

BUILDING A COMMUNITY ENTREPRENEURIAL ECOSYSTEM— A SELF-GUIDED TRAINING FOR COMMUNITIES



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ENTREPRENEURIAL ECOSYSTEM BUILDING: THE FOUNDATION

Developing your Community Entrepreneurial Ecosystem starts with a series of inputs to help better understand from the grassroots level how both technical and financial service providers, along with your local entrepreneurs and small business owners, view the current support system. This self-help guide provides a number of tools and templates for you to better assess your community Ecosystem, its assets and gaps, the role that your Main Street and partner organizations play, along with targeted catalytic projects to bolster the Ecosystem.

While Entrepreneurial Ecosystem building may seem like a new concept, there are many well-known, operating examples primarily in the technology field...think Silicon Valley or North Carolina's Research Triangle. However, we have fundamentally treated it as an academic pursuit, and not a process in which Main Streets play a central role as critical community connectors. Lost in the discussion has been the role of "Place and the Physical" relative to Ecosystem building and the part it is playing in the success and locational factors of many entrepreneurs. To illustrate, simply ask yourself: "Where do most breweries locate?" They typically select older buildings with character that also invoke the brand of the business and help to showcase the product. They act as third spaces in many downtowns. Coffee shops are very much the same way—density of place is often very important.

We think of Ecosystem building through the lens of seven (7) critical Factors. Given the diversity of needs to support the launch, growth/scaling, and even the exiting of businesses, it is important to understand that Ecosystem building takes the alignment of many organizational stakeholders, grounded through input from entrepreneurs, in order to be successful and sustainable.



WHAT IS AN ENTREPRENEURIAL ECOSYSTEM?

By most definitions, Entrepreneurial Ecosystems refer to the strategic alignment of a variety of public and private efforts—including government policies, funding and finance, human capital, and regulatory frameworks—to provide necessary financial, social, and human capital to foster entrepreneurship in innovative and creative ways. Frequently overlooked in these definitions is the value of place and the physical environment as central factors in creating and growing successful enterprises. By emphasizing the creation and support of great places and spaces for people to live and work, commercial districts can attract new businesses and new ideas, thus contributing directly to the development of the local Entrepreneurial Ecosystem.

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While most people in your community may not be aware of the concept of Ecosystem building, the reality is your community already has one. However, it may not be functioning in a way that is conducive to supporting entrepreneurs for many reasons. This guide, along with additional resource links found throughout the [Main Street Entrepreneurial Ecosystem resource center](#), will help you to overcome some of these more typical challenges.

FOR COMMUNITY ECOSYSTEM BUILDING TO REMAIN HEALTHY, IT SHOULD STRIVE TO BE:

AUTHENTIC

Build from a position of community assets and competitive advantages. Don't just look and try to replicate what other are doing, as your conditions can be totally different than theirs.

PARTNER-ORIENTED

Public-private partnerships make this work so much better. Use Ecosystem building as an opportunity to align the economic strategic direction of public and private sector partners.

INCLUSIVE

While we talk about financial incentives we often don't often talk about culture. It's key that our work facilitate a culture in which individuals, institutions, banks, etc. want to invest and we are producing investment quality projects.

RISK TOLERANT

Focus on building a community culture that is accepting of trial and error when it comes to launching or expanding a business.

POSITIVE

Remember to celebrate success. As they say, success builds success, thus creating community momentum in support of small business activity.

EFFICIENT & ALIGNED

Your community can lay out a wonderful Entrepreneurial Ecosystem. But void of collaboration and alignment of the key stakeholders who influence and support the Ecosystem, the community will fail at operationalizing and maintaining it. For most communities, resources and capacity are scarce resources. We all must be moving in the same direction, being more efficient and leveraging where possible.

