EDWARD LOWE FOUNDATION

Building Entrepreneurial Communities

BUILDING ENTREPRENEURIAL COMMUNITIES

Editor's note: *The Edward Lowe Foundation would like to thank the National Commission on Entrepreneurship for allowing the use of its research, "Building Companies, Building Communities: Entrepreneurs in the New Economy," in the preparation of this booklet. The NCOE report presents the findings of 18 focus groups held with more than 250 entrepreneurs across the country.*

Based in Washington, D.C., the National Commission on Entrepreneurship (www.ncoe.org) provides local, state and national leaders with a roadmap for sustaining and expanding a flourishing entrepreneurial economy.

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The American economy is undergoing a transformation driven by entrepreneurs who create opportunity for change and build new industries based on innovation and global markets. In fact, fast-growth, high-risk companies created more than two-thirds of new jobs between 1993 and 1996.

What makes an entrepreneurial community?

One or two entrepreneurs can shine in any community, but they do not make an entrepreneurial community. To have a strong entrepreneurial community, numerous threads must be woven together, including public policy that supports entrepreneurship, people, money, technology, customers, transportation, a supportive environment and services. As more threads are woven together, the community's strength and resource base grows.

The key to a successful entrepreneurial community lies in how well regional-development strategies and networks work together. While there are many strong entrepreneurial regions, entrepreneurs are not sprinkled evenly across the country. Entrepreneurial regions grow according to a pattern. The presence of a university or an anchor company serves as a spark, and as the region grows, more entrepreneurs — as well as entrepreneur-support systems — emerge and prosper. The biggest challenge today is to find ways to provide more regions with the opportunity to pursue this path to development.

Key regional factors

A talented and focused entrepreneur can succeed anywhere, but he or she is more likely to succeed in regions that have the following characteristics:

- Diversity in sources of capital.
- An enabling culture.
- Networks: The essential links.
- Supportive infrastructure.
- "Entrepreneur-friendly" government.

Diversity in sources of capital

Access to capital is central to a region's entrepreneurial success. Yet analysis of capital sources is largely concentrated on venture-capital investments, as there is clear evidence that venture-backed firms generate higher growth rates and greater levels of innovation than other comparable businesses.

Nonetheless, the presence of venture capital has some limitations as an indicator of entrepreneurial capacity or activity because these investments are often heavily concentrated in a few regions or industrial sectors. In 1999 roughly 66% of all venture-capital investments went to Internet-related businesses, according to the National Venture Capital Association Yearbook 2000. In the second quarter of 2002, Internet-related businesses received 49% of VC investments, according to a MoneyTree survey.

Strong entrepreneurial regions enjoy diverse sources of capital to create and grow startup firms. The presence of local venture-capital firms is one indicator. Equally important is the presence of organized networks of individual angel investors.

Many regions with networks of investors are reaping the benefits of past economic booms. Angels tend to emerge from the ranks of successful entrepreneurs, so regions with many successful entrepreneurs tend to have strong angel networks. Moreover, most angels invest close to home, so their presence has the effect of creating a cycle of wealth reinvestment in the community. For example, some of the oldest angel networks are in Silicon Valley and are thriving, thanks to those who have cashed in stock options to become angel investors or start their own companies.

Traditionally, angel investing is an informal and, in many ways, unorganized process. However, there are signs of change. Angels are beginning to organize themselves into formal networks, usually centered around a business venture, geographic area, university or incubator. The presence of these organized angel networks indicates a strong entrepreneurial community.

The Capital Investors Group of Northern Virginia is a typical example. The network has 18 members, each of whom now leads or started a successful local technology company and has kicked in $100,000 to invest in startup companies. They share the goals of hoping to spot the next hot, local company and to grow the region's economy. They host a regular dinner where they hear one or more presentations from startup businesses seeking capital. The angels question each entrepreneur about his or her business: its technology, marketing plan and management team. After the presentations, the angels meet privately to decide whether or how much to invest.

In robust entrepreneurial regions, there also are professional "seed" or "early-stage" capital funds, either privately funded or public-private entities that target the $300,000 to $3 million investment level. The Massachusetts Technology Development Corp. (www.mtdc.org) in Boston is one such example. Similarly, in Pittsburgh, Innovation Works (www.innovationworks.org) has replaced its earlier emphasis on technology transfer with a new focus on providing seed capital to new businesses.

Since most entrepreneurs continue to receive financing from traditional sources, the positive attitudes of local banks is critical. Strong entrepreneurial regions often boast a banking sector that is flexible and not averse to risk, thus making it easier for them to work with smaller firms.

An enabling culture

In entrepreneurial hot spots, company founders share the history of the region and a vision for the future. A key individual or "anchor company" often serves as a linchpin for the region's development.

The respect of entrepreneurs by political figures, CEOs, community leaders and especially the local media are important contributing factors. In Boston, entrepreneurs cited The Boston Globe's initial slowness in covering entrepreneurs as a limiting factor in the region's growth. In contrast, the thorough and consistent coverage of entrepreneurial companies by the Puget Sound Business Journal is central to the strong entrepreneurial culture in Seattle.

Another characteristic of a strong entrepreneurial culture is the commitment of local entrepreneurs to give back to the community. Successful entrepreneurs do more than make donations; they also participate in local education programs, charities, policy development and politics, as well as informal support networks.

For example, entrepreneurs in the Seattle focus group talked about their duty to support the local school system, which would not just provide them and other entrepreneurial companies with a stream of qualified employees, but would also raise the standard of living for the entire community. In addition to the obvious benefits, this shared activism helps create an entrepreneurial culture that fosters continued growth and prosperity.

Entrepreneurial regions also tend to have a diverse mix of people and cultures, as well as an easy acceptance of risk takers. Carnegie Mellon University created an index that measures the diversity of a region. Research found that the highest single predictive factor in the diversity index is the number of gay couples in a particular city. This diversity index is a powerful indicator of a region's success in attracting high-technology and knowledge workers. Regions that score high on the diversity index are open to new ideas, new people and risk taking. And in these regions, local networks are more open to outsiders.

Finally, and perhaps most important, is the ethic of information sharing as a critical determinant of a region's entrepreneurial success. For example, in the Silicon Valley model, entrepreneurs share their nonproprietary information openly and without reservation. In their view, a culture is at its most entrepreneurial when entrepreneurs openly share information — about sources of capital, great managers, potential directors, new developments in technology and market information. The knowledge offered to other entrepreneurs will eventually come back to benefit the giver several fold.

Networks: The essential links

Another key component to the success of strong entrepreneurial regions is the pervasiveness of networks and the breadth of education, information, mentoring and services that those networks provide. Entrepreneurs are classically depicted as rugged individualists who single-handedly build great companies. In reality, entrepreneurs are consummate networkers who thrive in communities.

Networks are essential because they link entrepreneurs to potential sources of capital, new employees, strategic alliances, and service providers such as lawyers, accountants and consultants. Through networks, entrepreneurs share information and assessments of markets and technology, as well as lessons learned from personal experience. And these links are absolutely essential to an entrepreneurial company's growth.

