a vision and goals for development. The important question is what to do next in order to grow a stronger, more resilient economy. By assessing the development preferences of existing stakeholders, including those who fund economic development, those who implement strategies and residents of the community, you can identify where there is consensus and energy for moving forward. This assessment step can provide a shortcut to answering the question of what we should do next. And, by engaging stakeholders in the process, you provide an easy way to get them involved. Involvement is the first step to engagement and commitment.

Another approach, one that is particularly useful with residents of a community, is to focus your assessment on development outcomes. Even informed residents may not be able to calculate the tradeoffs between establishing a micro-lending program vs. a business incubator. They simply have too little knowledge to make an informed choice. However, they can provide thoughtful

insight on what they want to see as a result of economic development:

- We are an aging community and we want to bring back younger families.
- Business owners on Main Street are all in their 60s and we need to find new owners for those businesses.
- We have a great lake in our area but we need to develop support businesses around it to attract more tourists.
- Our largest manufacturing plant closed and we need to find another productive use for the facility, and jobs for those who were dislocated.

By engaging a broad and diverse group of residents and leaders in your community, you will create a powerful menu that can be matched to various entrepreneur opportunities. For example, the assessment process in Deuel County South Dakota resulted in a young couple redeveloping a vacant state school for the blind into a wonderful new resort and conference center. An empty property became a vibrant contributor to the local economy, providing an outlet for entrepreneurial talent and achieving county economic development goals at the same time. Not all outcomes will be this remarkable, but the assessment process helps you begin to connect the needs and opportunities of your entrepreneurial talent to relevant resources in ways that meet development goals and preferences. This process will also bring to light what people do not want. In rural Pottawattamie County Iowa, residents have identified that they want enough growth to keep their villages strong and their local schools operating, but they do not want to be paved over as a residential subdivision for metropolitan Omaha.



University

For other stories of assessments leading to success, see Opportunity Assessment in [e2 University](#).



## Strategy Stakeholders Assessment

A community leader in western North Dakota once told us that economic development is not the sole province of economic developers; it is a **community** responsibility. We agree! Economic development is also something a community must do day in and day out for the long haul in order to really move the needle on community prosperity. Global economic conditions are always changing and communities must adapt, innovate and progress to ensure their economic relevancy. The foundation for such a sustained economic development effort is community commitment that is rooted in passionate stakeholders.

Who are these stakeholders? From the start, it is important for you to identify the key formal and informal leaders in your community. These leaders may be enlightened, working for the betterment of the community, or they may be self-serving, acting in their own self interest regardless of the impact on community well-being. It is important to take the time to identify those leaders who can help bring life to your entrepreneurial community strategy, as well as those leaders who can sandbag your efforts. This process must be undertaken with tact and discretion by a small group of trusted citizens. Mapping and assessing these two groups can provide an important roadmap for engaging key leaders so that the smart game plan you develop through this process will be implemented.

Not all of the community leaders you identify will choose to become engaged. Through your initial assessment, you will likely find some who seem especially interested in this work and who express willingness to get involved. You should focus on those leaders and help them become champions. To create the strongest possible leadership for economic development, spend most of your time investing in your potential champions. Not everyone will agree on the direction the community is heading; we rarely achieve consensus in a democracy. But, as long as you have a strong set of champions, have provided multiple ways for people to have their voices heard and have a majority of the community behind you, you should keep moving forward.

## Who is Doing This Well?

Missoula is a small metropolitan area in western Montana. The larger Bitter Root Region is comprised of three counties once dependent upon forestry and the forest products industry. The assessment work we did with partners in Missoula found that, beginning in the 1970s, the main driver of this region's economy was new residents and real estate development. Like Florida, more and more people, rich and poor, were moving to this remarkable landscape for its amenities. As long as the real estate boom continued, there were jobs to absorb the growing population. All of that changed with the Great Recession; the housing boom turned to bust. Missoula began to search for a new formula to create regional prosperity.



*Courtesy of Missoula CVB*

The Missoula region was not lacking in resources. Robust capital and technical assistance resources already existed in the area, and we were working with them (and Growing Local Economies) to introduce market intelligence resources into the region. What was needed, however, was an assessment of the current economic landscape. What we discovered through assessment was about 10 micro-entrepreneurial clusters related to food, green technology, pharmaceuticals, information technology, recreational tourism, as examples. These clusters were being driven by in-migrants who came to the region because they wanted to live there; they were attracted by the amenities of this place. What they brought with them, or found in the region, were connections to resources and networks that are spawning a globally connected and diverse new economy.

What Missoula found through the assessment process was a set of opportunities that may lead Missoula to renewed prosperity. In the process, the region is likely to create a more diverse and sustainable economic base than the housing-driven economy that characterized the region before the recession.

Another example of the power of assessment comes from Wisconsin. When the Center first started working with the Fond du Lac Economic Development Corporation, they were already making the shift from traditional business attraction to supporting entrepreneurs. They had established resources, including a market

intelligence researcher and capital access tools. What they did not have were customers for these resources; they were particularly interested in identifying growth entrepreneurs. Our assessment work with the economic development corporation identified two important, but unexpected, groups of potential entrepreneurs. One group included employees dislocated from their jobs as a result of the Great Recession. Fond du Lac was hit hard by the recession and nearly lost its largest employer, Mercury Marine. This dislocated talent may have the skills and motivation to embrace entrepreneurship but may need some help getting there.

Supply chain companies represented the other group of potential entrepreneurs. So often, a supplier is dependent upon a single source of demand, the one large company in the region, for example. The recession created uncertainty in those relationships and even shook the foundation of some of these supply chains. This disturbance provided a window of opportunity to engage these supply chain companies and work creatively to connect them to new markets. In other words, it provided an opportunity to help them become more entrepreneurial.

Without a deep and intentional assessment of their entrepreneurial talent, these potential entrepreneurs would likely have stayed off the economic development radar screen. Now, however, there is new learning about how to identify post-recession emerging entrepreneurial talent and the opportunity to engage these once unlikely entrepreneurs with assistance.

## *How to Move Forward with Assessment*

This chapter began with the title, "A Winning Strategy Starts with Assessment." The five assessments outlined here build upon each other. They are designed to provide you with solid data that you can use to better understand your community's starting point: the regional context, your entrepreneurial talent, relevant resources, goals and preferences and the stakeholders you may want to engage. Collectively, the data and the assessment process itself will help you really know what you have to work with and, given those assets, what strategic direction makes the most sense for

*Knowledge  
comes but wisdom  
lingers.*

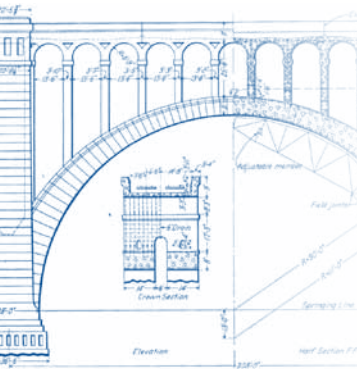
– Alfred Lord  
Tennyson

your community. Importantly, the impact of this assessment—the wisdom that you gain—will stay with you.

Economic development takes time. The way forward is never a straight path but is fraught with new road signs, construction detours, and different forks from which to choose. If the assessment process has helped you build deep community commitment, then your efforts are likely to be sustained long enough to make a difference. Even with that commitment, however, there will be new faces on the Chamber board or city council. They may have no knowledge of or commitment to the work you are undertaking. The champions identified through this assessment process can educate them and ensure that the community stays the course, sustaining your economic development strategy over time.

## *Bridge to Chapter 3.2*

Generating broad-based community support for your entrepreneurial community strategy is an important goal. This support may bring financial resources to the table. As importantly, it may bring champions who can advocate for entrepreneur-focused economic development, experienced entrepreneurs interested in giving back by serving as mentors and volunteers and partner organizations who will share the leadership burden for this effort. Creating this support is really about identifying and engaging stakeholders. Chapter 3.2 provides some key insights into where you might look for those stakeholders and what you might use to entice them to participate.



## PART THREE

## CHAPTER 3.2

# ENGAGE STAKEHOLDERS... OR ELSE

We introduced the stakeholder assessment in the last chapter, giving some hints about its importance. Your stakeholders are so important to the success of your entrepreneurial community that we feel compelled to spend a bit more time digging deeper into the challenge of engaging stakeholders...or else.

### *Why are Stakeholders Important?*

Your stakeholder group is an insurance policy for your entrepreneurial community initiative. We all know stories of communities that began great initiatives only to lose ground and stall out when a key leader moved on or when newly elected officials took office. By having a deep and diverse group of stakeholders actively engaged in and committed to creating an entrepreneurial community, your work is more likely to demonstrate the same type of resilience that you desire in your community. Other stakeholders can maintain momentum in the face of a leadership change and educate the new people who come on board.

Simply put, stakeholders are people in your community or region who have a stake in the development of your community. They are the leaders and the organizations they represent who should and often do care about economic development. They may be directly involved in economic development or they may be impacted in some way by your economic development efforts. Local elected officials are clearly stakeholders: they invest

resources every year in economic development activities. So is the CEO of the hospital; economic development may mean more jobs for the spouses of those she seeks to hire, making it easier to attract new talent.

You might be saying, "Doesn't every citizen have a stake in economic development?" In a sense, the answer is yes. But, it would be impossible to bring all the stakeholders in your community to the table. We all have to use some screening process to identify those stakeholders who have something to gain from economic development and who are willing to actively engage. We should be intentional about engaging a broad and diverse group of community residents and, at the end of the day, your economic development table should be inclusive, reflecting the demographics in your community: balanced by gender, race, ethnicity, newcomers vs. long-term residents, age, and economic status.

## *Who are Potential Stakeholders?*

While we encourage you to look for some unusual suspects, we have found the following groups most often surfacing as key entrepreneur-focused economic development stakeholders:

- ***Local elected officials***
- ***Main Street merchants***
- ***Utilities***
- ***Financial institutions***
- ***Major employers***
- ***Educational institutions***

All of these professionals have a stake in economic development and some probably care about supporting local entrepreneurs. It is helpful, however, to dig more deeply and consider why any of these potential stakeholders might be willing to invest time, talent or treasure in support of your efforts. To do so, we need to introduce the concept of a value proposition.

A value proposition answers the questions, "What's in it for me?" or "How will being part of this effort help my organization

succeed?” These are questions your stakeholders will be asking themselves. There are only so many hours in the day or dollars to spread around and we all have to make tough choices about where and how we engage. If you do your research and really understand what motivates a particular stakeholder, you will have more luck engaging them productively. It is important to remember that most stakeholders you approach have passion and love for the community and a desire to see it do well. At the same time, many of them have their own stakeholders to whom they are accountable. Those stakeholders want to understand what the return on their investment—the ROI—will be. Understanding their value propositions makes it easier to approach and engage them.

The table below provides an example value proposition or ROI for each of the stakeholder groups identified above. Use this as a starting point to think about the stakeholders in your community.

### Example Value Propositions for Key Stakeholders

Stakeholder	Example Value Proposition (ROI)
<b>Local elected officials (e.g., mayor, county commissioner)</b>	When entrepreneurs expand their workforce, they create new jobs in the community. When they expand or build a new building, they increase the property tax base.
<b>Main Street merchants (e.g., pharmacist, restaurant owner)</b>	When entrepreneurs grow and hire new employees, they have more dollars to spend on Main Street. When a new Main Street entrepreneur gets started, it increases retail traffic and improves sales for other neighboring businesses.
<b>Utilities (e.g., telecom, power company)</b>	Entrepreneurial startups become new utility customers. Growing entrepreneurial ventures increase their demand for electricity, gas and other utilities.
<b>Financial institutions (e.g., community banks, regional banks)</b>	As entrepreneurs grow and expand their payrolls, deposits in local banks increase. As growth entrepreneurs look to expand, they seek to borrow from local banks. New entrepreneurs become new banking customers.

*(continued)*

### Example Value Propositions for Key Stakeholders (continued)

Stakeholder	Example Value Proposition (ROI)
<b>Major employers (e.g., manufacturer, hospital)</b>	Entrepreneurs on Main Street contribute to a sense of vibrancy that makes attracting new management talent easier. Entrepreneurs provide more reliable, just-in-time alternatives to outsourcing, lowering costs and increasing customer satisfaction.
<b>Educational institutions (e.g., K-12, community college)</b>	Growing entrepreneurs seek customized training support from the community college, contributing to their mission and bottom line. Expanding employment in entrepreneurial ventures brings new families and students into the schools.



Our stakeholder mapping tool will help you cultivate broad-based community engagement and support. Find it in Organizing for Action in **e2 University**.

## Who is Doing This Well?

Perhaps no other community reflects the importance of stakeholder engagement as well as Tupelo, Mississippi. Over the past 70 or so years, Tupelo and its northeast Mississippi region have become synonymous with economic and community development success. The region's leaders really believed that developing the community, connecting its people and its institutions, was the best foundation for achieving balanced and sustainable economic development. In turn, engaged citizens helped create strong organizations that continue to drive the region forward.

Tupelo's story begins with the vision and leadership of a single person, George McLean, but continues with the engagement of the whole community. McLean's first attempt at what we might



describe as stakeholder engagement happened on Main Street. McLean tried to connect with local entrepreneurs by helping them to see that their futures were intimately connected to those of their customers. He explained that people needed more money in their pockets in order to buy more goods from their stores. It was not an easy sell, but he succeeded eventually in finding a way to make them care about progress in the region as a whole, and not just about the fortunes of their own business.

Leaders in Tupelo also defined community very broadly. They looked not only within the municipality of Tupelo but also to people and organizations throughout the more rural parts of the county. They included farmers and entrepreneurs, black and white communities, formal and informal leaders. They organized Rural Development Councils to empower farmers and other residents to become more involved in determining the future of their communities. Tupelo's leaders reached out to federal agencies such as the Tennessee Valley Authority and the Appalachian Regional Commission to partner on infrastructure and other investments needed to support their vision for the future.

At the same time as broad civic participation was encouraged, there was also a culture shift occurring among key stakeholders. People were beginning to believe in giving back, that those with the greatest resources should be investing to improve the economic and social conditions of everyone in the region. In 1948, key leaders, including the community's banks and newspaper, formed the Community Development Foundation (CDF). In keeping with Tupelo's theme of broad stakeholder engagement, there were 150 founding members/donors and every business was invited to participate. CDF became the primary economic development organization for Tupelo and Lee County, and continues in that role.

Tupelo's leaders recognized early on that their work needed to be driven by a broad, inclusive and engaged group of local citizens; they saw that solutions developed without this input and buy in were likely destined to fail. Judging from the success the region has experienced over the past many decades, they have learned and practiced the art of stakeholder engagement very well.



*Courtesy of Tupelo CVB*



To read an excellent case study of the Tupelo experience by Vaughn Grisham, go to Energizing the Community in **e2 University**.

## How to Move Forward and Engage Stakeholders

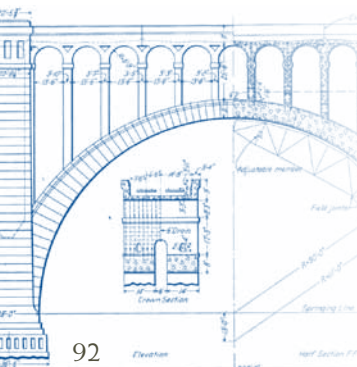
Engaging stakeholders is a bit like doing market research. You need to spend time understanding who cares about economic development in your community and who, in particular, cares about supporting entrepreneurs. With this list, you need to consider their value propositions and be able to anticipate what will motivate them to get involved. And then you need to practice the **art of engagement**. You need to take the time to sit down with potential stakeholders and listen. What are their critical challenges? How might involvement in building an entrepreneurial community help them overcome these challenges in the long run?



In the Organizing for Action department of **e2 University** you'll find a link to 25 sample open-ended questions you can use to start a conversation with any current or potential stakeholder. We encourage you to whittle the list down to your own 10 to memorize. These will be your "back pocket" questions so you are always ready to listen to stakeholders and engage them in helping build your entrepreneurial community.

## Bridge to Chapter 3.3

There has been a great deal of prep work to this point. We have talked about the importance of an EDS to becoming an entrepreneurial community and shared a conceptual model of an EDS. We laid out a series of assessments that will help you define your starting point. It is time now to introduce the building blocks of a smart game plan, one that will put your community on the path to prosperity.



## PART THREE CHAPTER 3.3

# CRAFTING A SMART GAME PLAN

You would not choose to build a skyscraper without a set of blueprints. Most successful entrepreneurs at some point articulate and use a business plan to guide their ventures. Communities should behave no differently. A smart game plan—we will define that below—is a critical piece of becoming an entrepreneurial community. Without a game plan, it is easy to get sidetracked by the next grant opportunity or to follow the easy path even if it is less strategic. If your goal is community prosperity, it is important to build a solid and smart game plan for getting there.


## Why is a Smart Game Plan Important?

### Defining “Smart”

According to the Merriam Webster Dictionary, something “smart” is “characterized as bright, knowledgeable, shrewd, intelligent.”

There are three important reasons why a smart game plan is a must in our current times.

- **Intense Competition:** The grand advantage that North American economies experienced post-World War II is largely exhausted. Today, our world is full of bright and motivated people and nations working hard to get their share of the economic pie. As a result, competition is intense. You



*If you don't know  
where you are  
going, any road  
will get you there.*

– Lewis Carroll

are competing globally, not just with neighboring communities. If individual communities and regions are to succeed, they must be very smart about how they invest in economic development, building on their unique and distinctive advantages.

- **Tight Resources:** Tired of the constant debate over our fiscal and economic health? Worried that North American communities are broke and mortgaging future generations? These fears are grounded in a new reality made clear by the Great Recession. Resources are tight for community economic development. Funding uncertainties and pull-backs by federal, state and provincial agencies are visible everywhere. Communities and their traditional economic development stakeholders are challenged as well. From Main Street businesses to large employers to local governments, everyone is facing tough fiscal times. In today's environment, we must have a compelling, smart game plan to ensure that limited resources are generating the impacts we desire as effectively as possible.
- **Stakeholder Confidence:** Economic development seemed simpler when we began working over 30 years ago. For a reasonably-sized community, business attraction was the ticket to prosperity. For a farming community, a healthy farm and ranch sector made things hum. In high-amenity areas, all you needed to do was plug into tourism and growth was almost guaranteed. While we have a lot of nostalgia for the past and how bright it seemed to be, creating economic growth and prosperity is genuinely more difficult and complex today. A smart game plan focused on efforts that have a genuine opportunity to succeed is critical to maintaining stakeholder confidence and continued funding of your efforts.

## *What is a Smart Game Plan?*

It is one thing to agree with your economic development partners that a smart game plan is important. It is quite another to agree on what that game plan ought to be. Each partner likely has

an idea of what is important or sacred. Achieving enough agreement to leverage sustained investment is critical but difficult. Ultimately, a smart game plan is whatever your stakeholders pledge their time and financial resources to create over time.

As you can see, there is no one definition of a smart game plan. Smart is, by definition, not generic but tailored to the unique assets and opportunities that exist in your community. All this does not mean that you go forth without support or direction, however. Based on our work in many different landscapes, we have identified five building blocks of a smart game plan. Understanding these building blocks and being able to articulate them to your partners is a first step toward building the consensus you need to move forward.

- 1. Rooting your plan in genuine development opportunities**
- 2. Creating a plan you can execute effectively**
- 3. Cultivating broad-based community engagement and support**
- 4. Emphasizing short-term success that enables long-term desired change**
- 5. Being entrepreneurial**

## Rooting your Plan in Genuine Development Opportunities

Like successful entrepreneurs, communities must take the time and make the effort to really understand where they have genuine development opportunities. Good ideas are not sufficient. Studying other communities, learning about your current economy and making the investment in due diligence on possible strategies and programs are all necessary. Genuine development opportunities do not fall out of the sky, nor are they realized through a 90-minute community brainstorming session. Discovering your genuine development opportunities requires:

- Diligence and hard work
- Engagement of outside experts
- A process where focus and priorities can be established

*Ultimately, a smart game plan is whatever your stakeholders pledge their time and financial resources to create over time.*

## Creating a Plan You Can Execute Effectively

Jay Kayne, formerly with the Ewing Marion Kauffman Foundation, often said that successful entrepreneurs do two things well. First, they craft a great venture plan and second, they execute their plan very well. Many communities create development plans that look wonderful on paper but lack the potential for strong execution. Often, there is insufficient funding, inadequate staffing, unrealistic expectations and a lack of patience to work the plan. Remember Malcolm Gladwell and his popularization of the theory of 10,000 hours? Gladwell argues that anyone who spends 10,000 hours on something is likely to become pretty skilled at it. Think about world-class athletes, artists and musicians. Our experience confirms a clear lesson: effective execution of your entrepreneurial community game plan comes with practice, making mistakes but learning from them and fine-tuning your plan through sustained effort.

## Cultivating Broad-Based Community Engagement and Support

Often, local development efforts are sustained by a small group of stakeholders. The larger community is not engaged and may not be supportive or even know exactly what is going on. An announcement about a new plant opening or an existing business that is hiring more people may appear in the local media and that is the first that most residents have heard about it. However, if you practice broad-based and real community engagement, you can ensure:

- A **better** game plan informed by more input and perspectives
- A **more inclusive** game plan that addresses the development preferences of the larger community and not just those of a small group

This type of community engagement is time consuming and often messy. It may take you into new territory compared to how you have done things in the past. You may need to hone new skills of listening, facilitating, resolving conflicts and working across barriers related to age, race, culture and gender. Ultimately, however, when such engagement is welcomed and cultivated, it creates broader and deeper community support for the plan: more hands on deck helping and contributing.

