

Build an entrepreneurship ecoSYSTEM

(not a mess)

Della G. Rucker, AICP CEcD
Wise Economy Workshop



I'm giving this workshop at the American Planning Association conference on April 2, 2023. I'm really glad I didn't get April 1 because I am way too gullible.

Who dis?

Planner?

Economic Developer?

Writer

Speaker

Entrepreneur

Do-er



we

This is the slide introducing me to the audience. I have not worn a tie since middle school or had my hair that short since 1995. The rest of it felt like a pretty good fit. Except the coffee cup should be bigger.

What do we think entrepreneurs are like?



I know the same picture is in there again. I like that one.

The point of this slide is to get at our stereotype of entrepreneurs as uber-confident superpeople, doing everything, changing the game and making it look easy.

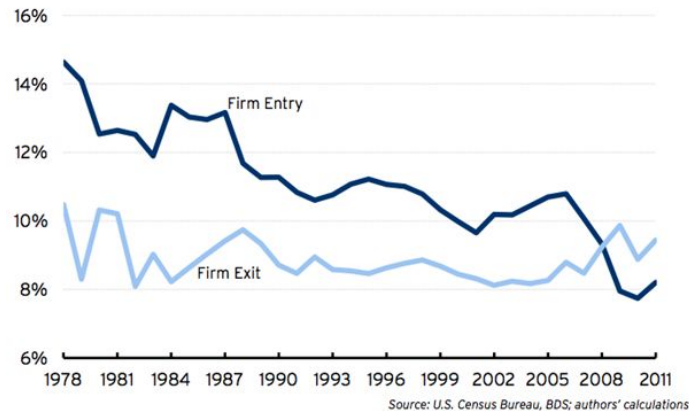
What entrepreneurs are actually like



I thought these two images really got at what being an entrepreneur often feels like. Except that some of the rocks blow up behind you, and the waters are full of those super toxic octopus that kills people who touch them. I am not a biologist, and I might have that wrong. But you get the idea.

A long decline

Figure 1.
The U.S. economy has become less entrepreneurial over time
Firm Entry and Exit Rates in the United States, 1978-2011

