Understanding Entrepreneurial Ecosystem Measurement Part 1: Why Measurement is Important – SourceLink (joinsourcelink.com)

How mayors can lead the way for entrepreneurial ecosystem building – SourceLink (joinsourcelink.com)
Supporting entrepreneurs and early-stage businesses is key to economic mobility, opportunity and growth. But it's one thing for city leaders to "talk the talk" and quite another to implement a strategy that will spark and sustain entrepreneurship.
A report called "Dynamism in Retreat" (Economic Innovation Group, February 2017) stated, "From 2010 to 2014, just five metro areas – New York, Miami, Los Angeles, Houston and Dallas – produced as big of an increase in businesses as the rest of the nation combined." In fact, across the rest of the United States, many cities were seeing major declines in new business starts.
Since the report was released in 2017 more and more city officials, especially mayors, are embracing the role of "entrepreneurial ecosystem builder" and actively working to create – through policies and programs – an environment within their communities that supports entrepreneurship.
Alejandro Manzanares is a program manager with City Innovation Ecosystems (CIE), a program the National League of Cities (NLC) launched in 2018 to aid cities' entrepreneurial ecosystem-building efforts. Since the launch of the program more than 100 cities have participated in the first two cohorts.
Manzanares said there's no one-size-fits-all approach cities should take when it comes to entrepreneurial development efforts. He encouraged mayors and city officials to get creative about their ecosystem initiatives and to embrace programs and policies that consider the current assets, challenges, opportunities and dynamics of their specific communities.
One thing is clear, though, he said: "Entrepreneurs should be at the center of any entrepreneurial development efforts."
Here's how the cities of Rochester, New York, and Baltimore, Maryland, developed an infrastructure to support entrepreneurship—with the city mayors and their economic development staff taking lead.

Rochester, New York: Community Wealth-Building for the Finger Lakes Region
According to census data and information collected from benchmark cities, Rochester consistently ranks highly for extreme poverty rates. Mayor Lovely A. Warren recognized the need to reverse this trend and in January 2018 launched the Office of Community Wealth Building (OCWB), the second of its kind in the nation. Community wealth-building is a "bottom-up" economic development strategy advanced by the Democracy Collaborative at the University of Maryland in partnership with the Aspen Institute.
The Office of Community Wealth Building strives to develop policies and initiatives that combine existing government programs, the business community, the nonprofit sector and educational institutions to help citizens build personal and community wealth. One of the office's original goals was to build an ecosystem that supports prospective entrepreneurs and existing small-business owners.
Dr. Lomax R. Campbell, director of the Office of Community Wealth Building, said entrepreneurship was targeted because eradicating poverty requires being able to build wealth, especially in a capitalistic society. According to Dr. Campbell, true wealth-building occurs when people can own property, invest in the stock market, or start a business.

“There’s not really a lot of other ways to build wealth,” he said. “As a city, it all begins with asking ourselves, do we want more people trying to go take jobs when there aren’t a ton of jobs in the city? Or, do we have to create the businesses in the city that would allow those jobs to exist for people to take? So, the reason entrepreneurship is so important is because as our economy experienced the vacancy through the decline of Kodak, Xerox and Bausch + Lomb, Rochester has to transition from being a ‘company town’ to a ‘town of companies.’ We want to be mini employers. And we know that the biggest employer of America’s citizens are small businesses.”

Dr. Campbell stressed adopting a collaborative approach is critical when cities consider entrepreneurial ecosystem-building. Previously, he said, Rochester’s entrepreneurial and business support services were fragmented and had operated in silos. Campbell began a yearlong undertaking engaging Rochester residents, business leaders and regional stakeholders in entrepreneurship and asset-building.

In April 2019, the Office of Community Wealth Building obtained $40,500 in City Accelerator grant funds to conduct three “undoing racism” workshops for city staff, community members, and local trainers. These workshops were essential to addressing the systemic barriers that hindered Rochester’s ecosystem efforts, Dr. Campbell said. The accelerator initiative helped city officials and other stakeholders gain the insights of minority and women business owners through surveys, focus groups and honest discussion.

“Since the needs of our primary markets are varied, our principal strategy for ensuring their satisfaction is meeting them where they are. This compels us to get to know them in authentic ways,” he said.

