

Growing Entrepreneurial Communities

November 3, 2016

Organized by the Federal Reserve Bank of Kansas City

The **Connecting Communities**[®] audio conference series is a Federal Reserve System initiative intended to provide timely information on emerging and important community and economic development topics with a national audience. The audio conference series complements existing Federal Reserve Community Development outreach initiatives that are conducted through our regional Reserve Bank offices and at the Federal Reserve Board of Governors in Washington, D.C.

Welcome

Thank you for attending today's session. How to join (remember, this session is being recorded):

- Call-in number: 888-625-5230
- Conference code: 5203-6861#
- Webinar link: <https://www.webcaster4.com/Webcast/Page/584/17621>

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- Email us at: communities@stls.frb.org
- Type your question into the chat box of the webinar

An archived recording of this session will be available on the **Connecting Communities**[®] website shortly after the session ends. Please visit www.stlouisfed.org/connectingcommunities/

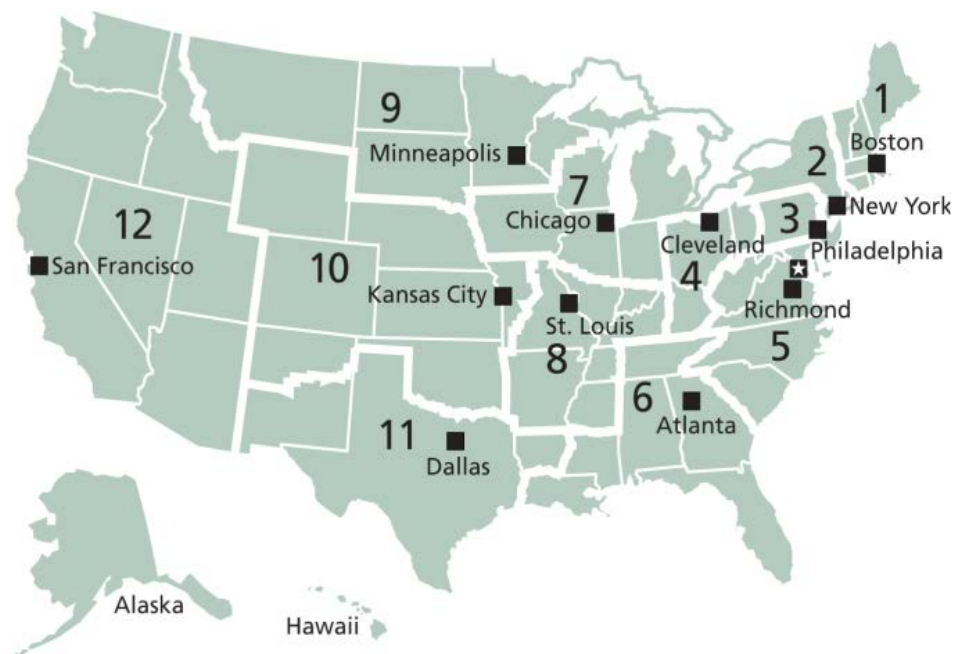
In connection with this session, you can find a variety of additional resources on this topic at www.fedcommunities.org. We encourage you to browse through this site and contact your regional office if you would like additional information on any of these items.

Legal Notice and Disclaimer

The information, analyses, and conclusions set forth are those of the presenters and do not necessarily indicate concurrence by the Board of Governors of the Federal Reserve System, the Federal Reserve Banks, or members of their staffs.

Community Development (CD)

- The CD function in the Federal Reserve System—consisting of individual departments at each of the 12 Federal Reserve Banks and at the Board of Governors of the Federal Reserve System—promotes economic growth and financial stability for low- and moderate-income (LMI) communities and individuals through a range of activities, including:
 - **Convening stakeholders**, including practitioners, financial institutions, nonprofits, governmental agencies, and the philanthropic and private sectors
 - **Conducting and sharing research** to examine economic challenges facing LMI communities and attendant policy implications
 - **Identifying emerging issues**



Today's Presenters and Agenda

- **Dell Gines** – Senior CD Advisor, Federal Reserve Bank of Kansas City
- **Deb Markley** – Managing Director, Center for Rural Entrepreneurship
- **Erik Pederson** – Vice President of Entrepreneurship, NetWork Kansas
- **Maria Meyers** – Executive Director, SourceLink
- The following will be discussed:
 - What is an entrepreneurial ecosystem?
 - Determining community readiness
 - Measuring the entrepreneurial ecosystem

Introduction

Dell Gines

Senior CD Advisor

Federal Reserve Bank of Kansas City

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GROWING ENTREPRENEURIAL COMMUNITIES

May 4 & 5, 2016 | Kansas City

Center for Rural
Entrepreneurship

energizing entrepreneurial communities



FEDERAL RESERVE BANK of KANSAS CITY



Introduction

- The first Growing Entrepreneurial Communities was held in May 2016, with over 220 national entrepreneurship-based economic development (ED) practitioners participating.



- Over 40 pages of table-based practitioner feedback were given by attendees regarding how to create entrepreneurial communities in various locations (urban, rural, and other).
- To get more information, including PowerPoint presentations and summit videos, visit www.kcfed.org/community/smallbusiness

What Is an Entrepreneurial Ecosystem?

