RAND CORPORATION

Research Report

ELSIE HARPER-ANDERSON, KELSEY O'HOLLAREN, SUSAN M. GATES

Roles for City Governments in Entrepreneurial Ecosystems

An Initial Exploration

On the heels of the coronavirus disease 2019 (COVID-19) pandemic, the U.S. economy experienced an entrepreneurial renaissance. New business applications increased dramatically in the second half of 2020 to levels never observed in the data and have remained substantially above pre-pandemic levels through September 2022 (Haltiwanger, 2021; U.S. Census Bureau, 2022). National data on the number of active small businesses and small business revenue tell a similar story (Chetty et al., 2022), showing an increase of 3.1 percent in the number of such businesses and an 8 percent increase in their revenue between January 2020 and February 2022 despite sharp declines in both indicators in the early months of the COVID-19 pandemic.[1] Available data suggest that national trends hide substantial local variation. Some metropolitan areas, such as Detroit, experienced dramatic growth in both indicators, while others, such as San Francisco, saw

KEY FINDINGS

The role that local governments play in entrepreneurial ecosystems is poorly understood. This exploratory report describes roles that local government actors play in the six cities that were the subject of this study.

- Those roles can be organized into four categories: convener and agenda setter, policymaker, regulation navigator, and conduit.
- City governments *convene* stakeholders from across the city to establish priorities for entrepreneurship and *set an agenda* for the government and other key ecosystem actors.
- Informed by insights from convenings, city governments *make policies* and develop programs that support entrepreneurs in either starting or scaling their business.
- City governments spend significant resources to aid entrepreneurs in *navigating regulations* to lower the barriers to running a small business.
- City governments serve as a *conduit* for federal, state, and local (nongovernment) funding designed to support entrepreneurship and general economic vitality. In recent years, the massive inflow of COVID-19 stimulus funds dominated these efforts.
- Several local government actors undertake these roles, including mayors and their cabinet members, city council members, city administrative departments or offices, and city task forces and working groups.

[1] As reflected in the Opportunity Insights Economic Tracker data on small business revenue and small business open. For more information on data sources and methodology, see Chetty et al., 2022; "Opportunity Insights Economic Tracker," undated.

Abbreviations

COVID-19	coronavirus disease 2019
BAC	Business Advisory Committee
MWBE	minority or women-owned business enterprise
CARES Act	Coronavirus Aid, Relief, and Economic Security Act

declines, suggesting the importance of local conditions to business creation and growth outcomes.

Within this context, there is growing interest in entrepreneurial ecosystems among researchers and policymakers alike (Main Street America, 2022; Wurth, Stam, and Spigel, 2022). Although policy interest may have outpaced the development of a rigorous underlying research base, some aspects of the entrepreneurial ecosystem concept are well defined. One such well-defined concept is the emphasis on the local context and on the entrepreneur as an "organization, innovation, and community leader" who can influence that context in collaboration with other "entrepreneurial actors" (Wurth, Stam, and Spigel, p. 732). Entrepreneurial ecosystems encompass a wide variety of organizations, as well as institutions, programs, policies, and networks that encourage new business creation and support the growth of those businesses in a local area or region (Federal Reserve Bank of Kansas City, 2020). Local policymakers are looking to support entrepreneurial ecosystems as a way to promote economic development and pathways to the middle class more generally, although the jury is still out on the effectiveness of that strategy for local and regional economies and the entrepreneurs themselves (Geraghty, 2021; Federal Reserve Bank of Kansas City, 2020; Wurth, Stam, and Spigel, 2022; Shane, 2008; Stephan, Rauch, and Hatak, 2022).

Despite extensive interest in entrepreneurial ecosystems as a concept and the local orientation of such ecosystems, research has not focused on the role of local government actors in fostering and maintaining these ecosystems, much less the success of such efforts. To learn more about the role that local governments play in entrepreneurial ecosystems and lay the groundwork for future assessments of their success, we conducted an exploratory study focused on what a diverse but limited set of city governments are doing in this space. Our study consisted of a review of publicly available materials and a series of interviews with elected officials, city employees, nonprofit representatives, and academics across six cities identified as having active entrepreneurial ecosystems: Charlotte, North Carolina; Chicago, Illinois; Detroit, Michigan; Long Beach, California; Pittsburgh, Pennsylvania; and Seattle, Washington. Although we do not claim to generate an exhaustive list of activities undertaken by local governments nor evaluate the effectiveness of these activities in this report, our work helps lay the foundation for future research.

