

Introduction

Jay Kayne, formerly a Vice President with the Kauffman Foundation and a remarkable thought leader in the field of entrepreneurship, made the following point while talking with Jesse Ventura (when he was Governor of Minnesota):

There are three questions you must ask yourself about your state or community:

1. *Do residents have a propensity toward entrepreneurship? In other words, would they like to start or own their own business some day? If not, the response is to provide general education (in and out of formal education) about the risk, rewards and challenges associated with entrepreneurship.*
2. *If the answer to #1 is yes, the second question is, "Are residents starting their own businesses?" If not, the community needs to provide education about how to start a business.*
3. *If citizens are taking the leap, the last question is whether they are successful. This is about the support system, available financing, mentors and networks.*

This paper explores why your community *should* and *can* help entrepreneurs connect to innovation as an important way to support entrepreneurial venture growth. Increasing exposure to innovative ideas is one critical way to increase entrepreneurial activity and success.

The Innovation and Entrepreneur Connection

Jay Kayne also defines an entrepreneur as "someone who starts and/or grows a venture." When successful, entrepreneurs are, by definition, part of what Richard Florida calls the "[creative class](#)." A key element of their creativity is their ability to develop and deliver solutions to customers. Based on our field experience, there is a powerful connection between **innovation** and **entrepreneurship**. Entrepreneurs are generally not the inventors or innovators; they are the agents that use innovation to find and package solutions. They are talented at recognizing innovation and adapting it to meet a market need or opportunity. Through this creative process, the entrepreneur creates value providing goods and services that are in demand by consumers.

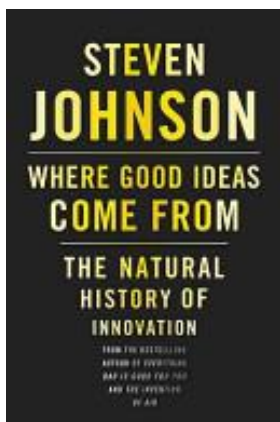
The Niche Factor

We are fans of Chris Gibbons and his [Economic Gardening](#) in Littleton, Colorado and around the U.S. We have been following this movement for some time. We have also invested in learning how advanced market intelligence research can assist entrepreneurs. Gibbons often focuses on the “commodity trap” and the need for entrepreneurs to “find their niche.” We cannot agree more with Chris on this very important market competitiveness point. Finding a competitive niche generally involves innovation. A niche is the unique space where the entrepreneur has a genuine competitive advantage for a particular product or service. The niche may involve what they do or how they do it. Recently, my wife and I spent a week in the sun in Punta Cana, Dominican Republic. There are dozens of first rate resorts and they all provide basically the same amenities with comparable price points. So how do you compete? In our case, we selected a resort recommended by our travel agent that executes their services better than most. That was their niche, creating their unique competitive advantage.

We would never claim to be the authority on entrepreneurs and innovation, but we have some great reads to recommend as you start to learn more about this important strategy consideration.

Great Reads on Innovation

In a standard Google search of “innovation,” over 490 million hits appear. Obviously, a lot has been written and shared on the topic. However, if your time is more limited, I would suggest the following **five top reads** that I found most insightful in my search to learn more about how innovation and entrepreneurship fuel economic development.



Where Good Ideas Come From – Steven Johnson’s book, *Where Good Ideas Come From: The Natural History of Innovation* (2010 – Riverhead Books), is a fascinating read full of illustrations and stories. He talks about how innovators combine existing ideas and technologies to create new solutions. Most importantly, Johnson explores how innovators get their mojo. He dives deep into the innovation environment, liquid networks and how the internet is reducing the need to be in dense urban areas in order to be innovative. This is great news for rural areas and entrepreneurs. If you get the chance, also check out the Public Broadcasting program featuring Steven Johnson.

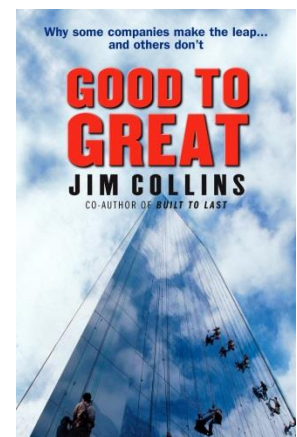
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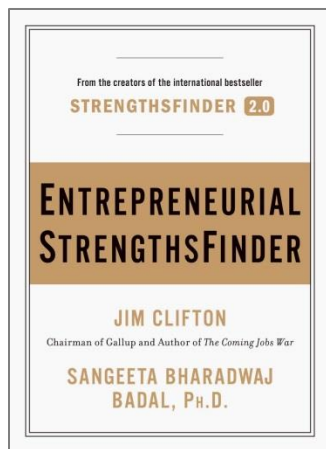
The Innovators – Walter Isaacson (author of the book Steve Jobs) recently released *The Innovators: How a Group of Hackers, Geniuses, and Geeks Created the Digital Revolution* (2014 – Simon & Shuster). As the title indicates, Isaacson is focusing on one area of our economy, but many of the illustrations and ideas are similar to Johnson’s and are helpful in providing insights into the process and outcomes of innovation. The book focuses on emerging information technology and the rise of computers and related applications. Isaacson illustrates how collaborative and proprietary environments foster and restrict innovation and commercialization.



