



FEDERAL RESERVE BANK *of* KANSAS CITY

Building Your Community's Future Through an Entrepreneurial Worldview

Dell Gines, MBA, CEcD

Federal Reserve Bank of Kansas City

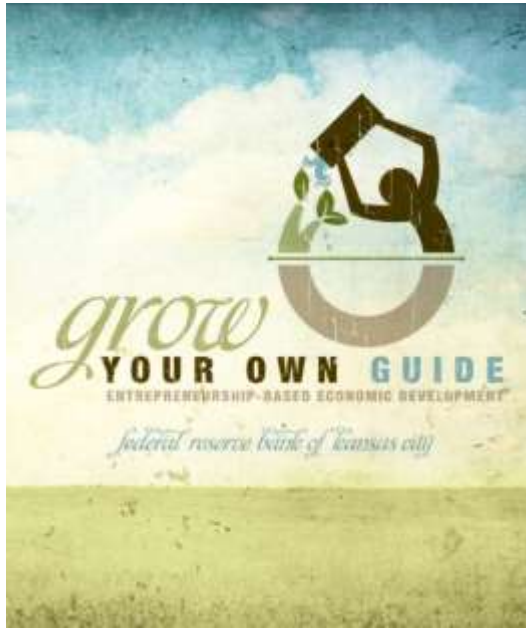
Sr. Community Development Advisor



The Federal Reserve Bank

The views in this presentation do not necessarily represent the views of the Federal Reserve Bank of Kansas City nor the Federal Reserve System.

The Federal Reserve Bank of Kansas City Perspective



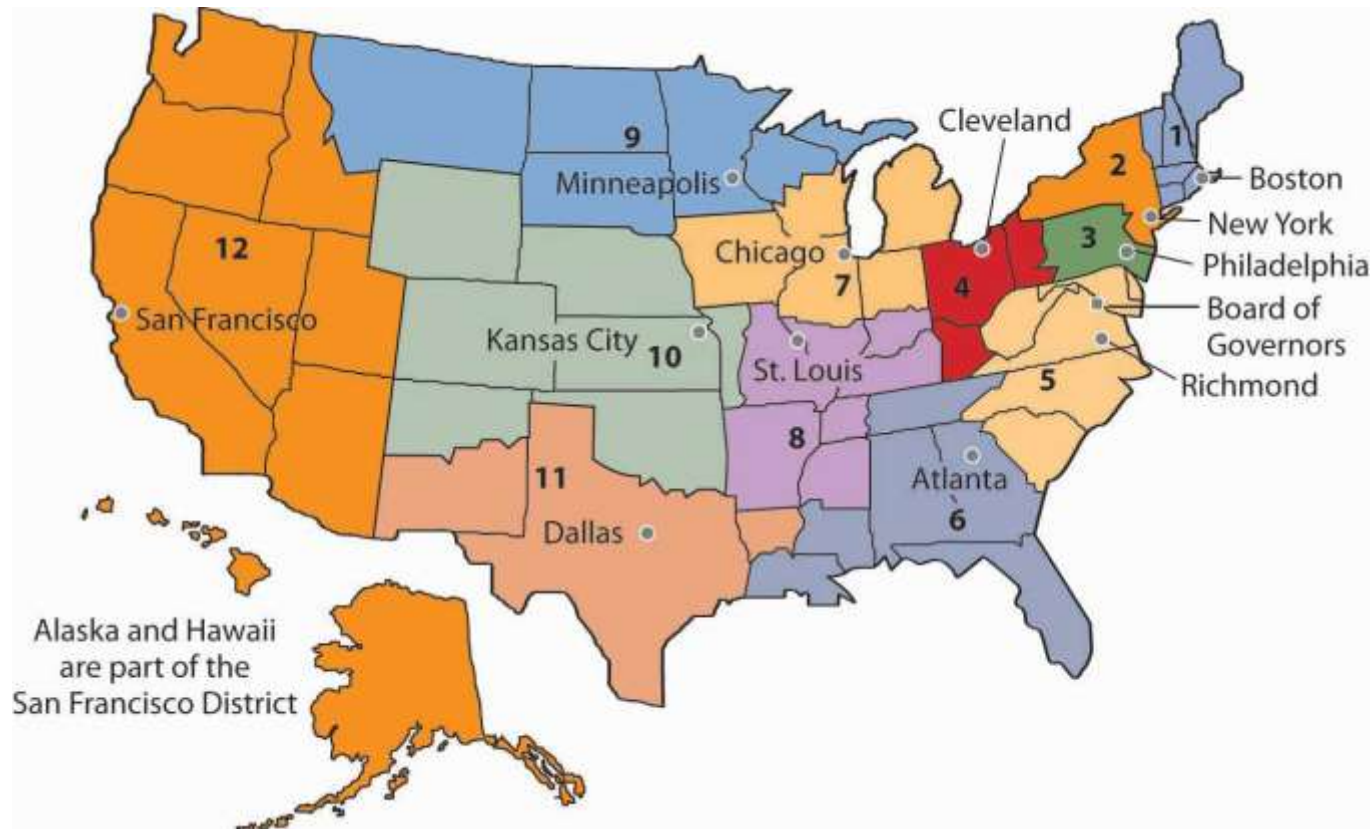
The *Grow Your Own Guide* provides a high level overview of what it takes to conduct entrepreneurship based economic development.

The mission of the Community Development department of the Kansas City Federal Reserve Bank is to support the economic growth objectives of the Federal Reserve Act by promoting community development and fair and equal access to credit.

Our job is to serve as a neutral convener of resources between those who have and those who don't, because we know all segments of the population, including the less advantaged, benefit from both economic growth and fair and equal access to credit.



Federal Reserve Bank of Kansas City



The Tenth District consist of Nebraska, Oklahoma, Kansas, Colorado, Wyoming and portions of Missouri and New Mexico

Economic Development Is About This...



And This...



And This...



And This...



Traditional Definitions

Economic Development

- *...the creation of jobs and wealth, and the improvement of quality of life. Economic development can also be described as a process that influences growth and restructuring of an economy to enhance the economic well being of a community.* – International Council of Economic Development

Workforce Development

- *...policies and programs employed by geographies to create, sustain and retain a viable workforce that can support current and future business and industry.* - Lyn E. Haralson, St. Louis Fed 2010

Community Development

- *Community Development is a process designed to create conditions of economic and social progress for the whole community with its active participation and fullest possible reliance upon the community's initiative.* – United Nations 1948

The Blended Model



The lines are becoming progressively and by necessity increasingly blurred between the major models of development.

Entrepreneurship based economic development fits in the intersection.