## Watch for These Challenges

Economic development is challenging and hard work. It is not for the faint of heart. So what are some of the likely challenges that will impact the development and execution of your smart game plan? Here are some we see repeatedly:

- Low or unrealistic expectations
- Poor execution
- Inadequate capitalization
- The wrong focus
- Personality conflicts
- Organizational turf wars
- Weak accountability
- Failure to communicate

## Emphasizing Short-Term Success That Enables Long-Term Desired Change

We are an impatient culture. Instant access to news, sports, communications, even food has created unrealistic expectations about how quickly we can expect to see outcomes from our investments. We demand early evidence of progress. No development effort can wait three, five or 10 years to demonstrate impact. A smart game plan focuses on low-hanging fruit or early opportunities for development wins. Such wins are communicated and celebrated. These early wins create momentum and validation that the game plan can produce results. Crafting a game plan that produces some progress in 12 to 18 months is essential. Modest early success provides a foundation and the staying power to give these longer-term development efforts the time they need to produce transformative results.

## Being Entrepreneurial

Smart game plans are crafted and pursued entrepreneurially. For the linear thinkers among you, this approach may prove challenging! We need to take a lesson from great entrepreneurs who are constantly evaluating the environment, testing new ideas, making changes as circumstances dictate and, as needed, abandoning

one path for a more promising one. Being entrepreneurial does not mean tossing out your plan and adopting a new one on a regular basis. Such behavior will create chaos, doubt and result in very little economic development. But, keeping a keen eye on progress, new opportunities, emerging partners, gaps in the game plan and areas that are under-performing will allow you to be systematically flexible: making regular and small adjustments that polish the plan and lead to greater impacts over time.

## *Who is Doing This Well?*

In the mid-2000s, the Northeast Entrepreneur Fund (NEF) and other regional partners set out on a new path toward building an entrepreneurial development system for the region. With a long and successful history of supporting microenterprise development in the region, NEF recognized a need to do more to help transform entrepreneurs and the region itself. The Greenstone Group was launched with a mission of creating a culture of entrepreneurship throughout the region and increasing the number of entrepreneurs capable of building successful companies and creating jobs and wealth.

The game plan focused on four related strategies to provide entrepreneurs with the tools needed for business success. The core strategy focused on the development of the entrepreneur, initially through one-on-one and peer group coaching. A related strategy included building entrepreneurial champions throughout the region who could help evolve the program and work in support of entrepreneurs. Two other strategies focused on building a stronger culture of entrepreneurship on the region's community college campuses and engaging a broader group of stakeholders, particularly drawn from more rural and isolated communities outside the Duluth metropolitan area.

What can other communities learn from NEF's experience on the Iron Range of Minnesota? For the first three years of this new initiative, leaders at the Greenstone Group and NEF were really in the product development and testing phase of their game plan. They were involved in continuous learning as the strategies were tested and implemented and, as needed, refined and redesigned.



**Greenstone  
Group**



The result was an initiative that looked different after three years than it did from the start, yet remained true to its original mission.

The changes to the game plan were not driven by the whims of funders or the lack of stakeholder support. Rather, they came from implementing the game plan itself. While the one-on-one coaching was never abandoned, it was targeted toward those growth entrepreneurs who were in a better position to benefit from such an intensive experience. New programming was developed to meet the needs of start-up entrepreneurs, particularly those who were testing the entrepreneurial waters or who were just exploring opportunities for growth. These peer-based trainings were better suited for and more efficiently delivered in outlying towns and counties so the initiative reached more people. These newly engaged entrepreneurs, and their local economic development leaders, became entrepreneurial and civic champions for the program across the regions.

Throughout this process, the initiative was measuring and reporting results. They charted increases in sales and job creation on the part of entrepreneurs touched by the program; they tracked coaching and training numbers and the geographic coverage of the initiative. And, they also captured and shared stories of successful entrepreneurs. They demonstrated the early gains that come from developing and working a smart game plan, and the power of learning from and adapting that plan over time.

For a case study of the Greenstone Group, go to Energizing the Community in **e2 University**.



## *How to Move Forward with a Smart Game Plan*

Putting these building blocks in place is just the beginning of your smart game plan. You design and execute a game plan because you want to achieve specific outcomes in your community;

these outcomes are the returns on your stakeholders' investments for which you are accountable. As you move forward with your game plan, you need to be working your measurement system and converting your work into stories of success as well as meaningful metrics for your stakeholders.<sup>1</sup> These results, in turn, tend to attract additional and potentially longer-term support for your efforts. In the end, real community change will occur over a decade or more. During that time, you need to revisit your game plan annually and plan on major updates in three- or five-year cycles. These updates should be combined with fundraising capital campaigns designed to ensure a refreshed plan, more active engagement within the community and more adequate support for the next phases of implementation.

## Bridge to Part Four

All this talk about systems and game plans may make it seem as though we are advocating an “if you build it, they will come” approach to creating an entrepreneurial community. Nothing could be further from the truth! In fact, we believe that we spend too much time focused on the supply side of the equation: access to capital, business coaching services, market research, business locations, business services and the right infrastructure. In fact, we need to ensure activity on the demand side: entrepreneurs **demanding** capital, business coaching services, market research, and more as they start and grow new businesses. The truth is that it takes all these supply side elements **and** a demand-side pipeline of entrepreneurs to create a robust community or regional entrepreneurial ecosystem.

In Part Four, we turn our attention to **Working with Entrepreneurs** or bolstering the demand side of the entrepreneurship equation. Working with Entrepreneurs is all about how we identify them, reach out to them, engage them and create an opportunity to work with them. Only when we lay the groundwork for that precious opportunity to really work with targeted entrepreneurs do we create entrepreneurial communities that generate deal flow and meaningful economic development outcomes.

<sup>1</sup> We talk more about building a measurement system in Chapter 5.2.

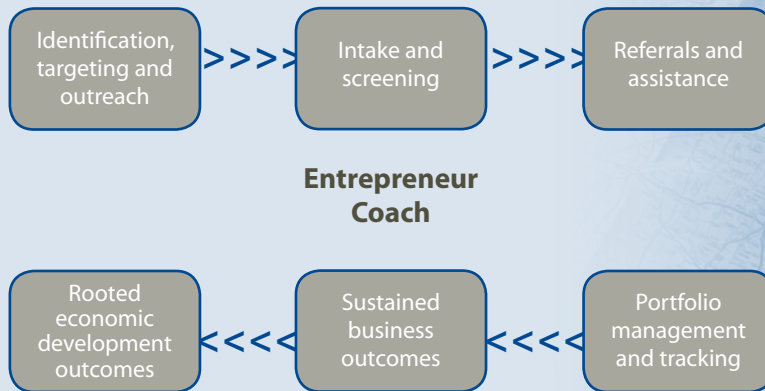
## PART FOUR

## CHAPTER 4.1

# UNDERSTANDING AND REACHING YOUR ENTREPRENEURS

Ultimately, your success in becoming an entrepreneurial community depends on how effectively you work with your entrepreneurs. The roadmap we have used most effectively, in communities in Kansas and other places, is shown below:

### Working With Entrepreneurs Roadmap



Chapter 4.1 provides valuable insights to help you better understand your local entrepreneurs, how they think and behave. We also share thoughts on designing and implementing an outreach strategy to help you connect with your entrepreneurs. This chapter deals with the starting point on the roadmap above. Chapter

4.2 delves into the all-important work of actually serving your entrepreneur customers: making sure your efforts focus on providing value-added service to entrepreneurs who can become key contributors to your community's economic development efforts. We will address outcomes later in this book. Most importantly, before Part Four is complete, we will introduce you in Chapter 4.3 to entrepreneur coaching, a key driver in your journey to becoming an entrepreneurial community.

## *Why is Understanding Entrepreneurs Important?*

If you are in the business of creating an entrepreneurial community, then you need to understand your entrepreneurs because they are your customers. The goal of an entrepreneurial community is to support entrepreneurs in pursuit of their dreams of starting and growing businesses. But, remember our roadmap. Helping entrepreneurs is the means to an end: development impacts such as good jobs, more diversity, a stronger economic and tax base, a more hopeful future. So, understanding your entrepreneurs is just good business practice!

Putting aside the debate over whether entrepreneurs are made or born, a number of common themes come through in any list of "entrepreneurial traits."<sup>1</sup> Entrepreneurs are:

- Curious
- Creative, innovative, even maverick
- Visionary, passionate
- Effective communicators
- Strong leaders, with high integrity
- Managers of risk but ready to take action, willing to fail
- Tenacious, competitive, persistent
- Drawn to seek value from their peers and networks

<sup>1</sup> Articles describing entrepreneurial traits appear frequently in the business literature. Examples include Eric T. Wagner, 7 Traits of Incredibly Successful Entrepreneurs, *Forbes*, June 5, 2012; Most Important Traits for Entrepreneurs, *Wall Street Journal Online*, August 20, 2013; 8 Traits of Successful Entrepreneurs, Minority Business Development Agency, U.S. Department of Commerce, [www.mbda.gov/node/337](http://www.mbda.gov/node/337).

For another take on entrepreneurs, read *Five Myths About Entrepreneurs: How Businesses Start and Grow* prepared by the former National Commission on Entrepreneurship and found in *Working with Entrepreneurs* in **e2 University**.



So, if entrepreneurs are bringing all those positive traits to the table, what value can working with entrepreneurs bring to them? It helps to go back to *The E-Myth Revisited*, a seminal work by Michael Gerber. Gerber observed that when most people are “seized” with the idea of starting their own business, they are not so much entrepreneurs as technicians. They are great gamers, bakers, electricians, software developers, even inventors. They overflow with technical skills but generally bring very limited entrepreneurial skills to their startup. They may even be misguided enough to think that all they really need are those technical skills. Too often the result is a failed enterprise or someone who is totally consumed by the day-to-day running of the business.

The value that an entrepreneurial community brings to its entrepreneurs is help refocusing their attention from working **in the business** to working **on the business**.<sup>2</sup> By working with a coach or other resource provider, the entrepreneur is pulled back into creative time and space, essential to helping them grow a stronger business. By asking tough questions and getting the entrepreneur to think about the whole business and what is on the horizon, you create **disruption** for the entrepreneur. This disruption can lead to the kinds of business breakthroughs or transformations that create meaningful economic development outcomes.

## *What is the Center’s Approach to Understanding, Targeting and Outreach?*

### **Understanding**

Our approach to understanding entrepreneurial talent begins with the assessment described in Chapter 3.1. Mapping your community’s entrepreneurial talent is akin to doing market research. At

2 Michael Gerber, *The E-Myth Revisited*, Harper Collins Publishers, Inc. 1999.

the end, you will have a better understanding of your entrepreneurial market: by sector, stage of business development, geography, gender, etc. You will be able to match your entrepreneurial talent with the economic development goals your community has set. Is the community focused on:

- Creating high-paying manufacturing jobs?
- Redeveloping Main Street?
- Attracting and retaining young families?

Each of these goals may be best served by targeting a particular type of entrepreneurial talent, for example, niche manufacturing growth entrepreneurs, transitioning Main Street business owners, or young entrepreneurial startups.



We have created a specific tool and guide that you can use in your community to better understand your entrepreneurs, map area entrepreneurial talent and begin the process of targeting (the necessary step before outreach). Go to [Working with Entrepreneurs in e2 University](#) to access this tool.

## Targeting

Entrepreneurial talent mapping is likely to identify a pretty broad group of entrepreneurs. Even in small communities, this group may be too large and diverse to serve as your starting point. You can prioritize your entrepreneurial market using a simple set of three targeting criteria:

### **1. Does the entrepreneur meet our preference targeting?**

In other words, will helping this particular entrepreneur move the community closer to achieving a development goal?

### **2. Does the entrepreneur want help?** Is he or she willing to invest the time and energy needed to effectively use the resources that the community provides?

### **3. Can we actually provide the help needed by the entrepreneur?** Are the resources to help the entrepreneur available in the community or can they be accessed through the community's resource networks?

Positive answers to these three criteria will help you identify a targeted set of entrepreneurs in your community, setting the stage to engage in outreach.

## Outreach

Once our targeting is set, we can then engage in outreach. Finding and engaging targeted entrepreneurs is one of the most challenging steps in working with entrepreneurs. Remember, entrepreneurs are fully engaged in starting, running and growing a business, and it is usually **more than** a full time job! There are strong demands on their time and stepping outside of the business to engage in an outreach event is a tradeoff. Years ago, Monica Doss, then Director of the Council for Entrepreneurial Development, a national model for entrepreneurial networking and support organizations, shared a simple metric they used to gauge the value of their educational and networking events to participants: was this the best use of your time or would you have been better off spending the time back at your business? This question captures concisely the tradeoff that entrepreneurs face.

So, how do you know what value to deliver to your entrepreneurs? There is really only one way to know and that is to discover what the entrepreneur needs most to move forward. Once we know **what could make a difference**, we can begin to network or refer entrepreneurs to resources that can help them address these high-priority issues. We have learned that this discovery process does not happen in one meeting and may play out across time and place. You may gain some insight during a formal meeting with the entrepreneur and then again in a casual conversation at a coffee shop. The goal should be to build a deep and trusting relationship with your targeted entrepreneurs so you can come in and out of their lives, providing support when it makes sense to them. Remember, each time you disrupt them from **running** the business so that they focus on **growing** a better business, you are creating the space for them to be more entrepreneurial. When they occupy this entrepreneurial space, the business and your community are more likely to realize tangible development impacts.

### ELEMENTS OF A SUCCESSFUL OUTREACH STRATEGY

A successful outreach strategy must move beyond hosting an event and hoping for good turnout. You need to be intentional

about the design and include several key elements:

- **Create Strong Messaging:** We talked briefly about the importance of branding in Chapter 2.2, emphasizing that your brand should convey the value that you bring to entrepreneurs. Your outreach strategy is an essential part of your branding strategy. The message you send to entrepreneurs through value-added events will go a long way to establishing your brand. For example, "We understand our entrepreneurs and connect them to the right resource at the right time to help them start and grow their businesses." Engage your Area Resource Network to test your message and make sure it is appealing to the entrepreneurs they serve.



To learn more about the art of branding, go to Marketing in the **e2 University**.

- **Spread the Message:** A clearly articulated message will not be effective unless it reaches your targeted entrepreneurs. To achieve the broadest reach possible, you should embrace multiple partners and multiple outlets. A good starting place is your Area Resource Network. Ask these partners to recruit entrepreneurs to your events, to sponsor and promote specific events and to lend their support to more general outreach marketing. Consider ways to use social media effectively. The current and emerging generations of entrepreneurs receive their news electronically. If you are not sharing your message via Facebook, Twitter and other means, you are likely not getting your message to the entrepreneurs you want to reach. You should also identify the key **touch points** in your community for reaching entrepreneurs. These are places that touch entrepreneurs, even informally: churches, civic organizations, business supply stores, coffee shops. With a bit of awareness and training, all these touch points in your community can become open doors to your programs. Ideally, there should be no wrong door for accessing your services.



- **Emphasize Business-to-Business Events:** Entrepreneurs learn best from each other. The most successful events are those that feature entrepreneurs sharing their own keys to success and experiences to avoid. One of the most successful events the Council for Entrepreneurial Development hosted was called “Startup Screw Ups” and featured established, successful entrepreneurs from the Research Triangle region in North Carolina sharing their start-up mistakes. Nothing is more comforting for a start-up entrepreneur than knowing that someone who is successful today experienced challenges and even failure in the past. Also be sure that your events hit on the hot button topics identified by your entrepreneurs. You will not hit a home run with every event but you want to be sure you are targeting topics of concern to the entrepreneurs in your community.
- **Engage Successful Entrepreneurs:** In addition to featuring successful entrepreneurs at your events, create other avenues for them to engage. Successful entrepreneurs are often interested in, and good at, mentoring new or young entrepreneurs. You can recruit them for networking events, creating formal and informal ways for them to share their expertise. While the purpose may be to bring their insights to newer or younger entrepreneurs, you may find that by bringing them together, you create the opportunity for these successful entrepreneurs to begin helping each other.
- **Share your Success:** Ultimately, you want your entrepreneurial community effort to “sell itself.” You want entrepreneurs talking about the powerful events they attended or the assistance they received, and spreading, through word of mouth, the value they got from participating. You should be asking entrepreneurs to provide you with feedback on all aspects of your efforts. You should use that feedback to improve your work and to open the door to other entrepreneurs in your community. Over time, you should build a positive reputation that allows you to reach entrepreneurs through many different pathways, some of which may be unimagined by you.

## Targeted Networking

Use your networks to reach out to your targeted entrepreneurs. If you are targeting farmers, then work with Extension, farm groups, cooperatives and organizations and businesses with strong and trusting relationships with farmers and ranchers in your area. If you are targeting transition business owners, consider working through a Main Street program or the Chamber.

### KEYS TO A SUCCESSFUL BUSINESS-TO-BUSINESS EVENT

If the backbone of your outreach strategy is business-to-business events, then you need to do these well. The beauty of such an event is that it organically integrates program marketing with direct assistance to entrepreneurs. You are spreading the word and giving valuable support at the same time. While getting entrepreneurs to attend events is like pulling teeth, we have found that once they experience a good event, they will come back for more and bring their friends. If, on the other hand, they have one or two bad experiences, they are quick to cut their losses and disengage. The risk to your efforts of a poorly done event is great. So, what are the keys to great business-to-business events? We offer a series of dos and don'ts in the table below.

#### Keys to Successful Business-to-Business Events

Do...	Don't...
<p><b>Make it fun:</b> Successful events include refreshments, food and drink, to create an inviting, relaxing atmosphere. If your organization's budget is limited, find sponsors who can help you create a quality event.</p>	<p><b>Under-manage:</b> Allocate the staff resources needed to be sure the event starts on time, that food and drink are available, that any design rules are followed and that someone is hosting.</p>
<p><b>Add value:</b> Events should focus on topics that are important to your entrepreneurs and offer content that is value-added. Find the best content and the best presenters for your events, both inside and outside your community.</p>	<p><b>Go too long:</b> Keep events to 60-90 minutes and end on time. Be sure to include in this time some room for informal networking following any formal presentation.</p>

(continued)

## Keys to Successful Business-to-Business Events *(continued)*

Do...	Don't...
<p><b>Engage successful entrepreneurs:</b> Getting successful entrepreneurs engaged as hosts, presenters, recruiters and sponsors creates significant value for other successful entrepreneurs and those aspiring toward success. Consider ways that you can integrate them fully into the design of your events.</p>	<p><b>Fail to target:</b> Who attends matters and audience targeting and recruitment is essential to ensure value. If you fail to target and have the wrong crowd at your event—for example, attracting a group of seasoned entrepreneurs to a basic marketing event—it is a recipe for failure.</p>
<p><b>Reach out and touch:</b> Passive methods like mass email invitations and social media are not going to get entrepreneurs to your events, at least not the first time. It takes personal invitations, usually delivered by phone or in person, to get people to events, an important role for your Area Resource Network to play.</p>	<p><b>Allow the “salesmen” in:</b> These events are learning events designed to help entrepreneurs. They are not marketing opportunities for resource providers. If invited to attend, these service providers should be told, as the Council for Entrepreneurial Development did, to “leave your guns at the door.”</p>
<p><b>Create a routine:</b> It is easier to engage busy entrepreneurs if your events follow a consistent routine. A one-hour event, the second Tuesday of each month, over lunch, becomes a calendar entry that gets programmed into an entrepreneur’s routine. For entrepreneurs who must miss a presentation, it is helpful to know that the events are recorded and can be viewed later. A good place to start is with regular monthly events.</p>	<p><b>Fail to deliver:</b> It is better to offer one high-quality event every month than to promise more events than you can effectively deliver. Once an event is scheduled, you should avoid cancelling or rescheduling the event, creating issues for busy entrepreneurs. If you must cancel, make sure that those who are registered for the event receive a personal communication about the change.</p>

## TIPS ON MARKETING

Effective marketing does not have to be costly. We offer some tips based on real community experience.

- **Keep your materials simple:** Materials that you produce yourself, using publishing or word processing software, can be more easily updated and customized.
- **Be creative:** Have some fun and move beyond the regular brochure or one page flyer. Deuel County South Dakota used eye-catching postcards.
- **Target your materials to your audience:** Create several versions of your materials that are customized to “speak” to a particular audience, e.g., farmers, Main Street businesses.
- **Use testimonials:** Word of mouth recommendations and encouragement are ultimately your best outreach tools. Testimonials are powerful. The more you have of them, the better. Ask for them every time you make a difference for an entrepreneur and use them in your marketing materials.
- **Consider cooperative marketing:** By cooperative marketing, we mean working with existing communication avenues to reach your targeted audiences. For example, there are Chamber of Commerce newsletters, development corporation blogs, municipal public access cable channels and public service announcements. Work with your local media to provide them with story content and invite them to cover your events as relatively simple, low cost ways to advertise your program.
- **Celebrate success:** Each time you publicize and celebrate the success of an entrepreneur you have supported, you help to market your programs. Every celebration, large and small, brings attention to the work that you are doing and the value you are creating. And, it builds good will with the entrepreneurs you are celebrating!