The Good Jobs Strategy – The third best read on this topic is a book we have highlighted before titled *The Good Jobs Strategy: How the Smartest Companies Invest in Employees to Lower Costs and Boost Profits* (2014 – New Harvest). Author Zeynep Ton with the MIT Sloan School of Management employs business case studies to illustrate how common types of businesses are innovative in their use of employee empowerment and business systems to grow more competitive and profitable companies. These companies manage to outperform others in their sector while also creating “good jobs” (I would argue also great careers) and benefiting both investors and employees. Check out our [paper](#) on this book and its insights.

Good to Great – First came the book, *Built to Last*, and then author Jim Collins released the #1 best seller, *Good to Great: Why Some Companies Make the Leap... and Others Don't*. Released in 2001, this book created significant dialogue within business and policy circles. It became a bible of sorts on how to create great companies. Throughout this book, there are wonderful stories illustrating innovative business practices that have enabled good companies to become first in class. Another powerful lesson from the book is that while innovation can move a venture toward success, staying there is challenging. Collins’ 2009 book, *How the Mighty Fall*, captures the decline and even failure of some of the great companies highlighted in *Good to Great*.





Entrepreneurial Strengths Finder – This book, by Jim Clifton with Sangeeta Bharadwaj Badal, captures the evolving perspective from the Gallup Organization regarding entrepreneurship. Mr. Clifton is passionate with respect to the relationship between innovation and entrepreneurship. He argues that too much investment and attention is paid to innovation and too little focus is placed on entrepreneurial development. We agree with his point that entrepreneurs are essential in finding and commercializing innovation. Without entrepreneurs, innovation has limited pathways to grow a stronger economy. Gallup’s *Entrepreneurial Strengths Finder* resource is interesting and useful. Explore your entrepreneurial strengths and weaknesses with this resource.

The Innovation Process

The first Jiffy Lube was opened in Ogden, Utah in 1971 by Edwin Washburn. Today, Jiffy Lube has over 2,000 stores nationwide and is a subsidiary of Shell Oil Company based in Houston, Texas. The Jiffy Lube story caught my eye a number of years ago and imprinted an important lesson in my mind. In some ways, the story of Jiffy Lube is a personal story. My dad was a lifestyle entrepreneur. He was a child of the Great Depression, but World War II sent him on an entrepreneurial path. During the Great Depression, my Grandfather lost the farm, and my father’s opportunity for an agricultural life was gone. Dad’s World War II service exposed him to the larger world and to bigger ideas. Like so many World War II veterans, he came home and went into business.

Dad was a hardworking and successful entrepreneur. His business of choice was a gasoline station and garage. He created a competitive niche by providing personal service that, in turn, created loyal customers. In 1971, when Jiffy Lube was created, I was a freshman in high school and worked at my Dad’s station in Ogallala, Nebraska. Back then, I do not think we could have envisioned much opportunity for innovation in this well-established business arena, but Jiffy Lube proved us wrong. Using market research, Jiffy Lube knew that most customers were not comfortable with their local gas station and garage. They wanted transparency and consistency in pricing, service and quality as much as they wanted quick in and out service – the very things that a well-run franchise model is designed to deliver. Jiffy Lube took an old way of doing



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business, married it with the franchise model and created a highly successful new corporation. Stations like my Dad’s still exist, but today there are no longer two or three gas stations on every major arterial intersection in our communities. Jiffy Lube and others like it have replaced the “mom and pop” gas stations of my youth.

This story illustrates in so many ways the **innovation process**. So often the innovation process does not involve inventors or cutting-edge technology. The story is more basic – an entrepreneur combines ideas and technology already around us to create a competitive advantage and niche market opportunity. My friend, Jim Jenkins, a food franchiser, wondered why there were so few Italian-themed fast food eateries. Yes, there are thousands of pizza places and higher-end Italian cafes, but hardly any Italian fast food cafes. He perceived an opportunity and created a new franchise in this space. This is just another example of the kind of innovation that entrepreneurs perceive and put to work.



The Innovation Process Summarized	
<p style="text-align: center;">Perceiving</p> <p><i>Entrepreneurs are always paying attention. They love learning and they collect ideas not knowing for sure if they will ever prove valuable.</i></p> <p><i>Their collections of ideas and experiences create a storehouse of possibilities.</i></p>	<p style="text-align: center;">Market Need</p> <p><i>Entrepreneurs are also constantly identifying and assessing potential market needs. They pay attention to development opportunities, crosswalking these perceived opportunities with their own areas of interest.</i></p>
<p style="text-align: center;">New Innovation</p> <p><i>Out of this entrepreneurial process comes new innovation that can create a small success like Jim Jenkin’s café chain or a major success like Jiffy Lube. Such innovation can increase competitiveness, identify market niches and generate stronger profits.</i></p>	<p style="text-align: center;">Combining</p> <p><i>Entrepreneurs are generally not inventors or the creators of the building blocks of innovation. Rather, they take ideas and align them with market needs to create new products, services and ways of doing business.</i></p>

Now let’s explore what you can do to increase entrepreneurial activity by stimulating and supporting innovation among your community’s entrepreneurs.

