



# Entrepreneurial Ecosystem Building in Rural America

Four Decades of Learning



April 29, 2020

## About this Paper

For your community's entrepreneurs to thrive, you must build and grow a robust **entrepreneurial ecosystem** that not only provides critical development assistance to your entrepreneurs but also stimulates and supports entrepreneurial behavior throughout your community. In this paper, we share our latest insights on approaches to and design elements for community-based ecosystem development.

### Entrepreneurial Cultures and Communities

Fostering and growing community-centered entrepreneurial ecosystems have the capacity over time to grow entrepreneurial cultures that in turn grow entrepreneurial communities. This progression of development reflects a deepening of a community's commitment to **entrepreneurial behavior**. This behavior begins to manifest itself in schools, health care systems, local government, nonprofit organizations, and residents throughout the community. Once a community entrepreneurial culture is rooted and strong, it becomes resilient and higher performing. Entrepreneurial communities become a way of living and working.

In this paper, we will discuss the following ecosystem topics:

- Why entrepreneurial ecosystem building is foundational
- Historic overview of entrepreneurial ecosystems thinking
- Ecosystem Building from Three Vantage Points
- Three Levels of Entrepreneurial Ecosystems
- Ecosystem Building within the Prosperity Community Development Framework
- Three Illustrations – NetWork Kansas, Northwest Missouri and Ord, Nebraska
- Developing a Local and Regional Strategy

### Remember... Everyone Currently has an Entrepreneurial Ecosystem

Every community, state, region and even country currently has an entrepreneurial ecosystem. Your community has entrepreneurial talent and resources that can help that talent grow and create community economic development impacts. The real question is how **effective** and **efficient** is your community's ecosystem? The purpose of this paper is to help your community envision and grow a more robust and impactful entrepreneurial ecosystem. Every community must start with understanding what your current ecosystem includes and then your strategy for growing it out over time.

## Why Entrepreneurial Ecosystem Building is Foundational

### Emergence of the Ecosystem Concept

About 30 years ago, we began to notice increasing thought leader discussion around a **system's** approach to stimulating and supporting entrepreneurs. Central to this shift in thinking was movement away from **programs** to systems. The rationale was pretty straight forward: to create culture of entrepreneurship at a landscape level, individual programs (e.g., incubators, gap financing funds, equity investors, technical assistance, etc.), even if these programs were generating impacts, did not optimize entrepreneurial outcomes like system approaches can. Early thought leaders like Brian Dabson and Tom

Lyons introduced the idea of **Entrepreneurial Development Systems** as a desired approach. Over time the naming conventions have evolved from Entrepreneurial Development Systems to Entrepreneurial Ecosystems.

Andy Stoll with the Ewing Kauffman Foundation in Kansas City is known to say...

## **Entrepreneurial Talent is Universal. Entrepreneurial Ecosystems are Not!**

We need to remember that core to entrepreneurial behavior is a focus on opportunity. Talented entrepreneurs become exceptionally good at locating opportunities that they can exploit given their capabilities to create value. Based on e2's extensive field work across America, we believe one of the differences in entrepreneurial activity across the country relates to uneven entrepreneurial ecosystems. We see case evidence of this in communities like Ord or Hastings, Nebraska, with strong ecosystems and other very similar communities that do not. Ecosystems matter.

In the next section, we lay out the evolving thinking over the past 40 years moving from programs to entrepreneurial development systems to entrepreneurial ecosystems. One way to make the case for a **system's approach** is thinking about systems we know very well and how things would work if they were fractured.

Consider America's K-16 educational system. Right now, it is comprehensive, quite sophisticated, and an educated population has driven our economy and personal wellbeing. Education continues to be a primary pathway for immigrants, as well as long-term residents, to create better and more fulfilling careers and lives. While there are quality differences across the American landscape, every child in America from Kindergarten to post-secondary education we have a universal system of public education supplemented by private educational offerings. K-12 public education is provided free and ensures educational pathways for our children and grandchildren. While post-secondary education is not universally free there are public programs to ensure access to ongoing education.

Imagine if universal public education did not exist and was optional. This is the case right now for pre-K education and childcare in America. Every child needs pre-K education to enhance their ability to be "school ready." Depending upon where you live, you might have access to more affordable and higher quality pre-K education and childcare or not. This disparity in this one component essential for America's youth illustrates how universal ecosystem access is so foundational.

## **Historic Overview of Entrepreneurial Ecosystems Thinking**

### **Early Thinking and Thought Leaders**

Chris Gibbons, the primary founder of the [Economic Gardening](#) movement has long talked about complexity theory and that when we have complexity, we need systems approaches. Growing environments where entrepreneurial behavior is stimulated and supported are inherently complex. There are multiple factors (ranging from access to the right kinds of capital to life and work balance issues) that impact creativity, innovation, and entrepreneurial behavior. Over the past 30 years, the entrepreneurship field has increasingly moved from **programs** to **systems** thinking.

## e2's Field Experience

Our earliest work at e2 began with a national scan looking for communities and regions that were embracing entrepreneur-led development. We discovered initiatives dating back into the 1980s and even 1970s where entrepreneurship was the focus of economic development. Regions like the Redwood Coast of California, the Upper Peninsula of Michigan (i.e., Northern Initiatives), Coastal Enterprises in Maine, Kentucky Highlands Investment Corporation and the list goes on. We learned these early pioneers were weaving programs and resources into more comprehensive systems of support. Additionally, these early pioneers were differentiating by entrepreneurial development stage. They recognized that a small business startup had different needs and opportunities compared to an established venture pursuing growth. Recognizing these differences, they began to add complexity to their resources systems, matching unique needs with more appropriate resources.

Early thought leaders beginning in the 1980s and 1990s began to conceptualize the idea of a **systems** approach. Brian Dabson and William Schweke with the Corporation for Enterprise Development were writing and speaking about entrepreneurial development systems. Corresponding with CFED's work, Tom Lyons and Greg Lichtenstein introduced their concept of the **Entrepreneurial League** systems. Tom and Greg employed a baseball framework to respond to the complexity of entrepreneurial talent from a development standpoint (for example, semi-pro baseball for startups and the majors for high growth). Babson College, an early leader in entrepreneurial thinking started mapping and visualizing entrepreneurial systems. At this time, the word **ecosystem** was not in use, and at e2 we adopted the term **Entrepreneurial Development Systems (EDSs)**.

## Complexity Requires Systems

We live, work, and play in a complex world. Systems are common in nature and we have replicated and grown systems to address complex society and economic needs and opportunities. For example, we have complex systems in education, health care, transportation, criminal justice, and the list goes on. Some of these systems have developed organically over time. Others like the U.S. Interstate Highway system were envisioned and built intentionally, dramatically enhancing motor vehicle travel and safety across the United States. Remember, every community and region has an organic entrepreneurial development system. This is our starting point for **intentional** ecosystem building. With intentional ecosystem building, our communities have the opportunity to better understand its unique entrepreneurial talent, where it is at developmentally and what are the essentials for ecosystem building at that point in time.

As we move from the early pioneers of entrepreneurship systems thinking in the 1970s and 1980s, there is a progression of new and innovative thinking contributing to the field. While we have not curated a complete list of these innovators the following is a sampling of those most influential to e2's thinking and work. Many of these efforts focused on niche entrepreneurial talent segments creating ecosystems addressing the unique these of these entrepreneurs developmentally.

**American Enterprise Organization.** By the 1980s, there were efforts across America and the world to support what was called **microenterprises**. The American Enterprise Organization (AEO) became a trade organization for ventures often with six, five or fewer employees. This movement grew out of David Birch's earlier work focusing on small business as the engine of economic growth in America.

Microenterprise development largely focused on appropriate capital access coupled with technical assistance including peer groups and business counseling.

### REAP – Rural Enterprise Assistance Program

In farm country, the 1980s agricultural crisis hit large swaths of rural America hard. Weak commodity prices coupled with record-high interest rates (due to high inflation and the two oil embargos) drove farm foreclosures and consolidation. The rural communities, dependent upon commodity agriculture, were also hard hit. In response to the farm crisis, the Center for Rural Affairs (then located in Walthill, Nebraska) envisioned and created the Rural Enterprise Assistance Program (REAP). Based in part on the peer lending model created by Muhammad Yunus (Grameen Bank in Bangladesh), REAP deployed microlending and technical assistance to rural farmers and residents across Nebraska. This is an example of a targeted or microsystem approach to a specific segment of entrepreneurial talent. In this case necessity entrepreneurs seeking to make a living through microenterprise development.