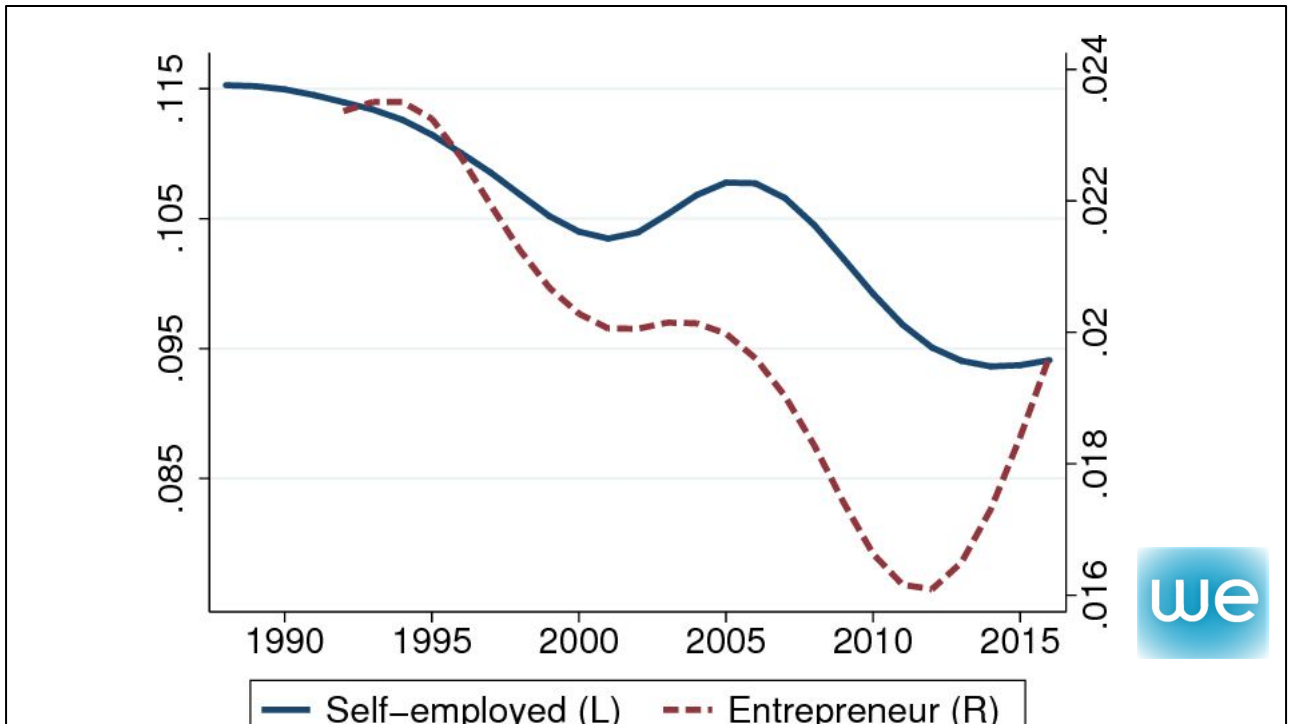


From Five Thirty Eight



This chart shows us what was happening to entrepreneurship before the COVID pandemic. Note the 30+ year decline of firm entry. One big implication of that is that people wanting to do entrepreneurship today are less likely than ever to have someone in their personal life who is an entrepreneur. Which has been historically one of the key predictors of entrepreneurial behavior, and one of the most important factors for many of us in understanding what it takes personally, family-wise and professionally to run a successful small business.

This is not news, and it may be reversing, at least temporarily. But it points to a big challenge.



Similarly. In this graph, self-employed people (like freelancers) are treated separately from people who launched businesses with employees. The second kind of business had a rebound in the mid-2010s, but note the general trend of the line going back to the early 1990s. The X axis numbers reflect an indexing that the author did to get these two curves onto the same graph.

The story

Long term decline in entrepreneurship

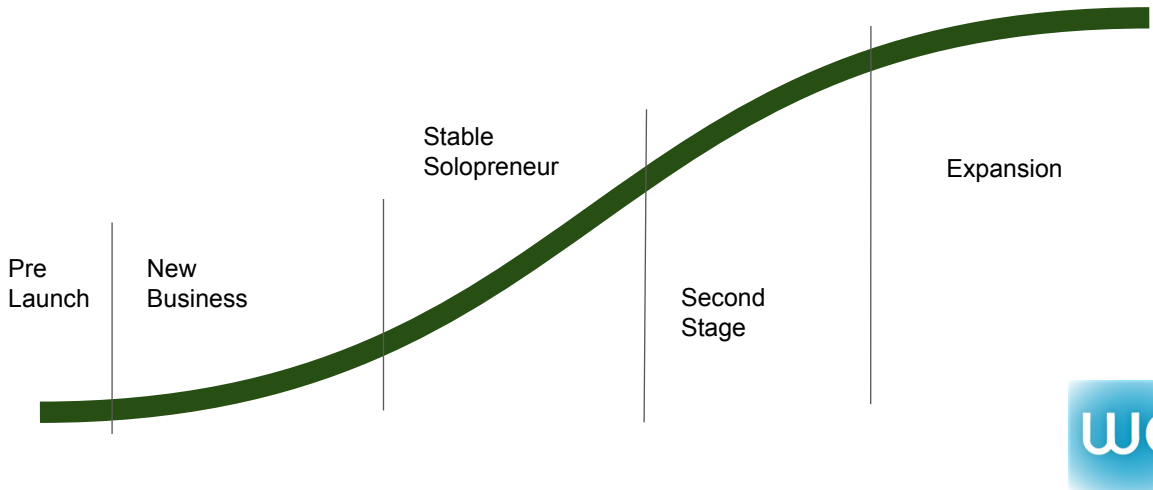
Recent increase in entrepreneurship?

New entrepreneurs MAY be more likely to have less education and less resources overall.



I think this explains itself.

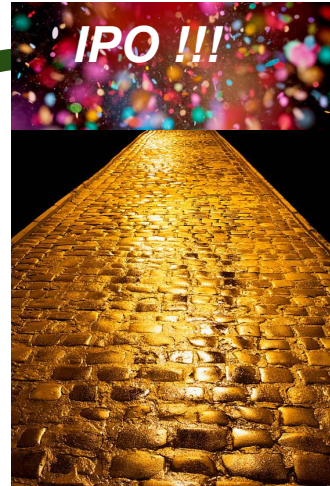
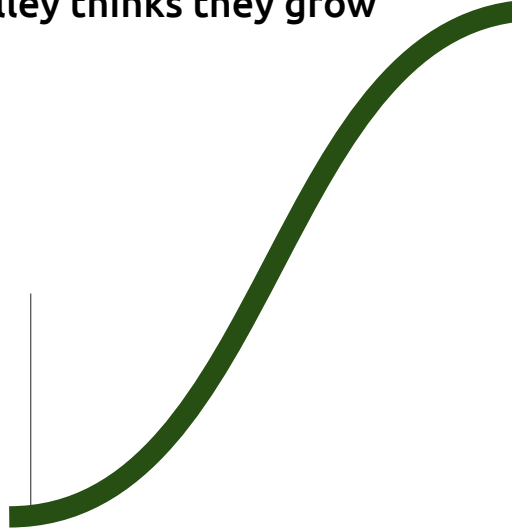
How we usually think new businesses grow



