

Regional Development

A Likely Entrepreneurial Development Opportunity Strategy Guide

By Don Macke with Kimberlee Spillers



Our human world is organized into nations, states, provinces, and districts such as counties and municipalities. This organization, rooted in realities at work for centuries, makes sense from a political and governance perspective. From an economic, and even social viewpoint, these political and government constructs make far less sense today. As humans living, working, and playing, we are part of both an increasing global economy and society, as well as regional socioeconomic geographies. In entrepreneur-led development, regions truly matter.

At e2, we have worked in nearly every rural region in the continental United States and many of the Canadian provinces. Our <u>Development Opportunity Profile</u> analysis has surfaced reoccurring likely entrepreneurial development opportunities universally available to most rural communities.

Strategy Defined

Oxford Languages defines strategy as "a plan of action or policy designed to achieve a major or overall aim..." Any strategy is a point-in-time plan for action. Just as startup entrepreneurs are encouraged to develop a venture plan, communities exploring entrepreneurial development should do the same. Your community's development strategy will change and evolve over time as new opportunities, priorities, and challenges emerge.

About our e2 Strategy Papers. We have been conducting opportunity analysis for rural communities and regions throughout North America for decades. This field-rooted work has identified and led e2 to create our 10 common and <u>Likely Entrepreneurial Development Opportunities</u>, for many rural communities. For more information, check out our paper, *Regional Development*.¹

Remember Regional Development. While regional development is not one of our top 10 likely entrepreneurial development opportunities, we strongly recommend every rural community embrace, with other communities in their region of America, larger-scale regional development. When more communities in a region are thriving, opportunities are created for your community and your entrepreneurs.

This **Regional Development** Strategy Guide is organized into the following sections:

- e2's Likely Rural Entrepreneurial Development Opportunities
- Regional Development Challenges in the USA
- Understanding our Socioeconomic Regions
- Illustrations of Rural Regions
 - o Ord, Nebraska
 - o Prince William Sound, Alaska
 - o From Santa Fe, New Mexico to Alamosa, Colorado
 - o Terre Haute, Indiana

¹ Located in our website's <u>resource library.</u>

- o Bay Area and the Central Valley, California
- Regional Branding Opportunities
- Implications for Entrepreneur-Led Development
- Organizing and Funding Challenges and Opportunities
- Resources
- Conclusion Fostering Regional Collaboration is Foundational

Additionally, growing entrepreneurial ecosystems is best done regionally, hopefully with state-level support. We recommend a top-down and bottom-up entrepreneurship strategy as outlined in our paper, *Entrepreneurial Ecosystem Building in Rural America, Four Decades of Learning*².

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² Ibid.

Every rural community and region has a unique set of development assets and opportunities. Energizing a community's entrepreneurial talent can optimize development around these assets and opportunities. Not every community in rural America can exploit all ten likely entrepreneurial development opportunities, but every community can become actively engaged in regional development where more of these opportunities are at play.

e2's Likely Entrepreneurial Development Opportunities

Too many rural economies and societies are failing because of their narrow economies rooted in one to two changing economic sectors. Our paper, <u>Economic Crashes, Mini-Case Studies</u>, illustrates the consequences of undiversified economies. Conversely, our story, <u>Ord, Nebraska, An Entrepreneurial Community</u>, illustrates when a community diversifies its economy, it drives transformative change. Our likely entrepreneurial development opportunities can create genuine and robust strategies to grow a more diversified economy.

The following table provides brief descriptions of each of the top 10 development opportunities, with links to relevant strategy papers, as available.



Natural Resources. Much of rural America depends upon single natural resource industry economies (e.g., farming, mining, forestry, energy, etc.). While there are limited entrepreneurial development opportunities related to these international market industries, there are opportunities rooted in diversifying within these sectors and increasing sector related spending capture.



Transportation Corridors. Urban America is connected by transportation corridors that run through rural America. Services are required to support those traveling these corridors, creating entrepreneurial development opportunities.



Tourism. While the vast majority of Americans live and work in urban America, rural America provides important places to play. For a wide range of rural communities and regions, tourism represents a way to diversify area economies.





Retirees. When thinking of new residents, keep in mind the tidal wave of retiring Boomers. This group represents a significant likely entrepreneurial development opportunity for most rural communities, from high amenity places to rural villages adjacent to metro centers.



Commuters. Upward of 50 percent of rural workers live in one community and work in another community. These outbound commuters have embedded entrepreneurial development opportunities in creating bedroom community-related development and entrepreneurial opportunities when they end their commuting.



Hub Cities. America's landscape is still defined by a hierarchy of places based on size. In rural America, there are regional and area hub cities and towns that provide critical services like healthcare, shopping, and entertainment to rural areas. These communities are the "downtowns" of vast rural regions to smaller areas.



Larger Employer Retention and Expansion. Many rural communities are home to large manufacturing plants, fulfillment centers and institutions including hospitals, regional universities, and parks. Ensuring the future of these larger employers is an entrepreneurial opportunity.



Growth-Oriented Entrepreneurs. Nearly every rural community has growth-oriented entrepreneurs with the motivation and capacity to reach external markets with their products and services. Electronic commerce empowers this kind of entrepreneurship.



Area Spending Capture. Competition is intense from box stores, franchise, and electronic commerce, but opportunities exist to increase local venture competitiveness and recapture some of these spending leakages. In doing so, rural communities can empower growth-oriented entrepreneurs.





New Residents. Since the 1900s, the primary migration pattern has been from rural to urban. Today, there are counter (e.g., urban-to-rural) migration trends among 30-year-olds, retiring Boomers and others. These new residents represent a huge opportunity to energize area entrepreneurial talent.

To learn more about these top 10 Likely Entrepreneurial Development Opportunities and our evolving collection of associated strategy papers, please visit our website's <u>resource section</u>.

Next, we explore some challenges that regional development faces in the USA today. Despite the rapid retreat of federal and state government support for regional development organizations, there is an emerging collection of new-generation regional development organizations. Based on our North American work, we recommend serious study of three of the most robust, impactful, and longest running regional development organizations including:

- Minnesota's Rural-Focused Initiative Foundations
- The Nebraska Community Foundation
- NetWork Kansas

All three of these regional development models employ a "top-down" and "bottom-up" collaboration rooted in long-term relationships with communities supported by regionally supported development resources.



Community economic development is primarily a local or community responsibility in the United States. Elsewhere, among mature and developed economies (e.g., Canada, Great Britain, nations within the European Union, Japan, etc.), national and provisional governments and development organizations play a much larger role in community economic development when compared to the United States.

Regional Development Challenges in the USA

While the U.S. has at times embraced regional development, American and state policy has been inconsistent in supporting regional development organizations and mechanisms. Before we explore government sponsored regional development initiatives and organizations, we consider one of the most innovative and successful private regional development efforts rooted in rural Minnesota with the Minnesota Initiative Foundations.

Minnesota's Initiative Foundations

There are remarkable regional development efforts rooted in the private nonprofit sector, as illustrated by <u>Minnesota's Initiative Foundations</u>. The following is a history of the Initiative Foundation movement excerpted from the 4th Quarter 2015 edition of IQ Magazine, a publication of the Initiative Foundation serving Central Minnesota:

Forged in crisis in 1986, the Minnesota Initiative Foundations have become a model for rural philanthropy, economic development and forward-thinking.

Turnout was high, and the temperature was higher, remembers Ken Trom, who drove from his home in Blooming Prairie to add his voice to a conversation taking place in coffee shops, school auditoriums and conference rooms in rural communities around the state.

The question on the table: What will it take to get Greater Minnesota working again? While the nationwide recession was nearing its end, rural Minnesota was still reeling from almost a decade of bad news: mass layoffs in the mining industry on the Iron Range, a farm crisis that had foreclosed fifth-generation farms, major losses in manufacturing jobs and a steady migration of young people who could no longer see their future in Greater Minnesota. From Trom's point of view as a small town banker, "The economy was a shambles, and there was just no capital to get things going. We were educating our kids, then watching them move away to earn their living. It was all outflow."

Minnesota's rural areas could foresee little relief from philanthropic investments, which accounted for just 9 percent of charitable dollars contributed in the state in 1982, compared to 66 percent for the metro area. Alarmed by the growing disparities between urban and rural community assets, the Minneapolis-based McKnight Foundation, then the state's largest philanthropic organization, set out on a series of road trips across the state, following the headlines and visiting hard-hit areas.

Using the state's Regional Development Commission regions as a road map, McKnight Foundation CEO Russ Ewald, board chair Virginia McKnight Binger and other members of the



family-led foundation "traveled around the state, hauling a trailer full of their luggage, and did a whole series of listening sessions," said Neal Cuthbert, McKnight's current vice president of program. After more than a year of community assessment meetings and less formal conversations with farmers, miners, civic leaders and small business owners, McKnight trustees knew a recovery plan for rural Minnesota couldn't be driven from an office in Minneapolis. Instead, they committed to an unprecedented strategy to create six separate regional entities across the state—the Minnesota Initiative Foundations—with missions and priorities that would be set by the people they served.

At the first regional priorities meeting for what would become the Southern Minnesota Initiative Foundation, Trom remembers the heat in the second floor room was stifling—yet more than 30 stakeholders stayed through the night. "It must have been a hundred degrees up there, but that meeting started, and holy smokes, it went on all the way until morning," he said. McKnight senior program officer Nancy Latimer led the discussion, "and we came up with a whole wall full of ideas and then we grouped them into four columns—economic development, human needs, natural resources and rural leadership," Trom said. "Those were the four areas where we thought we could start making a difference."

