



## The Case for Economic Development and Community Impact Through Entrepreneurship

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Historically, economic development, philanthropic community impact, and entrepreneurship have been substantially separate concepts, but now there is a small and growing group of leaders that increasingly believe that these three things may be the same thing. This evolving viewpoint of interconnectedness and overlap suggests that they can work synergistically to drive positive change and create sustainable growth. This school of thought is called **economic development and community impact through entrepreneurship**, and here is why we believe all communities, be they geographical or affinity-based, should pursue its potential to create new solutions to old problems.

First, let's identify each of these concepts using traditional definitions.

- **Economic Development** is the name given to people, organizations, and efforts to improve economic well-being and quality of life. It involves strategies aimed at creating jobs, attracting businesses, fostering innovation, and improving the quality of place, among other objectives. It focuses on creating an environment that encourages business growth and provides opportunities for individuals and communities to thrive economically. It is traditionally practiced by *Economic Development Organizations (EDOs)* and *Economic Development Corporations (EDCs)* at a city, county, regional, or national level.
- **Philanthropic Community Impact** involves the donation of time, money, resources, or expertise for the betterment of others and impact in a community. These efforts can support a wide range of causes, such as education, healthcare, poverty alleviation, environmental conservation, and social justice. It aims to address societal challenges and improve the well-being of individuals and communities by leveraging the resources and generosity of individuals, foundations, and corporations.
- **Entrepreneurship** refers to the process of creating, developing, and managing a new business venture with the goal of generating profit. Entrepreneurs identify problems that can be solved in better ways, and then raise capital and hire people to create solutions to those problems. Entrepreneurship is a key driver of economic growth as it fosters job creation, drives innovation, promotes competition, and encourages the efficient allocation of resources. It is traditionally served by *Entrepreneurial Service Organizations (ESOs)* who seek to provide capital, process, programming, and support for entrepreneurs in their pursuits.

Examples of all three categories exist in nearly every community in America at national, regional, and local levels, but examples of successful interactions between these organizations can be historically few and far between. Furthermore, as each group acts in isolation, negative side effects occur. For example:

- Economic Development practiced alone can lead to strategies that seek to entice existing businesses to relocate from one geography to another through incentives. Often termed *smokestack chasing*, which gets its name from manufacturing factory relocation, it is, at best, a zero-sum game in which one community must lose for another to win, and at worst is a negative-sum game where what is gained makes other existing businesses in a community slightly less competitive due to

those incentives benefiting the newcomer alone.

- Philanthropic Community Impact practiced alone can result in limited impact and sustainability. Without collaborating with other organizations, government entities, or community groups, philanthropic initiatives may struggle to scale up, lack coordination with existing efforts, and miss opportunities for synergistic solutions. This can result in fragmented efforts and limited long-term impact on the targeted issues.
- Entrepreneurship practiced alone can lead to missed opportunities, as entrepreneurship thrives on collaboration and networking. Operating in a vacuum limits the potential for partnerships, knowledge exchange, and leveraging complementary skills and resources. By isolating themselves, entrepreneurs may miss out on valuable opportunities to collaborate with other businesses, industry experts, or potential investors, which could impede growth and limit innovation.

When we explore intersections between these communities, however, some interesting and potentially impactful new methods present themselves.

- The intersection of Entrepreneurship and Philanthropic Community Impact is called **Entrepreneurial Philanthropy**, a concept that has gained traction in recent years. It involves applying entrepreneurial principles, such as innovation, risk-taking, and scalability, to philanthropic efforts. Entrepreneurial philanthropists seek to create sustainable solutions to social challenges by leveraging their business acumen, networks, and resources. This approach blurs the lines between entrepreneurship and philanthropy, recognizing their shared potential for driving change, and creates new potential solutions to old problems.
- The intersection of Entrepreneurship and Economic Development is called **Entrepreneurial Ecosystem Development**, which intends to create a conducive environment for the establishment, growth, and success of entrepreneurial ventures. It is a powerful driver of job creation and economic growth, leads to technological and innovation advancement, creates pathways for skill development and talent retention, and enables wealth creation and downstream income distribution throughout a community. In addition, the diversity of business creates a resiliency to an economy enabling it to adapt to changing circumstances and better withstand economic downturns.
- The intersection of Economic Development and Philanthropic Community Impact is called **Inclusive Economic Development**, another concept that has gained traction recently. It is an approach that combines efforts to drive economic growth and improve the well-being of communities through targeted philanthropic initiatives. It recognizes that economic development should be inclusive, equitable, and focused on addressing the needs and aspirations of the community. Rather than focusing solely on economic indicators, this approach emphasizes social impact and the well-being of all community members, particularly those who are marginalized or disadvantaged. It seeks to ensure that economic growth translates into improved quality of life, reduced poverty, and enhanced opportunities for all.
- At the center of all three stands, among other concepts, a **Social Impact Business** has emerged as combination of entrepreneurial principles, a focus on creating positive social or environmental impact, and economic growth. Social entrepreneurs develop innovative business models that address societal challenges while also generating revenue. They often seek to disrupt traditional systems and contribute to economic development while pursuing philanthropic goals.

Graphically, these concepts can be visualized in the following way.

