Center for Rural Entrepreneurship

energizing entrepreneurial communities

10 Keys to Economic Success

Growing Entrepreneurial Communities



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Background & Introduction

For more than 35 years, our team at the Center for Rural Entrepreneurship has been seeking insight into the keys to local economic development success. When I make a keynote speech on economic development at a conference or workshop, I am almost always asked – what are the keys to economic development success today? We do not have definitive answers, but we do have extensive insights based on our field work across North America. As of this printing, here is our top 10 list:

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In this booklet, we will feature each of these keys to local economic development success and explore resources that can help you master these important building blocks. Today, more than ever, communities are seeking insight and answers that will help them achieve economic prosperity. We hope this will be helpful to you and your development efforts.

Why is building entrepreneurial communities important?

For most Americans and their communities, the Great Recession was and is a huge wakeup call. America had been on a roll and may have assumed that prosperity was just one business cycle away. America emerged from the Great Depression and World War II the most dominate political and economic power in the world. As the rest of the world struggled to recover from the destruction created by the Great Depression and World War II, America emerged stronger and ready to realize decades of growth and prosperity. The Baby Boom generation, now retiring at the rate of 10,000 persons per day, rode this wave of opportunity and prosperity.

However, the Great Recession was very different from business cycle recessions. It reflected fundamental changes and illustrated in no uncertain terms that America had lost its advantage and must work harder now to ensure competitive edge and renewed prosperity. As we will explore in this series, economic development is a uniquely local responsibility in America when compared to nearly every other nation on the globe. This reality is even more important today as our federal and state governments struggle to function and show less and less capacity for leading our nation's development. This leaves us at the local level with a very important job to do should we choose to accept it. However, this begs the question- *what are the keys to economic development success in the post-Great Recession world?* So, let's introduce our top 10 keys to economic development success.

Key 1 – Local Responsibility, page 7

Economic development does not just happen. There is no invisible force that creates jobs, provides new investment or expands the tax base authority of local governments. People and organizations make economic development happen either through private or collective decisions. As noted earlier in this piece, we argue that America is unique in the fact that economic development is largely a local responsibility. There are federal, state and even private resources and initiatives that can be most helpful, but the decision to act or not act on economic development rests with localities. For example, the U.S. Import/Export Bank is a wonderful resource for small businesses, but it is unlikely to be used or even accessed unless communities help link their local businesses with this resource. Bottom line, pro-active communities and regions can and do change their prosperity through smart, well-worked and sustained economic development.

Key 2 – Smart Game Plan, page 12

We can no longer ride on past advantages. Today's highly competitive global economy and society demands that American communities invest in developing smart game plans rooted in genuine development opportunities. When asked about why so many communities are losing ground one of our answers is that they have a dumb strategy. What has worked in the past may no longer make sense.

Two quick examples can illustrate this challenge. The first is rooted in the large number of communities still investing most of their development dollars and energy in business attraction.

This strategy made lots of sense when industry was moving out of core cities to suburban and rural areas. While it may still make some sense as part of an overall plan – it no longer makes sense as a sole strategy. The second example is tied to communities that have prospered with industries that are part of the defense procurement cluster. Chances are good that the growth in defense spending will decline as American winds down two wars and struggles to reduce massive federal deficits. Are these communities prepared to help these mainstay employers shift focus to remain viable?

Key 3 – Robust Investment, page 17

We all know that businesses that do not reinvest in themselves are likely to erode their competitive advantage, lose market share and eventually fail. Well, the same is true for communities. Let's take that truth and apply it to a community's long-term development success. Grand Island, Nebraska is on the verge of becoming a small metropolitan city. It has worked hard and smart to ensure its future over the years. If Grand Island were a corporation, it would have an annual value of nearly $5 billion. For this community to grow and prosper there should be between 5 and 10% annual reinvestment ($250 to $500 million) in new plants, streets, workforce skills, public amenities and the like. Based on our field experience, this community should invest about 1% of its annual output in community economic development or $50 million each year. As every farmer knows, you cannot reap what you do not plant. The same is true with economic development; there must be robust investment in a smart development game plan sustained annually over time.

Key 4 – Entrepreneurial Development Systems, page 21

We have studied economic development across North America from small rural Great Plains Communities like Rawlins County, Kansas (population under 2,500) to the Los Angeles basin (population exceeding 10 million). One lesson we have learned is that systems generate greater outcomes when compared to unarticulated programmatic efforts. In economic development with the shift in focus back to local entrepreneurs, the prime opportunity for development is through entrepreneurial development systems. A collection of resources and programs is great, but real progress can only be achieved through a smart, sophisticated an integrated systems approach. Building entrepreneurial development systems is hard, but the potential dividends are huge.

Key 5 – Sustained Effort, page 26

Economic development never ends. There are no holidays, vacation or retirement. Communities that succeed sustain their efforts at a robust level year in and year out over decades. Even communities

that have succeeded for a generation can falter if they do not adjust and continue to invest. The key to sustained effort is renewal of community leadership. Oftentimes when communities lose their way and necessary investment is challenged; it is tied to the loss of key champions. Building a game that invests in economic development leadership and that ensures continued transition is the foundation for sustained effort.

Key 6 – Growth Entrepreneurs, page 30



Each community must find its own solution set. Every community is different and has unique opportunities for development. But what is increasingly clear to us, based on our field work, is that a prime focus on "growth oriented entrepreneurs" is key for today's changed environment. Growth oriented entrepreneurs are present everywhere and they can be nurtured. Based on our field work, we believe that communities that succeed in the 21st Century focus on helping to grow more growth entrepreneurs. In doing so, these communities will create more and better investments, jobs/careers and stronger local tax bases.

Key 7 – Attributes to an Entrepreneurial Community, page 36

The State of Georgia has done a remarkable job with its Georgia Entrepreneurial Communities Initiative. This program has helped communities, large and small, across Georgia explore and build programs that foster an entrepreneurial climate or environment. Everything we have learned is that the E Environment is foundational to success in the post-Great Recession reality. Here we will explore some of the less obvious attributes of an entrepreneurial community.

Key 8 – Immigrants & New Residents, page 42



Immigrants and new residents have been a renewing force in American communities forever. Even though we have struggled with and continue to struggle with immigrants and new residents, the evidence is clear – communities that welcome, embrace and support immigrants and new communities do better economically and socially over time. It is one thing to intellectually and emotionally embrace immigrants and new residents as a positive; it is more challenging to actually create an intentional game plan that fosters a welcoming and supportive climate. In this part of our 2013 dialogue, we will explore what communities are doing to succeed with immigrants and new residents.

Key 9 – Real Regional Collaboration, page 46

One of America's greatest economic development challenges is the lack of workable and meaningful vehicles for regional collaboration. Even though development is a local responsibility, there are huge disadvantages with too localized efforts. Successful communities will likely foster regional development collaborations through locally supported regional development organizations. Breaking through the glass ceiling of local control will be very important in enabling communities within a region to evolve at-scale development resources and game plans. This also means hub cities and rural regions linking together to foster regional economic growth and success.

Key 10 – Civic & Social Entrepreneurs, page 52

We have a bias based on our experience. Entrepreneurs are the foundation or the keystone to economic development success in the early part of the 21st Century. However, it is important to recognize that there are three kinds of entrepreneurs that will enable development success and sustained prosperity – business, civic and social entrepreneurs. Civic (government) and social (non-profits) will lead in creating the strategies, quality of life amenities and business climates necessary for business entrepreneurs to succeed. Conversely, business entrepreneurs drive economic development creating new private investment, jobs and careers and local tax bases. Investing in all three kids of entrepreneurs enable a more comprehensive game plan that can yield desired trend-changing results.

Conclusion

We have shared our insights and hopefully started an important conversation throughout North America with this booklet. We invite you to weigh in and share your ideas, questions and concerns. Please email me with your commentary at don@e2mail.org.

Key 1 – Local Responsibility

Growing Entrepreneurial Communities

American Reality

Unlike almost every other economy in the world – and particularly mature and develop economies – the United States is very unique. In other countries, federal and state or providential governments play a much more strategic and controlling role in development. While localities are involved and typically active, there is a much greater top-down development infrastructure and focus. In the United States, there are federal and state development policies, resources and tools, but these are more like helping hands to local development groups. USDA Rural Development, Housing and Urban Development and the U.S. Economic Development Administration are there to help, but they do not direct development policy.

Equally important, when the U.S. is compared to other countries, federal and state spending for economic development is much smaller. Fewer dollars result in less control and direction. This inverted relationship from the international perspective means that every municipality and every county is ultimately responsible for crafting development policy, financing it and ensuring it contributes to economic prosperity.

A Fractured Landscape

Community economic development is a developed responsibility to the local level in the United States. As such, we also have a very fractured development landscape with literally tens of thousands of local development agencies and groups.

From a very practical point of view, this means that every community from New York City— with millions of people— to my tiny home town of Mullen, Nebraska— with fewer than 500 residents— must master this responsibility or tempt fate with their development. At the end of the day, Mullen, Nebraska has far fewer development opportunities and resources when compared to New York. This reality is one reason why communities who are restructuring and smaller places typically are doing more poorly economically when compared to larger communities in the United States.

Regionalism

Compared once again to most countries, the United States lacks powerful and robust regional development agencies or authorities. Even though economics function at a regional level, the U.S. has relatively weak regional development infrastructure.

The Difference between Success and Failure

There are many reasons why some communities prosper and others fail. Many of these reasons for failure are beyond the influence or control of local leaders and their communities. For example, many rural communities in the Carolina's did well until global economics and trade moved textiles, apparel and furniture manufacturing to lower labor cost suppliers in developing nations. Other communities experience explosive growth, in large part, to no action of their own. A good example is the **boomtown** development occurring in the communities of Dickinson, Minot and Williston in Western North Dakota associated with the shale oil development. Whether these communities wanted growth or not, it has arrived and growth rates are crazy.

When we discount all the external factors beyond our control, what are the factors that enable success or, by default, contribute to decline and failure? We have field-tested theory based on our work throughout North America. The following table provides a snap shot of what we found.

Factors Affecting Success or Failure	
No Game Plan	Too many communities, particularly smaller rural communities and certain urban neighborhood, have no development game plan. They have not explored their possibilities, vision a future or crafted a genuine development game plan. Bottom line, they have not accepted their responsibility for their own development future
Under Resourced Game Plan	Another large cohort of communities is failing to achieve their potential because their development plan is under resourced. Clearly poorer communities are challenged to find necessary development resources. But even wealthier communities with the capacity to invest are not committing the resources necessary to realize meaningful development.
Too Fragile to Succeed	Barring sustained and substantial outside assistance, there are numerous urban neighborhoods and rural communities that are too fragile to boot strap their own development. Just as a natural disaster can overwhelm a community, economic restructuring can have the same impact, demanding thoughtful, robust and sustained outside help. Without this help, these communities are likely to decline and fail.
Wrong Development Focus	Still, other communities are trapped in time warps focused on development strategies that once worked and are not long relevant. These communities face the challenge of changing gears and refocusing development efforts in new and more promising directions. For many communities, business attraction remains the primary development game with ever limited potential for success.
Development is Not Sustained	The work of community economic development never ends. It is a 365 day commitment— year in and year out. Some communities do well for a while, and then the commitment drifts or weakens. Sustained economic development success can only be realized with sustained development investments.