Defining Economic Development

“Fostering a dynamic environment where economic opportunities can be discovered, taken advantage of and maximized to their fullest extent to create balanced and sustainable economic growth, jobs, a positive sense of ‘place’ and an improved quality of life in a defined geographic region.” – **Dell Gines**



Entrepreneurship Based Economic Development Defined

Entrepreneurship based economic development is an economic development strategy that places its primary emphasis on the creation and support of entrepreneurs and small businesses to achieve development goals within a defined geographic region.

IT IS NOT:

Anti intelligent attraction and retention strategies.

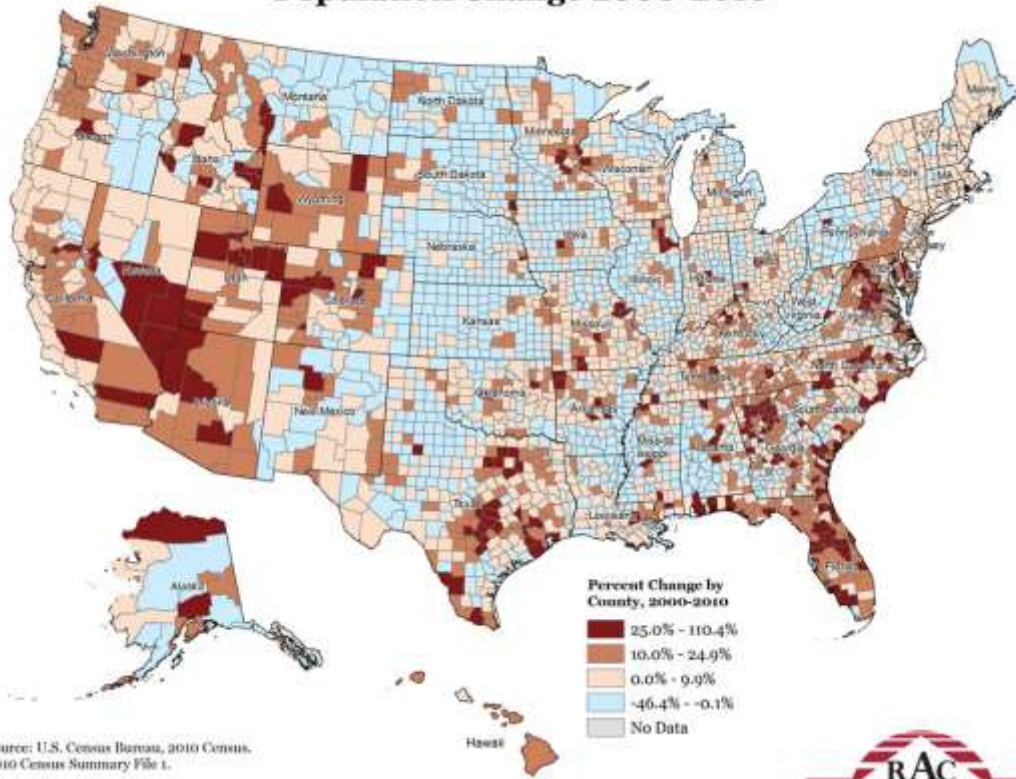
IT IS:

Pro creating a “best fit” approach to economic development that takes into account current and future possibilities.



Big Pictures

Population Change 2000-2010



Our rural communities are suffering from population decline.

Our inner-city communities are suffering from stagnation.

How do we create communities people want to live, work and play in?

Source: U.S. Census Bureau, 2010 Census, 2010 Census Summary File 1.

Note: Alaska and Hawaii not shown to scale



Zero Sum Attraction



Attraction based economic development is like the Bachelorette TV show. Some communities will never be one chosen.

Development Model Distinctions

<u>Traditional Development</u>	<u>Entrepreneurship Development</u>
Hunting	Growing
Company Centered	Owner Centered
Organization	Organic/Network
Visible Victories	Long Term Growth
Win/Lose	Portfolio
Mutually Exclusive (IE Border Wars)	Collaborative
Capital, Land, Labor	Human, Social & Financial Capital
Incentives	Connections

Where Do Jobs Come From?