As morning came, the meeting finally broke up, but the plan the group outlined for their region felt like a turning point to Trom, who would go on to become the board's first treasurer. "We had no idea what we were getting into, but it gave us hope," he said. "The thing that the Minnesota Initiative Foundations brought to rural Minnesota was the empowerment of local leaders. McKnight made us feel like we already had the right answers, and with some help and encouragement, we could move mountains."

A New Model. Decades later, the six sister Minnesota Initiative Foundations are still in the mountain-moving business, empowering rural communities with a flexible business model forged by the unique needs of each region. Referred to collectively as the "MIFs," the Initiative Foundation, serving Central Minnesota, Northwest Minnesota Foundation, West Central Initiative, the Northland Foundation, Southwest Initiative Foundation and Southern Minnesota Initiative Foundation together have awarded nearly 32,000 grants in Greater Minnesota, leveraging nearly \$190 million for everything from innovations in early childhood education, to building the capacity of regional nonprofits, to coordinating disaster relief for small towns devastated by tornados and floods.

Within just a year of their launch in 1986, the six foundations began changing the economic landscape of rural Minnesota, more than doubling charitable giving in outstate areas, an infusion fueled largely by The McKnight Foundation's deep investment. In the years since, McKnight has invested a total of \$285 million in the six regional entities, contributions that have helped leverage an additional \$270 million to benefit Greater Minnesota.

The McKnight Foundation's commitment to what was then still a "great experiment" in rural philanthropy inspired Kathy Gaalswyk, the former executive director of the Region 5 Development Commission, to apply to head up the Initiative Foundation in Little Falls—a role she's had ever since.

"Finding a new economic model for rural Minnesota was very personal to me," said Gaalswyk, whose husband and father-in-law were forced to shut down their multi-generation Pillager-area



farm in 1993. "During those years, I'd be spending my days at meetings talking about how to make rural Minnesota less dependent on agriculture, and then I'd come home at night to a kitchen table where we were trying to figure out if we could pay the bills or if we needed to give up the farm. It made the stakes very, very real."

Sherry Ristau, long-time president of the Southwest Initiative Foundation and now the president of the Community Foundation of the Great River Bend, which serves Eastern Iowa and Western Illinois, saw the same struggle play out in her corner of the state. "In 1982, I married a guy who was destined to take over the family farm, and by 1986 his father and uncle had to sell it at auction because of the farm crisis," she said. "We needed to diversify the economy, and the need was urgent."

The crisis wasn't limited to agricultural areas. Some towns in northeast Minnesota's Iron Range suffered from unemployment rates of more than 20 percent. A billboard on Interstate 35 made the region's pain all too clear when it asked, "Will the last one leaving Duluth please turn out the light?"

Each of the six foundations started up with two years of seed funding from The McKnight Foundation, but no prescribed plan for how to proceed. "Philanthropy didn't have that much of a formal presence in Greater Minnesota, so there was just a lot we didn't know," Gaalswyk remembered. But she and other early leaders credit their lack of prior experience with charitable giving regulations for leading them toward one of the earliest and most enduring innovations—providing gap funding to small businesses and start-ups that couldn't qualify for traditional bank loans.

"McKnight had asked us all to think about what we could do for economic development. We told them the lack of business capital was killing entrepreneurship and stifling growth and contributing to all the social ills to go along with poverty and unemployment," said Tom Renier, retired president of the Duluth-based Northland Foundation, which serves the seven-county Arrowhead region. "Coming up with some way to do community lending was definitely not the answer McKnight was expecting, but I'll never forget Russ Ewald saying, 'Well, if I didn't want to hear the answer, I shouldn't have asked the question."

Southern Minnesota Initiative Foundation and its Rural Entrepreneurial Venture Initiative

The Southern Minnesota Initiative Foundation (SMIF) is one of the six initiative foundations working in rural Minnesota. SMIF is the host for the Rural Entrepreneurial Venture (REV) eCommunities initiative. e2 has been fortunate to be a partner in this important proof-of-concept work focusing on rural communities in southern Minnesota with populations of 5,000 or less. This is a powerful example of a well-established regional development organization with long-term community relationships hosting a rural community entrepreneurial ecosystem building effort. Check out our paper on REV.



McKnight and its legal team brought the idea to the IRS, making the case that community lending in stagnant rural economies with high poverty and unemployment rates qualified as a



charitable activity. The federal government agreed, and authorized the six foundations to add business lending to their list of community services—an only-in-Minnesota model that continues to spark national interest.

"The community lending piece of the (Minnesota Initiative Foundation) model is so ahead of its time, and it makes a ton of sense," said Trista Harris, president of the Minnesota Council on Foundations. To date, the six foundations have provided \$200 million in business financing to 4,100 companies across Greater Minnesota. The lending activity has leveraged \$1.3 billion in private investment while securing 42,000 jobs. "As far as we know, we're the only foundations in the country that have this special IRS ruling," Gaalswyk said. "This was new ground for community foundations."

Foundations Without Fences. While early leaders can all remember how Russ Ewald raised his eyebrows at the idea of community lending, McKnight president Kate Wolford says it's no surprise that Ewald went on to champion their approach with real conviction. "I would say that risk-taking has always been part of the DNA at McKnight," she said, starting with its founder William L. McKnight, 3M's influential CEO. "If you put fences around people, you get sheep," Ewald used to say. "Give people the room they need."

Wolford sees that philosophy at work today in the way each foundation has marked out its own territory and regional identity, cultivating ideas from the ground up in a style not always seen in responsive philanthropy. "One of the brilliant things in the design of the (Minnesota Initiative Foundations) is that even though their structure may be similar, there was also a real willingness to let their work reflect the particularities of a region," she said.

From the beginning, West Central Initiative became a driving force on workforce development, moving to fill the gap left by the collapse of the area's Regional Development Corporation, and putting dislocated farmers and agricultural workers at the center of their first programs. "We wanted to be proactive," said Roger McCannon, who served as the director of continuing education and regional programs at the University of Minnesota, Morris, which served as West Central's fiscal sponsor before the foundation was fully fledged. A co-chair of the planning committee behind the Minnesota Initiative Foundation movement in west central Minnesota, and later founder of the Center for Small Towns, McCannon says, "We didn't want to be sitting in a chair at a foundation waiting for good ideas to come to us, we wanted to be out in the community."

West Central Initiative also sounded the alarm when statewide demographic projections for the region showed a workforce shortage on the horizon. "At the time, business owners could put an ad in the paper and get 50 applications, so the projections didn't feel real," said former West Central CEO Nancy Straw, now the director of community and economic development at the Ford Family Foundation in Oregon. But West Central didn't wait for the downturn, leading a Labor Force Development Council that met regularly, and launching the Workforce 2020 program to help employers invest in high-tech training for incumbent employees. "We found that companies were more willing to invest in training when they knew the employees were a good fit, and the training they got made workers more productive," Straw said. "If your company thinks enough of you to invest in you, it also makes you more loyal. It's an equation where everyone wins."



"We're the only (Minnesota Initiative Foundation) that took that approach, continually training our employees to be better, but I think our Workforce 2020 program really equipped this region for the future," said Sandy King, West Central's vice president of operations. "I think it shows not just in the businesses that are thriving in the region, but also in the wages our employers are paying their workers."

The defining work of the Northland Foundation in northeast Minnesota grew from a very different landscape—one that already included established community funds that helped support the work of the region's nonprofits. "There were already organizations serving those roles and doing it well, but we knew we had to raise a bunch of money to be successful," said Renier, who served as Northland's president from 1986 until his retirement in 2014. "We also knew it would be counterproductive to be knocking on the same doors as the organizations we were created to support, so I would say it became a sort of unspoken part of our mission to raise as much money as we could from outside the region and invest it back here, and by and large, we were successful."

In fact, over the decades, nine out of 10 dollars the Northland Foundation raised came from outside the seven-county area, including major gifts from Otto Bremer Foundation and the Margaret A. Cargill Foundation as well as investments from national and state funding sources. "Our task was to convince donors and funders and the state and the federal government about the common interests we all had in making this region work," he said.

Meanwhile, in southwestern Minnesota, capturing the capital that lay in the region's more than six million acres of farmland became a major part of the mission at Southwest Initiative Foundation, where president and CEO Diana Anderson got her start as development director. "I remember traveling around the region, and in every community I saw organizations struggling to involve farm families in charitable giving," she said. "It's not a lack of generosity. The reality is farmers often have assets tied up in the land and equipment. That's what got us to thinking about finding a way to capture the philanthropic wealth of southwestern Minnesota in a more unique way."

That idea led to one of Southwest's signature programs, Keep It Growing, a flexible tool for rural philanthropy that makes it possible for the foundation to accept gifts of farmland without being required to sell the property. The program even allows for gift agreements that can keep tillable land in production for years to come while Southwest serves as managers and stewards of the land.

Anderson says the Keep It Growing program is a perfect reflection of Southwest's 18-county landscape, nearly 80 percent of it farmland. "Our farmers want to keep their land legacy going, and supporting their community is a great benefit to go with it."

Learning from Each Other. Plowing farmland into philanthropy has proven to be such a winning plan that regional versions of the strategy have sprouted up at the sister foundations, too—one of several programs that have cross-pollinated between the Minnesota Initiative Foundations thanks to their regular gatherings throughout the year.

"Another real strength of the (organizations) is that while they're independent from one another, they're also a cohort group that can learn with and from each other," said Wolford. "The sense of isolation, of there not being enough people to do the work in rural Minnesota, is



very real, so one thing we've heard over the years is how much the (foundations) value having the opportunity to network, and even do some programming together on an issue."