## CONTINUOUS LEARNING AND IMPROVEMENT

We said at the start that outreach is not a one-time thing. And, it does not have to be a hugely expensive undertaking. The key, however, is to design a great plan, implement it well, learn from what works and what does not, and improve your practice

the next time around. You may have to develop a thick skin; do not overreact to one bad review or one bit of negative feedback. Remember, each entrepreneur is unique; on any given day, one problem is more important than any other. Sometimes your programs will hit the mark and other times they will not. All you can do is design and implement well, and then learn and adapt from the feedback you get. You may have to create incentives to get that feedback: a copy of a popular business book, a featured spot on the community's Facebook page. You should make a commitment to spend time every three-six months reviewing and adjusting your outreach strategy so it continues to be as effective as possible over time.

## *Who is Doing This Well?*

Because understanding and reaching your entrepreneurs is such a critical piece of how you work with them, we want to share insights from several communities that are doing this well.

Located in far west-central Iowa, Pottawattamie County is a large geography anchored by Council Bluffs, part of the Omaha, Nebraska Metropolitan Area, with 14 rural villages scattered across the remaining landscape. It is a tale of two worlds: historic population decline contrasted with increasing urbanization at the metro fringe. Working with partners that include Western Iowa Development Association (WIDA), Iowa Western Community College (home of the area's Small Business Development Center) and the Iowa West Foundation, our focus is on the county's smaller villages.

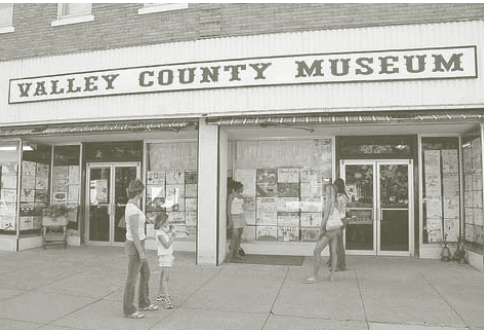
In 2012, the county introduced an entrepreneur coaching program, Business Success. You will meet the coach, John Adams, in Chapter 4.3. In the first 15 months of program implementation, they engaged 51 business clients from 13 of the 14 villages and had over 55 referral partners in those same 13 communities. These referral partners are critical to the success of this initiative since they connect entrepreneurs to the program on a weekly basis. Entrepreneurs are also accessing resources and making connections through the Tools for Business Success website launched in the county. When the program started in June 2012, the site had one visitor per day. Nine months later, traffic was 167 visitors per day and after 15 months, it was up to 350 visitors per day.



**IOWA WESTERN**



Through community outreach, engaged referral partners, a customized resource site and the commitment of many, many partners, Pottawattamie County is reaching out and serving entrepreneurs from one village to the next.



Valley County Nebraska does a remarkable job of celebrating business success through their local newspaper and radio. Every "growth event" is celebrated with a story and picture in the newspaper. In recent years, they have focused on building a strong social media presence with a Facebook page that caters to local businesses, residents and alumni who might have an interest in returning some day. The page serves a dual purpose in terms of entrepreneurship: upcoming events are promoted through the site and people are able to post comments after participating in these events. It provides a simple way to gather some of those valuable testimonials.



You can find case studies of Valley County Nebraska by going to Working with Entrepreneurs in **e2 University**.

Heading out of the mid-west and into the mountains of western North Carolina, the early experience of the High Country Business Network in Watauga County provides another example of outreach and support for entrepreneurs. The eight-county high country region faced a challenge: how do you find entrepreneurs who are scattered across this mountainous region? One strategy they used was to host a series of evening workshops for budding entrepreneurs. The first workshop was a crash course in how to start a business while the second workshop paired participants with more experienced business mentors who volunteered their time. The final workshop was a more intense opportunity for the entrepreneur and mentor to work together, with a goal of getting the entrepreneur to that all-important "go-no go" decision. While these workshops provided value to these aspiring entrepreneurs, they also provided the organizers with a growing database of the region's entrepreneurs.

This database came in handy when they launched regional networking events. These after-hours events were held every other month and rotated across the counties in the region. Drawing on mentors and workshop participants, the High Country Business Network was launched. Over time, the network has grown to provide more online resources, an important service in a region where you often “can’t get there from here.” But, remember. First they engaged entrepreneurs in person; then they engaged entrepreneurs online.

You can find a story about entrepreneurial support efforts in the High Country by going to Working with Entrepreneurs in **e2 University**.



## *How to Move Forward with Understanding Entrepreneurs*

So, where do you start? We suggest you begin by revisiting (or completing) the entrepreneurial talent assessment introduced in Chapter 3.1. A first step in completing that assessment is to gather the right people around the table. Start with your Area Resource Network. These are the people who know and work with entrepreneurs on a daily basis and can provide the best initial picture of your entrepreneurial market. But it is important not to stop there. Look at your inventory and see if there are any gaps. For example, have you identified any immigrant entrepreneurs? If not, who might you engage to help you understand that particular market segment? Once you have understood and tried to fill any gaps in your talent map, then you can identify a place to start: your target market.

Find an Entrepreneurial Talent Assessment tool in the Opportunity Assessment department of **e2 University**.



Now is the time to review your community's development goals. What does your community want to achieve in terms of economic development? How might supporting some segment of your entrepreneur market help you achieve those goals? You might find it useful to look at the development goals tool in e2 University as you make the connection between goals and your talent.

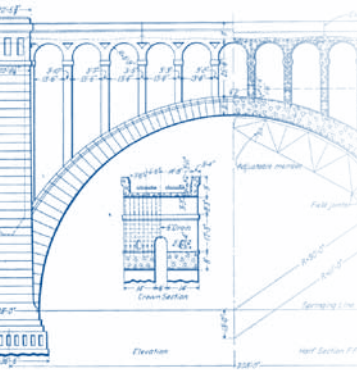


University

Find a Development Goals Tool in the Organizing for Action department of **e2 University**.

## *Bridge to Chapter 4.2*

As we have said throughout this chapter, understanding and reaching your entrepreneurs is the first step toward actually working with them. With an entrepreneurial talent map in hand, you are ready to begin supporting them: identifying their needs, connecting them to the right resources and then tracking them over time. Chapter 4.2 will introduce you to the art and science of working with entrepreneurs.





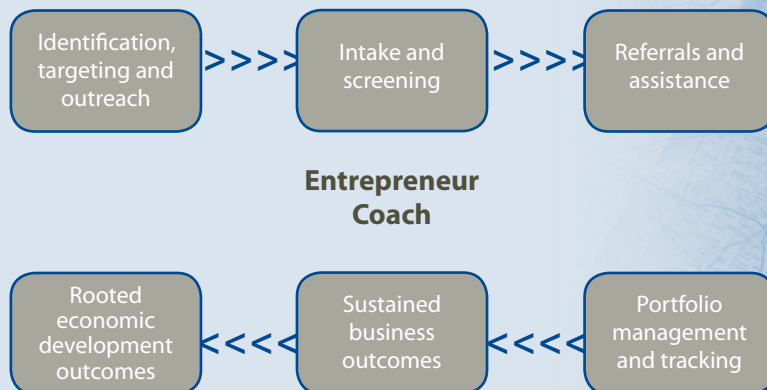
## PART FOUR CHAPTER 4.2

# PROVIDING VALUE TO YOUR ENTREPRENEURS

Now that you have reached out and touched your entrepreneurs, how are you going to support them? How will you actually meet their needs, both now and in the future? This chapter helps to answer these and other questions. We continue to follow the roadmap below, focusing on:

- Intake and screening
- Referrals and assistance
- Portfolio management and tracking

### Working With Entrepreneurs Roadmap



## *Why is Providing Value to Your Entrepreneurs Important?*

To grow your region's economy by helping entrepreneurs grow their businesses, you need to address three challenges. Meeting these three challenges is essential to becoming an entrepreneurial community.

One, do you know who your entrepreneurs are and have you begun the process of intake and screening? Chapter 4.1 focused on understanding and reaching your entrepreneurs. But creating an entrepreneurial market map and getting entrepreneurs out to a business-to-business event is a starting point, not the endgame. What do you really know about these entrepreneurs, about what drives them and what keeps them up at night? That is why the intake and screening process we describe here is an important next step. Think about it as high-end customer service, really getting to know your market.

Two, do you have clarity about the real bottom-line issues your entrepreneurs are facing? This challenge is a tough one because it ultimately boils down to the relationship you build with entrepreneurs, one at a time. Creating trust with entrepreneurs is foundational, but it can also be a lengthy process. It takes time and creativity, but getting entrepreneurs to open up is the key to getting clear on their challenges and their opportunities. With some, you may never get to this point.

Three, do you have resources that can address at least some of the entrepreneur's development needs? Remember the relevant resources assessment we introduced in Chapter 3.1? The results of that assessment, along with your Area and External Resource Networks, are critical input to addressing this challenge. You must be prepared to act on the intelligence you get from your entrepreneurs and deliver value-added services to them. This does not mean you need to do everything yourself; remember that becoming an entrepreneurial community is a team sport. But you do need to be able to effectively match the needs of your entrepreneurs with the right resources so you get to the business and community outcomes you are seeking. And doing that requires that you become a real expert at making referrals.

## What is the Center's Approach to Providing Value to Entrepreneurs?

The next set of value-added stops along our **Working with Entrepreneurs** roadmap has been tested in communities across the country.

### Intake and Screening

An important part of the entrepreneur screening process is getting to the most strategic questions and issues. If you can identify and clarify these most important questions and issues, you can spend more time addressing the things that will make the most difference and less time on issues that you **think** are important. But no one said this was an easy task! We view this work as rather like climbing a mountain. With each gain in elevation, a new horizon or hiking goal emerges. With each goal achieved, there is something new to discover, a new vista of insight to be gained.

In so many ways, working with an entrepreneur is like a great mountain hike. Information comes out slowly, over time, as trust and discussions deepen. In many cases, even veteran entrepreneurs are not sure which issues or questions are most important. When you connect with entrepreneurs, you are trying to create the space and support for their climb in search of the right questions and then the right answers.

**Strategic listening** is a critical component of creating this space. Great teachers and coaches master the art of strategic listening. They are attuned to both the verbal and nonverbal cues they get from the individuals with whom they are working. They know how to build a trusting and confidential relationship that leads a reluctant entrepreneur who believes, "Hey, I'm in business and should know all this stuff" to a place where they can verbalize and address the really challenging and scary issues. It is an art form that we will explore further in Chapter 4.3.

To be effective at intake and screening, you need a game plan. You need to work through various layers or screens with your entrepreneurs so a more complex picture emerges over time. We have found four screens to be most helpful to identify the important questions and issues where you need to focus time and energy:

- The facts
- Motivation and passion
- Willingness to learn
- Real development issues

## THE FACTS

Regardless of which method you use, you should gather basic contact and other information during your first intake visit with a potential entrepreneur. This information should include gender, age and race or ethnicity since this information may be important to resource providers. Beyond that, we encourage you to spend time during initial intake on **entrepreneurial history** and **personal history**.

- **Entrepreneurial History:** Relevant interview questions include:
  - Are you in business now?
  - Have you been in business in the past?
  - Did you grow up in or around family members who were in business?
  - At what stage of entrepreneurship are you?
  - What kind of business have you been in, are in now or want to be in?
- **Personal History:** Using an informal conversational approach, some easy starter questions include:
  - Are you married?
  - Do you have kids? What ages?
  - How long have you been in the community?
  - Did you move here from another community or country?

You may wonder about these personal questions. But remember you are trying to help a person, maybe even a family or partners, achieve their entrepreneurial dreams. It is not easy to separate the entrepreneur, and even the family, from the business. A business coach in Louisiana told a story about how happy an entrepreneur's husband was with the coaching she received. Why? They were going on vacation together for the first time in many years! Your support system needs to be comprehensive and address needs that range from achieving work-life balance to securing growth financing.

## Go Slow... Build Trust

Covering the facts will likely consume an initial intake visit. Be patient and resist the temptation to jump to problem solving! It takes time to build a trusting relationship. Use what you learn from each conversation to evaluate where to go next and how quickly and deeply you can go.

Download a sample intake form from [e2 University's Working with Entrepreneurs](#) department.



## MOTIVATION AND PASSION

Borrowing from angel and venture capital investors, you need to focus on the entrepreneur, her motivations and capacities, more than the business. Ewing Marion Kauffman, whose entrepreneurial success endowed the Kauffman Foundation, often counseled that the keys to entrepreneurial success were rooted in the following:

1. The right motivation
2. A strong and abiding passion to succeed
3. A healthy work ethic
4. Willingness to learn plus some talent
5. A lot of good luck

As your relationship with an entrepreneur grows, you have more space to explore these very personal attributes. Ultimately, however, you need to understand the motivation, passion and work ethic of the entrepreneurs you seek to help. The last two keys are a bit tougher. Talent is hard to judge, particularly for a startup. Good luck cannot be predicted, but good planning, risk assessment and management on the part of the entrepreneur are a hedge against bad luck.

In our intake and screening protocol, we have a number of questions or conversation starters that can help you gain insight into the motivation, passion and work ethic of your entrepreneurs.

Measuring the passion of your entrepreneurs can help you determine how much you invest in them. Possible areas you might want to probe include:

- Background experience with both life's successes and failures
- Attitude or outlook (e.g., optimist, pessimist)
- Maturity, regardless of age
- Goals (e.g., where do they see themselves in six months, one year or five years?)
- Personal life experience (e.g., where have they been and what have they done?)
- Vision (e.g., do they have a dream?)

### Want to see passion?

Talk with an immigrant entrepreneur! Despite all the challenges, one reason so many immigrants succeed in America is their passion. Many have known hunger, oppression, discrimination and lack of opportunity. Because of this life experience, they are driven to succeed and create better lives for their children and grandchildren, if given a chance. America, as a country open to immigrants, has been renewed generation after generation by the passion of immigrants.

### WILLINGNESS TO LEARN

Through conversations, interviews and focus groups with partners who work extensively with entrepreneurs, we have learned an important lesson, confirmed in our own work with entrepreneurs. After motivation and passion, one of the most important indicators of entrepreneurial success is a genuine **willingness to learn**. An entrepreneur who is open to learning can readily make up for knowledge or skill gaps. However, red flags should go up when you are confronted by an entrepreneur who claims to know all they need to know or who resists any opportunity to engage in new learning.

### REAL DEVELOPMENT ISSUES

Ultimately, you want to identify those issues or opportunities that are important to the entrepreneur's short-term and, eventu-

ally, long-term success. An entrepreneur may come through the door seeking a grant; while money might be an issue, chances are good it is not the core issue. Listen to the surface issues and concerns; these are places to begin the conversation. Take notes and probe because you want to uncover the hidden questions or issues including:

- Things that keep them up a night
- Their deepest fears
- Their blind spots
- Their dislikes

The greatest insights often come through off-hand comments or footnotes. An entrepreneur may be talking about his need to hire new employees and create a human resource system, but deep down he may just not be comfortable being a boss. Taking note of these items can create a focus for a future conversation and, hopefully, a chance to help that entrepreneur succeed.

We have presented this intake and screening process as a set of steps when in reality engagement with entrepreneurs must be organic. View this process like a GPS that offers alternative routes. See where your conversations take you and, as needed, re-route! Be flexible and adjust as it makes sense. Trust your judgment and use your strategic listening skills to guide you.

### **It's About Trust**

Creating a safe place where an entrepreneur will open up and really share is important to your success with the intake and screening process. In many small rural or urban neighborhood communities, where everyone knows each other pretty well, it is often easier to get entrepreneurs to share openly through a survey rather than an initial face-to-face conversation. We encourage you to use this tool since a response or comment made in a survey can open the door to a richer discussion during a follow-up visit.

### **Referrals and Assistance**

Entrepreneurial communities help network entrepreneurs to the right resource, at the right time and at the right cost. For most

entrepreneurs, the rich landscape of resource providers is like a wonderful, well-stocked grocery store, but one with no organization, staffing or “you are here” directory to help them learn where things are located. While the store is rich in product offerings, the challenge and cost of finding what they need may cause entrepreneurs to skip the store altogether. Designing and facilitating effective resource referrals creates real value for the entrepreneur and may mean the difference between getting help and going it alone.

There are five keys to effective referrals:

- 1.** Strategic listening
- 2.** Hard vs. soft referrals
- 3.** Follow up
- 4.** Use of tracking software
- 5.** Testing your referral system

## STRATEGIC LISTENING

We talked earlier about the art of strategic listening as a means to build trust and unearth the core issues an entrepreneur is facing. This skill comes into play in referrals because it enables you and the entrepreneur to hone in on where they really need help. Remember, the entrepreneur has only so much time to spend on getting assistance. You want to focus that time on issues that can really make a difference in the competitiveness, profitability and sustainability of the entrepreneur and their business.

Another key role for strategic listening is looking for the right match between those critical areas where the entrepreneur has needs and the resources available to help them. Remember, you do not need to have a solution to every challenge to be valuable and relevant. Focus on those issues where you have—or can connect to—the right resource and let that initial success build your relationship with the entrepreneur and open the door for repeat business.

## HARD VS. SOFT REFERRALS

There are two kinds of referrals: hard and soft. The difference between the two is like staying at a four or five star hotel vs. a one star motel. Hard referrals are all about ensuring quality control and better outcomes. The following table contrasts ways a service provider might describe hard vs. soft referrals.



## Hard vs. Soft Referrals

### Typical Soft Referral

- *I am not sure what she really needs, but I think the community college can help.*
- *He needs a commercial banker and I gave him a list of all banks in the area.*
- *They want to start a business so I loaned them a copy of my 400-page “Guide to Starting a Business.”*
- *I know the local Business Outreach Center is really backed up, but I referred her there anyway.*
- *I am not sure John at the University can help, but I think he can get them to someone at the University who can.*
- *Once I make a referral, I never think about that entrepreneur again.*
- *I do not have time to enter notes in my system and target when I should follow up.*

### Typical Hard Referral

- *I take time to really find out what he specifically needs and connect him to a resource that I know will be a good fit.*
- *I offer to check with the resource to make sure they can help and when they can see her.*
- *We work with the entrepreneur to make sure they have what they need for their work with a specific resource.*
- *Before I make the referral, I check around to see who can best meet their needs.*
- *Before I forget, I make notes in my system and peg a time when I should follow up with both the entrepreneur and the resource provider to see how things are going or worked out.*
- *I anticipate what her needs will be once she completes work with the referred resource so I can be ready with the next likely resource.*

Where do you like to shop? Most of us patronize stores with good staff who really listen; they take the time to take you to a product and not just point in a direction. They may even stay around to see if you have questions or need some other sales associate who knows the product line better. This kind of high-quality service takes time and money, but it leads to greater customer satisfaction and better outcomes. Hard referrals create a return by establishing long-term value-added relationships with your entrepreneurs.

*Remember repeat customers generate larger impacts.*

## FOLLOW UP

Follow up must be part of your overall protocol for working with entrepreneurs. It is your best way to stay connected and ensure that the entrepreneur is making real progress and is satisfied. To be most effective, you need to involve both the entrepreneur and the resource provider. Here is one example of how the follow-up process works:

- **Entrepreneur Follow Up:** You referred someone to a business counselor for help with cash flow analysis. It has been two weeks so you drop them an email to see if they actually got connected and to see if things are going well. In your email, you encourage the entrepreneur to keep you posted and to let you know when they are ready to move on to the next step in their development.
- **Resource Provider Follow Up:** You talked with the resource provider before you made the referral. When you follow up with the entrepreneur, you also check in with the resource provider. You do not ask them to disclose confidential information; you ask for a status report: did they meet with the entrepreneur; what kind of service did they provide; how do they think it is going. If you have a strong, trusting relationship, you might ask the resource provider to share insights and make suggestions on what assistance might be most valuable next. This information can help you anticipate what your next resource referral might be. Anticipating needs allows you more time to be thoughtful about your referrals and line up your action steps in advance.

## USE OF TRACKING SOFTWARE

You may have dozens of interactions with an entrepreneur in your community. You may be working with two dozen different entrepreneurs at any given time. To top it off, you are working part-time and putting in extra time getting ready to host a new business workshop. How do you keep track of all this information? Unless you have a photographic memory, you need help.

We strongly recommend you use some kind of information management client tracking software. Larger communities might consider resources like Synchronist or SourceLink; they have costs, but are proven systems and offer technical support includ-

ing start-up training and follow-on advice. If you are tracking a large number of entrepreneurs, these systems can be cost effective. For smaller communities, the cost and complexity of these packaged systems may be too much. If you are handy with Microsoft Office, you can build your own system. Or you might want to explore e2 University for other ideas.

It is important to remember, however, that software is only a tool. To be really helpful, you must learn how to use it and integrate tracking into your daily work. We recommend you put your software on a notebook computer, tablet or Smartphone so you can access your software wherever you are. When you complete a visit with an entrepreneur and have a few minutes before your next appointment or meeting, you can capture your insights, jot some notes and set a date for follow up.

To learn more about systems you can use to track data, such as Synchronist and tools from the Center, go to Working with Entrepreneurs in **e2 University**.



## TEST YOUR REFERRAL SYSTEMS

Two things ultimately determine your referral system's quality: the efforts of entrepreneurs to effectively use the resources provided and the quality of your referral partners. Your intake and screening system is focused on testing how serious your entrepreneurs are and their real needs and issues. You also need to test your referral partners, particularly those you are likely to use a lot.