Number of Firms by Employment Size of Firms

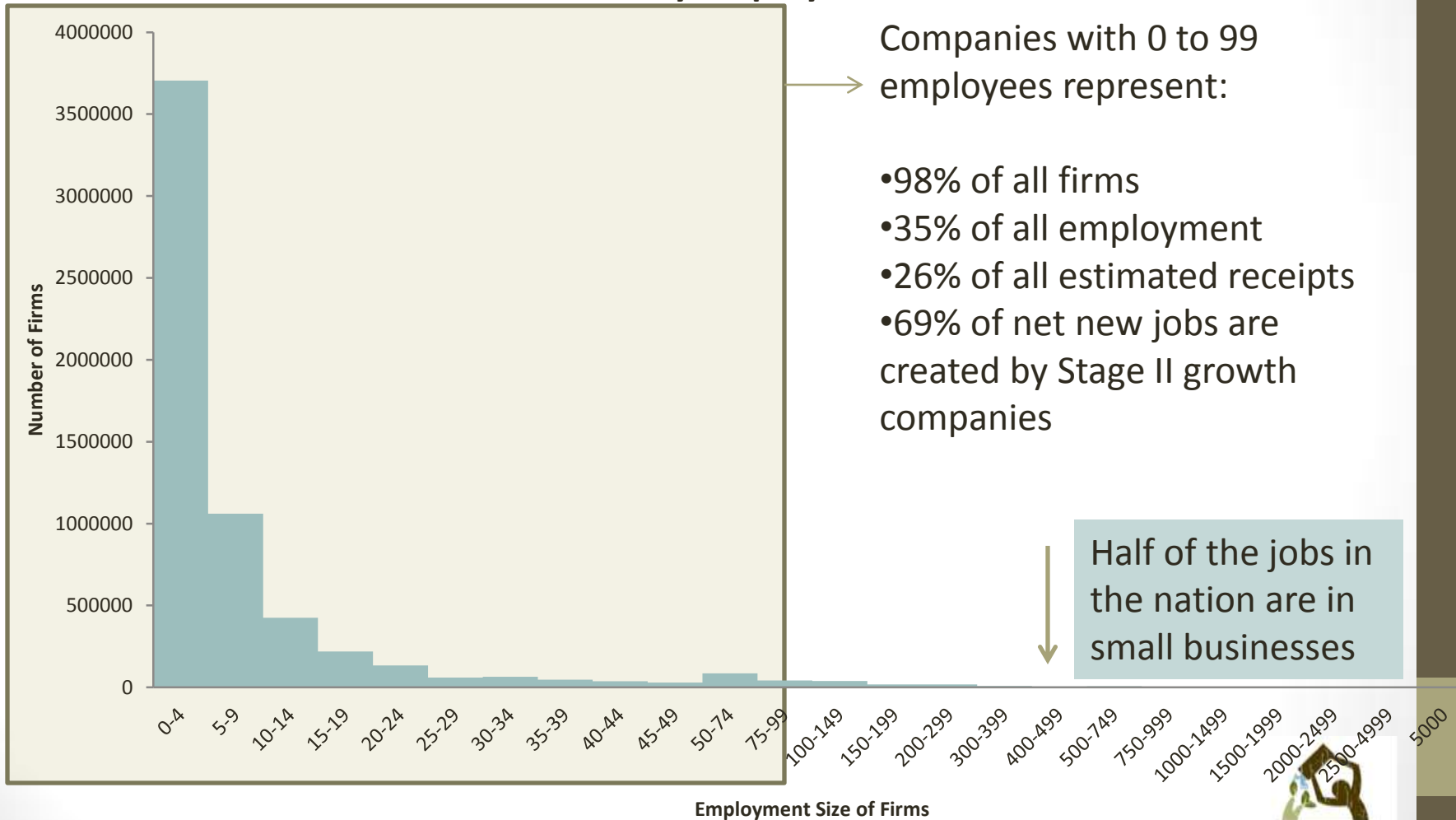


Chart Data Source: Small Business Administration. <http://archive.sba.gov/advo/research/data.html>



At Least It is This Way in NE

Small businesses Increases



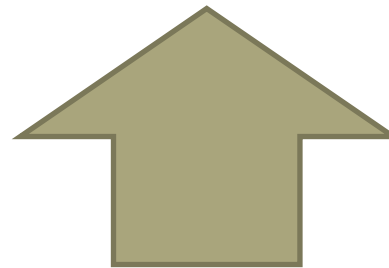
As populations decrease



Business sizes increase



As population increases



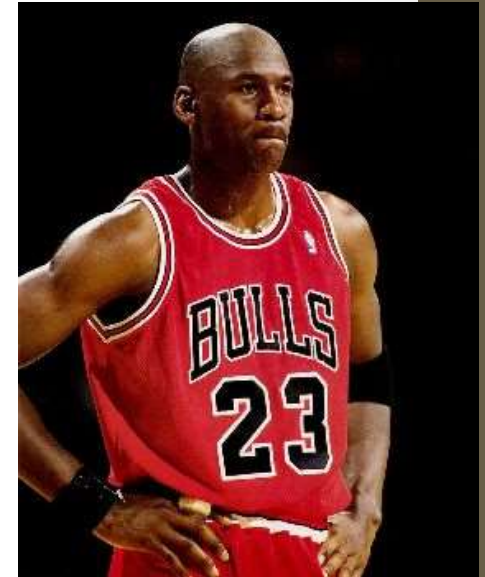
Who Should We Focus On?



Hobby Self-Employment

Not All Entrepreneurs Will Be Bill Gates Entrepreneurs! But all entrepreneurs can add value.

The Entrepreneur Continuum

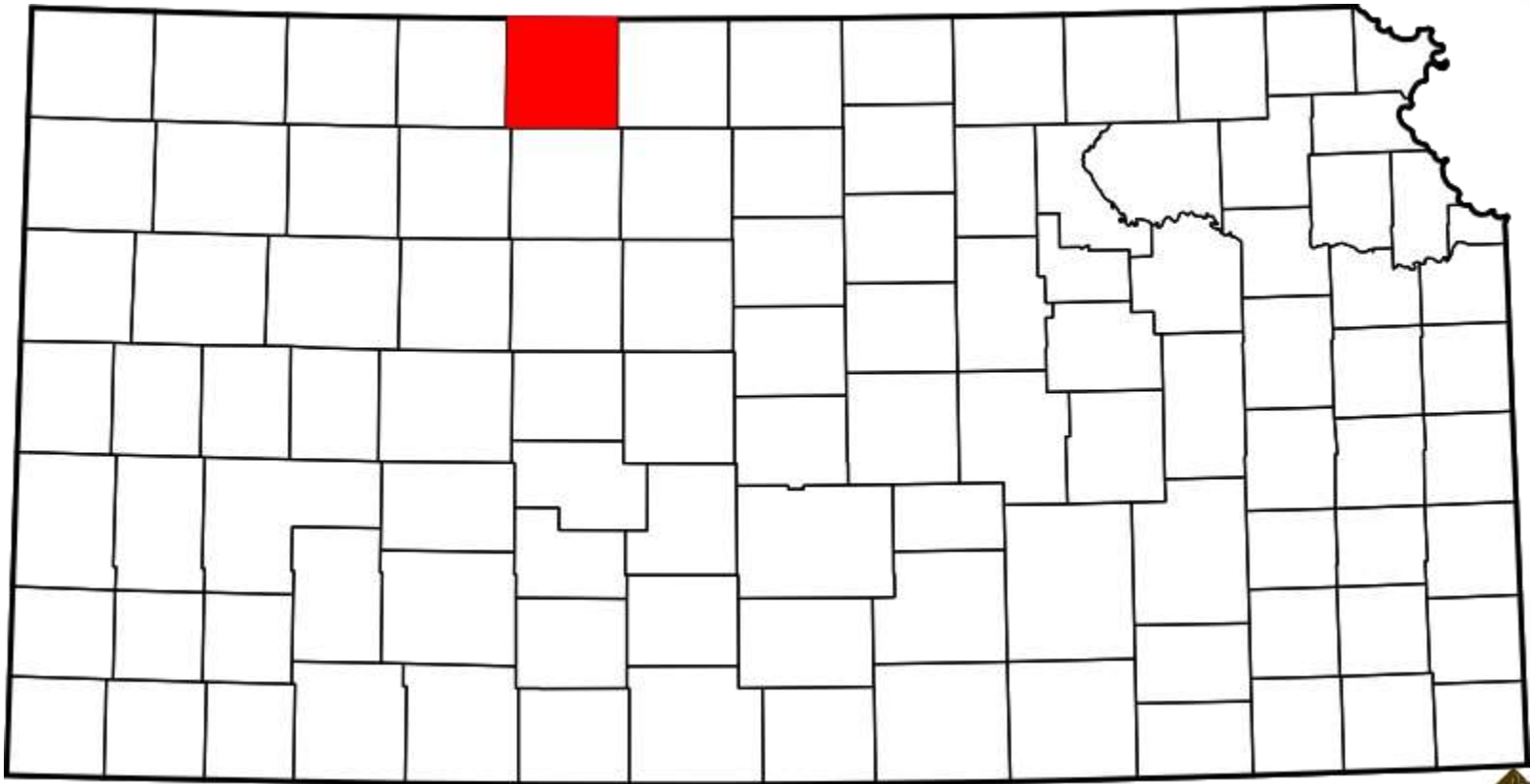


High Growth Gazelle

To have a sustainable and balanced economic ecosystem it must be organized in such a way the needs of all types of entrepreneurs are addressed, even if certain types of entrepreneurs are a priority focus.