Deb Markley

**Managing Director, Center for Rural Entrepreneurship
Chapel Hill, North Carolina
deb@e2mail.org**

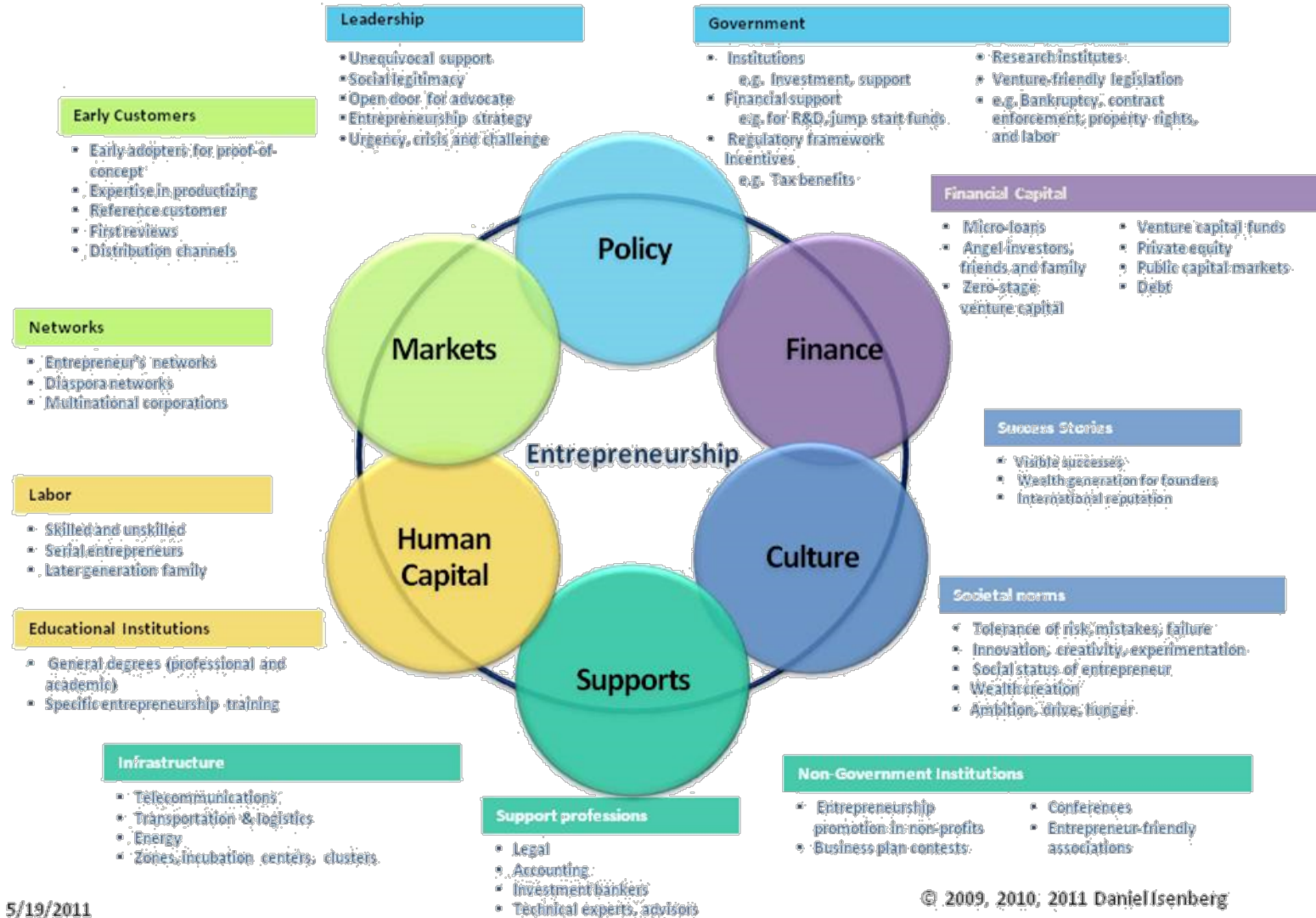


What We Know

- Growing entrepreneurial talent requires a **comprehensive, integrated, and robust system of support.**
- **Entrepreneurial programs \neq transformative change**



Essential Entrepreneurial Ecosystem Elements



5/19/2011

© 2009, 2010, 2011 Daniel Isenberg

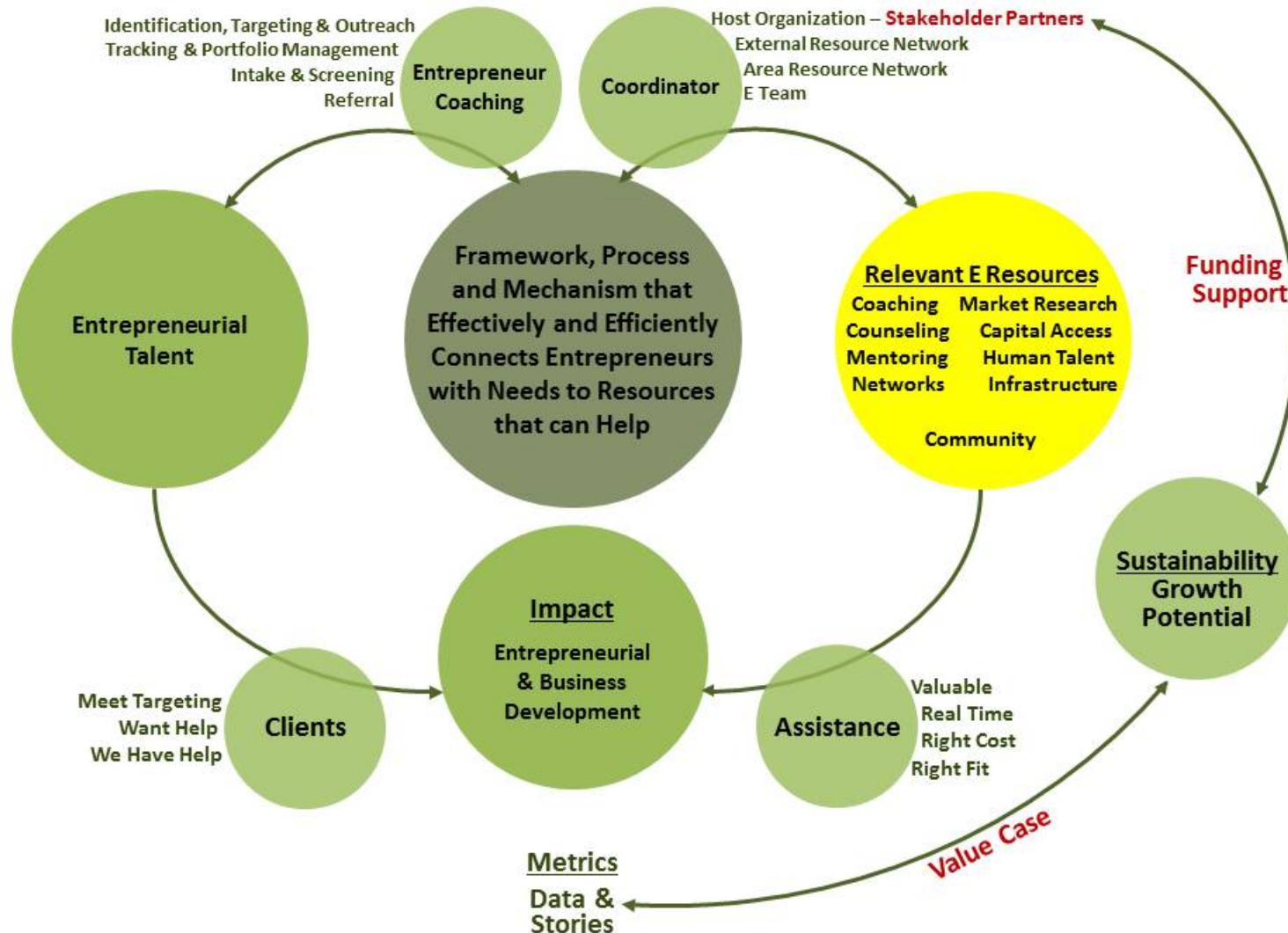
Essential Design Principles

- **Place based** – built on the assets and opportunities of a community or region
- **Beyond business entrepreneurs** – social and civic entrepreneurs are served by the ecosystem
- **Entrepreneurial culture** – grows entrepreneurial attitudes, behaviors, and talents
- **Responsive and proactive** – understanding entrepreneurial needs and providing appropriate solutions
- **Entrepreneurial pipeline** – from innovators to startups to growth entrepreneurs

Role for the Community

- **Strong entrepreneurial ecosystem** – means to an end
- **End game** – entrepreneurial development → ED → community prosperity
- **Necessary ingredients for community** – framework and process that help grow the ecosystem
- **Role** – basic transaction for the community:
 - Finding and engaging entrepreneurs
 - Connecting them to real-time and relevant resources
 - Increasing the number of transactions to serve more and more entrepreneurs

