

Building Entrepreneurial Communities

Radius Elected Officials Course

December 15, 2020



Plaka



Parikh

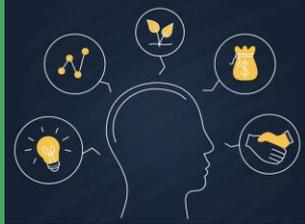


Michael Pinneo

Scrap Material

TechShop

How can you build entrepreneurial communities?



What is an Entrepreneur?



Entrepreneurs, in the purest sense, are those who identify a need---any need---and fill it. However, not all startups are the same.

Small Business/Life Style

- Known business examples to learn from
- Funded by family/friends, banks, or stockholders
- Business plan
- Sustain a particular level of income

Investment/Exit

- Untested business model with a high degree of uncertainty
- Funded by investors (Angels and VCs)
- Business model
- Grow big quickly and sell (exit)
- Provide a 5x-10x return to the investors

Source: CMU <https://www.cmu.edu/swartz-center-for-entrepreneurship/education-and-resources/project-olympus/pdf/entrepreneurship-101.pdf>

How can you
build
entrepreneurial
communities?



Entrepreneurial Assets

Incubators/Accelerators

Production/Lab spaces (e.g. Makerspaces)

Coworking spaces

Services and support

NETWORK

How can you build entrepreneurial communities?



Incubators

- Where the commercialization plan ‘hatches’
- Mentoring/coaching/guidance
- Access to materials
- Introductions to advisors, domain expertise
- May provide space
- May provide micro-grants

Goal – get initial seed funding

Example: Bstart (Bloomington)

Accelerators

- Fixed term, cohort-based programs
- Provide mentorship and educational components
 - Highly competitive to get in
- Get seed investment (\$20k-\$50k) in exchange for equity

Goal – “Demo Day” to attract follow-on investment

Example: Purdue Firestarter (Purdue@Westgate)

Source: CMU <https://www.cmu.edu/swartz-center-for-entrepreneurship/education-and-resources/project-olympus/pdf/entrepreneurship-101.pdf>

How can you build entrepreneurial communities?



Production/Lab Space

- Collaborative work space inside a school, library or separate public/private facility for making, learning, exploring, and sharing
- Uses high tech to no tech tools
- Open to kids, adults, and entrepreneurs and have a variety of maker equipment including 3D printers, laser cutters, CNC machines, soldering irons and even sewing machines

Goal – open access, collaborative creating

Example: Bloominglabs (Bloomington)

Coworking Space

- Shared office space
 - Hot-desks, private meeting rooms, kitchens, coffee
 - Offers community
- Occupants typically are freelancers, entrepreneurs, start-ups
- Ability to rent out only what you need vs an entire private office

Goal – cost effective, sense of community

Example: LiveWire (Jasper)

Source: CMU <https://www.cmu.edu/swartz-center-for-entrepreneurship/education-and-resources/project-olympus/pdf/entrepreneurship-101.pdf>



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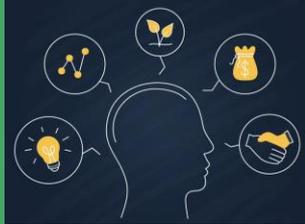
Services and Support

- Community programming and services
- Coaching and mentorship, business planning, networking, events, training, competitions, conferences, legal and financial services, etc.
- Industry-agnostic

Goal – support and guidance

Example: ISBDC (Statewide)

How can you build entrepreneurial communities?



Money/Funding/Investors

Friends and family
Crowdfunding
Angels
Venture Capitalists

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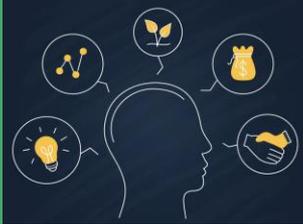
Angels

- High net-worth individuals (i.e. their own money) who provide financial backing in exchange for equity
- Tend to invest locally
- Tend to invest early (\$25k - \$50k)
- Often form Angel Groups to research and co-invest in deals
- May be a one-time investment to help the business get off the ground or an ongoing injection to support the company through its difficult early stages

Venture Capitalists

- Create a fund using other people's money
- Manage pooled investments in high-growth opportunities in startups and other early-stage firms
- Venture capital funds are used as seed money by new firms seeking accelerated growth, often in high-tech or emerging industries
 - Investors in a VC fund will earn a return when a portfolio company exits, either through an IPO, merger, or acquisition
- Seek deals from everywhere and often require them to relocate nearby

How can you build entrepreneurial communities?