How Your Community Can Stimulate Entrepreneurial Innovation

Focus, Focus and More Focus. When working with entrepreneurs, one role we can play is to help the entrepreneur focus on those things that will contribute to the development and success of their venture. Successful entrepreneurs work hard and are often very focused on running their venture. However, too much focus and too much time spent running the business can deny the entrepreneur the **creative space** where innovation can occur.

Therefore, a contradictory part of our work is to **disrupt** the entrepreneur’s focus and get them into creative and innovative space. As [Ewing Marion Kauffman](#) commented, the difference between a business owner and an entrepreneur is that the entrepreneur *spends time on* their business as well as running their business. Spending time on the business means spending quality time in creative and innovative spaces. We can create opportunities that help our entrepreneurs and business owners move into the space where they can grow and improve their business.

So, what are the kind of things we can incorporate into our strategy to increase innovative behavior among our community’s businesses and entrepreneurs? Here are a few proven ideas:

Change Opportunities. There are times in the life of an entrepreneur when they are more open to exploring change. These change opportunities can be rooted in a threat such as the loss of a dominant customer or a new competitor, but change can also come in the form of a young adult who wants to come home and has ideas for evolving the business. *Check out the story from Western North Carolina on the next page.*

The difference between an entrepreneur and a business owner is a business owner spends most of their time focused on running their business while an entrepreneur spends quality time working on their business.

Insights from Ewing Marion Kauffman

Networking Events. Nothing stimulates an entrepreneur better than hanging around other entrepreneurs. A lot has been written about entrepreneurial networking events. When well-designed and managed, such events can take entrepreneurs out of a “running the business” space and land them in this creative space to “spend time on the business.” The exchange of ideas through networking events can stimulate connections and innovation.

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Growth Programs. Historically, Fairfield was a farming and manufacturing community in rural Southeastern Iowa. Over the years, it has developed a well-deserved reputation as an entrepreneurial community. One reason for this reputation is the work of the Fairfield Entrepreneurs Association. The Association employed a simple strategy involving monthly entrepreneur networking events with a topical focus. The Association polls its members in order to identify topics of keen interest. It then procures a speaker for these topics and offers its monthly program. Many of the presentations are captured on video tape, re-run on the local cable television station and made available through the local public library. This simple approach creates two impacts. First, it brings entrepreneurs together to network. Second, it creates space and content for personal and venture growth.

A Story from Western North Carolina

Many years ago in Western North Carolina, we came across a very interesting entrepreneurial story. The father managed a run of the mill automobile junkyard, but he had a passion for European sports cars. He had developed a bit of a reputation in that corner of the world for having a good supply of salvaged parts for these sports cars. Later, when his daughter wanted to move back home, they found a way to utilize her passion for information technology. She did not really care about the junkyard business or even European sports cars, but she perceived a business opportunity. By marrying her Father's reputation and know-how of sports car salvaged parts with the internet, they greatly expanded their source of parts and were able to reach new markets. That was true innovation. As we work with entrepreneurs, we listen carefully for those potential "change opportunities" and the corresponding opportunity for innovation and entrepreneurial success.

Travel and Discovery. We encourage entrepreneurs to travel and take time to learn about related ventures in different markets and settings. Most entrepreneurs like to share, and it is amazing how a potential competitor is willing to share their trade secrets. Taking time to travel and learn from other entrepreneurs working in your space can be powerful. Yes, it takes time and a willingness to risk a bit. If you reach out to an entrepreneur, they will expect you to share your insights with them. As your community is working with entrepreneurs, you can encourage them to make time for travel and discovery, and also help them identify potential places and entrepreneurs to visit. Use **your** networks to help **them** network.

Mentors, Peer Groups and Advisory Boards of Directors. These are tried and true tactics. The use of mentors, peer groups and voluntary boards of directors can be very powerful in helping an entrepreneur reflect and explore possibilities. You can see any number of programs on television today where entrepreneurs are challenged to improve and innovate. A mentor can see issues and possibilities that are potentially critically important to an entrepreneur's success. Peer groups like Dakota Rising in South Dakota can provide entrepreneurs an opportunity for deep engagement with

other entrepreneurs at similar stages of development. Even a small venture that does not have a board of directors can use a voluntary board to advise them. In all these cases, your community can provide the infrastructure to help entrepreneurs explore these ideas and help make them happen.

Some Final Thoughts

For most communities, there are not many established Stage 2 growth entrepreneurs and companies. Still, the vast majority of communities in North America have [growth-oriented entrepreneurs](#) who could greatly benefit from assistance. These are diamonds-in-the-rough that can evolve and grow with some help. Some of these growth entrepreneurs can become Stage 2 growth entrepreneurs (often defined as having 10-100 employees and/or \$750,000 to \$50 million in receipts) capable of creating significant economic development impacts in our communities. A key pathway that communities can create and support is introducing growth-oriented entrepreneurs to possible innovations that could move them to higher growth. We encourage you to explore with your community how to make innovation part of your entrepreneurship game plan.