Community-Rooted Entrepreneurial Ecosystem



Source: Center for Rural Entrepreneurship

For More Information

**Center for Rural
Entrepreneurship**

energizing entrepreneurial communities

Deb Markley

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Determining Community Readiness

Erik Pedersen

Vice President of Entrepreneurship, NetWork Kansas



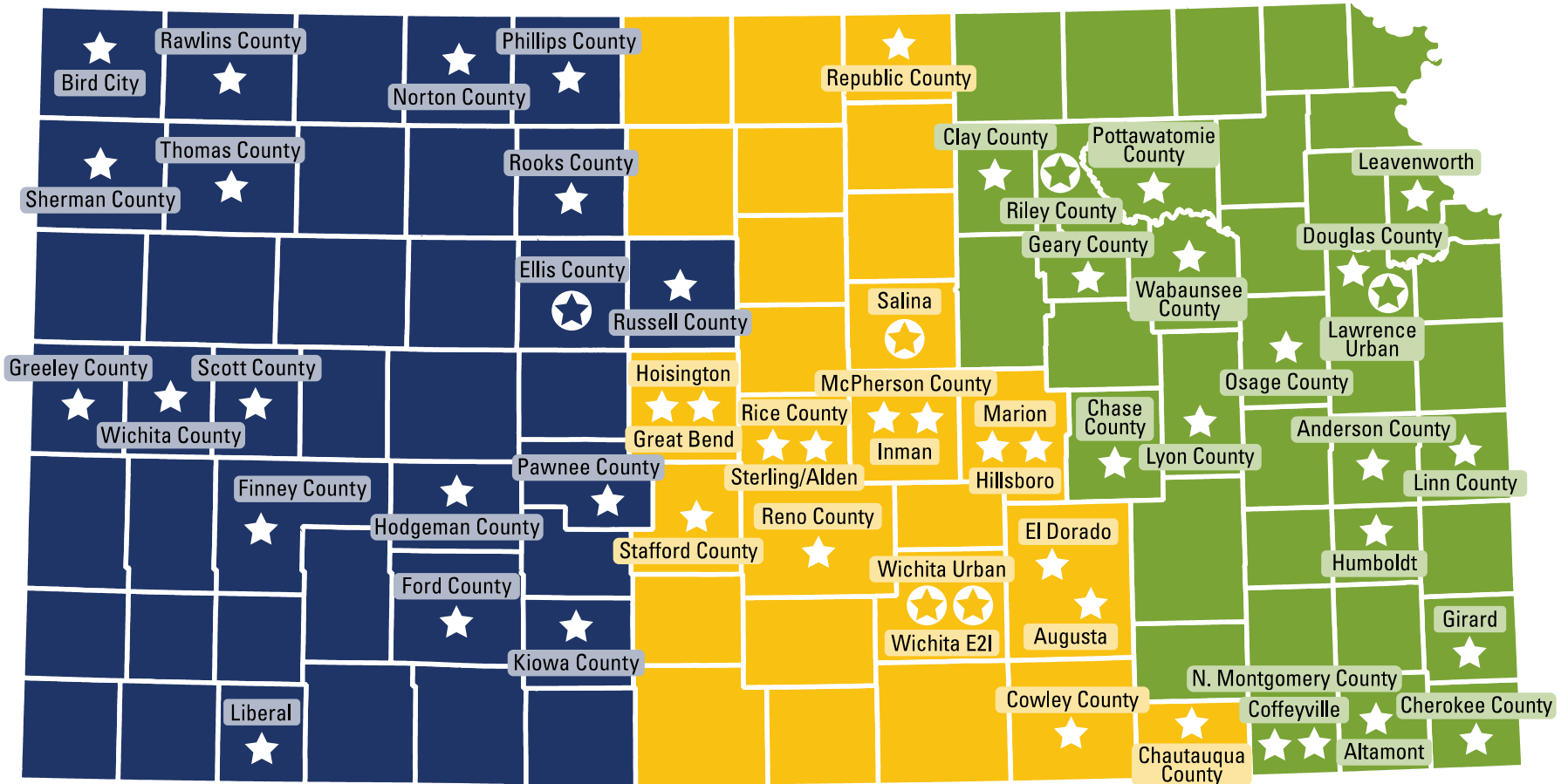
NetWork Kansas

- Entrepreneurship communities:
 - Launched in fall 2007
 - Competitive process (multiple meetings, written application, and in-person interview)
 - Community definition (town, cluster of towns, county)
 - Typically begins with city/county ED director
 - Creation of locally controlled loan fund (60/40 match with funding partner)
 - Loan funds are the “Trojan Horse”



NetWork Kansas (continued)

Entrepreneurship communities: 55 in 2016



NetWork Kansas (continued)

- Entrepreneurship communities:
 - 55 locally controlled loan funds
 - \$60,000–\$225,000 in each
 - \$8.63 million loaned to 320 businesses (as of September 30, 2016):
 - 17 percent of total loan package
 - Leveraged \$42.1 million of other capital
 - 52 percent in towns with population <5,000 (13 percent of those <1,000)
 - 49 percent startups and 35 percent expansions
 - 30 percent retail, 20 percent restaurant, 5 percent manufacturing, and 45 percent service
 - Created/retained 650+ full-time jobs and 670+ part-time jobs
 - 10 percent business failure rate (11 of 35 still paying)
 - 15 percent of loans paid in full

NetWork Kansas (continued)

- **Is your community ready to build an entrepreneurial ecosystem?**
 - Is your community ready to be an entrepreneurial community?
 - Make progress in a partnership with us:
 - Multiple viewpoints
 - Assess versus build

NetWork Kansas (continued)

- **Is your community ready to build an entrepreneurial ecosystem?**
 - Geographical readiness:
 - City-wide, county-wide, cluster of communities
 - Evaluate the collaboration and cooperation relevant to the population
 - Is this a suitable situation compatible with impacting the entrepreneurial environment positively?
 - We assess, not build

NetWork Kansas (continued)

- **Is your community ready to build an entrepreneurial ecosystem?**
 - Leadership team readiness:
 - Representation from public/private, existing team versus newly created:
 - Public (Small Business Development Center, Chamber, Career Development Center, Rural Energy, Electric and Telco, ED)
 - Private (banks, entrepreneurs, accountants)
 - Commit to monthly/regular meetings to discuss the entrepreneurial environment and vision
 - We assess and build

NetWork Kansas (continued)

- **Is your community ready to build an entrepreneurial ecosystem?**
 - Point person readiness:
 - Demonstrates a willingness to act as a leader
 - Engages with local, regional, and state resources
 - Uses other NetWork Kansas programs
 - Has a paid position in ED or Chamber
 - We assess and build

NetWork Kansas (continued)

- **Is your community ready to build an entrepreneurial ecosystem?**
 - Community readiness:
 - Leadership capacity:
 - Public Square or Kansas Leadership Center
 - City/county leadership programs
 - Youth engagement:
 - K-12 entrepreneurial programs
 - Entrepreneur fairs
 - Mentoring and job shadowing

NetWork Kansas (continued)

- **Is your community ready to build an entrepreneurial ecosystem?**
 - Community readiness:
 - Entrepreneurial environment:
 - Business incubator or makerspace
 - Assessment of supporting entrepreneurs' strengths and weaknesses
 - Connectivity to resources:
 - Process to assist or coach entrepreneurs
 - We assess and build

