Community Prosperity Theory of Change Model

Guidance for Economic Development Work

By Don Macke with Steve Radley

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Our “north star” or organizational vision is nothing less than greater and more sustainable community prosperity where every resident has the opportunity to do better and realize dreams. Our community economic development mission and game plan must be focused on creating an environment where such a vision is realized. At e2, we believe that growing entrepreneurial talent and behavior is the starting point and catalyst for cultivating an entrepreneurial economy and more prosperous community.

Background and Introduction

In the United States, communities are primarily responsible for their own development and prosperity. This phenomenon is unique among developed countries in the world. In community economic development, we undertake growing stronger economies and better communities. At e2 we believe community economic development is more than increasing gross domestic product or acts of community betterment, we believe that our community economic development strategies and investments should empower more equitable communities where resident health and wellbeing are apex indicators of desired transformative change.

Theory of Change Models

Theory of change models are powerful tools towards more strategic and impactful community economic development that is aspirational to transformative change. These models provide a conceptual theory of how our commitments, actions and investments will drive us closer to desired transformative change.

This paper is organized into two main sections, with the following subordinated topics:

Theory of Change Model Overview

- e2’s Basic Theory of Change Model
- An Expanded Theory of Change Model
- Six Tiers of Outcomes
- Employing a Theory of Change Model

Community Prosperity Indicators

- Community Prosperity Development Framework
- Leading Indicators of Transformative Community Change
- Transitional Indicators of Transformative Community Change
- Lagging Indicators of Transformative Community Change
- Health and Wellbeing Connection

North Stars and Roadmaps

The development of communities in the United States is the primary responsibility of communities themselves. This is not generally the case in the rest of the developed world, where national and provisional governments play much greater roles in community economic development. It is for this reason that every community and region has a development game plan rooted in genuine assets and development opportunities. A **theory of change model** can provide the scientific basis supporting and guiding our development efforts.

Theory of Change Model Overview

This first section of our paper is organized around the following parts:

- e2's Basic Theory of Change Model
- An Expanded Theory of Change Model
- Six Tiers of Outcomes
- Employing a Theory of Change Model

Community Prosperity Development Framework

Building on our pioneering work with HomeTown Competitiveness or HTC a quarter of a century ago, we have curated our Community Prosperity Development Framework. Check out our paper for additional detail, ***Rural Community Prosperity Development Framework*** and visit our **website** for case studies of communities using the framework as well as additional resources related to the framework.

Our thinking with respect to a community prosperity change model is evolving as we continue to learn. The initial or basic e2 change model focuses primarily on growing a better community economy.

e2's Basic Theory of Change Model

Figure 1 on the next page provides e2's well-established, community-centered and entrepreneurially-focused theory of change model. We believe community investments that increase entrepreneurial behavior (e.g., all three segments of a community including businesses, nonprofits, and government including education) set into motion a whole set of higher order outcomes beginning with expanding venture and community socioeconomic competitiveness. Increased entrepreneurship ensures an economy and community that can thrive in today's highly competitive environment.

The second related driver within this model is increasing diversification both economically (e.g., kinds of ventures, market connections, etc.) and socially (e.g., diversity of residents). Socioeconomic diversification is foundational, along with increased competitiveness to growing a higher-value economy where there is a broader base of income throughout a community. Poverty undermines a community's ability to not only thrive, but it also entrenches inequities among residents, often rooted in economic diversity. As the value of an economy increases, driving both higher personal income and broader income distribution, we begin to see increased socioeconomic resiliency. In today's environment, resiliency is critical to a community's ability to sustain vitality and prosperity over time. Resilient people, organizations, businesses, and communities are able to cope with major challenges (e.g., natural disasters to economic recessions) or opportunities (e.g., a major new development project or the in-migration of new residents) more effectively. Resilient communities in turn are able to create both personal and community wealth reinforcing community (e.g., strong local tax bases and increased charitable giving for example) vitality and resiliency. When these drivers are aligned and active, a progressive cycle of change begins to emerge in a community, resulting in transformation.

Figure 1. e2's Theory of Change Model

Embedded in our basic e2 Theory of Change Model, diversity and resident health and wellbeing were implied. This Theory of Change Model must include explicit and intentional actions to address minority engagement. A first step is the concept of a JEDI community or organization (i.e., JEDI – Justice, Equity, Diversity, and Inclusion). Check out our recent paper addressing the JEDI concept through an entrepreneurial development lens.

Next, we explore an expanded theory of change model that includes considerations with respect to resident wellbeing and happiness.

An Expanded Theory of Change Model

Conversations driven by NetWork Kansas regarding **Networked** sparked our thinking in how we could be more explicit with respect to minority development and resident health and wellbeing.

NetWorked Partnership for Community Investment

NetWorked connects unconnected networks including community foundation, health foundations and organizations, minority-led organizations, entrepreneurship support organizations and economic development organizations to close gaps between people, information, and assets to develop pathways that boldly solve community challenges.

See Figure 2 on the next page for a visualization of these four considerations in our new and more clearly defined theory of change model.

Figure 2. Four Strategic Connections – Change Theory Model

Minority Development	Community Development	Entrepreneur-Led Economic Development	Resident Health and Wellbeing

An economy exists to meet the needs and wants of a society and its residents.