One statewide issue that all of the Minnesota Initiative Foundations have embraced is early childhood education, a collective effort that Tim Penny, president and CEO of the Southern Minnesota Initiative Foundation, believes has "really moved the needle on making sure our kids are ready for school"—but from a variety of different angles. For the Southern Minnesota Initiative Foundation, early childhood efforts have had a strong emphasis on literacy, with 20 AmeriCorps Learning Early Achieves Potential (LEAP) members placed annually in early childhood settings (an effort bolstered by many local book donation partnerships), while West Central Initiative, faced with a shortage of childcare providers, launched a loan program that encourages qualified providers to train and pay for the necessary licensure to become daycare providers.

The health of children and families has become a hallmark of early childhood investments, which includes a pilot project embraced by all Minnesota Initiative Foundations called the Thrive Initiative that aims to support healthy social and emotional development of children birth to age 5 with a special emphasis on birth to age 3.

Hearing her cohorts from all six foundations weigh in at meetings with new findings and fresh angles on statewide challenges several times each year is one of the things Southwest's Anderson likes best about the Minnesota Initiative Foundation model. "When we're together, it's like having a 360-degree view of Greater Minnesota," as well as a sounding board for concerns, and a signal of things to come.

For instance, immigration has been a headline story in Central Minnesota for nearly a decade, as Somali refugees and other foreign-born immigrants began settling in and around St. Cloud, while aging communities like Long Prairie were transformed by an influx of younger Hispanic families, who traveled north for jobs in the area's meat-packing plants. As these new neighbors have settled, the Initiative Foundation has worked to ease their cultural transition, supporting local micro-loan programs to help foreign-born entrepreneurs start new businesses, and launching a new Emerging Leaders program to tap and develop the increasingly diverse talent pool poised to replace the leadership of more than 10,000 baby boomers retiring every day in the United States.

"In my region, the last big influx of immigrants arrived when my ancestors came here five generations ago," said Nancy Vyskocil, president of the Northwest Minnesota Foundation. "So as we move into more workforce shortages and there's a push to bring in more immigrant workers, I can really learn from my counterparts at the Initiative Foundation and in other regions who are already learning about the challenges and opportunities that go along with that kind of population change."

A More Resilient Minnesota. Cohort learning has been a critical part of the model, one that's rooted in a culture of Minnesota Nice. "Collegiality trumps competitiveness," Cuthbert said. "Each one of the (foundations) has a different constellation of work, their own success stories, and a role as a real leader in rural Minnesota. They're nonpartisan but they're not neutral on what matters, and that's why people trust them."



Over the years, the unusual flexibility of the Minnesota Initiative Foundation model of rural philanthropy has attracted national notice as a strategy for pulling far-flung rural communities into a united regional force, said Janet Topolsky, the director of the Aspen Institute Community Strategies Group. "In rural places you have this phenomenon where there's a place but there's no overt identity," due to competing jurisdictions, tax bases and decision-making bodies. Organizations like the Minnesota Initiative Foundations "are a natural player to pull people together and find common ground—plus on top of that they're the most flexible form of nonprofit around," capable of managing community funds, grant making and community lending.



As each foundation has evolved, McKnight funding has made up less and less of each organization's operational budget, now providing for less than one-fifth of total annual revenues. "In the early years, when we were still 90 percent dependent on McKnight funding, they used to ask a lot of questions about our sustainability plan and what it would mean for us if their support went away," said the Initiative Foundation's Gaalswyk. "But a while ago, they stopped asking because I think it became clear that no matter what, we were here to stay."

"McKnight could have stopped funding the (foundations) 10 years ago and they'd be fine, but we support them at this point in time because of strategy, not out of dependence," said Cuthbert. "We have statewide concerns, and they help us meet our mission."

While each organization can point to the direct impact of their work—from grants made to jobs retained and dollars leveraged—Cuthbert believes they also helped buffer Greater Minnesota against the 2008 recession. "If you look at the most recent recession, rural Minnesota did better than the metro by nearly all measures, and there were even some parts of the state that hardly felt the recession at all," he said. "That's what the (Minnesota Initiative Foundations) have been working on for 30 years, and I believe they deserve real credit for creating a more resilient Greater Minnesota."

Over the last year, several of the foundations have welcomed new leadership—Anna Wasecha, the new CEO and President of West Central Initiative, Tony Sertich, the new president of Northland Foundation, and Diana Anderson, the new CEO and president of Southwest Initiative Foundation.

As commissioner of the Iron Range Resources and Rehabilitation Board, Sertich says he saw firsthand how an organization like the Northland Foundation acts as a conduit. "Northland has always been about nurturing relationships and facilitating collaborations to strengthen our rural communities," he said. "The opportunity to continue building on 30 years of incredible work is once-in-a-lifetime, and I'm excited about the next 30 years."

As these new leaders forge new paths in their regions, Renier predicts that the challenges and opportunities they face will look very different than they did decades ago, when Northland and its five sister organizations were founded. "One of the first grants we ever made was to Lutheran Social Services for a relocation fund to help move families off the Range and into the Twin Cities," he said. "It was a painful thing for us to do, and a painful project for us to fund, but I don't think you're going to see that kind of exodus from rural Minnesota anymore." In fact, as



Penny points out, many pockets of small town Minnesota are enjoying a rural renaissance of sorts, with growing local food scenes, creative agribusinesses like bio fuels, and even a "brain gain" of young people choosing to return to where they were planted, starting families and new businesses closer to their roots.

Since that first community priorities meeting for the Southern Minnesota Initiative Foundation three-plus decades ago, in fact, Bryon, Minn., has more than tripled in size, with an estimated population of 5,191. When Ken Trom encounters a new business owner in his corner of southern Minnesota, "I'll ask them if they've ever heard of the Minnesota Initiative Foundations, and all the time I hear people say 'well, sure, if it weren't for them, I wouldn't be here.'

"It's good to hear," said Trom. "Because I know we made a difference."

We share the Minnesota Initiative Foundation's story because these regional nonprofit organizations are both community foundations and community economic development corporations. This is a powerful innovation and has contributed to rural community vitality in the Land of 10,000 Lakes in material ways. At e2, we believe that major foundations seeking regional foundations like the Initiative Foundations in Minnesota represents possibly a more powerful and likely way forward in the U.S. compared with government initiated regional development efforts.

Government Enabled Regional Development Organizations

Historically, government has been the agent for fostering and/or enabling regional community economic development organizations and efforts. Following World War II, with the growth in the federal domestic budget and agendas, there were intentional efforts to forge federal, state, and local partnerships focusing on everything from public health to poverty reduction to educational attainment to community economic development. A whole new set of regional development organizations with federal, state, and local ownership and funding were created. Here is just a sampling:

- Appalachian Regional Commission Congressionally Chartered
- Delta Regional Commission* Congressionally Chartered
- Great Plains Regional Commission Congressionally Authorized**
- Small Business Development Centers U.S. Small Business Administration
- Economic Development Districts U.S. Economic Development Administration
- Resource Conservation and Development Districts** U.S. Department of Agriculture
- Community Action Programs U.S. Housing and Urban Development
- Workforce Boards U.S. and State Departments of Labor
- Numerous state-chartered development organizations
- And the list goes on...



^{*}The <u>Delta Regional Commission</u> was authorized by Congress and provided some funding. But it was never capitalized to the extent that the <u>Appalachian Regional Commission</u> was and is.

^{**}The Great Plains Regional Commission was initially authorized by Congress through the Farm Bill but was never funded or operationalized.

^{***}Funding for this regional program has been discontinued.

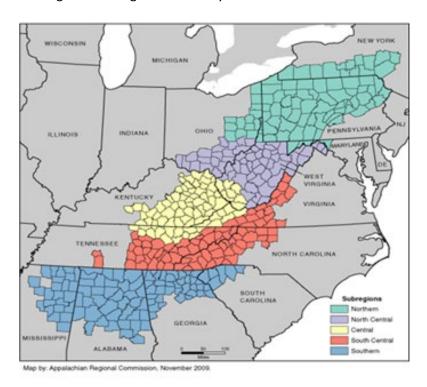
Possibly the most impactful of the post-World War II regional development is the Appalachian Regional Commission (ARC). ARC has contributed to significant positive transformative change throughout the vast Appalachian Mountain Region of America. The following is a history of ARC from the ARC website:

Congress finds and declares that the Appalachian region of the United States, while abundant in natural resources and rich in potential, lags behind the rest of the Nation in its economic growth and that its people have not shared properly in the Nation's prosperity.

THE APPALACHIAN REGIONAL DEVELOPMENT ACT, 1965

The Appalachian Regional Commission (ARC) is an economic development partnership agency of the federal government and <u>13 state governments</u> focusing on <u>420 counties</u> across the Appalachian Region. ARC's mission is to innovate, partner, and invest to build community capacity and strengthen economic growth in Appalachia to help the Region achieve socioeconomic parity with the nation.

ARC's History and Work in Appalachia. Since 1965, the Appalachian Regional Commission (ARC) has invested with local, regional, and state partners to transform Appalachian communities, create jobs, and strengthen the regional economy.



In 1963, the Conference of Appalachian Governors asked President John F. Kennedy to create a presidential commission to coordinate federal, state, and local action in addressing the Region's needs. In response, President Kennedy formally convened the President's Appalachian Regional Commission (PARC), a body of state governors and Cabinet-level officials to address persistent economic disparities in the Region in comparison to the rest of the nation. PARC's mission was



to draw up "a comprehensive program for the economic development of the Appalachian Region."