**Jay Kayne and the Kauffman Foundation.** Jay Kayne with the Kauffman Foundation was also a thought leader advancing system thinking. Jay recognized that there was a wide range of entrepreneurial talent developmentally and that systems needed to reflect the difference between aspiring, startup to high growth entrepreneurs. Jay's insights were particularly foundational to e2's focus on entrepreneurial talent. Bob Ho in Maine contributed to Jay's ideas and provided the foundation for e2's entrepreneurial talent pyramid or continuum of entrepreneurial talent concept, which was further refined by Deborah Markley with the Center for Rural Entrepreneurship.

### Mid-Period Thinking and Thought Leaders

**Economic Gardening.** Economic Gardening was an idea fostered by the Center for New West out of Denver. The term [Economic Gardening](#) was intended to be the opposite of **business hunting** or attraction. This idea took root Littleton, Colorado (southern suburb of Denver) during its 1980s economic crisis (downturn in both defense and energy) by a municipal employee by the name of Chris Gibbons. Chris envisioned a focus on local entrepreneurs providing advance market intelligence research and analysis. Littleton's success spawned an economic gardening movement both nationally and internationally.

Ultimately, in support of providing advanced market intelligence across the United States, Chris assembled a national team and partnered with the [Edward Lowe Foundation](#) focusing on higher growth Stage 2 ventures (i.e., ventures with 10 to 99 employees). Other significant contributions were made by Christine Hamilton-Pennell. Christine worked with Littleton as a research librarian and then collaborated with e2 on ecosystem building for **growth-oriented** entrepreneurs, for which we issued a paper, [Growth-Oriented Entrepreneurs](#). Penny Lewandowski, formerly with the Edward Lowe Foundation, has produced a new paper with e2 focused on growth-oriented entrepreneurial ecosystem building, [Help Your Community Become Growth Obsessed, A Guide for Rural Growth](#).

**SourceLink.** U.S. SourceLink, incubated early on by the Ewing Marion Kauffman Foundation, has evolved into [SourceLink](#), a foundational infrastructure in any entrepreneurial ecosystem. Two of the longest SourceLink projects are rooted in Kansas City and statewide in Kansas. The first SourceLink infrastructure was envisioned, developed, and implemented for years in the greater Kansas City region. It is part of a comprehensive entrepreneurial ecosystem evolving in this region that is generating early transformative impacts. The second SourceLink illustration associated with [NetWork Kansas](#), a statewide and decade

long ecosystem building initiative. The work of Maria Meyers, Kate Hodel, and others at SourceLink have been powerful thought leaders in this space.

**Enterprise Facilitation.** Other work during this mid-period that stimulated system's thinking includes Ernesto Sirolli and his concept of Enterprise Facilitation. Sirolli's book, [Ripples from the Zambezi](#), generated widespread exploration and discovery across the U.S. and parts of the world. In the 1990s, e2 with Erik Pages with Entrenworks Consulting conducted a comprehensive assessment of the Kansas Enterprise Assistance Initiative (work that contributed to NetWork Kansas). Based on this robust project, we learned how Enterprise Facilitation moves from resource focused programs to focusing on the needs of entrepreneurs and networking them to resources. This fundamental shift in emphasis is now foundational to ecosystem building in current times.

## Contemporary Thinking and Thought Leaders

During the last decade, entrepreneurial ecosystem thinking has really evolved and deepened. Across the country, from our biggest cities to rural areas, entrepreneurial ecosystem building is gaining steam, providing us insight and lessons to be considered as we pursue our community's ecosystem building efforts. Four thought leaders and initiatives that have greatly influenced e2 thinking are:

1. Victor Hwang and Greg Horowitz and their book, [The Rain Forest](#), fully captures this concept of entrepreneurial ecosystems. This is a must-read book for any community and ecosystem builder.
2. The Ewing Marion Kauffman Foundation and their support for Entrepreneurship Summits, RuralRISE and the Entrepreneurial Ecosystem Building Playbooks. The summits have empowered amazing opportunities for ecosystem building and those interested in ecosystem building to come together, learn, share and cocreate more sophisticated thinking of this important concept.

### Kauffman Foundation Initiative

The Ewing Marion Kauffman Foundation, based out of Kansas City, has long been a leader in entrepreneurship and entrepreneur-led community economic development. Over the past four years, the Foundation has focused time, energy, and leadership on community-centered entrepreneurial ecosystem building. The Foundation is not driving this work but serving as a host for practitioners and leaders from across America and world to engage in a cocreation process. There are five key design elements to this important work that has greatly informed e2's thinking about entrepreneurial ecosystem building in rural America:

- 1. Annual ESHIP Summits.** Thus far, the Foundation has hosted three ESHIP Summits in Kansas City (2017, 2018 and 2019). The fourth summit is scheduled for late June and early July 2020. Thought leaders and practitioners have gathered annually to first engage in **discovery**, then **design** and finally **employ** this co-learning.
- 2. Ecosystem Building Playbooks.** With each summit the Foundation has curate a series of three [Entrepreneurial Ecosystem Building Playbooks](#) with versions 1.0, 2.0 and now 3.0. These are amazing resources and recommended reading for any community moving down the entrepreneurship road.
- 3. Curation of Ideas.** The Foundation is not directing or even leading this effort focused on entrepreneurial ecosystem. They are a co-creator, but they have also committed to be the host,

moderator, and curator of the co-learning and cocreation from those engaged in the process. This is powerfully important to any movement. But there is also a lesson for your community, region, or state. You need a play like the Kauffman Foundation playing these roles as your geography pursues ecosystem building.

**4. Empowerment of Work Teams.** The Foundation has also provided frameworks and support for self-organizing teams that are working on elements of entrepreneurial ecosystem building. These teams have provided influence for what is contained in the playbooks.

**5. RuralRISE.** Finally, the Foundation and others have stood up [RuralRISE](#), an initiative focused on rural entrepreneurial ecosystem building.

**Community-Centered Entrepreneurial Ecosystem Building Movement.** The Foundation summits and related work have re-energized a national movement focused on community-centered entrepreneurial ecosystem building. This is such an encouraging development as this idea of **systems approaches** had eroded until the Foundation made it a priority. Given the level of response from across America there was clearly broad interest in this work. Continued support from the Foundation is still required to ensure this movement has a host, convener, and curator.

3. The folks at U.S. SourceLink and their growing Network nationally continue to be on the cutting edge of entrepreneurial ecosystem building. Maria Meyers and Kate Pope Hodel's book, [Beyond Collisions](#), provides critically important insights.
4. Finally, NetWork Kansas is the longest running statewide entrepreneurial ecosystem building initiative in America. While NetWork Kansas first focused on rural Kansas, it is now work in cities like Wichita and Kansas City, Kansas, and other more urban communities.

There are other powerful and thoughtful voices like Dell Gines with the Federal Reserve Bank of Kansas City, engaging leaders, communities, and economic developers in conversations about the importance of entrepreneur-led development and entrepreneurial development systems.

## Ecosystem Building from Three Vantage Points

At a minimum, we have three vantage points to consider entrepreneurial ecosystem building:

**1. Community Ecosystems.** For many communities there is not a regional or statewide ecosystem building strategy, so these communities must go it alone. Our story about Ord, Nebraska, provides an illustration of a small rural community that has become an entrepreneurial community without benefit of a regional or statewide intentional ecosystem. For these communities, likely the majority of rural communities in the United States, they need to focus on their area ecosystem building and employ a strategy to network to regional, statewide, and national resources as possible. For community ecosystems it is critically important to focus on building relationships with **Go-To Resources** or those area and regional resources that optimally match the identified needs and opportunities of targeted entrepreneurial talent.

**2. Regional Ecosystems.** For some areas of the county where a regional university, community foundation or regional development organization are present and willing to provide leadership, it is

possible to employ the top-down and bottom-up strategy at a regional geographic level. Our paper on Northwest Missouri illustrates an emerging regional effort to grow a regional entrepreneurial ecosystem in partnership with partnering communities. Ideally, in a perfect world, ecosystem building in rural landscape would include community, regional and statewide play. Regional ecosystems in the rural space could provide direct support to community ecosystem building through community coaching and identify growth-oriented entrepreneurs across multicounty and community regions where higher-order services could be provided (e.g., growth capital, peer groups, advanced market intelligence analysis, etc.). Often it is hard for a local community to leverage the resources that optimally meet the needs of growth-oriented entrepreneurs. In Nebraska we are referring to these regional ecosystems **eZones**.