Groups that are not part of the "old boy networks" may not be full participants in the new networks of entrepreneurs. Women and minority entrepreneurs are uncertain as to whether they have successfully infiltrated these networks. Indeed, women and minority entrepreneurs are less successful than their white male counterparts in obtaining venture capital or other financing. In Boulder, Colo., for example, focus-group participants agreed that it is harder for women to access funding networks, and it is even harder for minority women. In the women's focus group in Northern Virginia, women entrepreneurs faced a somewhat different problem. While they could access venture-capital firms, they were usually assigned to a firm's female partner, regardless of her expertise or the entrepreneur's industry or needs.

In response, women and minorities are building their own networks to complement the broader networks of entrepreneurs. In New England, the Center for Women and Enterprise (www.cweboston.org) offers a range of services for women entrepreneurs, including networking opportunities, business-planning assistance, and access to angels and other investors. On the West Coast, the Forum for Women Entrepreneurs (www.fwe.org) helps women build and run high-growth technology and life-science companies.

Immigrant groups follow this same pattern. Successful East Indian entrepreneurs have formed their own national network, The Indus Entrepreneurs, which includes executives from some of America's leading entrepreneurial businesses. Interestingly, Hispanic entrepreneurs in the Los Angeles focus group recognized that they are poorly networked, and as a result, they suffer.

For more information on building entrepreneurial networks, see the addendum at the end of this booklet.

To learn more about the power of peer networking, request the Edward Lowe Foundation's *PeerSpectives Guide to Leadership*.

Supportive infrastructure

Booming regions also enjoy a strong people-based infrastructure that supports entrepreneurs. These regions have a solid core of experienced service providers such as lawyers, accountants and consultants who know how to work with entrepreneurs and who understand the differences between their firms and traditional small businesses. These service providers understand the unique conditions facing entrepreneurial firms and are often willing to be flexible in their terms for payment and service. In many cases they receive — and sometimes demand — equity in exchange for provided services. These practices can make a crucial difference for new, fast-growing firms, which often have limited cash flow and thus may not be able to hire lawyers and consultants using traditional pay-by-the-hour billing practices. Also, organizations that support entrepreneurs by providing reduced-cost office and plant space (a role often played by incubators) are common in these regions.

Other infrastructure conditions, such as access to quality transportation networks, also are critical. Entrepreneurs in Research Triangle Park, N.C., for example, believe that the limited number of flights to other entrepreneurial regions, especially to the West Coast, constrains the region's growth. Entrepreneurs also cited the importance of speedy upgrades of telecommunication services, including high-speed Internet access.

Colleges and universities are among the most significant parts of the local infrastructure. However, a number of reforms are necessary to make universities even more responsive to the needs of entrepreneurs.

The presence of a major university alone is not enough to foster an entrepreneurial boom. Universities assume a critical anchor role only when combined with the following:

- Quality of life is good (low cost of living, climate, traffic, entertainment and cultural amenities, K-12 education).
- Local culture is open to risk taking and new ideas.
- Large, established corporations do not dominate local linkages to the university.

An important factor is whether the entrepreneur/bureaucrat "culture clash" dominates the relationship between the local university and the entrepreneurial community. The tensions caused by this clash can hamper a region's entrepreneurial development — such as in Ann Arbor, Mich., Rochester, N.Y, and Pittsburgh.

This tension becomes most pronounced in transactions related to the transfer of technology developed within the university. Licenses for research and technology have become big business for universities, and a large bureaucracy devoted to technology transfer has emerged. Nearly all of the focus groups commented about the lack of responsiveness and the difficulty of working with the university technology-transfer community. They also noted that universities had unrealistic expectations about the revenue that could be generated through partnerships with private industry.

According to the focus groups, best practices for a university's interaction with entrepreneurs should include the following:

- The university's leadership publicly espouses support for local entrepreneurial companies.
- Technology-transfer programs do not mirror traditional university bureaucracies in structure, staffing or compensation. Entrepreneurs strongly prefer private-sector management of these programs.
- The university takes an equity stake in entrepreneurial ventures.
- Training and education programs are implemented with the advice of, and sometimes in partnership with, entrepreneurial companies in the region.

Government

According to focus-group participants, there is a fundamental culture clash between governments and entrepreneurs. Entrepreneurs move quickly, revel in decisions that may be vigorously criticized by others and take calculated risks. Government bureaucracies move slowly, make compromise decisions that minimize criticism and avoid taking risks.

At the same time, entrepreneurs understand that governments facilitate capital markets, sponsor education and training, fund transferable technology research, and build and regulate the infrastructure. Moreover, in successful entrepreneurial regions, the support of government for entrepreneurs is a positive factor in fostering an entrepreneurial culture.

Entrepreneurs from all regions feel strongly that governments should act more like businesses by acting faster, being more transparent and being more flexible. The key words were "streamlining" and "reducing redundancy." How can government make it easier to comply with legitimate regulations? How do we reduce the number of forms and the number of offices to file with? Can the nightmare of multiple regulations by multiple jurisdictions be made less severe? Entrepreneurs are clamoring for compliance with uniform regulations with one or relatively few government offices.

While the focus groups rarely cited government programs as key to their successes, they recognized that federal, state and local governments can help create a support infrastructure for new firms. They also strongly embrace programs where public sector value is achieved through, or in partnership with, the private sector. Examples include the Small Business Investment Company (SBIC) program, the transfer of rights to universities of federally funded technology and the seeding of local institutions, such as business incubators, that help jump-start networks in some regions.

Key issues

But what factors, other than entrepreneurs' business acumen, help them succeed, and what factors make a community entrepreneurial?

In order of importance, entrepreneurs expressed the following concerns:

- Access to people.
- Access to seed capital.
- Access to information and infrastructure.
- Role of government.

Access to people

Finding and retaining quality people in all positions — management, technical and entry level — are the biggest challenges facing entrepreneurs. Indeed, a Forrester Research report found that 100% of high-tech executives say that finding and retaining talent is their No. 1 problem.

Many attribute this problem to tight labor markets and low unemployment. Yet NCOE's focus-group findings indicate that this shortage of workers stems from a more deep-seated, structural change in the economy. These entrepreneurs do not believe that finding qualified workers will be easier when the general labor shortage is alleviated. Structural changes — the shift to a knowledge-based economy, businesses starting at Internet speed — are affecting labor markets at all levels, from customer service representatives to highly educated biotechnology researchers.

Because of the intense pressure to hire many workers quickly, managers feel the need to offer new benefits such as stock options and flex time. With the booming labor demand, workers hop from job to job. For example, Silicon Valley's job mobility rate is twice the national average, generating more than $3 billion to $4 billion a year in hiring and opportunity costs, according to Joint Venture Silicon Valley's Workforce Gap Study.

Focus-group participants in the dot-com and new-economy regions expressed a sense of being under siege, as they face what they view as unreasonable pay and equity demands from employees. As a San Diego business owner put it, MBA programs now create expectations that "graduates can make $1 million by the age of 25," and those who "don't hit this mark are failures."