After independently analyzing materials and interview notes, we discussed general observations about the tasks performed by government and quasi-governmental organizations active in supporting entrepreneurship in these cities. We then categorized tasks into four distinct but complementary roles that local governments assume. In this report, we discuss the four roles, highlighting commonalities and differences across cities. This exploratory, descriptive overview can serve as a starting point for a more comprehensive understanding of the role of local governments in supporting entrepreneurial ecosystems.

Entrepreneurial Ecosystems and the Role of Local Government

Entrepreneurial ecosystems have become a framework embraced by economic development practitioners and policymakers to strengthen local economies despite the fact that the local government role in and effect on such ecosystems is not well understood. Moore (1993, p. 76) coined the term *business ecosystem* to describe an environment in which firms "work cooperatively and competitively to support new products, satisfy customer needs, and eventually incorporate the next round of innovations." The term "entrepreneurial ecosystem" emerged in the 2000s and has become more dominant since 2016 (Malecki, 2018). However, there is no universally accepted definition, and the concept remains underdeveloped (Stam and Spigel, 2018). Mason and Brown (2014, p. 5) defined

an *entrepreneurial ecosystem* as "a set of interconnected entrepreneurial actors, entrepreneurial organizations . . . institutions . . . and . . . processes . . . which formally and informally coalesce to connect, mediate, and govern the performance within the local entrepreneurial environment." Entrepreneurial ecosystems have been conceptualized and analyzed at various scales and in a variety of different configurations. Initial conceptualizations tended to focus on high-growth and high-tech entrepreneurship, but recently, broader conceptualizations that include all businesses and organizations related to starting and owning a business have emerged (Wurth, Stam, and Spigel, 2022).

The entrepreneurial ecosystem concept is closely related to concepts such as clusters, industrial districts, and innovation systems but focuses on the environment external to the firm rather than the behaviors of firms. The ecosystem framework emphasizes connectivity between actors and influences external to the firm. A feature consistent among definitions of *entrepreneurial ecosystems* is the inclusion of many actors and institutions that interact to support the flow of knowledge, information, and resources in a way that encourages productivity and innovation.

One of the key conversations in ecosystem literature concerns who the main actors are and what their roles are in facilitating business creation and growth. Several scholars have put forth models of the key components of entrepreneurial ecosystems, including key actors, institutions, and other necessary elements for a strong ecosystem (see Feld, 2012; Isenberg, 2011). One of the earliest and most-cited ecosystem models was Isenberg's *Domains of the Entrepreneurship Ecosystem* (2011), which incorporated several elements (networks, labor, educational institutions, policy, finance, culture, support, etc.) organized into six domains.

Literature on the entrepreneurial ecosystem emphasizes government as an important element based on its general support for economic development (Feld, 2012; Minniti, 2008) and, more specifically, its policies around taxes, incentives, subsidies, grants, and financing with the potential to drive entrepreneurship (Pinkernell et al., 2013; Siegel, Westhead, and Wright, 2003; Stam, 2015). But much less work has focused on identifying essential or even typical roles for government and what levels of government should be undertaking each specific policy intervention. A recent paper by Johnson et al. (2022) begins to address that gap by outlining four roles for the federal government in entrepreneurial ecosystems: catalyst, coordinator, certifier, and customer. However, there is some agreement that, while it may allow a role for the federal government, entrepreneurship is largely a local phenomenon (Audretsch and Feldman, 2004; Dahl and Sorenson, 2009; Feldman, Francis, and Bercovitz, 2005; Feldman, 2014; Gertler, 2003; Welter et al., 2016). According to Isenberg (2011, p. 11), "if we need to make a measurable impact in a reasonable time frame, and arguably at all, the greatest effort has to be concentrated in a small footprint region, such as a city or even neighborhood." At the same time, the capacity of local governments to devote time, attention, and resources to supporting entrepreneurship may be limited (Gargan, 1981; Stone, 1993).

The academic literature on entrepreneurial ecosystems summarized above is heavily theoretical or descriptive in nature, with little to say about the specific role of local governments in the entrepreneurship ecosystem. There is much theorizing about the role that local government could play in ecosystems

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and less in the academic research literature about what governments are doing or (especially) what they should do based on evidence of success. One strand of the literature on local entrepreneurial ecosystems, consisting of policy reports from nonprofits, trade, and advocacy organizations, offers prescriptive recommendations about what local governments should be doing. Often, these recommendations are not grounded in research, but progress is being made in this area. A recent paper by Motoyama (2020) based on observations of the informal ways that mayors promote entrepreneurship identified four categories of functions performed by mayors: "(1) setting the priorities, (2) offering a clearinghouse, (3) connecting and coordinating people, and (4) appointing key personnel" (p. 157). Still, there remains a need for both exploratory and confirmatory research in identifying a set of best practices for local governments in fostering entrepreneurial ecosystems across the country.

