



The Power of Diversity

on Rural Economic Development

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Diversity Defined

“...the practice or quality of including or involving people from a range of different social and ethnic backgrounds and of different genders, sexual orientations, etc....”

Source - Oxford Languages Dictionary

Diversity is important in ecology, economy, and society. When we and our rural communities embrace diversity in its fullest dimensions as assets, not threats, the potential to grow more vibrant, thriving, and prosperous communities becomes possible.

In our various writings at e2, we talk a lot about both human and economic diversity. Embracing and growing diversity is foundational to the future of rural communities and regions. Being intentional about incorporating diversity goals and strategies creates a more magnetic and competitive community.

Diversity is Foundational to Economic Growth

We live, work, and play in an ever-changing dynamic environment. Rapid change is the status quo. Think for just a moment of the rapid change in smart technology now invasive in nearly every aspect of our lives. Our hand-held smart devices now have the computing and storage capacity once requiring large rooms of mainframe computers. We cannot readily anticipate the nature and rate of change, as it can make what is relevant today irrelevant tomorrow. Diversity and entrepreneurial attitude and behavior are core to turning rapid change from threats to opportunities. In this paper we explore in some detail two of the dimensions of diversity – social and economic.

This paper on diversity is organized into the following sections:

- Counterpoint to Diversity
- Three Dimensions of Diversity
- Social Diversity – The Human Dimension
- Economic Diversification – The Economic Dimension
- Embracing and Growing Diversity
 - Overcoming Racial Bias
 - Entrepreneurial Talent Diversity
 - Economic Diversity
- Resources Your Community Can Use
- Diversity is as Important as Water

Our next stop is to explore what happens to rural communities and regions lacking diversity.

Any system from a natural ecology to a rural community's economy that lacks diversity is at risk of failure. In our paper, [*Economic Crashes, Mini-Case Studies*](#), we highlight what happens to both urban and rural communities and regions lacking economic diversity. When the underlying dominant economic activity contracts severely or disappears, an economic crash follows, creating a social crash and the associated carnage for many living in these communities.

Counterpoint to Diversity

Much of rural America is distressed with failing economies and societies, wreaking havoc on residents and their communities. Our failure over decades of community economic development to grow more diverse economies and societies is driving a culture of despair, rising death rates and marginalization.

Risking ex-communication from the field of rural economic development, let's use the 2020 Presidential election map of red and blue states to illustrate this point.



Predominately rural states, with rising marginalization from federal and state governments, have increasingly turned hyper-conservative and anti-Democrat. Ross Benes in his 2021 book, *Rural Rebellion*, explores his journey from Brainard, Nebraska (2019 population of 420) to a second hometown of New York City (2019 population of 20.3 million). He is thoughtful and works hard not to stereotype in simplistic terms the culture gap between his two hometowns. He makes the point time and time again that there are good and decent people in both hometowns, but they see each other as so foreign and a threat to what each holds dear. Bottom line, by and large, blue states are more socially diverse, have

more diverse economies and are growing more rapidly. Even in red and blue states, there are blue and red islands. While Nebraska is reliably red, my current home of Lincoln is reliably blue. Lincoln, without question, is dramatically more socially diverse, economically diverse and growing consistently at 1 to 2 percent per year. By contrast, my childhood hometowns of Mullen and Ogallala are less socially and economically diverse and facing prosperity challenges.

From a practical standpoint, distressed and failing communities share the following attributes:

- Higher ratios of marginalized and disenfranchised residents.
- Growing populations of radicalized residents.
- Deepening cultures of parochialism and unwelcoming to new residents.
- Eroding development opportunities.
- Decreasing development capacity.

Before we drill into social and economic diversity, we explore the three relevant dimensions of diversity as it relates to rural community economic development.

The concept of diversity applies to many fields ranging from biology to lifestyle to economics. For rural community economic development there are at least three dimensions of diversity that are very relevant in growing a more prosperous community including **social, economic, and environmental** diversity.

Three Dimensions of Diversity

With respect to rural community economic development, there are three dimensions of diversity worthy of our consideration. Figure 1 provides a snapshot of these three dimensions of diversity.

