

# **DEVELOPMENT OF AN ENTREPRENEURIAL ECOSYSTEM IN ROWAN COUNTY, NORTH CAROLINA**

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## **ABSTRACT**

*The Rowan County Board of Commissioners created the Rowan Idea Center, housed in the West End Plaza, in Salisbury, North Carolina with the purpose of serving as a hub for the development of an Entrepreneurial Ecosystem in Rowan County, North Carolina. The Innovation Quarter, an Entrepreneurial Ecosystem in Winston Salem serves as a model for these efforts. However, the resources in these two areas are not the same. In addition, there may be some aspects of the Entrepreneurial Culture, such as the embrace of diversity that may prove difficult to emulate and community acceptance and willingness to participate may not be the same. Given these circumstances, what would be the best course of action to develop an Entrepreneurial Ecosystem in Rowan County? We show that gradual changes toward successful Entrepreneurial Ecosystems and Leadership Development can assist with these efforts.*

**JEL:** A10, D2, M1, O3

**KEYWORDS:** Entrepreneurship, Entrepreneurial Ecosystem

## **INTRODUCTION**

Recently the Rowan County Board of Commissioners purchased the Salisbury Mall in Salisbury, North Carolina due to fact that many of the stores that occupied this mall had closed. The Salisbury Mall was renamed the West End Plaza. The Rowan County Board of Commissioners is to seeking to revitalize the economy of the local area through the development of an Entrepreneurial Ecosystem in the Salisbury area. Rudimentary components of this system have been developed in the Salisbury area. This contrasts with a well-developed and successful Entrepreneurial Ecosystem in Winston-Salem which is in Forsyth County just 40 miles to the north. The challenge facing the Rowan County Board of Commissioners is to duplicate this success in the Salisbury area. The population of Rowan County is 138,694 and the population of Forsyth County is 371,511. The median household income in Rowan County is \$44,494 and the median household income in Forsyth County is \$ 48,271. The median property value in Rowan County is \$130,500 and the median property value in Forsyth County is \$153,200.

The first phase of intended revitalization has already begun with the opening of the IDEA Center in the West End Plaza. The IDEA Center represents Innovation, Development, Acceleration and Entrepreneurship. Currently the IDEA center, in Phase 1, is offering Entrepreneurship Education programs. In Phase 2, a co-working space will be developed. Office and cubicle space, conference rooms, and basic office services will be available on a monthly rental basis and on a per usage basis. In addition, a Prototype space will be allocated and equipped to facilitate prototype development, model construction and light manufacturing. The Idea Café, a coffee and gathering place, is a potential future development. It will be like the Venture Café concept in which random encounters with a diverse group of people may spark profitable business ideas.

Previous research on Entrepreneurial Ecosystems has identified the need to understand Business Plan basics, the development of professional skills, the holistic and integrative nature of Entrepreneurship, the development of students through involvement in real world problems and simulations, identifying sources of seed funding, the importance of embracing diversity, the transmission of culture through involvement with seasoned entrepreneurs and expanding the resources available to Entrepreneurs through tapping into a virtual community of Entrepreneurs. In this paper we discuss the creation of an Entrepreneurial Ecosystem in Salisbury, North Carolina by implementing these ideas. In addition, we suggest that excellence in both technical and professional skills is required for potential entrepreneurs and this can be developed through involvement in student organizations such as Phi Beta Lambda. We offer suggestions for leadership development, which is required to facilitate cooperation between members of a diverse group of individuals. The desired goals could be accomplished faster through the continual search for best practices from other Entrepreneurial Ecosystems. We recommend greater cooperation between well developed and early stage Entrepreneurial Ecosystems located in the same geographic region.