For sustainable economic development, Ecosystem building needs to be a focal point for your Economic Vitality efforts. Small businesses and entrepreneurs are the lifeblood of our local economies, providing jobs, tax base, and places to shop and gather socially. Many represent institutional businesses in your downtown, supporting your communities through volunteerism and contributions. Investing in small businesses and growing from within has a higher return on investment (ROI) than trying to attract a large employer to your community, as most job growth comes from small, growing businesses.

70 percent of all small businesses were started by people from that very same community.

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WHAT ARE COMMON ISSUES WITH MOST ECOSYSTEMS?

- › Inefficient
- › Incomplete
- › Not aligned with its partnerships
- › Not recognized by the users (entrepreneurs)
- › Not driven by nor for local market strengths
- › Not a focus nor owned by any organization



Recent data gathered from Main Street America suggest that more than 70 percent of all small businesses were started by people from that very same community. In essence, one should question why we spend so many resources on business recruitment from a policy and program perspective, when most of our returns will be from investing locally.

Entrepreneurship tends to run counter to shifts in the overall economy, with the unemployment rate a primary indicator. When it is strong, rates tend to drop, but during tough economic times with high unemployment, such as the Great Recession (2007-2009) and the COVID pandemic, we tend to see a dramatic rise in new business formation.

In addition, all Ecosystems are in a constant state of entry and exit. As the Baby Boomer generation retires, an equally large Millennial and Gen X generation seek to back fill those business and space opportunities. As such, Ecosystem building is as much about the startup phase as it is about the exit stage. All Ecosystems should support entrepreneurs at every stage of their life cycle.

According to the Small Business Administration's Office of Advocacy:

Small Businesses accounted for 60% of net new jobs since the end of the recession.

(mid-2009 to mid-2013)

ENTREPRENEURIAL ECOSYSTEM BUILDING: THE FOUR POINT APPROACH AND TRANSFORMATION STRATEGIES

While Entrepreneurial Ecosystem building would naturally sound like an objective exclusive to Economic Vitality activities, like Transformation Strategies, Ecosystem building doesn't exist within a silo and can comprehensively influence all areas of downtown and neighborhood commercial district revitalization.

These two concepts (Transformation Strategies and Ecosystem Building) when combined form a powerful and focused revitalization strategy. For example, if your community had a Small-Scale Production Transformation Strategy, new activities such as launching a grant assistance program or pop-up programming could be further targeted to nascent start-ups and scaling businesses represented within this market strategy. See example from Lexington, Virginia's Main Street Program in the sidebar.

LEXINGTON, VA: SMALL SCALE PRODUCTION STRATEGY

PLACE > Created and building out a Maker Space

FINANCIAL CAPITAL > Working on a targeted incentive program.

GOVT/REGULATORY > Ensured present building codes and zoning allow for manufacturing in downtown.



As you evaluate needs within your Entrepreneurial Ecosystem, compare with your existing workplans. In Organization for example, who are your current partners? Do they represent resource providers for small businesses? Do your promotional activities serve to bolster entrepreneurship culture awareness or promote emerging businesses? How might you advocate for technology infrastructure through design activities to support the Ecosystem? There are no shortage of Ecosystem building activity examples. What is critical is to use this guide to better understand local needs, gaps, and

issues and build organizational alignment and partnerships to directly focus resources and capacity in these areas.



Entrepreneurship and the Four Points

The Main Street Approach provides a strong framework for districts to grow their entrepreneurial ecosystems. Each of the Four Points easily lends itself to this work. Some example strategies in each point include:



ENTREPRENEURIAL ECOSYSTEM BUILDING: INPUTS

The work of Ecosystem building begins by assembling a series of inputs designed to build greater understanding of the current entrepreneurial Ecosystem.

In order to comprehensively examine your community's Ecosystem, we suggest several points of evaluation:

- /// Conduct Pre-Survey of Community Entrepreneurs
- /// Facilitate Focus Group of Entrepreneurs
- /// Facilitate Focus Group of Resource/Service Provider Stakeholders
- /// Conduct Entrepreneurial Ecosystem Audit
- /// Conduct Life Cycle Evaluation

◀ Important Note:

For most downtowns and commercial corridors, consider a geographic base to examine the Ecosystem that is broader than just your commercial district. As we know, resource partners might have larger engagement areas, thus having a diversity of entrepreneurs participating in the process can illuminate critical areas of need and opportunities.