This slide lays out a very simple, near-universal model of new business growth. Different sources and different industries or approaches might describe the phases differently based on their context. But the basic idea is pretty similar....

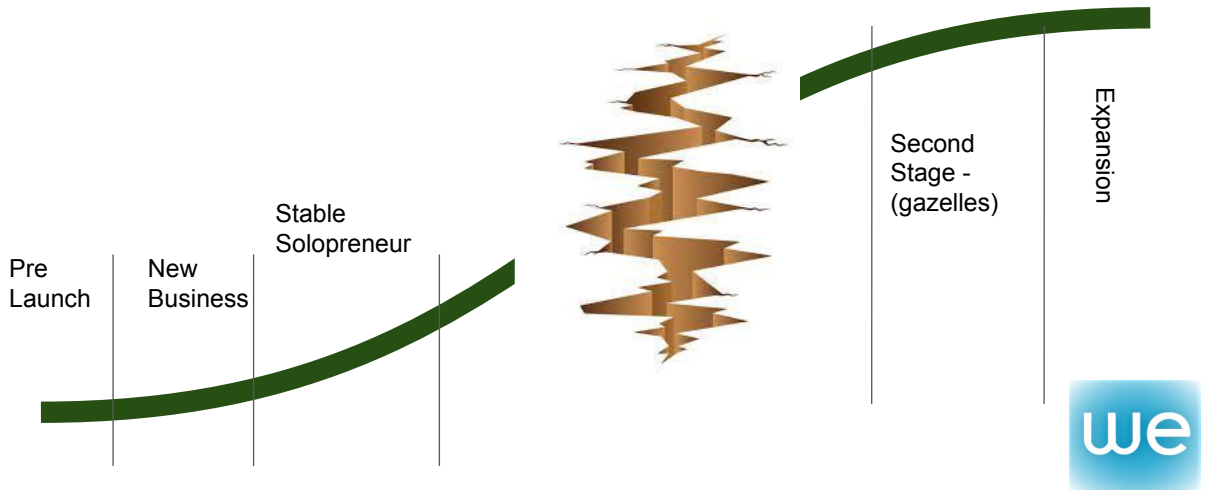
How Silicon Valley thinks they grow

Pre
Launch



Unless you're playing in the software / venture capital / Big Tech world. Their model doesn't fit 95% of businesses outside of this very specific model. And yet way too many communities and organizations try to be about chasing this. It's the new equivalent of economic development's Big Game Hunting nonsense. Lots of cost for lots of losses and the once-in-a-blue-moon mega-success.