Six Tiers of Outcomes

An economy exists to meet the needs and wants of a society and its residents. With this value statement in mind, we have reorganized our basic e2 Theory of Change Model into five interrelated tiers of desired outcomes realized through community-centered and resident-focused community economic development.

An Economy's Purpose

Economies are not an end in of themselves, they are a means to meet the needs and aspirations of the residents. It is for this reason that we must expand our vision of community economic development to include empowerment. We must move from simply measuring economic performance in GDP terms to embracing broader metrics embedded in the Gross Happiness Index and other emerging conceptual frameworks.

Tier 1 – Increasing a Community's Entrepreneurial Behavior. In our very dynamic, ever-changing, and highly competitive world, e2 believes that increasing entrepreneurial mindsets and behaviors are key to growing more vibrant economies and prosperous communities. An entrepreneurial mindset driving intentional action, is foundational within all three sectors of a community including for-profit businesses, nonprofit organizations and government agencies including education. This is what creates and sustains an entrepreneurial community. Growing **entrepreneurial communities** optimizes a community's potential for success over time.

Tier 2 – Increasing Competitiveness and Diversification. Investments that support and stimulate entrepreneurial behavior throughout the community inherently puts into motion increasing socio-economic competitiveness within a community's economy, quality of life placemaking, and its ability to attract, develop and retain human talent. The outcome of increasing entrepreneurial behavior within a community is broadening diversification of both the economy and society. More diversified economies and residents are foundational to communities that have higher value and are more resilient.

Minority Development

In the U.S. there are profound gaps between minority income, wealth, health, and wellbeing when compared to Caucasian populations. Our development systems, ranging from entrepreneurial ecosystems to healthcare to education, must understand these gaps, the historical footprints creating these gaps, and the ultimate opportunities and pathways that will narrow and eliminate these gaps within our communities over time.

Tier 3 – Expanding Value-Added within the Community. Poverty is the most significant barrier that exists within communities and societies. Poverty denies opportunity, erodes hope, and directly contributes to adverse resident health and wellbeing outcomes. Remarkable work by the Federal Reserve Bank of San Francisco and others employing life expectancy metrics at the Census Track geographic level documenting life expectancy rates from affluent to poor communities showed disparities of 15, 20 and even 25 years. The simple truth is that even in very vibrant and successful communities like my current hometown of Lincoln, Nebraska, significant life expectancy gaps are present. Not only does our community's economy need to create jobs and rising personal incomes, but we must also be intentional about addressing the quality of jobs and the distributional effects of income. Re-establishing a living wage with some degree of household economic security during times of distress must be foundational development goals.

Diversity as an Asset – Not a Threat

Diversity has always been an asset and challenge in America's development. Central within our Theory of Change Model is viewing resident diversity (e.g., women, minorities, new residents, etc.) as a development opportunity and asset. But this requires communities to overcome fear that a changing community represents a threat to their status and wellbeing. Our paper, ***The Power of Diversity,*** explores this topic.

Tier 4 – Deepening and More Robust Resiliency. Our world's economies and climate are becoming more volatile, creating adverse challenges and impacts for communities and their residents. This year alone in the U.S. we have record hurricanes, wildfires, average temperatures and a second depression like recession in just ten years (e.g., Great Recession 2007-2009 and Pandemic Recession 2020-?). Resiliency – individuals, households, organizations, businesses, and communities – is becoming increasingly important to not only cope with these major challenges but find a pathway to prosperity becoming stronger than we were before. Resiliency is foundational to our ability to sustain higher levels of community prosperity, including resident health and wellbeing.

Tier 5 – Rising Household and Community Wealth. A key apex transformative change indicator is rising household and community wealth. In a free-enterprise market economy, income and wealth translate to opportunities, greater choices, and political/economic power. When more residents have wealth, even at basic levels, we enable a JEDI (e.g., More Just, Equitable, Diverse, and Inclusive) community to emerge. A central component of an entrepreneurial community and culture is resident reinvestment in their community through volunteerism, investing their assets locally, and intentionally using their talent to move community projects forward. This intentional action must include all segments of the resident population.

Figure 3. Defining Resident and Community Health and Wellbeing

Health	Wellbeing
Health refers to resident and community health status and outcomes. An example is Robert Wood Johnson Foundation's Health Indicators System. These address everything from substance abuse to heart disease to mental health. www.countyhealthrankings.org	Resident and community wellbeing are harder to measure but focus on how any resident thinks and feels about their community. Is there a sense that each resident is valued and respected, which yields a feeling of belonging? Are there opportunities to engage and have a say in their hometown's decisions?

Tier 6 - Improving Resident Health and Wellbeing. The ultimate apex indicator of transformative change within our theory of change model is expanding resident health and wellbeing. See Figure 3 for short definitions of both health and wellbeing. In our national forming documents, we embrace the concept of the right to pursue one's happiness. Economies, societies, and communities that create opportunities and pathways to personal and collective success create a system that values each individual. This creates a sense of belonging that supports stronger health outcomes for residents, which is the ultimate goal for community economic development.

Our next stop in our theory of change journey is focused on how such as model can become a north star or roadmap towards growing a more prosperous economy that in turn benefits all residents within that community's society. Within organizational or community development, the concept of a **north star** is often employed. A north star, when used by navigators, enables someone on a journey to find their destination, keeping them focused on their end point of their physical journey. In our work of growing more vibrant and prosperous communities, the north star are apex outcomes realized through transformative change and empowered by smart community economic development. In our theory of change model, our north star or apex outcome is the betterment of the residents and the society within a community.

