The Federal Reserve Bank of Kansas City

Rural Entrepreneurship Led Economic Development

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

The Fed’s three functions are to:
- Conduct the nation’s monetary policy,
- Provide and maintain an effective and efficient payments system, and
- Supervise and regulate banking operations

The views in this presentation do not necessarily represent the views of the Federal Reserve Bank of Kansas City nor the Federal Reserve System.
Alison Felix is vice president and Denver Branch executive at the Federal Reserve Bank of Kansas City. In this role, she serves as the Bank's regional economist and representative in the states of Colorado, Wyoming and northern New Mexico. Felix also recruits and works closely with the Branch’s board of directors and is responsible for briefing the Kansas City Fed’s president—a member of the Federal Open Market Committee—on economic and business activity in the Denver region's states.
The Federal Reserve Bank of Kansas City

Functions – around 160 staff

- Regional research covering the economies of Colorado, New Mexico and Wyoming
- Economic, financial education, and community development outreach
- Examinations of Colorado, Wyoming and northern New Mexico financial institutions
- Cash processing and distribution
- Money Museum

2018 Denver Board of Directors

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Inclusive Ecosystem Building ● Grow Entrepreneurial Communities Conference ● Underserved Topics
Federal Reserve Bank of Kansas City
What We Will Cover

• Wyoming Businesses
• Entrepreneurship Led Economic Development Concepts
• Entrepreneurship Led Economic Development Promising Programs and Practices
The Evolution of Economic Development

1930s – Industrial Recruitment
Summary - Focuses on reducing firm cost to relocate or remain in a community.
Practice – Provide tax incentives, lease abatements, and other forms of cost cutting to firms to induce them to locate to a community.
Rationale – Firms make location decisions based upon cost relative to profit so if economic development reduces cost, they have a likelier chance of attracting or retaining a firm that is providing economic growth.

1980s – Entrepreneurial Strategies
Summary - Focuses on helping small businesses grow by accessing resources and markets.
Practice – Provide access to capital, support with exporting, additional training, and provide incubators to help reduce early cost.
Rationale – Small businesses create the majority of net new jobs, therefore helping them start, grow and access new markets is a key to economic growth.

1990s - Clusters
Summary - Focus on the economic development environment in which industries and firms group together and create a competitive advantage.
Practice – Identify the critical clusters of industries in an area, and the things that influence those industries, and work to strengthen the clusters through policy, programs and practice.
Rationale – Clusters occur and create a competitive advantage to a local area based upon the development of supply chain support, and workforce. Therefore an effective development strategy should be to strengthen the entire cluster, and recruit firms that fit the cluster to maximize economic growth.

2010s – Entrepreneurship Ecosystems
Summary - Focus on the elements in a local community that enable entrepreneurs to efficiently start and grow companies.
Practice – Foster collaboration, and interaction between policy makers, capital providers, and entrepreneurship support organizations to create an environment that helps entrepreneurs start and grow as quickly as possible.
Rationale – High growth entrepreneurs create the majority of net new jobs, and drive new economic growth, so creating a resource rich environment should be a priority of effective economic development.
The overwhelming number of businesses with employees in Wyoming are what are known as microbusinesses with ten or less employees.
66% of the payroll dollars paid to Wyoming workers are paid by businesses with 99 or less employees.
When we add in businesses with no employees, 66,000 of the 71,000 businesses in Wyoming have less than 10 employees.
Wyoming Businesses

2016 Wyoming County Percentage of Businesses with Less than 10 Employees Compared to County Percentage of Wyoming Population

The percentage of businesses with less than 10 employees tends to increase the smaller a county is.
Wyoming Businesses

2016 Wyoming Business Size by Employees Compared to the U.S.

Wyoming has a higher percentage of smaller businesses than the national average.
Wyoming Businesses

Wyoming businesses trend to be smaller than the national average and smaller businesses are important contributors to the Wyoming economy.
Entrepreneurship Led Economic Development

