

Entrepreneurial Ecosystem-Building in Rural America

STEVE RADLEY

President and CEO
NetWork Kansas

DON MACKE¹

Vice President
e2 Entrepreneurial Ecosystems

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Introduction

In our view, entrepreneurship is the foundation for all community-centered economic development. Entrepreneur-led development is particularly important in rural America, where other development opportunities are fewer. In this chapter, we share two stories of impactful entrepreneurial ecosystem-building. Our first story is about Ord, Nebraska, and provides a community-level view on how successful ecosystem-building is contributing to transformative change. Our second story focuses on a statewide ecosystem-building effort in Kansas empowered by NetWork Kansas.

Ord, Nebraska—An Entrepreneurial Community

In the 1980s, Ord and its region were in an agricultural crisis, facing serious challenges and the potential to go the way of so many other rural communities—into continued decline, losing vitality along the way. By the 1990s, Ord was also confronting anti-change forces, and the real risk of losing its hospital. During this decade, Ord sought help and began the all-important process of visioning a new future. The year 2000, in so many ways, was the year that the community pivoted from crisis and decline to a new road to development and prosperity. During the 2000s, Ord began to make critically important commitments, followed by investments, which laid the foundation for transformative change and impact. By the 2010 to 2020 period, these commitments and investments had moved Ord from decline to success.

FIGURE 1

Ord's Progression from Crisis to Transformative Change

1980s	1990s	2000	2000s	2010s
Agricultural Crisis	Search for Solutions	Pivot Year Aiming for Success	Investment and Progress	Transformative Change

Ord the Community. To understand the power of the Ord story, you need to understand Ord. Figure 2 provides some basic information about Ord and its region.

FIGURE 2
Selected Population Statistics for Ord’s Various Communities

Geography	Most Current Population	Population Change: 1970 to 2019 or 2020	Population Change: 2000 to 2010	Population Change: 2010 to 2019 or 2020
City of Ord	2,076 (2019)	-14.9%	-6.9%	-1.7%
Valley County	4,199 (2020)	-27.4%	-9.6%	-1.4%
Ord’s Region ²	9,784 (2020)	NA	-7.2%	-1.0%

SOURCES: 1970, 2000, 2010 and 2019 data from the U.S. Census Bureau and 2020 data from Esri.

Ord’s Regional Economy. Ord has transitioned from a two-dimensional economy (i.e., commodity agriculture and area hub city) to a multidimensional economy that is increasingly diverse and competitive. The following key economic sectors have helped the region experience a higher value: (1) agriculture, including value-adding activities; (2) area trade, service and cultural center; (3) Valley County Health System; (4) tourism; (5) retiring boomers; (6) growth-oriented entrepreneurs; and (7) commuters and bedroom-community development. These seven major economic sectors are driving impressive diversity for a community the size of Ord. While the city continues to be overly dependent on agriculture and allied agricultural activities like inputs and processing, its diversity is creating not only a wider range of job and career opportunities that attract people and retain them, but a higher-value economy that contributes to enhanced household disposable incomes and wealth.

Why Is This Story Important? Over the past two decades, Ord has intentionally committed to and built a thriving entrepreneurial ecosystem that is generating transformative impacts. This small and rural community is demonstrating that entrepreneur-led development can empower a thriving, diverse and resilient economy and society. At the forefront of these

lessons are identity, intentionality and investment. This is not simply self-promotion, but being willing to build the necessary bridges and a process of self-discovery; determining the highest intentions; recruiting whole people and families, and not simply workers and capital; finding the right economic levers to create flexibility; investing in passion; and working toward an asset- and opportunity-based attitude in the entire community. Building a vibrant region requires strong agency and committed advocates, who are able to see their self-interest embedded within the community interests. And, mostly, it requires recognizing that residents must accept responsibility for seeking support and must remain open to accepting such support by following through on what is offered.

In the case of Ord, there was a confluence of initial conditions and further actions that produced these results. This confluence will be different in different places, but some mixture is always within the grasp of a community willing to do the work to harness it. For Ord this included:

- establishing a proactive community foundation focused on using its endowment to make strategic grants focused on economic development;
- passing a local state-approved sales tax levy, which was used in part to fund a revolving loan fund, thus creating a vigorous lending capacity, and enabling gap financing and flexibility for small entrepreneurs;
- hiring an economic development director focused on empowerment rather than simply resource acquisition;
- developing progressively more positive public-private trust and partnerships;
- implementing a tailored leadership training initiative that was community-based, expansive and long-term;
- committing to mentoring among the entrepreneurial community to shepherd passion by backstopping business skills and strategic thinking; and
- accepting and implementing guidance, resources and open exchange with outside resource agencies both public and private, such as University of Nebraska Extension, Nebraska Public Power District and Heartland Center for Leadership Development.