A grant from the JPMorgan Chase Foundation allowed the Office of Community Wealth Building to partner with SourceLink® in August 2019 to connect resources, collect and track impact data, and provide high-quality referrals for entrepreneurs within the Rochester and Finger Lakes region of New York.

In the summer of 2020, the Office of Community Wealth Building – in conjunction with the Rochester Institute of Technology’s Center for Urban Entrepreneurship, the Rochester Economic Development Corporation (REDCO), and the Business Insight Center at the Central Library of Rochester and Monroe County – officially launched Nexus i90, an online entrepreneurial ecosystem solution. It consists of SourceLink’s Resource Navigator®; a shared events calendar; a storytelling platform; vital business content for starting, growing and funding local businesses; and a robust client relationship management data system for measuring collective impact and shared success.

Dr. Campbell said, “We’ve never been able to say, ‘What are the top two or three barriers or challenges for any given entrepreneur? What are the top goals and aspirations of an entrepreneur? What are the shortcomings in terms of the skill set knowledge? How many meetings are held before they achieve their goals? What percentage isn’t achieving their goals? How much capital are these businesses getting when they’re awarded grants and loans?’ Now we can answer those questions by just looking at the data and producing an annual report.”

He noted the Office of Community Wealth Building will continue to play the role of convener, engaging and collaborating with key stakeholder groups in even more robust ways so the program remains sustainable. For example, the team will establish regular meetings of issue- and affinity-based advisory councils to inform ongoing initiatives and ensure mission alignment.

"When I came on as director, one of the first things I asked was, 'How do we make this sustainable? So, as we've rolled out projects, we've recruited partners from the nonprofit sector and other areas to conceptualize, administer and roll out these programs," Dr. Campbell said.

He's also discussed the possibility of the Office of Community Wealth Building being absorbed into the Department of Neighborhood and Business Development to ensure its continuity beyond Mayor Warren's tenure. Another option being considered is strategic planning activities for all business-serving activities to eventually be absorbed by one of the key partners, like the Rochester Economic Development Corporation, since it's a separate organization from the city.

Such a plan, Dr. Campbell said, "gives the Rochester Office of Community Wealth Building a continuity buffer."

Baltimore, Maryland: Creating Connections and Continuity

A few hundred miles directly south of Rochester, officials in the City of Baltimore, Maryland, also began to consider the importance of entrepreneurship to economic development and job creation.

"The small business community is the greatest driver for jobs," said Paul Taylor, the director of the Mayor's Office of Minority and Women-Owned Business Development, which takes the lead role in the city's provider network. "Even though it's always nice when a large corporation moves into the city, it's really at the most basic level, the small-business owner, the store owner, the professional service providers who are driving the job creation and our economy. It's critical for us to focus on that."

But city officials grappled with how to connect their various entrepreneurial resource organizations with each other and with entrepreneurs.

Although the city recognized that chambers and other community-based organizations were serving as business resources, there was a lack of a coordinated network uniting these organizations under a "singular purpose for why we exist and what are we are doing," said Taylor.

According to Taylor, the mayor's office was the perfect place for starting to build the network of support for those resource providers.

"It's the place where we can convene the conversation," he said. "We can make sure that we illuminate the resources that are available, can measure performance, and understand where we need to tweak resources or improve our response to small businesses."

Once the decision was made to develop a formal network from the "loosely operating organizations" the Office of Minority and Women-Owned Business Development engaged SourceLink. "Beginning in 2016, we met with our 137 organizations – whether they were city, state or nonprofits that were providing technical assistance – to identify the services they provide. That also organically started those organizations talking to each other and connecting with each other." Soon following this, Baltimore SourceLink was launched.

Taylor also recognized that when an elected official leads the charge for an entrepreneurship initiative, there's always a danger of the initiative fizzling if the successor isn't on board. To keep the continuity intact during mayoral transitions, he and others sat down with the mayor who initiated the program and the incoming mayor to explain why Baltimore SourceLink is integral to sustaining the infrastructure for a vibrant entrepreneurial ecosystem.