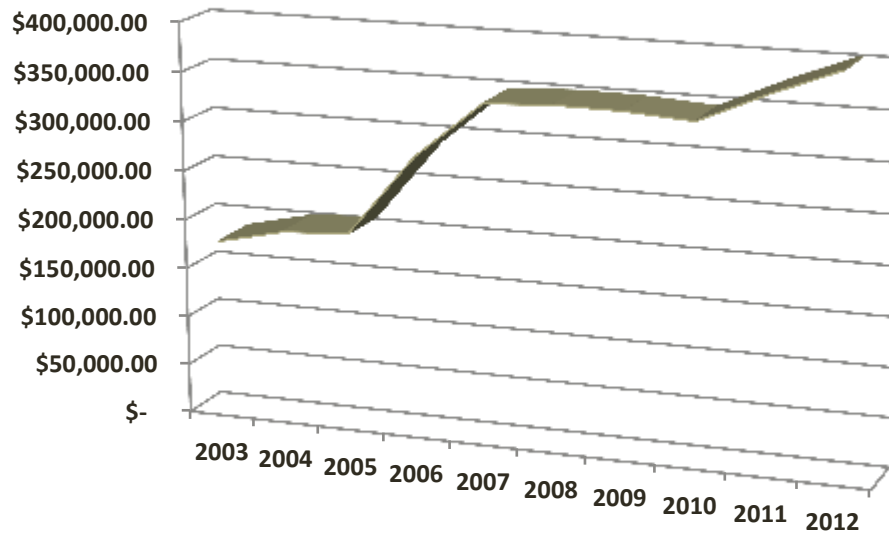
Philips County, Kansas

Philips County, Kansas focused on entrepreneurship to great results.



Philips County, Kansas

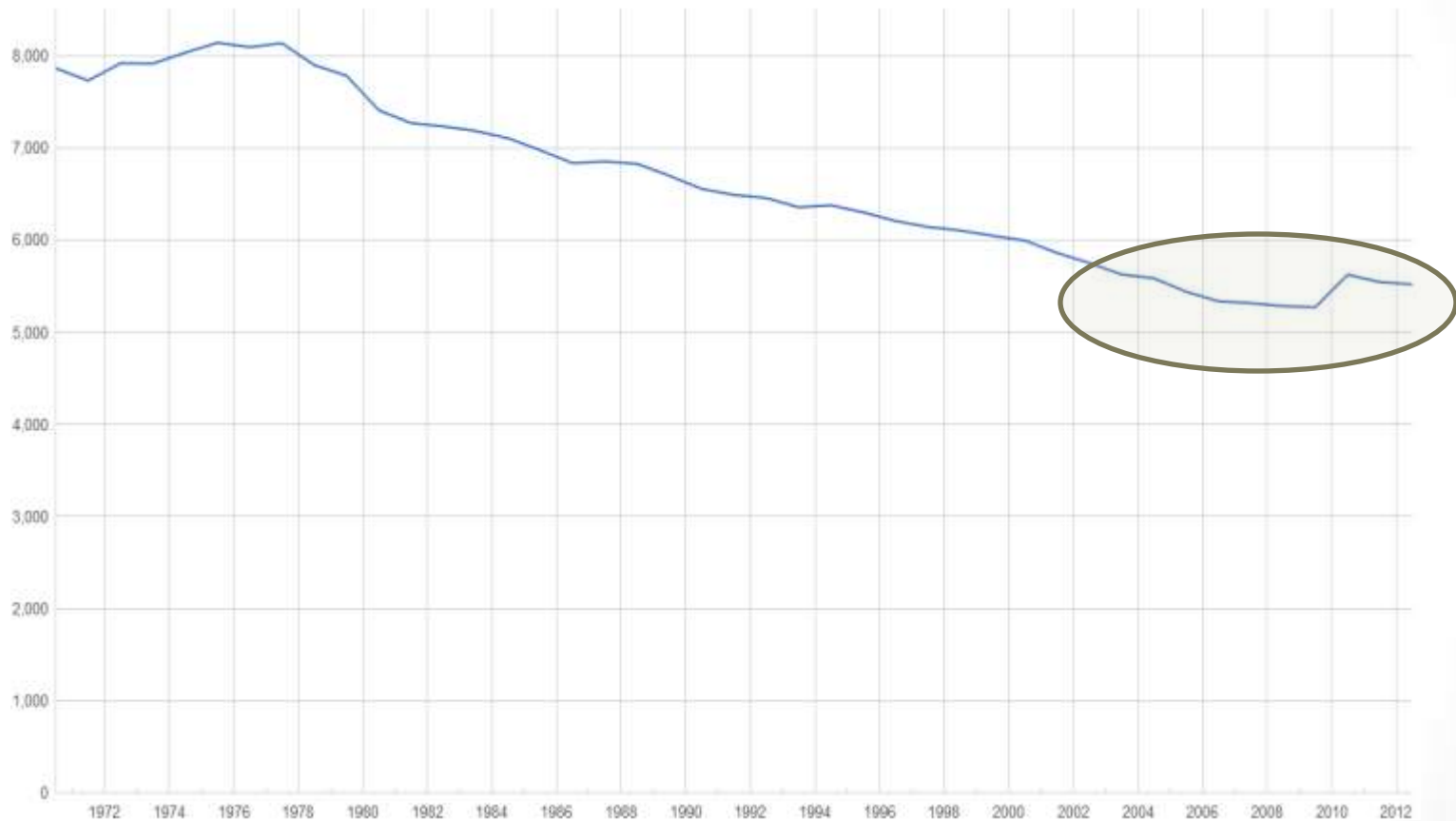
Philips County Sales Tax Revenue 2003 - 2012



Philips County Economic Development was formed in 2003

	Sales Tax Revenue
2003	\$ 180,788.00
2004	\$ 196,945.00
2005	\$ 201,480.00
2006	\$ 284,338.00
2007	\$ 341,915.00
2008	\$ 345,788.00
2009	\$ 345,120.00
2010	\$ 340,823.00
2011	\$ 371,933.00
2012	\$ 399,519.00