**3. Statewide Ecosystems.** Many states have attempted to build statewide ecosystems without a bottom up or community-level strategy element. These statewide efforts have struggled without a community strategy. Without communities engaged, it is challenging to reach entrepreneurs. This is particularly true for entrepreneurs on the margin (e.g., distressed communities, rural communities, minority communities, etc.). Well-connected communities and entrepreneurs can advantage themselves to statewide ecosystem resources creating self-selection creating a pattern of have and have nots. Furthermore, this self-selection process can create an illusion where communities on the margin have less or no entrepreneurial talent. Statewide ecosystems are addressed in the following section on **Top-Down Strategies**.

## **Top-Down and Bottom-Up Strategies**

When our team turned to entrepreneurship over 25 years ago, we began to learn from those places in rural America that were achieving greater success with this approach. Over 10 years ago, we were asked by the founders of NetWork Kansas to help them envision a pathway forward. In our early discussions with the Kansas Legislature and Governor, we identified the merits of what we refer to as the **Top-Down and Bottom-Up Strategy** approach.

In an ideal world, we are building interconnected community level and regional/state level entrepreneurial ecosystems. NetWork Kansas was the first serious opportunity to build this optimal ecosystem. Over the past decade we have learned so much from [NetWork Kansas](#) that informs our e2 strategy today. Central to the merits of this strategy is the efficient and effective use of resources. It makes no sense that every individual community attempt to build out the optimal Entrepreneurial Resources network. If you are a community of several thousand residents, you might have a few high growth-oriented entrepreneurs every decade. These entrepreneurs require and can benefit from more sophisticated resources. For local communities, being part of a statewide or regional growth eServices network makes more sense. Scale always matters, but it particularly matters when we must be smart with available resources. Conversely, there are certain things best done locally. Growing an area business services sector is local. Finding and engaging available entrepreneurial talent is best done locally based on our extensive field work.

Embracing the **top-down and bottom-up** strategy is foundational to design. But this is only possible where there is potential for statewide or regional ecosystem building. In most of the areas where we have experience there may be local interest but a lack of state or regional commitment. In these cases, communities do what they can absent the NetWork Kansas proven advantages of a statewide ecosystem.



## Synergy Between Top-Down and Bottom-Up Efforts

What we observed and documented in places with functioning local and state/regional ecosystems, both elements do better with each other in active play. Communities actively engaged in successful entrepreneur development drive market and resource signals to regional and statewide resources. Conversely, with multiple communities engaged in entrepreneur-led development, opportunities to connect the right resource with the right entrepreneur increases dramatically. This is particularly true where many of our resources, particularly more specialized resources, may have an office at the university or state capital but little relationship with communities and neighborhoods and their entrepreneurs. A partnership forms between communities and resources creating more and better matches accelerating entrepreneurial activity and success.

### Top-Down Strategy Considerations

Unlike business attraction, entrepreneur-led development must be a team sport or collaborative undertaking. Towards this end there are five core pieces of entrepreneurial ecosystem infrastructure we recommend.

**1. Host and Coordinating Organization.** Collaboration is paramount and collaboration by committee has a very weak track record of working over time. There is a need for a host and coordinating organization (like NetWork Kansas or Coastal Enterprises) with the mission to ensure both statewide/regional and community ecosystem building is occurring. While this host organization can be within state government or higher education, we prefer an independent nongovernmental organization with active and strong support from government, nonprofits, and private sector interests. State and university-based host organizations are constantly threatened with changes in leadership and priorities.

**2. Entrepreneur Builders Advocacy Group.** Rooting your host organization outside of government or higher education is no guarantee for sustained support. As major stakeholders change leadership and priorities, they can disengage and disinvest, undermining the viability of the host organization and ecosystem building work. From the very beginning, creating an advocacy group that includes both committed stakeholders and civic-minded entrepreneurs is strongly recommended. An **entrepreneur building advocacy group** can perform two really important functions essential for growth and sustainability. First, they can ensure that the initiative is grounded and enjoys deep support. This group can strengthen those doing the work with guidance and accountability. Second, this group can “go to bat” when a governor or agency head threaten to disinvest. In a democracy and market economy, voters and customers still matter a lot.

### Growth Entrepreneurs and Economic Gardening

Another potential top down design element is access to high-level market intelligence research and analysis (e.g., Economic Gardening) for growth and growth-oriented entrepreneurs. In many ways, this kind of research and analysis is more important than even growth planning, systems building and access to capital. Market intelligence research (e.g., customers, competitors, supply chain options, etc.) can greatly enhance and inform the growth plan and strengthen the feasibility of growing. Providing this kind of assistance locally or even regionally is challenging, but it is being

done within the Economic Gardening community. Optimally providing this assistance at a state level is desirable.

**3. Robust, Predictable and Sustainable Funding.** Like any venture, we need a sound venture and funding model. Just as undercapitalized entrepreneurial ventures can suffer, the same is true with entrepreneurial ecosystem building. Check out our paper, [Funding Entrepreneurial Ecosystem Building](#), that focuses on innovative venture and funding model approaches.

**4. SourceLink.** SourceLink has been around for over a generation, first developed by the Ewing Marion Kauffman Foundation in Kansas City. Since then it has innovated a powerful infrastructure and has been adopted across the United States. We will not go into the attributes of SourceLink, but it should be at heart of both the top down and bottom up strategies.

### Access to Capital

Most entrepreneurs can secure the capital they need locally from commercial banks, credit unions, gap financing funds and even area limited liability company (LLC) equity investors. Local and area capital systems can be enhanced to make sure their capital systems have good commercial lenders, gap financing funds and LLC investors. However, with respect to growth-oriented and particularly growth entrepreneurs, more sophisticated debt to equity financing is best organized at the state and possibly the regional levels. Differentiating at what level certain resources for entrepreneurs should be organized and provided can contribute more robust, efficient, effective, and sustainable ecosystems.

**5. Entrepreneurial Indexing System.** Metrics are important. They can create a roadmap of where we hope to go (e.g., outcomes, impacts and transformative change), and they can also provide us benchmarks and a yardstick to how we are doing. We may not be at the end of our journey, but knowing we are making real progress sustains momentum, commitment, and the potential for great success. Entrepreneurial indexing systems are important locally, regionally, and statewide. Instead of each player creating their own system, it makes sense to collectively undertake and support a metrics system. [SourceLink](#) offers attributes that can dovetail into an entrepreneurial indexing system. With shared resources and infrastructure, local and regional players can advantage themselves while potentially customizing to fit their preferences and needs.

### Creativity Catalysts

The leading edge of an entrepreneurial economy and society is creativity. By stimulating and supporting creativity we expand the horizons of opportunity. Creativity programs like maker spaces in and of themselves do not necessarily lead to entrepreneurial ventures. But with some intentionality, they can be a driver motivating and empowering more residents to engage in entrepreneurship. They are other creativity catalysts we can explore.

There are **three important roles** within the top-down strategy:

**1. Catalyzing and Supporting eCommunity Development.** Entrepreneurial communities typically do not spontaneously emerge and develop. There is a critical role for the statewide or regional strategy

to provide both an eCommunity framework and community coaching to help committed communities discover, embrace, and grow as an eCommunity.

**2. Entrepreneurial Zone Development for Growth-Oriented Entrepreneurs.** A relative new innovation we are exploring is something we call Entrepreneurial Zones (eZones). The idea was initiated by serial entrepreneur Jim Jenkins from tiny Callaway, Nebraska. The sweet spot for entrepreneurial development is growth-oriented entrepreneurs. This segment of entrepreneurial talent has the potential to create real community economic development impacts (e.g., investment, jobs, identity, tax bases, etc.) and is at a stage of development where we can really help. From a rural perspective, we may have in Eastern Oregon maybe a hundred to hopefully a thousand entrepreneurs that fit the growth-orientation criteria. But they are spread across a vast geography. eZones are regionally based frameworks that can engage growth-entrepreneurs in higher value assistance including growth planning, peer groups and the like. Undertaking this work regionally provides closer access while enabling needed privacy (not generally available locally). In many ways this is a market aggregation tactic.

**3. Regional and Statewide eResources.** Finally, most eResources are offered on a statewide or at best regional basis. Consider America's network of Small Business Development Centers (SBDCs). They are statewide organizations affiliated nationally with some shared national resources, providing regional outposts to increase accessibility.

