Center for Rural Entrepreneurship

energizing entrepreneurial communities

Creating an Entrepreneurial Strategy

e2 University Strategy Guide



January 2015

About This Guide

Sooner or later, and we recommend sooner, your community will need to settle on an entrepreneurship strategy – your plan for achieving your goal of becoming an entrepreneurial community. Like most plans, your strategy will evolve over time as you learn more and focus your goals. Our **Entrepreneurial Strategy Package** can help you develop your optimal entrepreneurship strategy and make progress toward community prosperity.

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- Readiness
- Energizing Your Community
- Organizing for Action
- Assessment
- Working with Entrepreneurs
- Metrics & Sustainability
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Why is a Smart Game Plan Important?

As we have described in our book, *Energizing Entrepreneurial Communities – A Pathway to Prosperity*, there are three important reasons why a smart game plan is a must in our current times.

- ***Intense Competition:*** While you may think about your competition as the next county or town, in actuality, you are competing globally. To succeed, you will need to target investments in order to build on your unique and distinctive advantages.
- ***Tight Resources:*** Even as the economy begins to recover, resources to support community economic development are constrained. Funding uncertainties and pullbacks in the public sector, at the federal, state, provincial and local levels, make it even more critical that we use limited resources to generate impacts as effectively and efficiently as possible.
- ***Stakeholder Confidence:*** Building a strong and prosperous economy is a difficult task and it requires a long-term perspective. If you want to build and maintain stakeholder confidence in your direction and approach, you need a strategy that focuses on genuine opportunities. And, you will need to execute that strategy well. The best way to get and keep stakeholders engaged is to demonstrate success.

Defining "Smart"

According to the Merriam Webster Dictionary, something "smart" is "characterized as bright, knowledgeable, shrewd and intelligent."

Discovering Your Optimal Strategy

In order to discover your community's optimal entrepreneurship strategy, you will need to progress through four phases of development:

1. Complete Opportunity Assessment
2. Explore Appropriate Strategy Options
3. Move to Implementation and Test Your Execution
4. Evolve Your Strategy Over Time

We encourage you to use this phased approach in developing your unique strategy for growing entrepreneurial talent. The sections below explore each phase in more detail.

*Another useful resource as you begin to craft your strategy is our **10 Keys to Economic Success: Growing Entrepreneurial Communities**, included in this package.*

Complete Opportunity Assessment

While you and your economic development partners may agree on the need to create an economic development strategy, it may be difficult to get agreement on what that strategy should be. Every stakeholder will have a sense of what should be done and where investments should be made. Getting to agreement is critically important, but it is not easy. Your ultimate strategy is likely to reflect the common ground and compromises that your stakeholders commit to supporting with their time and financial resources.

As we explore in detail in our book, there is no single definition of a smart game plan. There is no single generic strategy that your community can adopt. Rather, you need to craft a strategy tailored to the unique assets and opportunities that exist in your community. Based on our work in many different landscapes, we have identified five building blocks of a smart game plan. Understanding these building blocks and being able to articulate them to your partners is a first step toward building the consensus you need to move forward. You can learn more about each of these building blocks in Chapter 3.3 of *Energizing Entrepreneurial Communities*.

1. **Rooting your plan in genuine development opportunities** – Take the time to understand your economy and your community's assets as the foundation of your strategy. Learn what other similar communities are doing and adapt their ideas to your unique circumstances.
2. **Creating a plan you can execute effectively** – Line up the time, talent and treasure you need to adequately resource your strategy for at least the short to medium term. Accept that you will make some missteps along the way, but vow to learn from them and alter course accordingly.
3. **Cultivating broad-based community engagement and support** – Practice real community engagement where you seek broad-based input and ownership for your strategy. Ensure that the strategy addresses the needs of the community as a whole and not a limited group of stakeholders. Practice open communication and transparency with decision making.
4. **Emphasizing short-term success that enables long-term desired change** – Identify and celebrate early wins that will help to build and sustain support needed to have the staying power to bring about transformative change. Commit to measuring and sharing progress on a regular basis.
5. **Being entrepreneurial** – Look for emerging opportunities, gaps that need to be addressed and course corrections needed to achieve greater impact. Take the time to step back and adjust your strategy as needed to achieve greater success.

The Center's **Assessment Packages** provide tools and other resources to help you better understand your assets and starting point for strategy development.

Explore Appropriate Strategy Options

When constructing a house, a sound foundation is essential for the house's long-term sustainability. The same is true when building your optimal entrepreneurship strategy. Ultimately, you need to answer the following questions as you decide what the dimensions of your strategy will be:

- Why should we engage in economic development?
- How does entrepreneurship fit within my community's larger development game plan?
- What entrepreneurship innovation has occurred and how could it inform my strategy?

Why Economic Development. Traditionally, economic development efforts were judged to be successful if they stimulated new business investment, job creation and tax base expansion. These are all great outcomes for economic development, but we can no longer assume that they are sufficient. We can grow our economy but fail to create economic diversification, making our community less resilient in the face of change. We can grow our economy but still have large and growing numbers of working poor. At the Center, we believe economies exist to meet the aspirations and needs of people and that economic development should be pursued to enhance the lives and livelihoods of a community's residents, now and over time. We strongly encourage you to invest the time and resources to engage your community and answer this important question – What are your community's economic development values?