Philips County, Kansas



Philips County has a population of 5,519 as of 2012



Philips County, Kansas

Time Involvement:

- Creation: 45%
- Expansion: 25%
- Community Development: 15%
- Retention: 10%
- Recruitment: 5%



“In small counties, community development is economic development”
– Jeff Hofaker, Philips County



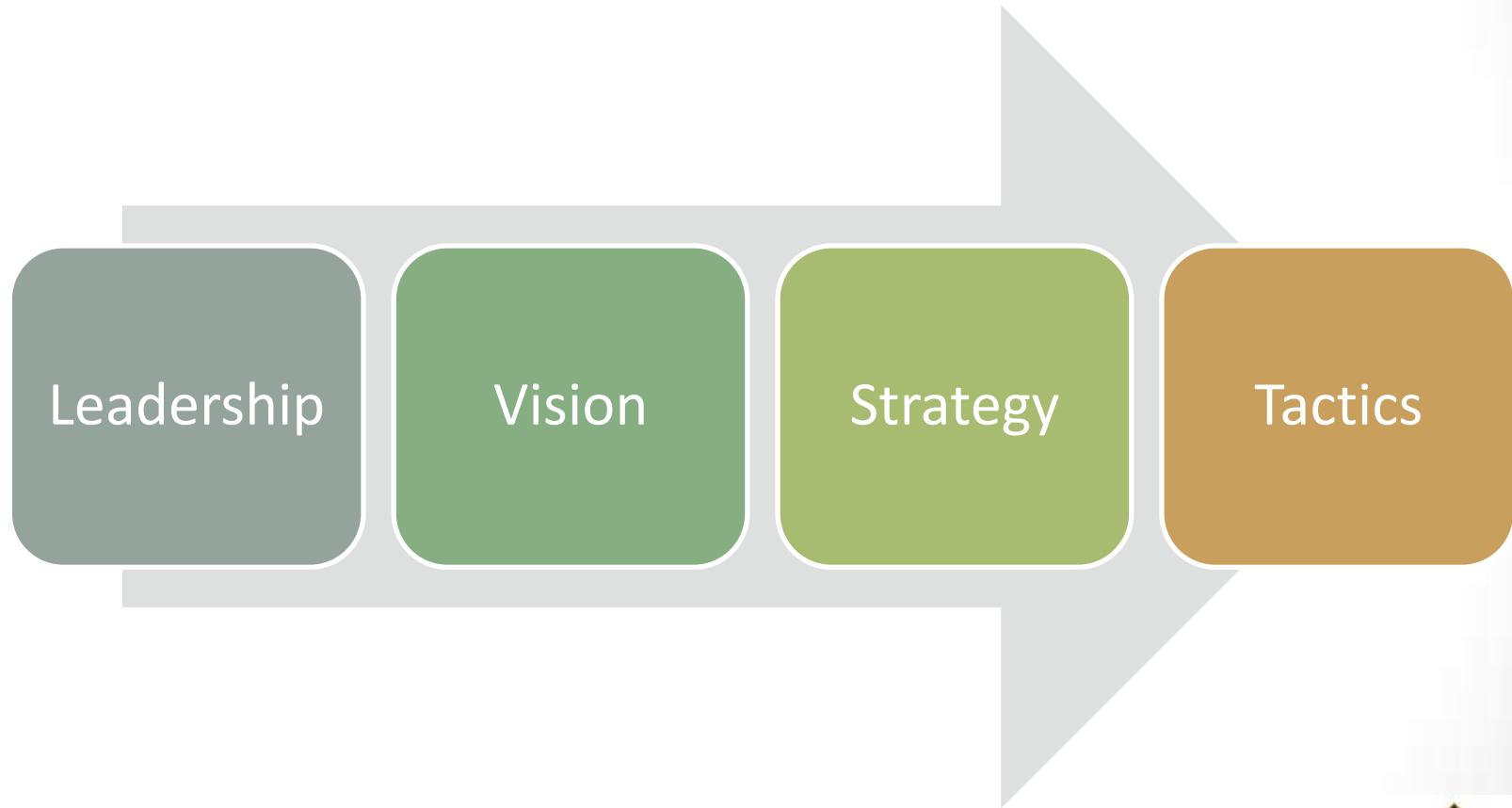
Cody, Nebraska

THE TOWN TO TOUGH TO DIE!



The town of Cody, Nebraska's (population 15) economic development strategy was the creation of a student run grocery store that taught students how to be entrepreneurial and business oriented while serving a huge need in the community.