PARC's work informed the Appalachian Regional Development Act (ARDA) which passed Congress with overwhelming bi-partisan support. When President Lyndon B. Johnson signed ARDA into public law on March 9, 1965, ARC was formally established as a unique federal-state partnership committed to strengthening Appalachia's economy and helping the Region's 13 states achieve economic development success.

ARC was created and supported by its federal, state, and local partnership at the peak of America's commitment to regional socioeconomic development. As anti-government movements beginning with the Reagan Administration and reflected in many state capitols, coupled with increased budget stress at all levels of government, government support for regional organizations for Economic Development Districts to the Delta Regional Commission waned and, in some cases, ceased to exist.

In addition to the anti-government movements where fears of "too big government" there was also backlash that local community control was being eroded by these regional organizations. Cities and counties were often threatened and perceived these regional groups as competitors for power, control, and funding. For the past 30 years, there has been significant erosion of government support for regional development organizations, undermining their value in community economic development in rural America.

Metro and Non-Metro – An Unfair Playing Field

Chuck Fluharty, the founder, and driver behind the <u>Rural Policy Research Institute</u>, often made the point that rural America, defined as non-metropolitan America by the U.S. Census Bureau, was disadvantaged when compared to metropolitan area designated communities. Under federal law and custom, metropolitan areas receive federal funds – from housing to transportation to economic development – directly from the Federal Government, providing greater funding predictability and control. Conversely, communities in non-metropolitan America or rural, must compete for federal funding creating uncertainty and distortions in which communities receive assistance.

Today, regional collaboration in support of development remains foundational and new models for organizing are critically needed.



While we call a particular community our home, we all live, work, and play in much larger communities defined by intense socioeconomic relationships within a region. I have three hometowns rooted in my life journey including Mullen in the heart of the Sandhills of Nebraska where I grew up as a kid, Ogallala where I graduated from high school, and now Lincoln where I currently live with my family. Each one of my hometowns is part of a socioeconomic region that can create greater development opportunities if we are willing to seriously collaborate with our neighbors.

Understanding Our Socioeconomic Regions

We begin with a basic typology of America's socioeconomic regions, as outlined in Figure 1.

Figure 1. America's Socioeconomic Regions

Metropolitan Areas	Micropolitan Areas	Rural Regions	
There are 384 metropolitan areas in the U.S., and each has a region with rural communities.	There are 543 Micropolitan Areas in the U.S., and these hub cities anchor rural regions with rural communities.	Within more remote rural, there are smaller communities like Ord that anchor smaller rural regions.	

Metroplexes and Corridors

There are a growing number of metroplexes with extensive corridors. Examples include the northeastern corridor from Portland, Maine down to Richmond, Virginia, and the Denver metroplex along the eastern Rocky Mountains running from Cheyenne, Wyoming to Pueblo, Colorado. These vast metro regions have larger socioeconomic footprints and include rural communities as part of their exurban geographies.

Source: U.S. Census Bureau Metropolitan and Micropolitan Areas as of March 2020.

Bottom line, almost every rural community is part of one or more socioeconomic regions. At the core of the largest regions are Tier 1 cities like New York, LA, Atlanta, or Chicago. These regions often cover areas. Subordinate to these mega regions are smaller regions organized around medium and smaller metros like Missoula in Montana or St. Joseph, Missouri. As the hierarchy moves from the largest regions to the smallest, we eventually end up with relatively small rural regions with small cities of a few thousand residents anchoring a rural region of a few counties with smaller cities, towns, and villages.

At a most basic level, we humans engage in three core activities that have geographic and development implications.

Where We Live, Work and Play

In rural America much of this activity occurs within geographic regions beginning with the smallest region where we live, larger regions where we work and shop, and even larger regions where we obtain higher order goods and services like advanced health care or professional sports. Intentional community



economic development occurs within regions that have strong networks of socioeconomic connections. It is here where we should pursue regional and collaborative development, including entrepreneur-led development and entrepreneurial ecosystem building.

Headwaters Economics

Headwaters Economics is based in the beautiful community of Bozeman, Montana. It has strong partnership with Federal land management agencies (e.g., U.S. Forest Service, U.S. Park Service, Bureau of Land Management, etc.) to support community and regional development planning. In the western U.S. federal lands are a primary reality and this kind of data support is hugely important to sound community and regional visioning and planning. At e2 we have employed Headwaters profiles, data, and special reports throughout the United States. We strongly encourage your community within your rural region to get to know this resource and use it.

In our e2 writings and podcasts, we often employ the term **socioeconomic**. This term implies both the characteristics of a community's or region's society and its economy. Both are foundationally important in entrepreneurial development. Economies exist and are created by residents living, working, and playing within a specific geography we call community. For more information on how your community can define itself, check out our resource, *Defining Your Community*. Without a diverse and strong economy, residents will struggle to make a living and pursue their dreams, often driving net outmigration.

Figure 2. Two Basic Elements of a Geographic Region

Society

Humans are social beings. We organize into families, clans, and communities. Central to optimal entrepreneurial development is engaging the fullest diversity of your community's residents or society in opportunities.

Economy

Economies are foundationally important as they provide a way for us to make a living at the most basic level, but also allow us to pursue our passions with careers and vocations. Strong economies grow stronger societies and vice versa.

Socioeconomic for Short

In our **Prosperity Communities Development Framework**, we talk about the three essentials for community prosperity including economic development, people attraction and quality of life placemaking. Within this framework, thriving societies and economies are part of the same tightly woven fabric.

Some regions are arbitrarily defined by public or private policy and their mapmakers. When we consider regions as part of our entrepreneurial development game plan, we can do better. We have an allied resource – **Commuter-Led Development** – a strategy guide³ that can help your community explore and ultimately define your socioeconomic region. Bottom line, socioeconomic geographic regions are best defined as the area where residents live, work and play. In these regions residents may live in one community, work in another and secure needs from multiple communities.

³ Find this guide and other Likely Entrepreneurial Development Opportunities strategy guides in our website's <u>resource library.</u>

We have completed socioeconomic analysis in nearly every rural region (and some metros like LA and Brooklyn, NY) in the continental United States, as well as some Canadian provinces and parts of the Caribbean. In the vast majority of this work, the regions in which communities are rooted are critically important to the development prospects of the rural communities within them. Where we have thriving regions, we have more thriving communities, creating a re-enforcing positive cycle of development.

Illustrations of Rural Regions

Drawing on our field work throughout North America, we have selected five regions where e2 has had on-the-ground experience with communities and their regions. The following five illustrations of regions with rural communities provide a diverse range of regions based on size and situation. Our five region illustrations include:

- Ord, Nebraska
- Prince William Sound, Alaska
- From Santa Fe, New Mexico to Alamosa, Colorado
- Terre Haute, Indiana
- Bay Area and the Central Valley, California

Ord, Nebraska

Ord and its north central Nebraska region is the rural community where we have had the longest and deepest development engagement. Ord is the focus of a multiyear case study and story capture project funded by the <u>Ewing Marion Kauffman Foundation</u> and e2. Access our Ord stories and papers in our website's resource library.

Ord's Socioeconomic Region. We cannot precisely estimate Ord's larger socioeconomic region. But we can employ commuting and shopping patterns to create a reasonable region. This expanded definition



Calamus State Recreation Area

of community is important because Ord is actually much larger than its municipality population would suggest. One of Ord's regional assets is recreational tourism associated with amazing water resources. When we refer to the "community" herein, we are referencing the City of Ord and Valley County, with the understanding that the greater Ord community is multicounty in nature.

Ord is the leading retail and service hub for this part of North Central

Nebraska. The service area of the Ord region includes villages in northeastern Custer County (i.e., Sargent, Comstock, and Westerville), southeastern Loup County (i.e., Almeria, Taylor, and the Calamus



Reservoir), Garfield County (i.e., Burwell), Wheeler County (i.e., Ericson), Western Greeley County (i.e., Greeley and Scotia) and the villages in Valley County (i.e., Arcadia, North Loup, and Elyria).

Using this descriptive definition of the Ord region, we employed associated zip codes to craft the larger socioeconomic Ord region. Esri estimates the following for this larger region:



Downtown Ord, Nebraska

Figure 3. Comparative Ord Community Populations

Community	Population	Data Year	Source
Ord Municipality	2,076	2019 Estimate	Census Bureau
Ord Zip Code	2,893	2020 Estimate	Esri
Valley County	4,199	2020 Estimate	Esri
Ord's Region	9,784	2020 Estimate	Esri

Ord's community is much larger than its town population would indicate. This regional community has far greater development assets and opportunities, and a much larger population base (e.g., human talent resource) than its signpost population would indicate.

Figure 4. Ord's Regional Population for Selected Years

Year	Population	Households	Population Changes
2000	10,548	4,394	2000-2020 Change – (764) or (7.24%)
2010	9,856	4,384	2010-2020 Change - (72) or (0.73%)
2020	9,784	4,406	2020-2025 Change – (25) or (0.26%)
2025	9,684	4,381	Estimated by Esri

Non-metropolitan Nebraska or rural Nebraska has lost about 20 percent of its population between 2000 and 2020. Ord and its region, by and large, has stabilized its population and based on its changing migration patterns and age structure, is positioned for modest growth in the future. This is a dramatic contrast with most other similarly situated rural communities in the Central great plains. Ord and its regional community are reinforcing each other, growing a stronger society and economy. The map in Figure 5 (next page) provides a representation of Ord's multi-community and county regional community.



Figure 5. Ord's Region

Now we consider a very different regional community based in the Prince William Sound of Alaska.

Prince William Sound, Alaska

Alaska's Prince William Sound is a remarkable landscape with water, mountains, forests, glaciers, and a small and dispersed collection of rural communities. e2 is entering into a year-long engagement with the

Prince William Sound Economic Development District, focusing on entrepreneurial ecosystem building.