### Area Versus Regional or State Resources

There is a continuum of entrepreneurial resources -- local, regional, state, national and international resources. We recommend focusing on local, regional, and state resources, organizing them at each level. The SourceLink platform is a powerful tool supportive of this work. Most of the entrepreneurial assistance needs can be met locally and regionally within the rural context. It is important that each community organize an **Area Resource Network** that can externally connect to unique and more specialized resources that might be available regionally or at the state level.

We do not provide in this paper the comprehensive list of likely state or regional level eResources, but here is a sampling of the most common relevant to entrepreneurial ecosystems:

- Market intelligence research
- Business planning
- Workforce and human talent
- Capital access
- Specialized technical assistance (e.g., university expertise on cultivating hemp for example)

### Youth Entrepreneurship Wild Card

Youth entrepreneurship is an arena in and of itself, but often it is part of both top-down and bottom-up strategies. There is extensive rationale why youth entrepreneurship should be on the short list for a comprehensive ecosystem. We advocate that this be part of the vision because when we engage youth, we create an opportunity for transformative cultural change. Youth are a powerful force in our communities and culture. When they engage, they also educate and motivate. Community youth

entrepreneurship programs have demonstrated their ability to change community attitudes and development commitments.

Next, we turn our attention to the community or bottom-up strategy considerations.

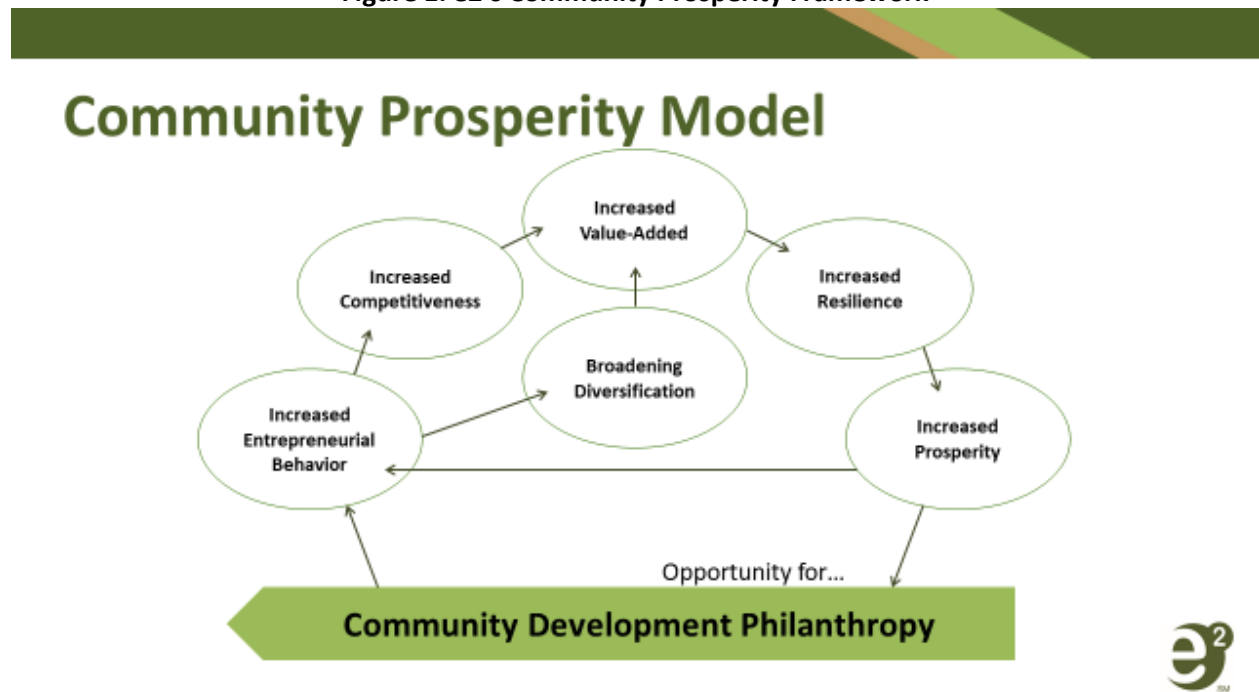
### Bottom-Up Strategy Considerations

The primary responsibility of a community's development and future rests with that community. Helping local communities become **entrepreneurial communities** is foundational, whether that is a rural trade center in Eastern Oregon or a neighborhood in metro Portland. We need a systems solution and not just a collection of resources and programs. eCommunities create entrepreneurial ecosystems that stimulate, and support increased entrepreneurial behavior and outcomes.

In e2's latest book, [Energizing Entrepreneurial Communities, A Pathway to Prosperity](#) (2014), we provide our e2 development framework. While this book is dated, the basic elements of community-centered ecosystem building are still relevant. This paper provides updated insights and learning based on our work since 2014.

Figure 1 provides our **Community Prosperity Framework** and the foundational role on increasing entrepreneurial behavior within this change model.

Figure 1. e2's Community Prosperity Framework



Communities that make **smart investments in growing entrepreneurial talent and behavior** set in motion a set of outcomes leading to a more prosperous economy such as:

**Increased Economic Competitiveness.** In a free-market economy no community has the “right” to exist. Every community is responsible for its own development and relevancy. In this highly competitive environment, investing in entrepreneurs who in turn become more competitive positions a community for increased competitiveness. When more entrepreneurial ventures become more competitive over time, a community becomes more competitive.

### Ventures

We use the term “ventures” to refer to for-profit businesses, nongovernmental or nonprofit organizations and governmental entities like schools, state parks, and the like.

**Expanding Economic Diversification.** Entrepreneurs, particularly in our current age of communication and information technology, can live in a community and engage in economic activity throughout not only their region but globally. Entrepreneurs who pursue their competitive advantages and market niches inherently create more diversified economies. Diversification is the foundation for not only prosperity now, but resiliency that sustains prosperity over time.

### Entrepreneurship – Prosperity – Philanthropy Connection

Growing an entrepreneurial ecosystem requires robust and sustained investment. Ironically, in America the greatest pathway to personal wealth is through entrepreneurship. Rooted local entrepreneurs typically have strong attachments to their hometowns. Connecting philanthropy through place-based foundations (e.g., community foundations) with entrepreneurial donors can provide the capital communities need for ecosystem building efforts.

**Greater Value-Added Products and Services.** Much of rural America is rooted in what Chris Gibbons with the National Center for Economic Gardening refers to as the “commodity trap.” My home state of Nebraska is one of the greatest producers of agricultural products in the world. However, much of agriculture is tied to commodities where the producer has limited control over price resulting in a lower value or poorer economy. As entrepreneurs develop and become more competitive in niche markets, they generate greater value. With greater value the opportunity for wealth formation increases for not only the entrepreneurial venture owners, but for their workers and suppliers and the larger community.

**Increased Resiliency.** A diverse and value-added economy grows more resilient over time. With resiliency ventures their home communities are more able to respond to a natural disaster or economic setback. Resilient communities also have greater capacity and rooted wealth to capture development opportunities when they emerge.

By supporting and building entrepreneurial behavior, we increase economic competitiveness and diversification and generate a higher value-added economy that becomes more resilient over time. The cumulative impacts of increased economic competitiveness, diversification, rising economic values and greater resiliency positions our community and society for increased prosperity that is sustainable over time.

## The Basic System

As we explore entrepreneurial ecosystem building considerable attention is focused on resources like seed capital funds, growth planning, incubators, co-working spaces, accelerators, and the list goes on. All of these resources can be important and are often essential components within an entrepreneurial ecosystem. However, the most important element of an entrepreneurial ecosystem are our entrepreneurs. For rural America, e2 has evolved a **basic system** that is foundational within new and emergent ecosystems. Oftentimes we refer to this as the **ground game**. Building the perfect **supply side** focused ecosystem (e.g., resources, programs, financing, etc.) will underperform without a robust and sustained strategy to identify, engage, and assist entrepreneurs.

In e2's **Basic System** the focus is on identifying, engaging and assisting area entrepreneurs. Check out our resources within our **Working with Entrepreneurs Guide** for additional information on entrepreneur mapping, targeting, outreach, visitation, surveying and networking to resources. Within the e2 **ground game** is letting your community's needs drive development of your area's resource network. Chances are very good that within your region there are existing entrepreneurial resources (e.g., commercial banks, small business development centers, local resources like attorneys, accountants and the like, that can meet critical entrepreneur needs. Over time your area can build out your resource network informed by actual entrepreneur needs and wants.