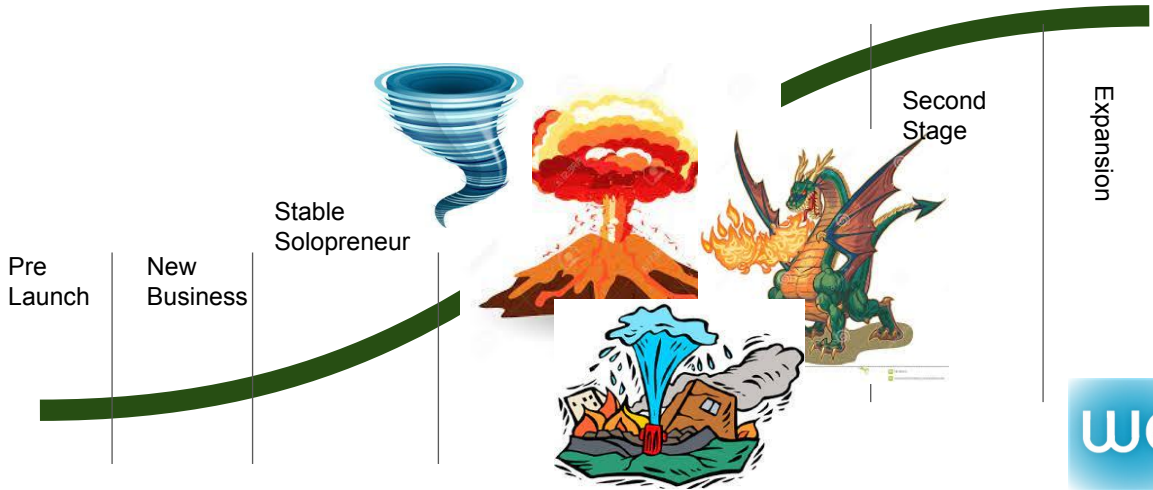
Most entrepreneurs' real experience



From the perspective of most entrepreneurs – especially, we think, a lot of the newest entrepreneurs – that progression looks more like this. They either can't imagine getting to second stage, or they have no idea how to get there and no bandwidth and support to figure it out.

That's a really big problem, because that's where the opportunity for growing wealth and employment and community transformation lies. Too many get stuck in the stable solopreneur space, where they can feed themselves but not typically build wealth or the community.

What the chasm actually looks like to them



Actually, it looks more like this from their perspective. If you don't have any models, you don't have any money, and everyone is telling you that you're crazy, getting to the really impactful levels looks flat out impossible. And dangerous to everything that matters to you.

We need more of our entrepreneurs to cross that chasm
Because then they **create jobs, wealth, community.**

But most of what we're doing **isn't doing that.**

Why?

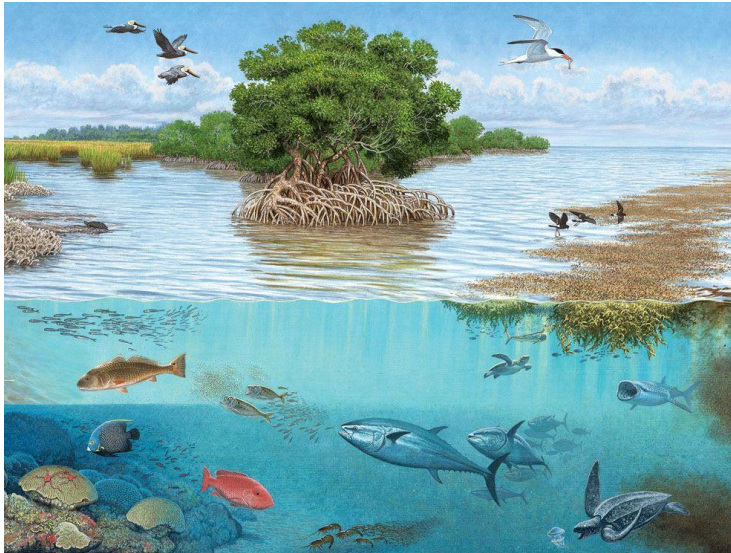


Most entrepreneurship programs trumpet numbers of new businesses and share heartwarming stories, but after 30 years of this work in many places, we're hard-pressed to prove that entrepreneurship support creates significant, positive change in wealth, personal agency and community vitality. Thankfully, most people don't ask those questions.

Yet.

Why is so much of what we do having so little overall impact?

The “Entrepreneurial Ecosystem”



Entrepreneurship people like to talk about the “ecosystem” - the array of events and programs and get-togethers and cool places to hang out that they envision as creating the resources that these entrepreneurs need. Sometimes the way these ecosystems work is described as facilitating Collisions. I think they imagine an entrepreneurship ecosystem as looking like this, perhaps with a little less eat-or-be-eaten.

What we actually get



Most “ecosystems, however, are basically agglomerations of programs and ideas and events and stuff that different people have come up with at different times for completely different reasons, as well as to stroke egos, satisfy a funder’s pet interest, look good to the elected officials, justify building a shiny building or a really rad maker space, etc.

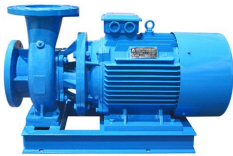
It doesn’t work as an ecosystem. The most privileged potential entrepreneurs might be able to sort through the crap to find the resources that they actually need, but anyone else is likely to get overwhelmed and give up. It’s actually a very elitist point of view to assume that this is good enough. And it doesn’t work.

Ecosystem or Infrastructure?



We know what infrastructure is – it’s systems of resources that are designed and **CONNECTED** in a considered, intentional manner to enable a desired result, such as non motorized traffic or safety or buildings that get light and air. Bike lanes and sewers and lack of nuclear power plants in the middle of neighborhoods don’t happen by magic, and they don’t happen because someone over here decided to lay a sewer line and someone over there decided to zone a parcel. They happen, for the betterment of everyone, because they were designed to meet those objectives.