The first step in testing your resource referral partners is to take time to get to know them and what they can do. They may have priorities for whom they work with and preferences for how they like to take on clients. Getting to know them will take some time, but you need this understanding to serve your entrepreneurs well. Next, unless you already have a solid working relationship, make a couple of referrals and see how things go. Taking this step can help you refine your relationship and ensure you can make additional referrals with confidence.

A final consideration is whether the resource provider will work with you collaboratively. By collaboratively, we mean will-

ing to work as a team, respecting that both of you have a relationship with the entrepreneur. The simple action of sending you an email when they have completed their work and an offer to let you know where things end up can be really important. We are not suggesting that anyone violate confidentiality, but simple communication keeps everyone in the loop.

If you consistently employ all five practices in your referral system, you will achieve the best possible outcomes. Good and valuable referrals create a positive reputation that will enhance your ability to work with more entrepreneurs and on more important issues. Remember, a dozen successes can be wiped away with one bad experience; doing good and effective work can help you build the relationship capital that can serve as a buffer against those times when success is hard to come by.

## Portfolio Management and Tracking

When we think of a portfolio, we think of the dictionary definition: “an itemized list of the investments, securities, and commercial paper owned by a bank, investment organization or other investor.”<sup>1</sup> Think retirement portfolio. Entrepreneurial communities are very much like investment organizations; you are investing in a range of targeted entrepreneurs, anticipating that the growth of these investments will generate positive and significant impacts for your community.

### A Portfolio Approach

Our years of field research have shown us that the most successful entrepreneur-focused economic development strategies use a **portfolio approach**. These successful initiatives create a strategic portfolio that matches entrepreneurial talent with development capacity and resources to achieve desired economic development outcomes.

Just as in any portfolio, there will be winners and losers; some stocks go through the roof, others tank, and some just flutter along. Similarly, some of the entrepreneurs you work with will produce no real economic development results, while others will

1 American Heritage Dictionary.

be highly successful and create impacts in the community. By building a thoughtful and properly targeted portfolio of entrepreneurs, you can be strategic and better manage the risk of failure. By tracking the performance of your portfolio, as a whole, you place accountability and focus where it should be, on program or portfolio impacts and not individual failures. There are five basic building blocks of an effective portfolio:

- Impact
- Criteria
- Indicators
- Reach
- Capacity Building

### IMPACT

Entrepreneurship generates many singles and doubles, and few home runs. Keeping track of smaller and more incremental outcomes is important. Performance must be viewed first and foremost at the portfolio level. For example, you should be reporting that your portfolio in a given year created 15 new jobs, generated \$1.1 million in new investment, and supported eight new business starts. Keeping score by client is also important, but it is the aggregate performance of your portfolio—the net impact of all the individual stories—that will ensure the **impact case** can be made.

### CRITERIA

You need to develop a set of criteria that you can use to support your decision making and help you choose the entrepreneurial targets for your portfolio. These criteria should be shaped by (1) your community's core development goals, (2) your existing and likely development capacity and (3) your available entrepreneurial talent. Without judging the merit of an entrepreneur or her idea, you must be able to strategically focus more energy on those entrepreneurs who best fit your strategic goals. And, a strong portfolio includes entrepreneurial partners who are motivated to succeed and willing to do what it takes to ensure success. But, remember we cannot predict who will succeed and who will fail (e.g., Bill Gates.) You need to work your system and use these criteria to populate your portfolio.

## INDICATORS

You also need to develop an appropriate set of indicators to track performance of your portfolio over time. You will want to identify process indicators, such as entrepreneurs visited, entrepreneurs referred, and key decision points reached by your entrepreneurs. You will also want to identify bottom-line indicators to help you track outcomes such as job creation and retention, business investments, and new business startups.



For more information on outcome metrics, go to our *Outcome Measurement for an Entrepreneurial Economy* tool at Working with Entrepreneurs in **e2 University**.

## REACH

In Chapter 4.1, we talked about identifying targeted entrepreneurs. You may identify both primary and secondary targets, perhaps business transfers are a top priority and youth entrepreneurs are secondary. Your portfolio should reflect these priorities and you should be able to show that you are reaching more top priority entrepreneurs. But remember that targeting helps you determine your starting point. Ultimately an entrepreneurial community must show that it touches many entrepreneurs, their families and employees and creates cumulative economic and social impacts. At the same time, you want to manage expectations. It is best to moderate expectations and outperform than to oversell your ability to deliver. In other words, go slow and be conservative in what you promise and then work like crazy to over deliver.

## CAPACITY BUILDING

Building a strong and effective entrepreneurial community takes time. In the short-term, one to three years, you need a dual focus. First, with the resources on hand, you need to help entrepreneurs succeed. Second, you need to strategize about how you will build the additional capacity needed to achieve greater reach and impact. We will come back to this topic in Part Five.

## Who is Doing This Well?

Portfolio management and tracking is very important to the success of your entrepreneurial community. We have found, however, that it is a real challenge for communities and regions. It takes so much energy to launch an initiative, conduct the critically important assessments, organize resource teams, find and support the right entrepreneur coach, and then target your entrepreneurial talent that **keeping score** often takes a back seat. Keeping score includes tracking clients and developing a strategic portfolio. While it is often difficult, there are examples of organizations doing this well.

The organizations with the longest and deepest experience in portfolio management and tracking are Small Business Development Centers (SBDCs). SBDCs are located throughout the fifty states of the U.S. and for years have engaged in strategic entrepreneur targeting based on national, state and area goals. These organizations document assistance and the outcomes achieved and track the services provided to their entrepreneur clients. In addition, the SBDC system is independently evaluated using third party and objective survey analysis. The sophistication of their monitoring systems is the result, in part, of the reporting requirements imposed by their federal, state and area funders.

At a more local level, the Pottawattamie County Iowa entrepreneur coaching initiative has consistently employed targeting, tracking and portfolio development. These practices have become part of the standard operating procedures for the initiative and are used for both performance tracking and portfolio alignment. After one year of strong performance, the partners in this initiative are now in the process of tying their entrepreneur coach's performance standards and compensation to this tracking and portfolio system. These partners are also using the system to establish goals for the coach that will help him stick to his most value-added activity. For example, a new target related to referrals to other resource partners will help John Adams, the program's entrepreneur coach, stay in the sweet spot of providing concierge services versus engaging in counseling. Strategic and effective referrals are a clear progress benchmark being used to grow a system of entrepreneurial support in far western Iowa.

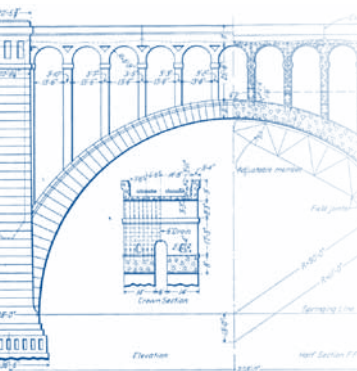
## How to Move Forward with Providing Value for Your Entrepreneurs

Take another look at the graphic at the beginning of this chapter. One of the reasons we like the roadmap analogy is that it implies a series of steps, a pathway if you will, that build on each other and ultimately get you where you want to go. We hope this book serves a similar purpose. To move forward with providing value to your entrepreneurs, we suggest you begin by revisiting the assessment work you completed, particularly your entrepreneurial talent assessment and your development resources assessment. This information will provide the input you need to begin the intake, screening and referral process.

Armed with this information, it is important to get started. Identify a small group of entrepreneurs with whom you can start and test your process. Do the same with a group of referral partners. You should have a really focused conversation with several key resource providers to get a sense of what questions will get you to the really important information you need. For example, you might find that asking a resource partner if they like to collaborate does not yield much useful information. But, asking them to tell you about some of the most successful work they have done in your community might uncover a pattern of partnering with other organizations that will help you see their collaborative spirit in practice.

### Bridge to Chapter 4.3

You might be saying to yourself, "There are a lot of moving parts to working with entrepreneurs. How can I keep everything together?" While the answer to that question is not easy, it is pretty clear. If working with entrepreneurs is central to becoming an entrepreneurial community, then you need someone to be at the center of this process. That is where the **Entrepreneur Coach** comes in. The coach is the **go to resource** for entrepreneurs in your community. We turn now to a discussion about who that person is, what they are responsible for doing, and how you support them.





## PART FOUR CHAPTER 4.3

# ENTREPRENEUR COACHING

*We owe our commitment to entrepreneur coaching to a conversation more than a decade ago with Larry Comer, a remarkable human being in so many ways. From southern Georgia, he was a serial entrepreneur, having grown large businesses including a lighting fixture manufacturing company that employed over 1,000 workers. He was also a civic leader, advocate for education and alumnus of Georgia Tech University. What really struck us, however, was his role in supporting new entrepreneurs. Larry was an entrepreneur coach, even though he did not use that label. As we learned more about him, it became clear that Larry had worked with hundreds of aspiring entrepreneurs, including many of his own employees. He had the right disposition to sit down with anyone interested in going into business and give them guidance. His approach was that of a coach, not a business expert, even though he was one. Larry would help entrepreneurs clarify their goals, values and how they could craft a smart game plan. He would make introductions to others who could help with business planning, finance and connections to suppliers. By his example, we came to embrace the power of entrepreneur coaching.*



Larry Comer

Entrepreneur coaching is the foundation upon which Working with Entrepreneurs is built. We believe the innovative use of coaching, coupled with networking to content expertise, creates the strongest possible assistance game plan and yields the greatest economic development impacts. Not everyone is suited to be an entrepreneur coach. Even those with the raw talent for this job

require time in the field to get really good at coaching entrepreneurs, their teams and their ventures. This chapter provides an initial glimpse into the world of entrepreneur coaching.

## *Why is Entrepreneur Coaching Important?*

We recognize that your goal in becoming an entrepreneurial community is to stimulate and support economic development outcomes, such as new investment, business startups and expansions, job creation and retention, and an expanding local tax base. But to get to these outcomes, the key intervention point is with the entrepreneur, their team, and how they develop over time. The key to success is growing better entrepreneurs who are then able to make deals happen. The business does not create the outcomes you seek; it is the entrepreneur or entrepreneurial team **driving the business** that achieves these ends. So, if this work is about people, then we need to draw heavily from the fields of human development, education and coaching.

According to Jay Kayne, formerly with the Kauffman Foundation and Miami University's Page Center for Entrepreneurial Studies, an entrepreneur is **"a person who creates and grows a venture."** This definition is short and sweet, but full of meaning. Jay uses the term "creates" intentionally. Entrepreneurs, specifically successful entrepreneurs, are part of the creative class. They envision, create and grow successful ventures in both the for-profit and non-profit worlds. They are on a par with others who create value through their art, music or literature.

There is something that most of those in the creative class have in common, and that is a coach. Think of how many young actors were coached by Lee Strasburg, student-athletes by John Wooden, or journalists by Ben Bradlee. Think of the young entrepreneurs touched by Larry Comer. In all these cases, the coach was not "on the field of play" but rather was on the sidelines, watching, listening, and asking the right questions. While the entrepreneur coach in your community may not have Oscar winners,

NBA champions, and Pulitzer Prize-caliber journalists among the creative individuals she coaches, her importance to your entrepreneurs is no less significant.

## *What is the Center's Approach to Entrepreneur Coaching?*

Nearly everyone has had experience with coaching; you have either had a coach or been one. Centering your entrepreneurial community efforts through entrepreneur coaching requires you to really understand three things:

- Characteristics of an entrepreneur coach
- The entrepreneur coach's job
- Community support for the entrepreneur coach

### **Characteristics of an Entrepreneur Coach**

*John Adams is a former Marine and lifelong entrepreneur. Now he uses his experience and talents as a coach, working with entrepreneurs in Pottawattamie County Iowa. His present field of battle is this diverse county in extreme west central Iowa with its primary city, Council Bluffs (part of the Omaha Metropolitan Area), and its dozen or so small villages and farms in the rural eastern parts of the county. John understands what it takes to succeed in business. He has created and grown some businesses, and witnessed some train wrecks as well. He has remarkable intuition. He speaks truth with love. Those he coaches listen and learn. John can generally see the right answers quickly. But he understands, as a coach, that there is only one right answer: the answer that the entrepreneur believes in and will act on.*



John Adams

Craig Schroeder, our colleague at the Center, has long described a coach using a sport analogy.

***A coach is someone who knows the game, has probably played the game and can teach the game.***

We would also add ***someone who can innovate to increase performance within the game***. A good coach is an innovator, looking over the horizon and thinking about how the game can be played better.

One element in this description—teaching the game—is really critical. We have observed that great coaches are great teachers. John Adams fits this description perfectly. He is a true teacher. Most importantly, he embodies the ***experiential model*** of teaching: a process of facilitated discovery. The coach does not provide concrete answers; rather, the coach guides the entrepreneur in finding their ***own*** right answers. It is very situational and can play to the preferences of the learners. As creative individuals, entrepreneurs want to feel part of the discovery process, so a single right answer seldom sits well. We find that many if not most successful entrepreneurs are experiential learners, making this learning approach a powerful one for them.

This experiential approach is in stark contrast to another fundamental teaching method, the ***expert model***. This approach is a knowledge transfer process observed more frequently in classroom or academic settings. The expert presents information and students are expected to absorb it; testing provides a way to judge successful transfer. While this approach may be appropriate in certain settings (e.g., demonstrating new software or accounting programs), it is not coaching. It does not always help the entrepreneur apply new knowledge to the very present and real issues faced in running a business.



University

**e2 University** combines both of these learning styles so that you will have the best of both worlds: expert and experiential.

## The Entrepreneur Coach's Job

*Jack Newcomb has worked as an enterprise facilitator and entrepreneur coach in a challenging multi-county region in southeast Kansas for more than a decade. But he brings many more years of entrepreneurial experience to this work. Jack embraces the Trinity concept articulated by Ernesto Sirolli: entrepreneurial success depends on having skills in production, finance and marketing. He also understands that the job of the entrepreneur coach is to help entrepreneurs find their own best answers in these areas. Jack does this by meeting the entrepreneur where he is and building a trusting and honest relationship. He never fails to balance his job as cheerleader, educator and provider of tough love as needed. He takes the time to listen hard, ask quality questions and help entrepreneurs figure out for themselves where they are and where they need to be if they want to succeed. When that path calls for some concrete action (e.g., preparation of a business or marketing plan), he makes the right referral to the right resource and points the entrepreneur in the right direction.*



Jack Newcomb

Entrepreneur coaches, like Jack Newcomb, may wear more than one hat but their primary role is working with entrepreneurs. And, in this role, they have one primary task: to create the space for the entrepreneur to be an entrepreneur. We mentioned this earlier in the book but it bears repeating. Most entrepreneurs spend their time and energy **working in the business**. The coach's job is to creatively help the entrepreneur spend more time **working on the business**. The coach helps guide the entrepreneur into creative space where reflection, learning, discovery, strategic focusing and all the other things that lead to a more successful business can happen.

And, to what end does the coach provide all this guiding and coaching? For entrepreneurs to be engaged participants in the entrepreneurial coaching process, they need to see value from this process. When Jack Newcomb helps a welding and implement business transition to a new young couple able to expand the business, his coaching creates value for those entrepreneurs. When he helps an entrepreneur open a new business on Main Street, his coaching creates value. As a community, you want the development outcomes that result from these entrepreneurial wins; and

Jack Newcomb can provide detailed information on outcomes such as jobs created and retained. But for the entrepreneur, the value comes in two ways. One is creating the space for them to work on their business, to rise above the trees and really see the forest. The other is the support the coach can provide for the myriad of other issues that come up on a daily basis:

- Balancing life and work
- Prioritizing the numerous challenges faced every day
- Building a stronger team
- Communicating with staff more effectively
- Learning to see your blind spots
- Dealing with challenges of values or ethics

Creating and growing a venture is inherently complex. The entrepreneur coach can help the entrepreneur unbundle the complexity and begin to gain clarity around those issues or opportunities that are strategically important to success. This process involves helping the entrepreneur figure out where entrepreneurial time, energy and resources can best be invested. It is about helping the entrepreneur work smarter and not harder. There are dozens of tasks that need to be addressed; creating a sequence of priority activities can help rationalize the entrepreneur's life and enable them to focus quality time and energy on one item at a time. Over time, this approach results in what we call climbing the mountain. For the entrepreneur, this value-added process may mean more time with family, in the community or back in that creative entrepreneurial space where he can grow the business.

Another important aspect of the entrepreneur coach's job is ***coaching the whole entrepreneur***. We mentioned earlier that it is often hard to separate the entrepreneur from his family. An entrepreneur coach needs to recognize that coaching is focused not only on business issues but also on the personal and relationship challenges that come with the entrepreneur. Coaching may involve helping an entrepreneur deal with a strained marriage, personality conflicts with partners or their own personal maturity issues. An effective entrepreneur coach recognizes this reality and willingly coaches the whole entrepreneur.

To learn more about some red flags associated with entrepreneur coaching, go to [Working with Entrepreneurs in e2 University](#).



## Community Support for the Entrepreneur Coach

*A tale of three coaches is the best way to demonstrate community support for the entrepreneur coach.*

*Rural Deuel County South Dakota struggles with population and business loss, and these trends have been going on for some time. Over the past decade, community leaders decided to act. They created Deuel Area Development (DADi) and embraced becoming an entrepreneurial community. In the process, Joan Sacrison, DADi's primary staff person, was thrust into the role of entrepreneur coach. With limited business experience, Joan may seem an unlikely coaching candidate. But, Joan and the community understand that "it takes a village." Joan uses her networking skills and her resource networks to connect entrepreneurs to local bankers, attorneys and others who can provide needed support. Together, coach and community are seeing the seeds of success: new business starts, business expansions and transitions to new ownership.*

*Fond du Lac, Wisconsin is part of America's Rust Belt. Like many other similar cities, the past decade has been challenging. The community almost lost its major employer during the Great Recession. That wake-up call contributed to the Fond du Lac Economic Development Corporation's greater focus on entrepreneurship and Economic Gardening. Jo Ann Giese-Kent was hired to lead those efforts. A market intelligence researcher by training, Jo Ann has stepped into the coaching role knowing the community is behind her. The Economic Development Corporation is committed to creating a system of resources to support entrepreneurs and to helping Jo Ann network entrepreneurs to the right resource at the right time. While these efforts are still a work in progress, Fond du Lac has the right strategy, the right coach and a strong community commitment to success.*

*Sue Shaner served as the entrepreneur coach in McCook, Nebraska during the startup of its entrepreneurial community initiative. While Sue*




Joan Sacrison



Jo Ann Giese-Kent



Sue Shaner



*is not an entrepreneur herself, she has lived and worked with entrepreneurs her whole life. She is an educator and brings two really important skills to her coaching: strategic listening and networking. Sue uses her strategic listening skills to really understand what an entrepreneur needs to grow. Then she uses her remarkable networking skills to connect the entrepreneur to the best resources. In the process, she engages and is supported by the whole community. One example shows the power of these skills in action. Sue recognized the importance of capital access to entrepreneurial success. She visited with all the commercial loan officers in McCook which serves as a hub for the broader southwestern Nebraska region. She got to know the loan officers, their institutions and their preferences for doing business. She created a strong community support system for business finance. She took the time to understand her banking partners, to build trust and relationships. In turn, these bankers support Sue and her entrepreneurs.*

The primary job of the entrepreneur coach is to build a relationship with an entrepreneur that is strong and trusting enough that the coach can disrupt the entrepreneur into **working on the business**. That is what the coaches highlighted in this chapter are so adept at doing. When that disruption has generated a focused list of actions, the entrepreneur coach is responsible for networking the entrepreneur to the resources needed to accomplish these strategic actions. Here is where the community's support for the coach comes into play.