Figure 1. Three Dimensions of Diversity Summarized

| Environmental | Social | Economic |
|--|--|--|
| As we have stressed planet Earth with rapid human population growth and development, we have created environmental crises, undermining ecological diversity and health. This dynamic is at work both locally and globally. | Social or human diversity is increasingly important to the attractiveness and competitiveness of communities. Diverse populations enrich our entrepreneurial talent, culture, and communities. | For as long as there has been the field of economics, there has been the recognition that more diversified economies perform better when compared to less diversified economies too dependent on one or two sectors. |

We will not spend time focusing on environmental or ecological diversity. We are living these lessons every day with deepening global warming, climate change and bad weather. In an early June 2020 New York Times feature, a proposed \$6 billion, 20-foot-high wall project was discussed to protect much of Miami from rising sea levels and tidal surges during major storms. The cost is massive and fear of this high wall destroying beautiful views is generating serious local push back and debate.

Rather, in this paper we will focus our attention on social and economic diversification. For much of rural America, increasing human and economic diversity represents a powerful development opportunity that can empower a community to transition from decline and crisis to greater prosperity as illustrated in our Ord, Nebraska story described later in this paper.

There is a symbiotic relationship between social and economic diversification. They require each other and when progress is being made in each, they create a positive reinforcing driver, empowering greater development and community prosperity. For any rural community experiencing even very modest development and growth, chances are good that local and area human talent will be optimized, and new residents will be required to sustain and fuel further growth. When this happens, the probability that new residents will not be like current residents is high. Embracing human diversity as an asset and not a threat is paramount to fueling and sustaining progress.

Our next stop is to explore in greater detail the human dimension of diversity, or **social diversity**.



We live, work, and play in an increasing global society, economy, and landscape. The COVID-19 pandemic and its associated disruptions in global trade resulting in soaring prices for lumber to reduced auto manufacturing tied to disruptions in supplies of critical parts, illustrate our connectedness. Central to our 21st Century economy and society is knowledge and human talent. Places with strong ties into the rapidly growing knowledge economy and able to attract, develop and retain human talent are much more likely to succeed.

Social Diversity – The Human Dimension

Our world has progressed in its development over time, requiring different human talent to meet the social and economic needs with each phase of our progress. Consider the following:

Hunter & Gather Societies
Agricultural Societies
Industrial Societies
First Industrial Revolution
Second Industrial Revolution
Information Technology
Biotechnology
21st Century Knowledge Economy

During each of these economic periods different kinds of human talent: skills, knowledge, and experiences, were required. While most of these economic and social systems remain today, most are fundamentally different as we have substituted technology for less skilled human and animal labor. For example, today's corn farmer, with limited help, now can farm 5,000 or even 10,000 acres employing millions of dollars of technology from automated irrigation systems, tractors, and the like.

In the early to mid-1900s when millions of rural youths left the farm, timber mills, and other rural natural resource economies, they had the skills, with some limited training, to meet the industrial needs of the factory floor or warehouse operation. Today, we need fewer workers in manufacturing, but those workers need advanced training, skills, and experience to operate automated manufacturing operations.

Central to America's growth and prosperity has been its attraction of human talent from throughout the world. For example, first generation immigrants are much more likely to envision and spawn a high growth venture than a non-immigrant resident. Our country reflects the world's human talent more than the Northern European white population of decades ago. Growing genuine welcoming communities is part of today's formula for success in rural community economic development.

Embrace human diversity as an asset and not a threat.

Before we move on to economic diversification, we review what human and entrepreneurial talent diversity means in largely homogeneous, white, non-Hispanic, rural communities.

Entrepreneurial Talent Diversity in Rural America. As is the case throughout America, our communities are becoming more diverse based on traditional characteristics like race, ethnic background, gender, and sexual orientation. But many rural communities and regions continue to be relatively homogeneous and non-Hispanic white, rooted in legacy non-Native American settlement populations. Do these communities and regions have diversity opportunities? In this section, we draw on work from Southern Minnesota to provide an expanded view of human diversity as it relates to entrepreneurship.

Diversity Attributes. Diversity represents unique populations within the residents of a particular geography like a community. With respect to community economic development, the following diversity attributes may be important to our work.