Drawing on interviews and analysis of each city's website, we defined what the six identified cities are doing to support entrepreneurship. We organized our discussion around four categories of activities, which we identified as local government roles in the cities we studied: convener and agenda setter, policymaker, regulation navigator, and conduit. A variety of government actors across cities assume these roles, including mayors and their cabinet members, city council members, administrators in city departments or offices (e.g., economic development), and city task forces and working groups. Although our categorization structure overlaps with that of Johnson et al. (2022) and Motoyama (2020), it is differentiated from Johnson et al. by its focus on local government actors and from Motoyama by the broader range of local government and nonprofit actors we considered in our analysis. Below, we define these roles in more detail and explore variations across our sample cities. Additionally, Table 1 provides concrete examples of how these roles manifest in action.

Convener and Agenda Setter

A vibrant entrepreneurial ecosystem involves disparate stakeholders, including various levels and sectors of government, the private sector, local universities, nonprofit organizations, citizen groups, and, of course, entrepreneurs. A primary role that we identified as one played by city governments is to convene representatives from these groups to provide input on

TABLE 1
Example of Roles from Studied Cities

Role	Examples Observed in Cities
Convener and agenda setter	• The Charlotte City Council funds and programmatically supports the Regional Chamber of Commerce. • Detroit Means Business centers discussions with policymakers on a diverse coalition of small business owners. • Pittsburgh's economic development arm, the Urban Redevelopment Authority, is a coordinating body between the city and nongovernmental partners.
Policymaker	• In Charlotte, the City Council's Business Advisory Committee (BAC) embeds small business owners directly in the legislative process. • Chicago made targeted investment in lab space infrastructure to support the growth of life sciences in the city. • Detroit and Pittsburgh combined technical assistances and loans with favorable financing terms to support new small businesses.
Regulation navigator	• During the COVID-19 pandemic, Chicago reanchored the permitting process in local neighborhood locations to improve access. • Long Beach maintains a curated business portal (BizPort) that provides regulatory guidance for entrepreneurs at all stages of the business lifecycle. • Seattle's Office of Economic Development hosts a website with general information on small business support and supports targeting food businesses.
Conduit	• In Detroit, district liaisons connect community business owners with government aid. • In Pittsburgh, the Urban Redevelopment Authority channels funds from various levels of government and philanthropies to numerous programs supporting small businesses.

and define the local entrepreneurship agenda. City officials have visibility and influence over policies and issues relevant to entrepreneurship that allow them to bring people and organizations to the table for a variety of purposes. Depending on an entity's interest and familiarity with entrepreneurship policy, local governments use their convening role to slightly different ends. For previously unengaged participants, city representatives may convene stakeholders to get their input and build political support for policies focused on fostering a vibrant ecosystem; conversely, long-engaged entities are sometimes convened to identify potential barriers to success that are faced by small businesses. Another aspect of the convening role is the establishment of periodic feedback mechanisms that allow long-engaged entities to tap input from less-engaged participants on an ongoing basis.

One interviewee spoke to the importance of building political support through these sessions, emphasizing the need to align different stakeholders on the "same page" before moving forward with a policy agenda. Similarly, other interviewees highlighted their work reaching out to marginalized communities to build trust, inform policies meant to promote entrepreneurship and equitable growth in these areas, and encourage neighborhood residents to take advantage of the available resources.

An interviewee from Detroit described one of their coalitions in the following way:

> The Detroit Means Business Coalition has brought people together around policy in a new way . . . with that group of business owners at the center, we have sort of a centrifugal force . . . around policy conversations where we engage other partners . . . that we may have been having one-off conversations with before as small business advocates . . . Now we have a coalition that's building where we're all talking kind of together and in a room.

Interviewees from most cities mentioned a close working relationship with the local business community facilitated through an organized network of influential leaders active in promoting business interest in the city. These groups were consulted for input on improving general operating conditions for entrepreneurs and were also relied on to relay information to otherwise hard-to-reach businesses across the city.