The Pumps and Pipes



Pumps

Programs
Organizations
Places
Nerve Centers
Districts



Pipes

Relationships
Communication Channels
Get Togethers
Collaborations
Referral systems



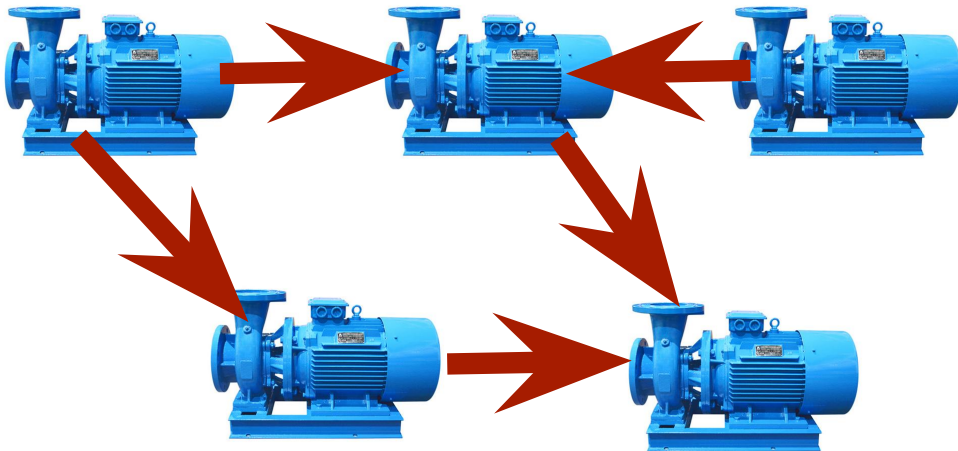
In 2019, I published a book called Everybody Innovates Here: Accelerating Innovation and Entrepreneurship Across Your Entire Community. One of the things I did in that book was to lay out a conceptual framework for how an effective and inclusive entrepreneurial ecosystem should work. Borrowing from my planning life, I envisioned a system based on Pumps and Pipes.

As you can imagine, Pumps push energy into the system, helping entrepreneurs learn and grow and develop new skills and all the things they need to do. Pipes represent how the Pumps connect to each other – how entrepreneurs, as well as information and coordination, move between the Pumps.

Here's the Cliff Notes version:

Stagnating

It should work like this



we

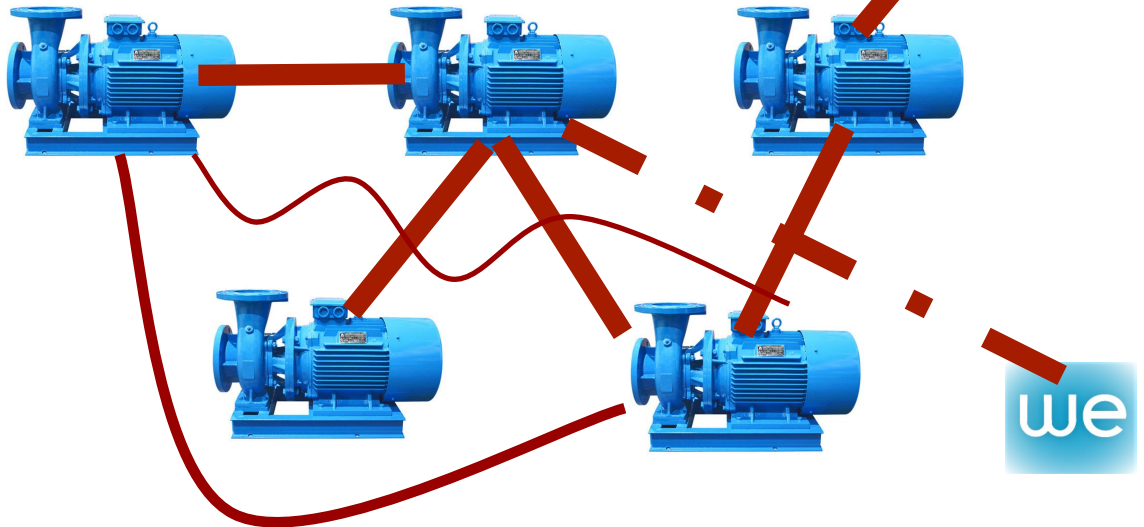
Typically, the pumps should work like a system. Entrepreneurs should be able to progress through the Pumps, gaining what they need to thrive and moving on when they have tapped out what that Pump can do. Each Pump has a role in the system, and people can move from one Pump to the next one with a minimum of fuss or difficulty or confusion.