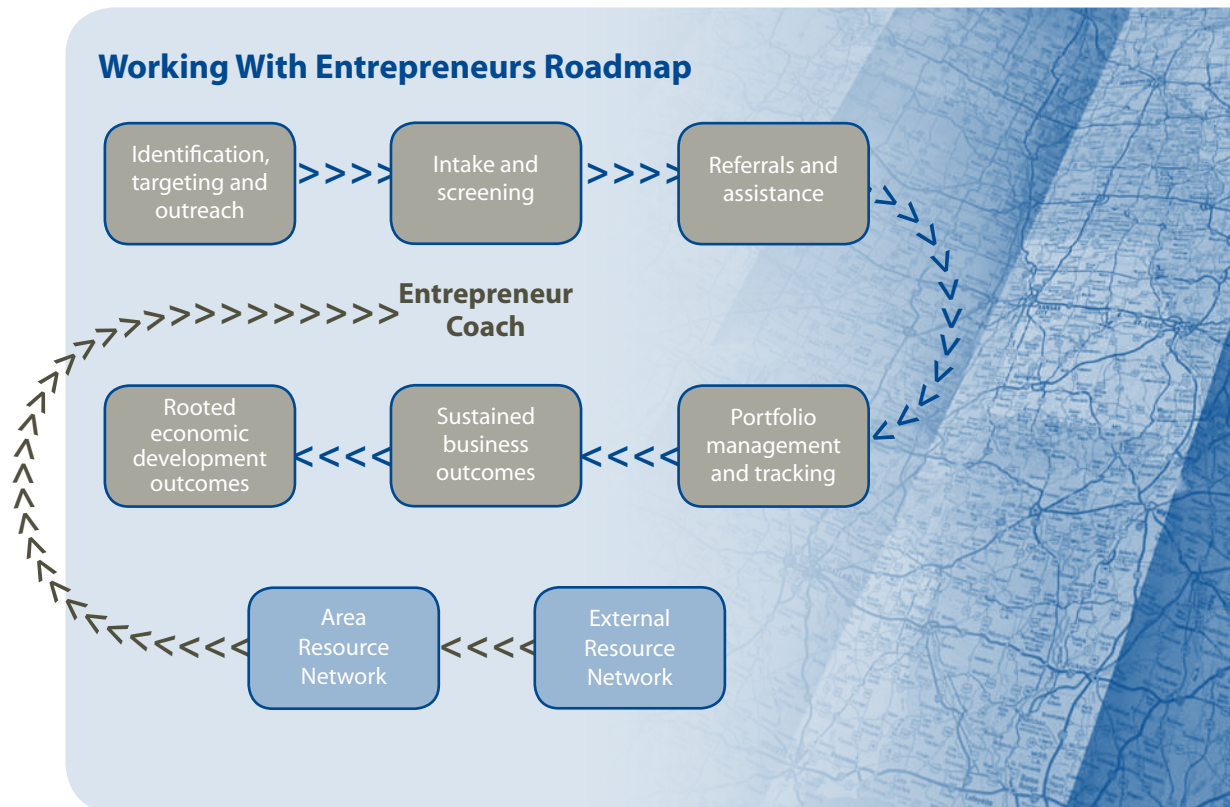
In today's environment, there are thousands of possible resources that **could** be valuable to the entrepreneur. But that resource landscape is not an easy one for the entrepreneur to navigate alone. The coach must know the available resources—or know how to find them—and match the entrepreneur's needs to those resources in a way that reduces the transaction costs, both time and effort, for the entrepreneur. The quicker and more effectively these matches are made, the more successful the entrepreneur can be and the more development outcomes the community will realize.

Remember our working with entrepreneurs roadmap? While the entrepreneur coach is at the center, she must be supported by the Area Resource Network we described in Chapter 2.3. This network is your community's lifeline of support for the coach.



Members of the network are likely to be your coaches key referral resources. And, they are likely to know and have connections to the External Resource Network (Chapter 2.4) when the right resource cannot be identified within your community.

Since the entrepreneur coach is at the heart of your efforts to become an entrepreneurial community, you need to be intentional about supporting your coach over time. That support goes beyond a vibrant Area Resource Network and includes support for the coach's professional development and work plan; it means providing the financial resources so that the coach can do his job effectively. It is the community's job to provide the coach with the support he needs to be an effective teacher and guide to your community's entrepreneurs.



## Who is Doing This Well?

Each of the coaches featured in this chapter is the heart of a community-led initiative. These communities have committed to following the roadmap we are sharing in this book and are well on their way to becoming entrepreneurial communities. The coaches, in a way, reflect the choices their communities have made to build a stronger, more prosperous future by embracing entrepreneur-focused economic development.

## How to Move Forward with Entrepreneur Coaching

We have just scratched the surface of entrepreneur coaching in this chapter. We encourage you to check out the resources in e2 University. Your community's decision to engage an entrepreneur coach is one of the most important you will make on the road to becoming an entrepreneurial community. The first step, the way you move forward, is establishing your community commitment to the coaching process. This commitment is certainly about finding and hiring the **right** coach. But it is much more than that. We offer a few thoughts on getting started with that process here.

- Hire a person who has the coaching attributes described earlier in this chapter and is committed to life-long learning, professional development, and career tracking.



University

Go to Working with Entrepreneurs in **e2 University** for a draft entrepreneur coach job description used in one community.

- Provide intensive early orientation and training support to ensure the entrepreneur coach gets off to a strong start.
- Connect the entrepreneur coach with a mentor for the first six to 18 months with regular “touch base” teleconferences and, at least, quarterly in-person sessions.

- Supplement mentoring with training opportunities on topics associated with entrepreneur development so that the coach can continually build her skills.
- After the first six to 12 months on the job, network the entrepreneur coach into a peer group of entrepreneur coaches with monthly teleconferences and annual retreats. You might even want to consider encouraging the coach to make one or two visits to entrepreneurial communities where coaching is more advanced so they can experience firsthand an effective coaching system.

Go to *Working with Entrepreneurs* in **e2 University** for a sample request for qualifications proposal used in one community.



Once you find the right coach, you will want to do everything to keep him in the community. Turnover can greatly limit the potential impact of an entrepreneur-focused economic development strategy. Career tracking is one way to minimize turnover. You should work with your coach to establish clear performance expectations, robust professional development, competitive compensation (e.g., base, growth and benefits), performance compensation and the opportunity for long-tenure employment. These commitments will benefit the coach, your entrepreneurs and your community.

You will find a guide to entrepreneur coaching in the *Working with Entrepreneurs* department of **e2 University**.



The image shows a detailed architectural drawing of a bridge structure. It features a large central arch and a series of smaller arches above it. The drawing includes various technical labels such as 'Elevation', 'Half Section', 'Crown Section', 'Sill', 'Footing', 'Abutment', 'Pier', 'Spillway', 'Flood plain', 'Sill line', and 'Half Section'. The drawing is rendered in blue lines on a white background.

## *Bridge to Part Five*

If becoming an entrepreneurial community were a puzzle, we would say you have most of the pieces right now! We have made the case for why entrepreneurship development is such an important direction for your community and what it means to become an entrepreneurial community. We have shared the importance of taking a systems approach and the critical components of an entrepreneurial development system. We have emphasized the need to engage all your resources, the ones in your community and the ones you can connect to by building stronger ties and networks. We shared a number of assessments that must be done in order to develop sound and effective strategies, and made the case for engaging stakeholders along the way. And, we laid out the elements of a winning game plan. Here in Part Four we focused on the nuts and bolts of working with entrepreneurs, the really key job of an entrepreneurial community.

Now we turn our attention to impact: how do you create more of it, how do you measure it, and how do you sustain it over time. The key to creating impact, as we have emphasized throughout this book, is to identify and support entrepreneurs with the commitment and potential to grow.

A close-up photograph of a water droplet falling into a pool of water, creating concentric ripples. The image is in shades of blue and white.

## PART FIVE

## CHAPTER 5.1

# CREATING IMPACT THROUGH GROWTH ENTREPRENEURS

All kinds of entrepreneurs contribute to the economy and the social fabric of our communities. **Growth entrepreneurs** create real and lasting economic development impacts: good paying jobs, increased standard of living and wealth creation for all. By helping those with the passion, capacity and real opportunity to grow, you are setting the stage for community prosperity. How you target your support efforts and the type of support you provide plays an important role in creating sustained **business** outcomes that, in turn, contribute to rooted **economic development** outcomes. Part Five tackles the challenging topics of creating, measuring and sustaining your impact. Creating the greatest impact through your entrepreneurial community efforts begins by digging deeper into growth entrepreneurs: how you find them and support their growth over time.

### *Why is Creating Impact Important?*<sup>1</sup>

Not every business owner wants to grow her business. Many self-employed and lifestyle entrepreneurs just want to make a decent living for themselves and their families, and maybe hire a few other people. Many of these smaller businesses serve local markets and have no footprint outside the community. But, these small, local businesses are very important to a community. They contribute

<sup>1</sup> Some of the material in this section is adapted from work done in partnership with Christine Hamilton-Pennell, Growing Local Economies, [www.growinglocaleconomies.com](http://www.growinglocaleconomies.com).

to the quality of life and provide amenities that make the community a more desirable place to live and work. Most community residents want to be able to purchase a good meal, a new garden rake or the latest novel from local shop owners on Main Street.

While they are valuable, these small entrepreneurs are not creating the kinds of job and career opportunities that will attract young families and professionals into our communities. That is the role for growth entrepreneurs. These entrepreneurs are very intentional about growing their businesses. They have both a **desire** to grow and the **capacity** to actually realize sustained growth. Most often, this growth involves tapping external markets which, in turn, creates wealth in the community through new investment, jobs, and tax revenues. When this new wealth is spent or re-circulated in the local economy, it stimulates the growth of local businesses. These growth entrepreneurs start a cycle of wealth building that ultimately leads to greater impact for the community.

We have seen the impact of growth entrepreneurs in communities across the country. There is also a strong body of research demonstrating the important role that new and young firms play in job growth in the U.S. While there is good historical research available, recent research supported by the Kauffman Foundation shows that:<sup>2</sup>

- New, small companies (1-4 employees) made up 86% of new firms, on average, since the late 1970s.
- Job creation at **new** businesses of all sizes increased by 4.3% between 2010 and 2011 and grew by 5.4% at small companies (1-4 employees), reversing four years of decline associated with the Great Recession.
- Small companies (1-4 employees) that are less than one year old created, on average, more than 1 million jobs per year over the past three decades; businesses with 5-9 employees, on average, created half a million jobs per year.

While new start-up businesses are contributing to job creation, research shows that sustained job growth in a community is generated by a relatively small number of businesses that have learned how to grow over time. Gary Kunkle, author of this study,

<sup>2</sup> Ian Hathaway, Jordan Bell-Masterson, Dane Stangler, The Return of Business Creation, The Kauffman Foundation, July 2013.

likens these companies to the tortoise and the hare, stating that “slow and steady wins the race.”<sup>3</sup> It is these growing companies—business expansions—that have the greatest long-term economic impact on a local community or region.

Where can you find these growth entrepreneurs? The good news is that they are very likely in your own communities and regions. Kunkle writes, “The evidence shows that sustained growth companies are found in every industry and nearly every populated county across the country.” These growth businesses must be a key piece of any strategy to create impact.

Most growth entrepreneurs do not operate in a vacuum. Entrepreneurs connect often with one another. They may have supply or purchasing relationships. They may be competitors or partners. They may operate in the same sector and advocate for regulatory or policy change together. These relationships may be instrumental in helping an entrepreneur grow his business. Michael Porter, a Harvard professor, recognized the importance of these interconnections in a seminal book that gave rise to a focus within economic development on cluster or sector-based economic development strategies.<sup>4</sup>

Cluster or sector strategies are relevant in some communities. As you identify entrepreneurs through the assessment process, you may begin to see some patterns: groups of entrepreneurs operating in the same sector. For example, Morganton, North Carolina has a group of textile firms that are re-inventing what it means to be a textile manufacturer in the state. The Napa Valley is world renowned for its wineries and vineyards, but the River Hills region of Missouri has a group of entrepreneurs that is putting that region on the wine tasting map. In both cases, economic development leaders recognized these burgeoning sectors and focused resources and attention on meeting the specific needs of these entrepreneurial clusters. And, there is strong evidence that such strategies can lead to greater business growth and stronger outcomes for a community or region.<sup>5</sup>

*Sustained growth companies generate benefits that extend far beyond their own success, from raising incomes for employees and the communities where they reside, to increasing social equity.*

– Gary Kunkle,  
Building Scale and  
Sustaining Growth

3 Gray Kunkle, PhD, Building scale and sustaining growth: The surprising drivers of job creation, Institute for Exceptional Growth Companies, Edward Lowe Foundation, February 2013.

4 Michael Porter, *The Competitive Advantage of Nations*, New York: Free Press, 1990.

5 *Cluster-Based Strategies for Growing State Economies*, National Governors Association and Council on Competitiveness, Washington, D.C., 2007.

## *What is the Center's Approach to Creating Impact?*

The key to our approach to creating impact is targeting entrepreneurs with growth potential. Identifying growth entrepreneurs is part of the challenge and we see different strategies for finding these entrepreneurs. Some entrepreneurship support strategies target companies by size and other characteristics related to the stage of business. Economic Gardening, pioneered in Littleton, Colorado, focuses on Stage 2 companies that are beyond start-up phase but not yet mature.

### **Stage 2 Companies**

The Edward Lowe Foundation defines Stage 2 companies as those with 10-99 employees. Stage 2 companies usually have “a proven product, and survival is no longer a daily concern. Companies begin to develop infrastructure and standardize operational systems. Leaders delegate more and wear fewer hats.” Glossary, [www.youreconomy.org](http://www.youreconomy.org).



University

For a white paper on economic gardening, go to [Strategy in e2 University](#).

While Stage 2 growth-oriented companies do create a substantial number of new jobs, research cited earlier suggests that new businesses of all sizes are the job creation engines. Young growth companies are, as a result, the target of many business incubation and acceleration programs. From Techstars launched in Boulder, Colorado ([www.techstars.com](http://www.techstars.com)) to Tech Columbus in central Ohio ([www.techcolumbus.org](http://www.techcolumbus.org)), these initiatives seek to surround young companies with the mentorship and support they need to grow.



So, where should you focus as an entrepreneurial community? We have found the sweet spot for most entrepreneurial communities is to target entrepreneurs who operate a venture that is 1-5 years old and have the desire to grow it, regardless of its size. While these ventures are not necessarily high-tech, there is often something innovative about the product, process or delivery method. They also have a potential or actual market outside the local region and are capable of creating well-paying jobs and careers for local residents. Typically, these are late Stage 1 (1-9 employees) and early Stage 2 growth entrepreneurs. If your community can provide support and help at this crucial phase, these entrepreneurs are more likely to make sound decisions and sustain their growth into the future.

### Finding Growth Entrepreneurs

Finding these growth entrepreneurs is the tricky part. What our work has taught us is that they can be found anywhere! In one of the first Nebraska communities to adopt the HomeTown Competitiveness<sup>®</sup> model, we asked this question as part of our assessment work: where are your growth entrepreneurs? The response was akin to a blank stare. But, when we went out with community leaders to interview entrepreneurs, they discovered a very different reality. They found a group of entrepreneurs actively engaged in growing their businesses, and flying well under the radar screen of community leaders. For example, a local pharmacist had discovered a niche in compounding drugs and was selling far beyond the town limits. Some of the businesses had been around for some time; others were in sectors, such as retail, that we do not always associate with entrepreneurial ventures.

A community must leverage its networks of existing entrepreneurs, small business professionals, and business organizations to locate growth entrepreneurs. Remember your Area Resource Network? That is a good place to start! Some growth entrepreneurs may start out as a home-based business or as a retail business that discovers a new outside market through the Internet or franchising. Some of the entrepreneurs you find may be growing without any support; others may have tremendous growth potential but need a little help from their community friends.

*We have found the sweet spot for most entrepreneurial communities is to target entrepreneurs who operate a venture that is 1-5 years old and have the desire to grow it, regardless of its size.*

## Examples of Growth Entrepreneurs

Growth entrepreneurs are not rare and exotic creatures. But, it is helpful to prime your imagination with a few examples. You may begin to see entrepreneurs in your own community in a different, growth-tinged light.

### SOLAR ROAST COFFEE, PUEBLO, COLORADO

Solar Roast Coffee was started by two brothers in Oregon. Using their own innovative solar technology to roast coffee beans, they eventually moved the business to Pueblo, Colorado to take advantage of the abundant sunshine. They opened a retail store in downtown Pueblo in 2007. Since that time, they have worked to build a wider market, expanding into grocery stores and other coffee shops and restaurants in southern Colorado, and creating an online presence. At the same time, they worked to advance their technology to become more efficient and to expand their capacity. They even branched out in Pueblo with the launch of a drive-through coffee shop.

The brothers were not alone in launching and growing this business. Their parents were initial investors in the new storefront and technology. They received marketing intelligence from the Economic Gardening program in the county. And, they received a grant from the Pueblo Economic Development Corporation to construct a new solar roaster on the roof of their downtown location. While this support helped the business, it also created an attraction in downtown Pueblo, drawing in residents and visitors alike. To learn more about Solar Roast Coffee, go to [www.solarroast.com](http://www.solarroast.com).

### ONSHORE OUTSOURCING, MACON, MISSOURI

Onshore Outsourcing is "an information technology services company born from a tenacious desire to keep jobs here in the U.S." ([www.onshoretechnology.com](http://www.onshoretechnology.com)) The company has grown since its founding in rural Macon, Missouri and now has offices in St. Louis and will expand into Georgia in 2014. The entrepreneur's innovative approach to providing IT services includes training rural workers so that they have the skills needed to become Onshore employees. And, they are succeeding; the company started with three workers and has grown to over 60 in Macon and 100 across the company.

Onshore Outsourcing did not achieve this growth alone. Macon County embraced the entrepreneur when he showed up with not much more than an idea. "The people in Macon had a great attitude and welcomed us with open arms. The Macon County economic development director, and the whole community decided to take a chance on us and everything came together."<sup>6</sup> The community provided support that ranged from capital to connections to other service providers, state and community college resources. The community's past investments in fiber optics made it possible for Onshore to start there and continued investments are making it possible for the business to grow there.

#### KEYSCAPER, TUALATIN, OREGON

"Keyscaper is truly an American job growth story. They produce innovative, cool products, they are growing, and it's happening right now in the U.S.A." ([www.keyscaper.com](http://www.keyscaper.com)) A self-described growth company, Keyscaper does custom printing of graphics onto keyboards, cell phones, and other unique surfaces. Located in a suburb of Portland, Oregon, this family-owned company faced serious challenges during the Great Recession. They struggled to find the time to be innovative, focused mostly on keeping their core business operating.

Fortunately, city economic developers partnered with an Economic Gardening program in Portland and referred the company there. Keyscaper received market information and analysis which, according to the owner, allowed the company to increase sales, reach into new mainstream retail outlets and establish partnerships with companies including Google and Boeing. She adds, "Sales growth in our Keyscaper line combined with core business growth allowed us to add 16 positions, increasing our staff size by 50% in one year."<sup>7</sup> To learn more about Keyscaper, go to [www.keyscaper.com](http://www.keyscaper.com).

To read more about growth entrepreneurs, go to Working with Entrepreneurs in **e2 University**.



<sup>6</sup> Lisa Bauer, Rural Missourian Keeps Tech Jobs Onshore, Entrepreneur of the Month Story, Center for Rural Entrepreneurship, July 2007.

<sup>7</sup> Toni Thom, Homegrown Jobs for Oregon, Oregon Business Journal, June 24, 2011.

## Supporting Growth Entrepreneurs

Once you have found the growth entrepreneurs in your community, you will need to figure out how to support their growth; in turn, you will achieve the community impacts you desire. Through our work in entrepreneurial communities, we have identified seven things that growth entrepreneurs need:

### Seven Things Growth Entrepreneurs Need

- 1. Technical capacity building**
- 2. Coaching**
- 3. Market intelligence**
- 4. Access to capital**
- 5. Workforce development**
- 6. Infrastructure**
- 7. Quality of life amenities**

**1. Technical capacity building:** Even the most experienced entrepreneur encounters technical issues associated with growing a business that go beyond her expertise. These issues might relate to a particular financial transaction, such as structuring a deal with an equity investor, or a legal issue related to intellectual property rights. When these issues arise, the entrepreneur needs very focused assistance, in a timely manner, so that they can clear this hurdle and keep on moving. Your ability to develop strong Area and External Resource Networks may well determine whether the business grows, and whether it grows **in your community**. Sometimes the best support you can provide is a connection to another entrepreneur who can provide wisdom and experience. So, strong local entrepreneur networks are also essential to the success of these entrepreneurs.

**2. Coaching:** We introduced the concept and importance of entrepreneur coaching in Chapter 4.3. Growth entrepreneurs can benefit from coaching as much as any entrepreneur. However, it is more important than ever to make sure that the qualities and skills of your coaches match the needs and experiences of your entrepreneurs. Growth entrepre-

neers need coaches who understand the challenge and the opportunity that growth presents. These coaches need to be able to draw on their own wells of knowledge, but also know when to bring in outside resources with the specific skills and expertise needed by the entrepreneur.

**3. Market intelligence:** When growth entrepreneurs are exploring untested markets, they need a strong business plan coupled with quality market intelligence. Market intelligence is more than good data, it is a process. It provides access to accurate, timely and actionable information from primary and secondary sources, coupled with strategic advice from business professionals. It can be a great complement to entrepreneur coaching as it helps the entrepreneur ask better strategic questions, make more focused market decisions, avoid costly mistakes, and successfully grow her enterprise. Market intelligence is a discipline practiced by all Fortune 500 companies. Your community can help smaller growth entrepreneurs gain a competitive edge in their market space by making it easier to access this support. The growing trend toward Economic Gardening programs in states and regions is a testament to its importance.

**4. Access to capital:** There is no question that growing a business requires financial resources. Most entrepreneurs start their ventures by relying on their own savings and sometimes the support of family and friends. Increasingly, start-up entrepreneurs are turning to crowdfunding sources like Kiva ([www.kiva.org](http://www.kiva.org)). Growth entrepreneurs, however, need access to a much broader range of capital resources. Rarely is growth financed out of internal reserves. Entrepreneurs may need to access capital from banks, with or without federal loan guarantees, angel investors, or equity investors. What can your community do to help? Through the assessment process and your resource networks, you can identify available resources, including commercial lenders, micro-enterprise programs, angel investors and state and federal government financing programs (e.g., Small Business Administration, U.S. Department of Agriculture's Intermediary Relending Program.) But it is important to remember that financial capital must be combined with technical as-

*To learn more about economic gardening and how market intelligence is used, go to [www.growinglocaleconomies.com](http://www.growinglocaleconomies.com) and <http://edwardlowe.org/tools-programs/economic-gardening/>.*

sistance, coaching, and better market intelligence so the entrepreneur can put the capital resources to work effectively.