For example, the City Council of Charlotte directly funds and programmatically supports the Charlotte Regional Business Alliance, the city's chamber of commerce. Local officials rely on this entity to facilitate dialogue with entrepreneurs across the city to both establish stakeholder buy-in and relay information regarding important policy decisions impacting small businesses. In addition to the formal funding relationship between the City Council and the Charlotte Regional Business Alliance, interviewees from the city said they maintain an "open dialogue" with a collection of 30 academic, nonprofit, and government entities, known as the Resource Partner Team, that are committed to supporting Charlotte's small businesses. The group was a unique source of pride for city representatives, who noted that the alliance had met regularly, unprompted, for over a decade.

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the city took a leadership role in bringing key stakeholders to the table and collaborating with them to establish priorities around entrepreneurship. They then leveraged convening sessions to shape and prioritize tasks undertaken by the city government through the other three roles described below.

Policymaker

Local governments facilitate a robust entrepreneurial ecosystem by ensuring that the local policy environment is friendly to new and growing businesses, enabling them to thrive. There are both legislative and administrative aspects to the policymaker role. In this report, we define this role as any person who makes active choices that deploy local resources toward specific activities to establish, change, or remove requirements related to the establishment, operation, or growth of a business. In other words, the policymakers purposely choose to leverage their authority to support entrepreneurship. Further, four key dimensions of the policymaker role stood out:

- crafting new or revising existing policies, programs, and regulations that affect the business operating environment
- developing targeted programs that directly assist certain types of businesses (e.g., small and micro businesses, minority- and women-owned business enterprises [MWBE])
- investing in the physical and institutional infrastructure to support and nurture businesses (i.e., incubators, workspaces, support organizations)
- leveraging the city's customer power to support local business development through procurement opportunities.

The policymaker role supports the strategic aims of creating and sustaining a business-friendly environment for new, small, and growing businesses. This is achieved by scanning the local policy landscape, identifying ways to foster and barriers to fostering business establishment and growth, and crafting recommendations for legislative or administrative actions in areas such as taxation, licensing, land use, zoning, health and safety, and environment. The policymaker role can also involve funding initiatives that further these goals. The cities in our study offer some examples of approaches that can drive the attention of lawmakers and administrators toward issues related to entrepreneurship. In Detroit, the economic development agency identifies process improvements that would support new and growing businesses and was given the authority to negotiate such changes directly with city departments. Another approach is for the city council to establish a committee or working groups focused on entrepreneurship or inclusive small business growth with a mandate to make budget recommendations, develop new legislation, or recommend regulatory reforms. For example, the Charlotte City Council's BAC (which consists of 20 members: two appointed by the mayor, six selected by the City Council, and 12 chosen by a diverse set of business advocacy groups) advises the City Council on how to improve business conditions throughout the city. Specifically, BAC specializes in advocating for policies that support small businesses and those owned by marginalized groups. BAC also provides stakeholders with a venue for formally sharing input on potential legislative action. In Chicago, the mayor appoints a senior official (a deputy mayor) from within the mayor's office to serve as the point person for entrepreneurship or new business development. Although these approaches ensure high-level attention to entrepreneurship in the short term, interviewees pointed out that sustainability can be an issue during times of mayoral or councilmember turnover.

Procurement policy is used across all cities in our study to support and promote the entrepreneurial ecosystem. By devoting resources toward building the supplier base and then leveraging city government spending power to support small businesses, procurement policy allows cities to carve out opportunities for new businesses and those owned by underrepresented minorities and women. Cities took different approaches and devoted varying levels of attention to procurement initiatives. Several cities created certification programs that educate business owners about the city's procurement requirements and prepare them to respond to opportunities. These programs often target MWBEs. For example, Chicago's Target Market Program, which is run through the city's Department of Procurement Services and

codified in the city's municipal code, awards general contracting opportunities to MWBEs, exclusively.

Cities also use municipal resources to fund programs designed to directly support entrepreneurship and new businesses through loans, grants, or operational supports. In some cases, cities develop programs that can attract private resources to supplement the city's investments. In this way, cities leverage their connections to garner additional resources for new and growing businesses.

Loan programs are a common tool employed by local governments to support entrepreneurship. The cities we studied often served as the primary lender of capital for communities that were not well-served by traditional financial institutions. According to interviewees, capital provided by city governments is often critical for entrepreneurs from disadvantaged socioeconomic groups. For example, through its Small Business Mobilization Loan program, the city of Charlotte provides short-term financing with favorable interest rates to businesses certified as Small Business Enterprises. These funds are meant to bolster a business' capacity to fulfill contracts put forth by the city's procurement department.