A survey by Jobtrak.com found that more than half of college students and recent graduates believe that they will be millionaires by the age of 40. But recruiting and retention remains a game of perception, and the expectations of new dot-com workers are often unrealistic. This situation has 30-something entrepreneurs claiming that 20-something newcomers don't understand the meaning of hard work and building a company for the long haul.

Leading high-technology growth regions are now characterized by high concentrations of knowledge workers and an ability to attract and retain these workers. For example, 85% of Internet executives in Silicon Valley cited access to talent as a key factor in determining their firms' location, according to a Joint Venture Silicon Valley Network report. Old advantages based on natural resources and other more stable factors have faded in importance, as the role of regional clusters has become more critical.

According to the Information Technology Association of America, more than half of today's IT jobs will remain unfilled due to lack of qualified candidates. The pressures of this situation have forced a host of temporary solutions, including the expansion of the H1-B visa program for immigrants with technical skills.

A successful technology company relies on more than technically skilled personnel. Qualified management teams — both at the CEO and middle management levels — also are necessary, and attracting and retaining these people presents a difficult challenge in many regions.

For example, entrepreneurs in Salt Lake City and Pittsburgh can regularly hire entry-level technical talent, thanks to the presence of strong science and engineering programs at the University of Utah, University of Pittsburgh and Carnegie Mellon University. But recruiting management is a different matter. One major problem is the absence of a critical mass of new businesses in these communities. One entrepreneur from Utah notes, "I can convince managers to come to Utah for the quality of life and for the challenge of running a company. Yet they fear that they might not be able to find another job in the region should things fail to work out."

Entrepreneurs also face thorny challenges in hiring entry-level workers. The focus groups almost unanimously lamented the competence and work attitudes of high school graduates. One Phoenix-based entrepreneur offered a typical view: "I can teach our business to anyone, but I can't teach the basic skills of being courteous to customers and bringing real commitment to the job."

Entrepreneurs also are hard put to fill jobs that require college degrees. At this level, they are concerned not only about critical thinking and communications skills, but also about the lack of a positive attitude toward work, responsibility and respect for customers. While entrepreneurs recognize that tight labor markets contribute to their problems, they also feel that deeper structural problems (especially concerning the quality of K-12 education) affect them.

Yet the intensity of the recruiting and retention problem varies by region. These problems are not so acute in regions with a major university and other "quality of life" factors that attract young people. Entrepreneurs say that these universities produce relatively large numbers of skilled graduates who want to stay in these communities and are willing to work for comparatively low wages with upside equity potential.

Access to sources of capital

The overall environment for funding businesses remains positive. In the second quarter of 2002, total venture-capital disbursements were $5.7 million; a total of 819 companies received funding, according to a PricewaterhouseCoopers/ Venture Economics/National Venture Capital Association MoneyTree survey. In 2001 VC investments in U.S. companies were $42.9 million, down from the dot-com boom in 2000, when total investments reached $108.8 million, and in 1999 when VC funds hit $56.6 million.

"As expected, total investments for the year 2002 will be well below 1999, the first of the bubble years," says Tracy Lefteroff, global managing partner of the venture capital practice of PricewaterhouseCoopers. " … The fact that the number of companies getting venture backing has scarcely decreased is a positive indicator of future activity. Entrepreneurs are continuing to fill the pipeline."

Investors have shifted away from funding startups and increased their financing of later-stage companies. As a result, entrepreneurs face a challenge obtaining small amounts of seed capital. The focus groups were nearly unanimous in identifying difficulties in obtaining seed-capital investments in the range of $300,000 to $3 million.

Expansion-stage companies attracted the most dollars in the second quarter of 2002, with 468 companies accounting for 66% of the total dollars invested, while 238 early-stage companies were awarded 19% of total VC dollars, according to the MoneyTree survey.

"This has been a sustained trend over the past few quarters," says Jesse Reyes, vice president at Venture Economics. "For every dollar invested in a new company, $5-$7 are invested in existing portfolio companies."

Most startup businesses, however, do not rely on equity investments. Nationwide, few firms receive venture funding. In 1999 only 3,600 U.S. firms received venture funding. Meanwhile, the United States averages from 600,000 to 800,000 new businesses per year. Thus the presence of venture capital is not necessarily the sole indicator of a strong entrepreneurial region.

While formal equity-investment resources are important, most participants received financing from traditional sources, such as banks, friends and family. Indeed, most relied on personal savings, credit cards and second mortgages for startup capital. And their pattern of financing didn't change over time. Only 20% of these companies used equity financing within five years of founding their companies.

Specific regions and demographic groups often face their own capital-access challenges. For example, women and minorities have distinct problems accessing funding from venture-capital firms or individual angel investors. Because angel networks can be informal and are often built by established entrepreneurs with a history of doing business together, these networks may be invisible to new entrepreneurs. To compound the problem, access to venture funding is often dependent on introductions by lawyers, accountants and angels in these very same networks.

In addition, entrepreneurs located on Indian reservations often have extreme financing problems and face a unique set of dilemmas. Because they live and operate on tribally owned land, business owners cannot obtain debt financing that uses their homes as collateral. At the same time, they have limited access to equity financing of *any kind.* As a result, the opportunities for financing a new, reservation-based business are extremely limited.

Infrastructure and institutional support

Concerns about the level of local institutional support provided to entrepreneurs often are idiosyncratic to specific regions. For example, in New York's Silicon Alley, the high cost of office space and the poor quality of digital infrastructure topped the list of entrepreneurs' concerns.

In some cases, local governments are addressing these needs. In Boulder, the focus group complimented the state's "Colorado SuperNet," which wired the city with high-bandwidth Internet capability and trained countless network engineers in the process. On the other hand, they decried the slowness and incompetence of the local telecommunications company in hooking up new connections to the network.

In contrast, regions located near Internet hubs may have a comparative economic advantage. Members of the Kansas City focus group were positive about the quality of local Internet access. While Kansas City is not usually considered a hotspot for "dot coms," the local presence of Sprint has provided an enviable infrastructure base. Entrepreneurs in Northern Virginia — the birthplace of the Internet — enjoy similar advantages.

In addition, the focus groups had mixed opinions about the role of local universities and colleges; they believe that universities do not fully support local entrepreneurs. One focus group was particularly critical of the local universities' failures to provide targeted continuing education and mentoring programs or to participate in the local business community. Another focus group criticized the local university's failure to provide cross training between the engineering school and the business school.

Other focus groups noted the failure of universities to establish user-friendly technology-transfer programs, citing frustration by the obstacles to commercializing ongoing university research. In addition, the entrepreneurs lamented that local colleges were mainly interested in soliciting donations rather than working in partnership with them.

Finally, entrepreneurs repeatedly criticized the performance of their local K-12 education systems for not producing the quality of graduates needed for their businesses. Entrepreneurs are willing to train entry-level high school graduates in the specifics of their businesses, but they are not equipped to teach fundamental analytical skills, basic communications skills and even healthy work attitudes and habits.