Employing a Theory of Change Model

Guiding us with our north star outcome, we can use our theory of change model to create a roadmap of intermediate outcomes we anticipate will be realized towards our apex outcome of resident betterment. A theory of change model should be more than some academic or abstract exercise that we do and put aside as we engage in our daily work of community economic development. Rather, it should be part of our regular work keeping us strategically focused, aware of progress and how our work should evolve over time, always keeping us centered on our ultimate outcomes. To help us in keeping this rather abstract work grounded and useful, we continue to recommend Milan Wall's framework, ***Hierarchy of Community Impacts,*** to operationalize a theory of change model as a dynamic tool within our work.

Our work with theory of change is profoundly important. It maps the cause and effects that lead to more vibrant economies and prosperous communities that empower greater JEDI health and wellbeing outcomes. It is critically important we engage our team in this process of finding the right relationships, in the right sequences and employing the words that communicate these important concepts most effectively for community leaders, builders and community economic developers.

Next, consider some of the indicators we employ at e2 to measure how a community is doing within our **Rural Community Prosperity Development Framework**.

The entire purpose of an economy is to meet the needs of its residents. In today's environment, we should aspire to create not only ways for our community's residents to make a living but engage in meaningful work through careers and vocations. Therefore, the purpose of community economic development should be to envision and grow economies that are capable of meeting the material needs of their residents but also economies that offer a wider range of economic opportunities matching up with the aspirations of our residents.

Community Prosperity Indicators

In this section of our theory of change paper, we focus on the analytics that a community can employ within the Hierarchy of Community Impacts to operationalize the theory of change model, ensuring a strategic focus on the north star outcome and use of this framework to serve as roadmap and progress benchmark tool. This section is organized around the following parts:

- Community Prosperity Development Framework
- Prosperity Indicators Framework
- Leading Indicators of Transformative Community Change
- Transitional Indicators of Transformative Community Change
- Lagging Indicators of Transformative Community Change
- Health and Wellbeing Connection

Community Prosperity Development Framework

HTC - HomeTown Competitiveness

Beginning in the 1990s, the Nebraska Community Foundation, the Heartland Center for Leadership Development, and the Center for Rural Entrepreneurship (now e2 Entrepreneurial Ecosystems) with funding from the W.K. Kellogg Foundation, envisioned and launched HTC or HomeTown Competitiveness. Our extensive Nebraska and national learning from HTC provides the foundation for our prosperity community development framework.

Rooted in our earlier work with HomeTown Competitiveness, we have evolved our Community Prosperity Development Framework. We believe that communities should aspire to widely shared and sustainable community prosperity, enriching both individuals and the overall community. For rural America, this framework is particularly relevant given the distress too many rural communities and regions have experienced in the last two generations (e.g., 50 years) of U.S. history. In our recent paper ***Economic Crashes, Mini-Case Studies***, we highlight how single industry dependent rural economies have devastated rural communities and entire regions throughout the United States. Our prosperity community development framework provides a way your community can pursue smart and robust community economic development capable of moving your community to greater economic vitality and community prosperity.

Lessons from Ord, Nebraska. For too many, rural America is viewed as landscapes and communities that are destined to decline as urban areas continue to grow and thrive. There is no question that too many rural communities and regions are experiencing chronic and severe distress magnified by high poverty, unemployment, depopulation, and challenges like the rural substance abuse. But there are communities across rural America bucking these general trends. One is Ord (population 2000+) located in rural North Central Nebraska. Ord was our first HTC community, and we have been capturing their story from crisis to increasing prosperity and vitality over the past two years. Figure 4 illustrates the progression of Ord and our ***Ord Story Collection*** provides rich detail as this rural community has moved forward to transformative positive change. Its north star was a thriving and vibrant rural community. Growing entrepreneurs was the empowering force and HomeTown Competitiveness was the roadmap.

Prosperity Curse

The **prosperity curse** is a well-established theory that when people, communities, and organizations become too affluent, they lose their competitive edge and drive for success. General Motors would be a great example. In the 1960s it dominated the international car market. This dominance curtailed innovation and eventually Japanese and Korean car makers claimed dominance. The prosperity curse can infect individuals, families, businesses, organizations, communities, and entire nations. When things are good and going well, the pressure is off to continue innovation and growth. While it is great to have breathers, failing to work hard at personal to community development can undermine future prosperity and vitality. Energizing a community into action is often harder when things are going well than when they are not. But it is during good times that next generations must be made rooted in genuine development opportunities.