For an example of a well-designed guide to understanding and accessing capital for small businesses and entrepreneurs, we suggest *Fueling Your Business* produced by a collaborative group of business support partners in North Carolina. Find the guide at *Organizing for Action* in [e2 University](#).

**5. Workforce development:** If your growth entrepreneurs are really creating impact in your community, they are creating jobs. The quality of your workforce can have a strong bearing on how an entrepreneur grows and from where these new employees come. Remember the story of On-shore Outsourcing? In the beginning, it was very difficult to find employees in rural Missouri with the right skills to meet their needs. The entrepreneur ended up providing the training himself, recruiting area students into a boot camp of sorts. Eventually, the community college was able to take over this function. The lesson for your entrepreneurial community? Workforce and economic development must go hand in hand.

**6. Infrastructure:** When you think about infrastructure, water, sewer and roads may come to mind. But infrastructure for entrepreneurs is much broader. It includes access to telecommunications services including cell phone and Internet service, access to air travel and other logistics. It may also mean the availability of flexible space, not the traditional industrial park at the edge of town but shared office and co-working space located within walking distance of living, eating and entertainment options. You may need to change the way you think about infrastructure in order to meet the needs of your growth entrepreneurs.

**7. Quality of life amenities:** Most entrepreneurs can live and grow their ventures anywhere. This is particularly true of growth entrepreneurs that create businesses that rely on non-local markets. Quality-of-life considerations play

strongly into an entrepreneur's choice to stay or locate in a particular community. Entrepreneurs want to live and raise their families in safe communities with good schools and higher education opportunities, quality and diverse housing options, strong cultural and recreational amenities, vibrant local retail and service businesses, and accessible health-care, child care, and elder care services.

If you want to create community prosperity by supporting growth entrepreneurs, what is the bottom line? Create a strong community infrastructure including quality of life and bring together relevant technical, coaching, market intelligence, financial and workforce resources to support your local growth entrepreneurs. Community development and economic development are two sides of the same coin for every community. Both are needed to help a community create new hope, increase wealth and expanded opportunities for all.

## Supporting Entrepreneurs in Sectors

Our focus to this point has been on individual entrepreneurs but, remember, we are really focused on helping you create an entrepreneurial community. We are focused on helping you create community impacts and prosperity. So, we need to spend some time talking about working with entrepreneurs in sectors or clusters.

There is ample evidence of the benefits to an entrepreneur of operating as part of a cluster of firms (e.g., being a supplier to the BMW plant in Spartanburg, South Carolina or being a value-added food and herbal product producer in the Asheville, North Carolina region.) These benefits range from cost savings by being closer to your buyers or suppliers to a more specialized pool of potential employees to a network of supportive peers with specific industry knowledge. State governments in particular have identified the benefits to the state's economy from supporting particular clusters, and economic development investments have followed.<sup>8</sup>

What is the right approach for your community? The answer depends on the entrepreneurs you have: your starting point. We share two examples of efforts that focused on developing entrepreneurs within sectors as a way to create desired and sustainable outcomes in communities.

<sup>8</sup> A Governor's Guide to Cluster-Based Economic Development, National Governors Association, Washington, D.C., 2002.

## KANSAS OPPORTUNITY INNOVATION NETWORK

How can smaller, more isolated communities reap the benefits that sector-based or cluster strategies offer? That is the question that the Advanced Manufacturing Institute (AMI) at Kansas State University, in partnership with regional and local economic development organizations, is addressing. AMI brings expertise in sectors, such as manufacturing, and connections across the state, country and globe to the table, in combination with local leaders' knowledge of their entrepreneurs. One result of these efforts is the planned creation of a manufacturing accelerator in the Kansas Logistics Park in Harvey County. To see this sector strategy in action, consider how the recruitment of a wind energy company to the Logistics Park was handled. AMI identified the suppliers needed by the new company and then talked to companies inside and outside the region to see how they could fill these supply chain gaps. They used this "Wind Capabilities Profile Assessment" as part of the incentive package that the local community put together for the company.<sup>9</sup> The goal? Fill as many of the supply chain needs of the larger company by working with local entrepreneurial talent in manufacturing.



To learn more about this innovative initiative in Kansas, go to Energizing the Community in [e2 University](#).

## FARM TO FUEL VALUE CHAIN IN ARKANSAS

The Arkansas Delta has fertile land, skilled farmers and deep entrepreneurial roots. With that raw material, alt.Consulting, an entrepreneurial support organization with more than a decade of experience providing managerial support and capital to Delta entrepreneurs, worked with a diverse set of partners to launch a small-scale biofuels sector in Arkansas through the Arkansas Green Energy Network (AGEN). Using a wealth creation value chain tool, AGEN is networking farmers, who produce a winter crop of camelina as a biofuels input, to the first mini-refinery (at



*Courtesy of alt.Consulting*

<sup>9</sup> *Growing Rural Innovation-Based Economies: Kansas Opportunity Innovation Network*, National Association of Development Organizations Research Foundation, Washington, D.C., September 2011.



this writing) that will produce biofuels to meet the needs of a local municipality. It is working with other entrepreneurs to develop business enterprises needed to make this value chain work—seed-crushing enterprises, trucking companies, agricultural service companies—and other entrepreneurs who will operate what is designed as a regional network of micro-biorefineries throughout the Arkansas Delta.

To learn more about wealth creation value chains and the work in the Arkansas Delta, go to [Energizing the Community in e2 University](#).



## *Who is Doing This Well?*

GrowFL is in the business of supporting growth entrepreneurs, and they do it well. In their words, “GrowFL helps companies overcome obstacles to growth and leads them towards prosperity.”<sup>10</sup> Begun as a 2009-2011 pilot program based on the principles of Economic Gardening, GrowFL has become a key piece of the state’s economic development efforts.

The GrowFL initiative targets Stage 2 companies that have growth potential. The two principle services provided to these entrepreneurs are strategic research and peer-to-peer mentoring. Strategic research provides the intelligence needed to craft a realistic and achievable growth strategy; the peer-to-peer mentoring helps build the skills of the entrepreneur to guide and implement that growth strategy. Together, these tools provide a powerful boost to accelerate the growth of these companies and, in turn, create economic development impacts for the state.

One of the things that GrowFL does well is measure its impact, on the overall economy and on the entrepreneurial ventures it supports. They report on the performance of the companies they support as compared to their peers in the state. The findings suggest that the support GrowFL provides is making a difference

<sup>10</sup> [www.growfl.com](http://www.growfl.com)

*Based on the job growth figures these companies have reported, we estimate that between fiscal year 2009 and 2012, GrowFL helped to create more than 4,187 direct and indirect local jobs and contribute more than \$581 million to Florida's economy, for a total state investment of \$5.5 million. It also helped to generate an additional \$42.3 million in net state and local tax revenues (above and beyond the cost of the program).*

*– The Economic Impact of GrowFL Companies, August 1, 2013*

to these entrepreneurs: their businesses grew three times faster than their peers.<sup>11</sup>

And what does this mean for the economy overall? GrowFL is documenting the significant impact that these growth entrepreneurs are having on the state. While the scale may differ from place to place, GrowFL's success clearly demonstrates how support for growth entrepreneurs is a means of creating impact.

## *How to Move Forward with Creating Impact*

Through your assessment work, your entrepreneur coach and your Resource Networks, you should be able to readily develop an inventory of potential growth entrepreneurs. Remember, potential is a key word here. You need to take the next step, with your partners and ultimately with these entrepreneurs, to discover the answers to these key questions:

- 1.** Does the business have a competitive niche?
- 2.** Is the entrepreneur committed to growth?
- 3.** Is the entrepreneur actively exploring new external markets and how to reach them?
- 4.** Is the entrepreneur "coachable" and willing to act on the information and support they receive?

While a "no" answer to questions 1 or 3 is not a deal breaker, you should be very concerned about "no" answers to questions 2 and 4. You can provide the support to help a committed entrepreneur define or re-define her competitive niche or discover new markets, but without the personal drive for growth and commitment to using what she learns to move the business forward, your chances of success are slim.

Once you have identified those entrepreneurs with the desire to grow and the capacity to actually achieve growth, you will need to spend time assessing their specific growth opportunities and identifying the ways in which community support might make a

<sup>11</sup> A Statistical Analysis of GrowFL and its Contribution to the Growth of Participating Companies, August 1, 2013, [www.growfl.com](http://www.growfl.com).

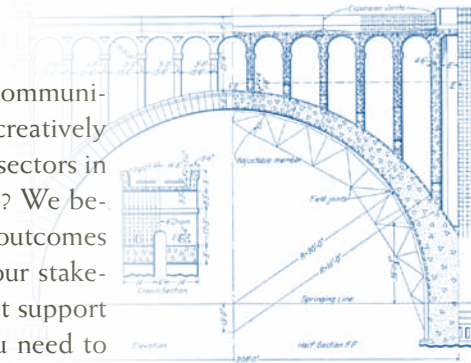
real difference for the entrepreneur. Remember, entrepreneurial growth leads to business outcomes which lead, ultimately, to the community prosperity that is your endgame.

For a guide to working with Growth Entrepreneurs, go to Working with Entrepreneurs in **e2 University**.



## *Bridge to Chapter 5.2*

So, you have a strategy for creating impact in your community by working with growth entrepreneurs and thinking creatively about how to further develop the existing and emerging sectors in your local and regional economy. What is the next step? We believe that you must be intentional about measuring your outcomes so that you can make a clear and compelling case to your stakeholders about the difference you are making. If you want support to build and grow your entrepreneurial community, you need to measure your impact and communicate effectively about it over time. You also need to measure your impact so that you know if your current strategies are the right ones. Are you achieving the outcomes you desire or would some other set of strategies work better? Just like a good entrepreneur, you need to practice continuous improvement in your entrepreneurial community work and the only way to do that is to track your progress through a well-designed measurement system.







## MEASURING IMPACT

For too long, economic development has operated in the foggy world where determining cause and effect, or return on investment, is unclear. Uncertainty about the impact of economic development investments undermines the value proposition for funding stakeholders. They wonder, “What are we getting for our investment?” Early enthusiasm for building an entrepreneurial community, for example, can give way to questions about effectiveness that may ultimately undermine continued support. This chapter details the importance of measuring your impact and shares an approach to creating an honest and sound measurement system.

### *Why is Measuring Impact Important?*

We like to keep score. We measure success by tracking and comparing things. In sports, we measure success by games or matches won. In school, we measure success by class rank and grade point average. In business, we measure success in terms of the balance sheet. Measuring your community’s economic development success is fundamentally harder! Economic development is inherently more abstract; action (cause) and impact (effect) are hard to track and definitively measure. Investments made in strategies launched today may not fully play out for five or 10 years. And, during those intervening years, other things may happen that directly impact the outcomes of these strategies—a global



economic crisis, for example—and make it even more difficult to measure cause and effect.

However, despite the complexity, you **must** measure the performance of your investments in becoming an entrepreneurial community. Measurement is important in two fundamental ways:

1. A well-designed measurement system provides a clear guide or roadmap; it establishes the milestones you are seeking to achieve with your investments. These milestones provide a way for you to measure the interim progress you are making, just as a particular signpost signals that you are half-way home. And, when you do not reach a particular milestone, you can stop and take the time to figure out why, to see if you have taken an incorrect turn and adjust your route going forward.
2. Sustaining ongoing and robust stakeholder funding or investment is always challenging. A key to sustaining this support is clear evidence of impact. An effective measurement system documents how far you have come toward realizing your economic development goals, both with stories and data.

### Stories and Data

A well-designed measurement system speaks to our brains **and** our hearts. Stories validate how your work is changing the lives of people in your community. Data illustrate the jobs, income and other quantitative impacts of your work. Combined, stories and data create a powerful one-two punch.

We live in an era when resources are limited and every investment decision is scrutinized. Your stakeholders may believe in your work and desire the creation of an entrepreneurial community. But, unless you can demonstrate clearly and effectively how you are achieving outcomes that speak to their values and goals, you may see their confidence in this work erode and their support for your initiative falter.

## What is the Center's Approach to Measuring Impact?

Often we are told we need to “run our programs like you would run a business.” In the world of community economic development, what does this mean? Most entrepreneurs have a single bottom line for their businesses: profitability. They seek to increase sales and capture greater market share while keeping their costs down. At the end of the day, that is a recipe for increased profitability. But community economic development is much more complicated. Think about the goals you are trying to achieving by creating an entrepreneurial community. You are trying to help entrepreneurs create and grow their businesses. You are trying to create new jobs, income and wealth for community residents. You are trying to engage young people at the mouth of the entrepreneurial pipeline. Each of these goals requires a different set of metrics so you can define progress over time. But, even if it is complex, a workable measurement system is a must.

### Creating a Workable Measurement System

A workable measurement system has the following design features. We illustrate these features in the ***Entrepreneurial Communities Impact Scorecard*** discussion later in this chapter.

- ***Clear Expectations:*** The first step in creating a measurement system is to clarify what your community wants from economic development. Your funding stakeholders must play a role in helping to define these development goals so progress toward achieving them can be measured and reported. Uncertain or poorly defined stakeholder expectations compromise the entire measurement system.
- ***Carefully Designed Scorecard:*** Having the right architecture for your measurement system is important. A carefully designed scorecard provides a logical and straightforward way to track progress. We recommend our Entrepreneurial Communities Impact Scorecard, which you can adapt to your use.

- **Progress Benchmarks:** Desired systemic change may require a generation (25 years) of effort. Most funders are not willing to wait for two or more decades to see if their investments are working. The Entrepreneurial Communities Impact Scorecard includes shorter-term progress benchmarks that build investor confidence while ensuring longer-term sustained support.
- **Story Capture:** The best of numbers are insufficient to document cause and effect. You may be able to document increased employment in your community over the life of your initiative. But your funders may wonder whether your program had any impact on those numbers. The best way to make that connection is through the personal stories of entrepreneurs who have added jobs, made a decision to stay in your community, increased wages, or otherwise improved business outcomes through the support of your entrepreneurial community. We are not suggesting you try to take credit or claim every job created or new investment made; we all know that the entrepreneur and the market had a lot to do with those successes! But if the entrepreneurs you work with share the story of how a coach made a difference in their growth plan or how someone from your Area Resource Network connected them to a new source of capital, then you have made your case that your work contributed to these impacts.
- **Stakeholder Metrics:** Finally, you need to translate your goals into clear and compelling outcome indicators. These indicators should align with the expectations of your funding stakeholders. Here is the challenge. You may ultimately be seeking systemic change in your community: reversing years of population decline, reducing or eliminating poverty, diversifying your economic base. While these goals are important for achieving long-term community prosperity, you are unlikely to move the needle on any of these outcomes in less than a decade. What we have learned in the field is that you need to document progress within three



years in order to keep funders engaged. This imperative requires the creation of what we call **stakeholder metrics**.

To illustrate the concept of stakeholder metrics, we start with a simple task. List the organizations and individuals in your community who are or should be investing in economic development. With this list in hand, ask this question for each entry, “What do they need to keep them writing checks?” You may come up with something like the following:

### Sample Stakeholder Metrics

Funding Stakeholder	Outcome Indicator
Municipalities	Increased sales tax receipts
County Government	Increased commercial tax base
School District	More students
Health Care System	More insured patients
Major Employers	Larger and better trained workforce
Main Street/Chamber of Commerce	More sales
Economic Development Corporation	Increased basic economic activity
Utilities	More customers and increased energy sold

So how does your entrepreneurial communities work map against these outcome indicators? As you support entrepreneurs and their businesses grow, they make new investments, hire more workers and expand the commercial and industrial tax base. As you track your portfolio of entrepreneurs, you can identify specific impacts tied to your stakeholders’ expectations and illustrate how your work with this group of entrepreneurs is, for example, increasing sales tax receipts as new workers shop in town or increasing school enrollment as new young families are attracted by more and better jobs.

## System Complexity

It is easy to make the mistake of creating a very complicated measurement system that then bogs down during implementation. We recommend a more basic approach that is focused on documenting return on investment and sustaining stakeholder funding. For example, in Rawlins County Kansas, they measure five indicators that matter to their stakeholders; all can be mapped to show improvement over time: Net migration; Non-farm income and employment; Population; School enrollment. To learn more, go to Energizing the Community in e2 University for *Search for Solutions: The Future of Rural Kansas*, Kansas HomeTown Prosperity Initiative Report.



For a clear illustration of creating a measurement system, we recommend a set of videos and their companion information papers that we helped produce for Rawlins County Kansas. These tools were used by the local economic developer to make the case to funding stakeholders in this rural northwest Kansas community. Go to Energizing the Community in **e2 University**.

## Hierarchy of Community Impacts

Before you can create a scorecard, you need to develop a clearer understanding of the impacts expected over time. We use the **Hierarchy of Community Impacts** performance benchmarking system developed by the Heartland Center for Leadership Development as part of our collaborative HomeTown Competitiveness® work. The Hierarchy system demonstrates how you move from a set of activities to longer-term systemic change.

### Hierarchy of Community Impacts

<p><b>Level 1: Activities</b></p>	<p><b>Activities</b> include decisions by a community to become an entrepreneurial community, engage in early organizing activities, participate in recommended training and develop preliminary strategies.</p>
<p><b>Level 2: Outputs</b></p>	<p><b>Outputs</b> are what activities produce. For an entrepreneurial community initiative, key outputs include entrepreneur identification, targeting, outreach, visitation, client development, portfolio development, referral and tracking.</p>
<p><b>Level 3: Commitments</b></p>	<p>There are two facets to <b>commitments</b>. The first is commitment by the entrepreneurs supported through the program to act on the assistance they receive. The second is the commitment of key stakeholders to support your entrepreneurial community efforts.</p>
<p><b>Level 4: Outcomes</b></p>	<p><b>Outcomes</b> include decisions by entrepreneurs to make new investments, create or save jobs and expand to new markets. Additionally, outcomes related to program sustainability would include funding and assistance commitments by stakeholders and resource partners.</p>
<p><b>Level 5: Indicators of Systemic Change</b></p>	<p><b>Indicators of systemic change</b> include key economic metrics including positive changes in investment, number of businesses, employment, personal income, retail trade leakage and tax base. Shifts in entrepreneurial culture and community attitude can also be part of indicators of systemic change.</p>



For a deeper discussion of the Hierarchy of Community Impacts, you may read a paper by the Heartland Center for Leadership Development by going to Energizing the Community in **e2 University**.

Remember, we suggest a focus on the first three years of your initiative. That means that it is unlikely you will achieve Level 5 indicators of systemic change. Instead, we associate the hierarchy of impacts with three specific phases of an initiative:

- **Phase 1 – Startup:** Start-up work includes early organizing for your entrepreneurial community initiative, including identifying and engaging champions and early assessment work. Depending on the capacity in your community, and the groundwork laid already, this phase could last three to six months.
- **Phase 2 – Implementation:** Implementation work includes completion of your assessments, entrepreneur identification, targeting, resource mapping, strategy/program development, outreach, intake, referral, assistance provision, portfolio development, and tracking. Early implementation typically lasts from three to six months, but complete implementation of your initiative is ongoing over three years.
- **Phase 3 – Impacts:** As you move from startup to implementation, you can expect to begin seeing and documenting impacts at two levels. As you implement your support for entrepreneurs and develop a portfolio, you should begin to see **business development impacts** as entrepreneurs put support into practice. At the same time, you should be using these development impacts to create **program impacts**: clear commitments by champions and stakeholders to provide continued support for your work. Ultimately, you will need to develop a sustainability plan that will move this work beyond the initial three years.

## Who is Doing This Well?

Founded in 1998, alt.Consulting is a 501(c)(3) non-profit organization serving 98 counties in the Mississippi Delta including counties in Arkansas, Tennessee and Mississippi. For the past 15 years, alt has worked in a challenging environment. The Delta region was already struggling to hang onto jobs when the Great Recession hit. The region's large employers shed nearly 100,000 jobs from 2006-2010. At the same time, the Delta's smallest employers (less than 9 employees) created nearly 109,000 jobs. Supporting these entrepreneurs is alt's primary mission.

alt.Consulting is a high capacity entrepreneurial support organization. Through a team of management consultants, alt works with about 325 entrepreneurs each year, providing customized business assistance and coaching. To address the lack of business capital for entrepreneurs in the Delta, alt.Consulting became a Community Development Financial Institution in 2011, managing a pool of loan capital. As we described in Chapter 5.1, alt is also working to encourage entrepreneurial development within sectors through its new Communities of Innovation initiative. This approach recognizes that communities in the Delta are different but that most have natural and heritage resources that can be developed in ways that create jobs, economic growth and wealth for local communities. They envision a resilient, prosperous and sustainable Delta landscape reinvented by these Communities of Innovation.

In addition to providing highly effective support for entrepreneurial talent in the Delta, alt does a great job of measuring their impact and sharing that impact in a clear and compelling way.

***In 2012, alt.Consulting's work helped create 202 jobs and save 315 more jobs, generating \$32 million of new economic activity.***

While this one sentence is effective at capturing their impact, alt goes further by using a one page infographic format to document clients served, job creation, lending activity and overall impact. The format is simple and effective; in one page, staff, board and partners can communicate their impact to entrepreneurs, pol-

icy makers, funders and others. They also use a regular blog post to highlight stories of success, offer tips from fellow entrepreneurs and otherwise bring alive the important work they are doing in the Delta region.



To see how alt.Consulting is measuring and sharing their impact, go to Energizing the Community in **e2 University**.