Step 1—Conduct Pre-Survey of Community Entrepreneurs

Using the provided [survey template](#), use Survey Monkey or other survey tool to distribute the survey to a diverse set of entrepreneurs. To broaden your reach, leverage partner databases to reach diverse sectors (manufacturing, tech-based, retail, restaurants, etc.), along with owners that represent a strong sample of race/ethnicity, age, gender, and length in business (from start-ups to businesses near retirement). In order to achieve a strong return, surveys should not take more than 10 minutes to complete. In addition, we would recommend that the survey have a response deadline between 10-14 days from dissemination.

Review the data through a lens of the 7 Ecosystem Factors. For example, what does the survey reveal around issues of Financial Capital or Place support?



MONSON, ME: SURVEY RESULT EXAMPLE

PLACE-BASED >

Almost one-third of survey participants were classified as artisan/artists or small-scale producers. This represents a strong business niche to pursue.

Nearly 50 percent cited building condition as a problem in launching, and space was considered a major issue for growing.

FINANCIAL CAPITAL >

Thirty-six percent received public sector grants, quite high for any community.

Most entrepreneurs used traditional forms (e.g. credit cards, self-funding, and banks), non-traditional forms, like community capital, angel capital, and microlending. There remains a gap in what exists regionally versus locally.

Many indicated a need to grow sales and generate more cash.

EDUCATION/ TRAINING >

Lack of technical assistance (48 percent) and pivoting to having online sales (50 percent) were listed as top issues in launching their businesses.

Resources for attracting more customers and tourism traffic was identified as a top need.

Top Issues:

- > Sales Revenues
- > Scaling Business (Space and Online Sales)
- > Customer Traffic/Tourism
- > Staffing & Skills

More than 60 percent of surveyed businesses were more than 5 years old, 31 percent were less than 3 years.

75 percent plus used technical assistance for:
Legal | Marketing |
Web Design | Networking

Step 2—Facilitate Focus Group of Entrepreneurs

As with the entrepreneurship survey, it is important to recruit a diverse pool of entrepreneurs to participate in the focus group. [View suggested questions to guide the discussion here](#). We recommend between 9 and 13 entrepreneurs. Any less and you tend to have only a few dominate the conversation and may not get a true representation. Too many and it becomes difficult to go too deep with the conversation.

To get the focus group participants comfortable, have them start by introducing themselves and saying a little bit about their business. This will be in essence their icebreaker. As the facilitator, you should keep in mind the need to try to cover aspects of the 7 Ecosystem Factors throughout. Some might come out naturally, but if not, you may want to interject with more of a direct question.

And finally, we recommend you keep the focus group discussion to no longer than one hour. When you have completed the focus group, take some time to review your notes with any other observers. Are there any specific themes involving areas of the 7 Factors? Are the comments reinforcing or different than what you learned from the survey? Document your summary conclusions so that you can test their responses with the focus group of stakeholders.



Step 3—Facilitate Focus Group of Resource/Service Provider Stakeholders

Next, convene a focus group of local and regional stakeholders engaged in providing services to entrepreneurs and small business owners. Once again, we have provided a [set of questions](#) to consider in engaging with this group.

In addition to the provided questions, explore their geographic coverage area, as well as gain a sense of which representative groups may be able to play a lead role in one of the 7 Ecosystem Factors. For example, is the Small Business Development Center, while a natural in the area of Education/Training, well-positioned locally to lead that effort?

As you compare the summary findings and themes from the stakeholder focus group, what differences exist between the entrepreneurs and stakeholders in how they each viewed the current Ecosystem? What are the critical gaps?