Economic Development at the 10,000 Foot Level



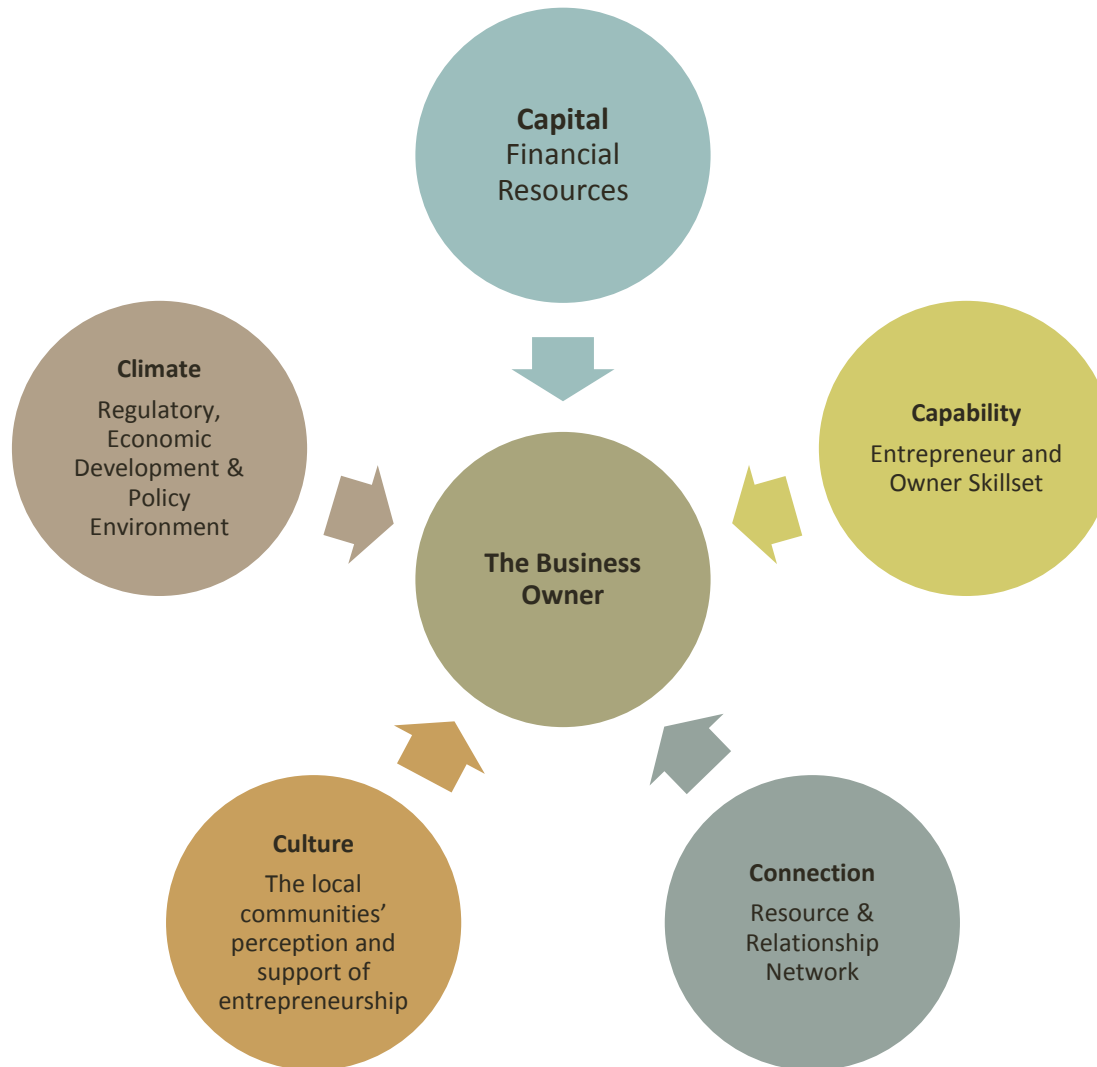
Leadership



I once asked Don Macke, who I consider to be the premier practitioner of rural entrepreneurship development, why out of two communities that were virtually the same in every category, one failed and the other one thrived.

His one word answer was, **“Leadership”**

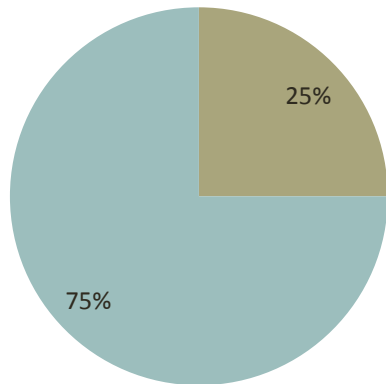
The Five C's of the Entrepreneurship Ecosystem



Owner Opportunity Cost

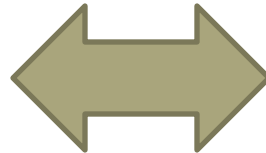
Simply stated, an opportunity cost is the cost of a missed opportunity. – inc.com

Foggy & Sparce Ecosystem

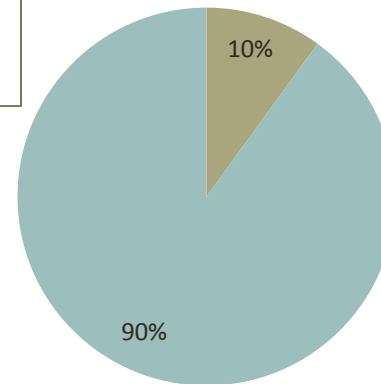


- Time and energy spent figuring out how to get support from the entrepreneurship ecosystem
- Time and energy spent working on building the business

How more productive could our businesses be if they had more time and energy to focus on growing?



Transparent & Dense Ecosystem



- Time and energy spent figuring out how to get support from the entrepreneurship ecosystem
- Time and energy spent working on building the business

The strongest entrepreneurship development ecosystems do the best job of allowing existing and potential entrepreneurs to spend more time and energy 1) focusing on building the business and 2) becoming more effective business owners rather than wasting time figuring out how to get support, information, and resources to build the business.