Emerging Trends in Entrepreneurship:

- Target audiences (e.g. veterans, immigrants, minorities)
- Entrepreneurs move a lot
- Innovative partnerships (ideas + coding)
- Importance of community

Need to balance regional approach with local needs

- Shift from business attraction to encouraging innovation & diversification
- Small businesses drive growth in rural areas
- Talent attraction/retention is the top issue in economic development
 - Entrepreneurship as a strategy to keep population in place and engaged: keep millennials in the community and retirees actively engaged

How can you build entrepreneurial communities?



Top Items Needed for a Strong Entrepreneurial Ecosystem

- Market Access
- Capital
- Talent
- Business Assistance
- Specialized Infrastructure and Facilities
- Community Culture
- Regulatory Support

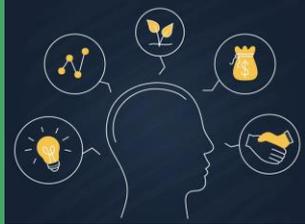


Strong ecosystems are often linked to placemaking or community development initiatives.

In addition, rural entrepreneurs have unique characteristics compared to their urban counterparts.

Typical challenges for rural entrepreneurs: distance to markets, lack of access to peer networks and obstacles to finding talent and financial resources

How can you build entrepreneurial communities?



How do you create the foundation for a successful entrepreneurial community?



1. Community Collaboration (and achieve critical mass)
2. Civics (impact)
3. Education and Training
4. Art and Culture
5. Music
6. Investment Capital

What does it add up to? Creating a sense of place.

Source: <https://www.fastcompany.com/1639602/six-steps-successful-entrepreneurial-community>

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Main Drivers of Entrepreneurship: Opportunity and Innovation

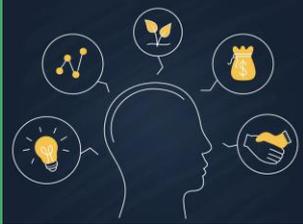


- Must be led by entrepreneurs. Economic developers and municipal leaders cultivate the environment
- Always looking at the 20-year view and be committed
- Establish activities that engage the entire entrepreneurship spectrum (and not just cocktail hour)
- Get fresh blood into the system

The future of economic development is not about jobs, it's about investing in people. Especially in rural communities!

Ingredients of an entrepreneurial community: critical mass of entrepreneurs, a distinct community within a community, the community as a whole is entrepreneurial (i.e. supportive culture). **All of this equals Enterprise Development.**

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Strategies to Build an Entrepreneurial Community



- Take a systemic approach to your enterprise and community development efforts by creating a community-wide enterprise development system
- Customize our enterprise development system to the specific needs of your community
- Focus your efforts on developing a supply or pipeline of highly skilled entrepreneurs capable of building successful companies. We must also institutionalize these efforts, so that the community can sustain a constant flow of entrepreneurial activity.
- Develop new roles, skills, and tools for managing and implementing your enterprise development system
- Operate this system as a “transformation business”—one that seeks to transform our entrepreneurs, their companies and, ultimately, the community’s economy

References: “Building Entrepreneurial Communities” by Gregg A. Lichtenstein, Thomas S. Lyons, and Nailya Kutzhanova and “Startup Communities” by Brad Feld.

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Where to Begin?

**Identify your existing entrepreneurial
base: entrepreneurs, assets, and
resources.**

Then, build a plan.

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Resources: Ecosystem building



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Kauffman Foundation and the Rural Entrepreneurship Initiative (REI), a research project to evaluate entrepreneurship in rural America

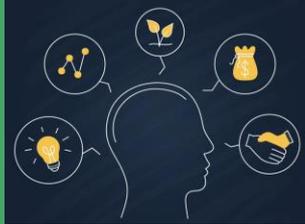
Co.Starters Helps grassroots leaders find the best solutions to support starters and build local ecosystems

Case Foundation Many resources, including data and toolkits on inclusive entrepreneurship, especially focused on women and minorities

OECD Better Entrepreneurship Policy Tool and Assessment is an online tool designed for policy-makers and other interested parties at local, regional and national level

E2 Entrepreneurial Ecosystems In 2019 the Indiana Philanthropy Alliance invited e2 to be a recommended community economic development resource to community foundations and their communities as part of the Lilly Endowment GIFT VII initiative

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