"It's important that you bring the new administration into it so they understand the value and the importance of such a resource. Every year we invest in licensing SourceLink, but that is pennies

compared to the benefit it brings for ensuring resources reach the small business community," Taylor said.
What's more, the data tracking the SourceLink model provides the Office with measurable performance: "We were able to show the mayors and their staff not just anecdotal information but actual business outcomes and progress."
For example, Taylor said, "Using our network database, we were able to see how many referrals occurred. Last year, there were over 600 referral connections made. We're also able to see which classes are being promoted by different organizations within our network, how many people attended, and share the outreach and response we're getting from the business community."
Taylor cautions that once a network is up and running, additional effort is necessary to keep it relevant and growing. The City of Baltimore has maintained the network's visibility in the community through social media and coordinating marketing with key partners like the Baltimore Development Corporation, mayor's office and city council.
He advised that to keep both aspiring and established entrepreneurs engaged with the resource organizations, cities must commit to keeping the information in their network updated.
"Making sure we're consistent in updating information is one reason people return to our network for trusted help. The other thing we're able to see, by looking at analytics, is what they're coming to find. We learned, for example, they spent time looking for permits. So, we were able to say, 'either our permitting system in Baltimore is not as good as it should be, or people get lost because it's not a very logical system. So, we were able to help them by focusing more on that. We're able in real time to match the relevancy of the information we're providing and optimize it so small businesses can reach the things they're looking for."
Cities that overlook entrepreneurs in their economic development plan are missing a key component for driving growth in their communities. Having elected officials – especially mayors – on board to carry the banner for such initiatives is also important for ensuring buy-in among diverse stakeholders.
Interested in learning about city-led entrepreneurship development initiatives? Contact us at hello@joinsourcelink.com.
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Five Factors Driving Economic Growth in Small Cities - ICIC
Written by Amanda Maher

One of the challenges of urban economic development is that most conferences and case studies profile efforts in large, internationally-known cities. While large cities tend to captivate America's attention, there are small cities lurking in their shadows – and these places are proving to be some of America's most beloved communities.

At last month's National Main Streets Conference, researcher David Ivan of Michigan State University shared his research on over 300 small communities in 22 states in order to ascertain what makes a place "cool." His multi-year research effort, funded by the Kellogg Foundation, found that places like Grand

Rapids, Michigan and Dubuque, Iowa are laying the groundwork for sustainable economic futures. These communities have moved beyond focusing on attracting companies to attracting talent, moving from investments in physical infrastructure to investments in creative infrastructure – making the community more attractive for residents and businesses.

Not all small communities are realizing success. Many still struggle. After interviewing stakeholders in hundreds of communities across the U.S., Ivan concluded there are five key elements that differentiate communities experiencing economic success:

1. Development of the entrepreneurial ecosystem: Create an environment where people want to do business and then identify and support entrepreneurs. Entrepreneurs and other local champions should find ways to prop up local innovators. Support their risk-taking. Connect them to others in the entrepreneurial ecosystem. Give these entrepreneurs every chance to succeed.

Fairfield, Iowa has proven a leader in this regard. The local newspaper includes a column that features a local entrepreneur; an Entrepreneur "Hall of Fame" at the high school inspires students to pursue their own business ideas; its extensive peer-to-peer mentoring program pairs successful entrepreneurs with startups to help them navigate local bureaucracy and potential landmines they might encounter in the community; and a local angel/venture capital fund helps to seed nascent businesses. Over the past 15 years, this small city has created 3,000 new jobs and personal income has tripled.

2. Human investments driving new economy growth: Successful communities recognize their vitality is dependent on new innovations, enhanced educational opportunities and strong human capital. These communities identify human capital assets and leverage these opportunities for long-term economic success.

In the 1980s, Dubuque, Iowa led the Midwest in unemployment. Now, Dubuque is engaging young, university talent – despite the fact that this small city isn't actually home to any colleges or universities. University of Wisconsin has a campus about 35 miles away; another small college is 30 miles away. In conjunction with its Chamber of Commerce, the City of Dubuque established Young Professionals organizations at each college and university within about a 60-mile radius. The YP Chapters offer an extensive internship program, and for graduates in certain high-demand fields who relocate to Dubuque, the city created a college loan repayment program.