This landscape and its communities are very different when compared to Ord and its commodity agriculture-based landscape and economy. This region, like Ord, is composed of small cities like Valdez (2019 population of 3,847) and Cordova (2019 population of 2,829) and smaller villages with a total regional population based on its Census Designated Area of under 10,000 residents. Its culture is shaped by its frontier



Vista View of Prince William Sound, Alaska



underpinnings, deep Native cultures, and its remote and somewhat isolated landscape. Many communities in Alaska do not have highway connections and rely on water and air to gain access to larger communities like Anchorage.

The map below begins to provide insight into this dramatic landscape and its complexity based on its geographic features of land, water, and mountains. This region's economy is rooted in commercial fishing, tourism, and Valdez's role as an oil transfer point from pipeline to shipping. Like other rural regions, this region has a unique collection of development opportunities and based on the size of its communities a necessity to collaborate in growing a more entrepreneurial economy and society.



Figure 6. Map of the Prince William Sound Region

From Santa Fe, New Mexico to Alamosa, Colorado

Non-Native settlement in the United States first began with early Spanish Mexican settlement in 1598 around Santa Fe. The long-standing native Pueblo culture and the ancient native cultures before it

occupied this remarkable southwestern landscape for centuries. The historic Santa Fe region extended from this historic community all the way into the San Luis Valley in south central Colorado, where Alamosa is the lead community.

This region is a natural corridor defined by surrounding mountains and a century old culture now shaped by the Santa Fe and Taos arts, culture, and culinary scene. Both domestic and newcomers are calling this home to be part of not only the beautiful natural landscape with all of its amenities, but the rich cultural, arts and food resources.



Downtown Santa Fe, NM





San Luis Valley of Colorado

As Santa Fe and Taos have become discovered since World War II, the cost of living and doing business in these two communities are pricing out many younger and less well-established artisans. But

communities like Monte Vista with its historic mining downtown are offering lower cost options, enabling these artisans to establish a base and be part of the Santa Fe and Taos cultural economy and society. Again, this region is rich in assets and like other regions we are profiling offers a unique set of development opportunities. Central to entrepreneur-led regional development is focusing on the genuine development assets and opportunities rooted in a region and its communities. Monte Vista and Santa Fe has a relationship bounded by culture and landscape.



Downtown Monte Vista, Colorado

Terre Haute, Indiana



Downtown Terre Haute, Indiana

Terre Haute is a smaller city of nearly 61,000 anchoring a metropolitan area of nearly 171,000 residents. It is the leading city in this region of west central Indiana and east central Illinois. Terre Haute is an example of a **nested region** with its more immediate Wabash Valley region nested in its large metro region and its exurban relationship with Indianapolis Metroplex (2019 population of nearly 2.1 million). As part of these nested regions, are rural communities with strong socioeconomic connections.

Terre Haute and its regions supports a diverse economy and increasingly diverse population. Like other



Midwestern cities and regions, this region has experienced significant distress due to structural changes (e.g., from automation in commodity agriculture to loss of manufacturing) in its economy. At the same time, this region has significant development assets and opportunities. As part of our work with the <u>Lilly Endowment</u> Gift VII initiative, we are working with this community and its region. As part of this work, we produced **Development Opportunity Chart Books**⁴ that were employed to stimulate development opportunity exploration as part of our **Community Prosperity Institutes**. Central to these conversations was how regional collaboration could be encouraged to support everything from quality-of-life placemaking to economic development to education.

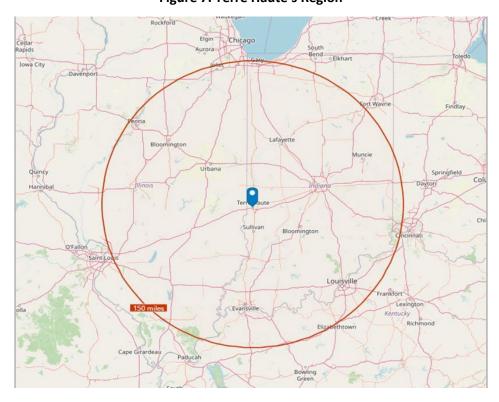


Figure 7. Terre Haute's Region

Within 150 miles of Terre Haute are Indianapolis, Louisville, Cincinnati, the southern suburbs of Chicago and the eastern suburbs of St. Louis. Terre Haute is part of a nested region with a mix of socioeconomic relationships.

⁴ A sample Chart Book is available for <u>download</u>.

Bay Area and the Central Valley, California

California's Bay Area with San Francisco is a collection of communities, including the famous Silicon Valley and its remarkable technology cluster. Now that the Bay Area is filling up, working families are locating in the Central Valley to live where costs and congestion are less. Commuter rail is making these location decisions work. Remote work will only enhance this kind of regional settlement and development.



Saucaito

Saucaito

San Francisco

Alameda

San Francisco

Alameda

San Francisco

Figure 8. The Bay Area and the Central Valley

California is a remarkable state. Its gross domestic products equals \$3.2 trillion annually, accounting for nearly 15 percent of all U.S. GDP. If California was a freestanding country once again, it would have the 5th largest economy in the world (e.g., larger than Indian and the United Kingdom – www.bulloakcapital.com). One of the major cities in California is the iconic San Francisco. The metro population of the San Francisco metroplex is greater than 4.7 million, making it the 12th largest metro in the USA. In this case we have a top tier metro area with a dynamic, diverse, and growing economy. It also has one of the highest costs of living and doing business profiles in the world, comparable to Manhattan in New York City and Tokyo in Japan. This region is constrained by its physical geography, with mountains to the east and an increasingly filled up urban landscape that must now go vertical to



Downtown Modesto, California

support growth. When communities must develop vertically, like New York or San Francisco, costs rise rapidly.

Just to east over the mountains is California's Central Valley and the community of Modesto (2019 population of 212,616). A few years back, we worked with the Stanislaus Community Foundation on a transfer of wealth study. As part of this study, we explored not only the demographics and economy of Modesto's immediate region, but its relationship with the Bay



Area and other communities in the Central Valley Corridor. This part of the Central Valley includes major urban communities like Sacramento, Stockton, and Modesto. These metros anchor regions with numerous rural communities and represent highly articulated socioeconomic regions.

California is committing to and investing in commuter rail. As the land of the personal automobile, this reflects the growing population density and the need for commuter rail, as has been the case in denser cities like New York and Chicago for decades. While we were working in this region, the California Legislature authorizing funding to enhance commuter rail service between Silicon Valley and the Central Valley communities to the east of the Bay Area. Known as ACE or the <u>Altamont Corridor Express</u>. As part of this new investment, existing rail service would be enhanced (e.g., higher speeds and more frequent trains) and expanded to communities like Modesto to south of Stockton. Consider the regional economics of this commuter rail development. The following are current Zillow estimated median housing prices for three communities:

San Francisco - \$1.4 million Modesto - \$360,000 Waterford* - \$342,000

*2019 Population of 8,877 located in the Modesto Region

For a working family with employment ties in Silicon Valley, the housing cost differential is 3.9 times lower when compared to San Francisco. The Bay Area's dynamic and growing economy needs a wide range of workers, many if not most cannot afford a single-family home with a yard in the Bay Area. The ability to live in Modesto or more rural Waterford allows a worker lower cost and via commuter train much easy access to workplaces in the Bay Area.

Now we explore our next stop, **Regional Branding Opportunities**.



Throughout the world and particularly Europe, the evolution of regional brands has become very important in support of regional development. Regional brands tied to unique geographies (e.g., Dolomites Mountains of Northern Italy) and or branded products (e.g., Champagne Region of France) create unique identities for regions and their communities and empower special development opportunities. The U.S. has been slow to branding rural regions but borrowing this idea from Europe makes great sense as long as the branding is rooted in genuine and unique qualities and assets.

Regional Branding Opportunities

Higher natural amenity locations like Yellowstone to the Hill Country of Texas have emerging brand identity. These brands are tied to the geography and often the role of destination tourism within their regional economies. Yellowstone is truly unique and enjoys international fame just as man-made destinations like Disney World in Florida. Most rural, particularly remote rural without drop-dead beautiful seashores or mountains, do not have these kinds of assets. But regional branding is possible and represents a significant under-developed entrepreneurial opportunity for smaller rural regions. Ord has a strong regional and instate Nebraska reputation as a "can do" and thriving rural community. But it still does not have a distinctive regional brand.



Lower Falls, Yellowstone

Entrepreneurs and Successful Brand Development

Our friend and mentor Chris Gibbons with the <u>National Center for Economic Gardening</u> talks about the importance of entrepreneurs finding competitive niches where they can compete. The counterpoint to unique brand or niche is commodity. Successful entrepreneurs thrive and grow when they find competitive niches, creating genuine brand identity and reputation. Successful entrepreneurs can help their rural communities and regions create this kind of higher-value brand identity, opening the door for additional development.

Too much branding in rural America is not unique, such as the "hardest workers in America" or the "friendliest small town in the USA." Too often, communities fail to see their genuine assets that can be used to brand their regions. Finally, not every rural region has the **right stuff** to create a regional brand with national, let alone international interest. But every rural region and the communities within it should commit to collaborative development, and we believe, development rooted in entrepreneurship.

Drawing on my home state of Nebraska, here are three examples of promising regional branding including: Red Cloud, Shickley, and Hastings – all from south central rural Nebraska.