WHAT GROUPS WOULD BE CONSIDERED STAKEHOLDERS?

The Main Street Program

City/Town/Village

Small Business Development Center (SBDC)

Financial Providers like CDFIs or Banks

Chambers of Commerce

Economic Development Organizations

Universities/Colleges

Place-Based Facilities like Libraries, Incubators,
Night kitchens, Maker spaces, etc.

Step 4—Conduct Entrepreneurial Ecosystem Audit

To more effectively and comprehensively examine the local Ecosystem, the next piece in our set of inputs is to have each of the participating stakeholder organizations complete the **Main Street Entrepreneurial Ecosystem Audit Tool** *separately*.

Have each group send their results to the local Main Street program and/or host organizer to agglomerate into one document for review by the group. First, examine for areas of significant differences or consistency in response. Next, examine why there may be differences. Can you align on a response? Next, examine concentrated areas of Orange or Green to suggest strong weaknesses or strengths. Which of the 7 Factors represent need areas for future focus of resources and capacity? Where does the community excel? And finally, how consistent are these findings with commentary from the entrepreneurs and small businesses?

As a wrap up to this exercise, document the areas of alignment to which the organizations either individually and/or collective agree to focus. Consider doing some ideation around possible activities that may be developed and/or enhanced to address these areas is the next step in this process. While it is difficult often to do joint work planning around these need areas, it is something to strive for over time. Given that we need to crawl before we walk, the next step is understanding organizational roles within the Ecosystem and how to ensure that resources and capacity for areas of need are dedicated by the representative stakeholders groups.

Step 5—Conduct Life Cycle Evaluation

Finally, a robust entrepreneurial ecosystem not only supports and helps to facilitate the development and launch of emerging entrepreneurs, it also helps to support all existing businesses through the various stages of their life cycle. This includes growth and scaling, reaching maturity and needing to pivot, and ultimately perhaps exiting or selling.

To better understand whether your ecosystem programming is reaching businesses throughout their life cycle, whether financially and/or through technical assistance efforts, the final step in our inputs is to fill out the **Life Cycle Evaluation template**. It will not only help you more fully evaluate your ecosystem, it is also useful as you look for gaps within the programming itself and any gaps in who you are serving.

To get started, simply convene your Ecosystem stakeholders to document and inventory the local and regional* programming and document the time in the life cycle the particular activity services. The lead organization can also send the template to the stakeholders individually and then agglomerate the findings once each participating organization has completed its respective template.

**if applicable*

FACTORS OF AN ENTREPRENEURIAL ECOSYSTEM

MAIN STREET AMERICA | EDWIN M. KAUFFMAN FOUNDATION

How is the Entrepreneurial Ecosystem Community Assessment Audit structured?

1. The Audit provides an evaluation tool of 37 specific indicators that will help community leadership determine where they fall on a spectrum of support for local entrepreneurs and more importantly, where efforts can be made to strengthen that support.
2. The Audit is divided into seven factors (financial capital, social capital, culture, human capital and work-force, education and training, government policy and regulatory, and place-based factors).
3. For each of the 37 indicators, participants should rate on a color scale of Orange (Low Performance), Yellow (Medium Performance) or Green (High Performance).
4. After you have completed the template, for those indicators that are in "orange" decide whether the solution is one that is best served locally, or on a regional level. For example, under Financial Capital you may be low performing in having a local crowdfunding program. Given your priorities, capacity, potential volume of activity, resources, and availability on a regional level, tag with an L or R, to suggest where this programming is best positioned.

