

**Spotlight on the Hospitality
Industry Relief Emergency (HIRE)
Fund in Kansas**

*Entrepreneurial systems shine during
COVID-19 Crisis*

Introduction

Who could imagine that America would experience two of its most severe economic challenges since the Great Depression with a global pandemic and the Great Recession? In the early 2000s the American economy was hit with the 9-11 crisis, a recession, and the dot-com downturn. After a weak recovery, in 2005 America's housing bubble began to burst contributing to the subprime mortgage crisis in 2007. By December 2007, the Federal Government declared America in recession. What became known as the Great Recession challenged Americans well past the official recession end date of June 2009. The slow recovery made the Great Recession seem longer, but it grew into the longest economic expansion in decades until the COVID-19 Health Pandemic and corresponding economic and population lockdowns took root in the U.S. this year. The lockdown of major parts of the American economy is now driving not only recession in the United States but across the globe. It is too soon to tell whether this recession will be a "V" recession (e.g., quick recovery) where the economy rebounds quickly or more of a "U" recession (e.g., long, slow recovery) like the Great Recession.

Regardless, across America and the world innovative efforts are underway to help the impacted. Our story about the [Hospitality Industry Relief Emergency Fund \(HIRE\)](#) in Kansas speaks to **resiliency** and the power of entrepreneurial people and systems mobilizing and problem solving during a crisis. This initiative was created in just two weeks in March 2020 in response to the devastating impacts associated with the COVID-19 lockdown on Kansas's hospitality industry.



In this paper we provide an overview of HIRE and share unique insights gained from this response to a challenged economy and the people who are part of it. Central to this story are **five key themes**:

1. Resiliency – practiced and practical
2. The power of entrepreneurial behavior
3. The importance of existing robust systems
4. The expansive nature of trusting relationships
5. Finally, capacity or the ability to mobilize quickly and smartly

This story focuses on how quickly HIRE went from an idea to delivering \$5 million in zero-interest, deferred payment loans into the pockets of hospitality businesses across Kansas.

Idea to Impact in Two Weeks

There is this myth in America that government no longer works. While there are too often examples of this dysfunction, HIRE is an example of how public and private sectors mobilized at a statewide level in just **two weeks** to bring immediate aid to a segment of the Kansas economy. Figure 1 on the next page provides an activity timeline for the HIRE fund.

Figure 1. HIRE Timeline

Day - Date	Key Actions – Decisions
Week 1 – March 16 through March 22	
Monday – March 16	Patty Clark, Deputy Secretary of the Kansas Department of Commerce (KDOC) , schedules a call with Steve Radley and Erik Pedersen of NetWork Kansas .
Tuesday – March 17	An 11 a.m. call is held with teams from both KDOC and Network Kansas. Design work for HIRE gets into high gear.
Wednesday – March 18	Secretary of Commerce David Toland frames the scope of work and responsibilities of KDOC and NetWork Kansas. NetWork Kansas will administer the HIRE Program. By the end of the day, 80% or so of HIRE’s design was completed.
Thursday – March 19	Final HIRE design work completed. NetWork Kansas staff begins contacting partners. Preparation for a Friday Governor’s News Conference and HIRE rollout.
Friday – March 20	Governor Laura Kelley holds news conference announcing the rollout of HIRE. Businesses begin applying immediately via the KDOC website .
Saturday – Sunday March 21 & 22	Applications received and screened. Seven teams of NetWork Kansas staff and 20+ partners review applications. The NetWork Kansas Referral Center and Director of Budget create a virtual process for taking loans from approval to funding. Seventeen (17) partners agree to administer loans.
Week 2 – March 23 through March 29	
Monday – Tuesday March 23 & 24	Application screening Yes and no decisions – Notification and follow up with applicants
Wednesday – Friday March 25 & 27	Direct deposits begin with approved applicants. By Friday, paper checks issued to other approved applicants. Clean up with applicants making final decisions to accept loans.
Saturday – Sunday March 28 & 29	NetWork Kansas staff finally takes some time off.

HIRE Initial Outcomes

In just two weeks from the initial concept, \$5 million in critical bridge loans were made to hospitality businesses across Kansas with notable outcomes:

- Received more than 1,000 HIRE applications in one week
- Processed 1,000+ applications in a matter of days
- The Kansas entrepreneurial ecosystem was challenged but demonstrated a pliable system that could adapt and change to meet the emergency needs of Kansas businesses.
- 346 applications approved based on qualifications and the first-in and first-out rule (date/time stamped applications).
- 650+ applications processed but rejected due to lack of funds or qualifications. All were notified within 72 hours of their application.
- The 650 rejections now form an existing pipeline of fundable businesses should more funds become available.
- The HIRE funds can bridge with and augment stimulus business assistance funding.