The result is businesses that have the support that they would otherwise lack to do everything that they, and the community that they are a part of, need them to do.

But.

Stagnating

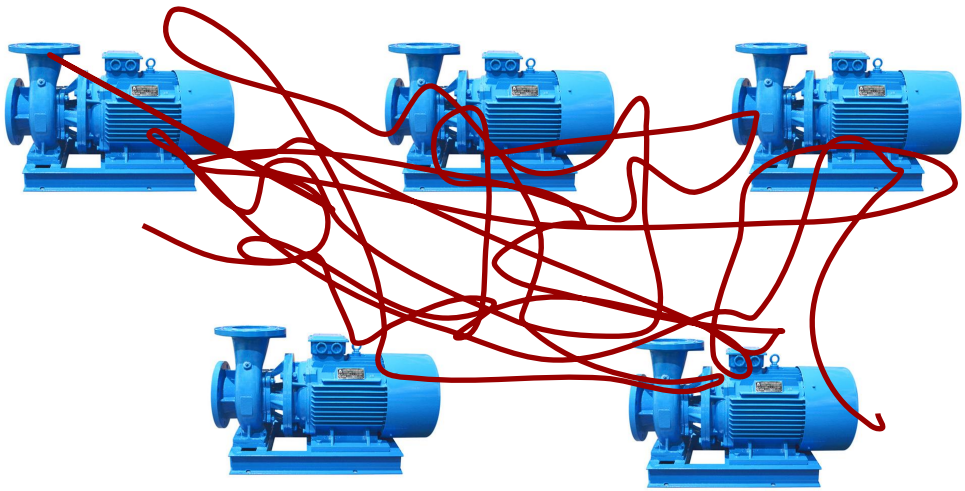
It often works like this



In reality, it's seldom that good. You can interpret the “pipes” in this diagram any way you see fit, but note that there are dead ends and pipes that might or might not exist and pipes that don't lead anywhere.