In the next section, we review the relevant existing literature on Entrepreneurial Ecosystems. We discuss the components of the Winston-Salem Entrepreneurial Ecosystem and compare it to the Entrepreneurial Ecosystem in Salisbury, North Carolina. We then discuss how these ideas may be used to design Entrepreneurship programs at Colleges and Universities and how the success of these programs may be assessed. We conclude with some suggestions as to how the success of the Entrepreneurial Ecosystem in Winston-Salem may be duplicated in Salisbury.

## LITERATURE REVIEW

Entrepreneurs that use shared working spaces to reduce costs can also benefit from the assistance of students from local universities that complete internships with the Entrepreneurs. For students to work effectively as interns with Entrepreneurs in shared working spaces, they must be prepared appropriately. Yusuf and Huda M. Atassi (2016) discuss the role played by Universities as part of the Entrepreneurial Ecosystem. Universities promote Entrepreneurship through establishing centers for Entrepreneurship, Technology Transfer Centers, providing courses in Entrepreneurship and developing Entrepreneurial skills such as creativity, problem solving, conflict management, communication and negotiation. Business simulation games, in addition to lectures are used to convey the material. Stanford University utilizes an approach to Entrepreneurship which they refer to as “Design thinking”. Design thinking develops the students’ awareness of people’s needs and wants and provides methods to match these needs with products that are technologically feasible and can be profitably commercialized. Babson College emphasizes holistic and integrative learning as part of the culture of Entrepreneurship.

Secundo et.al. (2016) consider the benefits of involving students in the research problems of corporations. Companies looking for innovative solutions to project questions would normally involve customers and suppliers because of their familiarity with the products of the corporation. However, if students are involved, the benefits to a company would be new perspectives that students develop, networking with students and developing the interest of students in specific companies or industries. In turn, students would benefit from practical experience, developing their competencies, acquiring new knowledge and developing entrepreneurship awareness.

Entrepreneurs will require seed funding to start working on their ideas. Wright, et.al. (2017) discuss several funding mechanisms. Funding could be secured from the alumni of the universities in the geographic area. Some alumni might be willing to provide seed funding for entrepreneurial ventures as a gift. Others might make an investment in an entrepreneurial venture in the hope of obtaining a sufficient return on their investment. Crowdfunding is an alternative way to raise startup funds. Entrepreneurs make their pitches on a website to investors who have signed up for the website. There are several types of crowdfunding mechanisms: donation, lending and equity sharing. Donation websites secure donations, lending websites

secure funds from lenders in return for interest payments, equity sharing websites secure funds in exchange for an equity interest in the startup company.

An Entrepreneurial ecosystem has the potential to grow rapidly. This is because of the concept of cumulative entrepreneurship as discussed by Brown and Mason (2017). Seasoned entrepreneurs act as a source of inspiration and role models for budding entrepreneurs. They can nurture new entrepreneurs through demonstrating appropriate social behavior, formal mentoring and tacit knowledge sharing. Entrepreneurs who have sold off their businesses and/or who are no longer involved in the day to day operations seek to invest as business angels in new and young businesses and provide hands on support. They tend to favor businesses that are in close geographic proximity. Consequently, past successes breed future successes through this process of cumulative entrepreneurship. Individuals known as dealmakers are deeply involved in the business community and have valuable social capital. These assets are used to facilitate the formation of new firms.

Entrepreneurs thrive in a culture that supports their mindset. Brown and Mason (2017) recognize the importance of entrepreneurial culture as a key component of an entrepreneurial ecosystem. If societies do not value the societal contribution of entrepreneurs, if their social status is low, their financial success resented and if failure is viewed negatively, it will have a negative impact on entrepreneurial development. The desired culture must support diversity because it is through interaction with a diverse group of people that ideas are generated. Mehta et. al. (2016) discuss entrepreneurship learning in a multi-cultural environment. Students from the University of Massachusetts visited BVB College of Engineering & Technology in Hubli, India and subsequently the Indian students visited the University of Massachusetts at Lowell for several weeks. Following their educational program, students continued their relationships through social media networking through tools such as Facebook, Snap Chat, LinkedIn and WhatsApp. This resulted in greater friendships and collaboration for current and future projects.

