

Key No. 7 – Entrepreneurial Communities

Growing Entrepreneurial Communities

Background & Introduction

This month's Thought Paper focuses on the topic of the outcomes and attributes of entrepreneurial communities. This is part of our 2013 series addressing the [keys to local economic development success](#). Each month, we will address one of these keys in a Thought Paper. As is always the case, we want to hear from you. Please send us your insights, questions and push back by emailing me at don@e2mail.org.

Top 10 Keys

- Key 1 – [Local Responsibility](#)
- Key 2 – [Smart Game Plan](#)
- Key 3 – [Robust Investment](#)
- Key 4 – [Entrepreneurial Development Systems](#)
- Key 5 – [Sustained Effort](#)
- Key 6 – [Growth Entrepreneurs](#)
- Key 7 – Attributes of an Entrepreneurial Community
- Key 8 – Immigrants & New Residents
- Key 9 – Real Regional Collaboration
- Key 10 – Civic & Social Entrepreneurs

For More Information

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Why does this Matter?

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

Outcomes of an Entrepreneurial Community

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

Defining Community

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

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

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

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

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

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

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

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

Five Fundamental Attributes of an E Community

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

Created or Enabled

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

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

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

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

Let's explore each of these five mega-attributes in a bit more detail. We encourage you to take the quick Entrepreneurial Community Assessment at the end of this paper to see how your community scores.

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

E Culture. We have already introduced the idea of the entrepreneurial ecosystem of environment. An entrepreneurial ecosystem has three primary components:

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

We will address infrastructure and business services next. Connections to economic opportunities are stimulated and enabled in both the E Culture and Infrastructure spaces. We will share a bit more on this important consideration a bit later in this section.



Entrepreneurial culture has two important components: other entrepreneurs and the host community. Other entrepreneurs are critically important. Having a robust and capable peer group can do more to stimulate and support entrepreneurial behavior than almost any other intervention. The creation of entrepreneur networks, peer groups, advisory board of directors and mentors are key strategies for increasing entrepreneur to entrepreneur connections. The host community is also important. The host community is where entrepreneurs not only work, but live and play. Their families are part of host communities. While host communities are typically communities of place, they can also be communities of interest. How host communities treat entrepreneurs is important. One reason why growth oriented entrepreneurs leave urban neighborhoods or a rural community is because these host communities often severely punish failure and resent too much success. As a result of these hostile behaviors, entrepreneurs gravitate to communities where they can receive either more privacy or actual encouragement and support.



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

Human Talent. Access to human talent is the keystone in today's globally competitive environment. A key reason why high cost places like New York, California and Minnesota are very entrepreneurial is because these places attract human talent. The foundation of Chicago Mayor Rob Emanuel's economic development strategy is to attract the largest potential share of graduates from Big 10 Universities. The mayor understands that where talent is concentrated business development will follow. While this is an over-simplification of what should be a more sophisticated strategy, it does embed truth with respect to the importance of human talent. When addressing human talent, the kinds of issues and assets addressed by Richard Florida (The Creative Class theories) and other economists become important. The right kinds of community spaces, particularly quality of life amenities and a focus on youth become foundations. Bottom line, it is very difficult to evolve an entrepreneurial community without growing a human talent base.

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

Wrap Up

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

Now take the challenge and use the Entrepreneurial Community Quick Assessment to evaluate how entrepreneurial your community is...

Entrepreneurial Community Quick Assessment

Score each statement based on how strongly you agree or disagree with its accuracy as to how it relates to your community.

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
We have a lot of high performing business, civic and social entrepreneurs in our community.	5	4	3	2	1
We have a strong entrepreneurial culture in our community where we understand failure is part of being entrepreneurial and success is celebrated and not resented.	5	4	3	2	1
Our community has an exceptional entrepreneurial infrastructure including strong interaction and support among entrepreneurs.	5	4	3	2	1
In our community, we believe the most important investments are into human talent including growing entrepreneurs and helping existing ventures become more entrepreneurial.	5	4	3	2	1
Our community, our parents and our schools believe that entrepreneurship is as great a career for our children and grandchildren as finding a great job.	5	4	3	2	1
TOTAL SCORE		The higher the score, the greater the chances that your community is more entrepreneurial.			

Questions & More Information

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

To learn more about the Center's history and program areas, go to www.energizingentrepreneurs.org.

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