3. Strong social capital: Successful small communities have cultivated a strong social fabric with relationships that are go deep and are durable over the long-term. Ivan's research finds that successful communities identify and engage residents to help craft and implement a long-term vision. But not everyone likes to go to community meetings. That's why Marshall, Michigan created a "meeting in a box" for those who have great ideas but don't show up to meetings. Hundreds of people in this community of just 7,000 people participated through the "meeting in a box" mechanism.

It's equally important to extend citizen engagement to the youngest of residents – including school children and young adults. Research shows that young people who have fond memories of their hometowns are more likely to get involved and return to that town when they're ready to settle down and raise their own families.

4. Strong quality of place: Successful communities create vibrant downtown environments where people want to be. Ivan reminds us: "This next generation of talent is the first to identify more strongly with their communities with their employers," which is why placemaking has become so essential to creating hip, lively cities. Communities that embrace their assets are viewed as authentic places that tend to become regional destinations.

5. Dedication to Progress: Repeatedly, the researchers found that successful, thriving and "cool" cities were proactive and determined to push their community forward, no matter how small the steps. "Sometimes it starts with the petunias," says Ivan. Simple, short-term projects can test concepts and build momentum for larger revitalization efforts.

When the only grocery store in Argonia, Kansas closed, residents banded together and committed to opening their own grocery store as a community cooperative. They knew having a grocery store was critical to keeping people in their community. But keeping people wasn't enough; they needed to attract people. They used the momentum from the grocery co-op and worked with local builders to create a housing development where new residents were offered homes at cost if they were willing to move to Argonia.

While many of these communities don't regularly attract national attention, they show promise for revitalization. Even the smallest of efforts help generate support for larger scale projects that help to beautify Main Streets districts and support local businesses. Ivan and his team found that across the U.S., there's plenty to learn from the places that are getting it right.

[How to Create Business Growth in a Small City’s Downtown - National League of Cities (nlc.org)]

I recently talked with the city manager of a small city whose downtown has been decimated by competition from a large nearby urban area. The conversation revealed both the challenge facing the city manager – and many small cities and towns – and a promising pathway forward.

The challenge is a classic one. The local textile mill closed years ago, leaving the city without its largest employer, and Main Street is full of vacancies. The instinct of local leaders was to search for a replacement for the mill – another large employer or one big project that could be lured to town and solve all the problems.

The city conducted study after study. It worked with a recruiter without success. One potential project for the old mill keeps stalling, and the community is left hoping it will someday work. What else can be done, the city manager asked, to bring this downtown back to life?

The answer, based on my decades of experience working with smaller cities and towns across America, is to focus not on recruitment but on growing the assets that the city already has.

The challenge here is that those assets may not be readily apparent. A struggling city may think that it has none. The key is to know where to look. The assets, including the right people, are always there.

One place to start is with the property owners downtown. Are they willing to be partners with the community or are they distant and neglectful? What barriers do they face? What flexibilities might they entertain to bring their properties back to life? The property owners are a vital asset, even though they may not be recognized – or even see themselves – as that.

Another key asset is the existing business owners downtown. What barriers do they face specifically? Do they need capital to grow? Do they need renovated space? Do they need training to create more resilient businesses?

But the most important asset of all is the home-based businesses that exist in town but have not made the leap to a storefront. Those businesses typically reflect the heritage, interests, and skills in the community. They showcase the distinctiveness of the city.

Of those businesses, the most crucial to economic development are those with products that can be sold online as well as in a storefront. The business's storefront success would not be solely dependent on foot traffic because of revenue from online retail or wholesale, while the business would gain visibility downtown and help bring more energy to the street and other nearby shops.

These businesses – from hardware to handbags to hot sauce – are considered small-scale manufacturers, and they can open the doors to downtown revitalization. Their beauty is that they are not formulaic. They draw on local talents and heritage to create unique and distinctive products and stores. Together they can create downtown destinations for residents and tourists alike. But their needs and potential will be different from traditional retail or service businesses because of their online revenue and prospects for regional and national growth.

Identifying these assets and their needs, however, is only part of the solution. Each community should develop ways to support, energize, and expand those businesses to fill vacant storefronts downtown – or nearby – and position the community for future investment.

South Bend, Indiana, recently launched the Scaling Up! South Bend program. Its initial cohorts represent a mix of home-based businesses ready to grow and small producers ready to scale. The city chose to invest in those existing assets and help them be a stronger part of the local economy.