Red Cloud – Catherland. <u>www.visitredcloud.com</u> Red Cloud is like hundreds of Great Plains rural commodity agricultural communities that for decades have been in decline. Red Cloud peaked in





population with the 1920s population with nearly 1,900 residents. Its architecture is locked in a previous century, and it is home to American author Willa Cather (www.willacather.org).

Cather featured Red Cloud and this region in many of her books and writings (e.g., O'Pioneers, The Song and the Lark, My Antonia, etc.). Each year, thousands of destination visitors come to **Catherland** (Red Cloud's emerging brand) to see first-hand these sights and setting including the Cather's home place, the Willa Cather Center, and the Opera House with is regular entertainment. This is a potential genuine identity brand.

Shickley – Big Little Town. Shickley (www.biglittletown.us) as a small village has no right to exist. Many rural communities of its size and situation have passed from being viable communities to at best placenames on a map. Shickley's moto of Big Little Town does not reflect the core assets that could allow it and its small region defined by its school district (population of the school district service area is about 650 residents). Shickley is thriving and build a statewide and even national reputations (e.g., in community foundation circles) as a great place to live. This community has raised millions of dollars for its school, early childhood education center, pool, school green houses, parks and affordable housing making Shickley a great neighborhood community in its larger region of south-central Nebraska.



Hastings – National Kool-Aid Days. Hastings is a hub city in rural south-central Nebraska (2019 population of 24,906). This community has a rich history and at times struggled to thrive. Today



Kool-Aid Days – Hasting, Nebraska

Hastings is on a roll with dynamic social, governmental, and business entrepreneurs. Historically, Hastings was known for its inventor-entrepreneurs. One of those was Edwin Perkins, who as a boy working in his family's general store created Kool-Aid. For the Boomer Generation, Kool-Aid was a staple, and it even became famous for going into space. Today, the National Kool-Aid Days create an identity for Hastings and its region. Regional festivals like Kool-Aid Days create identity and branding.

Today, an entire new generation of inventorentrepreneurs are revitalizing Hastings and its region.



One of those is <u>Pacha Soaps</u>. In Nebraska, and increasingly across America, this micropolitan area anchoring a rural region is gaining a reputation for innovative and entrepreneurial development.

Regional identity branding rooted in genuine assets can open doors for a wide range of development opportunities including increasing destination visitation, new residents, and entrepreneurial ventures.

Pacha Soaps Mission

Every purchase supports radically transparent and ethical sourcing, clean water initiatives, hygiene education, and small business opportunities worldwide. Together, we can raise the bar.

Next, we shift our focus to the **Implications for Entrepreneur-Led Development.**



The focus of our work is entrepreneur-led development and entrepreneurial ecosystem building in rural North America. Regional development is foundational to this entrepreneurship work. Strong regions provide an economic and social environment that provides more assets and opportunities for entrepreneurial development.

Implications for Entrepreneur-Led Development

In this section of our strategy paper focused on regional development we explore five specific connections between regional development and entrepreneurship including:

- More Entrepreneurial Ecosystem Stakeholders
- More Entrepreneurial Talent
- More Area Relevant Entrepreneurial Resources
- Greater Opportunities for Growth-Oriented Entrepreneurs
- Optimal Top-Down and Bottom-Up Ecosystem Building

Next, we dig deeper into each of these five regional development and entrepreneurship connections.

Scale Matters

In almost everything we do, scale matters. For more isolated and smaller rural communities, it is harder to engage in impactful development. Simply put, there are fewer resources and capacity to engage in the necessary community building work to realize desired transformative change. Entrepreneur-led development naturally empowers collaborative development, where communities and various development groups and interests can band together to pursue both their individual missions but broader entrepreneurial ecosystem building.

More Entrepreneurial Ecosystem Stakeholders. Employing e2's Ord Story Capture learning where this community of 2,300 anchors a region of nearly 10,000. Within this region, there are multiple communities and an expanded group of potential stakeholders that can be engaged in entrepreneurial ecosystem building. At minimum, Ord's region has nearly five times more development capacity than the community itself.

More Entrepreneurial Talent. The same is true with a larger pool of entrepreneurial talent within a regional community compared to individual communities within each community that are part of that region. Entrepreneurial talent is the primary driver of entrepreneurial-led development. The more entrepreneurial talent we have, the greater the opportunities for community economic development. Additionally, the regional community offers a more complete quality of life environment for entrepreneurs, their families, and their workers. For example, one community may not have a higher end café where another in the region does. One community may not have a hospital, but 20 minutes down the road another community does. Entrepreneurs and all those associated with them are humans, and quality of life placemaking and amenities are important to entrepreneurial development.

More Area Relevant Entrepreneurial Resources. Playing off our point about scale matters, regions typically have more area relevant entrepreneurial resources. Access to relevant and strong local business support services is core to a strong entrepreneurial ecosystem. A great entrepreneurial venture



rooted in a small village may not have access to computer, human resources, or accounting services in town, but all these services are conveniently available in other communities within the region.

Networked Trusted Relationships

Within a region there are typically more networked trusted relationships. For example, a new economic developer in one community within the region may not know the available external resources available to support local ventures, but down the road there will be a seasoned economic developer who with one email or phone call can help make these connections quickly. Accessing relevant and impactful eResources occurs within **Networked Trusted Relationships**.

Greater Opportunities for Growth-Oriented Entrepreneurs. One particularly powerfully important implication of regionally based entrepreneurial development is access to a larger pool of growth-oriented entrepreneurs. For most communities, at best, three to five percent of ventures are growth oriented. Growth-oriented entrepreneurs and their ventures are the sweet spot for optimal economic development impact (e.g., new investment, job creation, area tax base expansion and contributions to the base part of a community's economy). Growth-oriented entrepreneurs have unique needs requiring higher order and more customized assistance. Particularly important is the ability of entrepreneurs and their teams engaging in growth to come together in peer groups with others like them to listen, learn and navigate the challenging waters of successful growth. Regionally, it is much easier to find and support growth-orienting entrepreneurs when compared to rural communities in the region.

NetWork Kansas and its E-Communities

NetWork Kansas is possibly the strongest, longest-lived, and highest impact model of top down and bottom-up ecosystem building in rural America. NetWork Kansas is statewide and has organized a remarkably robust and expansive resource ecosystem coupled with a growing network of entrepreneurial communities. For example, since October 6, 2006, when NetWork Kansas's first venture deal was empowered, it has enabled over \$546 million of deal flow primarily in rural Kansas. Learn more about NetWork Kansas.

Optimal Top-Down and Bottom-Up Ecosystem Building. Our experience with entrepreneurial ecosystem building throughout North America supports a development model that involves a top-down and bottom-up approach. There are certain things, like eResource development, which is best done at a regional and even statewide level. But when it comes to finding and engaging entrepreneurs, this is a function best done locally. To learn more about entrepreneurial ecosystem building, check out the following:

- Entrepreneurial Ecosystem Building in Rural America Four Decades of Learning
- REV, Rural Entrepreneurial Ecosystem Building in Southern Minnesota

Next, we explore a particular challenge of organizing and funding entrepreneurial ecosystem building with strong regional implications, based on our top-down and bottom-up strategy learning.



Possibly one of the greatest challenges and corresponding opportunities for increasing entrepreneurship and its impacts in America is finding ways to capitalize robust and scalable entrepreneurial ecosystem building and operation. Organizing ecosystem building at a regional level in partnership with communities from within the region offers a powerful venture model for overcoming this barrier. Bottom line...Inadequate Funding for Ecosystems is Holding Us Back!

Organizing and Funding Challenges and Opportunities

Within the field of entrepreneur-led economic development, we have growing consensus that developing high performing and community-centered entrepreneurial ecosystems is the pathway to realizing community economic development impacts. Our communities want economic development impacts including new investment, more and better businesses, more and better jobs and expanded tax bases. But often, our communities are less willing to make the longer-term commitments necessary to develop and operate entrepreneurial ecosystems necessary for realizing these kinds of sustained and transformative impacts. Like with other complex systems, whether education or transportation networks, they must be subsidized (versus program related funding) capital support to enable ecosystem building and operations.

As positioned elsewhere in this strategy paper and our other writings and we advocate the top-down and bottom-up approach to ecosystem building. Let's explore five potential models for regional collaboration in support of rural community entrepreneurial ecosystem building and development:

- Rural Kansas
- Rural Southern Minnesota
- Rural Nebraska
- Rural Oregon
- Ord, Nebraska

Rural Kansas and NetWork Kansas

In this strategy paper and our other writings, we have shared a great deal about <u>NetWork Kansas</u> as the oldest running and at-scale rural entrepreneurial development initiatives in America. Like every nonprofit organization, NetWork Kansas is always seeking new funds to capital its growing mission. But it is among the most financially stable



statewide ecosystem building efforts empowered by state policy, its success, its use of networked partners and its E-Communities. Combined, these five venture elements have not only provided NetWork Kansas with sustainable funding, but growth capital. We explore each in a bit more detail:

State Policy. NetWork Kansas is a quasi-public nonprofit development organization. It was initially created by a 2004 act of the Kansas Legislature that created NetWork Kansas. As part of this legislation, the State of Kansas authorizes through its Department of Commerce tax credits that can be sold by NetWork Kansas and its partners to capitalize funds for operations, programs, and gap financing funds.



Capital Fees. Attraction and deployment of capital to ventures is a central design element within NetWork Kansas. Given the total amount of capital under management by NetWork Kansas, the deployment of this capital through gap financing loans now generates income to this organization's balance sheet.

Networked Partners. NetWork Kansas works collaboratively with an extensive network of partners. These relationships ranging from programs like Economic Gardening to loan servicing allows NetWork Kansas to remain lean, engaged enhanced expertise and capacity and reduce the general organizational overhead that requires annual fundraising.