- Other COVID-19 business assistance initiatives are now in the works in part due to the HIRE program success.

Kansas City Federal Reserve Interview and Story

Dell Gines, Senior Community Development Advisor with the Federal Reserve Bank of Kansas City, conducted an interview with Steve Radley and Erik Pedersen of Network Kansas about the innovative HIRE initiative. For this complete story and interview check out [Network Kansas discusses rapid loan deployments in response to COVID-19](#). Dell is a national thought leader in the field of entrepreneurship. As part of his PhD work, he is completing a case study of NetWork Kansas due to be available soon.

Initiative Design Highlights

- The Kansas Department of Commerce redirected \$5 million to HIRE from its business attraction budget (considered a closing fund).
- An initial decision is made to set a \$20,000 cap (adjusted to \$15,000 maximum loans amounts later to spread capital to more businesses) for each zero-interest loan with a four-month deferred first payment (four months to allow the economy to reopen and businesses to have revenues).
- A focus on hospitality businesses like restaurants, lodging and event centers, etc.
- Employment of the NetWork Kansas system of partners and relationships--while NetWork Kansas took the lead in making HIRE happen with KDOC, dozens of other development groups became engaged through the Kansas network of working and personal relationships to make this happen smartly and quickly.
- Mobilization of this network of partners to create an effective and efficient loan processing and management systems. In some cases, partners in one county provided servicing coverage in other parts of the state lacking coverage or capacity.
- KISS – The decision was made to keep it simple and award loans on a first-come first-served basis with evaluations from local partners who knew the applicant businesses.
- Geographic targeting to ensure all corners of Kansas had a shot at the HIRE opportunity with funding targets as follows:
 - Wichita Region - \$1 million
 - Kansas City Kansas Metro - \$2 million
 - Balance of the State - \$2 million
- All HIRE initiative work conducted remotely using information technology and tools like DocuSign.

Advantage of NetWork Kansas' Distributed Network

A hallmark of the NetWork Kansas model is its commitment to a **distributed network**. By engaging a wide range of partners from community leaders who know their community best to trusted partners who can deliver programing, loan management and other assistance, NetWork Kansas has created a highly efficient and cost-effective way of doing business. With minimal centralization at the state level, NetWork Kansas distributes key roles and decisions to partnering communities creating a lean, cost effective system that manages risk very effectively. This model played an integral role in allowing HIRE to become a reality.



“I think the implementation of the HIRE fund demonstrates what a flourishing entrepreneurial ecosystem needs and is capable of. If not for the partnerships, systems, and most of all, trust that the Kansas Department of Commerce, NetWork Kansas, and its partners have in each other; the HIRE fund would have taken months to execute.”

Steve Radley, President & CEO, NetWork Kansas

Why Focus on the Hospitality Industry?

Unlike agriculture, manufacturing and retail trade, hospitality is descriptive but not clearly defined statistically by various Federal agencies. At e2 we use a combination of specific economic sectors to estimate the size of a geography’s hospitality sector including Eating and Drinking Places, Hotels and Lodging, and Motion Pictures and Amusements. Figure 2 shows the data estimates for Kansas’ hospitality sector employing these three subsectors.

Figure 2. Kansas’ Hospitality Sector, 2019 Estimates

Hospitality Sector	Businesses	%	Employees	%
Eating & Drinking Places	6,167	5.1%	102,345	6.5%
Hotels & Lodging	1,185	1.0%	15,000	1.0%
Motion Pictures & Amusements	3,002	2.5%	38,225	2.4%
Total	10,354	8.6%	155,582	9.9%

Source: Esri, April 23, 2020 – Note Esri typically under-estimates owner-operated ventures.

Based on this analysis, nearly 9% of all for-profit businesses fall into the Hospitality Sector with almost 10% of all Kansas employment. The hospitality sector worldwide has particularly been hard hit with the COVID-19 shutdowns.

Insights

As e2 worked with NetWork Kansas and others to capture this story, we have begun to curate 10 key insights from this entrepreneurial response to the Pandemic and its associated economic disruptions. Our top 10 insights include:

1. Trusting Relationships
2. Existing Robust Systems
3. Top Down and Bottom Up Capacity
4. Entrepreneurial Initiative
5. Opportunity Generation
6. Intentional Mission Creep
7. Rapid Adjustments and Development
8. Previous Experience
9. Execution Capabilities
10. Passionate Personal Commitment

Trusting Relationships. Possibly the most important insight from HIRE experience is the power of relationships and most importantly trusting those relationships that existed before the need to use them arose. In Kansas there is high level of trusting relationships within the NetWork Kansas system. For

example, leaders at the Department of Commerce believed that NetWork Kansas and its system could quickly, efficiently, and effectively deploy \$5 million in loan assistance to hospitality businesses. Throughout the Kansas system, there are a complex network of trusting relationships among communities, loan servicing organizations, banks and others making the two-week turn around both possible and risk managed.