As you reflect on your community and begin the process of scoring where you are at, you might begin to ask some hard questions followed by some hard answers…

1. **If we do not have a real development plan, how do we mobilize to create one?**
2. **If our development plan is under-resourced, how do we mobilize stakeholders to increase support for our efforts?**
3. **If we are too small or too poor to be able to succeed on our own, how do we partner with other communities and our region to realize greater development success?**
4. **If our current development game plan is not yielding desired impacts, how do we help our community explore more genuine opportunities and get back on the road to success?**
5. **If we have not sustained our efforts in the past, how do we create a social compact in our community that can ensure sustained efforts in the future with both good and bad times?**

In all cases, there are clear opportunities for local leaders and their communities to step up and make a real difference. This work is hard, it takes real investment and it takes time and patience. In the end communities like Los Angeles, California; Tupelo, Mississippi; Ord, Nebraska and Sahuarita, Arizona do step up and, in doing so; ensure their futures will be brighter and more prosperous.

We encourage you to do some homework and explore these and other communities that are succeeding with the development. The insights and lessons learned can motivate and inform your community's efforts.

Using Outside Resources

The primary responsibility for your community's development is your local community. With that said we recommend that you aggressively explore all available public and private development resources and engage them in your efforts. ***A hallmark of successful communities is that they learn from others while making the most of all available resources.***

Make the Commitment

The first step in acting on this information is to **assess** where you are at in making a real commitment to your community's future with a genuine, development game plan. We offer the following FREE community test that you and others in your community can use to candidly assess where you are at. The next step is to do something with this insight and begin to strengthen your community's commitment to the future.

Quick Community Test

Read each statement and honestly assess where you community places. Using a 1 to 5 scoring system, where 1 indicates strong agreement with the statement and 5 indicates very weak agreement.

Test Statements	1	2	3	4	5
Our community has a current community economic development vision and game plan.					
My community has an adequately resourced and effective development organization.					
My community is tracking progress against our development plan.					
Our development plan and efforts are resulting in desired outcomes based on our goals.					
Community development ranks among the top three areas of focus within my community.					
Overall Score					

Use this quick guide to evaluate how well your community score on our quick test:

5 to 7 points – Your community appears to be doing a good job.

8 to 11 points – There is important room for improvement.

12 to 15 points – Time to re-evaluate and make a real commitment.

Key 2 – SMART GAME PLAN

Growing Entrepreneurial Communities

A Smart Game Plan – It Really Matters!

There are many reasons why a smart game plan is a must in our current times. But ponder these three compelling reasons...

Reason #1 – Intense Competition. The grand advantage the United States experienced in the five decades following World War II is largely exhausted. Today, our world is full of bright and motivated people and nations working hard to get their share of the economic pie. Competition is intense and if our communities are to succeed, they must be very smart about how they invest in economic development.

Reason #2 – Tight Resources. Tired of the constant debate over our fiscal and economic health? Worried that America and its communities are broke and mortgaging future generations? These fears are grounded in a new reality made sharp by the Great Recession. Times are tight in community economic development. Funding uncertainties and pull-backs by federal and state agencies are visible everywhere. Communities and their traditional economic development stakeholders are challenged as well. From main street businesses to larger employers to local governments – everyone is facing tough fiscal times. In today's environment, we must have a compelling smart game plan to ensure continued financial investment.

Reason #3 – Stakeholder Confidence. Economic development seemed simpler when I started 38 years ago. If you were a reasonably-sized community business, attraction was your ticket to prosperity. If you were a farming community, a healthy farm and ranch sector made things hum. If you were a high amenity area, all you needed to do was plug into tourism and growth was guaranteed. The past always looks better than the present, but creating economic growth and prosperity today is genuinely more difficult and complex. Today, we must have smart game plans that have the potential to work if we hope to maintain stakeholder confidence and continue funding our efforts.

Chances are good that if you and your economic development partners sit down and reflect a bit, you will agree that having a smart development game plan is important. However, chances are also good that getting consensus on what that smart game plan should be is going to be really hard. Based on our field work with communities and regions, we find there are many ideas, but achieving enough

agreement to leverage sustained investment is a tough nut to crack these days. Therefore, in the next section of this paper, let's explore the **five building blocks** of a smart game plan.

Building Blocks of a Smart Game Plan – What Produces Strong Plans?

It is important to note that we, or anyone else for that matter, cannot tell you what your smart development game plan should be. By definition, smart is not generic. A smart game plan requires a customized strategy, and we believe, based on our work throughout North America, that the following five building blocks can enable your community to realize your best chance of prosperity.

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

Let's explore each of these building blocks in a bit more detail now.

Genuine Development Opportunities

Like successful entrepreneurs, communities must take the time and make the effort to really understand where they have genuine development opportunities. Good ideas are not sufficient. Studying other communities, really learning about your current economy and making the investment to do your due diligence on possible strategies and programs is a must. Genuine development opportunities do not fall out of the sky nor are they realized through a 90-minute community brain storming session. Discovering your genuine development opportunities requires diligent and hard work, engagement of outside experts and a process where focus and priorities can be established.

Effective Execution

Jay Kayne, formerly with the Ewing Marion Kauffman Foundation, often said that successful entrepreneurs do two things well. First, they craft a great venture plan, and second, they execute their plan very well. Many communities craft development plans that look wonderful on paper but lack the potential for strong execution. Often times, there is insufficient funding, too little commitment to the right staff, ill-conceived expectations and a lack of patience to work the plan. Remember Malcolm Gladwell and his theory of 10,000 hours? Gladwell, the famous writer, argues that anyone who spends

10,000 hours on something is likely to become pretty good at it. We agree, and the lesson is clear – effective execution comes with practice, mistakes and fine-tuning through sustained effort.

Community Support

Ironically, many local development efforts are sustained by a small group of stakeholders. The larger community is not engaged and may not be supportive, let alone aware of what is going on. It takes time. It is messy, and it can modify preferred ways of doing things. But broad-based and real community engagement and support ensure two important attributes within a community's game plan – a *better* game plan and one that addresses the development preferences of the larger community (not just a small group). Such engagement, when welcomed and cultivated, creates broader and deeper community support for the plan – more hands on deck helping and contributing.

Early Wins

Our community culture demands early evidence of progress. No development effort can wait three, five or ten years for demonstrated impact. A smart game plan focused on low hanging fruit or early opportunities for development wins. Such wins are communicated and celebrated. Such early wins create momentum and validation that the game plan can produce results. Crafting a game plan that produces some progress in 12 to 18 months is essential. Modest success early provides a foundation for longer-term efforts where the real payoffs are likely to occur.

Being Entrepreneurial

Finally, smart game plans are crafted and lived entrepreneurially. Now, this approach to plan development and execution can drive the linear thinkers in our community a bit nuts, but great entrepreneurs are constantly evaluating the environment and are motivated to make changes as circumstances are altered. This behavior does not mean changing plans fundamentally on a

Likely Challenges

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

Low Expectations
Unrealistic Expectations
Poor Execution
Inadequate Capitalization
The Wrong Focus
Personality Conflicts
Organizational Turf Wars
Weak Accountability
Failure to Communicate

regular basis. Such behavior will create chaos, doubt and result in very little economic development. But keeping a keen eye on progress, new opportunities, emerging partners, gaps in the game plan and the like can enable regular and small adjustments that polish the plan and enable greater impacts over time.

We have already touched on the importance of broad-based community engagement and support, but a smart game plan that is well-designed and implemented is made possible by stakeholders. Next, let's explore why stakeholders in your community support economic development.

Stakeholders – Why stakeholders support economic development?

First, let's begin by defining "who are stakeholders." Bottom line, stakeholders are those leaders and the organizations they represent in your community that should or do care about the development of your community. Now, every citizen should care about your community and be invited to your economic development table, but not all stakeholders are equal in their capacity to bring money to that table or make things happen. The likely stakeholder suspects are those who have something to gain if economic development happens. Here are some examples:

- **Local Government – expanded and diversified tax bases**
- **Main Street – more shoppers and increased spending**
- **Labor Units – jobs for members**
- **Banks – more customers, deposits and loans**
- **Major Employers – larger population and bigger workforce pool**
- **Schools – more families, better-off families and more students**



With this working definition of economic development stakeholders in mind, let's explore why they will invest in a community's development efforts. Once again, there are many reasons why stakeholders support community economic development, but deep and lasting support must provide a reasonable return on a stakeholder's investment. There is no question that most stakeholders have passion and love for their hometown and a desire to see it do well. *But, every stakeholder involved in economic development has stakeholders to whom they are accountable.* A bank board will support chamber and development corporation efforts to some degree, but real support comes when there is a clearer cause and effect. Simply put, the bank provides $30,000 a year to local development efforts and the see more customers, more deposits and more loans. They do the math and can clearly see that their $30,000 investment is realizing $250,000 of $500,000 in additional business each year.

A smart game plan embraces cost and benefit. Others employ an "ROI" or return on investment approach. Either way, there must be a means to convert your work--not only stories, but to meaningful metrics.

A smart game plan honors the compact between your efforts and your stakeholders. Smart game plans get results and also tend to attract additional and longer-term support enabling even greater impacts over time. In the end, real desired change comes over a generation requiring sustained and robust investment and effort. Be sure you revisit your game plan annually and tie major updates with three or five year cycles combined with fundraising capital campaigns. This approach ensures a fresh plan, more active engagement and more adequate support.

Conclusion – Making this happen in your hometown!

Consider sharing this key with your development board and your expanded network of stakeholders. Host a coffee and have a facilitated discussion around your plan and whether it meets the **smart test.** As a result of this discussion, your team should find that there is room for improvement, and make a commitment to get some outside help and work toward upgrading your development plan this year!



Key 3 – Robust Investment

Growing Entrepreneurial Communities

The investment and development connection!

I grew up as a kid in rural Nebraska. The primary agricultural products were cattle and calves, winter wheat and corn as center pivot irrigation made its way into the valleys of Western Nebraska. Farmers and ranchers often have a rather dry wit. I can still remember a debate going on in the town café between some farmers and town folks. The farmer would argue, "…that you cannot reap what you do not sow." Later on as I was finishing my Master's Degree in Regional Economics this statement helped me to appreciate the importance of investment in enabling and growing economies.

As a community, we can long for economic development, but we cannot realistically expect it to occur unless we are willing to invest in it. It is this all-important ground rule for success that is the topic of robust investment. Each year I have numerous opportunities to provide conference keynote speeches and participate in workshops on economic development. One audience question generally surfaces – what is my experience with the keys to community economic development success? As you might expect, the answer is more complicated that I have time for in these settings, but it is clear to me from 38 years of doing this work, that under-capitalization of development efforts is a root cause of failure and unrealized dreams. As the old farmer said, "you cannot reap what you do not sow."

Robust Investment – What is it?

So why do we use the adjective "robust" with "investment" in this section? The answer is quite simple. Many, if not most, communities do invest something in their development efforts. Almost any community of any size has a chamber of commerce, development corporation and maybe a main street program or tourism promotion board. All of these development-focused groups receive financial and human investment to enable fulfillment of their missions, but our experience from the field is very clear. The overwhelming majority of communities, regardless of size and location, do not have robust investment fueling their development strategies. Under-investment almost always guarantees limited results and impacts. If you want to go to college and earn a degree, you must be prepared to invest $100,000 to $150,000.

Robust Investment

Under-capitalization of development strategies is a primary reason why communities are not achieving their development goals.