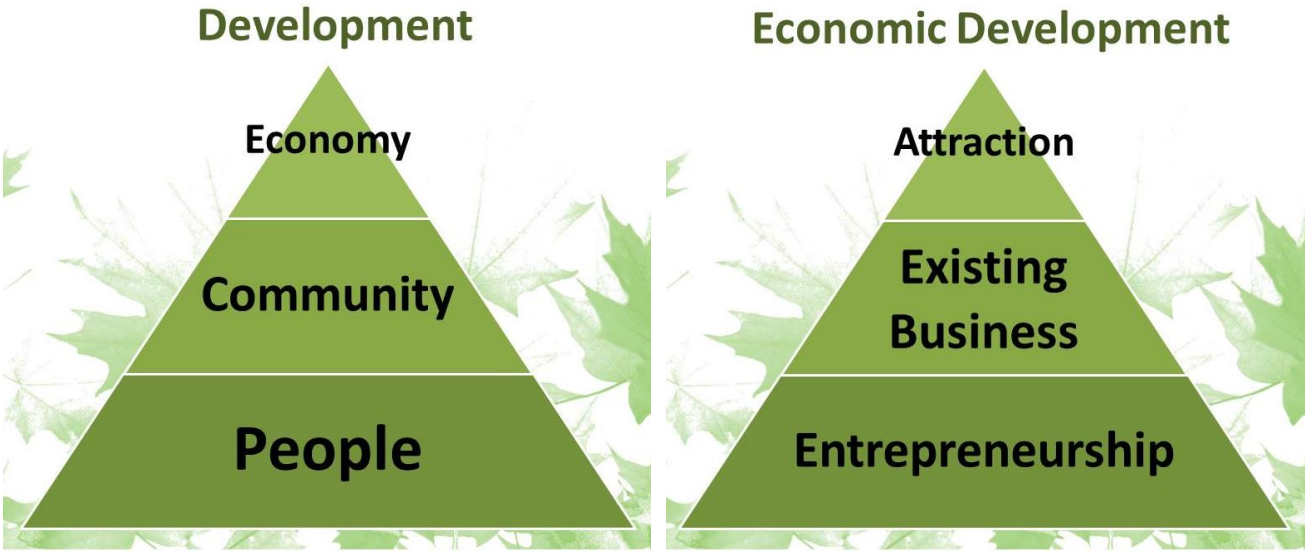
This package includes the Center's paper, ***Great Businesses and Good Jobs: Empowered by Committed Entrepreneurs****, which provides some useful insights into the role entrepreneurs can play in delivering a broader set of economic development outcomes.*

Entrepreneurship Fit. Your entrepreneurship strategy is likely to be one component of your community's broader approach to community and economic development. Too often, an entrepreneurship initiative is not viewed as a central part of economic development but rather as something on the margins. As you develop your entrepreneurship strategy, it is important that you help your stakeholders and the broader community understand the importance of entrepreneurship and how it fits within your community's overall approach to community economic development.

We have found the following conceptual framework to be very helpful in addressing the challenge and opportunity of clarifying the "entrepreneurial fit." Many folks have contributed to this conceptual thinking, but we offer attribution to two colleagues. Steve Buttress was an economic development leader in Nebraska and the first CEO of Enterprise Florida. He argued that development begins with smart investments in people, including education and workforce development. The second tier in Steve's development model includes community development investments such as housing, infrastructure, culture, and health care. Finally, he argues that the community's wise investments in

people and the community provide the foundation for successful economic development. A simple illustration of Steve's development framework can be seen in the diagram on the left below.

Our friend and colleague Brian Dabson, formerly with CFED and the Rural Policy Research Institute and now with the University of Missouri at Columbia, argued that entrepreneurship is not just one leg on a multi-legged development stool. Rather, entrepreneurship should be the foundation upon which all economic development occurs. In the diagram on the right below, we illustrate this framework with entrepreneurship as the foundation, business retention and expansion as the next tier and the final tier of business attraction.



Robust, smart and sustained investments into entrepreneurship create a range of other development opportunities. By effectively addressing the development needs of entrepreneurs, you create a more robust and inviting environment for other kinds of development. Brian would argue that working with existing businesses and helping them become more competitive is a form of entrepreneurship, and we agree. With these two foundational strategies in place, your community is optimally positioned for desired and appropriate business attraction. If you are successful with this development approach, you are less likely to be singularly focused on attracting business because you are meeting your development goals by supporting entrepreneurs and your existing business community. As a result, you can be more selective and work to attract companies, and entrepreneurs, that are the right fit. Your investments

Why Entrepreneurship?

One of the best things about growing entrepreneurial talent and an entrepreneurial community is the ability to help your community discover where development opportunities may lie, positioning your community for greater economic competitiveness, relevancy and resilience. Entrepreneurs become your allies and guides in uncovering economic opportunities.

to create a good environment for entrepreneurs and existing businesses also translate into a business climate that may be attractive to those looking for a location to start or grow their business.