Measuring the Entrepreneurial Ecosystem

Maria Meyers

Founder, SourceLink

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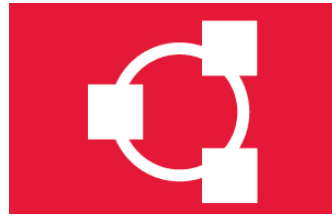


Building a Support Structure for Entrepreneurs



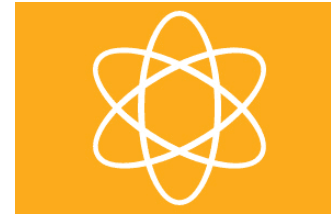
Identify

the entrepreneurial resources in your community and make them visible



Connect

your community through a central hub



Empower

your ecosystem by engaging, listening, responding, and collaborating to solve problems and fill gaps



Measure

your impact based on your entrepreneurial ecosystem's development stage

Rinse and repeat

It Takes All Types of Entrepreneurs



71%
Microenterprise



25%
Main Street



3%
Innovation-Led



1%
Second Stage

**Based on the demographics of Kansas City entrepreneurs*

Source: KCSourcLink

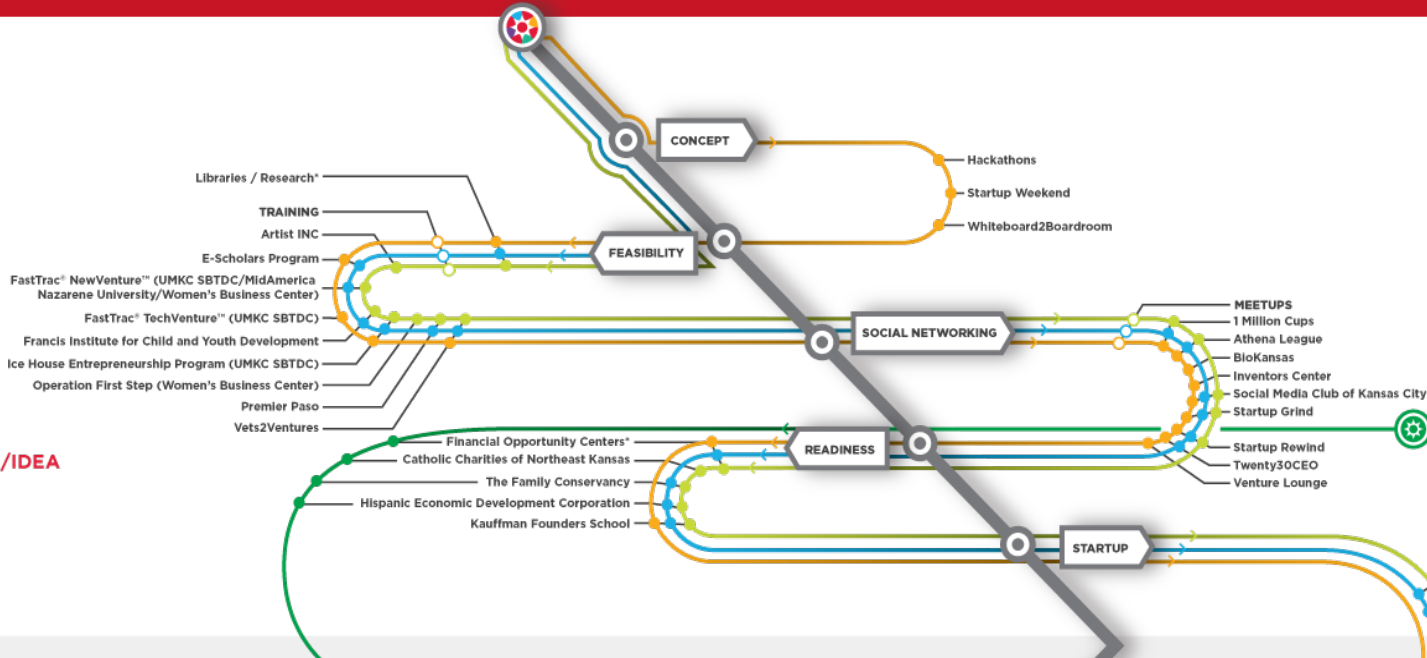
Identify

LEGEND

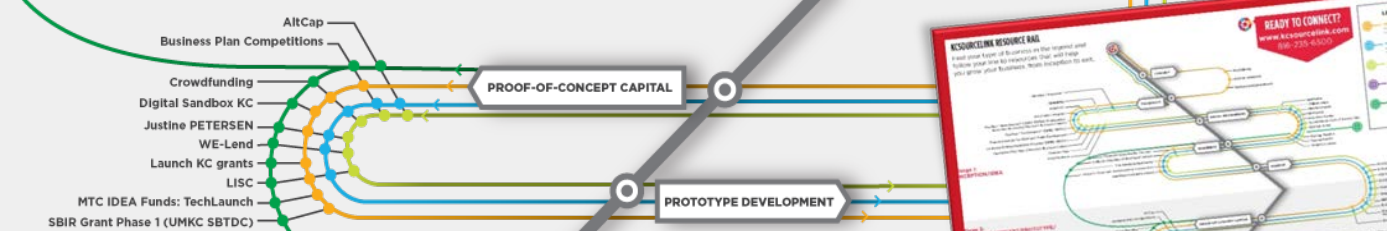
-  **INNOVATION LINE** — for tech or high-growth companies
-  **MAIN STREET LINE** — for brick-and-mortar businesses
-  **MICROENTERPRISE LINE** — for very small and/or online businesses
-  **SECOND STAGE LINE** — for established businesses poised for exponential growth
-  **MONEY LINE** — for businesses looking for capital to grow