In our work over the years, we have moved beyond being satisfied with successful development projects and works that feel good. We suggest a higher standard of expectations. Simply put, do we have a game plan with adequate (robust) investment that can change the trend lines for the better? As foundation funders often challenge us – is your game plan capable of enabling system change?

Let me illustrate this point with some examples we can all related to:

1. **If your community has lost a major employer, can your game plan result in enough jobs to replace what was lost?**

2. **If your community has been depopulating for decades, can your plan stabilize your demographics and lead to positive growth?**

3. **If your community has chronic and severe poverty, can your plan provide better jobs and pathways to the middle class?**

The list can go on and on, but you get the idea.

Okay, so you are still with me and sensing that maybe there is some truth in what I am sharing, but you might ask, 'So, Don, what is a rule of thumb investment level we should be shooting for?' Fair question and one we have spent a lot of time, money and research on over the years.

We have adopted a great rule of thumb from private businesses. Our rule of thumb goes like this: If you want to remain competitive over the long haul, then you should have an annual investment rate (e.g., investments into research and development, product development, workforce, plant, etc.) of at least 10 percent of your annual sales. Now to be honest, this actual percentage rate caries from business to business and will vary from community to community based on its situation, but for now, let me first expand the rule of thumb a bit and make it real through some illustration.

First, let me expand our 10 percent investment rule. Actually, our rule is the 10/10 percent idea. If we want to stimulate and enable 10 percent private and public investment in our community in the form of business assistance, workforce training, technology investments, roads and the like – then we need to invest 10 percent of this amount into smart community economic development activities. In the next section, we will talk about the kinds of smart investments that this later 10 percent might include.

Next, we want to illustrate the magnitudes with three examples. Recently, the Bureau of Economic Analysis released their 2011 Gross State Product estimates for the United States. In 2011 according to BEA, California has the largest state economy coming in at just over $1.7 trillion. This is big by

international or country comparisons. Beautiful and interesting Vermont has the smallest state economy in 2011, estimated at $23 billion.

Therefore, California's annual private and public investment should be 10 percent of $1.7 trillion, or $170 billion if California wants to remain No. 1. This level of investment predicts combined community economic development program investments of at least $17 billion annually.

Conversely, Vermont has one of the highest "happiness" indexes in the U.S. and requires $2.3 billion in new investment annually and $230 million in development spending to maintain its level of economic activity relative to everyone else. Now, these numbers are tough to make sense of, and so we need to bring this down to a level our development stakeholders can understand and use.

10/ 10 percent Rules

It is oversimplified, but this rule of thumb is a starting point for evaluating whether your community is investing enough so that you can shape your development trend lines. Each year, you should be leveraging an amount equal to 10 percent of your economy's size. This enables the leveraging of new private and public investment; your development program should be approximately 10 percent of this amount.

We are working with the Foundation for Appalachian Ohio on a great project in their 32-county region. One of the communities we are working with is Morgan County – sporting a population of just under 6,000 households. The two largest communities are Stockport and Malta. In 2011, Morgan County had a $254 million economy. In order for Morgan County to renew itself economically, it requires over $25 million (10 percent of GDP) in new investment and a development program capitalized at $2.5 million. Knowing the folks in Morgan County, they would love to have a program at this scale, but like most other communities in the U.S., they do not come close. However, let's take these numbers and put them on a per household basis estimating the per-family investment that is required. The per-household value of Morgan County's economy is $42,567. The annual new investment required is $4,257 per household and the bill for each family to support this $2.5 million annual development program is $419. This level of commitment is doable!

Smart Investment – How development funds used matter

Let me end this section with two important closing thoughts. First, as noted earlier, the actual amounts will vary. Chances are good that communities that have been struggling longer may actually require greater investment. If these communities are challenged, they may require outside help to raise enough development funds to make a real difference in the trend lines. Such investments should be

guided by a grounded and smart development plan. A smart development plan is rooted in genuine opportunities and realistically addresses what needs to be done to bend the trend lines. Smart development plans are premised on sustained effort over time. A community that has been in decline for a generation may well require a generation of work to turn itself around.

Key 4 – Entrepreneurial Development Systems

Growing Entrepreneurial Communities

A systems approach gets results.

Systems are complex and sophisticated, but they enable larger and more sustained outcomes. Let's create some images of other systems where you have regular contact:

- **Education**
- **Health Care**
- **Food Safety Regulation**
- **Commercial Air Transportation**
- **Highways and Interstates**
- **The list can go on and on…**

For a moment, think of all the public and private players, activities and outcomes that occur every hour of every day within our commercial air transportation system. Contemplate all the parts that must be interacting to enable someone to safely travel from say Albany, New York to Seattle, Washington.

- **Travel Planning Websites**
- **Reservations**
- **Electronic Check-in**
- **Weather and Traffic Control**
- **Screening and Security**
- **Ground Transportation and Parking**
- **Airports and all of their working parts**
- **Airlines – Gate Service, Baggage, Flight Crews, Maintenance, etc.**
- **Lodging – Food Services – Coffee, etc.**
- **The list can go on and on…**

Bottom line, systems are a central way to organize and accomplish desired and complex outcomes. Is stimulating and supporting economic development any different than educating people or operating the internet?

Economic Development – Does a system approach make sense?

Our free market economy has a very complex set of relationships that are constantly evolving. The complexity of all these relationships coupled with the pace of change is amazing. Even the most complex economic models can only address small parts of our economy at one time.

The purpose of economic development is to increase or change economic activity at a community, regional, state/provincial or national level. Therefore, if the system we are trying to influence is complex, then it stands to reason that we need a complex, multifaceted system's approach with our economic development strategies. In so many ways entrepreneur-focused economic development is both complex and simple. At its most basic level, economic development focuses on helping entrepreneurs be more successful. This is a fairly direct proposition, but as we drill down into this opportunity, complexity begins to emerge.

There are hundreds of different kinds of entrepreneurs. These entrepreneurs can also be at a wide range of development stages. Within each entrepreneur group, there are multiple unique needs and opportunities for development. For fun, let's assume we have 100 unique entrepreneur types, at least 25 unique stages of development and at least 50 unique needs. Using simple math, this example generates 125,000 unique combinations illustrating the complexity we are dealing with and **the necessity of a systems based approach!**



Entrepreneurial Development Systems – Building Blocks

Next, let's dive into the key attributes of an Entrepreneurial Development System or EDS for short. The idea of entrepreneurial development systems (EDS) has origins with Brian Dabson, who led CFED, and Tom Lyons of Entrepreneurial League fame. The following table highlights that when profiling high performing EDS's there are two very basic component parts:

Supply Side	Demand Side
In business development, we tend to focus most of our time and effort on the supply side or addressing critical business needs like creating a business plan, securing a line of credit, providing customized worker training, providing affordable power or access to competitive commercial air service. While all of these things are really important, they are not sufficient to materially increase entrepreneurial success in your community.	The demand side is fundamentally hard and generally more poorly addressed. The demand side focuses on the entrepreneur and their team as a creative force. The demand side deals with issues of goals, values, life balance, openness to learning, making time to grow a better business, learning how to be a team builder and a stronger boss. Our experience supports the view that the demand side issues are just as important to overall success as the supply side.

However, there is one additional framing consideration which is the difference between what we might call passive and active components of entrepreneurial development systems.

Passive Components	Proactive Components
Passive EDS components are the things we consider to be part of the traditional business climate, such as utilities, banking, infrastructure and the like. These are important for any business development strategy.	Proactive components are the unique things important to those engaged in growth-oriented entrepreneurial activity. A community can have a great business climate but not necessarily a great *entrepreneurial* business climate.

We are all pretty familiar with what is needed to enable effective commerce and business operation. There is no need to spend time reviewing what we have learned in Business Climate 101 many times before, but the proactive components may be less obvious. An outline of these components is found on the next page.

Proactive Components Detailed

Capital Access Access to the right kinds of capital is important to any venture, but for entrepreneurial ventures there are unique capital needs such as seed and venture capital.	**Market Research** Every business should know their customers, competitors, stability of their suppliers and a whole set of other market research items. Market research is particularly important to growth-oriented ventures.	**Human Talent** A skilled and motivated workforce is very important to all businesses. Entrepreneurial ventures have these needs, but also specialized talent critical for increased competiveness and growth.
Competiveness Planning A business plan is the stock and trade of business planning, but in today's environment, there is a strong need for sophisticated, competitiveness planning that can enable entrepreneurs to define market niches and competitive advantages.	**Business Coaching** Coaching is the cornerstone of an entrepreneur development system. Business coaches provide the high value and high touch engagement that helps business leaders actively engage in growing a better business versus just running their venture.	**Customized TA** Entrepreneurial businesses need access to specialized expertise and customized technical assistance ranging from exporting to lean manufacturing to systems development to social media marketing. An EDS needs to be able to network entrepreneurs to these resources when they are needed.
Growth Planning Growth planning including business transition is a unique resource that growth-oriented and high growth potential ventures must have. Building a smart strategy to enable rapid growth requires high end assistance.	**Business Services** Every venture needs access to business services ranging from insurance to banking. But entrepreneur ventures need business service partners who are willing to help grow a future larger customer. This is more than a networked transaction, but a growth strategy for both parties.	**Other Entrepreneurs** We saved the most important for last. Entrepreneurs need regular contact and engagement with other entrepreneurs through networking events, mentoring relationships and voluntary advisory boards of directors. Peer helping peer is the magic bullet of high performing EDS's.

When all these activities are present, used and becoming more robust over time, the entrepreneurial ecology of a community or a region becomes stronger and more dynamic. Better entrepreneurs cultivate other entrepreneurs and create stronger deal flow that leads to more economic development. An entrepreneurial community with a supportive entrepreneurial culture evolves. As this process unfolds and deepens, innovation and growth are stimulated leading to even more development. This process

creates energy that drives activity. The small snow ball is now rapidly rolling down the mountain; growing, generating and expanding its footprint of impact.

Lest we forget there are three additional primary components of a great EDS:

Technology	Spaces	Quality of Life
Today's entrepreneur requires access to cutting edge technologies that are robust and offer consumer choices. In the age of smart phones, tablets, video conferencing and high speed information sharing; it's essential that a community offer multiple cellular services and options for high speed internet. Additionally, access to same-day and convenient parcel service is also a must in today's entrepreneurial venture.	Entrepreneurs and their teams are creative people. The spaces in which they work and create are important. Only one look at the proposed office complexes now being envisioned for Google, Apple, Facebook and Microsoft confirms that the right spaces are important. For today's entrepreneurs, work and life are interconnected. Work is not just done at the office, so a place to eat, drink, unwind and work is important.	Entrepreneurs and their employees are human beings and often have families. Community quality of life is very important. Factors like housing and neighborhoods, schools, recreation, crime and safety, congestion and shopping are all important in a community, but – equally important – is the culture of a community and how it views entrepreneurial behavior from hostile to indifferent to supportive.

Key 5 – Sustained Effort

Growing Entrepreneurial Communities

Sustained Effort – Why does this matter?

This should make intuitive sense, but in reality, we find communities working hard for a while, and then pulling back and not really sustaining development efforts at a level that can make a difference. Let me share two of the more compelling reasons why sustaining effort should be a priority within your community's development plan.

1. **The unwillingness or inability to sustain development efforts is a primary cause of community economic development failing to achieve its goals.**

2. **Malcolm Gladwell's 10,000 hours rule.**

The international economy and society we are a part of never rests. Every day across the globe, in thousands of communities and hundreds of countries, there are billions of people who wake up every hour of every day to compete with us. Bottom line, there are no sick days, vacations or retirements in community economic development. Failure to sustain effort is why so many strategies come up short.

