Growing Entrepreneurial Communities

November 3, 2016

Organized by the Federal Reserve Bank of Kansas City
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• 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.
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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
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• 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
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What We Know

• Growing entrepreneurial talent requires a **comprehensive, integrated, and robust system of support.**

• Entrepreneurial programs ≠ transformative change
Essential Entrepreneurial Ecosystem Elements

**Leadership**
- Unequivocal support
- Social legitimacy
- Open door for advocate
- Entrepreneurship strategy
- Urgency, crisis and challenge

**Government**
- Institutions
  - e.g., investment, support
- Financial support
  - e.g., for R&D, jump start funds
- Regulatory framework
  - Incentives
  - e.g., tax benefits
- Research institutes
- Venture-friendly legislation
- e.g., bankruptcy, contract enforcement, property rights, and labor

**Financial Capital**
- Micro-loans
- Angel investors:
  - friends and family
- Venture capital funds
- Debt
- Private equity
- Public capital markets

**Success Stories**
- Visible successes
- Wealth generation for founders
- International reputation

**Societal norms**
- Tolerance of risk, mistakes, failure
- Innovation, creativity, experimentation
- Social status of entrepreneur
- Wealth creation
- Ambition, drive, hunger

**Early Customers**
- Early adopters for proof-of-concept
- Expertise in productizing
- Reference customer
- First reviews
- Distribution channels

**Networks**
- Entrepreneur's networks
- Diaspora networks
- Multinational corporations

**Labor**
- Skilled and unskilled
- Serial entrepreneurs
- Intergenerational family

**Educational Institutions**
- General degrees (professional and academic)
- Specific entrepreneurship training

**Infrastructure**
- Transportation & logistics
- Energy
- Zones, incubation centers, clusters
- Telecommunications

**Support Professions**
- Legal
- Accounting
- Investment bankers
- Technical experts, advisors

**Non-Government Institutions**
- Entrepreneurship promotion in non-profits
- Business plan contests
- Conferences
- Entrepreneur-friendly associations


5/19/2011

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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

- Entrepreneurial Talent
- Framework, Process and Mechanism that Effectively and Efficiently Connects Entrepreneurs with Needs to Resources that can Help
- Funding Support
- Entrepreneur Coaching
- Coordinator
- Relevant E Resources
  - Coaching
  - Market Research
  - Counseling
  - Capital Access
  - Mentoring
  - Human Talent
  - Networks
  - Infrastructure
  - Community
- Sustainability Growth Potential
- Valuable Real Time Right Cost Right Fit
- Impact Entrepreneurial & Business Development
- Assistance
- Value Case
- Metrics
  - Data & Stories
- Clients
  - Meet Targeting
  - Want Help
  - We Have Help
- Host Organization – Stakeholder Partners
  - External Resource Network
  - Area Resource Network
  - E Team

Source: Center for Rural Entrepreneurship
For More Information

Center for Rural Entrepreneurship

 energizing entrepreneurial communities

Deb Markley
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www.energizingentrepreneurs.org
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

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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
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
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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: KCSOURCELINK
Identify

Stage 1: INCEPTION/IDEA

Stage 2: PROOF OF CONCEPT/PROTOTYPE/ MARKET INTRO

Stage 3: ROLLOUT

Source: KCSourceLink
Engage and Empower

Promote
- Social Media
- Referrals

Engage
- Community
- Partner Meetings

Listen
- Hotline
- Facilitated Discussions

Respond
- Identify and Report Gaps

Collaborate
- Programs to Fill Gaps

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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
WHERE ARE KC STARTUPS LOCATED?

Maps show companies that have hired their first employee.

Number of Firms Hiring First Employee

0-0.5  0.5-1  1-1.5  1.5-2  2-2.5  2.5-5  5-7.5  7.5-15

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

SOFTWARE 21

ENGINEERING 13

EDUCATION 6

MEDICAL DEVICE 6

DRUG DEVELOPMENT

AGRICULTURE 1
WE CREATE CAPITAL

Defined the problem
Suggested an action plan

Source: KCSourceLink
Measuring an Ecosystem

Access to Capital

Connectivity of Resources

Demographics and Density

Pipeline of Innovation

[Diagram showing various data and statistics related to access to capital, connectivity of resources, demographics, and the pipeline of innovation, including pie charts and graphs.]
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
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• 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
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

FedCommunities.org

- 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.