



## Senate Commerce Committee

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Testimony by:  
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*Expanding the Culture of Entrepreneurship in Kansas*

Chairperson Lynn, and members of the Senate Commerce Committee, thank you for giving us time to speak in support of Senate Bill 90 and provide some information on entrepreneurship in Kansas.

In 2014, the nationally-recognized Center for Rural Entrepreneurship in Lincoln, Nebraska, published the book *Energizing Entrepreneurial Communities*. The book highlighted many initiatives implemented by the state of Kansas, NetWork Kansas, and other organizations dedicated to advancing entrepreneurship in their respective communities.

The book outlines three fundamental beliefs that the Center and NetWork Kansas share:

- Entrepreneurship development is a necessary component of any economic development strategy and is the most promising strategy for rural and small metro communities.
- Creating an entrepreneurial environment requires culture change, adopting a “grow your own” mentality.
- Entrepreneurship development requires a systems approach: a collaborative, often regional approach of “connecting the dots”

Don Macke, Co-Founder of the Center for Rural Entrepreneurship, said “We think that one thing that makes NetWork Kansas unique and more impactful is that in 2007 they committed to a ground game, or the E-Communities strategy. We feel this was critical”.

The program to which the Center for Rural Entrepreneurship was referring is our E-Community Partnership. Joining this partnership, via a process that includes a written application and in-person meetings, indicates that a community has made a decision to proactively pursue entrepreneurship as an economic development strategy. After eleven years, the number of Kansas communities who have chosen to partner with us has risen to 60. They include rural cities and counties, distressed areas of urban communities and one centered around the e2e Accelerator in Wichita. We typically start the conversation about becoming an E-Community with an economic development director or a chamber director. During the course of multiple meetings in the community over 6-9 months, we work to develop a local leadership team consisting of 8-12 private and public sector volunteers. This is the group we task with meeting regularly to talk about how to create a flourishing entrepreneurial environment in their community. Before I explain what an E-Community looks like, I want to point out that it speaks to the heart of the work we do that in these 60 E-Communities, there are almost 700 Kansas citizens (economic development, chamber, bankers, entrepreneurs, attorneys, accountants and resource partners like small business development centers and commerce business development) that are meeting regularly to discuss their entrepreneurial environment. Even if everything else I'm going to talk about is set aside, I think that is difference-making in itself. As an aside to the previous sentence, of the 60 E-Communities, virtually all of them have at least one banker on their leadership team or financial review board and cumulatively, there are over 85 community bankers representing over 80 local banks on these teams.

Through the E-Community Partnership, we focus on increasing access to capital and bringing targeted entrepreneurship programming to the communities, and as I'll share, most of our new program ideas have come from the community themselves. At the core of the E-Community concept is a loan fund. This is a true partnership where the community is empowered to play an active role in their entrepreneurial future. NetWork Kansas works with each E-Community to provide access to \$75,000 - \$150,000 of gap financing and the community has local decision-making over which businesses to loan the money to. In addition to the leadership team I mentioned earlier, we work with each E-Community to develop a financial review board that acts as the revolving loan committee. Let me briefly give you some statistics from our E-Community loan funds. Since inception in 2007, these individual community loan funds have collectively funded \$17.3 million of loans to 528 businesses. That \$17.3 million is only 17% of the funding that has gone into those 528 businesses. In the current portfolio, 41% are startups and 35% are expansions. 28% are retail and 49% are service and over 47% of the businesses are in communities under 5,000 people. Since E-Community loan funds are intended to be gap financing, meant in many cases to close an undercapitalized deal, many of those deals would not happen without the E-Community funds, which makes it so much more meaningful that this \$17.3 million in E-Community loans leveraged more than \$83.5 million in capital for Kansas businesses.

Certainly, the ability to create this revolving loan fund is a reason the communities start the conversation with us. However, we view the money as the Trojan horse. It gives us

a seat at the table with the local leadership team to talk about their entrepreneurial environment and implement ideas. There are four NetWork Kansas E-Community coaches, each the key contact for 15-16 E-Communities. That personal engagement and coaching is a key. These coaches attend the E-Community's leadership team meetings, help with strategic discussions and work hand-in-hand with the leadership team to decide priorities, increase access to capital and implement entrepreneurship programming.