Gladwell's Rule

Malcolm Gladwell's 10,000 hours quote actually comes from neurologist Daniel Levin:

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

Remember Malcolm Gladwell of "Tipping Point" fame? He illustrates in his book "Outliers", the 10,000 hour rule initially proposed by neurologist Daniel Levin (according to Richard O'Brien). While the 10,000 hour rule applies to individuals and their pursuit of competence in everything from tennis to

accounting, we can apply this rule to development efforts by communities. Successful and impactful development game plans take time, practice and refinement to really work. Execution of the game plan is a key and that is tied to those making it happen from staff to board members.

Communities that do not work their plans long enough never really get as good at executing it, undermining the potential for desired and meaningful outcomes.

Keys to Sustaining Development Efforts

Based on our field experience, I would offer five primary keys to sustaining development efforts over long periods of time:

1. **A Generational Vision**
2. **An Investment Philosophy**
3. **Renewing Champions**
4. **3 to 5 Year Action Plans**
5. **Continuous Learning**

Let's explore each of these five keys to sustaining effort in a bit more detail now.

A Generational Vision. Milan Wall and the Heartland Center for Leadership Development, www.heartlandcenter.info, often talks about vision. What Milan argues is that communities that have a long-term vision of where they want to go and what they want to be, tends to do better with development efforts. The U.S. Census Bureau defines a human generation as about 25 years. This is a great time frame for visioning. It is long enough to stretch us, but short enough to require action accountability.

An Investment Philosophy. Development strategies and programs in a community are paid for by stakeholders and often referred to as investors. This is not casual language. Development investors have a vested interest in seeing a community develop in certain intentional ways. They are willing to continue writing checks as long as there is some documentation of return on

Joe Ferguson



Joe Ferguson is one of the Center's heroes. He has been a mainstay leader in Norfolk and Northeast Nebraska development for decades. Joe has a history of bringing folks together and getting progress realized. The question is who will fill Joe's shoes in the coming decades as he retires?

their investment. Communities with clear goals and accountability around achievement of goals are better at keeping investors writing checks for a strategic and focused development program.

Renewing Champions. Just as in business and government, turnover can be both good and bad, but too often there is inconsistency in both local development program governance and staffing. This unplanned turnover creates instability of effort. There can also be too much change shifting from one priority to the next before any strategy can actually prove up. Communities that are strong at renewing champions (both staff and leadership) are better at sustaining successful programs.

FOCUS, FOCUS and more FOCUS

3 to 5 Year Action Plan. Any good entrepreneurial coach will counsel FOCUS, FOCUS and more FOCUS. Successful communities focus on those development actions that have the greatest potential for achieving goals. What we have found is in successful communities, they employ 3 to 5 year cycles of planning, capitalizing the program, focusing the strategy and program execution. We recommend this routine as one way to sustain efforts while intentionally renewing people, programs and funding.

Continuous Learning. A key attribute of a successful entrepreneur is their ability to adapt when opportunities and challenges emerge. The same is true for successful development programs. These programs are constantly tracking progress and changes. They have the ability to make small adjustments within their 3 to 5 year plans and major changes with new plans. Part of the merit in the 10,000 hour rule is there is continuous learning occurring. With each gig John Lennon and Paul McCartney did, they tried new ideas capturing what worked and discarding what did not work.

While advice on what to do is helpful, often times the advice on where we may fail is even more helpful.

Next, let's explore what we call the *Traps that Undermine Sustained Efforts.*

Traps that Undermine Sustained Efforts

Our work across North America suggests there are three primary traps to avoid if your community is committed to sustaining your development efforts:

1. **Hopelessness**
2. **Prosperity**
3. **Failure with the Other Keys**

Hopelessness. Communities that have suffered from chronic and severe economic decline (e.g., industrialization of agriculture and population loss) or experience catastrophic crisis (e.g., a major employer closes down) often have a hopelessness about them. Simply put, they lack a hope that anything can be done that will change the bad reality for the better. Hopelessness can lead to an inability to act. Because we believe there is nothing we can do – we do nothing and we get nothing in return.

Prosperity. We have all witnessed hopeless communities, but the prosperity trap may be less obvious. Actually, the prosperity trap has been widely researched over decades in what is often called Dutch Disease. The best illustrations are countries with massive natural resource wealth like oil. Too much wealth too soon and too easily gotten makes countries, people and communities lazy. If times are good (at least for the ruling class), why bother to develop the economy? While this is an oversimplification, the prosperity trap occurs in more subtle ways in communities all the time. For example, a community that loses an important employer mobilizes and works hard to regain success, but once things return to "normal" investment is reduced and efforts erode.

Other Keys. The 10 keys to economic success are not optional. A community must embrace each of them to create a sophisticated and comprehensive approach that results in development and ultimately sustained prosperity. Keys like local commitment, robust investment and a smart game plan are musts. For example, a weak game plan that is generating weak results demands either change or disinvestment by stakeholders. Failure to work all the keys is our third trap undermining sustained effort.

Conclusion

One way or another, I have been in some kind of venture for most of my life. My parents and extended family all had businesses. By and large, we have had our share of success, but in today's world there is this somewhat scary idea that people we do not know are driven to take our prosperity away. By design, a free market capitalistic economy works that way. In this environment, you either wake up each day ready to compete or face eventual failure. The same is true with communities. Sustaining effort is mandatory for generational success.

Key 6 Growth Entrepreneurs

Growing Entrepreneurial Communities

Growth Entrepreneurs – Who are they?

Not every business owner wants to grow his or her business. Most self-employed and "lifestyle" business owners are satisfied if they can make a decent living for themselves and maybe hire a few other people. The majority of small businesses serves a local geographic area and does not have a market footprint outside the region.

These small, local businesses are very important to a community. In addition to creating a modest number of jobs, they contribute to the quality of life and availability of amenities that make the community a more desirable place to live and work.



Check out the Center's case study of Solar Roast Coffee, growth-oriented entrepreneurs.

Growth-oriented entrepreneurs (GOE's) have a different attitude and goals for their ventures. They usually know at the outset that they want to grow their business. They may express this as a desire to hire more employees, increase their capital expenditures, explore new markets outside the region, or open new franchises in other locations. Growth-oriented entrepreneurs have recognized a market opportunity and have decided to create and grow an enterprise (profit or non-profit) to pursue it.

As Robin Lasher, Director of the Navarro County, Texas, Small Business Center puts it, "Most small businesses equate growth with supporting the business and themselves. A very different perception and understanding of growth extends beyond the backyard to new markets. (Growth-oriented companies) probably think about all this from day one, but for the majority of small businesses, I think it starts as a foggy notion."

Growth-oriented entrepreneurs have both a strong desire for growth and the potential capacity to realize sustained growth. These entrepreneurs want to scale up their businesses and seek to reach external markets, thus expanding the economy of the region by bringing in new wealth in the form of investment, jobs and careers and tax base. This new wealth then "recirculates" throughout the local economy and stimulates the growth of local businesses.

Growth-oriented entrepreneurs have possibly the greatest potential for generating and sustaining economic development outcomes including new job investment, jobs and tax base expansion.

The Impact of Growth Businesses on the Economy

Startups, defined as businesses in their first year of operation, have played a critical role in U.S. employment growth dynamics and are an important factor in creating local jobs. As a group, however, businesses that survive the startup stage usually create more net jobs than startup businesses. Studies show that the majority of sustained job growth in a community is generated by the expansion of existing businesses rather than startups or relocations of existing businesses to the community. It is the growing companies – business expansions – that have the greatest long-term economic impact on a local community or region.

A subset of growth-oriented entrepreneurs includes those who create break-out, high-growth companies that expand rapidly in terms of revenues and job growth. These business establishments represent less than five percent of all businesses, yet create upwards of two-thirds of all business growth and job creation. Additionally, these entrepreneurs generate up to 50 percent of all innovation within our economy. High-growth companies, while extremely rare, are nevertheless found in most regions of the country, and in every county. Most fast-growing enterprises are not in high-tech industries; they are widely distributed across all industries.

Most rural areas have very few high-growth entrepreneurs and have limited capacity to assist them. But chances are very good that these communities have a much larger pool of local entrepreneurs who want to grow and do not know how. Helping growth-oriented entrepreneurs create sustainable growth plans can dramatically impact the area's overall economic development progress.

Business Stages

Youreconomy.org, a website created by the Edward Lowe Foundation, reports data on the composition and growth of the business universe in the United States over time. In this database, resident companies are broken out by stage:

1. **Self-employed (one employee)**
2. **Stage 1 (2-9 employees)**
3. **Stage 2 (10-99 employees)**
4. **Stage 3 (100-499 employees)**
5. **Stage 4 (500+ employees)**

Great Resource

Check out your business community's profile at:

www.youreconomy.org



Some entrepreneurship support strategies such as Economic Gardening have chosen to target Stage 2 companies as their focus for their efforts. The Edward Lowe Foundation describes Stage 2 companies as those "that have grown past the startup stage but have not grown to maturity. They have enough employees to exceed the comfortable control span of one owner/CEO and benefit from adding professional managers, but they do not yet have a full-scale professional management team." In terms of numbers, "employee numbers and revenue ranges vary by industry, but the population of firms with 10-100 employees and/or $750,000 to $50 million in receipts includes the vast majority of second-stage companies."

While Stage 2 growth-oriented companies do create a substantial number of new jobs, previous research has also shown that establishment growth (measured in terms of jobs or revenues) occurs among companies of all sizes. A more significant factor in firm growth is age of the firm rather than size. The younger companies are, the more jobs they create, regardless of their size.



In terms of developing community and economic development policies to support local entrepreneurs, the best target for small and rural communities is typically late Stage 1 or early Stage 2 companies that have the ability and desire to grow and have a market (or potential market) outside the region or state. Some of these businesses may look like retail businesses, but they have opportunities to sell outside the local area (e.g., a pharmacy that discovered a niche in compounding and sells online in 48 states and several other countries). These late Stage 1 or early Stage 2 companies can fill the pipeline that will increase the numbers of late Stage 2 companies.

Community Strategies for Supporting Growth Businesses

The 'sweet spot' for most community entrepreneurship support programs is to target entrepreneurs who have started a venture that is between one and five years old and want to grow it, regardless of size. These ventures aren't necessarily high-tech, but they have developed some sort of innovation in their product, process or delivery method. They also have a potential or actual market outside the local economic region, and create quality, living-wage jobs.

Typically, these are late Stage 1 and early Stage 2 growth-oriented entrepreneurs. By providing support and help at this crucial phase, these entrepreneurs will be more likely to make good decisions that will allow them to remain visible and sustain their growth to reach the next level.

Finding these entrepreneurs is the tricky part. They may start out as a home-based business, or look like a secondary business such as a local retail or service business that is exploring an outside market through the Internet or franchising. A community must leverage its networks of existing entrepreneurs, small business professionals and business organizations to locate appropriate target businesses.

Once a community has identified potential growth businesses, these key questions help clarify whether an enterprise fits the bill:

1. **Do they have a niche where they are competitive?**
2. **Are they committed to growth?**
3. **Are they actively exploring creating an external market footprint?**
4. **Are they coachable and willing to act on the information and advice they receive?**

Entrepreneurship Support Strategies

Growth-oriented entrepreneurs have specific needs: access to capital – both human and financial, access to strategic coaching and technical assistance, access to appropriate facilities and high-quality infrastructure, a friendly tax and regulatory environment, market intelligence and access to external markets and a trained workforce. They seek to create strategic alliances with other business owners and supply chain managers, and to develop the capacity to manage their enterprises successfully in a global marketplace. Communities can best support their growth-oriented entrepreneurs by addressing these needs.