Social media creates a virtual community. Hegde and Catherine Demangeot (2017) discuss the value provided to an Entrepreneurial Ecosystem by Virtual Communities. People who are part of a virtual community may access the different forms of knowledge possessed by people in the network. In these communities, idea combinations can be found and these ideas can be refined through discussion and feedback.

## **COMPONENTS OF THE WINSTON SALEM ENTREPRENEURIAL ECOSYSTEM**

Venture Café was an initiative of the Cambridge Innovation Center (CIC) in 2009. The Cambridge Innovation Center was founded in 1999 by Massachusetts Institute of Technology (MIT) graduates Timothy Rowe and Andrew Olmsted. CIC realized that it was supporting companies who had passed the startup phase of the business. They realized that they needed to focus on the initial stages of entrepreneurship, which are generating and refining ideas, raising money, mentorship, connection to deep knowledge, and general collaboration opportunities. This led to the Venture Café concept. The name Venture Café was inspired by the book *Venture Café* by Teresa Esser. The theme was inspired by the first chapter of the book which proposes a regular gathering for founders to talk with experienced executives and others community members.

Flywheel Coworking offers shared and private working spaces for entrepreneurs. In addition, Flywheel hosts Startup Grind, Swerve and TechStars Startup Weekend. Swerve provides meetings for those individuals working in the Creative Arts field. They meet once a month. Startup Grind partners with Google for Startups to provide periodic talks by successful entrepreneurs. These talks are open to the community and are also available on YouTube. They have over 500 chapters and operate in 125 countries. This event is held periodically at Flywheel Coworking. TechStars Startup Weekend is held periodically at Flywheel Coworking. It takes place over a weekend, starting on Friday. The event begins at 5PM with

social networking. This is followed by a dinner and a short talk on some aspect of starting a company. Subsequently participants have 60 seconds to pitch their business ideas. Attendees vote on the best ideas and teams form that will work throughout the weekend to prepare for their presentation on Sunday afternoon. The presentation takes 5 minutes plus 2-3 minutes for Q&A. The top teams are chosen by the judges and prizes are awarded.

New Ventures is a business accelerator program based at Flywheel Coworking. After completing an application, eight teams are selected for special training that Mixxer is a facility which allows potential entrepreneurs to experiment with the manufacture of various objects. Special tools such as 3D Printers, laser cutters, computers with special design software and an electronics lab are available to create these objects. Forsyth Tech hosts the Small Business Center and provides access to mentors for startup companies. There is a Small Business and Technology Development Center at Winston-Salem State University for existing companies that want to increase the growth of their businesses. 100watt is a business incubator located in Winston-Salem that helps with brand development, the creation of a business plan, and feasibility studies. They provide mentoring from experts in sales, marketing, technology and operations and assist with fundraising. Colleges and Universities include Forsyth Tech, Piedmont International University, Salem College, Wake Forest University and Winston-Salem State University. Angel Groups and Venture Capitalists include Five Points Capital, Piedmont Angel Network, Piedmont Venture Capital and VentureSouth Piedmont. Newsletters include Business North Carolina, newsletters from the Winston-Salem Chamber of Commerce, Piedmont Local and the Triad Business Journal.

## **A COMPARISON OF TWO ENTREPRENEURIAL ECOSYSTEMS**

The Rowan Idea Center located in the West End Plaza was created with the intention of offering workshops in Entrepreneurship, developing co-working spaces, a business incubator, a maker space and a café where entrepreneurs could meet each other. Currently only the workshops have been implemented and are held at City Tavern in downtown Salisbury. The content of these workshops like that of a first course in entrepreneurship with a different topic covered every month.