Entrepreneurship Movements and Innovation. Once you have done the hard work of building understanding and support for entrepreneurship as a core part of your development strategy, it is time to consider the dimensions of what that strategy might be. While your community's strategy will be customized to your unique assets and opportunities, discovered through the assessment process, it is useful to ground your understanding of strategy development in some history of entrepreneurship development. We like to think of this history as representing a series of movements, many of which are still active today.

The Federal government was an important player in bringing attention to the role that small businesses play in the economy with the creation of programs including SCORE (Service Corps of Retired Executives), the Minority Business Development Agency, the Small Business Development Center system and targeted efforts to support women entrepreneurs. Urban and regional initiatives begun about the same time include the development of Silicon Valley and the birth of the venture capital industry that followed, Research Triangle Park in North Carolina and the Route 128 Corridor in Massachusetts, created to harness university innovation to advance economic development.

Early efforts to embrace a grow from within approach in more rural places include the innovative work of Title VII community development corporations including Kentucky Highlands Investment Corporation serving Appalachian Kentucky and Coastal Enterprises, Inc. serving coastal Maine. Other

Entrepreneurial Movements

Entrepreneurship has been part of the North American experience for centuries. Some of the key initiatives and actors include:

Small Business Development Centers
U.S. Small Business Administration
SBA SCORE Chapters
Business Incubation
Economic Gardening
Sirolli's Enterprise Facilitation
Business Accelerator Strategies
The Entrepreneurial League System™
Business Coaching
Entrepreneur Peer Networking
Micro-Enterprise Development
Community Development Corporations
Business Retention and Expansion Programs
Entrepreneurial Communities Initiatives
Science Technology Entrepreneurship
National Association of Community Colleges in Entrepreneurship (NACCE)

Legacy Initiatives

Rural Legacy Initiatives:

Kentucky Highlands Investment Corporation
Coastal Enterprises
Northern Initiatives
Rural Enterprise Assistance Program
Redwood Coast Coalition

Urban Legacy Initiatives:

California's Silicon Valley
Massachusetts' Route 128
North Carolina's Research Triangle Park
Boulder, Colorado's Entrepreneurs Network
Kansas City's SourceLink System

entrepreneurial support organizations have had a lasting impact on their regions. And the broader entrepreneurship development movement in the U.S. Northern Initiatives began in the mid-1980s in the Upper Peninsula of Michigan and combined the strengths of a university-based Manufacturing Extension Partnership program with the tools of a Community Development Financial Institution to serve entrepreneurs in an ever-expanding region. Northern Initiatives was an early champion of sector-based strategies and continues to be an innovative model for others to explore.

Beginning in the 1980s, entrepreneurship development shifted from a focus on programs and entrepreneurial support organizations to more of a systems approach that incorporates the broader community. One of the early pioneers was Ernesto Sirolli who introduced the concept of Enterprise Facilitation® to the U.S. in the mid-1980s. Sirolli's premise was that every community has hidden entrepreneurial talent and with support these entrepreneurial dreams can bear fruit. About the same time, Gregg Lichtenstein and Tom Lyons were developing the Entrepreneurial League System® based on the tenet that entrepreneurial skills can be developed with intentional coaching effort. They introduced the valuable concept of the entrepreneurial pipeline and demonstrated in several regions how entrepreneurs could move through this pipeline toward higher levels of skills and business impacts.

Another pivotal movement born in the late 1980s was Economic Gardening. Led by economic developer Chris Gibbons, the community of Littleton, Colorado became one of the first to eschew industrial recruitment for growing their own by surrounding entrepreneurs with the information, connections and infrastructure they needed to grow. Following the success in Littleton, the movement spread to other regions and is now a primary focus of the Edward Lowe Foundation.

In addition to the Entrepreneurial League System® focus on coaching, other models have been influential. In the mid-2000s, the Kentucky Entrepreneurial Coaches Institute was launched. This effort sought to train community leaders to be advocates for and facilitators of entrepreneurial development in their communities. About the same time, the Greenstone Group began in Northern Minnesota as a program of the Northeast Entrepreneur Fund. This effort evolved from an exclusive focus on one-on-one coaching to a more diversified initiative that includes peer group coaching in rural communities across the Iron Range Region.

Remember, your entrepreneurship strategy needs to be grounded in your community's development needs, assets, and opportunities. We encourage you to explore these various movements as fodder for strategy building. Conduct your own due diligence and pull from these movements the elements that make sense in your particular place. You will find Center publications and assessments of many of these movements in the Center's Resource Library.

We have collected, as part of this package, a set of sample strategies, entrepreneurial ecosystem readings, and legacy strategy pieces that might be useful as you consider what ideas or elements are most appropriate for your community's entrepreneurship initiative. You will find links to all of these resources in our ***Collected Resources*** *list.*

Move to Implementation and Test Your Execution

At some point, every entrepreneur needs to jump in and get started. Your entrepreneurial community strategy is no different. After you have done your planning and due diligence, it is time to begin executing your game plan. Approach your first strategy as a starter plan that will be tested and evolved based on your experience. If you make sure to listen to and learn from your team, your stakeholders and, most importantly, your entrepreneurs, you will have the insights necessary to evolve a more effective and efficient strategy over time.