Technical Capacity Building. Every growth-oriented entrepreneur has a set of issues that must be addressed to allow them to grow. Quality coaching services, such as the E-Coaching Program of the Center for Rural Entrepreneurship, helps GOE's connect to appropriate technical assistance resources – either in the community or accessible elsewhere – that can address their specific technical needs. The ability to develop a strong local referral network and to access appropriate professional business services in areas such as finance, legal and accounting, is an essential part of doing business in any locality. Growth-oriented entrepreneurs typically want to connect with their peers to gain from their wisdom and experience, so strong local entrepreneur networks are also essential to the success of these entrepreneurs.

Capital Access. Recent reports indicate that the recession has slowed business activity and decreased demand for financing (e.g., less growth = less demand for financing). Conventional wisdom suggests that a lack of access to capital has produced the slower growth. But the challenge may be more complicated. Cash availability is at an all-time high, and the cost of money is at an all-time low. But fears about the economy, including the possibility of a longer recession and higher investment risk, have created a tighter capital supply market and business planning requirements have become substantially higher.

Identifying available commercial lenders, micro enterprise programs, angel investors and government financing programs (e.g., SBA, USDA, CDBG, state, etc.) all become important to increasing capital access for growth entrepreneurs. Better market intelligence and scenario testing can reduce the risk for both capital providers and entrepreneurs who want to scale up their business.



Market Intelligence. Helping entrepreneurs create strong business plans is widely accepted as a good practice. However, business planning often suffers from inadequate or inaccurate market intelligence. This is particularly true of for those entrepreneurs who want to reach external markets.

Market intelligence is a process that enables growth-oriented companies to access and use high-level technical expertise and strategic market information to explore new markets and growth strategies. It provides access to accurate, timely and actionable information gathered from primary and secondary research sources, as well as strategic advice from small business professionals. This is to enable an entrepreneur to ask better strategic questions, make more focused market decisions, avoid costly mistakes and successfully grow his or her enterprise. Creating access to competitor research, customer profiles, market opportunities, suppliers, distribution channels, legal, pricing and branding information is all part of the market intelligence support.

Market intelligence is critical to the development of a good business and capitalization plan. It also allows an entrepreneur to create new market scenarios and assess the risk involved, so that a new strategy can be tested in the marketplace. Market intelligence is a discipline practiced by all Fortune 500 companies, but smaller growth-oriented companies also need to practice it to gain a competitive edge in their market space.

Infrastructure. The vast majority of entrepreneurs can live and grow their ventures anywhere. This is particularly true of growth entrepreneurs that create businesses with an external footprint. Physical

infrastructure and quality of life considerations play strongly into an entrepreneur's choice to stay or locate in a particular rural community.



Regional infrastructure issues – both physical and quality of life -- are also fundamental to the success of local entrepreneurs. Physical infrastructure considerations include access to water, wastewater services, roads, power and telecommunications services and adequate transportation logistics. In terms of quality of life, entrepreneurs want to live and raise their families in safe communities with good schools and higher education opportunities, quality housing, strong cultural and recreational amenities, vibrant local retail and service businesses, and accessible healthcare, child care and elder care services.

The bottom line is that you can help your community grow by creating strong community infrastructure and bringing together relevant technical resources to support your local growth-oriented entrepreneurs. In a rural community, community development and economic development are two sides of the same coin, and both are needed to help a community create new hope, increase wealth and expand choices.

Conclusion

Across North America communities are searching for the right development formula that will lead them to a new era of prosperity. The Great Recession was a real hit and will enable a new economy to emerge. We are convinced that focusing on your community's growth-oriented entrepreneurs is a corner stone of any development game plan.

Key 7 – Attributes of an Entrepreneurial Community

Growing Entrepreneurial Communities

Why does this Matter?

Ecosystems are the environments in which things thrive and grow. In the natural world, a forest ecosystem enables a complex network of life to exist, thrive and evolve over time. Borrowing from nature, human beings create ecosystems that serve similar purposes ranging from a home that nurtures a family to a community that stimulates and supports entrepreneurs and their ventures. The field research is clear. Even a collection of great business programs is not sufficient to stimulate business development. What is really needed is an entire ecosystem of support that is robust, accessible and effective in stimulating and supporting entrepreneurs and their ventures. Better understanding the outcomes of entrepreneurial communities and their attributes is a great starting point for creating an entrepreneurial ecosystem capable of enabling greater prosperity over time.

Defining Community

Throughout this resource, we refer to community. Community may include a specific village or city, county or township, or a regional community of place. Community may also include communities of interest based on the development of value chains, such as farm-to-table food systems.

Outcomes of an Entrepreneurial Community

Hypothetically, if we were to compare an entrepreneurial community with a non-entrepreneurial community, how might bottom-line outcomes look differently? This is an interesting question, and possibly a useful way to provide a compare and contrast illustration. Communities that are entrepreneurial are constantly (through hundreds, thousands and even millions of players such as people, organizations, businesses and institutions) finding competitive niches and renewing economic, social and civic relevance. Entrepreneurial communities have the capacity and characteristics to continually reinvent themselves. New York City is a great example of a community that has risen, fallen and raised itself again and again over the decades. Its entrepreneurial assets enable it to renew itself and find new economic and social relevance in new ages.

Entrepreneurial communities are typically better at generating three important economic, social and civic outcomes:

1. **Economic and Social Diversity**
2. **Resilience from Shocks**
3. **Higher and Sustained Prosperity**

Diversity. Single industry communities are at risk just as ecosystems that have narrowed their diversity through monocultures are at risk. Increasing the diversity of both primary and secondary economic activities is paramount today.

Resilience. Economies that are more diverse with broadly shared prosperity are more resilient. Resilient economies and societies are better equipped to weather shocks, reducing recessionary times.

Prosperity. Communities that are able to generate wealth defined broadly and shared widely among all residents are better able to achieve and sustain higher levels of prosperity enabling improvements in economic, civil and social life.

Created or Enabled?

Odd terminology maybe, but hang in there with us. Steve Buttress, when he was CEO of Enterprise Florida, often said…"Like a person who wakes up on third base and believes they have hit a triple."

Some communities appear very entrepreneurial because single industry booms are enabling entrepreneurial opportunities for others: think housing booms in Nevada or Florida, energy booms in Texas of North Dakota, military base expansions during wars. These communities may not really be entrepreneurial communities; there is "E" activity because a lot of money is being spent.

Other communities like Silicon Valley, New York City and the Redwood Coast of California have become sustainable entrepreneurial communities. Their ecosystems stimulate and support entrepreneurial behavior.

This is not to say that communities that are not entrepreneurial cannot achieve prosperity. But rarely do these communities sustain prosperity over generations because of the lack of diversity and resilience that comes from entrepreneurial behavior. Right now Western North Dakota is setting economic growth records unchallenged across the United States, but as the oil boom softens over time, this single industry driven prosperity will also abate.

Our final lens is presented in the form of five critical attributes that can be used to assess just how entrepreneurial a community is or is not.

Five Fundamental Attributes of an E Community

Steve Radley, the CEO of NetWork Kansas, often talks about an entrepreneurial ecosystem or environment. This is a useful way to explore the attributes of an entrepreneurial community. A good review of all that has been written about entrepreneurship could generate a very long list of attributes, but based on our field work and insights; we believe that this list of attributes can be reduced to five mega-attributes:

1. **Three different kinds of entrepreneurs – business, social and civic – can be found in substation numbers within the community.**
2. **There is an entrepreneurial culture where entrepreneurial failure is tolerated and success is celebrated.**
3. **There is a robust entrepreneurial infrastructure.**
4. **Entrepreneurial communities focus on human talent as a primary development focus.**
5. **There is a strong and comprehensive focus on youth and entrepreneurship as a career track.**

We use these attributes to help communities assess themselves and plot their strategy to become more entrepreneurial. Let's explore each of these five mega-attributes in a bit more detail. We encourage you to take the quick Entrepreneurial Community Assessment at the end of this paper to see how your community scores.

The 3-E's. Business entrepreneurs are obvious. These are the folks who vision and grow private-sector, for-profit businesses. Civic and social entrepreneurs may not be so obvious. Civic entrepreneurs work in government space engaged in education, health care, local governments, parks and recreation and other civic or governmental activities. Social entrepreneurs are concentrated in non-governmental organizations (NGO) or not for-profit spaces. One of the fastest growing parts of our economy is the NGO world. These are the folks who provide child care, health care, run youth programs, address environmental stewardship, etc. They are often business ventures with a triple bottom line but have to generate annual revenues to survive and thrive like any other business. All three kinds of entrepreneurs are foundational to creating, growing and sustaining an entrepreneur community.

E Culture. An entrepreneurial ecosystem has three primary components:

1. **Social and Cultural Space**
2. **Infrastructure and Business Services**
3. **Connections to Economic Opportunities**

Entrepreneurial culture has two important components: **other entrepreneurs** and the **host community**. Other entrepreneurs are critically important. Having a robust and capable peer group can do more to stimulate and support entrepreneurial behavior than almost any other intervention. The creation of entrepreneur networks, peer groups, advisory board of directors and mentors are key strategies for increasing entrepreneur to entrepreneur connections.

The host community is also important. The host community is where entrepreneurs not only work, but live and play. Their families are part of host communities. While host communities are typically communities of place, they can also be communities of interest. How host communities treat entrepreneurs is important. One reason why growth oriented entrepreneurs leave urban neighborhoods or a rural community is because these host communities often severely punish failure and resent too much success. As a result of these hostile behaviors, entrepreneurs gravitate to communities where they can receive either more privacy or actual encouragement and support.

We will address infrastructure and business services next. Connections to economic opportunities are stimulated and enabled in both the E Culture and Infrastructure spaces.



E Infrastructure. Commerce or business infrastructure is important to any business. Things like cost of doing business, taxation, regulation, communications, business services, workforce, key human talent and the like are universally important. But what is specifically important to individual business varies based on their activities and stage of development. In general however, there are certain things that are critically important to entrepreneurs who are engaged in visioning, developing and growing a venture such as access to high speed internet, smart phone services, particular kinds of human talent, the right kinds of spaces for businesses and especially the right kinds of places to meet and be creative.



Human Talent. Access to human talent is the keystone in today's globally competitive environment. A key reason why high cost places like New York, California and Minnesota are very entrepreneurial is because these places attract human talent. The foundation of Chicago Mayor Rob Emanuel's economic development strategy is to attract the largest potential share of graduates from Big 10 Universities. The mayor understands that where talent is concentrated business development will follow. While this is an over-simplification of what should be a more sophisticated strategy, it

does embed truth with respect to the importance of human talent. When addressing human talent, the kinds of issues and assets addressed by Richard Florida (The Creative Class theories) and other economists become important. The right kinds of community spaces, particularly quality of life amenities and a focus on youth become foundations. Bottom line, it is very difficult to evolve an entrepreneurial community without growing a human talent base.