Existing Robust System. There is a decade or so of existing system operations in Kansas. The various trusting partners within the system have worked together and tested each other's capabilities. There are go-to relationships that can be mobilized quickly and effectively with one phone call. High performing systems are resilient and able to adapt to new needs and opportunities because of past work done together. In times of crisis, having functioning relationship-based systems ensures more rapid and impactful response.

Top-Down and Bottom-Up Capacity. Another hallmark of the NetWork Kansas system is its top-down and bottom-up capacity. Relationships between the State, NetWork Kansas, major banks and other funders, loan servicing organizations, etc. enabled lightning quick mobilization. While these statewide (top-down capacity) relationships are foundational, they are not effective unless there are local (bottom-up capacity) partners. Community level partners can ensure wider and more diverse access and participation. Ultimately, a system evaluating local businesses must have local partners who are empowered. Ground knowledge becomes invaluable during a crisis in expediting assistance.

Entrepreneurial Initiative. From its inception, NetWork Kansas embraced entrepreneurial behavior (check out e2's [NetWork Kansas Case Study](#)). This way of being and doing business enables NetWork Kansas to be innovative and adaptive altering core ways of doing business to find more customized and optimal solutions. As a public purpose, but private organization, NetWork Kansas can work in ways that government agencies cannot.

Opportunity Generation. The HIRE experience seems to be seeding additional opportunities to employ the NetWork Kansas system and relationships to provide assistance to other Kansas businesses. This is important where major funders want to help but need a distributed system (e.g., all of NetWork Kansas' E-Communities) to responsibly move funding so it can reach a critical main street venture whether in urban Wichita or very rural Rawlins County. High performing systems attract attention and new opportunities to enable impactful work.

Responsive Mission Creep. Part of being entrepreneurial means being responsive with respect to mission creep or intentionally making temporary or permanent changes in programs, mission priorities, operational procedures, standards of practice, collaborating partners, etc. to innovate a better solution quickly with minimal risk and red tape. An entrepreneurial organization can stretch and change to meet a pressing need or opportunity and then change again. The HIRE initiative illustrates what responsible mission creep looks like.

Rapid Adjustments and Development. We have already touched on these points, but they must be emphasized. In traditional government or even corporate or foundation funding programs, rules and regulations are often hard to change without due processes. These safeguards have purpose and value. But in a crisis the ability to rapidly adjust is critically important. In the HIRE case following the week one Governor's rollout of HIRE and the immediate response from businesses, NetWork Kansas leaders Steve Radley and Erik Pedersen decided to lower the maximum HIRE loan amount from \$20,000 to \$15,000 to ensure more Kansas hospitality businesses received some assistance.

Previous Experience. Two previous initiatives between NetWork Kansas and the [Kansas Health Foundation](#) gave NetWork Kansas a chance to innovate and mobilize its network to support specific development opportunities. The first initiative – **The Kansas Health Food Initiative** – employed funding from the Foundation through NetWork Kansas’ relationships and system to deploy gap financing funds in support of health-related businesses (e.g., essential grocery stores, health clinics, exercise facilities, pharmacies, etc.). The second initiative – the **Kansas Community Investment Fund** – employed capital from the Foundation and NetWork Kansas to expand upon the earlier work and testing of a form of philanthropic impact investing. An emergent initiative is taking shape between NetWork Kansas, the Hutchinson Community Foundation, and the communities of Reno County to provide gap capital in support of entrepreneurial development.

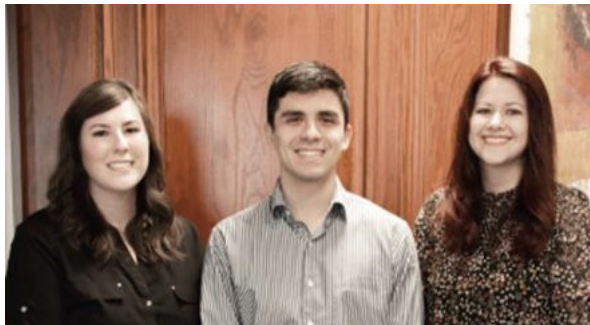
“NetWork Kansas’ ability to execute what the State asked us to do - deploy \$5 million in \$15,000 loans to restaurants, bars, and hotels in a short time, was a testament to our staff and resource partner network. Paramount to that effort was our referral center and the regional teams that could quickly vet an application to ensure it fit the criteria set forth by the State. We played a small role in the scheme of things, but we hope the HIRE funds helped many businesses survive this COVID crisis.”



