

*Thought Paper #4*

**KEY #4 – ENTREPRENEURIAL  
DEVELOPMENT SYSTEMS**  
*Growing Entrepreneurial Communities*

**Background & Introduction**

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

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**Top 10 Keys to Local Economic Development Success**

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

**For More Information**

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## Systems?

### *A Systems Approach Get Results*

Systems are complex and sophisticated, but they enable larger and more sustained outcomes. Let's create some images of other systems where you have regular contact....

*Education*  
*Health Care*  
*Food Safety Regulation*  
*Commercial Air Transportation*  
*Highways & Interstates*  
*The List can go on and on...*

For a moment, think of all the public and private players, activities and outcomes that occur every hour of every day within our commercial air transportation system. Contemplate all the parts that must be interacting to enable someone to safely travel from say Albany, New York to Seattle, Washington...

*Travel Planning Web Sites*  
*Reservations*  
*Electronic Check In*  
*Weather and Traffic Control*  
*Screening & Security*  
*Ground Transportation and Parking*  
*Airports & All Their Working Parts*  
*Airlines – Gate Service, Baggage, Flight Crews, Maintenance, etc.*  
*Lodging – Food Services – Coffee, etc., etc., etc.*  
*And the List can go on and on...*

Bottom line, systems are a central way to organize and accomplish desired and complex outcomes. Is stimulating and supporting economic development any different than educating people or operating the internet?

## Economic Development

### *Does a System Approach Make Sense Here?*

Our free market economy has a very complex set of relationships that are constantly evolving. The complexity of all these relationships coupled with the pace of change is amazing. Even the most complex economic models can only address small parts of our economy at one time. The purpose of economic development is to increase or change economic activity at a community, regional, state/provincial or national level. Therefore, if the system we are trying to influence is complex, then it stands to reason

that we need a complex, multifaceted system’s approach with our economic development strategies. In so many ways entrepreneur-focused economic development is both complex and simple. At its most basic level, economic development focuses on helping entrepreneurs be more successful. This is a fairly direct proposition, but as we drill down into this opportunity, complexity begins to emerge. There are hundreds of different kinds of entrepreneurs. Entrepreneurs can be at a wide range of development stages. Within each entrepreneur group, there are multiple unique needs and opportunities for development. For fun, let’s assume we have 100 unique entrepreneur types, at least 25 unique stages of development and at least 50 unique needs. This simple math generated 125,000 unique combinations illustrating the complexity we are dealing with and the necessity of a systems based approach.

Next, let’s dive into the key attributes of an **Entrepreneurial Development System** or EDS for short. The idea of entrepreneurial development systems has origins with Brian Dabson, who led CFED, and Tom Lyons of Entrepreneurial League fame.

## Entrepreneurial Development Systems

### *Building Blocks*

The following table highlights that when profiling high performing EDSs there are two very basic component parts:

Supply Side Parts	Demand Side Parts
<p>In business development, we tend to focus most of our time and effort on the supply side or addressing critical business needs like creating a business plan, securing a line of credit, providing customized worker training, providing affordable power or access to competitive commercial air service. While all these things are really important, they are not sufficient to increase materially entrepreneurial success in your community.</p>	<p>The demand side is fundamentally hard and generally more poorly addressed. The demand side focuses on the entrepreneur and their team as a creative force. The demand side deals with issue of goals, values, life balance, openness to learning, making time to grow a better business, learning how to be a team builder and stronger boss. Our experience supports the view that the demand side issues are just as important to overall success as the supply side.</p>

However, there is one additional framing consideration which is the difference between what we might call **passive** and **active** components of entrepreneurial development systems.