Startups

Remember, every startup has its challenges. Even with the best planning, earnest execution and good luck, there will be problems. Learning from those challenges and adjusting your plan accordingly is just part of the process. You need to help your team, stakeholders, entrepreneurs and community understand this reality and have realistic expectations so that you will have a more solid foundation for success and sustainability.

Launching Your Strategy. Here are a few guidelines for getting started:

- **Set Outcome Expectations.** Craft a set of appropriate performance benchmarks to use during your launch period. Make sure those benchmarks are clear, measurable and realistic given your initial test period.
- **Set a Test Period.** Set a defined period of time to launch and test your strategy; we recommend 12 to 18 months. You need enough time to really test your strategy before you re-assess and make changes.
- **Modest Fine Tuning.** While you need time to implement your strategy before you make significant adjustments, we recommend scheduling reflection time every three to four months during your test period. This reflection allows you to make minor adjustments where there is clear evidence that these slight course corrections will have a positive impact on your overall execution.
- **Assessment and Adjustment Time.** As you approach the end of your test period, schedule time for a more comprehensive assessment of your strategy and be prepared to make more material changes in your game plan. This assessment process gives you, your team and some of your entrepreneurs the opportunity to step back, evaluate how things are going and agree upon course corrections as needed. This is also an opportunity to affirm your stakeholders' support for your initiative by sharing with them the outcome of this assessment process.

- **Don't Over-react.** Any community endeavor is guaranteed to generate a wide range of opinions and feedback. Some will see your efforts as exciting and promising; others will focus on the challenges or perceived problems. You should resist the temptation to respond to this feedback before you have really given your strategy a chance for success. Making changes too soon to satisfy a team member or stakeholder could create other problems and challenges.
- **Listen, Learn and Evolve.** One way to avoid over-reacting is to create a process that allows you to listen, learn and evolve. Create a group including your team, some stakeholders and some entrepreneur clients and hold regular debriefings to assess how things are going. These are reflection rather than problem-solving or change-making sessions. They allow you to slow down, capture insights, reflect and create a potential list of changes to be addressed when you meet to begin fine tuning your game plan.
- **Addressing Failure.** Failure is a given in any entrepreneurial venture. The same is true for your entrepreneurship strategy. No matter how well you plan, bad luck or incorrect assumptions might derail your efforts. As part of launching your strategy, you should take the time to establish some parameters that would trigger a decision to curtail your efforts and go back to the drawing board. Any decision to pull the plug is a big step so be sure the parameters you set are significant and warrant a discontinuation of your efforts.

Focusing on Execution. During the launch period, we encourage you to really focus on executing your game plan. Keep your strategy handy and refer to it often during this startup phase. You should try to test all elements of your plan so that you can learn as much as possible during this process. In particular, be aggressive in working with entrepreneurs and resource providers so that you have as many opportunities as possible to understand what is working well and what still needs to be improved. At the same time, you need to find a balance between supporting entrepreneurs – doing the work – and coordinating or overseeing execution of the entire strategy. You will need to find the time to work with your team to trouble-shoot problems ranging from entrepreneur clients not doing their work to resource providers falling short to your metrics software not working as expected. Since this is a startup or trial run of your strategy, challenges and unexpected opportunities will emerge when you are not expecting them and you will need the capacity to deal with these issues in real time. As a strategy leader, you may want to consider a 30/70 or even a 40/60 division of your time between working with entrepreneurs and supporting overall execution.

Evolve Your Strategy Over Time

In his book, *Good to Great,* author and researcher Jim Collins documents the process whereby remarkable companies become best in class. One of our take-aways from Collins' book is the importance of continuous learning. Best in class companies have a real commitment to become better over time; they establish an expectation of excellence and high performance. In a similar way, you

should commit to continuous learning and improvement of your entrepreneurship strategy. To become best in class in your work, you need to build into your culture and your initiative four critical activities:

1. Robust execution of your plan;
2. Periodic assessments of how your plan is working;
3. Openness to learning from what is working well and what is not; and
4. Commitment to refining your game plan based on your learning.

Achieving continuous improvement begs two important questions:

- How do we make this part of our work's life?
- Who should be engaged in these key activities?

How? Ultimately, you and your team will need to settle on the right answer to this question but we offer two recommendations. One, budget time and resources to support this activity. This assessment should not be an afterthought or a fire drill in the weeks before you ask your stakeholders to renew their funding pledges. Two, build this into your annual schedule through three key activities:

1. An established mechanism for your team and close partners to provide real time input including identification of problems and emerging opportunities. Someone in your initiative must be in charge of reviewing this flow of market input and empowered to bring it to the attention of management and the team as appropriate. *You might find the **Entrepreneur and Service Provider Input Surveys** included in this package to be a good starting point in gathering this intelligence and helping you establish your baseline.*

2. As you move beyond startup, we recommend scheduling an assessment and fine tuning work session every six to nine months, beginning with your team and closest partners and then involving stakeholders and entrepreneurs.