Chicago also provides direct financing capital to small businesses through its Small Business Improvement Fund. These funds are awarded as a grant and support permanent building improvements in tax increment financing districts throughout the city. SomerCor, a nonprofit lender, manages the Small Business Improvement Fund program for the city and supports and underwrites federal small business loan programs that provide capital to businesses that do not have access to traditional forms of financing.

Unlike the other cities examined in this study, Seattle is barred from lending funds directly to businesses by Washington state's constitution. An interviewee from Seattle explicitly pointed to this law as a structural barrier limiting the types of policy levers available to help entrepreneurs in the city.

Since municipal resources are often limited, cities also leverage their connections with lenders, investors, or philanthropists to establish lending, investment, or support for programs to serve local small businesses. For example, Detroit's Motor City Match program combines tailored technical assistance provided by third-party, nonprofit partners with grants and capital investments to small businesses interested in starting or expanding within the city limits. Motor City Match facilitates access to favorable financing opportunities through its lending partners. Additionally, the program may provide grants of up to $100,000 to eligible businesses should financing options from lending partners or traditional financial institutions not cover the entirety of project costs. In Pittsburgh, the Urban Redevelopment Authority offers several loan programs, including the Avenues of Hope Commercial Real Estate Program, Minority Business Recovery & Growth Loan Fund, Micro-Enterprise Loan Program, Accelerating Business Expansion Loan Program, as well as a small contractor's line of credit.

In addition to providing direct financial assistance to individual entrepreneurs or small businesses, city governments also cultivate a prosperous small business environment through targeted investments of municipal resources toward sectors or neighborhoods to address specific barriers to business creation and development facing strategic industries that have been identified by the city. The prioritization of certain industry sectors or neighborhoods allows cities to have a targeted impact and reflects a policy choice. The city of Chicago developed a sector-focused post–COVID-19 economic recovery plan, which identified impediments to attracting businesses in high-growth industries. For instance, the report identified a lack of lab space to support the life sciences sector. In

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response, the city invested heavily in physical infrastructure to support the burgeoning life sciences industry in the city. This included purchasing 5 million square feet of underutilized land and providing incentives for local businesses to redevelop these properties as state-of-the-art lab space.

Pittsburgh's Avenues of Hope program is an example of how cities focus business development support for particular neighborhoods. Pittsburgh invested in redeveloping the business districts of seven historically Black neighborhoods. The investment was across several dimensions, including small contractor lines of credit, real estate redevelopment loans, and grants to facilitate storefront façade improvements. All sources of funding are targeted at those who live and work in the communities and are meant to bring prosperity to Black neighborhoods without displacing longtime residents.

As illustrated in the examples above, cities leveraged their policymaking role to support entrepreneurial ecosystems in a variety of ways. One policymaking approach used to support entrepreneurial ecosystems is to focus explicitly and systematically on entrepreneurship and the environment for new business creation and growth generally. Another is to focus on specific sectors of the economy, including new business development in those sectors. Still another is through efforts to support specific (often historically underserved) neighborhoods or communities within the city to include business development in those neighborhoods.

In the cities that we studied, officials leveraged both legislative and administrative policymaking responsibilities to both directly and indirectly strengthen and support entrepreneurial ecosystems. That is not to say that they always prioritize entrepreneurship over other issues in the course of policymaking. Through their other entrepreneurship-related roles, local governments tackle some of the implications of local policies for entrepreneurs.

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Regulation Navigator

One often-repeated frustration for entrepreneurs is wading through the bureaucratic red tape associated with government processes and procedures required to start and grow a business, particularly those at the local level affecting the day-to-day operation of businesses. In the business navigator role, local governments support the local entrepreneurial ecosystem by simplifying the underlying processes, locating resources and information in a virtual space that is convenient for entrepreneurs to access, and enhancing navigation supports. These efforts aim to make it easier and more efficient for people to start and grow businesses in the city and increase the likelihood that an inclusive set of entrepreneurs will take advantage of the resources available.

Interviewees emphasized their agencies' role in helping small businesses navigate local rules, regulations, and requirements that could potentially discourage would-be entrepreneurs from starting a business in the city or hinder progress for established businesses. At the most basic level, all cities in our study had a centralized webpage for business owners or those looking to start a business. However, the degree of sophistication varied significantly across the six cities. In some cases, these websites were static and simply housed links to specific city-provided services (e.g., licensing, building permits) and general statements of support for small businesses. Other

websites were more dynamic, providing up-to-date information on specific policies and mechanisms to facilitate connections between small business owners and technical assistance providers.