Why Is Entrepreneurship Foundational? For most of its history, Ord and its regional economy have been two-dimensional, with production agriculture (e.g., farming, ranching and allied activities) as the foundational economic activity anchoring Ord's role as an area hub for retail trade and services. Production agriculture, like most natural resource-based economies, undergoes periods of economic booms when weather is good, demand is high, commodity prices are strong and net farm income is elevated. But agriculture and other natural resource industries also undergo periods of economic bust, with contraction adversely impacting the area economy and society. Given the underlying trends of agricultural automation, industrialization and contraction (e.g., fewer and larger farm and ranch units, and outsourcing of purchasing), rural communities like Ord rarely return to pre-bust economic and social vitality.

Across rural North America, communities are experiencing change, and for many, this change is traumatic, as traditional industries and economies are transforming, undermining the very rationale and vitality of rural communities. For Ord and its region, the economic rationale for existence was rooted in agriculture and Ord's role as an area trade center community. This two-dimensional economy was constantly at the mercy of the boom-and-bust cycles in production agriculture. Lacking economic diversity, Ord's Main Street economy suffered with downturns in agriculture—never fully recovering after each bust cycle. In the rural Great Plains and communities like Ord, production agriculture, manufacturing and trade center activities continue, but they no longer can provide sufficient economic activity to support the large number of remaining rural villages, towns and cities. The need for economic diversification, both within and beyond production agriculture, is foundational if rural communities in this region are to survive and thrive.

In turn, communities with more-competitive, diverse and high-value ventures become more resilient, with greater capacity to weather shocks—whether from natural disasters or the loss of major economic activities—and recover more completely once a shock has passed. Also contributing to this dynamic is household and community wealth. Increasing resiliency fuels wealth formation both in individual households and at the community level, including assets like building stocks, amenities, and civic and social capital. Continued investments into growing entrepreneurial behavior and talent create a progressive cycle furthering community vitality.

Resilient

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We continue to find that entrepreneurship-led economic development is not mainstream. Many people living in rural communities who would like to pursue entrepreneurship as a development strategy face serious challenges overcoming the beliefs of many traditional leaders, for whom attraction and retention of large employers still represent the only path to economic development and vitality. Still, entrepreneurship continues to be paramount for most communities. This reality is in part why the Ord story is so important: More than 20 years ago, this community committed to a more balanced development approach, including both entrepreneurship and larger-scale project development. In summary, we found two keys to Ord's transformative success: its 20-year commitment to entrepreneur-led development and associated ecosystem-building, and its willingness to invest sufficient funds to stand up a smart and robust game plan. Both of these keys point toward the importance of entrepreneurship.

Ord's Entrepreneurial Ecosystem. The Valley County area entrepreneurial ecosystem is opportunity-focused, with different organizations reaching out to area entrepreneurs and bringing meaningful and sophisticated business development assistance that enables more and better deal flow. Combinations of technical assistance and financing resources pragmatically identify, support and sustain a wide range of deals, from a multimillion-dollar ethanol value chain to local Main Street businesses.

Entrepreneurial Impact and Community Transformation.

Conservatively, since 2000 Ord and its region have invested more than \$250 million in projects fueling development. On average, this level of investment represents \$12.5 million per year over this 20-year period (i.e., 2000 to 2020).

These included investments in both public and private assets. For example, there have been substantial investments in the local public schools, the city building and fire hall, as well as into parks, trails and cultural amenities like The Golden Husk performing arts center. There was also public and private investment into new and rehabilitated housing, including an aggressive program to remove dilapidated housing and support for new housing ranging from affordable to higher-end. In addition, a new ethanol plant was constructed in the early 2000s, and the local hospital expanded its services and geographical footprint with assistance, in part, from the proceeds of a local bond offering. Lastly, the region has recently built a tourist and second-home industry around the Virginia Smith Dam and Calamus Reservoir. Each of these developments helped drive new business and job opportunities in the region.