Figure 4. Ord's Progression from Crisis to Transformative Change

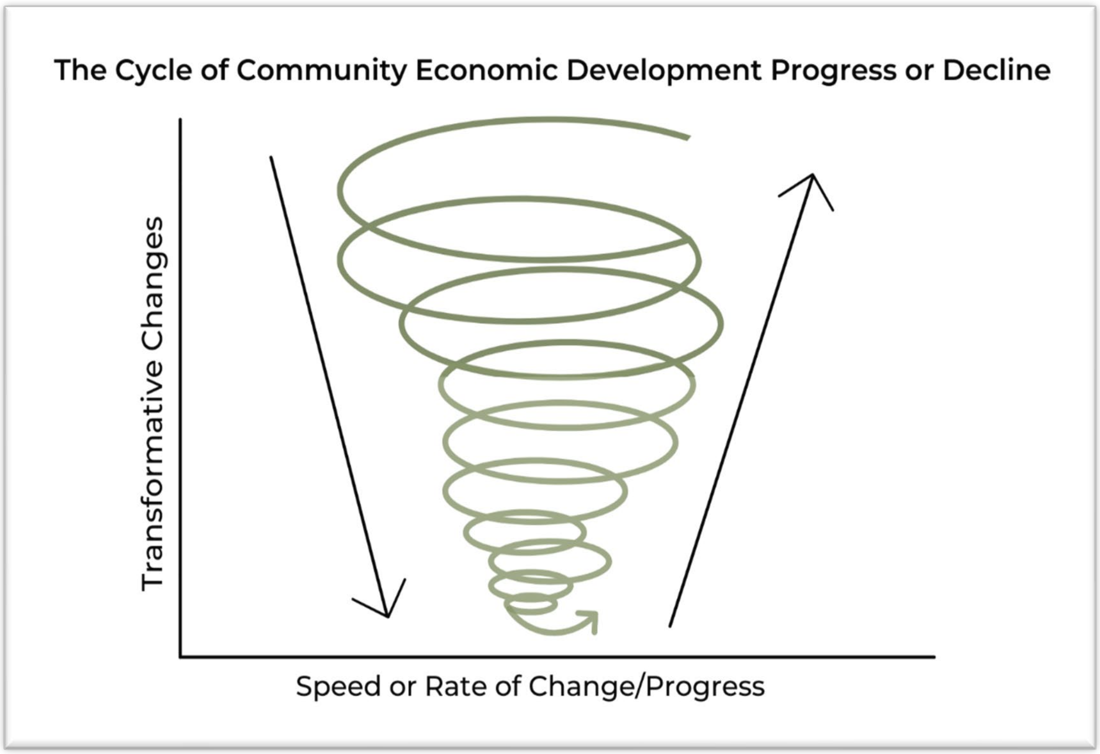
1980s Agricultural Crisis	1990s Search for Solutions	2000 Pivot Year Aiming for Success	2000-2010 Investment & Progress	2010-2020 Transformative Change

Community Cycles of Decline or Progress

In the field of community economic development, there is a well-established theory that communities go through cycles of decline and progress. These cycles can be relative short associated with national business cycles (e.g., recessions and recoveries) or the loss of an important venture, or relatively long-running decades. Longer-term cycles of decline or progress are more structural, associated with underlying trends in key industries and economic sectors. During boom or progress cycles communities can become complacent (e.g., the prosperity curse theory) failing to aggressively pursue renewing community economic development. Longer-term and structural decline cycles are more threatening to communities, where the very capacity of a community to revitalize itself is eroded, creating a culture of hopelessness.

Figure 5 on the next page depicts an important concept in community economic development. A community, individual, organization, or economy rarely remains constant for very long. Some are more dynamic with rapid changes and others are less dynamic with slower changes. But all are changing. With the cycle, the idea is communities that are progressing, making commitments, investing, pursuing smart development strategies, etc. build momentum because of their success enabling greater development capacity and even more progress. The inverse is true where communities are adrift, disinvesting or pursuing wrong-headed development. They too have a momentum that erodes vitality and capacity, accelerating over time.

Figure 5. Economic Development Cycle



Lessons from Kearney, Grand Island and Hastings, Nebraska. For over 30 years we have been tracking three rural-hub cities in central Nebraska – Kearney, Grand Island and Hastings. Figure 6 provides basic demographic information for these communities based on their county populations.

Figure 6. Tri-Cities, Nebraska Population Trends

Year Decade	**Buffalo County**	**Hall County**	**Adams County**	**Tri-Cities Region**	**Notes**
	Kearney	Grand Island	Hastings		Lead Community
1900	20,254	17,206	18,840	56,840	
1900s	8.2%	18.3%	10.9%		Turn of the Century
1910s	8.6%	16.5%	8.2%		Growth Years
1920s	2.3%	14.3%	16.2%		Agricultural Crisis
1930s	-2.8%	1.5%	-6.5%		Great Depression
1940s	6.3%	16.9%	17.4%		World War II

Year Decade	Buffalo County	Hall County	Adams County	Tri-Cities Region	Notes
1950s	4.4%	11.1%	3.0%		Manufacturing Boom
1960s	19.0%	19.8%	5.6%		Interstate 80
1970s	11.5%	11.3%	3.0%		Related Development
1980s	7.6%	2.6%	-3.4%		Agricultural Crisis
1990s	12.9%	9.4%	5.2%		Double Digit Growth
2000s	9.1%	9.5%	0.7%		
2010s	7.6%	5.1%	0.5%		
Average	9.9%	8.0%	2.1%		Last Three Decades
2010	46,102	58,607	31,364	136,073	
Change	25,848	41,401	12,524	79,233	1900 to 2010
% Change	**127.62%**	**240.62%**	**66.48%**	**139.40%**	**% Change 1900-2010**

These communities illustrate the shifting patterns of long-term progress with periods of slowing growth. In 1900 all three communities posted very similar county populations. Historically, Hastings was the most prosperous community of the three with railroad, industry, hub city, a highly productive agriculture region and a thriving hinterland. In the 1970s, Kearney took off with a serious spurt of entrepreneurial energy. Grand Island continued its ascent as both a manufacturing and hub city community. Hastings lost ground as the prosperity curse held back investments into community economic development. Major employers moderated economic development investments for fear of worker/wage competition. While both Kearney and Grand Island are posting strong growth (e.g., average for the past three decades of near 1% population growth per year), Hasting's leading indicators are suggesting it is evolving into a much more dynamic entrepreneurial community with a very competitive quality of life.