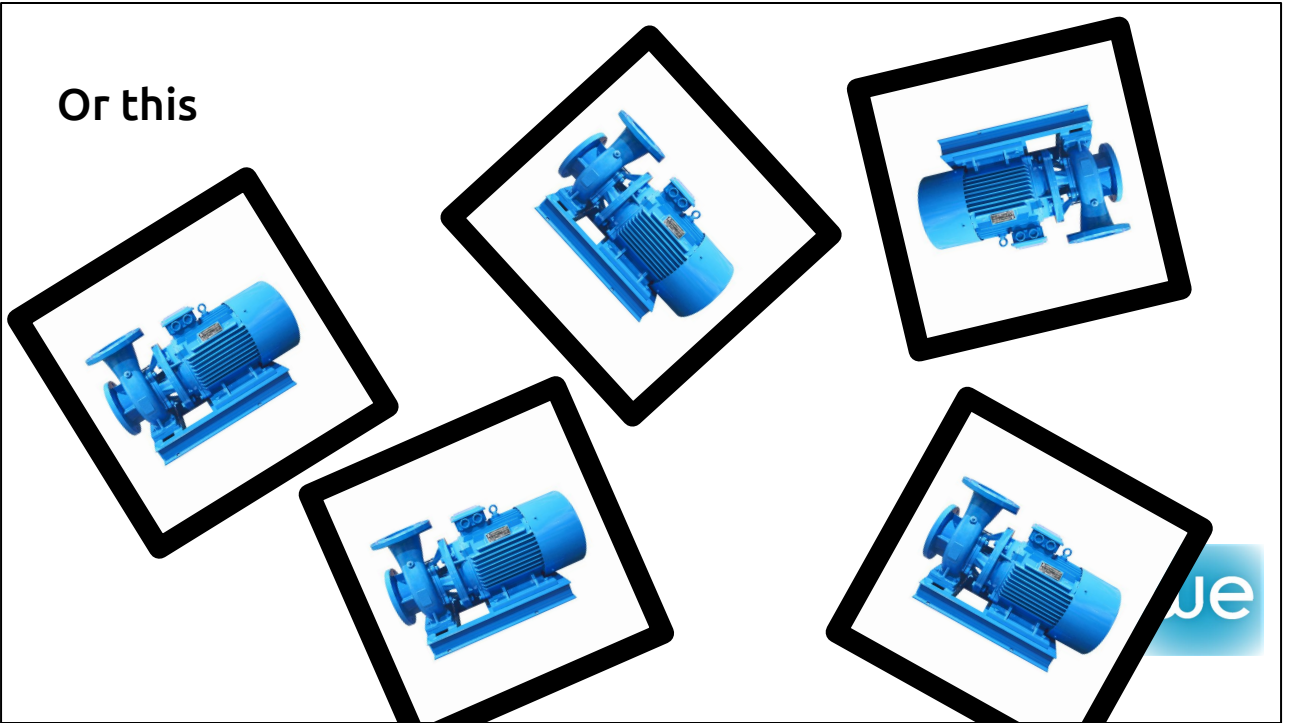
Stagnating

Or this



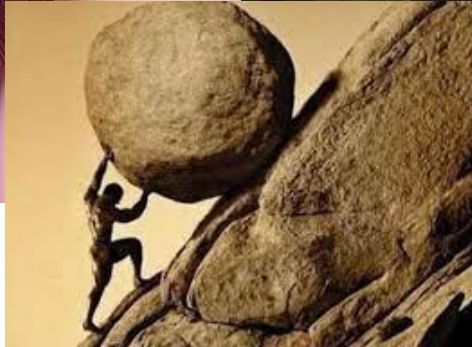
This is what it looks like for a lot of entrepreneurs, especially when they're trying to get started or trying to cross that chasm. I've had people tell me this almost everywhere.

Or this



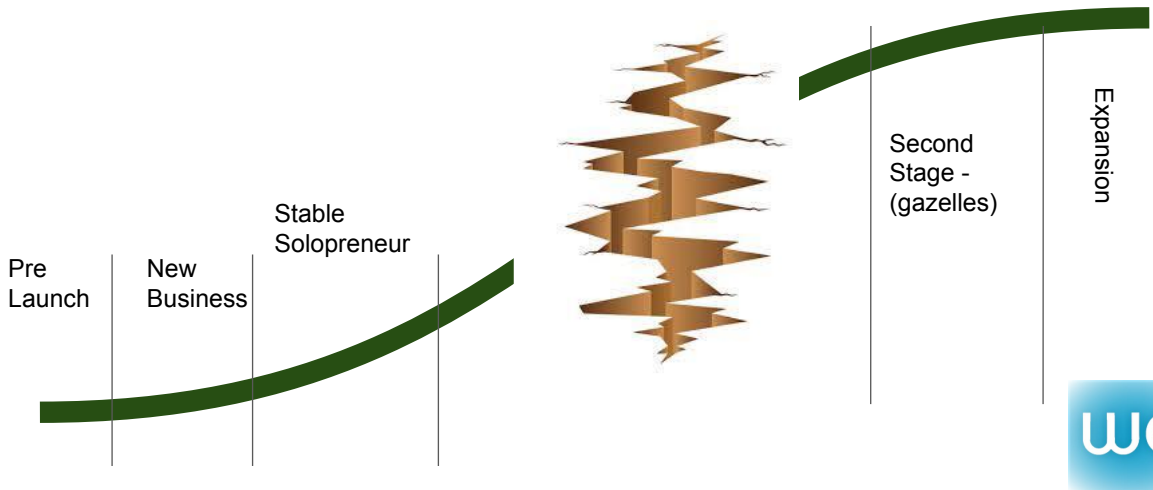
Or sometimes the Pumps don't connect, they just build moats around themselves and try to keep as many people, sources of money, etc. to themselves as they can. They scrap for what turn out to be diminishing returns, because no one is able to generate any real impact. It's a race to the bottom.

Which creates this



And in any of these cases, the entrepreneurs that we need the most, end up like this.

And doesn't help with this



And they definitely can't cross the chasm, except for the very privileged and the real unicorns. But unicorns don't exist.

For entrepreneurship and small business growth to
actually **make a difference**,
We need to help **ALL of them**
find the resources that they need
to reach their **full potential**
Efficiently and quickly



What she said.

Your Challenge....

Rural County Ecosystem Build

Most big employers are in one sector

County leadership wants to diversify via entrepreneurship.

About 30 traditional small businesses (auto body, hair salon, gas station, etc.)

A few ETSY entrepreneurs

20 available storefronts in small downtown and elsewhere

Small Latino population of recent immigrants arriving to fill low paying industry jobs. Two known pop-up taco stands in operation and three women selling products from table at gas station on weekends.



So... here is the To Do – a way to start to explore this framework. This page lays out some key characteristics of a potential entrepreneurship ecosystem (yes, rural places can DEFINITELY have entrepreneurship ecosystems).