Relationship with government

Entrepreneurs across the country also expressed concern about whether government agencies understand the unique needs and concerns of small business owners. Effective government agencies work to ease the creation and growth of new firms. Indeed, entrepreneurs in the Seattle region appreciate the efforts of local municipalities to streamline licensing and other business regulations.

Problems with licensing procedures were most pronounced in regions like Birmingham, Ala., where municipal, county and state governments share jurisdictions. This is in direct contrast to regions, such as Indianapolis, with regional governance structures.

State support for high-tech clusters is an important issue, according to focus groups. North Carolina is often lauded for its efforts to support and sponsor high-technology development, yet focus-group participants argued that there is often very little government follow-through on their articulated strategy of working closely with emerging high-tech entrepreneurial firms. This lack of follow-through, seen in other states as well, creates a sense that working with government agencies promises little bottom-line benefit.

There also were complaints about government red tape and the recovery of sales tax for out-of-state sales. In particular, California's regulations came under criticism.

However, entrepreneurs view federal regulations and policies that protect intellectual property as critical to their success. Yet most entrepreneurs recognize that the proper balance must be struck between innovation deserving protection and knowledge that should be shared for the public good. They feel that current policy generally reflects a proper balance. Moreover, expanded federal funding of basic science and technology research is clearly important. Entrepreneurs in high-tech regions know that government funding helped create their entrepreneurial strength, and they are adamant that this governmental role should continue.

Other intellectual-property concerns include the patenting of business processes, registration of Internet names and software issues. Several entrepreneurs urged more funding for the U.S. Patent & Trademark Office. They believe that current resources at the office are severely strained, patent issues are taking too long to resolve, and efforts to improve its speed are affecting the quality of its decisions.

SOURCE: The National Commission on Entrepreneurship, "Building Companies, Building Communities: Entrepreneurs in the New Economy," July 2000. Based in Washington, D.C., the National Commission on Entrepreneurship (www.ncoe.org) provides local, state and national leaders with a roadmap for sustaining and expanding a flourishing entrepreneurial economy. Contact NCOE at 444 N. Capitol Street, Suite 399, Washington, DC 20001; phone: (202) 434–8060; fax: (202) 434–8065.

METHODOLOGY: NCOE's "Building Companies, Building Communities: Entrepreneurs in the New Economy," is based on a series of 18 focus groups at 17 sites around the country. Although NCOE met with entrepreneurs in every region of the country, the sessions were mainly in urban or suburban areas. NCOE talked with more than 250 entrepreneurs from a wide range of industrial sectors. In most cases, the meetings were arranged by a regional partner who worked regularly with local entrepreneurial businesses. Because NCOE wanted to get a sense of a region's history in supporting entrepreneurship, it specifically tried to include individuals who had started more than one business.

Each of the sessions lasted two to three hours with a group of six to 15 business owners. Two NCOE staff members facilitated and recorded the key points of the conversations in each session. Although entrepreneurs talked about their specific industries, this report addresses only common observations, concerns and suggestions.

NCOE asked entrepreneurs to discuss their views on the following questions:

- What are the primary challenges you face in growing your business?
- What are the primary opportunities and resources in your region to support the growth and development of entrepreneurial companies?
- What are the primary obstacles in your region that impede the growth of new firms, lead to business failure or discourage new business start-ups?

These questions were designed to elicit entrepreneurs' views about the external factors that influence their firms' success or failure.

Helping organizations help entrepreneurs

Since 1985 the Edward Lowe Foundation has made it a priority to understand, encourage and support the work of organizations that support entrepreneurs. That support is provided through an assortment of in-kind services and communication tools designed to increase an organization's capacity to reach and serve the diverse entrepreneurial community. These tools include:

- **Leadership programs.** A variety of programs, retreats and learning tools to develop leadership skills, networking opportunities and best practices for leaders of entrepreneurial organizations, member entrepreneurs and others in the entrepreneurial community.
- **Publishing services.** An assortment of content and communication services designed to enhance your ability to reach and serve business owners, including custom-print and electronic-newsletter publishing and production.
- **Technology services.** Customized software applications and technology solutions created specifically for management of entrepreneurial organizations, marketing and member interaction.

Leadership programs

The Edward Lowe Foundation's PeerSpectives retreat program is a visionary learning experience designed specifically for CEOs of growing second-stage companies who are already members of entrepreneur-support organizations with whom we work.

Conducted at Big Rock Valley, the Foundation's rural retreat facility in southwestern Michigan, PeerSpectives retreats are based on the Foundation's core belief in the value of peer-to-peer learning among CEOs. Innovative individual and team exercises, introspective questions and 2,500 acres of forests, hills and farmland result in a valuable personal and professional experience.

The PeerSpectives retreat program offers a diverse selection of exercises that address a wide range of business and personal issues. The experiences illustrate the value of changing perspectives, encouraging innovation within an organization, continually defining the leadership role of the CEO and recognizing complex group dynamics within a growing enterprise.

The curriculum and exercises of the PeerSpectives retreat program help CEOs understand the benefits of searching for new perspectives, reframing problems into opportunities, identifying restrictive patterns in their lives and finding more than one right answer. An important element of the program is expressed through personal introspection coupled with peer input.

If you or your organization would like more information, contact the Edward Lowe Foundation at (616) 445-4218 or services@lowe.org.

Custom publishing

The Edward Lowe Foundation's Publishing & Information Services division works with companies and organizations that directly help and support second-stage entrepreneurs.

The Edward Lowe Foundation is dedicated to helping entrepreneurs help themselves by providing useful, timely and pertinent information for growing their businesses. It strives to add value to other organizations by:

- Publishing expertise in one or more professional areas, such as editorial, production, design or printing.
- Content development.
- Research assistance.
- Sourcing of authors or experts.
- Creating networking, partnership and peer-learning opportunities.

The Publishing & Information Services division of the Edward Lowe Foundation was created as an entrepreneurial entity with the primary goal of fulfilling the Foundation's mission and a secondary goal of generating revenue. Although publishing is not restricted to opportunities that generate revenue, such potential will be considered in selecting and implementing publishing projects.

To find out how the Publishing & Information Services division can assist you, contact the Edward Lowe Foundation at (312) 729-7900 or editor@lowe.org.

Technology services

The Edward Lowe Foundation provides a range of tech services to entrepreneur-support organizations, including:

- **Member surveys.** The Edward Lowe Foundation has created, hosted and developed several Web-based surveys targeting the membership of different entrepreneur-support organizations, including Let's Talk Business Network, Initiative for a Competitive Inner City and the Women Presidents' Organization. These surveys have demonstrated a higher response rate than paper-based surveys, and they free the member organizations from the administrative work of compiling, tallying and analyzing the survey results.
- **Membership directory.** The Foundation can help you set up your membership directory with an online interface that allows members to submit information electronically.
- **Owner-to-owner matching.** This option enables an organization's membership to keep in touch and make the most of networking opportunities. It allows a business owner to search for another participating CEO with relevant experience and ask questions related to business growth.
- **Integrated business content.** The foundation has nearly 800 business articles that it can lend or lease to other entrepreneur-support organizations. These articles can provide your organization's Web site with a virtual library of business ideas for growing companies.