Success and Impact. Because NetWork Kansas has thrived through the proof-of-concept stage with demonstrated value and impact, its demonstrated ecosystem building capabilities now attracts funders who employ its expertise, relationships and infrastructure providing growth capital and support for annual overhead costs.

E-Communities. Every regional, let along statewide, community-centered ecosystem building effort struggled to provide sufficient field staff to support community level ecosystem building. NetWork Kansas fields a strong team of community coaches and with more funding could expand its E-Community Program by hiring more community coaches. However, inherent in its development and venture model, NetWork Kansas partners with communities where local development interests, with their own funding, identify and generate relationships with area entrepreneurs resulting in deal flow.

Without question, given the economic development impacts being generated by NetWork Kansas, lineitem funding from the State of Kansas, or a permanent endowment would allow this remarkable organization even stronger base funding and growth capital. But with all things considered, this is a powerful model.

Rural Southern Minnesota and the Southern Minnesota Initiative Foundation

Like the other Minnesota Initiative Foundation, the Southern Minnesota Initiative Foundation is both an economic development and community philanthropy organization. The Foundation through Pam Bishop, Vice President for Economic Development, has been engaged in entrepreneur-led development for some time. Pam has particularly been interested in the e2 Development Framework and Process.



In 2018 the Foundation launched REV or the Rural Entrepreneurial Venture program. The REV program is about finding and igniting existing entrepreneurs in communities. By adopting a "grow your own" approach to entrepreneur development, the REV model helps community grow from within. In 2021 REV completed its work with the first cohort of partner rural communities and launched a second cohort of communities. Based on the Foundation's community economic development work and the REV initiative there are the following key takeaways:

- Community Capacity Building Matters
- Community Readiness and Relationships is Key to Initiative Success
- Peer Learning Enhances Initiatives



- Foundations have External Resource Relationships
- Robust and Patient Funding is Paramount

Community Capacity Building Matters. The Initiative Foundations have defined rural geographic service areas. Over their multi-decade long lives the Foundation have grown deep and trusting relationships with most communities rooted in these regions. Central to the Foundation's mission is community capacity building. In our REV work with the Southern Minnesota Initiative Foundation, it was clear that the partner communities were more ready to engage in this work because of these relationships and community capacity building work.

Community Readiness and Relationships is Key to Initiative Success. In today's workforce environment we talk a lot about potential workers who are not ready to work. Simple matters like showing up for work on time each day can be an issue. The same is true for communities. Communities that have exercised their development muscles in partnership with regional development organizations empowering development opportunities, are more ready to embrace and optimize new development opportunities. Rural communities in Minnesota are more ready to exploit development opportunities. Trusting relationships make communication more efficient and effective.

Peer Learning Enhances Initiatives. At e2 we make the case that somewhere in rural America there are communities that have solved challenges or exploited development opportunities that other rural communities are struggling with. Community to community peer learning coupled with resource partners often leveraged by regional development groups like the Initiative Foundations can energize development work. Innovations in one community can provide the basis for innovation in other communities accelerating the development process resulting in greater impact.

Foundations have External Resource Relationships. The Initiative Foundations in Minnesota are recognized and respected development players in both their regions by also across the state. This status enables the formation of trusting and deep relationships with other and often external resource partners such as State Government, Federal Agencies, Cooperative Extension, higher education, regional development districts, Small Business Development Centers, and other groups. When a community needs to make a connection, a regional partner with these pre-existing relationships can quickly engage external partners at the right time, right costs and right fit.

Robust and Patient Funding is Paramount. Successfully raising a child takes years and, in some cases, extends well into adulthood. Stimulating, fostering, and sustaining smart community economic development requires robust and patient funding. Regional partners, particularly those with a culture and capacity for longer-term engagement empower more success development initiatives. The typical state or federal development grant may span year or two. Such timeframes are too often inadequate given the real time needed to demonstrate and root success ensuring sustainability. The Initiative Foundations are able to commit to longer time frames with more robust funding contributing to success and impact. For example, the Southern Minnesota Initiative Foundation make a three-year funding commitment to its REV community partners.

Rural Nebraska and the Nebraska Community Foundation

Created over 25 years ago, the Nebraska Community Foundation or NCF for short was created to empower community-center philanthropy in Nebraska's rural communities. When NCF was founded



there were well established and successful community foundations in Omaha, Lincoln, and some urban communities such as Kearney. But rural communities were struggling to create their own community foundations focusing too much time on the mechanics of creating and supporting a foundation,



and too little focus on donor development and impact grant making. Key takeaways from the NCF story include:

- An Early Public and Private Collaborative Partnership
- Empowering Rural Communities through Community Centered Philanthropy
- Bottom-Up Community Initiative
- Top-Down Support
- High Impact and Sustainable Results

An Early Public and Private Collaborative Partnership. Ben Nelson became Nebraska's 37th Governor serving from 2001 through 2018. Hailing originally from rural McCook in southwestern Nebraska, Governor Nelson prioritized rural community economic development. Maxine Moul was elected Lieutenant Governor bringing an equal passion for rural communities. The first executive action of the Nelson Administration was the creation of the Nebraska Rural Development Commission or RDC. One of the most important RDC initiatives was to empower philanthropy in rural communities. Modelled after the highly successful South Dakota Community Foundation, the Nelson Administration and the RDC created and incubated NCF during its startup years. State of Nebraska funding through loaned staffing and fundraising by Governor Nelson and Lieutenant Governor Moul gave NCF its start. Today, NCF is independent of State Governor enjoying nonprofit legal status in Nebraska and U.S. Internal Revenue Service 501(c)(3) charitable foundation status. Of all the rural development initiatives spawned by the Nelson Administration, NCF has proved to be the most long-lasting and impactful. There is a powerful lesson to be studied in NCF's origin story.

The NCF Community

One of the best ways to describe NCF is as a community of communities. NCF does not make grants but provides a cost effective and efficient way for rural communities to create a "foundation within NCF." Collaborating rural communities are where the action is. By affiliating with NCF rural communities can focus on articulating community better visions, donor development and endowment building.

Empowering Rural Communities through Community Centered Philanthropy. NCF exists solely to provide affiliation fund services for communities and organizations with a primary focus on rural Nebraska. NCF provides comprehensive legal, financial, and technical assistance to affiliated funds. It also employees a powerful peer learning model where affiliate funds inspire, educated, and support each other innovating ways to empower development and community betterment.

Bottom-Up Community Initiative. The action is in rural communities. Through their affiliation within the NCF community, affiliates are challenged, inspired, and supported to embrace an "abundance" mindset and "turn on their dream switch" to what is possible. Success in one community with creating early childhood care and education centers motivate and educate other communities on



how to meet this critical community need and asset. NCF and its partner communities embrace asset-based development focusing on opportunities.

A High Impact Learning Community

The NCF Community embraces a peer learning approach to stimulating and supporting rural community innovation. Employing a peer learning approach articulates with the value that solutions to rural challenges and opportunities can be found in rural communities. Special events, regional gathering, virtual events and the annual "big" gathering foster peer learning and support.

Top-Down Support. Rooted in the early RDC learning when studying community foundations around the country, NCF embraced the idea to make it easy to have a rural community or organizational foundation (via affiliation) allowing local energy to focus on visioning, donor development and endowment development. NCF provides the legal and financial framework where affiliated funds can focus on the work of community betterment.

E3 Initiative

NCF creates opportunities for partner communities to collaborate around key community priorities such as early childhood education, youth engagement and economic development. A new initiative called "E3" will bring entrepreneurial communities (e.g., based on the NetWork Kansas mode) to six pilot communities in rural Nebraska. NCF, assuming this pilot project's success, intends to scale this opportunity to more rural communities. Funding for E3 is leveraging grant support from the Kauffman Foundation's new Heartland Initiative.

High Impact and Sustainable Results. Twenty-seven years ago, the first affiliated fund was established with NCF. Based on the latest data released June 30, 2021, the collective impact of NCF and its community partners includes the following indicators:

- 294 Affiliated Funds
- Serving 83 of 93 Nebraska Counties and 271 Rural Communities
- Over 1,500 Community Volunteers Engaged
- \$247 million in Assets and \$159 million in Endowed Assets (64% of Total Assets)
- Nearly 47,000 Donor Contributions over the last 5 Years
- \$423 million Reinvested in Rural Communities since 1994
- 330 Planned Gifts valued at nearly \$59 million

Based on our e2 analysis, NCF and its partner communities are the most transformative rural development initiative operating in Nebraska today.

Rural Oregon, the Ford Family Foundation and GRO

The Ford Family Foundation is a long-standing partner with rural communities in Oregon. Founded in 1957 or 64 years ago, the Foundation has a very long multi-generational relationship with rural communities in Oregon. The Foundation, organized as a private foundation has roots in rural Oregon's timber industry. Wealth that has capitalized this rather large rural foundation was derived from Oregon and Northern California's vast and historic timber resources.



The Ford Family Foundation as a statewide partner with rural communities in Oregon offers a wide range of development opportunities from leadership development and scholarships to the new **Growing Rural Oregon** (GRO) development initiative. The Foundation as a regional partner has many of the assets and attributes we have articulated specific to NetWork Kansas, Minnesota's Initiative Foundations, and the Nebraska Community Foundation. The following are some additional attributes core to the Foundation and its GRO initiative also present in our other regional partner illustrations:

- High Expectations
- Thoughtful Planning
- Exceptional Professionalism
- Evaluation and Continuous Learning
- Commitment to Scaling Up Successful Work



High Expectations. The Foundation has high expectations for its work. This culture of excellence extends to its relationships with partner communities, organization, and resource partners. With a long record of success rooted in learning, the Foundation sets out to vision, design and execute development efforts with the expectation for success and impact. Rooted in high expectations are ways of doing work and process empowering greater success.