Erik Pedersen, Vice President of Entrepreneurship, NetWork Kansas

Execution Capabilities. There is no substitute for regular practice. NetWork Kansas and its partners have a decade of executive experience honing the Kansas system’s capacity. Execution experience clearly created confidence and then enabled quick processing of loans and the remarkable two-week delivery of checks or direct bank deposits. High performing systems can rise to challenges.

NetWork Kansas Referral Center and E-Community Coaches



Referral Center staff from left to right: Kristan Davis, Thomas Papadatos, Tiffany Nixon

As is the case with other SourceLink systems (NetWork Kansas was one of the first organizations to employ SourceLink on a statewide basis), a call or **referral center** provides a way for entrepreneurs, local economic developers, and others to access information about entrepreneurial resources. The NetWork Kansas Referral Center, with its three full-time staff members, proved foundational to the HIRE launch. Referral Center staff handled application input, follow up and other key tasks employing their experience and skills. NetWork Kansas’ community coaches who work with Entrepreneurship

Communities and statewide staff, mobilized teams across Kansas to review applications in order to make more informed decisions regarding the HIRE recipient businesses. The entire NetWork Kansas staff and their partners worked through the weekend and into evenings to ensure timely decisions were made on deploying the \$5 million in loans.

Passionate Personal Commitment. Our final insight from the HIRE experience is so important, particularly during this COVID-19 crisis. Most of us have a desire to do our part and contribute. But with a system, dozens if not hundreds, of individuals working within the NetWork Kansas system each did their part to collectively accomplish a big goal. Those in the system chose to work long days, weekends and well into nights to get the job done. Systems can empower passionate personal commitment and action that collectively can generate real positive impact and value.

Other Emerging Kansas Stories

e2 is tracking nationally innovative responses to the Pandemic and its disruption in the American economy. Given our close relationship with Kansas, we are particularly focused on their responses. We will generate additional stories related to its Virtual Statewide Youth Competition, the Personal Protective Equipment Grant Initiative, the Restart Kansas Initiative, and others. We believe these stories of hope, innovation, and entrepreneurship from across America are inspiring.

Across America there is remarkable innovation occurring in response to the new realities and challenges of the Pandemic, the associated economic shutdown, and the emerging recession in key parts of our economy. We would like to hear from you and collect your stories. Reach out to Don Macke with e2 at don@e2mail.org.

How e2 Can Help



e2 Entrepreneurial Ecosystems helps communities increase prosperity through entrepreneur-focused economic development and ecosystem building. Led by [Don Macke](#), e2 has a national team of practitioners who bring research, coaching, incubation, market intelligence and other expertise to this work.

What We Do

- ✓ **Mentoring.** We mentor and coach new practitioners seeking to pursue entrepreneur-led development. We provide advice and support for building eEcosystem strategies that work.
- ✓ **Analytics Support.** e2 helps communities and regions understand their entrepreneurial potential through research and data. Explore some of our research tools and reports [here](#).
- ✓ **e2 University (e2U)** is our platform for sharing more than 1,000 guides, papers, stories, tools, and resources with communities wanting a deep dive into eEcosystem building. Don Macke leads the e2U team with analytics support from **Cathy Kottwitz** and report preparation from **Ann Chaffin**. Special recognition for their e2U legacy contributions goes to **Dana Williams** and **Deb Markley**, LOCUS Impacting Investing.
- ✓ **Fostering the eMovement.** We support the national entrepreneurship movement along with our partners including the **Federal Reserve Bank of Kansas City**, **SourceLink**, **Edward Lowe Foundation**, **Kauffman Foundation**, and **NetWork Kansas**. We are a founding member of [Start Us Up: America's New Business Plan](#), a coalition dedicated to strengthening entrepreneurship across America. Together, we continue to advance the foundational ideas of building entrepreneurial ecosystems and entrepreneurship-led economic development.

Contact Us

don@e2mail.org

(402) 323-7336

www.energizingentrepreneurs.org

[NetWork Kansas](#), a 501c3 nonprofit organization dedicated to developing an entrepreneurial ecosystem in Kansas, is the home for e2 Entrepreneurial Ecosystems. NetWork Kansas connects aspiring entrepreneurs, emerging and established businesses, to a deep network of business building resource organizations across the state.

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