If you or your organization would like more information about our technology services, contact the Edward Lowe Foundation at (616) 445-4218 or services@lowe.org.

Addendum

Building Entrepreneurial Networks

Editor's note: *The Edward Lowe Foundation would like to thank the National Commission on Entrepreneurship for allowing the below excerpt of "Building Entrepreneurial Networks." Based in Washington, D.C., the National Commission on Entrepreneurship (www.ncoe.org) provides local, state and national leaders with a roadmap for sustaining and expanding a flourishing entrepreneurial economy.*

Networking takes many forms, from Friday afternoon happy hours to formalized groups that help finance new businesses to traditional Chambers of Commerce. Moreover, these networks serve many purposes, from providing access to capital to offering venues for political action or supporting mentoring and educational opportunities. But entrepreneurs' needs evolve over time. When first considering a startup enterprise, entrepreneurs often need basic coaching and hands-on tips about leasing space and finding staff. They also need companionship and the opportunity to learn and share with others facing similar challenges in starting a new business. As a firm matures, these needs become more focused, with a special emphasis on growing the business through financing or strategic partnerships.

Networks provide entrepreneurs with critical opportunities for peer learning. And communities with more extensive peer networks in place tend to enjoy higher levels of both entrepreneurial activity and economic growth.

This report offers strategies and ideas for starting, energizing or maintaining networking organizations for local entrepreneurs. It details why and how networks matter, reviews various types of networks and offers guidelines for starting and maintaining such groups.

Why network?

Networks are a central component of an entrepreneurial climate — a cultural, social and economic milieu that encourages and nurtures the creation of new business ventures. Networks provide both direct and indirect benefits to a community and to its entrepreneurs. Most successful entrepreneurial networks are started by entrepreneurs and require their continued leadership and direction; they cannot be sustained by outside intervention alone.

Entrepreneurial networks are comprised of individuals who share ideas, learn from one another and do business together. In addition, network members frequently share the goal of nurturing a general entrepreneurial culture in a region. Membership in entrepreneurship networks can vary, but such groups tend to include entrepreneurs, aspiring entrepreneurs, service providers, local-development officials and investors.

Networks can also assume many functions or roles. General-purpose networks, like the Chamber of Commerce, mainly focus on providing education and business opportunities for members. Task-oriented networks undertake a specific objective and do not focus extensively on the relationship building and experience sharing found in most networks. Take, for example, political coalitions where entrepreneurs unite to support or oppose legislation or a government project/program. By definition, the lives of such groups are short. They also tend to be relatively small because they often require major time and resource commitments from participants.

Most entrepreneurship networks include some of these activities, but their larger purpose is relationship building. In these groups, entrepreneurs seek to build linkages to others involved with starting and growing new businesses. Each individual enters the network for idiosyncratic reasons, but the primary causes include a desire to learn from peers and to gain access to local expertise about how to succeed in business.

Younger firms and newer entrepreneurs tend to have a greater need for active involvement in these networks as they have less experience and their firms have not yet established routine procedures and organizational forms. They also tend to have a greater demand and need for interacting with and learning from peers and others who have expertise in startups. Indeed, such learning may be required if the startup firm is to successfully grow and mature. And new entrepreneurs may have a stronger need for the social goal of belonging to a peer group to help combat the sense of isolation that often accompanies the startup process.

As firms mature, their demands from local networks also change. Firms and their founders may become less interested in the social and learning aspects tied to networks and instead assume a more strategic approach to networking. In these later stages, networks may be exploited for building business alliances and for filling gaps in a company's in-house resources or expertise.

Networks not only help entrepreneurs help themselves, but they also offer advantages for the wider local community:

Brokering. Formal networks can offer brokering roles, making introductions and linkages between entrepreneurs and resources until the entrepreneur has established his or her own set of networks.

It is difficult to overestimate the importance of brokering for new or aspiring entrepreneurs. These new business owners tend to have a more limited range of contacts and connections; entrepreneurship networks help expand these linkages. Effective networking organizations offer new entrepreneurs access to nearly all of the resources needed to build a new business, such as capital, technology, mentoring and customers. An expanded network influences one's willingness to build a new business. According to a Social Forces study of entrepreneurs in North Carolina, individuals with a more diverse set of network contacts are more likely to start businesses than those without such networks.

This brokering role is similar to what venture-capital firms provide their portfolio companies. An Arthur Andersen report notes, "Ironically, both entrepreneurs and investors say that the cash supplied by venture-capital groups is often the least-significant aspect of their contribution to the success of their portfolio companies. Far more important is their help in recruiting key executives and board members, introducing their companies to potential customers and strategic partners and providing advice when the management team runs into trouble." Where there are fewer existing networks, visible organizations that can broker connections increase in importance.

Creating common perspectives. Networks provide a vehicle for aggregating and projecting the voice of small-business owners and emerging industries, helping entrepreneurs, civic leaders and public policy-makers to better understand and address barriers to growth.

For policy-makers formal business networks can serve as private-sector partners and advisers for economic-development efforts, resource pooling and regular information sharing. They also create an existing constituency forum, where public officials can test new ideas and get regular feedback on new or ongoing initiatives. In a dynamic region, decision makers are well networked to the region's businesses and supportive institutions so that economic strategies and regional networks can support each other.

For new entrepreneurs, networks place their voices and needs in a wider economic framework, helping them understand the available resources, opportunities and allies. By joining together, entrepreneurs and small businesses can increase their influence and achieve common objectives, such as jointly buying training courses or negotiating for improved telecommunication services.

Fostering cultural change. Networks may help promote cultural change. By signaling that entrepreneurship is desirable for a community, formal networks can serve to encourage business startups and provide validation to small businesses.

Communities that enjoy persistent, routine entrepreneurship are more likely to be home to local business leaders, consultants and service providers with expertise in starting a new business. In addition, networks are the primary vehicles through which the local business community's values and knowledge are transmitted. Networking events are where the stories of entrepreneurial companies are told, role models are celebrated and entrepreneurial values are communicated.

Creating civic leaders. Networks help nurture and mobilize private-sector leadership. For decades many small towns relied on a single large corporation or plant as a source for community leadership. As industries continue to consolidate, merge and relocate, many communities lose their leaders.

Entrepreneurship networks may help fill this void. Because formal networks tend to rely on volunteers for governance and organizational direction, they train entrepreneurs for leadership positions and offer direct channels for recruiting and mobilizing a new core of leaders.

Branding. Networks help "brand" a region by sending a message that a community supports entrepreneurs and desires their presence in the region. The effect is similar to "technology councils," which help signal that a community is "tech-friendly."

Regional competitiveness. Highly networked regions are also highly competitive. Networks help reduce barriers to entry for new businesses because they provide critical knowledge. As businesses grow, networks are used not only for learning, but also for accessing new resources, customers and other benefits. These linkages contribute to stronger businesses, which, in turn, create new jobs and wealth for the local economy.