Columbia, Missouri, is revising its zoning code to encourage artisan manufacturing in The Loop, a commercial and industrial corridor north of downtown. The new mixed-use designation will restore the corridor to its true heritage.

Heflin, Alabama, is working one-on-one with property owners to help them find product businesses to fill their spaces, while also building a Main Street brand that focuses on local products and businesses – all to showcase what is special about the community.

America's small cities and towns are loaded with talent. What's needed is to bring that talent to downtown storefronts. We know how. We just need to stop looking somewhere else for the answer.

Research: How Entrepreneurship Can Revitalize Local Communities (hbr.org)

*************** 4 part series from Strong Towns

Why Communities Must Break Out of the Resource Trap (strongtowns.org)

The Modern Approach to Development Doesn't Work for Local Communities (strongtowns.org)
The Strong Towns Approach to Economic Development

To build a prosperous place—one that is improving so that community members experience and anticipate a future they want to be part of—a community needs to focus its energy and resources on strategies that build local wealth. The Strong Towns approach combines five strategies that do just that.

Cities will build stability and prosperity when they are:

1. **Redirecting the flow of capital so that it stays in the community longer, growing local capacity and providing greater community benefits.**
2. **Making low-stakes space for entrepreneurs (people in the community with crazy ideas and the passion to run with them) to fail quickly, learn, and get back to innovating.**
3. **Accelerating success by aggressively growing enterprises that import capital into the community.**
4. **Allowing the community to grow incrementally again, to thicken up and become more productive while shunning the large leaps and silver bullet projects that are a distraction today and a drag on future prosperity.**
5. **Reinforcing the Main Street economy that expands the opportunity people have to improve their quality of life, and the lives of those around them, while growing their own financial security and stability.**

The strategies in the Strong Towns approach are within the reach of every community to implement, regardless of size or current capacity. They simply require a change in approach, a mental shift in thinking, that redirects existing resources away from unproductive activities to things that produce local wealth and capacity.

A Strong Towns approach is not a quick fix but a commitment to good habits and more intentional decision making. Think of it like diet and exercise for your community's economic health.

How to Retain Capital in Your Community (strongtowns.org)

Communities Need to Make Space for Entrepreneurs (strongtowns.org)

As the effects of globalization have worked their way through all aspects of the economy, the way Americans talk about entrepreneurship has changed. Today, we tend to talk about entrepreneurs like we talk about other businesspeople—as persons engaged with commercial activity that take on some level of risk and, if successful, will experience a financial reward.

This vastly discounts entrepreneurs and their important role in building a prosperous community. Entrepreneurs are fundamentally different from someone who owns or operates a business, someone who is more properly understood to be an investor.

Investor: A person that allocates capital with the expectation of future financial return.
Entrepreneur: A person with a crazy idea who does not know they can fail.

First and foremost, entrepreneurs have an idea, passion, or insight that drives them in an almost reckless pursuit. They tend to not make very prudent assessments of risk and they tend to discount their own time and capital in pursuing their idea. An entrepreneur can be a bit of a fanatic.

The person who buys the Dunkin Donut franchise is an investor. The person who starts a doughnut shop in the vacant storefront with only a deep fryer, a folding table, and a smartphone for taking payments is an entrepreneur.

Local communities, especially when they are struggling, need entrepreneurs. They need their energy and passion. They need their risk-taking. They need their ideas. Even if it takes 50 failed entrepreneurs to create one successful one, that success can transform an entire community.

Fortunately, unlike many investors, a strategy to grow entrepreneurs does not require handouts or subsidies. They don't require massive investments in public infrastructure. Entrepreneurs merely require an economic ecosystem that enables them to pursue their passion. They literally just need space to be an entrepreneur.

Nassim Taleb, risk management expert and author of many books including *The Black Swan*, *Antifragile*, and *Skin in the Game*, has suggested that:

> "In order to progress, modern society should be treating ruined entrepreneurs in the same way we honor dead soldiers."

That is because success for an entrepreneur is in finding a way to make a living by being of service to others, by providing a good or a service that is so valuable that their neighbors will pay them to continue doing so. That's the kind of success every community needs.