Figure 2. The Basic e2 Working with Entrepreneurs System

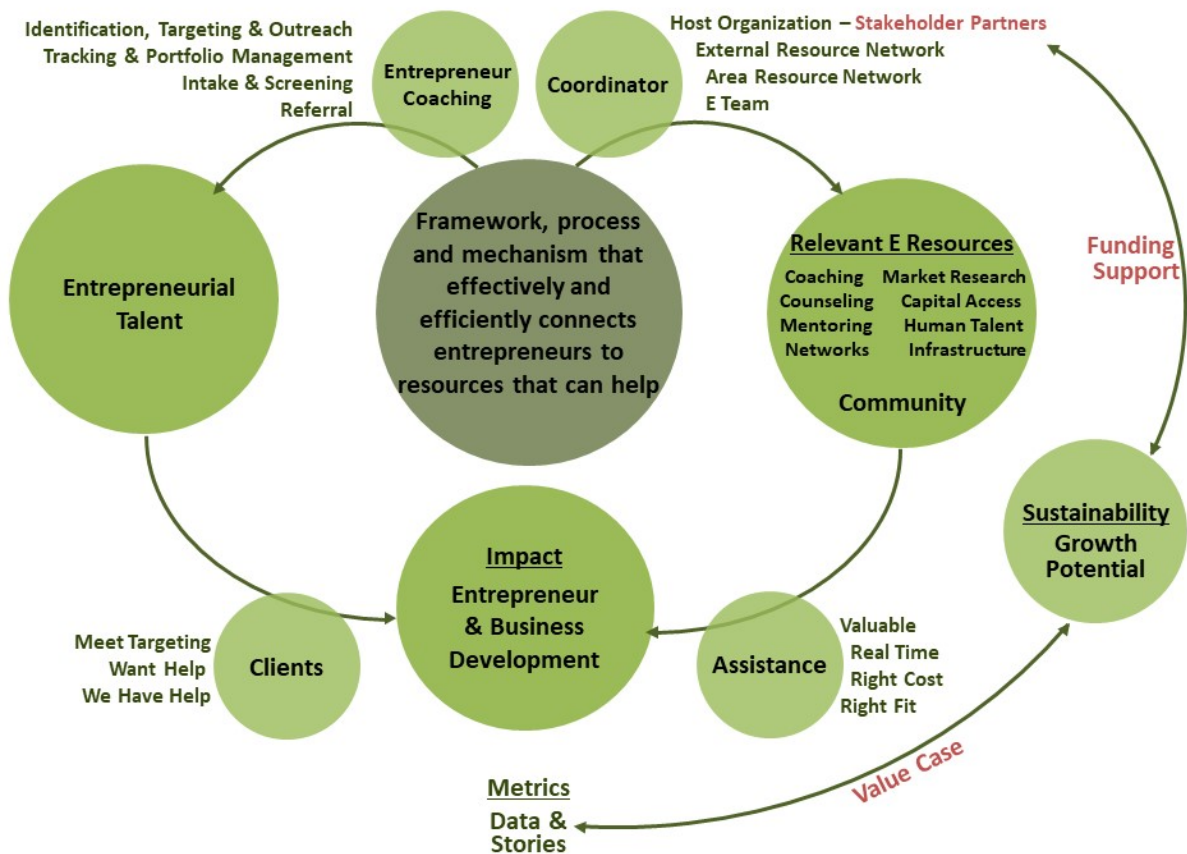


Figure 2 illustrates the basic transaction that can energize entrepreneurial talent in your community. It begins with discovering your community's entrepreneurial talent and engaging with them to identify potential areas of assistance and growth. As part of this engagement, your community begins to network your entrepreneurs to resources that can help them become more competitive and successful. The impact outcomes will vary from helping one entrepreneur become a bit more efficient and profitable to helping another growth-oriented entrepreneur navigate the challenges of achieving market penetration enabling growth.

At its most basic level, the community or bottom-up ecosystem building game plan is rooted in three basic activities that are part of the **deal flow** outcome. First, every community has entrepreneurial talent, and the community is in the best position to reach out to that talent, learn about its needs and opportunities and network its resources. Second, every community has relevant entrepreneurial resources both locally and regionally. The community is in the best position to identify, engage and mobilize the resources that are readily available and then network them to entrepreneurs. In doing so, the community will learn more about the unique needs of its entrepreneurial talent, gain deeper insight into which resources can really deliver and over time grow out the community's entrepreneurial ecosystem. Check out our e2 University Guide **Working with Entrepreneurs** for more on the community game plan.

## Three Levels of Entrepreneurial Ecosystems

In our book, [Energizing Entrepreneurial Communities, A Pathway to Prosperity](#), we provided three levels of Entrepreneurial Development Systems (EDS): Basic, Advanced and High Performing. We outline the elements and attributes of each level of EDS based on the following criteria:

- Services Provided by the EDS
- Organizational Infrastructure by EDS Benchmark Stage
- Economic and Social Impacts by Stage

We encourage you to review this earlier thinking available through our book. Transitioning from an Entrepreneurial Development System to Entrepreneurial Ecosystem mindset, we are employing somewhat different naming conventions and updating the characteristics and attributes of each level based on the ecosystem's sophistication and reach. There is no magic here. This typology could be more complicated, but we are hoping to provide a framework that your community can employ to assess where you are developmentally with respect to ecosystem building. Additionally, your community can use these levels as a bit of a road map. If your community is completing the start-up phase of development, then you can look towards elements of a maturing ecosystem or Level 2.

**Level 1 – Start-Up.** Chances are good that for most rural communities, you are at Level 1 or in the start-up phase of your community's ecosystem development. In the ecosystem start-ups, just as is the case with venture start-ups, your community is making the case for entrepreneurship, getting organized, undertaking assessments, building a "starter" strategy, and beginning to work with entrepreneurs.

**Level 2 – Maturing.** During the maturing phase of development, your community is through the start-up phase. You have a community commitment to entrepreneurs (though it may be shallow and contingent), you have an emerging organization, you are working your starter strategy and you are

routinizing working with entrepreneurs. During this maturing phase of development, your community is test-running outreach, intake, and networking to resources with your entrepreneurs, you are finding out which resources really matter and can deliver, and you are exploring how to sustain and grow your initiative.

**Level 3 – Complex or Sophisticated.** Once your community achieves Level 3 status, your community has made a deep and longer-term commitment to entrepreneurship as a core development strategy. There is a strong host organization with multiple partners. Your entrepreneurial resources network is strong and working. Most importantly, your strategy has energized a high level of entrepreneur outreach, intake, and networking to resources. By Level 3, your entrepreneurship game plan is generating deal flow impacts.

**Figure 3– Entrepreneurial Ecosystem Characteristics by Level of Development**

<b>Level 1 – Start Up</b>	<b>Level 2 – Maturing</b>	<b>Level 3 - Complex</b>
<b>Commitment and Organization</b>		
Sufficient support for eship	Deeper community support	Part of the community culture
Early stakeholder commitments	Expanded stakeholder commitments	Eship is embedded in stakeholder organization missions
Host organization	More robust organization	Host organization is staffing up
Some funding mobilized	3-5 years of funding	There is a strategy for sustainable and increasing funding
At least an 18-24-month commitment	Eship is rooting as a foundational development strategy	An entrepreneurial community is evolving
<b>Ecosystem Resources</b>		
Emergent entrepreneur outreach, intake, and networking to resources	Routinized, regular and increasingly robust entrepreneur outreach, intake, and networking to resources	Comprehensive, targeted, and robust entrepreneur outreach, intake, and networking to resources
An emergent entrepreneurial resources network	Expanding eResource network with gaps being filled	Well established and functioning eResource network
The start of a portfolio of entrepreneurs being assisted	An established entrepreneur portfolio	Multiple entrepreneur portfolios focusing on different eTalent segments
Gap and opportunity mapping	Development of needed eResources	Few gaps in the eResources network
Part-time entrepreneurial coaching launched	Full-time entrepreneur coaching with expanding volunteer team	Expanded funding and staffing for eCoaching and Ecosystem building
<b>Impacts Realized --Using the Hierarchy of Community Impacts Framework</b>		
Key organizing and assessment work undertaken	Well established organization with sophisticated assessments	Well-funded and staffed organization



Core, but conditional, stakeholder commitments	Stakeholder commitments move from conditional to longer-term with deeper engagement	Permanent and growing stakeholder commitments and funding support
Entrepreneur outreach, intake and networking to resources being tested	A routinized system of entrepreneur outreach, intake and networking to resources running	High performing outreach, intake, and networking to resources Strong eResources network
Emergent impact metrics and stories	Well documented impact metrics including growing numbers of stories on how the system is benefiting entrepreneurs	Strong and increasing impact metrics. Strong ROI (return on investment). Increasing impact stories
A community commitment to continue and move on to Level 2	Deepening community commitment to entrepreneurship	Entrepreneurial culture and community increasing

Now we shift our focus onto how entrepreneurial ecosystem building and entrepreneur-led development is foundational within the larger **Prosperity Community Development Framework**.