Figure 7 provides some key developments in these three hub cities. Known as the Tri-Cities, this part of Nebraska is vibrant and growing. It is increasingly diverse both economically and socially. Since 1900 the three counties, home to the Tri-Cities, has posted a 142% population change.

Figure 7. Tri-Cities Key Developments

Kearney	Grand Island	Adams County
Union Pacific Railroad	Union Pacific Railroad	Rich Agricultural & Rural Region
Kearney State College	WWII Ammunition Plan	Homegrown Legacy Entrepreneurs
Interstate 80 Development	Branch Plant Manufacturing	Burlington Northern Railroad
University of Nebraska Campus	Interstate 80 Development	WWII Ammunition Depot
Homegrown Entrepreneurs	Small Metropolitan Area Status	Central Community College

Entrepreneurial Kearney

Among the three cities in the Tri-Cities Region, Kearney has experienced significant homegrown entrepreneurial success complimenting its role in hosting the University of Nebraska Kearney Campus. Steve Buttress's book (noted below) captures this dynamic part of Kearney's development journey.

We anticipate all three communities that comprise the Tri-Cities Region in Nebraska will continue to grow and prosper. But we are watching Hastings carefully because of their very smart, aggressive, and impactful development efforts. Hastings has a newer generation of entrepreneurial and civic leadership that is inspiring. Development efforts ranging from downtown revitalization, entrepreneurial development, innovative housing development and interesting partnerships with Hastings College all point to a breakout moment for this community that has lagged behind both Grand Island and Kearney in its development over the last three decades.[1]

As you might expect, while this framework is presented linearly, the change process involves much greater complexity with many feedback loops. At the end of the day, what is important is (1) creating a roadmap to community prosperity and (2) a practical way to measure evolving transformative change over time, not a precise mathematical model.

More Jobs→ Improving Income→ Stabilizing→ Population→ Rising Wealth

Figure 8 provides an overview of leading and lagging indicators of community change. Leading indicators are those we expect to see as evidence of early during transformative change. Lagging indicators manifest later as transformative change deepens and a culture of prosperity takes root across a community. Further definitions are provided in Figure 9. Our next stop is exploring e2 leading, transitional and lagging indicators of community transformative change.

Figure 8. Leading and Lagging Indicators of Transformative Change

Leading Indicators		Transitional Indicators	Lagging Indicators
Employment	**Personal Income**	**Population**	**Household Wealth**

Key: Leading indicators of transformative change are those metrics that first document that positive transformative change is occurring. Lagging indicators come later in the progression, where there may be a few years to an entire decade before we can document a full range of indicators of transformative change from well accepted secondary data sources.

Leading Indicators of Transformative Community Change

Again, leading indicators are those metrics that typically surface early as a community begins to transform into a more prosperous community. There are two primary and well-established leading indicators of employment and personal income.

Men Without Work

Nicholas Eberstadt in his book *Men without Work, America's Invisible Crisis,* is short but powerful in capturing what happens when people lose meaningful work. It helps explain so much. We encourage our readers to check this 2016 book out from Templeton Press.

Employment. Employment is foundational in a market-based free-enterprise economy. While in the U.S. we have a social democratic market economy, free enterprise continues to be a primary driver of economic development and vitality. Like population change, changes in employment is an

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[1] We hope to start a case study of the Tri-Cities Region in 2021 with a particular focus on Hastings, building on the earlier work of our friend and colleague Steve Buttress and his 2002 book *Kearney, Uncover the Secret to Kearney's Success* (Olive Tree Press).

unsophisticated indicator of transformative change. Figure 8 provides a more refined set of employment related indicators.

Jobs→Good Jobs→Careers→Vocations

Work is essential for generating basic income needed for meeting our essential needs like housing, transportation, healthcare, and the like. Hopefully, good jobs enable budget for travel, educating our offspring, charitable donations, and saving for retirement. But employment is more than just generating an income. Work is important to our self-worth and identify. What we know from the literature is when people lose their work due to economic change or natural disasters, individuals and entire communities can fall into crisis with higher at-risk behavior like alcoholism, domestic violence, depression, drug abuse and criminal behavior. Now back to our leading, transforming, and lagging indicators of employment with Figure 9:

Figure 9 – Employment Related Transformative Change Indicators

Leading Indicators	**Transition Indicators**		**Lagging Indicators**
Proprietorship Employment	**Wage and Salary Jobs**	**Living Wage Jobs**	**Meaningful Careers & Vocations**

Proprietorship Employment. The U.S. Bureau of Economic Analysis (BEA) have been tracking proprietorship employment and income since 1969. This is a very reliable data source providing indicators down to the county level. There are two metrics that comprise proprietorships including farm and non-farm proprietorships. Proprietorships are a good indicator for largely locally owned smaller businesses, ranging from the local grocery stories to a homegrown manufacturing plant on the edge of town. These locally owned and family run businesses are core to community economic development. From the ranks of these businesses comes local tax base, community leadership, community philanthropy and identity (e.g., think of that local café that is known throughout a region attracting patrons from a multi-county region). Early on with entrepreneurship, we often see statistical improvements in proprietorship employment as these local businesses are doing better with stronger bottom lines.