KCSourceLINK

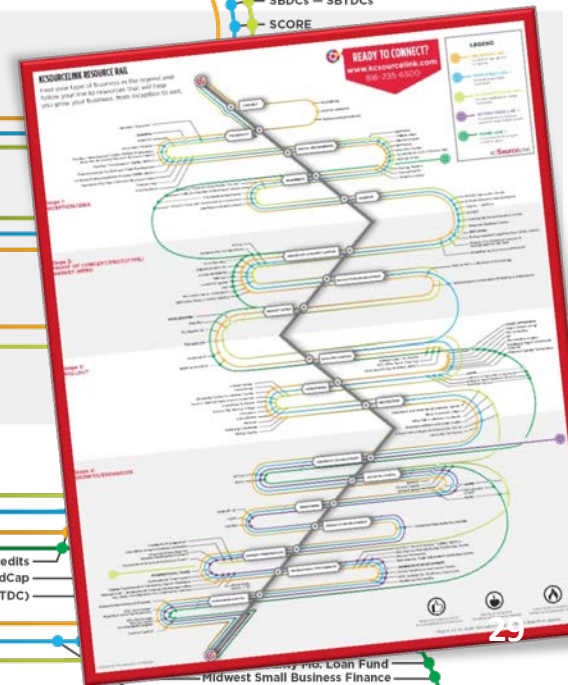
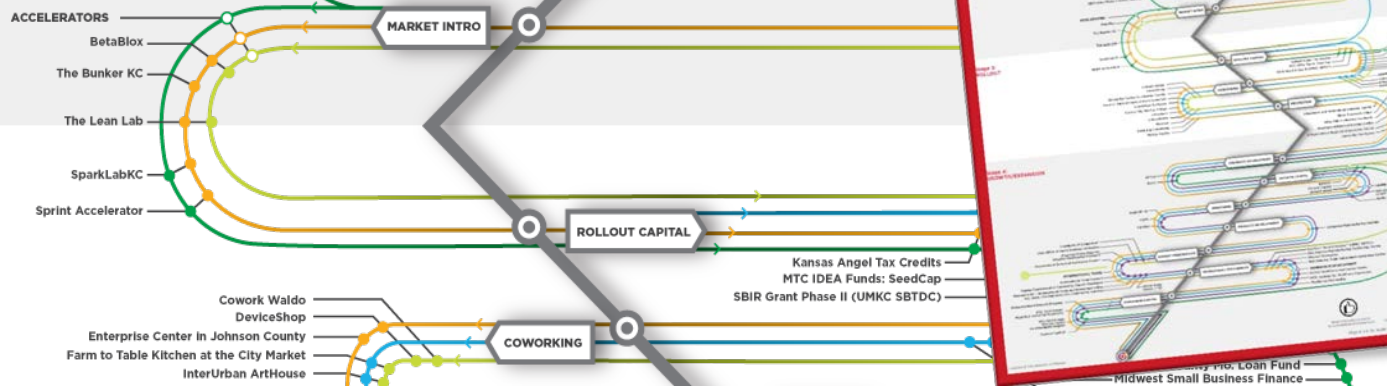
Stage 1: INCEPTION/IDEA



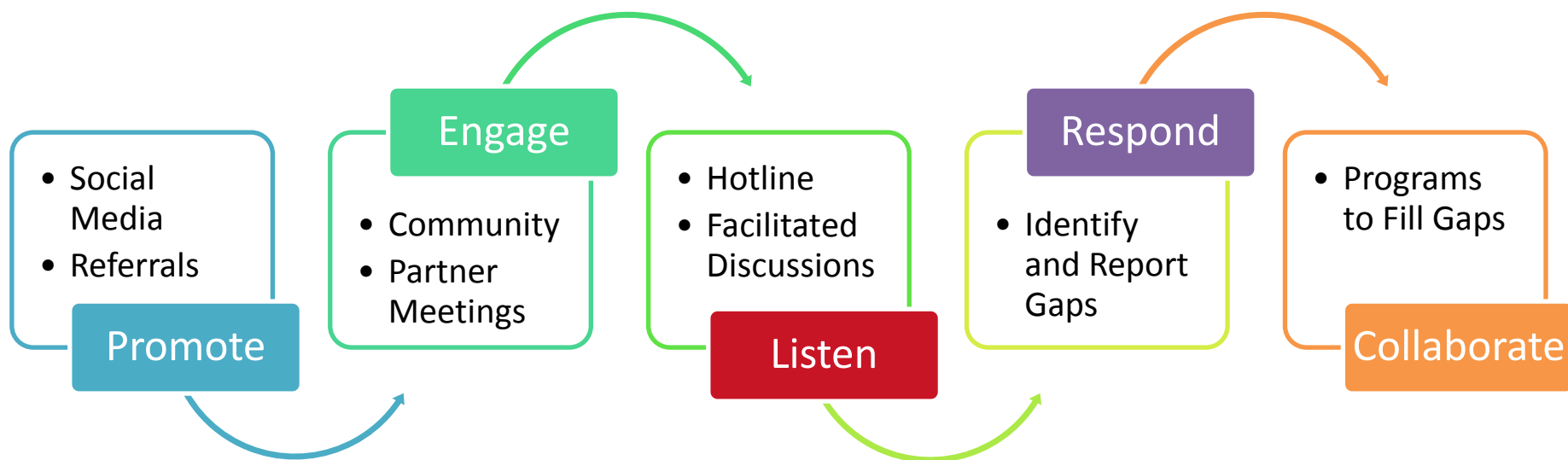
Stage 2: PROOF OF CONCEPT/PROTOTYPE/ MARKET INTRO



Stage 3: ROLLOUT



Engage and Empower

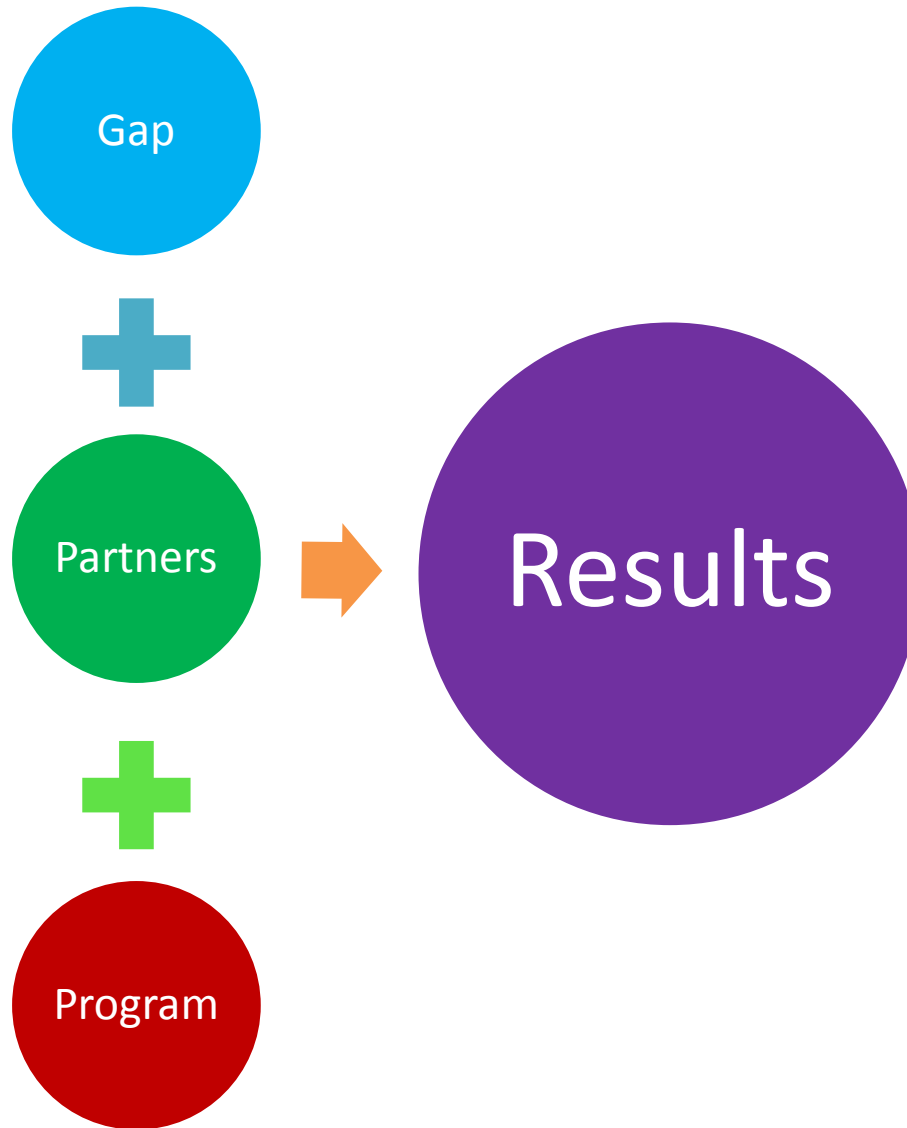


What Funders Look For



- A strong problem statement
- **Data** that supports the problem statement
- A feasible solution
- **Partners**
- **Match money**
- Return on investment:
 - Jobs
 - Starts
 - Debt/equity
 - Sales