Creating and nurturing networks

Most successful networking groups are created and run by entrepreneurs, but where does that leave communities that lack an entrepreneurial tradition? What happens in rural communities where only a handful of entrepreneurs work and where long distances may inhibit regular meetings and face-to-face interaction?

Even if a community must start from scratch and build a new organization, the challenges are surmountable. There are numerous ways that networks can be sparked or seeded.

Indeed, in many communities networks will not emerge spontaneously and can only be seeded through outside intervention.

However, intervention requires a light touch. Government agencies cannot mandate the creation of entrepreneurial networks, nor can they lead or dominate them. If entrepreneurs view a network as "just another government program," its prospects for success are limited. New organizations could emerge (especially if stimulated by government funding), but they would likely do little to help entrepreneurs or foster a supportive local business culture and infrastructure.

If public officials intervene to spark local networks, they must be willing to avoid active intervention and cede leadership responsibilities. Moreover, they must be willing to accept failure if local networks fail to thrive. This stance runs contrary to traditional government approaches that rely on new programs funded and run by government agencies. Government should avoid trying to steer networks; instead, it should encourage private leadership and learn to follow.

Communities should also be willing to start small. Research shows that small networks offer advantages in terms of accessing outside resources such as new customers and access to financing. But simply joining a network is not enough. Active participation by entrepreneurs is required to obtain these benefits. Not surprisingly, active participation is more common in smaller networks.

Starting small may provide additional benefits. Ultimately, networking is about building trust-based relationships to provide resources today and at some unknown time in the future. Relationship building is better fostered in small groups. Information also tends to disseminate faster and at higher levels in small groups. In fact, large business networks often find they need to divide and multiply. That means breaking their networks into smaller groups for more intensive relationship building. These smaller groups may meet independently and still complement the larger, looser networking events maintained by the original network. Additional informal networks grow out of these relationships. The emergence of these informal groupings is a clear sign that networking initiatives are having a positive effect.

Building a network

Building a network is an art. Success depends on a region's history, the nature of local businesses and the culture of its business community. These structural and cultural attributes must guide how local networks emerge and evolve. As a result, each community must design a strategy appropriate to its needs.

There are 10 steps to building a network. Many of these steps represent ongoing, simultaneous activities that are not only important for starting a network, but that also help develop and sustain an enabling entrepreneurial climate. There may be roles for a variety of leaders in the community, from leading entrepreneurs to public officials, university presidents, chambers of commerce presidents and heads of nonprofit organizations. But who takes on what tasks depends on the particular community.

1. Map the territory.
2. Sketch the plan.
3. Identify and approach leadership.
4. Launch pilot efforts.
5. Reach out to businesses.
6. Build strategic alliances (network the network).
7. Seed and replicate.
8. Let the pot boil.
9. Let go.
10. Tell the story.

1. Map the territory

Before launching a network, carefully analyze the need for a networking organization. Do community businesses cooperate with one another? Are formal business and civic organizations in place, such as a Chamber of Commerce or Lion's Club? Is there a demand for networking opportunities among local entrepreneurs? Where are there resource gaps for businesses and entrepreneurs? What common needs are not being met? Are there any new opportunities? What type of network will best support economic goals?

Creating a new network is not always the optimal solution. Indeed, if a new network duplicates the work of existing organizations or creates ill-advised competition, its creation may be counterproductive. Instead, communities may want to consider ways to revitalize existing organizations or alter their missions to include entrepreneurial networking opportunities.

The regional scan should include a review of how local networks align with regional economic-development objectives. For example, the IC2 Institute in Austin, Texas, and the Eastern Idaho Economic Development Council (EIEDC) established technology networks to support and grow an emerging software industry. Ben Franklin Technology Partners of Southeastern Pennsylvania (BFTP/SEP) focused on different service needs of entrepreneurs, and they opted to directly provide financing for businesses. They also created new networks to deliver other services, such as business-plan reviews, consulting and marketing assistance.

2. Sketch the plan

Mapping the territory identifies the needs of the community; the next step involves creating a means to address them. Plans can change dramatically as they move from needs assessment to a more concrete planning process. For example, the Eastern Idaho Economic Development Council (EIEDC) did not originally plan to start a network when first considering how to promote local IT firms. Yet in reaching out to local entrepreneurs, they discovered a strong demand for such a group. So EIEDC started the Eastern Idaho Forum for Information Technology (EIFIT).

Likewise, the Tulsa (Okla.) Metro Chamber of Commerce's networking initiative also grew directly from entrepreneurs' demands for such opportunities. Similarly, Philadelphia's Women Entrepreneurs Network PA, now the Women's Investors Network (WIN), emerged in response to local women executives who desired a forum specifically focused on high-growth companies.

After mapping is completed, community leaders must determine whether to create and run a new network or find other means for supporting such activities by either seeding existing networks, developing networks around existing public programs or starting a new network from scratch.

In all of these cases, support from a local development organization may be necessary, including staff time, hosting a Web site or e-mail service, use of a conference room or meeting space, or funding food and beverages at networking events. While some resource commitment is required, funding demands are limited.

Tip: One person can staff a network, using limited internal resources and outside donations for events and other activities.

Staff support is an important part of any networking strategy. Successful networks must be led and managed by entrepreneurs, but an independent organization that serves as an honest broker also is required to ensure the completion of administrative tasks.

Seed existing networks. This involves supporting the development of emerging networks that are already operating or are on the verge of being established by local entrepreneurs. Support can range from outreach with the local media, financing, setting up a common Web site or calendar to disseminating information on networking events. While seeding can be a one-time event, it's best when support is both long-term and consistent.

This strategy entails risk; not all seeded networks will survive. BFTP/SEP started out with an experimental approach, seeding different efforts around the region to get something started. As the region evolved and the networks grew and strengthened, BFTP/SEP became more strategic, focusing resources on a few networks to support clear development goals. Being strategic also means recognizing failure and understanding when seeded networks should simply fade away.

Develop networks around existing public programs. Organizations can also build networks around existing economic-development initiatives and act as a networking broker between entrepreneurs, making introductions to other businesses and service providers. For example, when Pennsylvania entrepreneurs apply to BFTP/SEP for financial assistance, their proposals are evaluated by networks of venture capitalists, technology experts and experienced managers. So when the entrepreneurs admitted to the program graduate, they are already embedded in useful networks. This strategy, which acts like an incubator or a venture-capital firm, supports entrepreneurs in communities that do not yet have a strong networking culture.

Startups housed in the Austin Technology Incubator, an IC2 offspring, receive free memberships in the Austin Software Council, the Texas Electronic Commerce Association and the Capital Network; they are also directly linked to the Know-How Network, a virtual directory of business service providers. Likewise, the Tulsa Chamber of Commerce uses a dedicated small business center to provide general support for new entrepreneurs and to channel them into existing networking opportunities.