The city of Long Beach recently launched a business portal called BizPort. The site is organized into three broad sections: plan, launch, and grow. Each section contains links to resources, information, and checklists to guide the entrepreneur. The site also contains a tool for entrepreneurs to track their progress as they navigate the planning phase. It also has a mechanism to connect small business owners to the appropriate government representative for assistance with navigating city policy.

The Detroit Means Business platform serves as a front door to all business services in the city, not only helping entrepreneurs to navigate city processes and connecting business owners with city services but also making them aware of other resources. For example, the site provides information on upcoming events and links to offices and programs that offer free expert advice on business-related topics.

Another component of the navigator role is the continuous improvement of the navigational tools and processes based on feedback or changing conditions in the ecosystem. In some cases, lessons learned guiding entrepreneurs through existing processes inform policy change and process improvement efforts that the local government can undertake through its role as a policymaker. As an example, the city of Chicago streamlined restaurant permitting so that businesses closed because of the COVID-19 pandemic could quickly restart operations under a new entity without starting from the beginning of the permitting process. Similarly, based on feedback from entrepreneurs, the city of Chicago decentralized business permitting operations, allowing entrepreneurs to file the necessary paperwork in neighborhood satellite offices across the city rather than in City Hall, located downtown.

One challenge mentioned by our interviewees was keeping up with constant changes in programs and staff. Additionally, in several instances, our interviews revealed that the information we found on the navigation pages prior to our interviews was out of date or had changed completely.

Conduit

A substantial amount of money flows to city governments from the state and federal levels, typically funding specific initiatives administered at the local level. Intergovernmental transfers make up about 36 percent of local revenues on average (Tax Policy Center, 2020) but can reach as high as 70 percent (Wildasin, 2010). Policy decisions of federal and state governments determine the guidelines on how funds are to be distributed. The largest share of these funds is related to education and housing programs. However, local governments also receive more general transfers, for which they have discretion over allocation. Recently, some of the largest transfers of funds were related to the COVID-19 pandemic.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) established a $150 billion COVID-19 relief fund to state, local, and tribal governments (Eide and Alvarado, 2021). The American Rescue Plan Act of 2021 gave local and state governments access to another 350 billion in federal resources (Eide and Alvarado, 2021). Cities used these resources to support a variety of initiatives, including entrepreneurship programs. Interviewees from each studied city cited managing and dispersing these funds as a major responsibility of local government over the past two years. This infusion of capital allowed some cities to implement completely new entrepreneurship programs, while others supported existing ones. Some did both. The disproportionate impact of the pandemic on small businesses made this category of entrepreneurs a key target for relief funding. Every city mentioned new programs for entrepreneurs and small businesses that had been implemented with the "pandemic money." A common theme across cities was trying to secure long-term funding to ensure that these programs could continue after the pandemic-related funding runs out.

While all cities channeled intergovernmental transfers related to entrepreneurship and economic development more broadly through their local economic development unit, the exact structure of these organizations varied. Chicago, Seattle, Long Beach, and Charlotte have economic development departments embedded within city government,

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typically answering directly to the mayor or city manager. In Detroit and Pittsburgh, on the other hand, quasi-governmental organizations act as the main economic development arm for each city, collaborating with city departments as needed. For example, Detroit has district business liaisons who are integrated with their neighborhood services team in the Department of Neighborhoods. They serve as boots on the ground to connect to other organizations within each neighborhood, such as community development corporations. Funding often passes through the city (by way of the Detroit Economic Growth Corporation) and gets distributed with the help of business district liaisons.

In addition to government transfers, several cities mentioned serving as a conduit to distribute funds from major foundations or other philanthropic sources. For example, our interviewees identified their large foundations as a major source of funding for community economic development in Pittsburgh, some of whose grants have been used for small business development.

Through the conduit role, local governments have an opportunity to strengthen their entrepreneurial ecosystem while shaping its content (in terms of programs and resources) and culture (in terms of values). As demonstrated with "pandemic money," local governments can direct funds in a way that supports equity or other values within their entrepreneurial ecosystem.

Conclusions

Examining the efforts of six local governments to support entrepreneurship revealed that local government actors are key players in their respective entrepreneurial ecosystems and revealed four prominent roles that cities take on: convener and agenda setter, policymaker, regulation navigator, and conduit. Each city approached those roles differently, sometimes working closely with partners or affiliates to fulfill them.