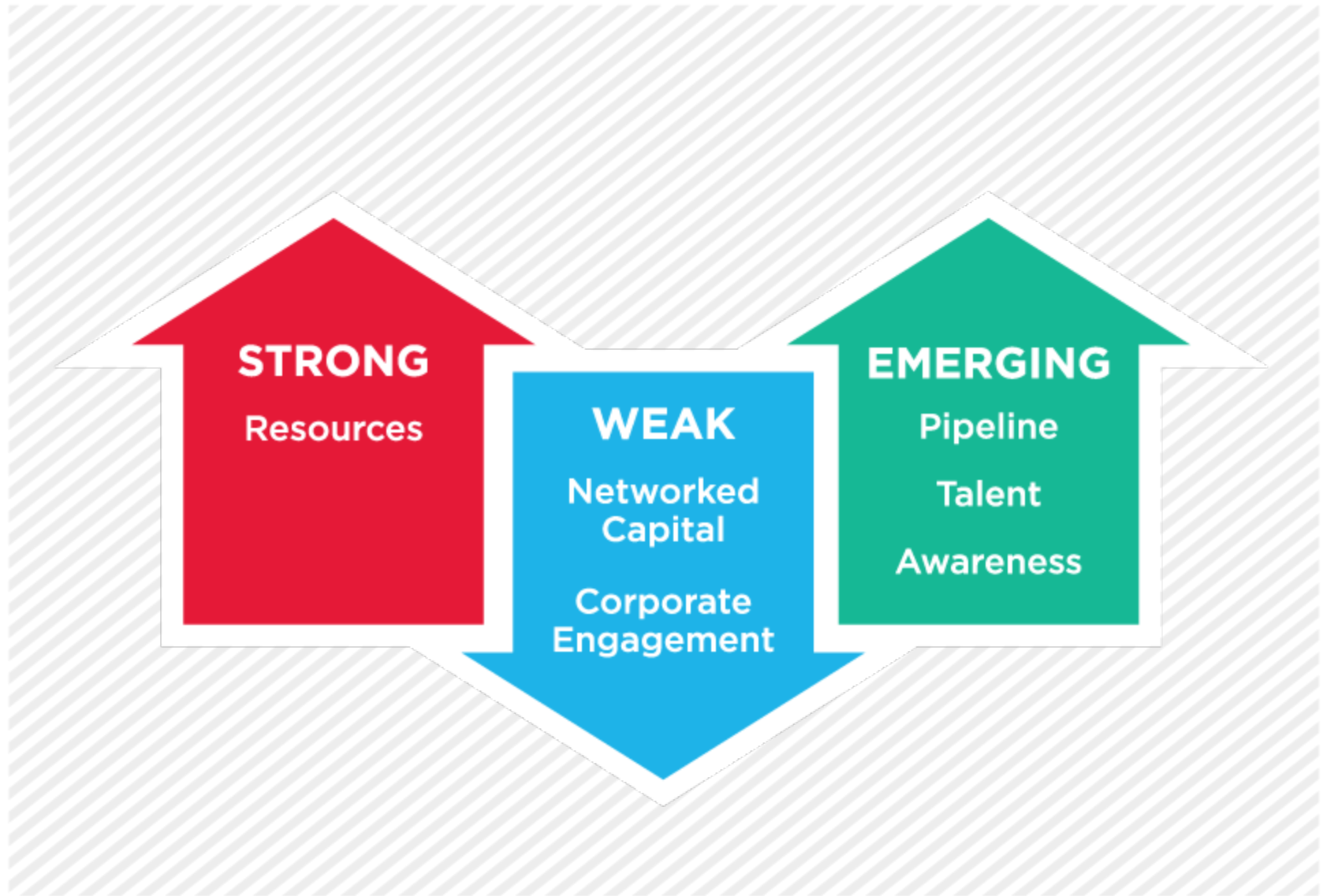
Collaboration Measures – Filling Gaps



Measuring a Successful Collaboration

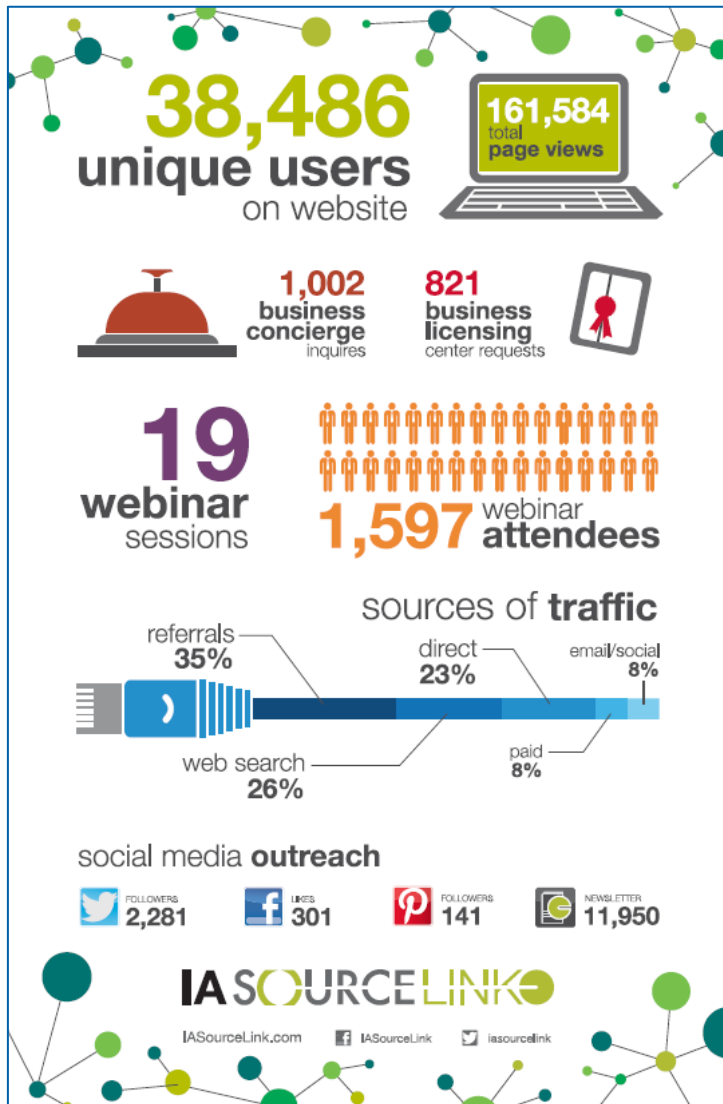
- In two years:
 - 46 proof-of-concept projects
 - 23 new companies
 - \$17.7 million follow-on funding
 - 181 new jobs created, nearly \$5.5 million in total salaries