3. Every two to three years, you should consider a more independent third party performance evaluation that includes more confidential input opportunities from team members, resource partners, stakeholders, entrepreneurs, and the larger community. As your program continues to mature, you can stretch this time period; however, we recommend external performance evaluations every five to 10 years, even for long standing initiatives.

Who? Every meeting you have takes time away from working with entrepreneurs and directly delivering economic development impacts. Keeping these transaction costs in balance is important. Too much time spent on process, including continuously improving your strategy, can create push back from your team, your resource partners, your stakeholders, and those entrepreneurs willing to take time away from their ventures to help you and your initiative. Being smart about "who" to engage and "when" to engage them is important. We recommend a layered approach where the frequency and extent of engagement related to continuous improvement is the greatest with the first group and least with the fifth group:

Meeting Structure

Make sure you have enough but not too much structure for your meetings. Test and evolve how to complete this work so it fits those who are engaged. Being really smart on how you are using people's time is important. Just winging it does not cut it.

1. Your team
2. Your most active resource partners
3. Your stakeholders
4. Your entrepreneurial clients
5. Your larger community

The Center's Approach

Over the past 15 years, the Center for Rural Entrepreneurship has explored a wide range of entrepreneurship strategies. We have concluded that there is no single strategy, e.g., business incubation, acceleration, Enterprise Facilitation™, Economic Gardening, that works best in all communities. Rather than focus on one specific strategy over another, we have developed a sophisticated and comprehensive framework and process whereby you can vision, develop, test, and refine your optimal entrepreneurship strategy.

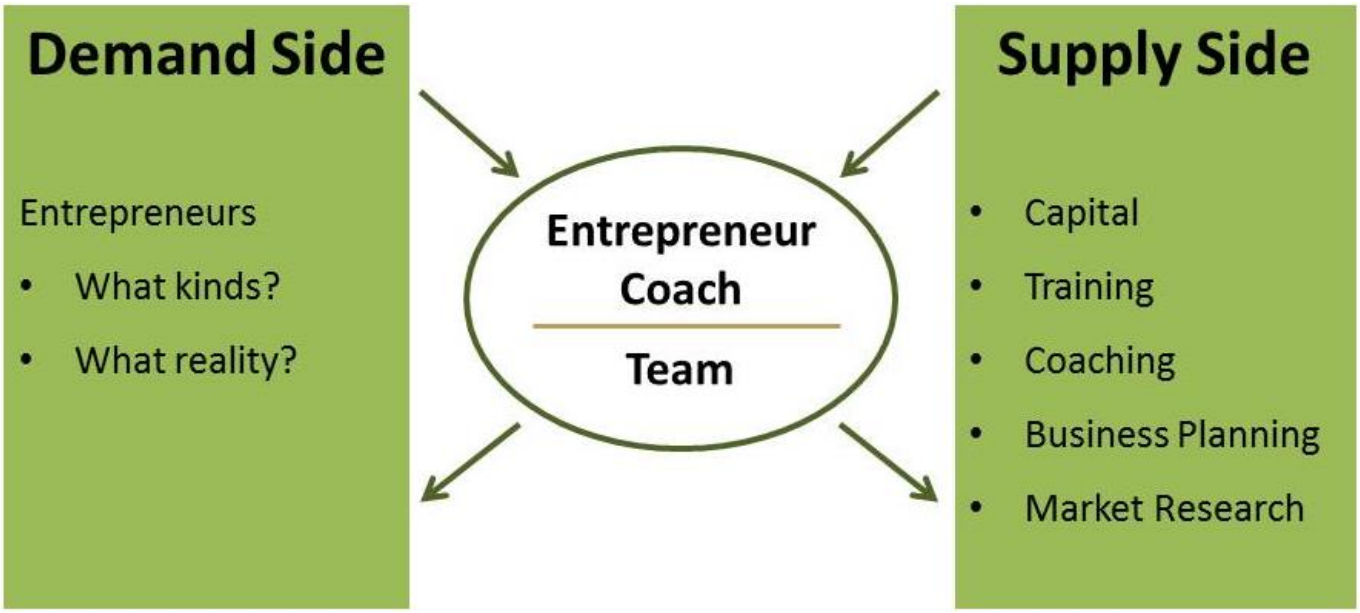
Employing an asset-based development approach, we believe that your optimal strategy is rooted in integrating five key sets of information (this is our **Five Point Assessment** described in more detail in our **Assessment packages**):

- Your community's entrepreneurial talent;
- Available and relevant entrepreneurial resources;
- Genuine development opportunities;
- Your stakeholders; and
- Your stakeholders' development preferences.

If you root your strategy in an understanding of these critical assets, you will have a strategic edge in empowering the types of development impacts you desire.

A Demand versus Supply Orientation

One critically important building block of our approach to evolving an entrepreneurship strategy is taking a **demand** versus **supply** orientation (see figure below). Once you have completed assessment, identified your entrepreneurial talent and your go to resource, you have choices about how to build an effective support system. Our experience suggests that most communities focus on the supply side – building out a range of resources that entrepreneurs may need to start and grow their ventures. Often, much time and money is invested in this process, with initial excitement over, for example, the opening of an incubator facility, but then more limited returns as entrepreneurs are slow to connect to and benefit from these investments. Too often, such a **supply side approach** is a disappointment and may even erode support and undermine your efforts.