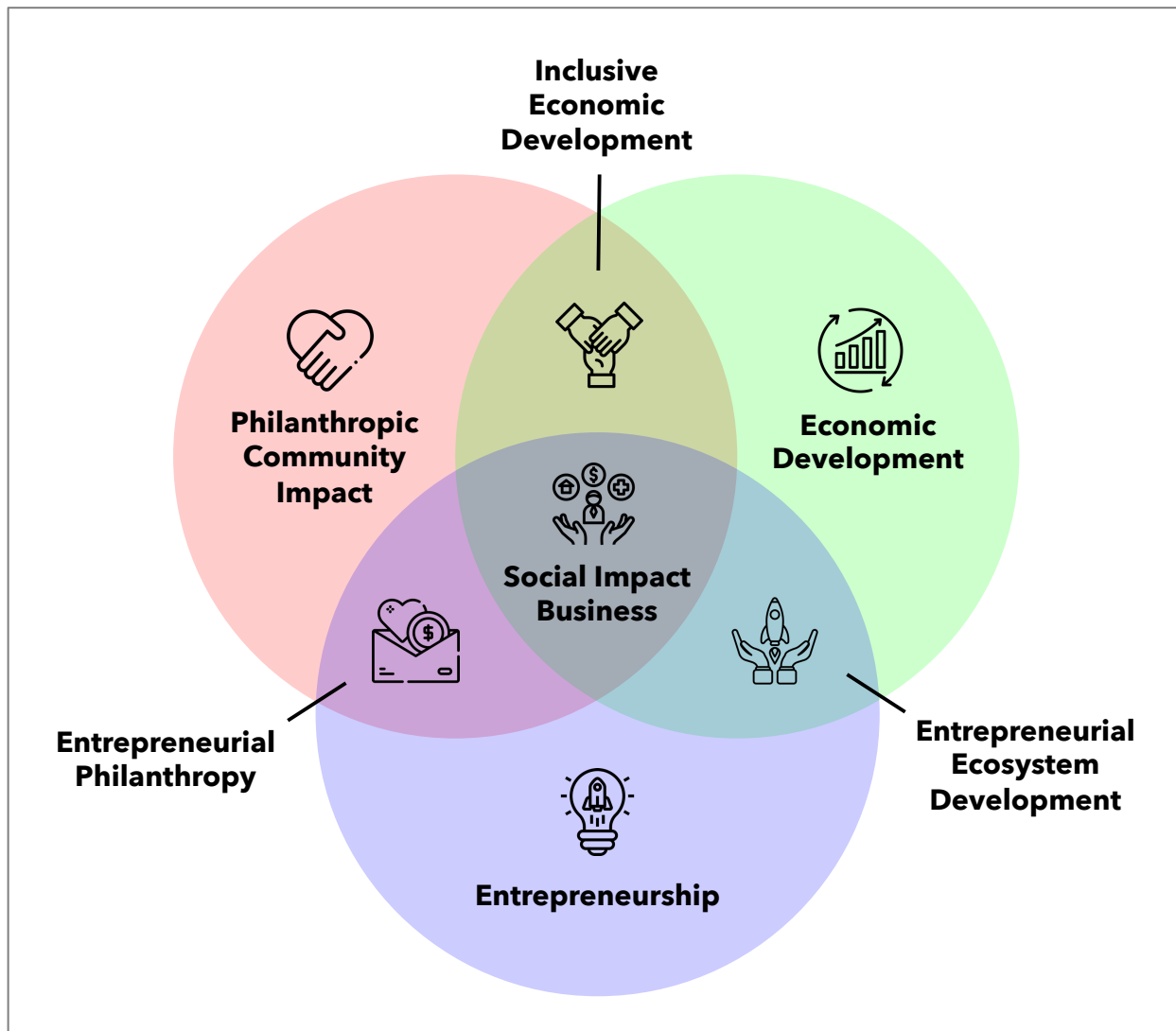


Figure 1: Economic Development, Philanthropic Community Impact, and Entrepreneurship Intersections

Economic development and community impact through entrepreneurship offers the potential of new solutions to old problems.

1. The intersection encourages individuals to think **creatively and innovatively**. By applying entrepreneurial principles to economic development and community impact, entrepreneurs can challenge conventional wisdom and introduce novel approaches to address old problems. They often bring fresh perspectives, combining their unique experiences, expertise, and knowledge to identify alternative solutions that may have been overlooked in traditional approaches.
2. The intersection offers the potential for **agility and adaptability**, enabling faster responses to evolving challenges. Entrepreneurship is typically nimble, quick to adapt to changing circumstances, and willing to take calculated risks. This allows for experimentation with new ideas and adjustment of strategies based on feedback and real-time data. This dynamic approach helps tackle old problems from different angles and find more effective and efficient solutions.

3. The intersection emphasizes the importance of understanding **market dynamics**. By adopting a market-driven approach, we can quickly identify gaps, unmet needs, and opportunities that can lead to innovative solutions. This customer-centric approach ensures that solutions are tailored to the specific context and requirements of the target audience to offer solutions that align with the demands and aspirations of communities.
4. The intersection fosters **collaboration and networks** that bring together diverse stakeholders, including entrepreneurs, investors, mentors, and community members. By leveraging these networks, initiatives can tap into a broad range of expertise, resources, and perspectives. Collaborative networks enable knowledge-sharing, co-creation, and collective problem-solving, leading to more comprehensive and effective solutions.
5. The intersection focuses on developing **scalable and sustainable** initiatives. This approach encourages stakeholders to build solutions that can grow and sustain impact over the long term. This helps address old problems systematically and create lasting change.
6. The intersection places communities at the forefront of **technological and digital innovation**. By harnessing technology, initiatives can leverage digital tools, platforms, and solutions that can enhance efficiency, accessibility, and effectiveness, offering innovative solutions that were not possible in the past.

If you are part of one of the traditionally separated economic development, philanthropic community impact, or entrepreneurial communities but seek to challenge the traditional answers and results of longstanding problems, we invite you to join us at the center of the intersection of these worlds, where we are working towards a more connected, more inclusive, more impactful, more fruitful, and more sustainable future for all.