Start a new network. Communities lacking a strong entrepreneurial tradition may have no choice but to start anew. In other cases, a new organization may be required because existing business groups are unwilling or unable to create new networking opportunities. While a startup network poses many management challenges, creating something new offers benefits in terms of branding and generating "buzz" about the new effort.

This process can also be coordinated with existing institutions, such as a Chamber of Commerce or Business Council. Working with existing organizations may not offer the marketing buzz, but it does ease some of the logistical burdens associated with starting a new organization. Moreover, it is common for business-oriented institutions to add new or specialized activities to their ensemble of programs. Tulsa's networks developed as extensions of existing Chamber of Commerce activities.

In contrast, the EIEDC started the Eastern Idaho Information Technology Forum from scratch, as the region lacked existing resources for such a network. The forum was created in consultation with local software companies and was modeled after similar networks established elsewhere in the United States. In Austin, IC2 created the Capital Network and the Austin Software Council because many local leaders felt that existing business groups and service providers were not capable of serving the unique needs of local startups.

3. Identify and approach leadership

Business networks are typically led by volunteer entrepreneurial business leaders, aided by full-time or part-time staff who provide administrative support for the network. The typical organization is based on a board of directors and various committees structured around specific tasks, industry subgroups or interests. For example, North Carolina's CED, one of the nation's largest local entrepreneurship support groups, is structured around a large (37-member) board of directors, with a small core executive committee. This group is supplemented by a large number of operating committees (such as a biotechnology roundtable and an international roundtable) that are open to all members with an interest in serving and a willingness to devote time to the group. A full-time, professional staff manages events, membership services and other administrative functions.

Most successful networks are started or catalyzed by a small group of entrepreneurs (or even a single entrepreneur) who are fully committed to the cause and also enjoy some standing in the local business community. These individuals reach across various community boundaries and create a buzz about the importance of changing the local business climate via networking and other initiatives.

Leaders of this sort tend to appoint themselves and act in response to their own strong visions for the community. But most places lack such visionary leadership, in which case other community leaders must recruit or appoint a champion(s). When seeking out new leaders, the following tips are helpful:

Aim high. When a network includes respected local business leaders, their participation signals the initiative's viability and seriousness. When recruiting leadership, aim for highly visible, well-connected and respected leaders. At the same time, leaders must be viewed as neutral, without a personal agenda. As a result, network leaders often emerge from the ranks of successful serial entrepreneurs who are now more focused on larger community issues, as opposed to building a new company.

Use existing connections. BFTP/SEP and EIEDC are public-private partnerships with private-sector board members. Software companies on EIEDC's board provided leadership for the start of EIFIT. The business leaders who encouraged the Tulsa Chamber to start a networking group eventually assumed leadership of this effort.

Work with allies who have connections. BFTP/SEP quickly established its angel investor network from scratch. They recruited a high-profile executive to reach other influential people and ensure attendance at a startup meeting. This high-level participation created a buzz about the network and made it easier to expand the operation.

Keep your ear to the ground. Reaching out to numerous contacts can help identify businesses with a reputation for community involvement. When doing the initial research, use informal discussion opportunities with businesses to ask about leadership roles and local entrepreneurs who are highly respected in the community.

Make the win scenario clear and exciting. It is easier to attract business leaders if they gain value from participation. Be clear about the network's value to the community. To generate excitement, networking events often have an educational component or organized program around cutting-edge or highly useful topics. Do not use events to market government programs or initiatives. Let the entrepreneurs choose topics, and recruit speakers that will interest them.

Take care of volunteers. Networks require time and effort to succeed, and most entrepreneurs must tightly budget their time. It is essential that volunteers are valued and appreciated. Do not overwork them or, just as important, underwork them. Volunteers need to feel valued and excited or they will lose interest. Challenge them, reward them and recognize them.

4. Launch pilot efforts

At this point, practical considerations take over, such as logistics (where, when, how often, what time), media and outreach (who to invite and how to invite them) and a program (usually a speaker).

Starting an organization requires some learning by doing. Determining what works or what will best stimulate local networking can only be fully assessed by getting businesses together and seeing what happens.

It generally takes several events to determine a good structure for group meetings. The Tulsa Chamber's initial network started with four people. As it grew, it changed venues and structures several times to accommodate member interests. In Philadelphia, BFTP/SEP's partner, the Southeast PA Export Consortium (SEPEC), set up a network for local biotech firms with an interest in entering international markets. The first session hosted a speaker who offered extensive details on how to enter the export business. Afterward, feedback from participants was fairly negative. Instead of "talking heads," entrepreneurs wanted to talk to each other and share experiences more informally. A new, less-structured format was created.

Timing also matters. Events should be relatively short (one to two hours) and include time for face-to-face interaction between entrepreneurs. They should not simply attend a meeting to listen to speeches. Holding meetings over a meal (generally breakfast or lunch) makes sense, as this ensures more efficient use of entrepreneurs' most limited resource: time. Finally, holding meetings at a regular time (the first Tuesday of every month) may also help stimulate regular attendance.

For many businesses and budding entrepreneurs, networking skills do not come naturally. Another advantage to formal network organizations is that they can mentor entrepreneurs in the art of networking. Indeed, facilitating networking can be as important as facilitating networks.

Teaching entrepreneurs how to network is important for regions in all stages of entrepreneurship development. The Tulsa Chamber of Commerce has a networking consultant who helps people to network, provides short training courses and is available for troubleshooting events. The Washington, D.C., Board of Trade, located in a recognized technology region, offers a jump-start program for new members and startups to teach them how to network effectively.

If such resources are not locally available, consider designating a facilitator/broker, who helps network leaders meet, greet and introduce individuals to each other. Formal meetings should include significant amounts of time for networking. Even better are events, such as an evening happy hour, that have no direct business purpose except to network and have fun. North Carolina's CED has found that one of its more popular and effective events is a regular Friday happy hour, where members can drop by for a few minutes on their way home from work.

5. Reach out to businesses

Marketing is critical to networking success. Businesses and entrepreneurs need to know about networking opportunities. A network also needs a steady stream of new people and new leaders to keep it fresh, exciting and sustainable over time. Traditional outreach tools include newsletters, e-letters, Web sites, newspaper, radio and other media ads, e-mail blasts, a calendar of events, word-of-mouth and telephone trees.

Outreach efforts are aided by maintaining an open membership policy and holding down costs. A number of groups have nominal membership fees with small charges for specific events, training and other activities. For example, the CED in Research Triangle Park limits its basic membership fee for individuals and startup companies to $125 per year.

Local networks also need effective branding (a name, logo and other symbols that create a collective identity). The brand should also clearly indicate whom the network targets (for example, all entrepreneurs, technology entrepreneurs, women entrepreneurs).

In addition to using traditional direct-marketing tools, the network should build close relationships with local media. These links help decrease the cost of marketing while increasing market coverage. More important, they assist the network in influencing how the media covers local entrepreneurs and their companies. This coverage plays a critical role in influencing the business culture of the region and can be an important catalyst for promoting an enabling entrepreneurial climate.