A key element in Ord's entrepreneurial ecosystem is its Local Option Municipal Economic Development (LB840) gap financing loan program. LB840 is a tool enabled by Nebraska law that allows cities to enact, by a vote of the residents, a local option sales tax to fund economic development. One of Ord's initial commitments was the development of an LB840 economic development plan and passage of the local options sales tax. All the proceeds from this tax are used to support economic development, including the capitalization of the LB840 gap financing loan program run by the city in collaboration with the Valley County Economic Development Board. A December 2019 report summarized the activities in the Ord area that were supported through the LB840 sales tax between 2003 and 2019. During this period, the LB840 loan program provided nearly \$6 million in gap financing, leveraging nearly \$14 million in additional private business investment; for a community of this size, this represents a significant amount of investment. As noted earlier, this does not include larger business developments like the ethanol plant and other business investment not supported by the LB840 fund. These kinds of smart and robust investments are foundational to growing vibrant and successful communities.

Ord Comparative Performance Analysis. There are thousands of communities in rural America. Across this vast and diverse landscape are remarkable communities like Ord, bucking the trends and demonstrating that rural communities can thrive. Central to our focus on the Ord story is

that it has sustained a smart game plan long enough to realize desired transformative change.

Based on our performance analysis, Ord and its region have moved from a community in serious crisis and decline to a community that is now progressing and becoming more entrepreneurial and prosperous. This journey has been long for those seeking quick solutions. But given the long arch of community change, the rate of turnaround has been remarkably fast. For those communities willing to learn from Ord, this transition can be accelerated.

Increasing Jobs → Improving Income → Stabilizing Population → Rising Wealth

The primary finding employed in this peer analysis is Valley County’s net job creation in the all-important proprietorship (both farm and non-farm) category. Between 2000 and 2018, we find a substantial net change in proprietorship-related jobs.

FIGURE 3
Net Change in Proprietorship Jobs in Ord, Nebraska, vs. Comparison Communities

Community	Net Change in Proprietorship-Related Jobs: 2000-18
Valley County	8.8%
Nebraska Peer Counties	(9.3%)
Kansas Peer Counties	4.1%
South Dakota Peer Counties	2.1%

SOURCES: e2 Entrepreneurial Ecosystems.

As Figure 3 shows, the difference between Ord and its Nebraska peers in proprietorship-related job changes over this period was more than 18%, which is transformative. It is critically important to understand that these significant cumulative differences were the result of small changes sustained over time. Just as rural communities have lost vitality in small increments over time, the same is true with turnarounds.

Lessons and Insights for Other Rural Communities. Beyond the lessons outlined above, our work with Ord and other rural communities over the years has identified the importance of several key elements to successful rural development:

- encouraging local leadership and the community to buy in and engage;
- maintaining resilience in the face of crises, including being willing to see opportunities in crisis;
- committing to, investing in and sustaining the effort over time;
- building capacity in the community, and advancing development activities on multiple fronts;
- embracing entrepreneurial behavior;
- recognizing diversity as an asset;
- pursuing regional development;
- growing an abundance culture;
- being willing to reach out for help and to learn; and
- realizing documented transformative change.

Ord illustrates what is possible with entrepreneur-led development in a small rural community.³ The next story focuses on a statewide entrepreneurial ecosystem-building initiative called NetWork Kansas.

Kansas—An Entrepreneurial State

The Kansas Center for Entrepreneurship—doing business as NetWork Kansas⁴—was created by the state in 2004 through the Kansas Economic Growth Act. In May of 2005, NetWork Kansas set forth the vision to make entrepreneurship a priority for both economic and community development. That vision recognized the critical role entrepreneurship would play in the future success of communities across Kansas. This vision, coupled with the mission of increasing the breadth and depth of resources available to entrepreneurs, helped create two of the most robust collaborative networks in the United States: the NetWork Kansas partner network and the Entrepreneurship Community (E-Community) Partnership.

Support for an Entrepreneurial Culture. NetWork Kansas laid the foundation for an entrepreneurial culture in Kansas through the following step-by-step philosophy:

1. Find local residents who are committed to building an entrepreneurial culture.
2. Build entrepreneurial assets and infrastructure focused on education, expertise and economic resources.
3. Try something different—inject change such as a new program or initiative into community, regional and statewide systems; for example, implementing a youth entrepreneurship competition or new loan program.
4. Engage and empower at the local level.

Over the past 15 years, this philosophy has led to the establishment of the NetWork Kansas Referral Center, partner network and E-Community Partnership.