## *How to Move Forward with Measuring Impact*

Ultimately, we all want to see systemic change, but we also understand that getting there takes time. We also know that we can expect to make progress along the way that ultimately builds toward the indicators of systemic change you see in the Hierarchy of Community Impacts. By using the Entrepreneurial Communities Impact Scorecard, you can create a clearer roadmap to define and track progress. This approach can ensure greater stakeholder and community awareness and transparency. Such a system can help you manage critics who demand immediate success; you can point out that you are on schedule and hitting the progress benchmarks according to plan.

We use the Entrepreneurial Communities Impact Scorecard in the field and find that its progression from “activities undertaken” to “indicators of systemic change” works well. The scorecard is easy to understand and to customize. It also plays an important role in helping you set realistic goals and objectives. Knowing what progress looks like is very important to getting crystal clear on your goals. Each section of the scorecard is associated with one of the three phases of initiative development.

## PHASE 1 SCORECARD

By the end of Phase 1, your community has embraced the goal of becoming an entrepreneurial community, completed important early organizing and assessment work, and made the decision to continue with implementation. The scorecard helps you track some key benchmarks related to the startup of your initiative.

### Entrepreneurial Communities Phase 1 Impact Scorecard

<b>Agreement/ Organizing</b>	<input type="checkbox"/> Lead Community Contact Identified <input type="checkbox"/> Lead Sponsoring Organization Identified <input type="checkbox"/> Completed Community Agreement on Becoming an Entrepreneurial Community
<b>Champions</b>	<input type="checkbox"/> Stakeholder Groups Identified <input type="checkbox"/> Program Champions Mapped <input type="checkbox"/> Selected Champions Engaged
<b>Assessment</b>	<input type="checkbox"/> Development Opportunities Identified <input type="checkbox"/> Entrepreneur Talent Mapped <input type="checkbox"/> Core Resource Partners Mapped <input type="checkbox"/> Development Goals Identified
<b>Training</b>	<input type="checkbox"/> Participation in Relevant Training, e.g., Center's Working with Entrepreneurs Training <input type="checkbox"/> Entrepreneur Coach Recruited and Trained
<b>Phase 2 Strategy</b>	<input type="checkbox"/> Indicators of Champions Buy In <input type="checkbox"/> Next Steps Themes Emerge <input type="checkbox"/> Green Light to Move to Phase 2 Work <input type="checkbox"/> An Implementation Strategy is Under Development
<b>Baseline Assessment</b>	<input type="checkbox"/> Completion of Baseline Opportunity Assessment <input type="checkbox"/> Start of Development Stage Assessment <input type="checkbox"/> Start of Entrepreneur Environment Assessment

## PHASE 2 SCORECARD

By the close of Phase 2, you want your entrepreneurial development system up and running and beginning to show early results. The scorecard helps you track performance indicators related to the implementation of your entrepreneurial community strategies.

### Entrepreneurial Communities Phase 2 Impact Scorecard

<b>Entrepreneur Targeting</b>	<input type="checkbox"/> Stakeholder Engagement <input type="checkbox"/> Completion of Entrepreneur Targeting <input type="checkbox"/> Outreach Priorities Set
<b>Asset Mapping</b>	<input type="checkbox"/> Community Touch Point Partners Identified <input type="checkbox"/> Area Business Services Mapped <input type="checkbox"/> Core Resource Partners Mapped <input type="checkbox"/> Links to External Resource Partners Made
<b>Goal Clarification</b>	<input type="checkbox"/> Development Goals Clarified <input type="checkbox"/> Performance Metrics Defined and Adopted <input type="checkbox"/> Champions/Stakeholders Buy In Complete
<b>Preliminary Strategy</b>	<input type="checkbox"/> Preliminary Strategy Complete (including the assessment work of entrepreneur talent targeting, asset mapping and goal clarification)
<b>Outreach</b>	<input type="checkbox"/> Outreach Program Implemented <input type="checkbox"/> Visitation Completed <input type="checkbox"/> Client Intake <input type="checkbox"/> Referrals <input type="checkbox"/> Client Tracking
<b>Portfolio</b>	<input type="checkbox"/> Client Portfolio Based on Strategy <input type="checkbox"/> Impact Tracking <input type="checkbox"/> Active Portfolio Management
<b>Integration</b>	<input type="checkbox"/> With Support Programs, e.g., SBDC, Economic Gardening



## PHASE 3 SCORECARD

You are hopefully seeing preliminary impacts during implementation. As you move into Phase 3, you are totally focused on working your plan, fine-tuning your execution and maximizing impacts. For most communities, these impacts will center on economic development outcomes including new business investment, job and career creation and retention, and local tax base expansion. You will need to select the right set of metrics for your community but no matter how you measure success, we recommend tying those measures directly to the stakeholder groups supporting the initiative. The Phase 3 scorecard offers some impact progress benchmarks we have seen communities use in the field.

### Entrepreneurial Communities Phase 3 Impact Scorecard

#### Economic Development Impacts

Counties – Additions to commercial/industrial tax base  
 Cities – Increased taxable sales  
 Chambers of Commerce – More members  
 Development Corporations – Expanded basic industry activity  
 Schools – Increased student enrollment  
 Tourism – Increased lodging tax receipts  
 Agriculture – Increased value-added activities  
 Banks – Increased deposits and commercial lending  
 Elders – Children and grandchildren moving home  
 Foundations – Increased entrepreneur giveback  
 Resource Partners – More and better client referrals  
 Business Service Providers – More and better clients/business

#### Entrepreneur Program Impacts

- Program Champions/Stakeholders Group
- Partner Stakeholder Organizations
- Active Local Entrepreneur Coaching
- Sustainability Strategy
- Three to Five Year Local Funding Commitments

## Stories, Stories, Stories

As you make progress with your initiative, you will have a growing list of entrepreneurs who have received support through your efforts. You should actively document how each entrepreneur has been served and any initial business outcomes achieved. As you work with specific entrepreneurs, you have an opportunity to capture their story while it is still fresh and clear. When the entrepreneur is making progress and happy to have support, it is a great time to share her story publicly. You might consider asking the local media to write a story or arrange for a ribbon cutting with media coverage. These success stories create a buzz in the community, strengthen the local business climate and build more support and entrepreneurs for your program over time. Another approach might be to develop a set of mini-case studies about entrepreneurs in your program.

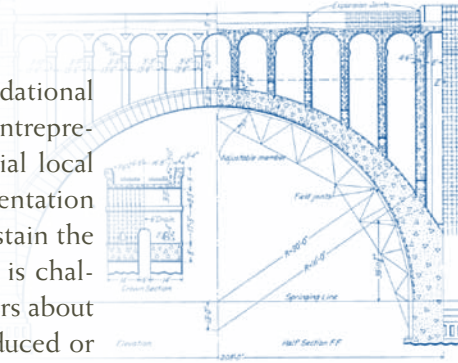
As you develop a portfolio of impact stories to go along with your portfolio of entrepreneurs, you will see a storyline emerge. You will be able to illustrate how your strategy is stimulating and supporting **business development impacts** (e.g., new financing, increased profitability) that directly relate to **economic development impacts** (e.g., new jobs, expanded tax base.) It is these impacts that lead to the community prosperity that is your goal and the goal of your funding stakeholders.



You will find a sample story from Pottawattamie County Iowa by going to Energizing the Community in [e2 University](#). You will also find a stakeholder progress report from this Iowa project that illustrates a basic but effective communication approach to sharing your impacts with funding partners.

## Bridge to Chapter 5.3

An effective and efficient measurement system is foundational to sustaining impact. All too often, we see promising entrepreneurial development initiatives launched with some initial local funding, but weak articulation of goals and poor documentation of outcomes. When it is time to get the community to sustain the work, there is limited compelling evidence of impact. It is challenging to address questions raised by funding stakeholders about cause and effect. As a result, funding support is often reduced or eliminated and the initiative dies on the vine before it has even had a chance to evolve and achieve longer-term impacts. That is why measuring impact is so critical to your success in becoming and continuing to be an entrepreneurial community. But, once you have made progress, you will be faced with another challenge: sustaining impact.





A close-up photograph of a water droplet falling into a pool of water, creating concentric ripples. The image is in shades of blue and white.

## PART FIVE

## CHAPTER 5.3

# SUSTAINING IMPACT

The world is constantly changing. Every day, billions of people and millions of ventures are focused on winning in this dynamic and highly competitive environment. Make no mistake about it; no matter how large or small your community is, you are competing in this same environment and must engage in smart, impactful and sustained development. As we laid out at the beginning of this book, local communities have primary responsibility for their own development. The burden of renewing economic and social relevance falls on you and your community. While there are resources that can help—and we hope you view this book as one of those resources—you still need a vision, a smart game plan and effective execution if these resources are to be valuable. The key to achieving community prosperity in this climate is sustaining impact.

### *Why is Sustaining Impact Important?*

Just as the national economy undergoes cycles of economic expansion and contraction, many communities undergo similar cycles. Just as fiscal and monetary policies are intended to smooth these national cycles, local and regional development efforts are intended to sustain periods of prosperity and minimize periods of economic decline. As a result, successful economic development requires 24-7 attention and 365 days a year of sustained effort. There are no free passes. Just like the entrepreneurs with whom



you work, if you are not working hard on a consistent basis to ensure your community's economic and social relevance, then you risk decline and even failure.

To drive this point home, here is what we have seen in communities that enter a cycle of decline. Often, these are communities that lack vision, and possibly hope, for the future. There may be only a small group of community champions who have trouble rallying broader community support and ownership because they lack a well-articulated action plan. These champions have trouble exuding confidence in a direction for the future and, as a result, have a tough time attracting funding. With limited funds, staff turnover becomes an issue as people look for jobs in other, more promising places. Without staff or funding, there is little development and the community is perceived as a place of limitations, not the kind of place you want to grow a business or raise a family.

Typically, such decline occurs slowly and incrementally. One business closes and is never replaced; another follows suit. These small changes do not constitute a dramatic crisis so the community does not mobilize for action while there is still time and capacity for change. Over time, however, the losses add up. More businesses shut their doors; more people lose their jobs and careers. Young people and even elders leave the community and do not come back. There are greater demands on churches and social service agencies as poverty increases. Survival entrepreneurship may increase, but only because there are no good alternatives for earning a living. A critical tipping point often occurs when a community loses a school, hospital or other anchor institution. The vitality of the community rapidly erodes and eventually its quality of life is so compromised that renewal may be impossible without extraordinary outside efforts.

While this is a pretty bleak picture, we also have seen communities change course toward a very different future. How do you mitigate against such a painful scenario? You continue to follow the roadmap we set out in this book. You develop a compelling and shared community vision, and craft a bold action plan to achieve that vision. You get commitment from your champions. You engage multiple, committed stakeholders who support strong and consistent staffing of your entrepreneurial community effort. You develop a set of strategies for supporting growth entrepreneurs who generate expanded economic opportunities in your commu-

nity. As the entrepreneurial community grows stronger, your community benefits as more people move to town, new children enter school, community amenities are maintained and enhanced, and a culture of hope and promise blooms. The key ingredient in this vision of prosperity is robust, sustained development funding that allows your community to maintain its commitment to development no matter which direction the global economic winds may blow.

## *What is the Center's Approach to Sustaining Impact?*

We know it takes more than money to sustain your strategies and impact. As we described above, it takes champions, a smart game plan and strong execution. But every successful entrepreneur knows dollars are essential to grow and succeed. The same is true for communities committed to future prosperity. It takes real financial investment in support of economic development to achieve meaningful and desired change. It takes what we call **robust investment**.

If you do not have a history in your community of investing in economic development, it will take time to change that pattern. You need to take a long-term and incremental approach. With short-term success, you will be able to marshal additional capacity to dream bigger and achieve greater impact. A community of 5,000 residents that is struggling today to mobilize \$30,000 to \$50,000 for a part-time development program can grow over five to 10 years into a \$1 million dollar program with three to five professional development staff. We know it is possible; we have seen it happen.

If you are like other communities with which we work, you will go through three distinct phases as you design, implement and sustain your entrepreneurial community strategy:

- **Phase 1:** You are just getting started and are seeking a strategy that can make a difference. But your community may be struggling to fund existing services and programs, so finding additional dollars for a new initiative is going to be tough.

You need a resource mobilization strategy to support economic development. Without one, your effort will not even get out of the blocks.

- **Phase 2:** You have a much better idea of your community's development opportunities, an emerging development game plan and a better idea of your resource needs. Instead of looking for a few thousand dollars to get started (Phase 1), you are trying to find several hundred thousand dollars each year for the next few years to support your development plan.
- **Phase 3:** You have been at this strategy for a while now and you realize that professional staff, adequately funded programs, development infrastructure (e.g., entrepreneurship training, a revolving loan fund) and discretionary opportunity capital are foundational to success. Your current strategy makes sense and is getting results. What you need now are predictable, more robust and ongoing development dollars.

We explored Phase 1 funding ideas back in Chapter 2.1, focusing on a four-part strategy to:

- Raise an initial grubstake
- Leverage early fundraising with grant programs
- Redirect existing effort into the emerging strategy
- Bring new stakeholders and resources to the effort

Here, we dig more deeply into funding for Phases 2 and 3.

## **Dollars for Phase 2: Strategy Building and Implementation**

If done right, the simple act of successfully raising Phase 1 dollars helps you build community capacity. We encourage following the four-part Phase 1 fundraising strategy because it delivers broader community engagement and buy-in along with the needed dollars. Investors are always better partners than bystanders. Now we turn to strategies you can use to raise dollars for strategy building and implementation:

- Engage early stakeholders as underwriters
- Re-engage local government and key area institutions



- Energize the chamber and development corporation
- Leverage available external funding sources – Round 1
- Create local option tax support

### ENGAGE EARLY STAKEHOLDERS AS UNDERWRITERS

Hopefully, you engaged community stakeholders in Phase 1 as grubstake funders. In Phase 2, you are actively engaged in building and implementing your strategy. The need for staffing and funding grows rapidly to maintain energy and progress. In Phase 2, you should focus on growing stakeholders into funding underwriters. You are now in a position to ask stakeholders for multi-year funding commitments tied to specific development objectives and budget needs. Our experience suggests that at this stage of development, a three-year funding commitment is as far as most stakeholders will go. If you are working with a local unit of government, they cannot obligate funds beyond the next annual budget. However, they can make a moral commitment for multi-year funding contingent upon performance and the vote of future government boards.

### RE-ENGAGE LOCAL GOVERNMENT AND KEY AREA INSTITUTIONS

Communities go through cycles. In some years, local units of government such as cities or counties are core partners in development, providing meaningful financial support; in other years, they are not. A similar pattern of engagement exists for other key area institutions such as the local utility, the health care system and the agricultural cooperative. These cycles may be due in part to changing leadership in these institutions. It is also possible that inconsistent economic development performance over time has affected their support. With renewed energy and a stronger agenda, you should seize the opportunity to re-engage these stakeholders.

### ENERGIZE THE CHAMBER AND DEVELOPMENT CORPORATION

While many communities have a vibrant Chamber of Commerce, too often entrepreneurs perceive the Chamber as offering limited value. Over time, particularly with a struggling Main Street, these institutions may lose members and, as a result, fund-

*Investors are  
always better  
partners than  
bystanders.*

ing. You may also find that your development corporation is struggling to find its niche. You have an opportunity to energize your Chamber and development corporation by engaging them in your entrepreneurial community strategy. To be most effective, these organizations should agree to a collaborative approach to planning, achieving mission, and even leadership and shared staffing. There are tools for doing this in a way that the individual organizations do not lose their independence or their identity, as we describe below. At the same time, the renewal of these key organizations may provide an opportunity to raise needed dollars.

### LEVERAGE AVAILABLE EXTERNAL FUNDING SOURCES – ROUND 1

Funding your community's development is a local responsibility, as we emphasize throughout this book. However, there is nothing wrong with seeking external funding to supplement local support for your community's development efforts. In fact, if you can meet your core development needs with local resources, your community is in a very strong position to optimize external resources to fund specific elements of your development strategy. These funds are particularly useful in seeding new start-up programs. For example, if you want to renew your community leadership institute, you could seek outside funding to create a new program and sustain it for one or two years. But remember: ultimately any new programs must be sustained locally. There really is no such thing as a free lunch!

The table on the following page provides examples of external funding resources that entrepreneurial communities across the country have used to support this important work. A word or two of caution is needed. It takes good scouting and hard work to make use of these external funding sources. Some are quite complicated and require sophisticated proposals. Many require matching funds. Your community should build a multi-year external funding plan by mapping all likely external sources of funding against your desired projects. Such a funding map can position your community to compete for available funding in a timely and effective way. However, if you have limited staffing and capacity, we encourage you to contract with a grant writer who has experience and success with the funders you are targeting.

These external funders may also help you leverage resources other than dollars. For example, you might connect with a microenterprise development organization in another part of your state and create a partnership to bring their resources to your entrepreneurs. Many funders, such as Community Development Financial Institutions have financial and technical assistance/training resources that could be an important addition to your External Resource Network.

To see a sample funding map, go to [Organizing for Action in e2 University](#).



### Possible External Funders

<p><b>USDA Rural Development</b></p>	<p>The U.S. Department of Agriculture, through its Rural Development agency, provides a wide range of funding programs that can be used to seed new initiatives. Funding limits vary and match may be required. Specific programs to consider include Rural Community Development Initiative, Rural Business Opportunity Grant, Rural Business Enterprise Grant, and Rural Economic Development Loans and Grants.</p>
<p><b>State Departments of Economic Development or Commerce</b></p>	<p>Many state departments of economic development or commerce provide grant programs that communities can tap. These departments also administer Community Development Block Grants that often can be used to support entrepreneurship strategies.</p>
<p><b>Other Government Agencies</b></p>	<p>Depending on the development project and activity, there are literally hundreds of funding sources that can help with projects ranging from libraries to wastewater systems.</p>

*(continued)*

### Possible External Funders *(continued)*

<b>U.S. Economic Development Administration</b>	<p>The U.S. Economic Development Administration provides economic development-related funding ranging from dollars for planning projects to capital for business incubators.</p>
<b>Federal Home Loan Banks</b>	<p>Many of the nation's Federal Home Loan Banks (FHLB) have economic development grant programs and support. For example, the Topeka FHLB has a JOBS grant program that is a great fit for entrepreneurial community strategies.</p>
<b>Other Federal Agencies</b>	<p>Depending on the need, the federal government provides funding support for initiatives ranging from rural health care to community facilities.</p>
<b>Regional Organizations</b>	<p>Most communities are served by regional organizations such as Development Districts, Resource Conservation and Development Districts and Community Action Agencies. Many of these regional organizations provide both community and economic development funding opportunities. These organizations may also provide planning support and even grant writing and administration services.</p>
<b>Microenterprise Development Organizations</b>	<p>Some states and many community development organizations operate microenterprise programs that combine lending and training for small entrepreneurs. If you can partner with one of these organizations to serve your region, you free up resources to fill other gaps in your support system.</p>
<b>Community Development Financial Institutions</b>	<p>Community Development Financial Institutions (CDFIs) help to meet the financing needs of entrepreneurs who are not quite bankable. These organizations are motivated to help entrepreneurs and their communities. They can be important partners in increasing your community's capacity to better serve your entrepreneurs.</p>

*(continued)*

### Possible External Funders *(continued)*

#### Local and Regional Foundations

Many communities are served by local or regional community or private foundations and trusts. Often these organizations have grant programs that can be quite flexible and useful in funding entrepreneurship efforts.

#### State and National Foundations

As is the case with local and regional foundations, most communities have some access to statewide and national foundations that can be good funding partners for certain kinds of projects.

To learn more about these external funding sources, go to Organizing for Action in **e2 University**.



### CREATE LOCAL OPTION TAX SUPPORT

Many states provide municipalities, downtown districts and counties with the authority to dedicate tax support to economic development. For example, the State of Nebraska provides communities with two powerful development tools: LB 840 and the Inter-Local Cooperation Act. LB 840 enables local governments to dedicate sales and even property tax revenues in support of development programs. Both the development programs and proposed tax rates must be put on a community-wide ballot and approved by a voting majority. LB 840 can provide substantial and ongoing new tax support for development. You should explore what authority your state gives to communities.

Many states also provide local governments with a tool to work collaboratively. These policy tools may be referred to as ***inter-local agreements***. An inter-local agreement is a very flexible tool that allows public-private partnerships to support development. Such agreements can provide the basis for annual and ongoing funding from both government agencies (e.g., the county) and private groups (e.g., the local power company.)



You will find a sample inter-local agreement by going to Organizing for Action in **e2 University**.

How you use these tools depends on your community. You may be using these tools already, and find that you can divert some of these resources to your entrepreneurial community work. If you are not using them, you may find them more relevant as you move forward with implementation. These tools are one way to build stronger development capacity and ensure a larger and more consistent funding stream. And you may find that the time for using these tools comes later on as you move into Phase 3 and are seeking to really ramp up your efforts.