A **demand side approach** begins with your market – the entrepreneurs you want to support. If you actively engage with your entrepreneurs, you build a system based on good market intelligence about what your client entrepreneurs need and want. You can document and track which resource providers are best able to meet those needs and build your network with them. This approach allows you to grow the most relevant resource network over time – relevant to your community's entrepreneurs. Over time, you can work with your entrepreneurs to get feedback on resource providers, learning who delivers the most value and identifying where you may still have gaps in the system. You can then

reach out to new resource providers in a very strategic way. Instead of trying to meet every need right out of the gate, you can build your system based on real market intelligence from your entrepreneur clients and grow the system over time. You will be more efficient and effective, and make much wiser investments of your precious resources.

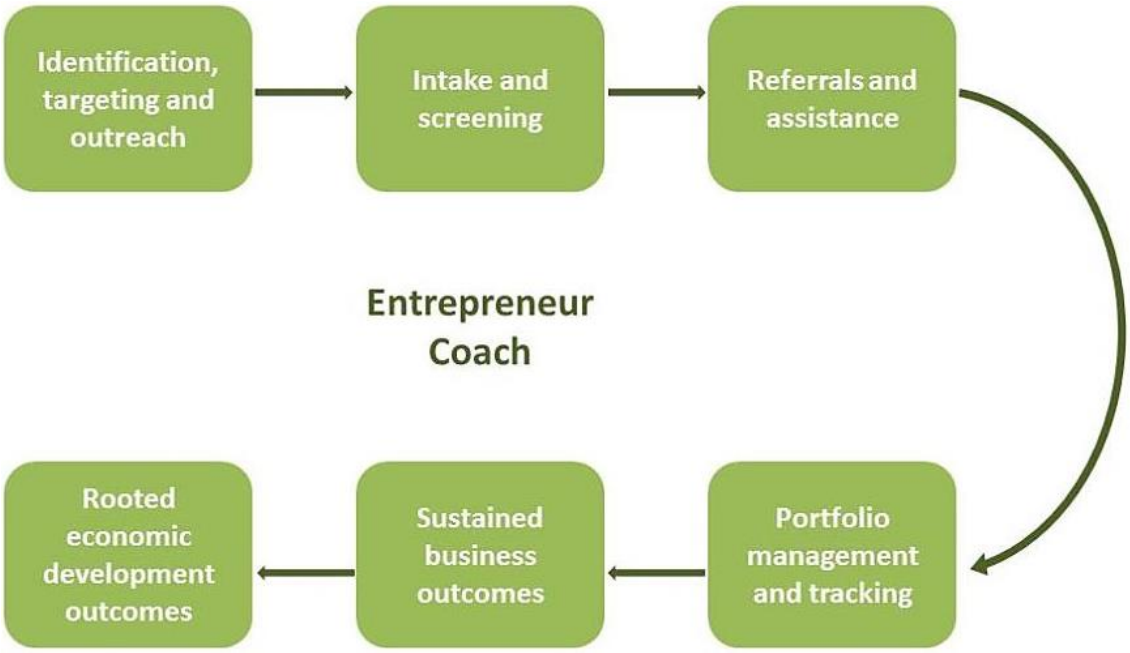
Even while we advocate a **demand side approach**, it is also a good practice to anticipate the needs of your targeted entrepreneurs. If you are working closely and regularly with a targeted set of entrepreneurs, you can use what you know about them to anticipate their needs. For example, if you have targeted growth entrepreneurs, you can anticipate that they will likely need access to gap financing or growth capital and advanced market intelligence resources at some point in the future. You can use this list of "likely needs" to explore who in your potential resource network could become a go to resource to meet those needs. While you do not have to meet every need an entrepreneur may have, you do need to deliver value on some critical issues to be successful overall.

We have included several tools in this package that might help you better understand the potential needs of your entrepreneurial talent. ***Infrastructure for Entrepreneurs*** *provides a starting point in anticipating the needs of your entrepreneurs. It describes infrastructure elements that you can consider in light of your targeting of entrepreneurial talent.* ***Increasing Deal Flow and Capital Access*** *and* ***Market Intelligence Research*** *may be particularly helpful if you are focusing on growth entrepreneurs.* ***Business Transition Strategies*** *and* ***Entrepreneurs: A People Attraction Guide*** *provide useful insights for community leaders who are interested in a multi-generational approach to entrepreneurial development.*

Working with Your Entrepreneurs

The reason for creating an entrepreneurship strategy in the first place is to help your entrepreneurs be successful and contribute to achieving community prosperity. Our **Working with Entrepreneurs** resource package, scheduled for February release, will provide detailed insights and tools to help you master this process. However, we offer the following basic information about this key element here.

If you are taking a demand supply approach to building your strategy, you have already connected with your entrepreneurs. But, how are you going to support them? How will you actually meet their needs, both now and in the future? In our book, ***Energizing Entrepreneurial Communities***, we set out the following road map to working with your entrepreneurs:



As you consider strategy development, we encourage you to keep the following critical "success" elements in mind.