Entrepreneurial Assets: Referral Center and Partner Network—An Infrastructure for Education, Expertise and Economic Resources. Kansas was among the first states to offer a statewide referral service that connects entrepreneurs with a wide array of partners. Entrepreneurs can contact NetWork Kansas referral coordinators directly through a toll-free number, email or chat. The referral coordinators connect entrepreneurs with more than 550 NetWork Kansas partners who provide technical assistance, education services, access to capital and overall expertise in all aspects of starting and growing businesses.

Collaborative

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Economic Resources that Support Private Capital—Statewide Loan and Venture Funds. NetWork Kansas launched its first statewide loan program in August of 2006. Since that time, NetWork Kansas has added programs ranging from large matching-loan programs and women- and minority-loan programs, to healthy food access and community development programs. All of these programs provide the “last money in” that helps make projects happen. This intentional program design generates the conditions for our partners and E-Communities to work with banks and angel investment networks in meaningful ways.

FIGURE 4
Map of NetWork Kansas Entrepreneurial Communities



SOURCE: NetWork Kansas.

Sixty-Six E-Communities—Engaging and Empowering at the Local Level. An E-Community is a town, cluster of towns or an entire county that has made a decision to proactively pursue entrepreneurship as an economic development strategy. The NetWork Kansas E-Community Partnership began in 2007 with six communities and had grown to 66 communities across Kansas by early 2021.

Each of the 66 E-Communities includes the following:

- local leadership teams that meet regularly to provide overall direction and leadership for the local E-Community,
- local financial review boards that act as the loan committee for E-Community loan applications,
- active engagement with the banking community and other capital sources, and
- access to entrepreneurship programming designed to benefit various business types.

NetWork Kansas' E-Community coaches work with each E-Community to develop strategies based on each individual community's needs and capacity. In addition to matching loan funds, E-Communities also have access to programs approved by the NetWork Kansas board of directors to help catalyze entrepreneurial activity. These programs address topics ranging from cultivating a startup culture and entrepreneurial problem-solving to strengthening existing businesses. NetWork Kansas also provides grant funds to make progress on growing an entrepreneurial ecosystem in unique ways, such as for a seminar to provide digital marketing training to local businesses.

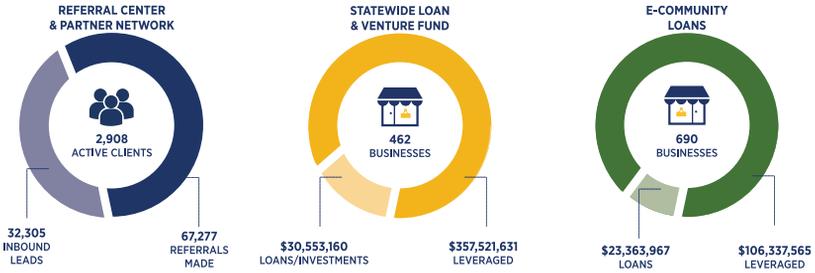
Tailored

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**Realizing the Results of a Robust Entrepreneurial Ecosystem—
Historical Impact by the Numbers.** The success of NetWork Kansas' unique infrastructure of assisting entrepreneurs and small businesses is evidenced through high-performance indicators. These numbers reflect ongoing asset-building through the Referral Center, statewide loan and venture programs, and E-Community activity.

FIGURE 5

Key Impact Metrics for NetWork Kansas



SOURCE: NetWork Kansas.

NOTE: Data are as of Jan. 31, 2021.

Conclusion

Every community in the United States has the primary responsibility for its own development and vitality. Embracing entrepreneur-led economic development and entrepreneurial ecosystem-building is foundational to growing the more-relevant, competitive, diverse, high-value and resilient economies that are foundational to community vitality. The stories of Ord, Nebraska, and NetWork Kansas provide two powerful examples of transformative change empowered and energized by entrepreneurship.

References

e2 Entrepreneurial Ecosystems (website). See energizingentrepreneurs.org.

Macke, Don; Iaquinta, David; and Kottwitz, Cathy. *Ord, Nebraska: An Entrepreneurial Community*. September 2020. See energizingentrepreneurs.org/file_download/316254b8-1c9b-4f95-b9f1-cedfa2b70bf7.

NetWork Kansas (website). See networkkansas.com.

Endnotes

- 1 Christina Long helped to edit this chapter.
- 2 We define the Ord region as the city of Ord, other towns in Valley County, as well as all or parts of Custer County, Loup County, Garfield County, Wheeler County and western Greeley County. See Macke et al.
- 3 e2 Entrepreneurial Ecosystems and its partners are curating a large collection of Ord studies and stories. See e2 Entrepreneurial Ecosystems (website).
- 4 See NetWork Kansas (website).