ORGANIZATION NAME: _____

Performance Level	Low	Medium	High	Notes
FINANCIAL CAPITAL FACTORS				
Does your district offer incentives to drive targeted new entrepreneurial investments (e.g., Grants, Micro Loans, Contests, etc.)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Does your district operate a local crowdfunding program for real estate and/or small business investments?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Does your district have a group of local angel investors formed or other non-family equity sources available for entrepreneurial investment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Does your local banking community offer SBA and any other federal small business development funding tools?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
SOCIAL CAPITAL FACTORS				
Are there district related clubs or networking activities for young professionals and entrepreneurs (i.e., the Kauffman Foundation's 1 Million Cups)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Is there an active SCORE Chapter and/or other mentor program operating in your district?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are current business owners supportive of entrepreneurs through relationshipbuilding, mentorship, referrals, etc.?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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ENTREPRENEURIAL ECOSYSTEM BUILDING: IMPLEMENTATION AND SUSTAINABILITY

After the stakeholders have had a chance to review the results and summary documents, convene an additional gathering to discuss how best to more fully develop and sustain the Ecosystem. In general, it is highly likely that there isn't one organization in your community or neighborhood whose sole mission it is to manage the Ecosystem. As such, there is a need to identify a series of "Primary Leads" whose mission is aligned with one of the 7 Factors. For example, Main Street is strategically positioned given its work to lead activities that fall within the "Place" Factor. For any organization identified as a "Primary Lead" this does not mean they are responsible for every activity within that Factor. It simply means they will oversee the progress in that area.

Here is a [template](#) that can help with managing this conversation with local and regional participating stakeholders. You will note that even if you are not a Primary Lead, you may still have a role to play in multiple Factors. By having this aligned understanding, each of the Primary Leads can in essence assemble their own working groups based on who self-identified a particular role in one of the Factor areas.

To complete the [Organization Matrix document](#), we would recommend a similar approach to that of the Audit Tool. First allow for each participation group/entity to first fill out the form internally. Have each within a defined time frame send those to the Ecosystem convening host in order to agglomerate the individual responses into one complete document.

If you are finding a gap in one or several of the Primary Lead Factors, have a discussion about possible leads outside of your immediate group. Could an organization temporarily lead that area until a suitable lead is identified and secured? It is also recommended that no one group attempt to lead more than two Factors.

EXAMPLE: MAIN STREET SKOWHEGAN'S ORGANIZATIONAL MATRIX

	Financial Capital	Social Capital	Culture	Human Capital and Workforce	Education and Training	Government Policy and Regulatory	Place-Based
PRIMARY	SECD, KVCOG	SCORE, CEI	Main Street Skowhegan	MSAD 54, Jobs for Main	SBDC and CEI Women's Biz Center	Town of Skowhegan	Main Street Skowhegan
SUPPORTER	Main Street Skowhegan	Main Street Skowhegan	CEI, SECD	SECD	Somerset Connect, SECD		SECD
CONVENER	SECD	KV Connect, SECD	Chamber	Somerset Connect, SECD	Somerset Connect		Main Street Skowhegan
ADVOCATE	Chamber				SECD	Chamber	Chamber
PROVIDER	Downtown TIF, Town, SECD			Somerset County Career Center, A4TD	MSAD 54, Jobs for Maine, FEDCAP Program		Town of Skowhegan
CONNECTOR	SBDC, SECD	SECD	SECD			SECD	
DEVELOPER	SECD, KVCOG				SBDC, CEI		SECD



Finally, use the collective momentum from this entire process to use the group as an informal Ecosystem management entity to monitor progress, generate new project activities, and build collective resources and capacity to address recommendations coming out of your Ecosystem review. Consider joint work planning in the areas of entrepreneurship activities or at the very least hold quarterly meetings to ensure communication and alignment. This represents the more macro elements.

For your own organization, use this as an opportunity to examine your own role, how current activities align with need areas, and other projects/activities that may be catalytic in addressing identified needs from the process. And, don't forget to share your findings with local entrepreneurs and small business owners. Use this as springboard to engage with this important group on a more regular basis.



Ecosystems work far better when they are collectively owned.

LEARN MORE AT [MAINSTREET.ORG/ENTREPRENEURIALECOSYSTEMS](https://mainstreet.org/entrepreneurialecosystems)