Youth. The U.S. Census Bureau now defines a "generational period" as 25 years. In the course of history, this is a blink of an eye. Entrepreneurial communities understand that focusing on youth and their human talents is foundational. Retaining, and more importantly, attracting young talent is essential, but it is more than the right pitch or living and working spaces. Entrepreneurial communities understand that our traditional educational system focused on producing WORKERS or EMPLOYEES does not grow entrepreneurial talent. These communities engage with educators to create opportunities and pathways for identifying and growing entrepreneurial talent. In doing so, these communities can also evolve the attitudes of existing businesses to move beyond the idea of employees as mere inputs like electricity or parcel post service, but as the cornerstone of a competitive entrepreneurial venture.

Wrap Up

In conclusion, one way to think about entrepreneurial communities is to draw upon an example from nature or our own homes. In nature, we understand that healthy ecosystems enable a diverse lifestyle. These healthy environments can tolerate and even thrive in periods of stress. They have resilience and can come back when hit with drought or flood. The same is true in healthy families. Illness and crisis may deeply stress a family, but the family can sustain its members. In good times, all the members of the family thrive in finding success and happiness. Entrepreneurial communities create and sustain an environment or ecosystem that stimulates and supports entrepreneurial ventures from thriving non-profits to competitive for profits.

Now take the challenge and use the *Entrepreneurial Community Quick Assessment* on the next page to evaluate how entrepreneurial your community is…

Score each statement based on how strongly you agree or disagree with its accuracy as to how it relates to your community. Use a 1 to 5 scoring system, where 5 indicate strong agreement with the statement and 1 indicates very weak agreement.

Entrepreneurial Community Quick Assessment					
Statement	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
We have a lot of high performing business, civic and social entrepreneurs in our community.					
We have a strong entrepreneurial culture in our community where we understand failure is part of being entrepreneurial and success is celebrated and not resented.					
Our community has an exceptional entrepreneurial infrastructure including strong interaction and support among entrepreneurs.					
In our community, we believe the most important investments are into human talent including growing entrepreneurs and helping existing ventures become more entrepreneurial.					
Our community, our parents and our schools believe that entrepreneurship is as great a career for our children and grandchildren as finding a great job.					
TOTAL SCORE	**The higher the score, the greater the chances that your community is more entrepreneurial.**				

Key 8 – Immigrants & New Residents

Growing Entrepreneurial Communities

America's Eternal Conflict

In my home state of Nebraska, the community of Fremont has enacted some of the most restrictive ordinances against illegal immigrants with advocates arguing that the Federal Government has failed to protect our borders. Fremont is a wonderful community, but it is torn between the new life blood of Hispanic immigrants and traditional fears associated with immigrants. This debate is often ugly and is center stage in America and many counties these days. But it is not new. Even though the United States is what it is because of waves of immigrants, both legal and illegal, there is a long history of anti-immigration and even new resident fears and conflicts.

Immigrants and new residents create tensions and stresses within the social fabric of communities and particularly within more homogeneous and insular communities. But for those communities that embrace immigrants and new residents as an opportunity than threat, the dividends can be great.

Our field experience is relatively clear. Immigrants and new residents are important to renewing communities economically, socially and even culturally.

Threat of Strangers

Ignorance and fear are powerful forces and motivators. The threat of strangers or people different than us is part of America's legacy. Communities have clear choices whether to fight or welcome new residents and immigrants. This choice will influence a community's future for good or bad.

The Opportunities

In his remarkable book *Daring Visionaries, How Entrepreneurs Build, Inspire Allegiance, and Create Wealth*, Ray Smilor nails the attributes of successful entrepreneurs. Mr. Smilor employed thousands of entrepreneur interviews and profiles collected by the Ewing Marion Kauffman Foundation to craft his summation of key traits of successful entrepreneurs. Central among these traits is an overwhelming drive to succeed. Based on Smilor's research, the roots of this drive are diverse and plentiful, but underlying motivation explains why immigrants and new residents are more likely to bring entrepreneurial energy into our communities.

Gift of Diversity

Whether in nature or community, resilience is enabled and strengthened by diversity. Diversity of people and their ideas, connections, cultures, etc. can enrich and renew a community. New residents and immigrants can jump-start and accelerate a community's climb to becoming more entrepreneurial.

Immigrants and new residents are not necessarily brighter (remember brain drain theory) but they are smart risk takers. These are folks who leave the known world of their former homes to relocate to entirely new communities. For immigrants this often means moving to a place with new language, customs, rules and the like. Something is driving them to take a huge risk in a new place. A second reality makes this opportunity real. These new risk takers in our midst often must be very creative to make a new living and life for themselves. Often, despite their education and qualifications there are not traditional wage and salary job opportunities. The work that is available is hard and often below their capability level. So what do these new immigrants and new residents do? They proportionally create and grow more entrepreneurial ventures.

Life 2.0

Rich Karlgaard of Forbes Magazine fame penned a wonderful little book titled *Life 2.0, How People Across America Are Transforming Their Lives by Finding the Where of Their Happiness.* This book provides insight on the genuine opportunity of new residents.

In these realities lie the opportunities for jumpstarting and growing a more entrepreneurial community. One does not have to take generations to change core community culture to one with strong entrepreneurial orientations, rather with each new immigrant and resident the composition of your community changes. Even modest levels of new immigrants and residents who are welcomed and supported can drive your community toward becoming a more entrepreneurial community.

The Challenges

Change is hard for all communities. Change is particularly hard for more isolated, insular and struggling communities. There is a degree of comfort and security in the status quo, even if that reality is not very good or promising. Welcoming new residents, let alone immigrants with different languages, skin color and customs can be very challenging.

Field experience suggests that communities really do have a choice in whether they see new residents and immigrants as a development opportunity or a threat. Whether a community wants new folks in town or not may not be a choice if there is a local industry drawing strangers. Community attitude will impact whether these strangers become rooted and lifelong contributors to the entrepreneurial community.

The book by Stephen G. Bloom, *Postville, A Clash of Cultures in America's Heartland*, effectively captures all the dynamics and challenges of new residents, but there are examples of communities welcoming these opportunities. Immigrants and new residents are re-inventing and energizing gateway communities like Toronto, New York, Miami, Seattle and Los Angeles. In less dramatic ways, communities like Lincoln, Nebraska (my hometown) are thriving and growing better because of immigrants.

Ontario & Michigan

We have cited this study before, but we continue to recommend it to folks despite its age. A. J. Jacobs' article in *Economic Development Quarterly* (August 2009) provides a powerful comparison between Detroit and Toronto and Michigan and Ontario. The relative performance of these places between 1980 and 2006 are striking. Central to Jacob's explanation for these differences is immigration policies. New residents and immigrants have fueled Ontario's and Toronto's renewal as global entrepreneurial communities.

Making It Happen

Not every community has an opportunity to attract new residents, let alone immigrants. For those communities that do have this opportunity, there is a clear choice as illustrated by the Ontario and Michigan stories noted in the sidebar on this page.

There are a number of resources including the writing and work of Richard Florida (Creative Class fame). A few years ago our Center created a set of guides for rural communities with funding from the W.K. Kellogg Foundation through the HomeTown Competitiveness® Initiative. These guides are a bit

dated, but are still accurate and useful. They are free and you can access them through the following links. Guide topics include:

1 – People Attraction Opportunities, An Overview to Our Strategy Guides
2 – Youth
3 – Families
4 – Entrepreneurs
5 – Professionals
6 – Retirees

We also recommend you contact Craig Schroeder with the Center. Craig has extensive experience in this field and can help. Craig can be reached at craig@e2mail.org.

New World Reality… Do We Have a Choice?

As never before, our world is inter-connected in powerful ways. We are part of a global economy and society. America continued to be a powerful magnet for people desiring our freedom and way of life. Issues of new residents and immigrants taking our jobs continue to be a fear. There are voices calling for a new age of isolation illustrated by the craziness of the U.S./Mexico fence. Reality may be that we really do not have a choice. We either embrace this brave new world or destine our community to economic and social irrelevance. We can focus on the challenges and threats or realize the opportunities. As you consider moving your hometown towards becoming a more vibrant entrepreneurial community, consider new residents and immigrants as part of your strategy. We would love to hear from you, drop me a line at don@e2mail.org.

Key 9 – Real Regional Collaboration

Growing Entrepreneurial Communities

At first blush, you may be wondering what the connection is between growing an entrepreneurial community and investing in real regional collaboration. Our 9th key explores an under-appreciated, very challenging and extremely important long-term development topic. We will explore real regional collaboration through the following five themes:

1. Development in America – A Local Responsibility
2. Why REAL Regional Collaboration Matters
3. The State of Regional Organizations in America
4. Fast Track to Real Regional Collaboration
5. Some Regional Models Worth Exploring

Let's begin our journey by revisiting a topic we addressed in our first key--Local Responsibility.

Development in America – A Local Responsibility

In the United States and in Canada (to a certain degree), community economic development is largely a local responsibility. Yes there are federal, state/providential and private resources that can level local efforts. Access and use of these resources operationally depend upon the commitment and capacity of localities to know about them and use them. This reality becomes very important in that many communities – whether they are rural towns or urban neighborhoods – lack the size and scale to create and sustain robust development support systems (Entrepreneurial Development Systems – see Key 4). Where size and adequate scale are lacking, do these communities simply default to second class entrepreneurial development systems or are there alternatives? Real regional collaboration is a primary solution to this challenge. Through regional collaboration, smaller communities can turn the scale challenge into an opportunity and compete with the big guys like Montreal, Silicon Valley and the like.

Scale Has No Mercy

In economic development, size does matter and lack of scale does not procure mercy. Those lacking scale and weaker development support systems are simply less competitive and more likely to fall behind. Figuring out how to reach necessary scale even, if you are small, is a challenge that entrepreneurs must face and win. The same is true for entrepreneurial communities.

Why REAL Regional Collaboration Matters?

There are two very important rationales for why real regional collaboration matters:

- **Achieving Sufficient Scale**
- **Economies are Regional**

Achieving Sufficient Scale. Stimulating and supporting entrepreneurs is complex. This is particularly true if your community is working with growth-oriented entrepreneurs. The marketplace is extremely competitive, and if your community is to have meaningful impact in supporting your entrepreneurs, sophisticated and robust resources are required. Such resources more organically occur in larger places like Toronto, Chicago or Dallas, but if you are a smaller metro area like Missoula, Montana or Fond du Lac, Wisconsin, let alone remote rural communities of 1,000 or even 50,000, creating and sustaining a sophisticated and robust entrepreneurial development system is difficult. Overcoming lack of scale or size is challenging. However, with smart regional collaboration, scale can be realized. Successful entrepreneurs do this every day when they create strategic partners and grow outsourcing relationships.

Real Regional Collaboration

You may be thinking- what is going on with the use of REAL before regional collaboration? Fair question, and I am making an important point. There are lots of collaborative efforts to support community economic development. But most of these efforts eventually fail because they have no teeth. Real collaboration is more than dating… it is getting married with your partners. Real collaboration means shared authority, robust and predictable funding and a commitment to the long-term and staffing.

Economies are Regional. Another important consideration is that economies are regional in North America. While we do have a local economy, our ultimate success economically and socially is tied to how well our regional economy works. I grew up in Western Nebraska and attended high school in Ogallala, Nebraska. Ogallala is really a neighborhood in the larger Denver-centered regional economy. For local entrepreneurs who want to grow, chances are good that their markets and resources are not local, but tied to the region in which they are located. When we create regional collaboration tied to regional economies, we are being smart, and the potential for economic development success increases based on our field observations and practices.