Colleges and Universities in the area include Catawba College, Livingstone College and Rowan Cabarrus Community College. Both Catawba College and Livingstone College have programs in Entrepreneurship. There is a Small Business Center at Rowan Cabarrus Community College. The Salisbury Business Center provides a monthly newsletter. The Rowan County Chamber of Commerce provides several events for Chamber members every month such as Business After Hours, the Power in Partnership breakfast, the Young Professionals Group meeting, Women in Business and the Minority Business Council. Catawba College has a business incubator for their students.

## **THE ROLE OF THE PROGRAM IN THE UNIVERSITY**

Both Livingstone College and Catawba College currently have Entrepreneurship programs. These should be periodically revised to reflect best practices which would be determined by a Business Advisory Board. College courses at local institutions should be made available to residents of the future co-working space or future business incubator at substantial discounts. This could be facilitated by grants or government programs.

Students should be trained in the relevant technical and professional skills so that they could obtain internships at startup companies. The Entrepreneurship program should be performance based and should emphasize the integration of knowledge. Simulation games are an excellent way to give students real world experience. At Livingstone College students play the CAPSTONE Business Simulation game in the Business Policy which integrates knowledge from various Business disciplines. Colleges should seek grants to offset the cost of these games.

An Entrepreneurial Ecosystem requires extensive social networking. Students may not have the skills to adequately participate in these activities. The Business student organization Phi Beta Lambda trains students to be effective at social networking through the development of soft skills. This is accomplished through monthly meetings, projects, social events and workshops at local, State and National conferences. Phi Beta Lambda has active chapters at Livingstone College, Catawba College and Rowan Cabarrus Community College. Similarly, chapters of other National Business student organizations should be initiated to cater to different student interests. Faculty should be given time to attend events sponsored by the student organizations and there should be a budget for student conferences. A course in the development of Professional Skills should be incorporated as part of the Business Core offering.

Livingstone College has alliances with Invertis University and with Lovely Professional University in India. Every semester, students from these Universities come to study at Livingstone College. These alliances form a bridge between the faculty, entrepreneurs and investors in the Salisbury area and those in the community around the Indian Universities. The diversity that these students bring will benefit the Entrepreneurial Ecosystem. These students should be placed in Student Business Organizations and given the chance to participate in the activities of the Entrepreneurial Ecosystem in the Salisbury and Winston-Salem areas. When they return to India, they could continue relationships they developed at Livingstone College through Facebook, LinkedIn and WhatsApp. Collaboration with the Universities in India could be increased through joint participation in the Capstone Business Simulation game and through joint case competitions.

### **ASSESSING THE UNIVERSITY PRODUCT**

In May 2018, the Rowan Idea Center organized the first Business Pitch competition. There were two categories in this competition, one for the high school students and one for the rest of the Rowan County Community. The first prize was set at \$1000. This competition should become an annual event and will motivate people to participate in the Entrepreneurial Ecosystem so that they will be able to adequately prepare for the competition. It should also be adequately advertised and promoted. Doing well in this competition will be a measure of the success of the Entrepreneurship program.

Phi Beta Lambda has State competitions in about sixty different fields of business and CIS in April of every year. The topics for a particular field of Business are not based on a particular textbook, so students prepare by reading a variety of textbooks. Judges are chosen from professionals that are not academics. Hence the students can expect questions that reflect a blend of academic knowledge and experience. The rigorous nature of the competition ensures that students develop a deep and broad understanding of the subject matter. This will prepare them to serve as interns for the Entrepreneurs who will potentially be housed in the future co-working space at the West End Plaza. They will also be prepared to aid the Entrepreneurs in a Business Incubator if a decision is made to develop one. Students should look for opportunities to participate in case competitions as this gives them a chance to integrate theory and practice. Case competitions are offered at the State Level competitions of Phi Beta Lambda and also at the annual meetings at IACBE.