### Ecosystem Building Within the Prosperity Community Development Framework

It is important for us to remember that entrepreneurship is just part of the larger community economic development arena. We make the case the entrepreneurship is foundational to all development in our communities, but other strategically related community investments are providing foundation to rural community revitalization and vitality. Over the years and across America, a comprehensive community economic development framework has emerged that we have titled **Community Prosperity Development Framework**.

Undertaken correctly, an entrepreneur-led development approach can not only grow a stronger economy over time but stronger communities and regions with positive resident wellbeing outcomes. In our North America work, we employ the [Community Prosperity Development Framework](#). Key elements within this prosperity framework include:

- Opportunity, Hope and Prosperity End Games
- The Four Essentials for Community and Regional Prosperity:
  1. People Attraction, Development and Retention
  2. Stronger Economies through Entrepreneurship-Led Economic Diversification
  3. Quality of Life Placemaking
  4. Community Capacity Building

#### Prosperity and Abundance Mindset

Attitudes and mindsets matter. When we believe we can be successful, we tend to be more successful. When we are labelled as challenged with limited potential, we often are held back by holding ourselves back. The prosperity and abundance mindsets cannot be “boosterism” or “blue sky,” they must be rooted in genuine assets and opportunities. What asset-based development has taught us is that we have far more to work with. That realization is the starting point for smart development. As the old adage says, “Always play to your strengths.”



The prosperity framework provides important context for engaging in this complex work of community economic development.

**End game for entrepreneurial ecosystem building.** Communities and regions must envision their futures. By growing genuine economic opportunities in communities, particularly those experiencing distress or high growth, “believed hope” can grow within the community culture that creates an aspiration for prosperity. If we cannot believe “big,” we are likely to come up short.

**Community capacity building** is foundational for every community from the largest and most vibrant to the smallest and most distressed. But for distressed communities, community capacity building is a prerequisite for future community building success. Capacity is the ability to take on and sustain meaningful work. In America, communities are primarily responsible for their own development and future. Entrepreneur-led development, done right, inherently builds community capacity to do more with both entrepreneurs and overall community economic development.

Human talent – motivated, passionate, capable, etc. – is the building block of today’s successful economies and communities. If we accept the importance of human talent development and attraction, then two other development areas become essential. **People attraction, development and retention**, coupled with smart **quality of life placemaking**, evolves a community and regional environment where entrepreneurs and the communities in which they live, work, and play, **thrive**.

**Entrepreneur-led development** is the foundation of all economic development in every community world-wide, but entrepreneurship is particularly important for distressed communities that are historically overly dependent on one to two economic sectors or industries. For thriving communities, we must have thriving economies not just for a few years during a sectoral boom cycle but over generations. Entrepreneur-led development is an asset-based development approach that can grow both a more robust and diverse economy and society. Diversity is the keystone for higher-value community resilience and prosperity over time.

With the prosperity development framework in mind, **entrepreneurial ecosystem building** is the means to our desired ends. Whenever we grow robust, dynamic, resilient, and high value systems – think education, health care, justice, transportation, etc. – we create environments where opportunity, growth and vitality thrive.

Following is a look at three illustrations of community, regional and statewide entrepreneurial ecosystem building.

## Three Illustrations – NetWork Kansas, Northwest Missouri and Ord, Nebraska

Thus far in our paper on entrepreneurial ecosystem building, we have provided insight from field work in terms of design elements and promising practices. But in the real world the process of committing to and evolving an entrepreneurial ecosystem is more challenging and complex. If only it was so simple to replicate recommended design elements and promising practices and your community could be well on its way to becoming a successful entrepreneurial community achieving higher levels of sustained prosperity.

As we all know, there are two essentials for any venture. First, we need a smart plan. Second, we need to be able to execute effectively and efficiently that plan. Additionally, even the best plans are conceptual and as execution begins, there will be the need for adjustments and even major changes as we test and learn. No plan is ever perfect, and this process of evolving our plan as we learn from doing the plan is foundational. We are sharing three illustrations of **actual** entrepreneurial ecosystem building, first focusing on a bottom-up community level effort, a regional illustration and one of America’s most impactful, longest running and at-scale rural ecosystem building initiative.

### America’s Heartland

All three of our illustrations are from America’s heartland – Ord, Nebraska, Northwestern Missouri, and Kansas. We are not suggesting in any way there are not illustrations from across America we could use. We are employing these three illustrations because we have the longest and deepest experience with them and believe we can reliably share their stories.

### NetWork Kansas

[NetWork Kansas](#) is possibly America’s longest running and most robust statewide entrepreneurial ecosystem building effort we have identified at e2. NetWork Kansas and its partners have evolved a very comprehensive top-down and bottom-up ecosystem development strategy. For nearly a decade NetWork Kansas, its partner resources and communities have significantly stimulated and supported venture deal flow across Kansas. Our top five hallmarks of the NetWork Kansas model include:

- **Deal Flow.** Based on NetWork Kansas’ cumulative report as of February 2020, nearly \$169 million in deal flow has been stimulated across primarily rural Kansas. This is just one metric of NetWork Kansas’ impact. While NetWork Kansas is reaching scale, there are still rural areas that are not engaged or fully engaged. Only in the last few years has NetWork Kansas begun to move into larger cities like Topeka, Wichita and Kansas City, Kansas.
- **Reach and Inclusion.** A mission objective for NetWork Kansas was to serve all communities, not just larger communities with more capacity to take advantage of NetWork Kansas’s resources. The Entrepreneurial Communities Program or eCommunities (bottom-up strategy) has been instrumental in ensuring even the smallest, rural, and distressed communities are able to benefit from these resources. Drawing from the most recent NetWork Kansas impact report (February 2020), the following summarizes deal flow based on total venture financing by community size and type:

○ Under 1,000 Residents	13% of deal flow
○ 1,000 to 5,000	37%
○ 5,000 to 10,000	8%
○ 10,000 to 25,000	22%
○ Greater than 50,000	1%
○ Urban and Distressed	5%

Bottom line, NetWork Kansas has a model and strategy that reaches more of Kansas than almost any other ecosystem we have studied. Important design learning about reach and inclusion can be realized from the NetWork Kansas experience.

- **Serving Growth-Oriented Entrepreneurs.** Because NetWork Kansas is both centralized and decentralized, it can help organize market demand to resources special segments of the state entrepreneurial talent like growth and growth-oriented entrepreneurs. NetWork Kansas offers a collection of board-certified resources that can be accessed locally or statewide to support this segment of entrepreneurial talent. Consider this, if you a rural community in Western Kansas with only one or two growth-oriented entrepreneurs, chances are good you do not have resources to support these entrepreneurs, but through NetWork Kansas you can network these entrepreneurs to higher-end resources by being part of the Kansas ecosystem.
- **Special Initiatives.** Building on the strength of a statewide organization and multiple community partners, NetWork Kansas has the infrastructure and capacity to mobilize in support of special initiatives. For example, NetWork Kansas is partnering with the Kansas Health Foundation on two important initiatives.

First, there is a collaborative effort by the Health Foundation to ensure every community in Kansas has access to critical health- and food-related services like clinics, exercise centers, care facilities, pharmacies, and grocery stores. Network Kansas is helping engage its eCommunities to participate in this initiative and providing gap financing for these health-related ventures.

Second, The Kansas Health Foundation has launched with NetWork Kansas a multimillion-dollar fund to demonstrate and incent charitable impact investing into essential health ventures. Building on the first initiative, both the Foundation and NetWork Kansas have capitalized a fund to provide gap financing for both for-profit and nonprofit ventures similar to those mentioned previously. This is part of a larger Kansas initiative focused on helping the state's place-based foundations, and particularly community foundation, move into impact investing.