Local government has influence over which issues receive attention and resources. In the convener and agenda setter role, we observed local officials elevating the importance of entrepreneurship among city priorities, building consensus around an entrepreneurship agenda for the city, and shaping the entrepreneurship ecosystem in the direction of other city goals.

The importance of entrepreneurship was prominent in the literature and websites of the city governments and echoed by their economic development partner organizations. Their respective agendas were, in turn, evident in the specific policies and programs that the cities supported. The emphasis on entrepreneurship was further articulated through the investment and effort that went into regulation and navigation-enabling efforts and how the cities executed the conduit role, especially regarding CARES Act funding. As convener and agenda setter, local government has the power to determine which groups and individuals have a seat at the table. One theme that continuously came up during interviews was equity. Interview participants from the six cities enthusiastically embraced entrepreneurship as an important component of equitable economic development and described the city's commitment to hear-

ing from and directing resources across a variety of communities in the city.

City officials have a lot of flexibility to transform the environment in which local businesses operate by creating and sustaining support programs, leveraging their customer power, and improving the regulatory environment (regulations and how they are implemented). As a practical matter, local officials grapple with many competing perspectives and interests and face difficult choices when passing and implementing laws and regulations. Further, the actions undertaken are performed in different silos of local government. Our study provides examples of how cities elevate entrepreneurship to be more of a strategic and cross-cutting consideration through vehicles such as city council working groups or a cabinet-level presence in the mayor's office. Such strategies set the stage for a broader conversation about how a variety of actions work together to influence the entrepreneurship ecosystem, promoting coherence across specific initiatives or programs such as certification, funding, and loan programs. Such a strategic perspective is helpful because cities have finite resources, city officials have limited time, and all decisions involve some degree of trade-off.

Despite the widely shared enthusiasm for entrepreneurship, financial and technological infrastructure limitations mean cities needed to implement and monitor policies without access to adequate data or the analytical resources that the federal government could afford. As a result, it is hard for cities to ensure that a particular policy is achieving its goal. In some cases, cities hired outside parties to provide point-in-time analysis of some issues related to entrepreneurial ecosystems (e.g., labor outcomes among a city's racial and ethnic minorities), but very few cities were able to collect and analyze the relevant data on an ongoing basis. Most cities expressed interest in doing so, though they again cited financial constraints and staffing issues as impediments to this endeavor. As mentioned elsewhere in this report, the lack of data means empirical work on entrepreneurial ecosystems and the impact of local government's efforts is often either underdeveloped or nonexistent.

Additionally, concerns about long-term financial viability were evident even among cities with more mature and complete government infrastructure for supporting entrepreneurship. Given the context of our study (conducted on the heels of the historic federal stimulus passed in response to the COVID-19 pandemic and widespread emphasis on racial equity stemming from the death of George Floyd and other Black Americans in the summer of 2020), study participants all highlighted new policies and programs implemented to address racial disparities. Such policies were primarily funded through COVID-19 relief funds, and interviewees openly fretted that these programs were only temporary, because most city councils had yet to earmark money for their continuation. For example, all cities support business navigation through websites and online resources. To get the most out of these navigation offerings, local governments will have to devote adequate resources toward keeping the pages and platforms updated.

To maintain the momentum and social innovation facilitated through funding provided during the pandemic, local governments will need to codify policies and programs aimed at supporting entrepreneurs and find permanent funding sources to support these pro-entrepreneurial policies moving forward.

Looking Ahead

Further research is needed to examine whether local governments in other cities are playing the same roles identified in this study and how these roles vary across city types. Future research should also analyze whether these roles are necessary for entrepreneurial ecosystems to be successful and identify which cities are effectively implementing policies based on this evolving framework. Interviewees in several of our cities were eager to learn about what other cities are doing and connect with officials pursuing similar aims in other cities. Philanthropic organizations could support structured pilot efforts grounded in community-participatory research, along with cross-city learning communities and research to document the implementation and lessons ensuing.

Philanthropic organizations could also build on and leverage emerging efforts to tap private sector data to develop information sources that shed light on dimensions of entrepreneurship. For example,

GoDaddy has supported the Venture Forward initiative focused on online micro businesses. The initiative includes a survey of entrepreneurs involved in such businesses. The survey revealed that only 20 percent of survey respondents reported that they had an employer identification number, suggesting that they were not on the radar of local government officials or reflected in public data sources (Venture Forward, 2022). The survey also revealed that most respondents were not aware of local government initiatives to support entrepreneurship and that those who were aware viewed local efforts more favorably than those who were not aware (Venture Forward, 2022). Developing such data sources that cover the full landscape of small and new businesses, making the data available and easy to use at the municipal level, and supporting local officials in the use and interpretation of such data could help address limitations with publication data sources and inform better local decisionmaking.