Professors should consider assigning students projects based on problems that businesses in the local area are trying to solve. Students will benefit from the integration of theory and experience. This will require cooperation from the local Business Community and a committee should be formed at the Rowan County Chamber of Commerce that will facilitate this. The benefits that businesses will derive would be the fresh perspectives that students would bring and solutions using innovative theories learned in the classroom. In addition, businesses would also be able to promote their products and services and recruit candidates for internships and future employees. Placement in these internships would be a measure of the success of the Business Program.

As the Business School Accrediting organizations focus on the demonstration of acquired skills, the Colleges should work towards receiving accreditation. Achieving accreditation will be a measure of the success of the Business program. Faculty should be given funding to attend accreditation conferences so that they may learn about best practices used by other universities.

## CONCLUDING COMMENTS

Efforts to duplicate the success of the Winston-Salem Entrepreneurial Ecosystem in Salisbury, North Carolina are in progress. This is expected to take several years. As funding for these efforts may present challenges, we offer some suggestions to accelerate the development of the Entrepreneurial Ecosystem. This is the result of discussions with people in key roles in both Ecosystems and through involvement in the activities of these Ecosystems. The decision makers should visit other areas in the Country which are thriving Entrepreneurial Ecosystems and transfer those best practices back to the Rowan County area. Progress reports should be provided to an advisory board so that appropriate guidance could be provided. Consultants should be brought in to provide feedback. Funding should be provided for professors to attend academic and practitioner conferences so that they develop an understanding of the models and theories that may guide this process.

As this effort requires the cooperation of the community, educational institutions, local government and businesses, committees consisting of persons from the above entities should be formed to guide the development of the Entrepreneurial Ecosystem. These committees should consist of a diverse group of people so that different perspectives could be brought to bear on the development of the Entrepreneurial Ecosystem. There should be sufficient representation of people across generations. Potential entrepreneurs want to hear from successful entrepreneurs in an environment where they can spend substantial time socializing with other entrepreneurs. A culture that values and promotes diversity should be developed. Leadership theory can unite people from diverse backgrounds and the development of leadership skills should be considered an essential component of the Entrepreneurial Ecosystem.

Presentations should be made to funding providers concerning the progress taking place so that adequate financial support is received for the development of the Entrepreneurial Ecosystem. Accomplishments should be reported to the local news media so that the community is also informed of the progress taking place. Through pitch contests, workshops and interactions with successful entrepreneurs, persons in the community may choose to become Entrepreneurs or become more supportive of the project.

These events should be promoted through social media, the Rowan County Chamber of Commerce, the local newspapers and on the websites of Colleges and Universities. Student Business organizations should announce these events to their members and set up carpools to facilitate transportation. When guests arrive, they should be asked to register and their email addresses collected in order that they may be informed of future events.

As many components of the Entrepreneurial Ecosystem available in Winston-Salem are not available in Rowan County, potential Entrepreneurs should travel to Winston- Salem to participate in the activities of the Entrepreneurial Ecosystem there. Over time, this process will lead to the duplication of the culture of the Winston-Salem Entrepreneurial Ecosystem in Rowan County. To facilitate this process, the Rowan Idea Center should have links on its website to the activities in the Winston Salem Innovation Quarter. A cellphone app could be created to simplify the process.

The Educational Institutions in the area, philanthropic organizations, businesses and local government entities should provide seed funds for those Entrepreneurs who were selected to participate in a Business Accelerator program when this Accelerator program is developed.

We have offered suggestions for the accelerated development of the Entrepreneurial Ecosystem in Rowan County. Greater integration is needed between the Entrepreneurial Ecosystem in Rowan County and that in Winston-Salem. In addition, the embrace of diversity and securing the cooperation of diverse individuals could be accomplished through a focus on Leadership Development. Student organizations such as Phi Beta Lambda place an emphasis on Leadership Development, but getting students to join and participate in these organizations could present a challenge. Future research could identify how the various components of the Entrepreneurial Ecosystem are integrated and how they would be used by people at different stages of Entrepreneurial development.

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