The State of Regional Organizations in America

Development interests in the United States, Canada and particularly in Europe and China have long recognized the importance of developing regional economies through regional collaboration. Focusing on the U.S., there is a long history of attempting to incent and support regional development organizations over the past 30 to 40 years. The inset on the next page provides a pretty good list of these efforts and organizational types. Unfortunately for most non-metropolitan areas, this critical infrastructure has fallen on bad times, atrophied and often lacks the capacity to generate meaningful development impacts. There are many reasons for this decline that we must- as a community of developers- address. Here are my top three reasons…

- **Disinvestment by the Federal Government and the States.**
- **Political Push Back Over Concerns of Local Control.**
- **Community Competitiveness Tied to the Era of Business Recruitment Competition.**

Given the current political environment it may be very challenging right now to realize meaningful increases in Federal and State support. Additionally, with Tea Party and States'/Communities" rights movements it is hard to image that much progress due to this push back and trends. Entrepreneur-focused economic development is different when compared to business attraction. In the business attraction game, communities are in competition with each other. States have strong motivations for moving economic activity from one geography to another. Even though this is a zero sum game nationally or even within state boundaries, the game drives competition not collaboration. The entrepreneurship development game is fundamentally different. Supporting local and area entrepreneurs does not inherently create competition between communities. Generally, the entrepreneur has already made a location decision and relocation is far less of a threat. Bottom line, there is more opportunity for communities to engage in regional collaboration when the development game is entrepreneurs.

Regional Development Organizations

Development Districts
RC&Ds (now defunded)
Community Action Agencies
Councils of Government
Regional Community Foundations
Economic Development Corporations
Community Development Corporations
Etc….

Fast Track to Real Regional Collaboration

At this point in U.S. history, with some important exceptions, regional collaboration for development has not taken root, and we are left with every community struggling to find their own solutions while under-resourced and lacking important scale. This formula accounts, in part, for weakening economic performance in many parts of the United States post-Great Recession.

So, how do we make real regional collaboration happen? After struggling with this issue for 40 years, we believe that there are historical solutions and emerging new solutions worth exploring. First let's explore legacy solutions…

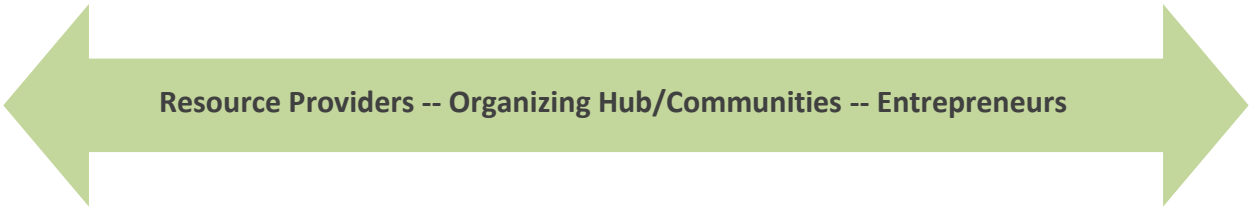
Legacy Solutions. Early in the Center's life, we visited and studied legacy entrepreneurship support systems. It is interesting to note that most of these 20 to 40 year old initiatives are regional. These regional collaborations employed a wide range of public and private mechanisms to achieve scale and impact. They were created and grew to maturity when there was stronger Federal and State support. The three legacy regional systems we found included the Kentucky Highlands Investment Corporation, Northern Initiatives and Coastal Enterprises. There are more with 10 to 20 years of experience including the West Central Initiative in Minnesota, alt Consulting in the Delta Region and the Northeast Entrepreneur Fund. The vast majority of these new initiatives are private, employ public funds and tools, and involve providing both technical assistance and capital to entrepreneurs.

Networked Solutions. Effective collaboration and entrepreneurial development system operation does require in-person connectivity. The rapid evolution of information technology has fundamentally enhanced opportunities for regional collaboration where distances can be expanded and in-person connectivity can be moderated. The rise of this technology and growing comfort in its use now enables **networked-based** regional collaboration. Entire entrepreneurial development systems are evolving employing new technologies and communication methods. Entrepreneurial success in places like Littleton, Colorado and Fairfield, Iowa effectively employ both high touch in-person and electronic communications based on a network approach. One of the most promising entrepreneurial networks is NetWork Kansas with a statewide portfolio of communities, entrepreneurs and resources.

Traditional collaboration required either a corporate or inter-local approach. The following chart highlights both avenues for regional collaboration in support of entrepreneurs:

Corporate Approach	Inter-Local Approach
Corporate approaches to regional collaboration are best illustrated by economic development corporations or regional chambers of commerce like the Iowa Lakes Economic Development Corporation, Kentucky Highlands Investment Corporation or alt Consulting in the Delta. These are typically nonprofit and public propose corporations either with or without members.	Most states provide a legal mechanism for formal collaboration among communities called inter-local agreements. These agreements can and do create all kinds of regional collaborations where governmental and even private entities join together pursue a mission like economic developments. Examples would include Economic Development Districts and Councils of Government.

Network based regional collaboration typically requires an organizing hub with well-defined affiliates as illustrated below:



Using NetWork Kansas as an illustration, the State of Kansas charted NetWork Kansas as a quasi-public and private hub charged with evolving an entrepreneurial development system in Kansas. NetWork Kansas has grown a sophisticated, robust and effective system that connects over 400 resources directly to entrepreneurs or through strategic partnerships with over 39 communities (some county-wide and now including both rural and urban places). This approach does not require resource providers, communities or entrepreneurs to become actively and legally engaged in a collaboration, but enables affiliation creating access to the EDS network. We believe a model for regional collaboration in support of entrepreneur-focused development holds the greatest potential for both efficiency and effectiveness. Network based collaboration does have limitations. Networks coupled with what we call **super community development corporations** move us to the next level of potential performance.

Some Regional Models Worth Exploring

I referenced a number of models in this paper on regional collaboration. The following summarizes our recommendations for further exploration with links to either websites and/or stories.

Traditional Legacy Models		
Kentucky Highlands Investment Corporation	Story	Website
Coastal Enterprises		Website
Northern Initiatives	Story	Website
Promising Traditional Models		
alt Consulting in the Delta	Story	Website
Northeast Entrepreneur Fund	Story	Website
West Central Initiative	Story	Website
Community Networking Models		
Littleton, Colorado	Story	Website
Fairfield, Iowa	Contact	Website
Boulder, Colorado	Book	Website
Regional or Statewide Models		
GrowFlorida	Story	Website
Rural Enterprise Assistance Program REAP (NE)		Website
NetWork Kansas	Story	Website

We hope you are inspired to move your community to pursue real regional collaboration on behalf of your dream of becoming an entrepreneurial community.

Key 10 – Civic and Social Entrepreneurs

Growing Entrepreneurial Communities

Our field experience shows clearly that **where you have business, civic and social entrepreneurs** who are actively engaged in a community – you will find a successful community that displays all the attributes of an entrepreneurial community. Before we progress too far, we should provide some working definitions of our three types of entrepreneurial talent:

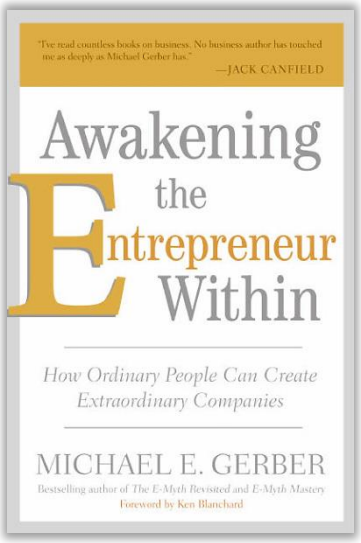
Three Kinds of Entrepreneurial Talent		
Business Entrepreneurs	**Civic Entrepreneurs**	**Social Entrepreneurs**
Of the three kinds of entrepreneurial talent, business entrepreneurs are probably the most familiar. These are the folks that play in the free-market and for-profit venture space. Their success creates new services and products, generates investment, new jobs and local tax base.	Government and entrepreneurship may seem like opposites, but our experience is that government can be remarkably entrepreneurial. Civic entrepreneurs provide great public educations, parks, smart highways and a full range of services and amenities that make our communities thrive.	Social entrepreneurs work in that growing part of our economy and society known as not-for profits or non-governmental agencies. These organizations creatively provide resources and amenities ranging from the arts to community health care and literacy education for immigrants.

All three kinds of entrepreneurial talent working in different but connected spaces in our communities bring the same energy, perspectives and enhancements to our communities. As we have discussed before, the attributes of successful entrepreneurs are…

- Opportunity Focused
- Visionary
- Build Teams for Success
- Innovative
- Flexible
- Resourceful

What we have found from our field observations is that communities can realize some degree of success with any of these three kinds of entrepreneurs working in isolation. However, when *all three* areas have robust entrepreneurial talent, a community begins to fire on all cylinders becoming an entrepreneurial community. So, let's dig a bit deeper and explore each of these three kinds of entrepreneurial talent.

Business Entrepreneurs



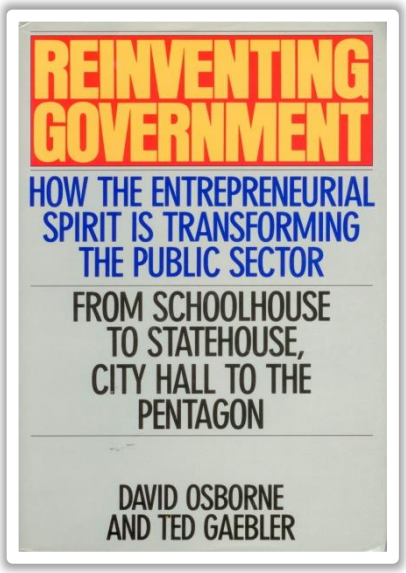
There are thousands of books that have been written on business entrepreneurs and how to become more entrepreneurial. We could not begin to even recommend all of our favorites, but possibly the most definitive word on this topic is from author Michael E. Gerber and these books: *The E-Myth, The E-Myth Revisited, The E-Myth Mastery* and *Awakening the Entrepreneur Within*. Gerber profiles the attributes that contribute to successful and sustained entrepreneurial behavior. His books both document and guide our understanding of what it is to be a successful business entrepreneur. We would suggest, with some modification, those same business entrepreneur attributes are part of being a successful civic and social entrepreneur.

Civic Entrepreneurs

Government today, particularly in the United States, is experiencing a challenging road and is under attack. If you have heard the line once, you have heard it thousand times from campaigning politicians…

"Government should be run like a business."

The message is clear that government should be efficient, more effective and ultimately more entrepreneurial in bringing greater value and impact to everything from education to water systems. Despite these challenging times for government, American government beginning with the good government movement (President Wilson forward), has a reputation for being all these things including being entrepreneurial. Innovations like the Land Grant University system, Cooperative Extension and space program are all illustrations of entrepreneurial government. We would argue that we continue to find entrepreneurial government at all levels – federal, state and local. This debate about government has been with us for a long time.