How This Analysis Was Conducted and Limitations

The findings described in this report are based on a review of publicly available information and ten semi-structured interviews conducted by the authors from February to April 2022. Interview responses captured the perspectives of local leaders in a non-random selection of cities at the time of the interview. As such, the authors again caution readers not to extrapolate the report findings beyond the cities surveyed.

Prior to selecting cities for case studies, we compiled demographic and economic data for 20 cities identified in the literature as having developed entrepreneurial ecosystems. Variables of interest included total population, the share of residents who were foreign-born, rate of population growth and change in the number of establishments over the last decade, percentage of the population holding a B.A. or higher, and median household income. These data were sourced from the U.S. Census American Community Survey and County Business Pattern Survey. Table 2 summarizes key characteristics of the six cities in our study. We selected our final six cities to achieve some level of variation regarding population size, population demographics, economic conditions, and geographic region. Having identified target cities, we reviewed the information available on the internet to identify local officials who appeared most-connected to the local entrepreneurship efforts. We also engaged in snowball sampling by requesting further suggestions from interviewees. We invited potential participants first by email and followed up with phone calls when necessary. Although this procedure introduces the possibility of oversampling certain cities, this report is merely concerned with providing a survey of specific cities, and our findings are not intended to be generalizable to other cities.

All interviews included the same five main topics:

- questions about the interviewee's current role and the mission of their organization
- questions about whether the interviewee perceived entrepreneurship as a priority for city leadership
- questions about specific services, policies, and programs to support entrepreneurship in their city
- questions about the role of partner organizations (e.g., universities, nonprofits, state governments) in aiding the local government's support of entrepreneurial ecosystems
- questions about how and whether local governments systematically collected data on entrepreneurship.

We interviewed at least one representative from each city. Given the limited nature of the data collection, the small number of cities included in the study, and the limited publicly available information on this topic, the findings should be considered exploratory in nature. The intent of the report is to lay the groundwork for further development of a framework related to the role of local governments in entrepreneurial ecosystems.

TABLE 2

Select Summary Statistics of Sample Cities for 2019

City	Pop.	Foreign-Born Pop. (%)	Percentage of Labor Force Self-Employed in 2019 (%)	Black or Latino Pop. (%)	Pop. Change (2010–2019) (%)	Change in Number of Establishments (2010–2019) (%)[a]	Pop. with B.A. or Higher (2019) (%)	Median Household Income	Port City
Median of total sample	699,573	17.7	3.8	52.4	0.6	8.5	41.9	$60,532	-
Charlotte	857,425	16.7	3.8	49.5	21.5	17.9	44.3	$62,817	No
Chicago	2,709,534	20.6	4.0	58.4	0.2	5.0	39.5	$58,247	Yes
Detroit	674,841	6.2	3.7	86.0	–11.1	2.9	15.3	$30,894	Yes
Long Beach	466,776	25.2	4.2	55.3	1.1	16.3	31.1	$63,017	Yes
Pittsburgh	302,205	9.0	2.9	26.2	–1.9	0.3	44.6	$48,711	Yes
Seattle	724,305	18.8	3.7	14.0	21.7	12.1	64.0	$92,263	Yes

SOURCE: U.S. Census Bureau, 2023a; U.S. Census Bureau, 2023b.

NOTE: Pop. = population.

[a] These figures are for the county each city resides in.

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About This Report

To enhance our understanding of the role of local government in entrepreneurial ecosystems, we reviewed available resources and interviewed local officials from February to April 2022.

RAND Lowy Family Middle-Class Pathways Center

This research was conducted within the RAND Lowy Family Middle-Class Pathways Center. The center aims to identify ways to create and sustain middle-class employment in the face of rapidly changing labor-market conditions. The center is part of RAND Education and Labor, a division of the RAND Corporation that conducts research on early childhood through postsecondary education programs, workforce development, and programs and policies affecting workers, entrepreneurship, and financial literacy and decisionmaking.

For more information about the RAND Lowy Family Middle-Class Pathways Center, visit www.rand.org/mcpc. For more information on RAND Education and Labor, visit www.rand.org/education-and-labor.

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