Ecosystem SWOT*



SWOT – strengths, weaknesses, opportunities, and threats

Early Measures



- Number of partners
- Network access:
 - Web visits
 - Hotline calls
 - Resource Navigator searches
- Network strength:
 - Partners
 - Calendar events
 - Satisfaction survey results
- Network reach:
 - Friends and followers
 - Sources of traffic

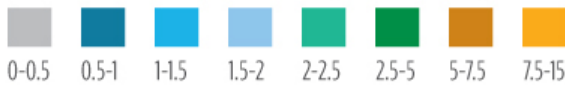
Source: IASourceLink

Density

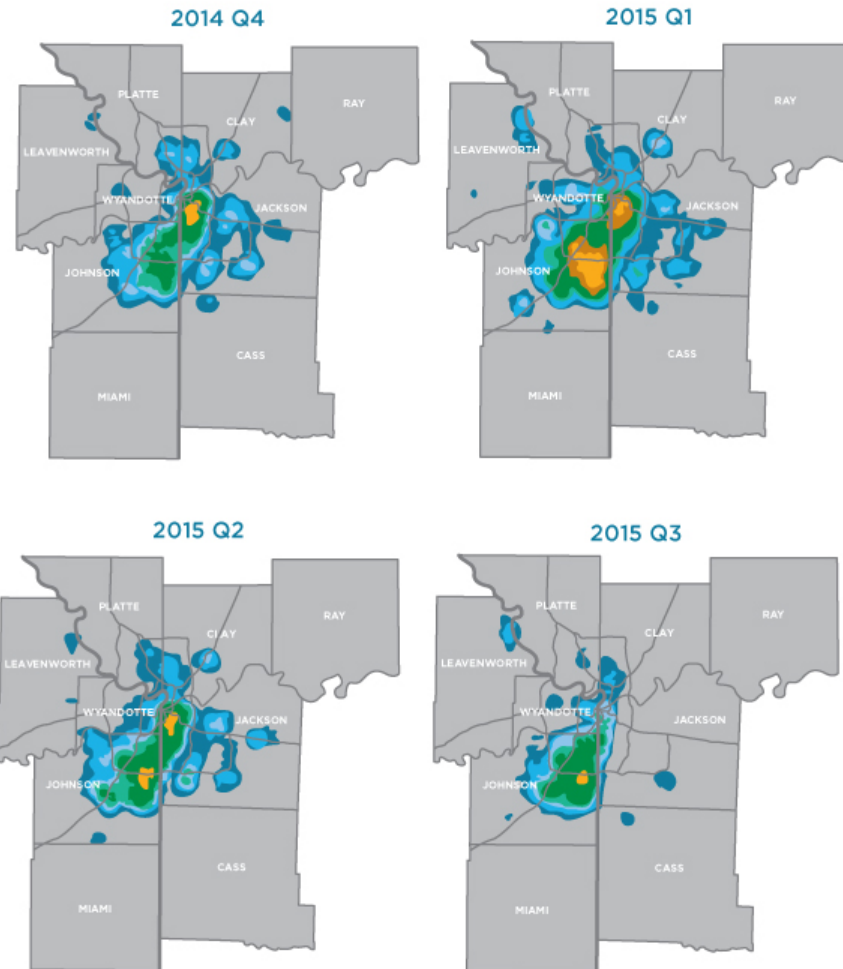
WHERE ARE KC STARTUPS LOCATED?

Maps show companies that have hired their first employee.

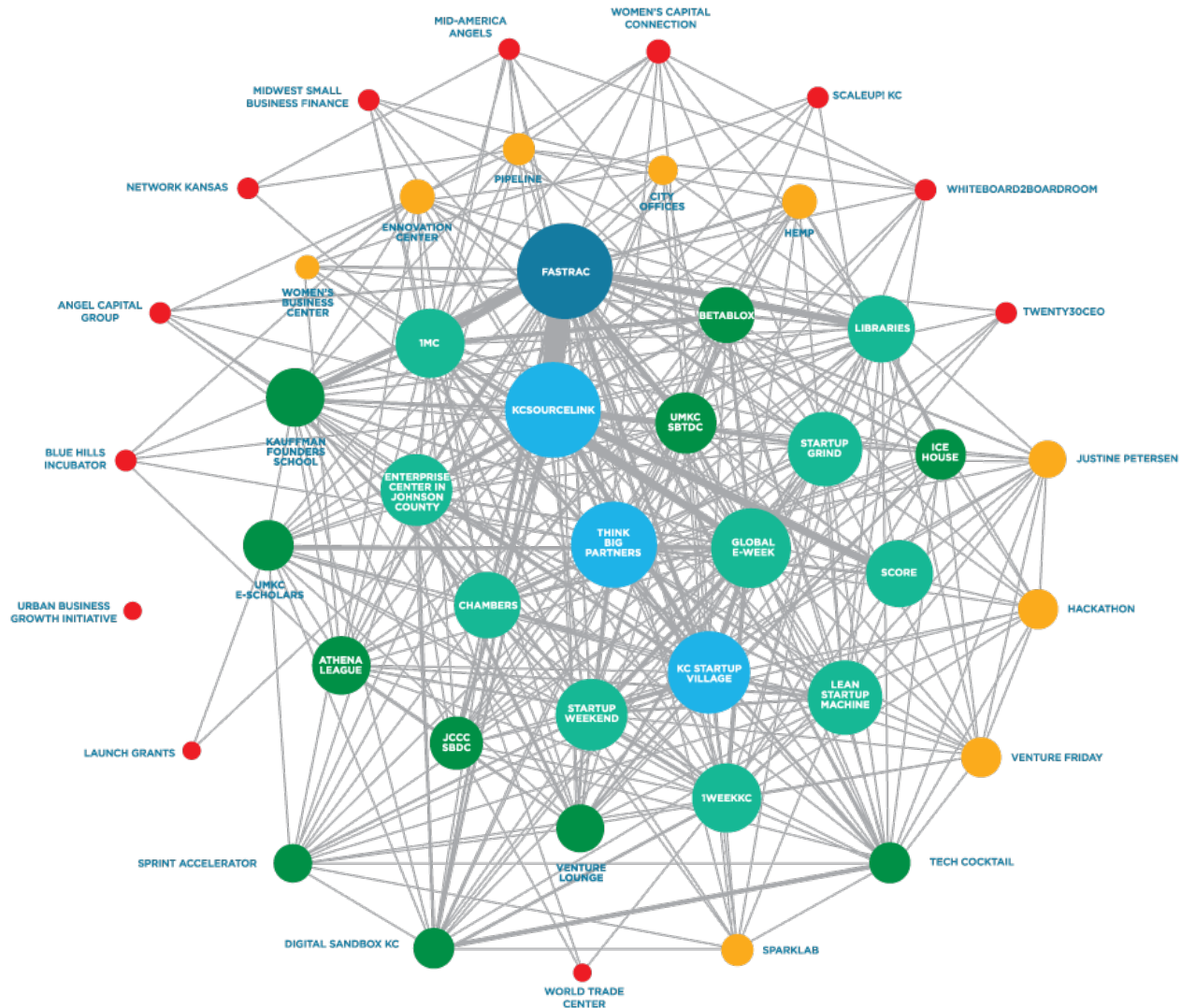
Number of Firms Hiring First Employee



Source: Data compiled by UMKC Center for Economic Information, 2015 Quarterly Census of Employment and Wages for Kansas and Missouri.