Wage and Salary Employment. Wage and salary employment now dominates America's economy, as proprietorship related employment has lost ground with a structurally changing economy. Certain industries provide wage and salary jobs including health care, government, education, and larger ventures. Wage and salary ventures (e.g., including for-profit businesses, nonprofits, and government entities) provide a wide range of employment from part-time work with uncertain work schedules and minimal benefits to career track, full-time employment with richer benefits. When we consider either proprietorship or wage and salary employers, some provide **good jobs** while others do not.

Good Jobs

Good jobs are a subjective term, often linked to what some call **living wage jobs**. For some workers, a part-time job without benefits is a good lifestyle fit. But too many Americans (record numbers since the Great Depression) struggle as working low income or poor who are employed, but with insufficient income and benefits to meet their basic needs and achieve a reasonable level of economic security and choice. Industries like hospitality and retail are particularly loaded with these kinds of jobs.

Living Wage Jobs. As one might expect, there is the transitional relationship between jobs and earnings or personal income. The $15 per hour minimum wage movement in the U.S. is focusing on creating living wage jobs throughout the United States. Given the wide range of cost of living from San Francisco or Manhattan to rural areas in western Nebraska, defining living wages must include adjustments for cost of living. Within the urban to rural continuum, cost of living varies where housing costs may be significantly lower in rural areas, but transportation costs are actually higher, as rural workers and consumers must travel further to access jobs, healthcare, and other services. Four key characteristics associated with living wage jobs include:

1. Living wage compensation
2. Comprehensive benefits
3. Predictable and stable hours of work
4. Job security

Meaningful Careers and Vocations. Pope Francis (the Catholic Church's world leader) talks about the meaning of work and importance beyond a salary and meeting the material needs of a household. He addresses the dignity of work and its importance in defining who we are, our respected role in our community and our personal self-worth. Meaningful careers and vocations are abstract concepts that can only be measured through qualitative measurement via surveys and focus groups. What we can measure is when a community is failing to provide living wage jobs and there is hopelessness where residents do not believe they can achieve meaningful careers and vocations.

Tale of Three Generations

America is a land of immigrants. The first generation takes any job to meet the material needs of their families, including some of the worst jobs in America (e.g., farm labor, roofing, meat packing, etc.). But through hard work, the first generation enables their children to attain an education and even higher education, opening up greater earning power and desired careers. The success of the second generation enables the third generation to pursue a wider range of careers, including the arts and humanities that enrich our culture and very existence.

Personal Income. Job creation and personal income are tightly connected. In some cases, local businesses need stronger incomes before they are willing to add jobs. When we consider a community, we most often see stronger job creation before we witness rising aggregate community personal income. Leading up to the Great Depression in the 1930s, America witnessed a widening gap in income inequality, with rising concentrations of income and wealth into ever smaller groups of households at the top. Policy changes (e.g., Social Security, labor rights, income and corporate tax policy, social safety net, etc.) associated with the Great Depression, the rapid economic expansion with World War II and then the consumer expansion following the War, resulted in narrowing income inequality and a rapidly growing middle class in America. For many, these were the golden years of America, where prosperity seemed in reach for any person willing to work hard. By the 1970s, income and wealth inequality began to rise in America once again, and real income growth for the middle class stagnated. In the subsequent four decades, income inequality continues to grow and real income growth for the middle class continues to stagnate, as illustrated by limited changes in federal and state minimum wages. Right to work policy changes undermine the power of labor unions and ability of workers to band together to negotiate better wages and benefits. Figure 10 on the next page provides the personal income related transformative change indicators.

Figure 10. Personal Income Related Transformative Change Indicators

Leading Indicators	Transition Indicators		Lagging Indicators
Rising Average Earnings Per Job	Reducing Poverty and Working Low Income	Rising Household Disposable Incomes	Lowering Gap Between Mean and Median Household Income

Rising Average Earnings per Job. The U.S. Bureau of Economic Analysis (BEA) generates with the Census Bureau **Per Capita Income** and **Average Earnings per Job** indicators. These are highly reliable metrics. Per capita income is widely employed but distorts income as a change metric because it includes rising non-labor earnings such as income to retirees, Age Related Federal Transfer Payments (e.g., Social Security and Medicare), Hardship Related Transfer Payments (e.g., public assistance, food assistance, unemployment, and Medicaid) and Other Transfer Payments (e.g., farm payments, Veteran benefits, Workman Compensation, etc.). Consequently, we employ the Average Earning per Job metric as our leading indicator of personal income change. Communities with rising average earnings typically have a better economy driving other income outcomes.

Disposable Income Defined

Working people may pay less income taxes when compared to more affluent households, but they must pay payroll taxes including contributions to Social Security, Medicare, withholding for state and federal income taxes and Medicaid on every dollar they make up to a rather high threshold level. Disposable income represents the actual income or spending power of households adjusted for payroll taxes.

Reducing Poverty and Working Low Income. The Average Earnings per Job does not reflect earnings distribution. In a community, there can be rising average earnings while parts of our community continue to struggle with poverty and working low-income jobs. Our next indicator in this continuum is evidence of reducing poverty and working low-income households. When communities generate income where poverty and working low-income rates drop, it is creating a high value and prosperous community.