### **Dollars for Phase 3: Going to Scale and Sustaining Effort Long Term**

Development success does not ensure ongoing financial support; success makes long-term fundraising more viable and sustainable. Development is both a sprint and a marathon. As any good track coach knows, you need different athletes and strategies to be competitive at both. If you are going to take your work to scale and sustain it for the long haul, you need substantial and ongoing, if not permanent, funding. Options include:

- Annualized line item funding from core stakeholders
- Local option taxes and inter-local agreements
- Capital campaigns
- External funding – Round 2
- Higher level donor underwriters
- Endowments
- Angel investors

#### **ANNUALIZED LINE ITEM FUNDING FROM CORE STAKEHOLDERS**

Success in Phases 1 and 2 builds a stronger case for continued support and investment. Now you want stakeholders to provide

*Development success does not ensure ongoing financial support; success makes long-term fundraising more viable and sustainable.*

annualized funding that is automatically recurring unless specific performance benchmarks are not met.

#### LOCAL OPTION TAXES AND INTER-LOCAL AGREEMENTS

Now may be the right time to develop more permanent funding streams through the local option taxes or inter-local agreements described earlier in this chapter.

#### CAPITAL CAMPAIGNS

Churches and libraries use capital campaigns to build new structures. The United Way uses an annual capital campaign to support non-profit organizations such as the Boy Scouts and Big Brothers Big Sisters. Chambers and even development corporations use capital campaigns to raise multi-year funding to support targeted development projects. A campaign can be a powerful fundraising tool for your entrepreneurship work, especially if you engage successful entrepreneurs as targeted donors.

#### EXTERNAL FUNDING – ROUND 2

Many of the external funders we described earlier do not fund ongoing operations, but they will fund multiple specific projects over time. As we suggested before, create a five or 10-year plan to target these opportunities. For example, you could target USDA Rural Development funding in Phase 2 to support an entrepreneur coach in your community and then seek funding again in Phase 3 to capitalize a revolving loan fund. Your goal should be to return to these external funders every two to five years with a new proposal to fund a specific project that grows out of your community's development agenda. Remember, you need to plan for the required matching dollars in order to effectively tap these external funding sources.

#### HIGHER LEVEL DONOR UNDERWRITERS

Most communities are home to individuals and families who have the interest and capacity to make major underwriting commitments. They may have the potential to become legacy givers and create a permanent endowment to support your work. You need to target these potential donors early so you can engage them, seek their input on your strategies and demonstrate impact. Many of these donors really care about impact and the effective

use of their gifts. They often have many options for their giving and your community is competing with these other choices. Remember, not all higher-level underwriters currently live in your community. They may have strong family or sentimental ties but now reside elsewhere. Be sure to identify and include these community alumni in your targeting pool.

### **A Higher-Level Donor Never Forgot Mason City**

John Pappajohn graduated from North Iowa Area Community College (NIACC) in Mason City, Iowa and then from the University of Iowa before going on to become a serial entrepreneur. He never forgot Mason City. When he decided to make a major donation to create five entrepreneurial centers across Iowa, only one of them was located on a community college campus: NIACC. He established the NIACC John Pappajohn Entrepreneurial Center with a generous gift of \$550,000 and ongoing support over the years. Entrepreneurship is his passion and he is committed to investing his resources in the center's programming to create stronger entrepreneurs and economic development impacts in a place where his roots run deep.

### ENDOWMENTS

Most communities have untapped capacity to build a permanent endowment to fund key development activities. Such an endowment can support staff, operations and programs, and help get your community off the annual fundraising treadmill. However, donor development for endowed gifts is a longer-term and more sophisticated fundraising strategy and may require that you partner with an existing foundation to create capacity over time. But we have seen communities be successful in tapping community philanthropy to create endowed funds that take them beyond a 10-year capitalization strategy.



To learn more about building field of interest funds for economic development, go to [Organizing for Action in e2 University](#).



## Putting It All Together

We offer four tips for creating the pool of resources you need, over time, to become an entrepreneurial community.

- **Tip #1 – Maximize All Resources:** Be creative and employ all possible funding sources in support of your entrepreneurship strategy. Use a funding map to create a longer-term strategy to tap multiple resources.
- **Tip #2 – Leverage and Grow Resources:** Use local seed money to get started and lay the foundation for multi-year underwriting as your strategy gains steam. Develop a funding plan to grow your financial support as you grow your strategy.
- **Tip #3 – Sequence Resources:** Consider how you will sequence funding sources from the start. Map out potential grant funders by program area so you can tap these sources quickly as your strategy develops. Engage successful entrepreneurs early as start-up funders and set the stage for multi-year underwriting and legacy giving down the road.
- **Tip #4 – Balance Local with External Resources:** Invest in your own strategy before you seek outside funders. Demonstrate local support so external funders see your commitment and are willing to step in with their support. Understand the interplay between local and external resources so you can make the best use of available resources wherever they may be.

## Who is Doing This Well?

Holt County Nebraska, in the north central part of the state, could be the poster child for rural America. The county is dotted with farms and small communities. It is a place where the idea of local responsibility for economic development has taken root and where a give back culture is predominant. Together, these two forces create a recipe for sustaining impact over time.

In 2007, three separate committees focused on economic development joined forces to support the creation of the county's first economic development position and hired a Holt County

native, Nicole Sedlacek. The funds for the position were raised in a very democratic way. "We worked out a budget and divided it on a per capita basis. The towns cost-shared out of their municipal budgets and committed for three years."<sup>1</sup> From this start, the county has grown its professional development staff and developed strategies to support existing entrepreneurs, help others get started and attract young families to the communities.

The county uses a diversified approach to funding and sustaining their economic development efforts. After they secured local financial support for economic development, they turned their eyes toward two external sources of funding: a state economic development grant program and a grant program through the Federal Home Loan Bank of Topeka. These grants provided the seed capital for programming to support their entrepreneur-focused economic development efforts.

At the same time, the county embraced the idea of community-based philanthropy. Using data from a Transfer of Wealth analysis performed by the Center with support from the Nebraska Community Foundation (NCF), the county recognized that there was significant wealth that would be transferring from one generation to the next in the not too distant future. They used this imperative as a rallying point in the county. They set a goal, using NCF's guideline, of capturing "just 5%" of this wealth transfer for community betterment: \$17.2 million by 2020. With commitment and effort, the county had achieved 26% of their goal by 2013, \$4.4 million.

What is the impact that this diversified funding strategy is sustaining? Through an estate gift from a local donor, Holt County started an entrepreneur coaching program. As a result of these efforts, there are now 31 new businesses in the county. They have helped transition 14 businesses to new entrepreneurial ownership and helped 17 businesses expand. Together these efforts have results in 300 jobs created or saved in the county. Holt County experienced stronger job growth from 2003-2012 than the state or its peer rural counties.

It is difficult to turn around decades of population decline and that is true for Holt County. Although the population trend lines remain challenging, efforts to attract new young families to the communities across the county are paying off. There are 130 new

1 Amy Lake, *Straight Talk with Nicole Sedlacek*, Center for Rural Entrepreneurship, May 2010.

families in Holt County; these new families mean new students in the schools, new customers for retailers in the local communities and potentially new leaders for civic and economic development organizations.

Holt County is an entrepreneurial community. They have established a smart game plan, created the right infrastructure and leadership and built the local support to sustain their efforts over time. They have recognized the power of investing in their own future, through tax and philanthropic dollars, and are poised to sustain both their investment and their impact into the future.

To read Straight Talk with Nicole Sedlacek, go to Organizing for Action in **e2 University**.



## *How to Move Forward with Sustaining Impact*

You cannot move forward with sustaining impact if you do not have a good sense of where you are right now. The following tool can help assess where your community is with respect to sustaining impact.

**Step 1:** Read each of the following statements and indicate how strongly you agree or disagree using the scale provided.

**Statement 1 – My community has a current and well-developed entrepreneurial community strategy and programs.**

1 - Strongly disagree	2 - Disagree	3 - Unsure or Neutral	4 - Agree	5 - Strongly Agree
-----------------------	--------------	-----------------------	-----------	--------------------

**Statement 2 – My community has a strong group of strategy champions who are able to engage key stakeholder groups.**

1 - Strongly disagree	2 - Disagree	3 - Unsure or Neutral	4 - Agree	5 - Strongly Agree
-----------------------	--------------	-----------------------	-----------	--------------------

*(continued)*

**Step 1:** (Continued)

**Statement 3 – My community provides robust and consistent funding for our entrepreneurship strategy and programs.**

1 - Strongly disagree	2 - Disagree	3 - Unsure or Neutral	4 - Agree	5 - Strongly Agree
-----------------------	--------------	-----------------------	-----------	--------------------

**Statement 4 – My community is able to effectively and efficiently execute our strategy and programs.**

1 - Strongly disagree	2 - Disagree	3 - Unsure or Neutral	4 - Agree	5 - Strongly Agree
-----------------------	--------------	-----------------------	-----------	--------------------

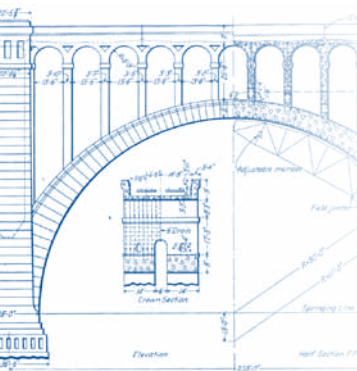
**Step 2:** Add up your score and see how your community measures up on this quick test for sustaining impact.

<b>Score = 16 to 20</b>	You are doing great!
<b>Score = 9 to 15</b>	Evaluate and build a stronger effort
<b>Score = 4 to 8</b>	Time to refocus and rebuild your development efforts

**Step 3:** Have your entire development team take this quick assessment, compare scores and explore collectively where you are and where there is room for improvement.

## Bridge to the Conclusion

We are nearing the end of your journey toward becoming an entrepreneurial community. That is actually a bit of a misnomer; your economic development journey is never ending! There will be another set of opportunities to seize and obstacles to overcome at every turn in the road. That is one compelling reason why we created e2 University as a companion resource to our book. We are on this journey with you and will continue to learn from you and others, and share what we learn as quickly and effectively as we can. Now we move on to some concluding thoughts.



## Center's Support for Sustaining Your Entrepreneurial Communities Program

The Center has been working with communities to sustain their efforts in the following ways:

**Smart Game Plan.** Beginning with the assessments laid out in this book, the Center can help your community better understand its development opportunities, set aggressive but realistic goals and create a measurement system that is central to sustaining your efforts.

**Development Champions.** Strong, engaged and effective leadership is central to sustaining impact. The Center can help your community grow a stronger and more committed champions group. These champions can, in turn, ensure full participation by stakeholder groups and help mobilize the time, talent and treasure needed to successfully implement your strategy and create impact.

**Execution Support.** The Center's Working with Entrepreneurs program can help your community during critical early to mid-stage game plan implementation. This support includes staff development, board development and game plan refinement during the first three years of implementation.

**Capital Campaigns.** Capital campaigns offer the opportunity to renew stakeholder support and bring new funders to your strategy. The Center can help you vision, design and implement a capital fundraising campaign to provide three to five years of implementation funding for your strategy.

**Endowment Building.** Annual fundraising will always be necessary and desirable; it is a way to reconnect with your stakeholders. Communities also have a longer-term opportunity to engage successful entrepreneurs in giving back via the creation of a permanent endowment designated for underwriting support of your strategy. The Center can help your community develop and implement a donor development and endowment building program.



To learn more, go to the Energizing the Community, Organizing for Action, Strategy, and Working with Entrepreneurs departments in **e2 University**.



## CONCLUSION

We believe becoming an entrepreneurial community is the most important investment you can make to ensure your community's future prosperity. Like life, however, becoming an entrepreneurial community is a journey. It will require a robust and ongoing commitment of time, talent and treasure. And, most travelers need a roadmap to set off on the right path and navigate around unforeseen obstacles that arise along the way. We hope this book will become your well-worn, dog-eared entrepreneurial community roadmap!

Over the course of this book, we have made the case for urgency in this quest, emphasizing the importance of taking control of your community's economic development future now. We have shared the keys to becoming an entrepreneurial community and the importance of building a system of support for your entrepreneurs. Most importantly, we provided an action framework, the elements of which combine to move you down the road toward entrepreneurial community status. We emphasized working with entrepreneurs, the lifeblood of your community and especially growth entrepreneurs, the driving force behind the community impacts you seek. We capped off the book by focusing on the endgame—the creation of rooted economic development outcomes—and how you create, measure and sustain these impacts over the long haul.

As we shared in the Preface, the Center has been on a journey as well. We have drawn inspiration from the work of pioneers in the field of entrepreneurship development and have learned from the early adopters. We have benefitted from the willingness of



*Life is a journey,  
not a destination.*

– Ralph Waldo  
Emerson

partners across North America to work together with us to test, refine and evolve the roadmap shared in this book. In no place has our learning and partnership been as deep as it has been in Kansas. The basic storyline in Kansas is one of evolving partnerships: between the public and private sectors; between state and federal partners; among organizations whose mission it is to support entrepreneurs; between statewide organizations and community leaders; between Kansas-based organizations and their national partners. We have been privileged to be part of this storyline and to both share our learning and benefit from the learning of others. It seems fitting to conclude this book with a preview of the Center's case study of this innovative work: *Creating Entrepreneurial Communities in Kansas: Listening, Learning, Adapting*.

## *Lessons from Kansas*

What comes to mind when you hear the word "Kansas"? Wheat fields...tornados...the Wizard of Oz...Kansas City barbecue? You might not think of the state as an innovator of entrepreneurial development, but we do. This story begins with the state's commitment to explore Sirolli's Enterprise Facilitation® model in several regions across the state. It continues with a unique piece of legislation in 2004 that created a state entrepreneurship center with an explicit focus on supporting rural entrepreneurs. Through a stroke of genius, however, the center was not housed in a single place in the state; instead, NetWork Kansas—a more virtual network of support partners—was born. This unique structure and the decision to hire **entrepreneurs** to lead the effort combined to create a national model for entrepreneurial support. This network approach is what makes the Kansas experience stand out. They have created an entry point for entrepreneurs to connect directly with over 500 resource partners, many of whom were likely not on the entrepreneurs' radar screens. This collaborative approach to supporting entrepreneurs sets Kansas apart from many other states.

In addition to a network of support partners, the state provided NetWork Kansas with another tool: a pool of tax credits to be used to leverage private sector dollars to help entrepreneurs start



and grow their businesses. At first, these dollars were disbursed through the StartUp Kansas loan program, accessed by entrepreneurs through a NetWork Kansas resource partner. But Steve Radley and Erik Pedersen, the entrepreneurs behind NetWork Kansas, recognized the limitations of this approach. Without committed community partners, it was going to be hard to get dollars out the door and into entrepreneurial ventures. They needed boots on the ground in the communities, identifying entrepreneurs and connecting them to the myriad of effective resources NetWork Kansas had to offer. They needed to push their assets down to the communities and let them lead the way. As a result, the E-Community partnership program was launched in 2007.

NetWork Kansas recognized that local leaders understand their assets and their entrepreneurs better than anyone at the state level ever could. They designed the NetWork Kansas E-Community program to empower communities to grow their own by being part of a larger network, having access to additional resources and receiving support and encouragement along the way. This support included observing the characteristics of the more successful communities in the early years and applying this learning to the evolving design of the partnership. As a result, the communities were primed for success through the very design of the application and early implementation processes. At the end of the day, however, each community had to reach out and seize the opportunity put in front of them. In 2007, six communities seized the day; by 2012, 39 communities were committed E-Community partners.

The story does not end with the E-Community partnership, however. Other initiatives were taking root in the state during this time. Through a partnership between the Kansas Farm Bureau and the Center for Rural Entrepreneurship, the Kansas HomeTown Prosperity initiative was launched in 2008. Designed to strengthen rural communities in Kansas by building community capacity, the initiative was patterned on the successful HomeTown Competitiveness<sup>®</sup> model. In response to the Great Recession, the focus of these capacity building efforts was refined to more sharply address entrepreneur-focused economic development, a reaction to the economic distress many communities were facing at the time. The partnership expanded to include NetWork Kansas, the Kansas Small Business Development Centers, USDA Rural

Development in Kansas, Advancing Rural Prosperity, Inc., the state Department of Commerce, and the Center. These partners established the Kansas Entrepreneurial Communities Initiative (KECI).

KECI focused on helping communities organize themselves to grow through entrepreneurship. In short, the original pilot communities were being guided down the path toward becoming an entrepreneurial community. The lessons learned from this experience informed the action framework shared in this book. These lessons also informed the next evolution of the entrepreneurial community movement in Kansas: the creation of the E-Accelerator partnership. This partnership emphasizes empowering communities to generate a portfolio of entrepreneurs and working with growth entrepreneurs to create impact.

The final chapter in the Kansas story has yet to be written. It will likely include growing the next generation of entrepreneurs in Kansas by focusing on youth entrepreneurship. As one community leader shared, "We need to cultivate the spark of entrepreneurialism at an early age. We can rekindle the flame later as long as it's there."

While efforts to create entrepreneurial communities in Kansas are now more than five years old, there is still work and learning to be done. These efforts are generating economic development impacts for the communities and the state: businesses started, jobs created and saved, private investments made. As importantly, more and more economic developers are focused on growing their own. Communities are embracing entrepreneurs and seeing hope for the future in supporting these economic development engines. It is not too farfetched to imagine Kansas entrepreneurs and the state and community leaders that support them joining Dorothy in saying, "There's no place like home."



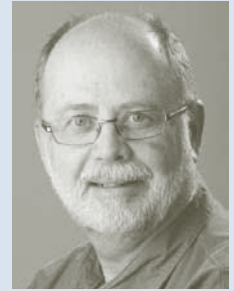
University

To read the Center's case study *Creating Entrepreneurial Communities in Kansas: Listening, Learning, Adapting*, go to Energizing the Community in **e2 University**.

**Don Macke** helps communities and regions throughout North America grow entrepreneur-focused economic development strategies. He works with strategic partners across the country to deliver customized economic development solutions. Don has more than 35 years of experience in rural economic development. He co-founded the Center for Rural Entrepreneurship in 2001 with Deborah Markley. He leads the Center's Entrepreneurial Communities solution area, and is active as well in the Center's Community Development Philanthropy/Transfer of Wealth solution area.

Before co-founding the Center, Don served as a policy analyst in the Nebraska Legislature, in the Cabinet of Nebraska Governor Ben Nelson, and worked as a consultant in nearly 40 states, Canada and the Caribbean. Don has a M.A. in regional economics and a B.S. in environmental science from the University of Nebraska-Lincoln.

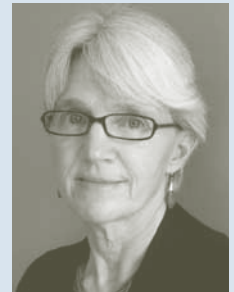
---



**Deborah Markley** develops and uses tools to measure the success of rural economic development strategies. She also conducts research particularly focused on issues related to capital access for entrepreneurs. Deb has evaluated the success of economic development initiatives in large regions, such as Appalachia, as well as more local efforts in places as diverse as Central Louisiana, northern Minnesota and rural Kansas. She co-founded the Center for Rural Entrepreneurship in 2001 with Don Macke and continues to lead the Measurement, Research, Policy solution area.

Before co-founding the Center, Deb did research and teaching at Purdue University, the University of Massachusetts, and the University of Tennessee-Knoxville. She holds degrees in agricultural economics: a B.S. and M.S. from Cornell University, and a Ph.D. from Virginia Tech.

---



**John Fulwider** coaches business and nonprofit leaders to conceive and implement growth strategies for their organizations. John focuses work with his nonprofit clientele on organizations with community-wide missions, such as NeighborWorks America-affiliated organizations and community foundations. The coaching, training and consulting firm he founded in 2006 also provides talent development for high-potential managers, executive coaching, team development and business succession planning. John helped conceive the Center for Rural Entrepreneurship's newest innovation, e2 University.

Before founding his company, John worked as a newspaper reporter covering the Nebraska Legislature and as an instructor in political science at the University of Nebraska-Lincoln. He earned his Ph.D. in political science from that institution.





# Center for Rural Entrepreneurship

energizing entrepreneurial communities

**The Center for Rural Entrepreneurship** helps communities throughout the United States and Canada build prosperous futures. We are the leading national resource for communities and regions pursuing entrepreneur-focused economic development. The Center *consults with* and *trains* community leaders building entrepreneur-focused economic development systems. The Center actively *studies* entrepreneurship development through research and collaboration with partners. Building on this knowledge, the Center creates opportunities for community leaders to *learn* about entrepreneurship in a variety of ways, including training, newsletters, development tools and personal contact. Finally, the Center *engages* regional and community leaders by bringing new models and tools directly to them in a hands-on, strategic approach.

Created in 2001 with founding support from the Kauffman Foundation and the Rural Policy Research Institute (RUPRI), the Center is a 501(c)(3) nonprofit organization.

**The Entrepreneurial Communities Solution Area** works with, supports, and learns from community and regional leaders across North America committed to entrepreneur-focused economic development. We have developed a systems approach to building entrepreneurial communities that numerous diverse communities have successfully implemented. We developed our system in conjunction with many partners in the field, and indeed our work is always in partnership with local and regional organizations, public and private. For more information about this work, contact Don Macke at don@e2mail.org.

**e2 University** is the Center's latest innovation to help community and regional leaders more effectively implement entrepreneur-focused economic development. This online learning environment connects economic development practitioners and policy makers with the resources they need to energize entrepreneurs and implement entrepreneurship as a core development strategy. To begin your course of study at e2 University, go to [www.energizingentrepreneurs.org/library/e2University.html](http://www.energizingentrepreneurs.org/library/e2University.html).