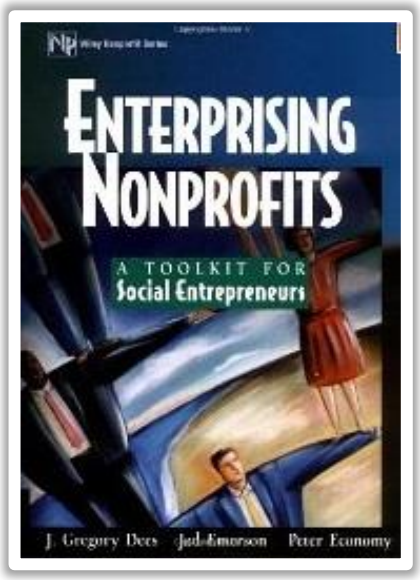


Back in 1992 (21 years ago or nearly a generation), David Osborne and Ted Gaebler wrote their best-selling book *Reinventing Government*. Note the tagline to this book…

"How the Entrepreneurial Spirit is Transforming the Public Sector, From Schoolhouse to Statehouse, City Hall to the Pentagon"

Recently I participated in a planning retreat with county officials sponsored by the National Association of Counties. What impressed me was how entrepreneurial these officials are in their search for innovative solutions to managing and supporting the boom in U.S. energy development.

Social Entrepreneurs



It goes by many names including…

- Voluntary Sector
- Community Sector
- Nonprofit Sector
- Non-Governmental Organizations
- The Third Sector(as compared with business & government)

Social entrepreneurs work in this space addressing everything from health care, education, recreation, arts and humanities and even economic development. This sector has grown dramatically, accounting for an increasing proportion of our gross domestic product. As government has become conflicted in the current political war over its scope and size, social entrepreneurs have become more important, often filling the voids. Social entrepreneurs build community by addressing both needs and opportunities.

The bottom line – communities who want a thriving entrepreneurial business sector need the good works of civic and social entrepreneurs because they create quality of life and business climates desired by business entrepreneurs.

If You Want to Foster Entrepreneurship, You Must Be Entrepreneurial…

At the Center for Rural Entrepreneurship, we are fortunate to have Dr. Tom Lyons as our Board of Directors Chairperson. Tom has been part of the Center from its very origins. He, as you might expect, is also a leading researcher in the field of entrepreneurship and particularly social entrepreneurship. Tom has worked hard with the Center to empower it as an entrepreneurial venture. He understands the advice given by Ewing Marion Kauffman (entrepreneurial founder of Marion Laboratories and the Kauffman Foundation)…

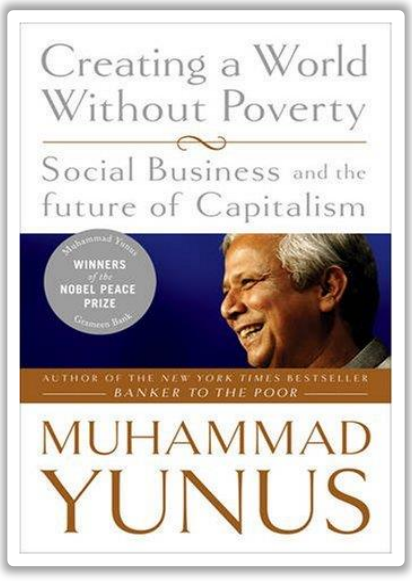
"If you want to help entrepreneurs, you must be entrepreneurial yourself."

The quote has become part of our culture at the Center and in every community and region we have had the opportunity to work with over the years. This counsel was imparted to us from Dr. Jay Kayne (formerly with the Kauffman Foundation and one of our founding supporters), and we believe it is central to becoming an entrepreneurial community:

Possibly one of the best ways to illustrate the all-important roles that civic and social entrepreneurs play in our society and community is through three quick stories of this kind of entrepreneurship.

Muhammad Yunus

- ✓ He wrote the New York Times bestseller *Creating a World Without Poverty* (2007).
- ✓ He received the Nobel Peace Prize.
- ✓ He is known as the "Banker to the Poor."
- ✓ He created the Grameen Bank in Bangladesh.
- ✓ He empowered a world movement focusing on entrepreneurial talent.
- ✓ He is a social entrepreneur.



I first learned of Muhammad Yunus years ago in a very indirect way. I was young and working with Gene Severens at the Center for Rural Affairs (based in Nebraska). Gene had become interested in micro-finance as a way to help farmers and rural residents suffering from the farm crisis. He discovered Yunus, visited Bangladesh and studied the ways of the Grameen Bank. He brought those ideas back to America's Great Plains and created the Rural Enterprise Assistance Program (REAP). This program – rooted in social entrepreneur Muhammad Yunus' vision and ideas – continues today and has empowered thousands of rural entrepreneurs.

Maxine Moul

- ✓ She and her husband Francis are journalists.
- ✓ She is one of the toughest editors I have ever met.
- ✓ They are business entrepreneurs from humble origins with a thriving regional publishing company, Maverick Media.
- ✓ She ran for public office and became Lieuenant Governor of Nebraska.
- ✓ She championed rural development and created the Nebraska Community Foundation.
- ✓ Never retiring, today she serves as USDA Rural Development Director for Nebraska.



Maxine is a friend, and I have seen firsthand her talents as a civic entrepreneur. She focuses on issues strategically, gathers people and organizations together, finds solutions and ensures that they become reality. Nearly everywhere we go, we find mayors, county commissioners, school teachers, legislators, and governors who practice the fine art of civic entrepreneurship. These civic entrepreneurs make government work better. They create impact with new health care facilities, power grids, and programs for at-risk youth and they also make sure the wheels of government services function efficiently and effectively. They are not everywhere and bureaucracy still exists, but they are more frequent than you think.

Bonnie Hildreth

Our final story is about an emerging social entrepreneur, Bonnie Hildreth. Bonnie leads the Barry County Community Foundation based in rural Michigan. She is passionate, smart, hardworking and totally committed to making a difference in her community. The Barry County Community Foundation is not large by foundation standards. But for the communities and people in Barry County, this institution, rooted in Bonnie's leadership, is making a real difference. Like most successful entrepreneurs, Bonnie listens and learns. She is constantly on the lookout for what her community needs and where solutions might rest. She is willing to try innovations from elsewhere that will make sense given her reality. She is someone most people like and with whom you would enjoy having a meal. We have a story on Bonnie and the Barry County Community Foundation that gives you a better idea of the work happening in Michigan. You can find the story here.



Our three quick stories hopefully give you a better idea on why we believe that civic and social entrepreneurs are essential to growing entrepreneurial communities. We encourage you to factor them in your strategic plan for making your community an entrepreneurial community. Without them you can fail; with them you can empower your community to thrive.

Index of Links found in this booklet:

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https://energizingentrepreneursorg.presencehost.net/file_download/c8134503-479c-4f80-a654-f9b43ecb4103

Page 45 People Attraction Opportunities
https://energizingentrepreneursorg.presencehost.net/file_download/53a4be13-7e44-4045-9c84-20b046e06c50

Page 45 Youth
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https://energizingentrepreneursorg.presencehost.net/file_download/48438f53-c481-416d-b25b-68829f6da9d4

Page 45 Entrepreneurs
https://energizingentrepreneursorg.presencehost.net/file_download/e3ea012b-4f11-41c7-b130-600d2d100ed0

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Page 45 Retirees
https://energizingentrepreneursorg.presencehost.net/file_download/dc691d2a-c87a-4e5c-80f8-b579ab92bc27

Page 51 Kentucky Highlands Investment Corporation
Story - https://energizingentrepreneursorg.presencehost.net/file_download/56ee8dc9-187e-4da1-be2e-4b96af3b0048
Website - http://www.khic.org/

Page 51 Coastal Enterprises
Website - http://www.ceimaine.org/

Page 51 Northern Initiatives
Story - https://energizingentrepreneursorg.presencehost.net/file_download/258b04f2-1783-41c7-8edf-e320971a62dd
Website - http://www.northerninitiatives.com/

Page 51 alt Consulting in the Delta
Story - https://energizingentrepreneursorg.presencehost.net/file_download/17a874c6-bb6e-47af-afd3-f0f86f6cee5b
Website - http://altconsulting.org/

Page 51 Northeast Entrepreneur Fund
Story - https://energizingentrepreneursorg.presencehost.net/file_download/f0e3f587-61e9-4345-b89f-cdaebbc6a4d3
Website - http://www.entrepreneurfund.org/

Page 51 West Central Initiatives
Story - https://energizingentrepreneursorg.presencehost.net/file_download/09cac1e5-a5d7-44f8-99ea-1c03ef712f29
Website - http://www.wcif.org/

Page 51 Littleton, Colorado
Story - https://energizingentrepreneursorg.presencehost.net/file_download/4b559ff9-e93c-414d-878c-b2ef48e02aae
Website - http://www.littletongov.org/bia

Page 51 Fairfield, Iowa
Contact - burt@brainbelt.com
Website - http://www.growfairfield.com/

Page 51 Boulder, Colorado
Book - http://www.startuprev.com/books-communities/
Website - http://www.foundrygroup.com/wp/

Page 51 GrowFlorida
Story - http://www.growfl.com/downloads/GrowFLProgram2009-2013.pdf
Website - http://www.growfl.com/

Page 51 Rural Enterprise Assistance Program REAP (NE)
Website - http://www.cfra.org/reap

Page 51 NetWork Kansas
Story - https://energizingentrepreneursorg.presencehost.net/file_download/32e20447-44db-42d4-8544-eb6c18792118
Website - http://www.networkkansas.com/

Page 56 Bonnie Hildreth
https://energizingentrepreneursorg.presencehost.net/file_download/61a19dfe-dc0a-4404-9b48-7b235b1bb33d

10 Keys Summary

If you are intrigued by what you've read in this booklet and would like to learn more about building an entrepreneurial community, you'll find additional resources in our new **e2 University** program—an online platform for sharing our work and our tools, and for inviting your deeper engagement with the Center as you learn and do more in your communities. As part of e2 University, The Center has an entire collection of guides, worksheets and exercise resources, as well as a brand new book titled, *"Energizing Entrepreneurial Communities: A Pathway to Prosperity."* Access to all of this material can be found on our website at:

http://www.energizingentrepreneurs.org/library/e2university.html

Questions & More Information



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The e^2 Team is led by Don Macke, Co-Director with the Center for Rural Entrepreneurship. Don has more than 38 years of community economic development experience and has worked with regions and communities throughout North America and the Caribbean. The e^2 team includes Ahmet Binerer (research), Deb Markley (metrics & research) and other Center staff.

Over the years, the Center has developed close relations with some of the best working in the field of entrepreneurship including Leon Atwell and Jack Newcomb (master community & business coaches) from Kansas, Christine Hamilton-Pennell (market intelligence) based in Denver, Colorado, Dick Gardner (master community coach) from Boise, Idaho and Quincy Ellis and Greg Clary (master community coaches, entrepreneurship experts and incubation authorities) from Texas. Additionally, the Center has one the largest networks of entrepreneurship practitioners in North America who can be drawn upon to support specific projects.

The Center for Rural Entrepreneurship's vision for rural America is one of vibrant communities and regions that embrace entrepreneurship, that find new sources of competitive advantage in their inherent assets, and that invest in a new more sustainable future for both present and future generations. The Center's mission is to help our local, regional and state partners achieve this future by connecting economic development practitioners and policy makers to the resources needed to energize entrepreneurs and implement entrepreneurship as a core economic development strategy.

To learn more about the Center's history and program areas, go to
www.energizingentrepreneurs.org
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The Rural Policy Research Institute (RUPRI) provided founding support to create the Center for Rural Entrepreneurship in 2001. RUPRI's mission is to provide independent analysis and information on the challenges, needs, and opportunities facing rural people and places. The work of the Center for Rural Entrepreneurship, along with other centers and collaborations, helps RUPRI achieve this mission. To learn more about RUPRI, visit www.rupri.org.