Rising Household Disposable Incomes. Rising household disposable incomes (Esri data source) gives us an ability to measure not only mean but median household disposable income. Over time, we can measure not only changing aggregate disposable income levels, but how income is disbursed by age and income level.

Figure 11. Transformative Indicators Defined

Transformative Change	Within the Hierarchy of Community Impacts, Level 5, or the highest level of community impacts, measure transformative change capable of being measured in well -established secondary metrics like population, employment, income, and wealth change. Transformative change for most communities takes years and even decades to realize, making case study work challenging.
Leading Indicators	As the word “leading” suggests, leading indicators are those metrics that we expect to see first within transformative change. As leading indicators turn positive and grow, they catalyze both transitional and eventually lagging indicators. With long-term change, it is helpful for a community to know it is heading in the right direction with strengthening leading indicators.

Transitional Indicators	Transitional indicators come next after leading indicators and provide more indications that a community is moving in the right direction. These indicators are not always precisely sequential, but there does appear to be a pattern, as noted in this paper.
Lagging Indicators	Lagging or apex indicators demonstrate a community is becoming a prosperity community. In our e2 theory of change model, increasing household and community wealth that is widely distributed within a community is our ultimate apex indicator of transformative change.

Lowering Gap Between Mean and Median Household Incomes. As a community begins to prosper, some households will do better than others. For a time, mean household disposable incomes will rise as will the gap between the mean and median, documenting a widening income inequality. But with intentionality, community economic development can lift more boats not through trickle down but through the creation of pathways to both individual and community prosperity. In our indicators model we need to track the ratio of mean to median household income to see if income inequality is rising or narrowing. As noted before, we expect it to rise initially and then over time narrow as a successful community creates more opportunities for more residents.

Transitional Indicators of Transformative Community Change

Transitional indicators bridge between leading and lagging indicators of community transformation. Personal income is both a transitional and lagging indicator. We have discussed personal income indicators earlier in this paper. Now we focus on population as both a transitional and lagging indicator.

Nearly every community experiencing chronic and severe distress displays out migration and depopulation. Some regions and communities are more “sticky” than other communities, where residents are slow to leave even when there is limited employment, eroding incomes and deepening poverty. Regions like the Black Belt in the Deep South, parts of Appalachia and sections of the industrial Midwest display this stickiness to stay. But even these communities and regions experience outmigration of risk capable residents. Other parts of the country are more mobile due to higher educational attainment and less generational poverty. The Great Plains and Rocky Mountain west tend to be less sticky when economic stress drives outmigration, particularly among younger people, contributing to depopulation.

Figure 12. Population Related Transformative Change Indicators

Leading Indicators	Transition Indicators		Lagging Indicators
Age Cohort Changes, Including Net Gains in 25- to 45-Year-Olds and Retiring Boomers	Slowing of Population Loss and Stabilization in Lead Communities	Modest Population Growth in Lead Communities with Dropping Average Resident Ages	Population Stabilization and Even Growth at the County or Regional Levels Tied to a Lead Community

Communities that are transitioning from decline to greater vitality begin to see an increasing number of younger adults staying, coming home, and attracting other 25 to 45-year-olds to the community. The rise in younger adults directly impacts increasing numbers of youth as these childbearing age households have kids. In these communities the number of students in early grades are often larger, even significantly larger, when compared to high school grades. These communities are also better at retaining and attracting retirees and now Baby Boomers. Retirees often leave their rural communities to be closer to family and essential services like health care. Demographic renewal among younger adults means more children and grandchildren are in the community, creating stickiness with retirees. Additionally, communities that are doing better also typically are able to retain a more robust and comprehensive health care system locally.

Apex Indicators

Lagging indicators are those indicators we can document last in the development process. We also use the term **apex** indicators to imply those ultimate desired outcomes from the community economic development process realized over years, maybe decades, of smart and robust development efforts.

Ultimately, as we progress from the leading to transitional to the lagging indicators of population transformative change, we find the leading community's increasing vitality contributes to population stabilization at the county and regional levels. There is synergy between the lead community's success and the region's success.

Lagging Indicators of Transformative Community Change

Figure 13. Wealth Formation Indicators

Rising Household Income among more of community's households	With Rising Household Disposable Incomes, new wealth is created among some residents	Rising Mean or Average Household Net Worth and Total Household Community Net Worth	Initially, the gap between higher and lower wealth households rises and can become permanent, absent intentional development	With intentional development, communities can create greater household wealth and equity, growing a wealthier community
Increasing Disposable Income, Increasing Venture Profitability	Growing (both more and better) business community	Rooted businesses further create wealth within communities	Wealthier communities support more businesses	The mix and value of businesses change with equitable wealth
More resources for charitable nonprofits	Increasing potential for legacy or endowment giving	Increasing charitable giving capacity	Both household and business giving increases	Maximum charitable giving potential is realized
Greater taxing capacity within a community	Expanding local tax bases allowing government to do more	Broader tax bases spread tax burdens, particularly for lower income households and more marginal ventures	Government including education can do more growing a higher quality of life community	The overall relationship between tax burden and government services is optimized

As household personal income or earnings increases and the distributional nature of this change is more widely spread among all households, we create the environment for both personal and community wealth (e.g., e2's apex transformative change indicator) formation.