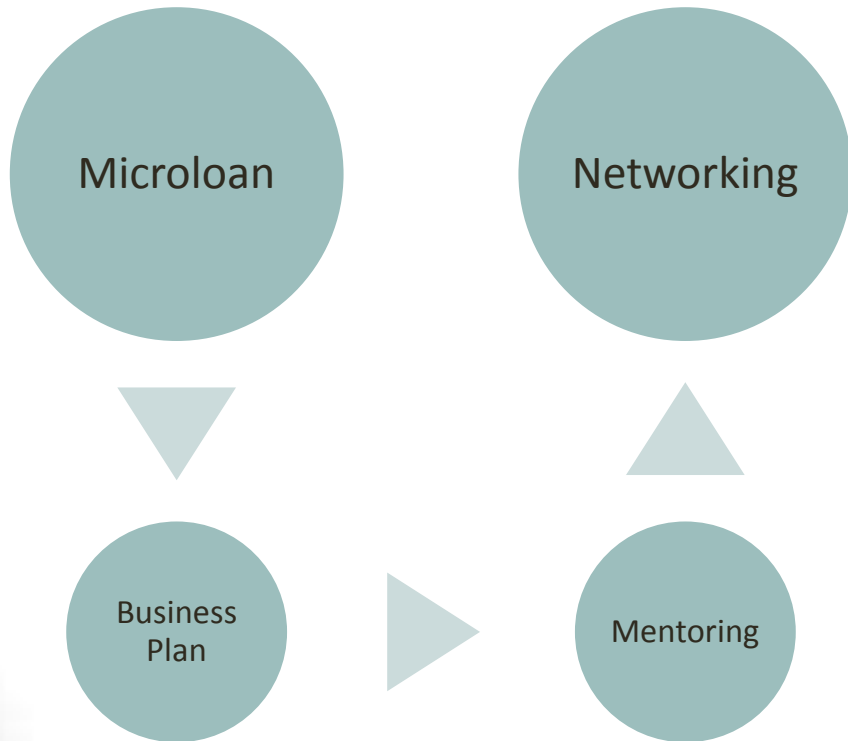
The Transparent Ecosystem



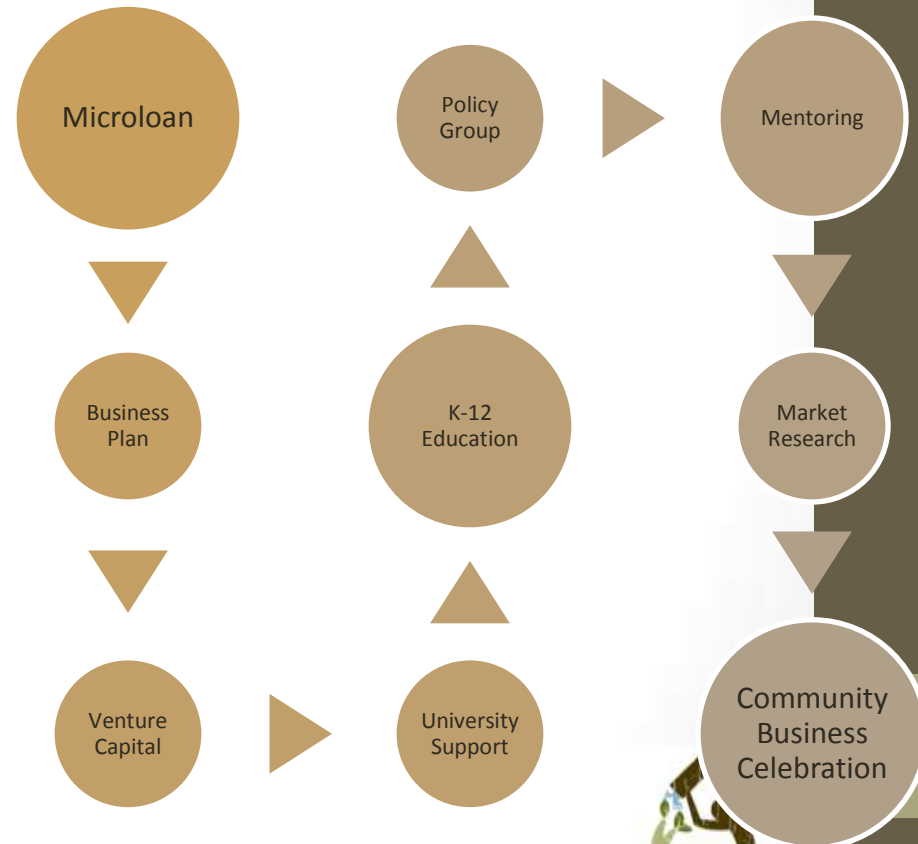
One of the largest complaints we hear from individuals seeking to start or grow a business is that the service system is complex and hard to navigate

The Dense Ecosystem

Ecosystem #1 - Sparse

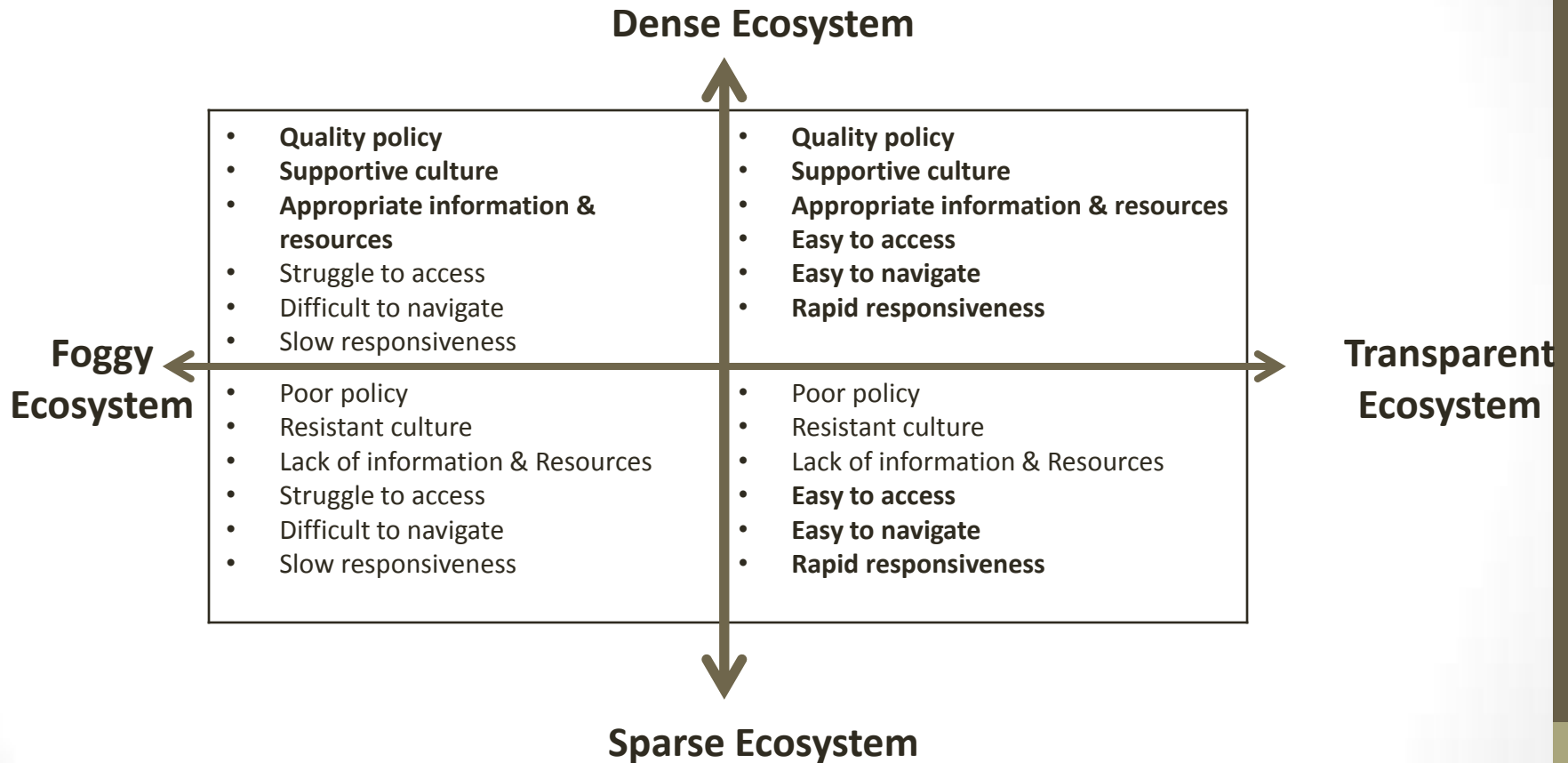


Ecosystem #2 - Dense



Are the programs, policies and activities sufficient in number and type to meet development goals?