Passive Components	Pro-Active Components
<p>Another way to define “passive” EDS components are the things we consider to be part of the traditional business climate... utilities, banking, infrastructure and the like. These are important for any business development strategy.</p>	<p>Pro-active components are 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.</p>

We are all pretty familiar with what is needed to enable effective commerce and business operation. There is no need to spend time here reviewing what we have learned in Business Climate 101 many times before, but the pro-active components may be less obvious. So, let's go ahead and outline the primary component parts:

<p><b>Capital Access</b></p> <p>Access to the right kinds of capital is important to any venture, but for entrepreneurial ventures there are unique capital needs such as seed and venture capital.</p>	<p><b>Market Research</b></p> <p>Every business should know their customers, their competitors, the stability of their suppliers and a whole set of other market research items. Market research is particularly important to growth-oriented ventures.</p>	<p><b>Human Talent</b></p> <p>A skilled and motivated workforce is very important to all businesses. Entrepreneurial ventures have these needs, but also specialized talent critical for increased competitiveness and growth.</p>
<p><b>Competitiveness Planning</b></p> <p>A business plan is the stock and trade of business planning, but in today's environment, there is a need for sophisticated, competitiveness planning that can enable entrepreneurs to define market niches and competitive advantages.</p>	<p><b>Business Coaching</b></p> <p>Coaching is the cornerstone of an entrepreneur development system. Business coaches provide the high value and high touch engagement that helps business leaders actively engage in growing a better business versus just running their venture.</p>	<p><b>Customized TA</b></p> <p>Entrepreneurial businesses need access to specialized expertise and customized technical assistance ranging from exporting to lean manufacturing to systems development to social media marketing. An EDS needs to be able to network Es to these resources when they are needed.</p>
<p><b>Growth Planning</b></p> <p>Growth planning including business transition is a unique resource that growth oriented and high growth potential ventures must have. Building a smart strategy to enable rapid growth requires high end assistance.</p>	<p><b>Business Services</b></p> <p>Every venture needs access to business services ranging from insurance to banking. But entrepreneur ventures need business service partners who are willing to help grow a future large customer. This more than a networked transaction but a growth strategy for both parties.</p>	<p><b>Other Entrepreneurs</b></p> <p>We saved the most important for last. Entrepreneurs need regular contact and engagement with other entrepreneurs through networking events, mentoring relationships and voluntary advisory boards of directors. Peer helping peer is the magic bullet of high performing EDSs.</p>

When all these activities are present, being used and becoming more robust over time, the entrepreneurial ecology of a community or region becomes stronger and more dynamic. Better entrepreneurs cultivate 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 activity. The small snow ball is now rapidly rolling down the mountain growing generating an expanding its footprint of impacts.

Lest we forget there are three additional primary components of a great EDS...

<b>Technology</b>	<b>Spaces</b>	<b>Quality of Life</b>
Today's entrepreneur requires access to cutting edge technologies that are robust and offer consumer choices. In the age of smart phones, tablets, video conferencing and high speed information sharing it is essential that a community offer multiple cellular services and options for high speed internet. Additionally, access to same day and convenient parcel services is also a must in today's entrepreneurial venture.	Entrepreneurs and their teams are creative people. The spaces in which they work and create are important. Only one look at the proposed office complexes now being visioned for Google, Apple, Facebook and Microsoft confirms that the right spaces are important. For today's entrepreneurs, work and life are interconnected. Work is not just done at the office, and so a place to eat, drink, unwind and work is important.	Entrepreneurs and their employees are human beings and often have families. Community quality of life is very important. Factors like housing and neighborhoods, schools, recreation, crime and safety, congestion and shopping are all important in a community, but – equally important – is the culture of a community and how it views entrepreneurial behavior from hostile to indifferent to supportive.

We have taken the dive into entrepreneurial development systems. We hope this paper helps you and your community in the effort to become more prosperous through entrepreneur-focused development.

In our next paper on Growing Entrepreneurial Communities to be released in May 2013, we will focus on Key #5 or **Sustained Effort**. Stay tuned for May's edition of **Energizing Entrepreneurs**.

[The Center for Rural Entrepreneurship's](#) vision for rural America is one of vibrant communities and regions that embrace entrepreneurship, that find new sources of competitive advantage in their inherent assets, and that invest in a new more sustainable future for both present and future generations. The Center's mission is to help our local, regional and state partners achieve this future. We are committed to connecting economic development practitioners and policy makers to the resources needed to energize entrepreneurs and implement entrepreneurship as a core economic development strategy. We value collaboration and work with partners to bring the latest research, practice and policy innovations to leaders across rural America.

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