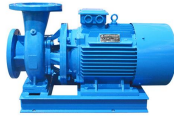
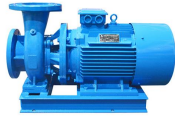
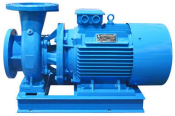
Your Pumps



- Extension agent runs a quarterly “how to start a business class,” focused on getting EIN and LLC
- High school has an entrepreneurship club that meets once per month to learn about entrepreneurs
- Local Chamber of Commerce does monthly meeting for membership
- Mi Casa is small nonprofit that helps Latino population with interpretation and accessing public services
- Downtown has a merchant association that puts on festivals
- 10 available storefronts in small downtown and elsewhere



Even the most rural communities typically have a few potential pumps.



Programs

Organizations

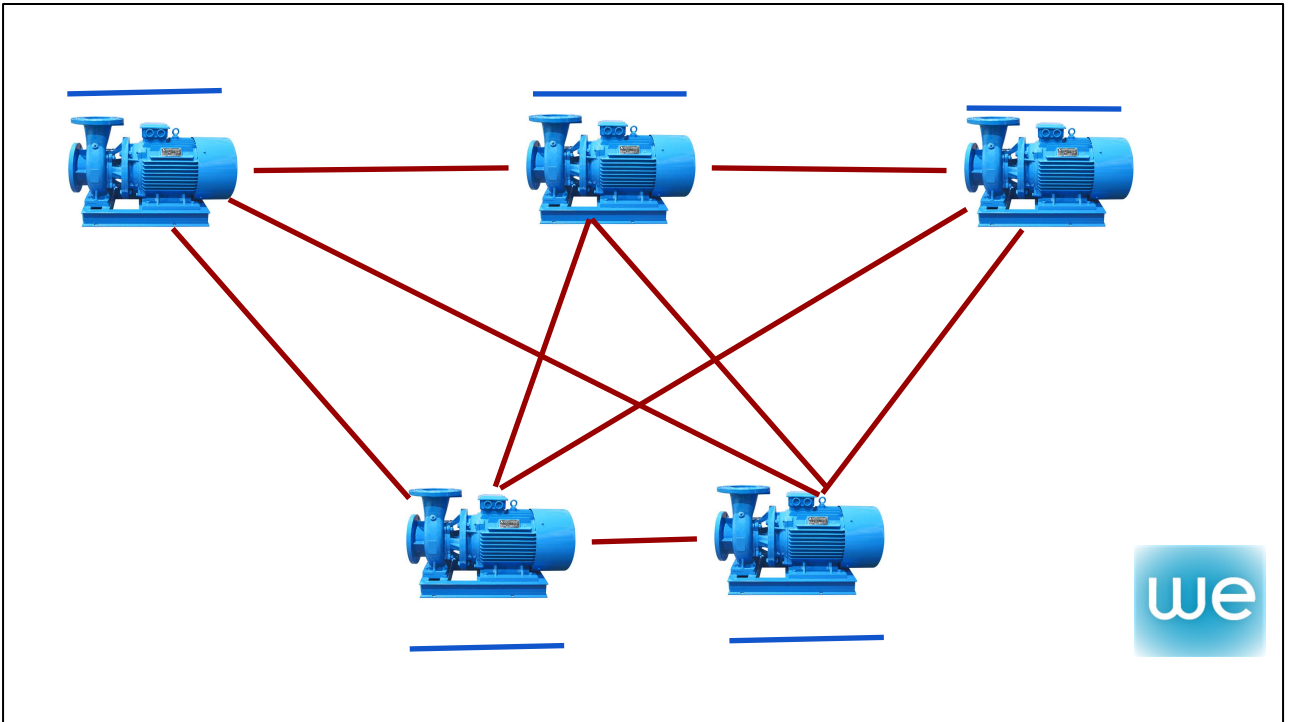
Places

Nerve Centers

Districts



Participants may do this alone or in groups. They will get this page and the next one as a handout. They're asked to list the pumps from the previous page into these categories - and I'll probably ask them to brainstorm other Pumps that might exist in this context.



This diagram asks them to pick five of their Pumps and write on the red lines how they might connect to each other. I'll focus on how they should connect, but we will also talk about how they might fail to connect well and what they would do about it.

What we got?



Holding slide to type in answers / key points from discussion.

Let's Connect

Everybody Innovates Here: Accelerating Innovation and Entrepreneurship Across Your Entire Community

Future Here Now newsletter:

wiseeconomy.substack.com

della.rucker@wiseeconomy.com

@dellarucker or @dellaruckeraicpccd

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