Effective Ecosystem Model



Ecosystem – EDO Responsibilities

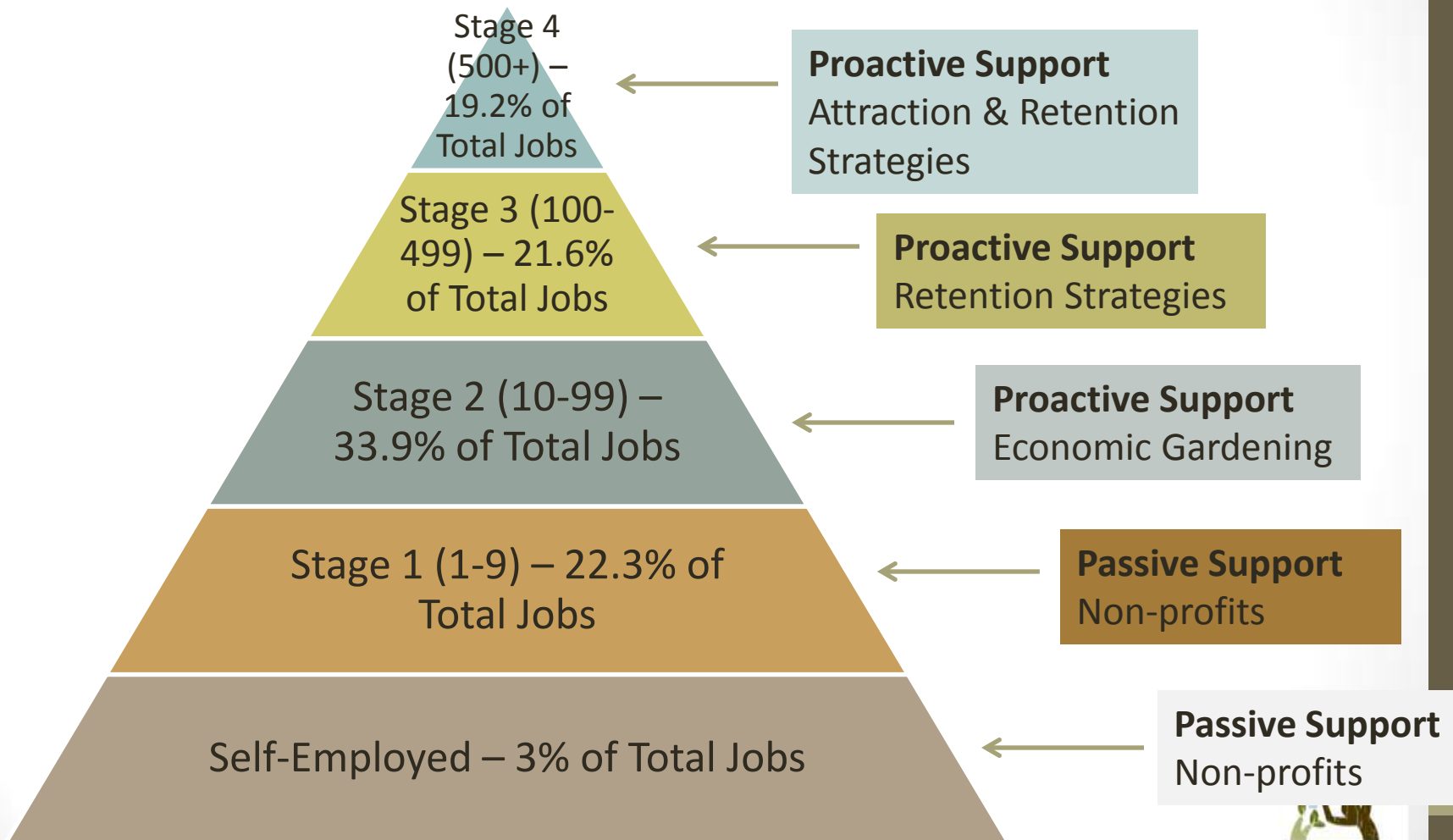
Transparency

- Working with key local, regional and national support providers to create a 'no wrong door' policy for business owners. Create a robust network of providers that can serve and support in owners and will also refer owners to others that can serve and support.

Density

- Analyze existing support systems for owners and determine what gaps exist and find an effective way to fill those gaps.

Business Stages by Size & Community Support



Note: Proactive support means the agency is reaching out directly to these firms. Passive support means the support is available on demand.

Business Stages by Characteristics

Stage 4 - 500+ Employees

- Well defined and highly sophisticated strategy, layers of expert management across divisions, need access to highly developed workforce with sophisticated skill sets, clear and comprehensive business model, intense competition, often global for market share

Stage 3 - 100-499 Employees

- Defined strategy, expert management, owner as CEO, needs access to workforce markets, supply chains and financial expertise, sophisticated business model, sophisticated competitors for market share

Stage 2 - 10 to 99 Employees

- Refining core strategy, dealing with industry shifts, expanding markets, building management teams, embracing new leadership roles as owner shifts to CEO, growth becomes more intentional (Lowe Foundation), selling to broader market base

Stage 1 - 1 to 9 Employees

- Basic strategy, owner still wears many hats, limited 'specialized management', basic systems, strategy is day to day driven, simple business models, growth is more organic, direct selling to broader customer base

Self-Employed

- Limited strategy, owner wears all the hats, sells to a narrow audience, basic banking and financial requirements, direct selling to narrow customer base

Note: These are generalities and differ by revenue, industry type and maturity

Things Strategically to Consider

1. Young Stage 2 Growth Companies Create the Majority of Net New Jobs
2. **Only 25% of All Companies Want to Grow**
3. The greater the density of Microbusinesses (1-9) the stronger the economy

Retention

According to IEDC – “Business retention and expansion programs...continuously assess the existing industrial base and the physical, locational, financial, technological, and human resource needs of individual companies. “Early warning systems” are established to identify at-risk companies so action can be taken to help them overcome economic difficulties that otherwise could lead to layoffs and shutdowns, or relocations to another area or state.”



10 Qualities of the New Era EDO

- Leadership Facilitator
- Vision Oriented
- Strategy guider
- Network weaver
- Information Discoverer & Broker
- Collaboration catalyst
- Culture Transformer
- Policy Advocate
- Long Run Focused
- Business Spectrum Champion

Fed Resources

Guides – Grow Your Own Guide, Philanthropist's Guide to Funding Small Business Support Organizations, the Case for Youth Entrepreneurship Education.

Policy Map – GIS mapping tool that allows you to map the economic and demographic data of your community.

Disaster Preparedness for Small Businesses – P3 is a tool created to help small businesses owners prepare ahead of time for a potential disaster and provides resource links and information for other support organizations.

Kcfed.org/community



?

Contact

Dell Gines

Sr. Community Development Advisor

Federal Reserve Bank of Kansas City

dell.gines@kc.frb.org

(402) 221-5606



For more information & resources

<http://kcfed.org/community/>

To sign up for our Community Connections email newsletter please email me at the address above.