Intake and Screening. Create a well-defined "intake and screening" process so that you really understand your entrepreneurs and can follow their engagement in the system.

Referrals and Assistance. Helping entrepreneurs requires a team, networked approach so you need a sound referral process that all partners commit to implementing.

Portfolio Management and Tracking. Take a portfolio approach to working with entrepreneurs, including a management and tracking system that your network partners use.

Metrics and Stakeholders. Commit to setting and measuring goals and outcomes, and reporting regularly to your stakeholders on the performance of your entire initiative.

Capacity Building. Keep evolving your strategy and building out your system based on the important market intelligence you get from your entrepreneurial clients.

In the Center's approach, the business coach builds the primary relationship with targeted entrepreneurial clients. The coach works collaboratively with the entrepreneur to identify and clarify their business development needs and wants, and serves as the primary bridge between the entrepreneur and the community's go to resources. Watch for our ***Entrepreneurial Coaching resource package****, scheduled for release March 2015, to learn more.*

Strategy Targets

While there is no single "best" entrepreneurship strategy for you to follow, many communities aim their entrepreneurship development efforts toward the following targets. A good starting place for you might be to think about the opportunities that these targets offer within your community.

Growth Entrepreneurs. Most development corporations focus on industrial attraction. They seek to grow and support businesses that sell outside of the area and bring income into the community. Chances are good that there will be strong mission alignment between development corporations and a focus on growth and growth-oriented entrepreneurs. You might also find willing partners in your community's chamber of commerce and tourism group.

Main Street. Many communities are working hard to create vibrant and healthy main street areas, often as part of the national Main Street program. One of the four elements within the Main Street program is economic renewal, a natural connection to an entrepreneurship effort. You might choose to focus your strategy on supporting main street entrepreneurs, working in partnership with developers, building owners, local government, and businesses.

Agri-Entrepreneurs. In areas where farming and ranching are important, there are opportunities to work with agri-entrepreneurs. Possible opportunities include farm to table agriculture, agri-tourism, bio-fuels, and many others. Working with new partners, such as Cooperative Extension, your strategy might focus on lifting up the opportunities in this sector.

Youth and Younger Adults. Many communities recognize that youth and young adult entrepreneurship is important. Schools, community colleges, and universities are potential partners for a strategy targeted to supporting entrepreneurship among youth and young adults. Often, the goal of such a strategy is to create a stronger entrepreneurial culture and pathways for young people to come back to their hometowns rather than to achieve significant short-term economic development outcomes.

Retirees. After successful careers and a step toward retirement, many early retirees re-engage in business or become business investors out of necessity or opportunity.

These are just some of the possible strategy targets you might want to consider for your community. Other potential targets include women, minority, disabled, and veteran entrepreneurs. In addition to these targets, another lens to consider as you design your strategy is a stage of business focus. Strategy approaches like Economic Gardening (growth-focused Stage 2 entrepreneurs) and microenterprise development (self-employed or small-scale entrepreneurs) offer tools that are best suited to entrepreneurs in a certain stage of business development. As you consider your community's assets,

look for these programs or partners. Your strategy can incorporate them into an overall game plan, which will validate the vital work these partners are doing and expand the capacity of your initiative.

The End Game

The concept of an **entrepreneurial ecosystem** has received support from thought leaders in recent years. Just as a natural ecosystem supports the plants and animals within it, an entrepreneurial ecosystem supports the launch, growth, and transition of entrepreneurs. This ecosystem provides organic support for entrepreneurial behavior and evolves over time as the needs of entrepreneurs change. And, the creation and nurturing of this ecosystem is the ultimate end game for your entrepreneurship strategy.

We believe that getting to this end game requires a **systems approach**. Systems are complex and sophisticated, but they enable more significant and sustained outcomes. Think about some of the systems you encounter on a regular basis:

- Education
- Health care
- Food safety
- Commercial air transportation
- Highways and Interstates

Each of these systems takes a wide range of public and private partners, performing their role with consistency and excellence to make the system function well. Think about all the moving parts required to enable someone to safely travel from Boston, Massachusetts to Seattle, Washington:

- Travel planning website or travel agent
- Reservation agents
- Electronic check-in stations
- Weather and traffic control
- Ground transportation and parking
- TSA screening and security
- Airports services
- Airline services – gate agents, baggage, flight crews, maintenance, catering, etc.
- Ground transportation services, public or private
- Lodging services



If a systems approach can move someone from one coast to the other, should we not also be using a systems approach for something as complex as stimulating and supporting entrepreneur-focused economic development? The purpose of economic development is to improve the lives of a community's residents by increasing or changing economic activity. In so many ways, an entrepreneur-focused economic development strategy is both complex and simple. At its most basic level, your strategy will focus on helping entrepreneurs be more successful, a fairly direct proposition. But remember – your community is likely to have many different kinds of entrepreneurs, and they will be at many different stages of business development. Each entrepreneur may have a number of unique needs, opportunities, and desires related to moving their business forward. Just think, if you have 100 unique entrepreneur types, 25 unique stages of development, and at least 50 unique needs, the combinations are overwhelming. The complexity of the work you are undertaking illustrates the necessity of taking a **systems based approach.**

We have included a number of important readings related to the creation of an entrepreneurial ecosystem or an entrepreneurial development system as part of this package. The ***Collected Resources*** *list provides a guide to these useful readings.*

Entrepreneurial Development Systems – Building Blocks

Taking a systems approach means putting some key building blocks in place. As described above, most of the time and effort associated with business development is focused on the **supply side**, creating programs to help entrepreneurs write a business plan or secure a line of credit, providing customized worker training, and building critical infrastructure. While all of these activities are important, they are not sufficient to materially increase entrepreneurial success in your community.