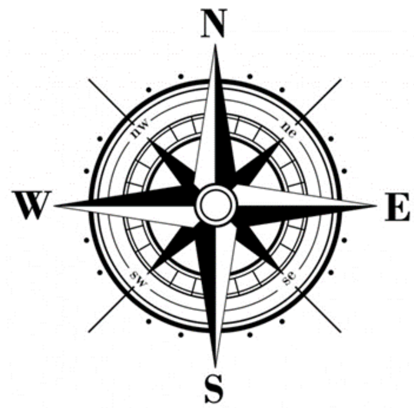
Wealth is often equated with personal greed or a vice in community-centered development. In a free enterprise, market-based economy, there is a tendency for wealth accumulation, which is adverse to healthy and vibrant communities. But in our change model, wealth is the apex indicator including both rising personal and community wealth. The challenge for communities is to create the kind of economy where more than a few do well and the opportunity for wealth formation is spread throughout the community, creating a more equitable community. Household wealth translate to opportunity, choices, and economic security. With more household wealth the chances a family can access great health care, save for a secure retirement, launch a business, or help children get started with advanced education, a home or a career improves Household wealth also equates to political power that can change who is elected and how government functions to meet the needs of the whole community and not just a few. Broadly distributed wealth just does not happen as “trickle down” theory suggests. Economic development must create pathways and opportunities that empower more residents to achieve personal success, contributing to community vitality.

Finally, wealthier communities with widely shared wealth look and feel different. Like individuals, these communities have more opportunities, greater choices, and deeper resiliency to overcome challenges like economic downturns or natural disasters. Wealthier communities can invest more into quality-of-life placemaking including education, recreation, arts and humanities and other amenities that not only enrich lives but create a key component of an entrepreneurial ecosystem.

Health and Wellbeing Connection

Our work with the Kansas Health Foundation and Network Kansas is increasing our sensitivity to resident and community health and wellbeing. Our evolving **Community Prosperity Theory of Change Model** now includes resident and community health and wellbeing. America, despite our remarkable healthcare system and one of the highest per capita health care spending rates in the world, continues to lose ground to other countries with respect to health outcomes. This is particularly true for poorer communities on the margin. In my home community of Lincoln, Nebraska, despite its overall prosperity, vitality, and affluence, there is a nearly 20-year difference in life expectancy in life span from the poorest to the richest neighborhoods. Resident and community health and wellbeing is important and should be included in any community prosperity indicators system. In time, we will incorporate health and wellbeing indicators in our transformative change model.

Early navigation in the Northern Hemisphere was calibrated by the north star in the night sky. For community economic development, we need north stars that capture and define where we want to go and be as a community. But we also need road maps that provide us the routes we can take to realize our destinations. e2's **Community Prosperity Theory of Change Model,** rooted in decades of hard-won field work, can help your community find its way to a more prosperous future.



North Stars and Roadmaps

Growing, let alone sustaining, community commitment to a development strategy is hard. Development is a long process and from month to month it is hard to see progress. Even when meaningful progress is present, we can lose sight of what is happening, undermining faith in what we are doing and lose momentum. Having a sound change model and relevant indicators we can follow, is so important. It can help us see we are moving in the right direction. By studying successful communities, we can provide a better idea of how progress occurs based on both leading and lagging indicators of change. Always remember the true change relations:

Small Band of Champions

Ever Expanding Group of Empowering Leaders

Increasing Numbers of Community Builders

Resulting Community Support and Engagement

While this paper focuses on indicators of transformative change, we must remember the process indicators as illustrated above, when community champions, an expanding group of leader and community builders engage their larger community in envisioning and pursuing successful community economic development. It is our hope that this thought paper provides complimentary information to our **Rural Community Prosperity Development Framework** and **Hierarchy of Community Impacts**. Every community has the responsibility for its own future prosperity. Equipping your community with the right frameworks and tools can be very valuable in optimizing your efforts and investments.

How e2 Can Help

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

What We Do

- ✓ **Mentoring.** We mentor and coach new practitioners seeking to pursue entrepreneur-led development. We provide advice and support for building eEcosystem strategies that work and invite practitioners to join our National e2 Practitioners Network.

- ✓ **Analytics Support.** e2 helps communities and regions understand their entrepreneurial potential through research and data.

- ✓ **e2 University (e2U)** is our online platform for sharing guides, papers, stories, tools, and resources with communities wanting a deep dive into eEcosystem building. Don Macke leads the e2 University team with analytics support from **Cathy Kottwitz** and report preparation from **Ann Chaffin.** Special recognition for their e2U legacy contributions goes to **Dana Williams** and **Deb Markley,** LOCUS Impacting Investing.

- ✓ **Fostering the eMovement.** We support the national entrepreneurship movement along with our partners including the **Federal Reserve Bank of Kansas City**, **SourceLink**, **Edward Lowe Foundation**, **Kauffman Foundation**, and **NetWork Kansas**. We are a founding member of **Start Us Up: America's New Business Plan**, a coalition dedicated to strengthening entrepreneurship across America. Together, we continue to advance the foundational ideas of building entrepreneurial ecosystems and entrepreneurship-led economic development.

Contact Us

don@e2mail.org
(402) 323-7336
www.energizingentrepreneurs.org

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