Thoughtful Planning. The Foundation has been considering a community entrepreneurship initiative for years. For over the past year the Foundation has engaged in thoughtful planning carefully selection development game plans, engaging resource partners and designing a new initiative.

Exceptional Professionalism. The Foundation, like other impactful regional development organizations, embraces exceptional professionalism. Members of the Foundation's team are motivated, capable, and experienced. The Foundation expects these qualities in its partners. Passionate and skilled staffing and consultants enhances success. As is the case with any organization including the U.S. Defense Department with billions of dollars in annual resources, the Foundation does not have unlimited resources. But it also does have the capacity to provide robust funding and staffing requisite for success.

Evaluation and Continuous Learning. The Foundation knows it does not have the answers. But it does commit to smart evaluation and continuous learning with the intent that embracing these kinds of commitments will ensure enhanced initiatives over time.

Commitment to Scaling Up Successful Work. The Foundation's leadership team and board of directors has not made a longer-term commitment to GRO. Funding has been provided for a five-year proof of concept initiative. But there is a culture that embraces the idea that if GRO demonstrates sufficient impact the Foundation will actively explore its ongoing support. Additionally, the Foundation is engaging other partners such as Business Oregon, the Oregon Community Foundation and others in this work positioning a future where sustained commitment and funding is make possible.



Ord, Nebraska

Ord (e.g., population in 2020 of 2,036 residents) located in North Central Nebraska is the hub city anchoring a very rural region of about 10,000 residents. The picture to the left is of the Golden Husk cultural arts center housed in the former courthouse square movie theater.

Ord was the one of the first NCF affiliate communities back in the early 2020 and a pioneer in the HomeTown Competitiveness Initiative hosted by NCF, the Heartland Center for Leadership Development, the Center for Rural Entrepreneurship and with funding from the W.K. Kellogg Foundation.



For the past three years with support from the Ewing Marion Kauffman Foundation and e2 Entrepreneurial Ecosystems, e2 has been curating a 50-year (1970s to present) story capture of Ord's transition from crisis and despair to remarkable transformative success. Central to the Ord's success (as noted earlier in this paper) is its support for regional development. In growing a stronger regional economy and community, Ord as the lead hub city in this region is an example of community supported regional development. In turn, the stronger Valley County Region is contributing to Ord's prosperity and success. Keys to Ord's regional development success are rooted in the following factors:

- Use of Inter-Local Agreements
- Use of LB840 Gap Financing Loans
- The Valley County Health System
- Ord as a Hub City
- Ord as an Employment Center

Ord is not a regional development organization in the same sense as NetWork Kansas, the Nebraska Community Foundation, the Ford Family Foundation, or the Southern Minnesota Initiative Foundation.

Use of Inter-Local Agreements. The State of Nebraska provides a tool where local and area political subdivisions, in partnership with private groups, can create legal organizations to undertake public/private work such as community economic development. Leaders in Ord employed this law to create the Valley County Economic Development Board (VCEB). This early agreement allowed Valley County, the City of Ord, the area chamber, and others to come together to create one countywide community economic development organization. This was the first step in Ord providing leadership in a more regional development effort.

Use of LB840 Gap Financing Loans. Over the years Ord had struggled to pass bond issues and raise taxes. Early polling data indicated that the proposed sales tax for economic development would fail through the ballot measure requiring a vote of all the residents of Ord. Legislative Bill 840 (LB840) is a Nebraska law that allows political subdivisions like cities to enact a local option sales tax to support property tax reductions and/or community economic development. A great game resulted in a 70%+ positive vote for enacting the local option sales tax exclusive for economic development.



Ord's LB840 plan included provisions for gap financing from this fund for businesses throughout the county even though the tax is based in the City of Ord. This was another step towards a regional development focus.

The Valley County Health System. Not too long ago, Ord and Valley County was torn by a conflict over doctors and the future of its financially broke hospital. The community worked through these challenging times ultimately passing a multi-million-dollar bond issues to build a new health care facility and hospital in Ord. The now Valley County Health System is a regional health care asset in north central Nebraska touching residents in about 17 counties. The regional health care commitment and system has strengthened Ord as a regional leader and partner.

Ord as a Hub City. Ord (2020 population of 2,036), in providing regional leadership and embracing that a thriving county and multi-county region is in Ord's self-interest, has become a hub city anchoring a region with up to 10,000 residents. This region is now doing better and thriving by rural Nebraska standards. Ord is an example of how a hub city can succeed more by supporting regional development initiatives.

Ord as an Employment Center. Ord's commitment to regional economic development rooted in fostering rooted entrepreneurship has created an employment hub in Ord. While there is venture development throughout this region. Ord in creating jobs and careers, has enabled households throughout the region to call the Valley County Region home.



Resources

We recommend the following resources as your corner of rural America explores regional community economic development:

- Nebraska Community Foundation at <u>www.necommfound.org</u>
- NetWork Kansas at <u>www.networkkansas.com</u>
- Minnesota's Initiative Foundations at www.greaterminnesota.net
- Southern Minnesota Initiative Foundation at www.smifoundation.org Check out REV
- Ford Family Foundation at www.tfff.org
- Ord, Nebraska at <u>www.ordnebraska.com</u> or <u>www.visitnebraska.com</u>
- e2's Likely Entrepreneurial Development Opportunities thought paper
- Likely Entrepreneurial Development Opportunity Strategy Guides:⁵
 - 1. Natural Resource Industries
 - 2. Transportation Corridors
 - 3. Tourism
 - 4. New Residents Attraction
 - 5. Major Employer Retention and Expansion
 - 6. Growth-Oriented Entrepreneurs
 - 7. Area Spending Capture
 - 8. Retiring Boomers
 - 9. Outbound Commuters
 - 10. Hub Cities
- Appalachian Region Commission at <u>www.arc.gov</u>
- The Willa Cather Foundation of Red Cloud, Nebraska at www.willacather.org
- National Association of Development Organizations at <u>www.nado.org</u>
- Ord Story Collection
- Headwaters Economics Economic Profile System at www.headwaterseconomics.org



⁵e2's Strategy Guides are being made available on our website's <u>resource library</u>.

The majority of rural communities in North America are challenged with a lack of size and capability to ensure their own development and success. Yet in the USA (e.g., unlike Canada) the primary responsibility for a community's development and success rests with the community itself. Having strong regional partners like the Southern Minnesota Initiative Foundation, the Nebraska Community Foundation or NetWork Kansas can provide a partnership greatly enhancing a rural community's development capacity and opportunity for sustained prosperity.

Conclusion – Fostering Regional Collaboration is Foundational

There are over 19,000 incorporated communities in the United States and over 75% are rural and have a population of 5,000 or fewer residents. There are hundreds more place named communities that are unincorporated or designated as Census Places with even less development capacity. Too many of these communities have eroded to very limited development capabilities. Changes in the global economy and structural changes in industries like commodity agriculture and forestry have undermined the very economic rationale and vitality of so many communities.

America's Communities

"As of 2018, there are **19,495 incorporated cities**, towns and villages in the United States. **14,768** of these have populations below 5,000. Only ten have populations above **1** million and none are above **10** million. **310** cities are considered at least medium cities with populations of **100,000** or more."

www.worldpopulationreview.com - September 2021

Having access to regional development partners can be a powerful asset for so many rural communities. Access to high performing regional development organizations is by no means universal across the United States. Nationally and even at a state government level, investing in regional development organizations should be prioritizes. But government supported regional development organizations may be a bridge too far given our divided government and challenged discretionary public budgets. Exploring private and nonprofit models like NetWork Kansas, the Minnesota Initiative Foundations, the Nebraska Community, and others can inspire and inform regional development organization building across rural North America.



How e2 Can Help



e2 Entrepreneurial Ecosystems helps communities increase prosperity through entrepreneur-focused economic development and ecosystem building. Led by **Don Macke**, e2 has a national team of practitioners who bring research, coaching, incubation, market intelligence and other expertise to this work.

What We Do

- **Mentoring.** We mentor and coach new practitioners seeking to pursue entrepreneur-led development. We provide advice and support for building eEcosystem strategies that work.
- **Analytics Support.** e2 helps communities and regions understand their entrepreneurial potential through research and data. Explore some of our research tools and reports here.
- e2 University (e2U) is our platform for sharing more than 1,000 guides, papers, stories, tools, and resources with communities wanting a deep dive into eEcosystem building. Don Macke leads the e2U team with analytics support from Cathy Kottwitz and report preparation from Ann Chaffin. Special recognition for their e2U legacy contributions goes to Dana Williams and Deb Markley, LOCUS Impacting Investing.
- Fostering the eMovement. We support the national entrepreneurship movement along with our partners including the Federal Reserve Bank of Kansas City, SourceLink, Edward Lowe Foundation, Kauffman Foundation, and NetWork Kansas. We are a founding member of Start Us Up: America's New Business Plan, a coalition dedicated to strengthening entrepreneurship across America.
 Together, we continue to advance the foundational ideas of building entrepreneurial ecosystems and entrepreneurship-led economic development.

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NetWork Kansas, a 501c3 nonprofit organization dedicated to developing an entrepreneurial ecosystem in Kansas, is the home for e2 Entrepreneurial Ecosystems. NetWork Kansas connects aspiring entrepreneurs, emerging and established businesses, to a deep network of business building resource organizations across the state.

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