General Economic Development Focus by Business Size

Stage 4 (500+) - 19.2% of Total Jobs
Proactive Support Attraction & Retention Strategies

Stage 3 (100-499) - 21.6% of Total Jobs
Proactive Support Retention Strategies

Stage 2 (10-99) - 33.9% of Total Jobs
Proactive/Passive Support Economic Gardening

Stage 1 (1-9) - 22.3% of Total Jobs
Passive Support Non-profits

Self-Employed – 3% of Total Jobs
Passive Support Non-profits

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

Entrepreneurship Led Development Returns Development Back to the Hands of the Community.

1. It prioritizes the local.  
2. It facilitates economic diversity.  
3. It leverages the power of the job creators.  
4. It builds community.
An entrepreneurship ecosystem are the interactive elements in a community that interact together in a meaningful way to influence and support entrepreneurs as they start and grow businesses.
Entrepreneurship Led Economic Development

The economic developer’s responsibility in entrepreneurship led development is to:

1. Ensure that development is entrepreneur focused.
2. Foster hyper-collaboration between the key elements that drive entrepreneurship in the ecosystem.
3. Identify and fill gaps in the ecosystem.
4. Help manage ecosystem growth as the ecosystem matures.
Entrepreneurship Led Economic Development

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

Foggy & Sparse Ecosystem

- 25% Time and energy spent figuring out how to get support from the entrepreneurship ecosystem
- 75% Time and energy spent working on building the business

Transparent & Dense Ecosystem

- 10% Time and energy spent figuring out how to get support from the entrepreneurship ecosystem
- 90% 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?

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.
Entrepreneurship Led Economic Development

Ecosystem #1 - Sparse
- Local Entrepreneur
- Microloan
- Networking
- Business Plan
- Mentoring

Ecosystem #2 - Dense
- Local Entrepreneur
- Business Plan
- Community Business Celebration
- Market Research
- Mentoring
- Policy Group
- K-12 Education
- Venture Capital
- University Support

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

Dense but Foggy
- Quality policy
- Supportive culture
- Appropriate information & resources
- Struggle to access
- Difficult to navigate
- Slow responsiveness

Dense and Transparent
- Quality policy
- Supportive culture
- Appropriate information & resources
- Easy to access
- Easy to navigate
- Rapid responsiveness

Sparse and Foggy
- Poor policy
- Resistant culture
- Lack of information & Resources
- Struggle to access
- Difficult to navigate
- Slow responsiveness

Sparse but Transparent
- Poor policy
- Resistant culture
- Lack of information & Resources
- Easy to access
- Easy to navigate
- Rapid responsiveness

Dense and Transparent is the Developers Objective
What makes it great - Network Kansas has a statewide model that supports ecosystem building at the community level. The model leverages tax credits that are provided to local communities to establish loan funds. Additionally, it provides education, networking and information sharing. This is a solid model for low population density communities.
Launch Tennessee

What makes it great – Launch Tennessee is a statewide model that focuses on developing high growth firms. It is rooted in a state wide vision to make Tennessee the “most start-up friendly state in the country”. They leverage their network of entrepreneur centers to support entrepreneurs across critical dimensions of the ecosystem.
Sourcelink

**What makes it great** – Now located in over 40 communities in the nation, Sourcelink provides a digital platform along with local support that helps create a centralized portal of small business support organizations in a state, county or city. This helps entrepreneurs identify rapidly the providers that can help the launch and grow.
What makes it great – The team provides decades of experience in helping communities support and grow rural entrepreneurship. This includes research, consulting, education and training on how communities can cultivate a successful environment to facilitate small business growth.
Best Practices & Promising Programs

www.ruralrise.org

- First rural ecosystem conference in May.
- All the presentations are on the website.
- You can join workgroups to contribute to building the field.
- Very responsive and engaged leaders.
Contacts

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