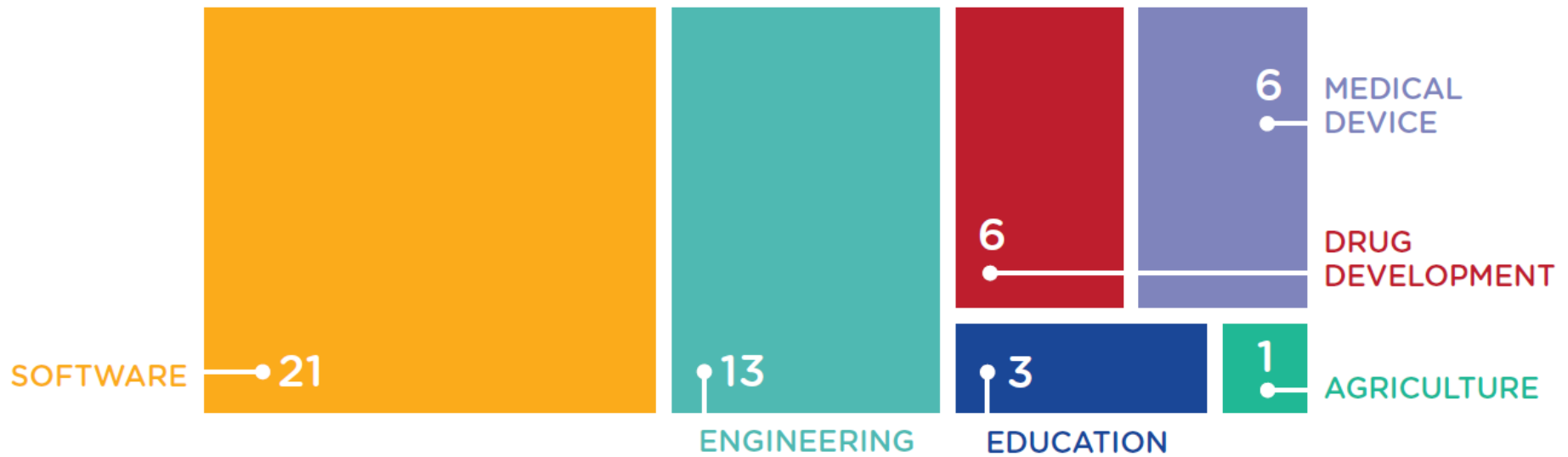


Connectivity



Source: KCSOURCELINK

Pipeline of Innovation



WE CREA+E CAPITAL

Defined the problem

Suggested an action plan



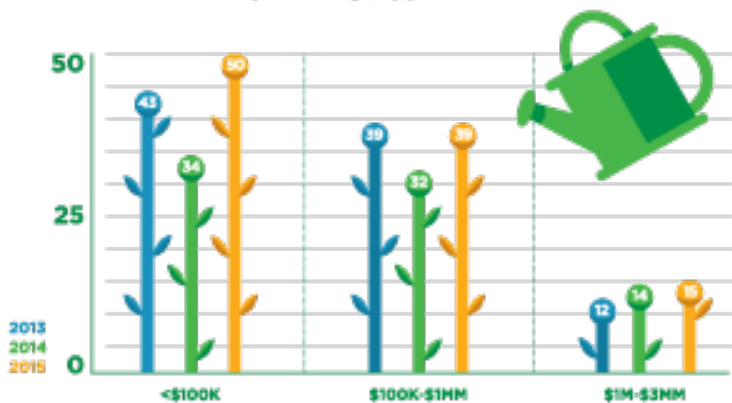
Source: KCSOURCELINK

Measuring an Ecosystem

Access to Capital

GRANT AND EQUITY FUNDING

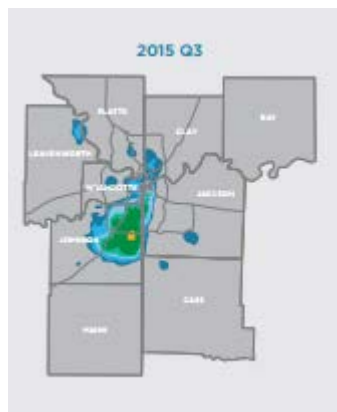
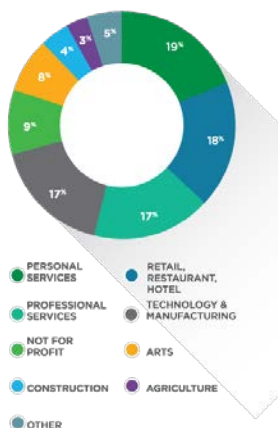
Number of deals by dollar range, by year



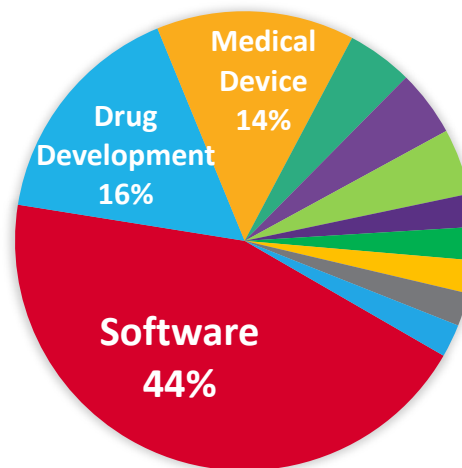
Connectivity of Resources



Demographics and Density



Pipeline of Innovation



For More Information

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Acronyms/Abbreviations

- CD – community development
- ED – economic development
- LMI – low- and moderate-income

Questions?

You have two options to ask questions today:

1. Email us at: communities@stls.frb.org
2. Type your question into the chat box of the webinar

Join Us for Our Next *Connecting Communities*[®]!

- Bringing Clarity to Impact Investing:
 - November 17, 2016
 - 2–3 p.m. Central/3–4 p.m. Eastern
- Presenters:
 - Ben Thornley, Tideline
 - Cathy Clark, Duke University
 - Sasha Dichter, Acumen

Wrap-Up/Closing

Thank you to today's presenters and all participants for joining this session.

Next steps:

- All session materials are available on our website and, in the next few days, we will post an audio file of today's session.
- If you have topical suggestions for future sessions or any questions about this program, please feel free to contact us at: communities@stls.frb.org.
- Information about future sessions will be posted on our website, along with archived materials from past sessions: www.stlouisfed.org/connectingcommunities/.

Related Resources



- In connection with this session, you can find a variety of additional resources on this topic at:
www.fedcommunities.org
- The website provides an array of practical resources to help you in your role as a CD professional, whether your work involves supporting people, places, the practice of CD, or small business development.