- **Youth Entrepreneurship.** The final hallmark we want to highlight relates to youth entrepreneurship. NetWork Kansas and its partners have launched a youth business competition across the state. It is proving highly effective. This is just one more example of a top-down and bottom-up strategy. NetWork Kansas has mobilized partners to host the competition and then tapped into its decentralized eCommunity network to create local and area engagement.

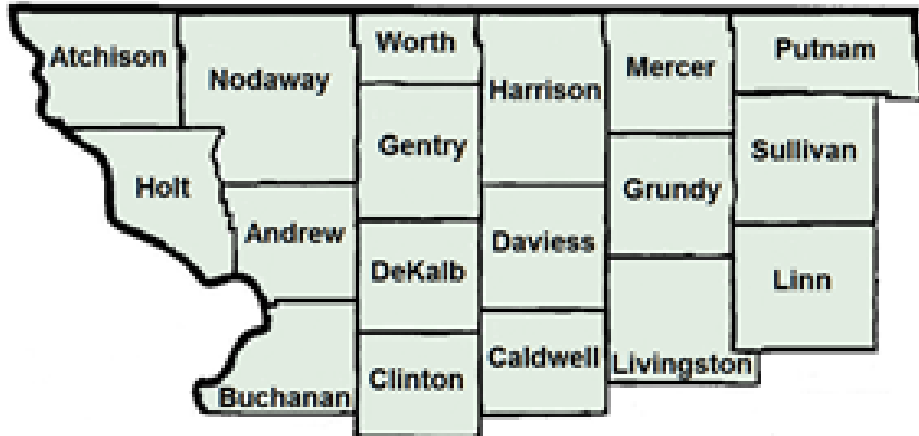
For additional information check out our [case study](#) of NetWork Kansas. While this case study is now a bit dated, it still provides important insights on the origins, development, key design elements and evolution of the NetWork Kansas model. Also visit the NetWork Kansas website for additional detail on its history, programs, and resources.

Next, we turn our attention to our illustration from Northwestern Missouri providing a regional example of evolving entrepreneurial ecosystem building.

## Northwestern Missouri

In April 2019 we released our paper [Entrepreneurial Ecosystem Building, Lessons from Northwest Missouri](#). We are including this paper as a supplement to our primary paper on ecosystem building to provide a regional lens with respect to considerations and promising practices with respect to regionally focused entrepreneurial ecosystem building.

Figure 4 – The Northwest Missouri Region



### Initiative Background

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

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

### Economic Transformation Needed

#### Legacy Regional Economic Development....

- Farm and Ranch Development
- Village and Town Building
- Transportation Corridor Development
- Manufacturing and Industrial Development

Beginning with European American settlement in the 1840s, this part of America’s heartland was rooted in agriculture. The development of farms and ranches led to community building in the 1850s. The

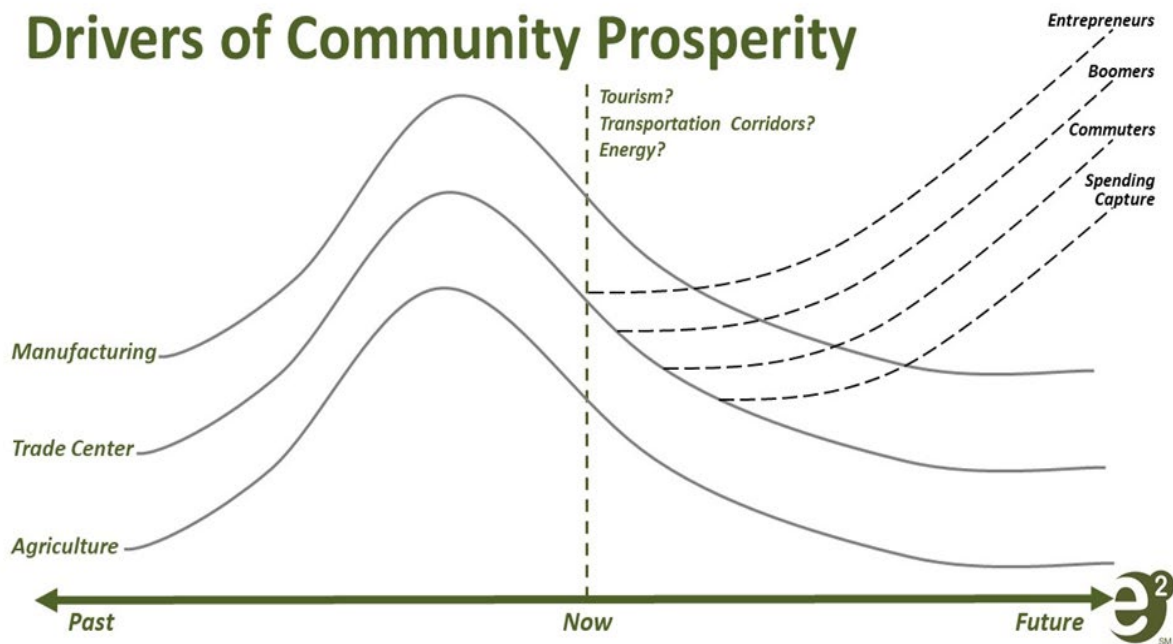
transportation method of the day (horse and wagon) required a village or town every 10 to 20 miles to serve the agricultural community. Rural residents were served by local villages and in turn supported by area towns and regional cities. As the region's population and economy grew, there was allied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

**A Tipping Point in Northwest Missouri.** By the 1970s or even early 1980s, the movement of industry from America's big cities and coasts to the heartland slowed as offshoring trends took root and grew. Industrialization and automation in agriculture and industrial activities like manufacturing and transportation eroded the need for workers and undermined the very economic rationales of villages, towns, and even smaller cities. This corner of America is challenged to create new economic rationales that can sustain, revitalize, and grow this region's numerous communities.

Our economy and society is undergoing continuous change. At times, particularly following major events (e.g., deep economic recessions or crashes or trade policy changes), the rate and magnitude of change can accelerate and deepen. Figure 5 on the next page provides a visualization of how our generalized rural economy in mid-America has changed. With homesteading and widespread European American settlement, agriculture came first with the establishment of farms and ranches. As area populations increased, towns and then cities were founded to support the farm/ranch economy. With World War II and the post-World War II period into the 1980s, manufacturing moved from the coasts and big cities into rural America diversifying the economy. All of these activities continue to be important to rural America, but through automation, offshoring, outsourcing and other trends (see our paper [Mega Trends Influencing the Future of America's Rural Communities](#)), the levels of employment in these industries are proving to be insufficient to sustain healthy populations in all rural communities resulting in depopulation.

Central to the case for entrepreneurship is the necessity of growing a more diverse and competitive economy by tapping into the likely entrepreneurial development opportunities. These development opportunities may rest in nontraditional sectors like retiring Boomers, commuters, bedroom communities and remote workers. For a more complete list of opportunities, download [Likely Development Opportunities for Rural Communities](#).

Figure 5. Drivers of Community Prosperity



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

### Being Smart About Entrepreneurial Talent

There are two economic development strategies available to America’s communities and regions.

**1. Base Industries.** The first strategy – and the one America’s economic developers have focused on since the 1940s – is growing the “base” part of the economy. Basic economic activities are those that are rooted in a geography but largely sell to consumers **outside of that geography**. Income and wealth imported through these external sales creates local jobs, tax base and prosperity. Industries like farming, forestry, manufacturing, and the like are good examples of basic industries. As traditional economic development theory goes, if you grow the base part of the economy, the rest will take care of itself.

**2. Secondary Activities.** The second strategy, often the core work of local and area chambers of commerce, **focuses on local ventures that sell to local consumers**. By capturing local spending, we can increase the size and wellbeing of the area’s economy through spending capture and multiplier effects.

We have come to believe both strategies are foundational to community prosperity and that a little reframing of this picture is helpful as we engage in entrepreneur-led development.

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

**1. Essential and 2. Amenity Entrepreneurs.** Every local community, whether it is a small rural village or an urban neighborhood, needs both "essential" and "amenity" entrepreneurs and ventures. Essential ventures range from a local grocery store (no one can thrive in a food desert) to a medical clinic to a well-stocked hardware store. These are essentials we need regularly, and for our community to thrive we need easy access to these services. Additionally, there are "amenity" entrepreneurs and ventures. These are goods and services we can get along without, but they make our quality of life so much better. Amenity ventures range from churches to the neighborhood bar, café, and coffee shop and to a great local recreational facility. Communities with a rich collection of amenity ventures have higher quality of life and are more competitive in attracting and retaining residents and workforce. Essential and amenity ventures are part of the traditional secondary activity development strategy.