We have worked to partner with national leaders in entrepreneurship to make programs available that benefit different types of businesses. These are best practices that fill a demonstrated need at the community level. For example: to increase startups; Ice House. For strengthening existing businesses, it's Growing Rural Businesses and Destination Boot Camp. To help growth businesses grow, Economic Gardening is a great program, and to help communities build a maker space (to encourage STEM and innovation), it's Maker Space Boot Camp. We call this series our Board Certified Programs. These are programs we have vetted, our Board of Directors has approved them, and we allow the community to use their loan fund to help pay for a portion of them as well. As I said earlier, many of these ideas have come from our E-Communities themselves. A great example is the Ice House Program, created by the Kauffman Foundation and designed to increase startups and teach an overall entrepreneurial mindset for tackling challenges. This program was being taught in Rice County and they called to tell me that I needed to come see it because they thought I'd want to offer it in other E-Communities. I sat in on a couple classes, visited with the attendees and agreed. Therefore, when an E-Community wants to focus on increasing startup activity, we offer this 8-week program. We hosted this program 8 times in 2017 and 9 times in 2018. Another example would be the two programs we use when a community wants to strengthen existing businesses. First, we worked with Kiowa County E-Community and Wichita State University to develop the Growing Rural Business program. It's an 8-week program taught by Wichita State's Center for Entrepreneurship faculty. We've hosted this program 13 times, engaging with over 245 businesses who needed additional training in accounting, marketing, legal issues, and customer service. The second program we offer to strengthen existing businesses is Destination Boot Camp. This program was brought to us by some of our northwest Kansas E-Communities. It is a 2 ½ day training in Longmont, CO for business owners who want to become a dominant "destination business". Over 90 businesses from our E-Communities attended this program last year. Finally, we've partnered with the Fab Lab at Independence Community College to offer the Maker Space Boot Camp. This program is a 2-1/2 day training for communities who want to learn how to create an entrepreneurial mindset and maker space in their community. So far, 9 E-Communities have sent representatives to attend this program.

Additionally, we continue to develop and test other initiatives. We want to ensure that when our coaches identify an area of strategic priority for a local E-Community leadership team, we have the needed partnership and expertise to provide the program. To that end, I'd like to give you three examples. We're piloting a value-building program for rural businesses with the Kansas Small Business Development Center that aims to

improve the successful future transition of cornerstone rural businesses. Secondly, we partnered with a female Wichita entrepreneur to develop the Inner Entrepreneur course to support the soft skills of those starting or running a small business - mindfulness, relationships, and managing stress. The second pilot cohort is beginning later this month, but the vision is to franchise a digital delivery model across the state. Finally, we support the Wichita State University Center for Entrepreneurship's LaunchPrep, a program they created to connect early-stage startups to entrepreneurial resources and mentorship from local industry experts. We're also engaged with Co.Starters, out of Chattanooga, Tennessee, and Entre.Ed of Pittsburgh, because we have heard they are impactful national models that might be useful to our E-Community teams.

Finally, many E-Communities are excited to encourage and develop the next generation of entrepreneurs and invest in their youth. Starting with a handful of grassroots entrepreneurship competitions (E-Fairs) that were already happening in northwest Kansas, we've built a collaborative youth entrepreneurship competition series over the past six years. The Youth Entrepreneurship Challenge series consists of local-level E-Fairs. The goal is to expose Kansas middle school and high school students to entrepreneurship by giving them hands-on experience. The YEC Series helps students learn valuable life skills such as creative problem solving and confidently presenting their ideas to others. The classroom learning and mentorship they receive in preparation to compete in their local YEC Series event can also help students feel more connected to their communities, and help identify a need they could fill in their own city or county. In our first year, we helped coordinate 5 local competitions for 50 students, finishing with a regional competition for northwest Kansas. By year 5, that had grown to 31 competitions and 700 students statewide. This year, we expect to work with over 1,000 students at 41 local competitions, culminating in a statewide championship for the best young entrepreneurs in the state, hosted at Kansas State University on April 30<sup>th</sup>.

As we continue partnering with our E-Communities, it's our expectation that we will grow the breadth and depth of entrepreneurship programming as well as work to increase the access to capital in rural communities.

Thank you.

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