The Internet is an invaluable outreach tool. At the inception of a network, e-mail delivery of notices and news is highly cost effective. Setting up an e-mail listserv and network Web site must be central components of a network's startup phase. The Morino Institute's Netpreneur.org site offers an excellent example of how to use Web-based resources to start local networks.

Once networking events increase in number, Web sites and linkages are an excellent way to aggregate resources and provide easy access to information. Web sites display the range of networks and resources available to entrepreneurs and send the message: If we can't help you, we'll use our networks to direct you to those who can.

BFTP/SEP started www.techphilly.org in partnership with the Eastern Technology Council, SCT Corp. and others as a portal for the regional technology industry. The site includes a calendar for all regional networking events, regional technology news and links to professional service providers. In addition, the site enables outside organizations to post news and events, and it now includes an extranet that can stimulate communication between allies of BFTP/SEP.

In another example, Netpreneur.org created a Web-enabled network that offers a full regional calendar, discussion groups, content resources and contact databases. The program also organizes face-to-face networking events, online broadcasts and regular e-mail newsletters.

6. Seed and replicate

The presence of one network begins to build the infrastructure for an entrepreneurial region, but regional growth depends on a deep and rich assortment of networks. One effective measure of success is how the initial network has helped spark the creation of other networks.

The purpose of seeding is to expand the range and diversity of resources available to local entrepreneurs. No single organization can meet every need, nor should it try to be a one-stop shop for entrepreneurs. Linking entrepreneurs to existing service providers or seeded outside networks is far less expensive and more effective than creating duplicate services in-house.

For example, BFTP/SEP had identified a strong local demand for new sources of equity capital. Instead of creating an in-house equity fund, BFTP/SEP helped launch the Delaware Valley Venture Group in the early 1980s, which later grew into the Greater Philadelphia Venture Association. It also provided seed money to help start the Eastern Technology Council, a network developed by technology business leaders in the region.

Not all of BFTP/SEP's seeding efforts were successful. Yet over time these networks have helped foster a new business culture in Southeast Pennsylvania, where the past emphasis on heavy manufacturing has evolved to embrace a newly emerging sector of technology entrepreneurs.

While seeding diversifies the types of networking opportunities, replication increases the number of opportunities for businesses to enter networks. Replicating can start simply, by offering events at varied times to reach businesses with differing needs. For example, the Tulsa Chamber has breakfast, lunch and evening events.

Replication also can be more ambitious. As well as large networking events, the Tulsa Chamber also has smaller "TIP" (Tulsa's Interactive Professionals) networks, which bring together about 15 diverse business people with the sole purpose of developing business leads for each other. When one group is full (only one person per industry can participate), they encourage the formation of additional TIP groups. They currently have 41 TIP networks comprised of 800 business people.

7. Build strategic alliances

Building strategic alliances with other organizations enhances the reach and resources of the network. In dynamic regions, networks among area institutions parallel the networks among businesses.

In North Carolina, CED helped create similar groups in other parts of the state. As a result, a powerful statewide network of entrepreneurs has emerged. Moreover, emerging regions in North Carolina can tap into CED's expertise in organizational development and membership services.

In Southeast Pennsylvania, local entrepreneurship support groups are so well linked that they share a common regional logo to indicate the range of resources and networks supporting an initiative. These networks have served as catalysts for several new initiatives to help foster local entrepreneurship: the Pennsylvania Southeast Mezzanine Fund, the Southeastern Pennsylvania Export Consortium and the Nanotechnology Institute.

When building alliances, a top priority should be to access resources not currently available in existing networks. In large metropolitan areas, such networks can generally be found close to home. In rural areas and small towns, finding such links may require some creativity and alliance building on a national scale.

Eastern Idaho's entrepreneurs have faced challenges in accessing equity capital in local markets. In response, EIEDC facilitated the network's entry into the San Jose Software Council to expand the ability of local firms to access outside equity-capital resources, as well as other industry knowledge and information. Similarly, IC2 has built strategic alliances with universities in 25 nations to enhance Austin's access to global knowledge resources and to expand international opportunities for university students.

8. Let the pot boil

Entrepreneurial networks can help catalyze a region. It is possible to start with one institution, build small networks, encourage individual entrepreneurs, seed burgeoning networks, build alliances and — slowly with patience and flexibility — nurture an entrepreneurial culture.

Key constituencies, including entrepreneurs and local political leadership, must maintain realistic expectations about the pace of change. A minimum commitment of three to four years is generally required to generate significant change in a community, and an even longer time frame is optimal.

Successful networks face major challenges from time to time. For example, EIFIT has found that attendance at formal network events has declined. This decline may be attributed to the emergence of successful informal networking among local tech executives, but it is also a worrying sign for EIFIT's founders. They are now responding with a series of steps to widen the initial network through partnerships with outside groups, such as the San Jose Software Council, and by holding events in towns around the region other than Idaho Falls.

If program ideas fail to energize entrepreneurs, try something else. Do not continue with more of the same. For example, North Carolina's CED has found that becoming engaged in political activity detracted from its core mission of serving entrepreneurs. Thus, after several halting efforts to work more closely with local politicians, CED's leaders have opted to remain focused on their core work.

9. Let go

Creating a network is somewhat like raising a child. You know you have succeeded when your offspring is independent and healthy and no longer needs your daily nurturing. The ultimate goal is the creation of a self-managing network. Any effort to start a network must include a vision for its eventual spin-off.

Letting go signals the build-up of a critical mass of entrepreneurs who can sustain the network organizationally and financially. Additionally, it creates new allies and sources of business leadership for a community. These new entrepreneurial leaders are better equipped to voice business concerns, provide support for entrepreneurs and help invest in improving the local business climate.

Letting go is not the same as moving on. Instead, a more mature relationship should emerge as public institutions move from a mentor/funder role to a position as partner and supporter.

10. Tell the story

Building an enabling entrepreneurial climate requires that local leaders keep telling the story of local networks, entrepreneurs and the region's development. Networks should highlight local heroes, show growth and development, spotlight new and growing resources, market local events and search for recognition opportunities such as national awards programs.

Telling the story requires good relations with the local media, and networks should look for ways to regularly involve reporters in their activities. EIEDC, for example, includes the publisher of the Idaho Falls Post Register on its board of directors. BFTP/SEP's partnership with WHYY, a local public-television affiliate, is starting to play an important role in advancing a regional entrepreneurship agenda. WHYY simulcast BFTP/SEP's Technology Action Agenda, an informational and planning effort to mobilize regional institutions and businesses to support technology-led development.

Source: The National Commission on Entrepreneurship, "Building Entrepreneurial Networks," December 2001. Based in Washington, D.C., the National Commission on Entrepreneurship (www.ncoe.org), funded by the Ewing Marion Kauffman Foundation, provides local, state and national leaders with a roadmap for sustaining and expanding a flourishing entrepreneurial economy. Contact NCOE at 444 N. Capitol Street, Suite 399, Washington, DC 20001; phone: (202) 434–8060; fax: (202) 434–8065.