Regions with agriculture or manufacturing will likely continue to rely on these historic industries. However, for most communities, a new generation of economic activities will be required to enable our communities and regions to thrive. We like to break these entrepreneurs into one of three groups: **3. growth-oriented, 4. growth and 5. breakout growth entrepreneurs.** Gallup estimates that about 0.25% of all ventures in America achieve breakout growth. They also estimate that about 3% of all ventures achieve sustained and meaningful growth. Based on our field work, we find that rural America has fewer growth and even fewer breakout growth entrepreneurs. These Gallup probability estimates are really driven by faster growing and dense urban areas. While there are some growth and breakout growth entrepreneurs in Northwestern Missouri, there is clearly "growth-oriented" entrepreneurial talent. Our field work suggests that up to 5% of all local ventures (i.e., for-profit, nonprofit, and governmental – think national park) have growth potential or are growth-oriented. Supporting all entrepreneurial talent can identify growth-oriented talent and stimulate overall entrepreneurial development through ecosystem support.

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



## Growing an Entrepreneurial Economy

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

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

Entrepreneurs are consumed with developing and running their venture. When we can create an ecosystem where entrepreneurs are connected to the right resource at the right time and at the right cost, we can accelerate entrepreneurial development one entrepreneur at a time. When we listen to what entrepreneurs are looking for, we can also build out our ecosystem so that it can meet more needs more effectively. When this basic transaction achieves scale (hundreds of daily transactions) we can grow a more entrepreneurial economy and culture.

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

## Developing a Local and Regional Strategy

At e2 we have been exploring entrepreneurial development and ecosystem building for over four decades. We do not claim to have the “definitive” answers or solutions, but we do have some insights that are worthy of your consideration based on cycles of field testing and learning. We used to call this our “top-down and bottom-up” strategy. Staying with our Northwestern Missouri illustration, a “local and regional” strategy is more descriptive. What we have learned is the following:

### Two Recommended Resources

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

Local communities are best at finding and engaging entrepreneurial talent. Local development groups have the knowledge, relationships, and pathways to find area talent and convince it that we can bring value to their entrepreneurial efforts.

Organizing and managing robust entrepreneurial resource networks is best done regionally or statewide. Regions like Northwestern Missouri with hundreds of communities can more effectively organize its resources through regional networks. Regional resources are often connected to statewide and even national networks extending their value to local entrepreneurs connected.

Local communities can focus on building their ecosystem by engaging and strengthening their area business services networks. For essential, amenity and even earlier stage growth-oriented entrepreneurial ventures, many – if not most – of their needs can be met locally.

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

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

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

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

**Access to Capital.** Growing ventures need access to the right kinds of capital to enable their growth, ranging from angel investors to lines of credit from commercial banks.

**Market Research and Analysis.** Growing businesses need specialized market research and analysis (e.g., Economic Gardening) to help them not only make good decisions but evidence their growth plans with investors, banks, partners, and supply chain partners.

**Growth Planning and Coaching.** Transitioning from a larger Stage 1 (2-9 employees) or a smaller Stage 2 (10-99 employees) to a growth venture requires rewriting the venture. New key employees must be added, expanded and robust systems introduced and whole new activities envisioned and supported. Sophisticated growth planning and coaching is a foundational resource for growing entrepreneurial ventures.

**Peers.** Growing a venture is a challenging and stressful experience. It can destroy friendships, health, and marriages. No technical resource can replace the value of talking with others living and working in this “growth arena.” Providing access to peer groups is an invaluable resource for these entrepreneurs.

**Human Talent.** Growing entrepreneurial ventures need human talent ranging from key employees (e.g., CFO, human resources, finance, marketing, management, etc.) to workforce (e.g., logistics, production,

transportation, etc.). Making the right choices the first time is key to enabling entrepreneurial success. In dense urban markets, there are also dense human talent pools. In more rural regions, finding the right talent is generally harder. Helping these growing ventures find human talent is very important.

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

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

## Ord and the Valley County Region, Nebraska

The community of Ord (2017 population of 2,103) and Valley County (2017 population of 4,209) is rural, remote and largely dependent (until the past decade) on farming and ranching. Like other communities in commodity-based production agriculture, this community has been undergoing chronic and severe depopulation since the Great Depression of the 1930s as agricultural automation had eroded the need for workers and a failure to grow a more diverse economy. Across rural America, there are hundreds – if not thousands – of communities like Ord that have been contracting and in decline for decades.

Today, Ord and the Valley County Region (estimated regional population of about 7,500) is thriving. Despite the agricultural recession, this community and its region is outperforming peer communities throughout the Great Plains. While Ord and this area of north-central Nebraska has its special assets and qualities, there is nothing to explain why Ord is thriving while other like communities continued to struggle and decline. The difference is Ord and this region made a commitment back in 2000 (two decades ago) to seriously embrace entrepreneurship as a primary economic and community development strategy.

At e2, we began working with Ord off and on beginning in the 1990s. In some ways, Ord is our longest engagement. We are currently working with a team to capture Ord's story. To keep this paper shorter, we will not duplicate our soon to be released paper ***Ord, An Entrepreneurial Community*** here. But as you consider this paper and entrepreneurial ecosystem building, we encourage you to download and read the Ord story. It is compelling and provides insight on how a very rural region and small town has grown not only a highly effective entrepreneurial ecosystems for for-profit, nonprofit and government ventures but has become an entrepreneurial community.

## Wrap Up

We hope this paper provides a solid primer on entrepreneurial ecosystem building as pertains to rural America. Follow our e2 newsletter for updates and more information. You can [sign up](#) and always unsubscribe easily if you find this resource to not be of sufficient value. At e2, we believe entrepreneurial ecosystem building is foundational to growing entrepreneurial communities, regions and even states. If enough communities move in this direction, we can change for the better the direction of our economies both locally and all the way up to our national economy. We welcome your feedback and insights. Contact Don Macke at e2 at [don@e2mail.org](mailto:don@e2mail.org) to share your views.

## Access and Use of e2 University Materials

**Single Party Users.** Our entire e2 University is available free of charge to selected users. If you and your community are interested in any or all of these resources, contact [info@e2mail.org](mailto:info@e2mail.org).

**Compensated Users.** For those users wanting to use e2 University in their compensated work, e2 is happy to explore licensing options. Contact Don Macke at [don@e2mail.org](mailto:don@e2mail.org).

**Nonprofit Users.** If your organization is a charitable non-profit that works with multiple communities, e2 is open to non-compensated licensing options. Contact Don Macke at [don@e2mail.org](mailto:don@e2mail.org).

**International Users.** If your organization is located in or focused on non-U.S. locations, we are open to collaborative efforts to translate our work into other languages and cultures for possible use. Contact Don Macke at [don@e2mail.org](mailto:don@e2mail.org) to explore options.

**Kansas and Nebraska Users.** Nebraska and Kansas have played an extraordinary role in evolving our e2 development framework. Access to e2 University resources is available free of charge to end users through [NetWork Kansas](#) and Nebraska Extension in Nebraska.

### A Condition for Access and Use of e2 University Resources

In all cases e2 asks users to execute a **use agreement**. As part of this agreement, we require a commitment from you to share your learning back with e2. We need user feedback to continue our learning so that e2 can support entrepreneurship ecosystem building and future resources for users yet to come.

## Additional Help

Don Macke is not currently accepting new advising and consulting work. However, based on scheduling availability, Don is willing to do an exploratory call to better understand your needs and expectations, and recommend pathways forward. Contact him at [don@e2mail.org](mailto:don@e2mail.org).

## How e2 Can Help



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

## What We Do

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

## Contact Us

[don@e2mail.org](mailto:don@e2mail.org)

(402) 323-7336

[www.energizingentrepreneurs.org](http://www.energizingentrepreneurs.org)

### ©Copyright 2020 e2 Entrepreneurial Ecosystems

The information contained in this document is the intellectual property of e2 Entrepreneurial Ecosystems and its parent organization, the Kansas Center for Entrepreneurship doing business as NetWork Kansas or has been provided by a strategic partner for e2's use. Use of these materials is restricted to community or personal use unless otherwise approved in writing by e2. The resale or distribution of this material is prohibited without written permission of e2. Inclusion of this information in other documents prepared by the user requires written permission by e2 and must include appropriate attribution. For guidance and permission, contact Don Macke at 402-323-7336 or [don@e2mail.org](mailto:don@e2mail.org).