A Necessary Mental Shift to Make Space for Entrepreneurs

Making space for entrepreneurs requires resource-focused communities to think differently about some things.

- **Understand the nature of small bets.** An investor seeks steady gains over time, but entrepreneurs are generally engaged in pass-fail types of endeavors. Most entrepreneurs will fail, at least at their first attempt. The nature of small bets is to have many attempts, each with low cost and low risk, as a way to grow into success. Make it easy to fail early, and accept those small setbacks as the cost of large future gains.
- **Tolerate a degree of messiness.** Local governments often prefer to work with investors over entrepreneurs because investors know to keep things tidy. They fill out their paperwork professionally, they pay their fees without much complaint, and they market themselves as good citizens. In comparison, the entrepreneur can come across as disorganized, difficult, and counter-culture. Communities that want the magic of entrepreneurship need to embrace its tendency towards messiness.
- **Get out of the way.** Creating an ecosystem for entrepreneurs is more about removing obstacles than it is about providing assistance and support. Local economic development programs will be more successful when they ask entrepreneurs, "what are you struggling with," and then work to diminish that struggle than developing plans and programs to broadly assist the business community.
- **Celebrate success and don't personalize failure.** Many communities take business failure as indication of a broader community failing. This can lead to finger-pointing, or worse. The reality is that most entrepreneurs will fail, regardless of what the community does. What should reflect poorly on the community is if not enough entrepreneurs are stepping forward to give their ideas a try.

Steps to Make Space for Entrepreneurs

Making space for entrepreneurs to unleash their creative energy is easy. Here are some things any community can do:

- **Use Pop-Up Commercial Spaces.** We think of businesses as storefronts or offices, but often they are not ready for that. A tent or a street table can be a low-cost alternative. Muskegon, Michigan, even bought some storage sheds, painted them up and then rented them out affordably to startup entrepreneurs. These small spaces are great for filling gaps in a streetscape.
- **Waive Home Occupation Requirements.** Would Bill Gates or Steve Jobs be able to start their multibillion-dollar businesses in their garage today? Not with the zoning restrictions found in most cities. If you can do the business inside the house or an outbuilding and nobody passing by can tell, then there is not a lot of justification for regulating it. We can let entrepreneurs get started by easing up on home occupations.
- **Ease Up on Permitting, Especially for Building Reuse.** When one business closes and another comes in, there is generally no need for lengthy permitting processes, especially in established commercial areas. Processes that require someone to prove a negative up front—that they won't be a nuisance—are easy on bureaucrats but a huge obstacle for entrepreneurs. Let that startup know the community's expectations for how to be a good neighbor, then burden them with process only when they don't meet those expectations.
- **Lower the Bar of Entry on Using Existing Buildings.** The regulatory default is to require a business owner wanting to use a building to bring it up to the latest codes before doing anything else. This forces entrepreneurs to become developers and building contractors, as well as expend a lot of time and capital, before they can focus on their business venture. Make sure buildings are safe, but then get the entrepreneur working. Allow their success to provide the resources for bringing the building into full compliance.
- **Use the Makerspace and Co-Working Models**. The explosion in both makerspaces and co-working office space has created tremendous opportunity for startup entrepreneurs to not only get started, but to learn from others doing similar work. These models are hives for innovation that every community serious about entrepreneurship should be promoting.

Leveraging Entrepreneurs to Attract Investors

While there is a difference between investors and entrepreneurs, any community that wants to experience success ultimately needs both. A big part of building local wealth is giving the community the capacity to invest in itself, but investments of outside capital can also be positive.

In the resource trap, the most common way to attract investment capital from outside the community is to provide subsidies. This means using community resources to lower the risk and increase the return for that outside investor. While these transactions can provide the illusion of progress, they rarely make financial sense for the community, especially when compared to other investment opportunities.

A more successful approach is to create an active ecosystem of entrepreneurs that signals to outside investors that they should want to be there. In this case, success creates its own success. An active set of successful local entrepreneurs will lower the risk, and potentially increase the return, for outside investors and make the community a more attractive place for them to put their capital to work, no subsidy required.

The [Possible Project Maker Space] in Cambridge, MA.

The [Western Market] in Muskegon, Michigan.