A focus on the **demand side** is fundamentally harder and generally more poorly addressed. A demand side approach focuses on the entrepreneur and the entrepreneurial team as the creative force. Such an approach addresses issues such as goals, values, life balance, openness to learning, making time to grow a better business, and learning how to be a team builder and a stronger boss. This human development focus is central to supporting the entrepreneurial talent that will, in turn, drive economic development outcomes in your community.

What are the building blocks of a systems approach? Most business development includes what we call **passive components** – elements of a traditional business climate such as building sites, utilities, banking institutions, and local government support. An entrepreneurial development system also includes a set of **proactive components** – the unique things important to those engaged in growth-oriented entrepreneurial activity. A community can have a great business climate but not necessarily a great **entrepreneurial business climate**.

The figure on the next page provides a more detailed description of what we see as some of the critically important proactive components of an entrepreneurial support system. These elements become important considerations as you build an entrepreneur-focused development strategy. When all these activities are working effectively over time, the entrepreneurial ecosystem of a community or a region becomes stronger and more dynamic. Successful entrepreneurs encourage other entrepreneurs and create stronger deal flow that leads to more economic development. An entrepreneurial community with a supportive entrepreneurial culture evolves. As this process unfolds and deepens, innovation and growth are stimulated, leading to even more development. This process creates energy that drives more entrepreneurial activity. The small snow ball is now rapidly rolling down the mountain – growing and expanding its footprint of impact.

Proactive Components Detailed		
Capital Access Access to the right kinds of capital is important for business growth. Entrepreneurial ventures have more unique needs, such as for seed and venture capital.	**Market Research** Every business should know their market – customers, competitors, and suppliers. Market research is particularly important to growth-oriented ventures.	**Human Talent** A skilled and motivated workforce is very important to all businesses. Entrepreneurial ventures may also require specialized talent critical for increased competiveness and growth.
Competiveness Planning A business plan is a necessary tool for any business. In today's environment, there is a strong need for sophisticated, competitiveness planning to help entrepreneurs define market niches and competitive advantages.	**Business Coaching** Coaching is the cornerstone of an entrepreneur development system. Business coaches provide the high value and high touch engagement that helps entrepreneurs grow the business versus simply running the business.	**Customized TA** Entrepreneurial businesses often need access to specialized expertise and customized technical assistance, such as export assistance. An effective system networks entrepreneurs to these resources on an as needed basis.
Growth Planning Growth planning, including business transition, is a unique resource that growth-oriented and high growth potential entrepreneurs must have. Building a smart strategy to enable rapid growth requires high end assistance.	**Business Services** Every business owner needs access to business services, such as insurance and accounting. Entrepreneurs need business service partners who are willing to invest in building a deeper, longer term relationship that becomes a growth strategy for both parties.	**Other Entrepreneurs** Entrepreneurs need regular contact and engagement with other entrepreneurs through networking events, mentoring relationships, and voluntary advisory boards of directors. Peers helping peers is the heart of a high performing ecosystem.
Technology Today's entrepreneur requires access to cutting edge technologies that are robust and offer consumer choices, such as multiple options for cellular and high speed internet service. Additionally, access to same-day and convenient parcel service is also a must in today's entrepreneurial venture.	**Spaces** Entrepreneurs and their teams are creative people and their work spaces matter. For today's entrepreneurs, work and life are interconnected. Work is not just done at the office, so a place to eat, drink, unwind, and work is important.	**Quality of Life** Community quality of life is very important to an entrepreneur, who often has family considerations. Diverse neighborhoods and housing options, quality schools and recreation, a safe and high amenity community are all important. Equally important is the culture of a community and how supportive it is of entrepreneurs and their dreams.

Questions & More Information



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The Center for Rural Entrepreneurship's mission is to help community leaders build a prosperous future by supporting and empowering business, social and civic entrepreneurs. With our roots and hearts in rural America, we help communities of all sizes and interests by bringing *empowering research* together with *effective community engagement* to advance *community-driven strategies* for prosperity.

Our **Solution Area Teams** empower community leaders to find their own answers to the economic development challenges and opportunities they face:

- **Community Development Philanthropy** provides effective strategies to build local philanthropic capacity and generate development resources.
- **New Generation Partnerships** provides a framework for engaging young people now and attracting them in the future.
- **Entrepreneurial Communities** provides a roadmap for designing and delivering entrepreneurship strategies that work.

For tools and resources, visit the departments in e2 University at http://www.energizingentrepreneurs.org/library/e2university.html.

To learn more about the Center, go to www.energizingentrepreneurs.org.

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