More obvious human diversity factors include:

Race - Ethnic background - Gender and now sexual orientation

Less obvious human diversity factors include:

- Age
- Religion or faith values
- Current or previously incarcerated persons
- Veterans
- National origin
- Family history and socioeconomic status (“class”)
- Current or previous substance abuse
- Legal status
- Resident tenure

Diversity in Our REV Communities. In our work with the [Southern Minnesota Initiative Foundation](#) and its impactful [Rural Entrepreneurial Ventures \(REV\) initiative](#), we profiled these communities based on 2010 Census data on “race diversity” (Figure 2).

Figure 2. REV Communities Human Diversity Based on Race, 2010 Census

| | | |
|---|--|---|
| Blue Earth White – 96.1% Hispanic* – 6.0% All Other – 3.9% | Lake City White – 94.5% Hispanic* - 3.0% All Other – 5.5% | Le Sueur White – 93.1% Hispanic* – 5.9% All Other – 6.9% |
| Spring Valley White – 97.6% Hispanic* - 1.0% All Other – 2.4% | Spring Grove White – 97.9% Hispanic* – 1.3% All Other – 1.5% | Lanesboro White – 97.9% Hispanic* – 1.1% All Other – 2.1% |

*Hispanic persons are included in the “white” category based on Census classification protocols.

Diversity and Communities on the Margin. Based on Census data and race, there is limited diversity in our REV communities. Remember that racial diversity is just one element of community diversity. As



part of our work with the Federal Reserve Bank of Kansas City, e2 has been focusing on entrepreneurship as it relates to “communities on the margin.” Central to communities on the margin is the presence of chronic and severe socioeconomic distress such as lack of opportunity, poverty, unemployment and underemployment, depopulation and other factors of community and resident distress.

Within these conversations there is an emerging view that entrepreneur-focused development represents a promising, perhaps for many communities the most promising, strategy for increasing the prosperity of these communities and the socioeconomic well-being of their residents. Central to this view and approach is to recognize that every community has entrepreneurial talent, likely rooted in its diversity. An openness on the part of a community to genuinely discover and understand its diversity and view this diversity as an asset is foundational to entrepreneurial development in communities on the margin.

The Entrepreneurial Lens with Respect to Diversity. Foundational to entrepreneur-focused development is finding and supporting all forms of entrepreneurial talent regardless of race, history or other diversity factors that can marginalize groups of people. Entrepreneurship emerges because of necessity and opportunity. In communities on the margin, necessity drives people into entrepreneurship. Here are some examples from true stories:

- A first-generation immigrant family where the parents have PhDs from their own country but lack the certifications to use those PhDs in the United States. Being smart and motivated, this family pursues growing a successful family business featuring their unique home country food and drink.
- A displaced coal miner in Central Appalachia who takes their mechanical skills, goes back to technical school, obtains certifications in diesel mechanics, and opens a badly needed shop in a rural community.
- A young adult in the Great Plains who does not want to leave their hometown. They go away to school, obtain a degree in accounting, and come home, taking a job in a local CPA firm. The owner is 65 and in five years this young adult buys the firm rooting in their community.

The examples from real life are endless. These folks probably would have preferred a great wage and salary job with security and benefits. But because of their circumstances and life choices, they are driven into entrepreneurship as a pathway to making a living and building a career. In time, some of these “necessity” entrepreneurs discover they are good at it and the love being entrepreneurial. They leverage their skills, resources and passion for entrepreneurship and begin to grow.

- The first-generation immigrant family adds additional cafés and begins offering their unique brand of sauces in local grocery stores.
- The displaced coal miner, now a diesel mechanic, discovers success by adding employees to service customers throughout an entire region.
- The young accountant begins to specialize in farm and ranch estate planning and management, drawing customers from a multi-state region.

From necessity entrepreneurs comes opportunity entrepreneurs and all the associated positive community impacts. Remember, most necessity entrepreneurs may become successful lifestyle entrepreneurs and do not become opportunity entrepreneurs, but it is from this pipeline we grow and evolve opportunity entrepreneurs, generating jobs, tax base, local leaders, and community philanthropists. Our ability to see opportunity in people who may not be like us is foundational to embracing diversity as an asset and growing stronger communities through entrepreneurship.

Next, we want to explore in great depth the importance of economic diversity, employing our 50-year-long [case study](#) of rural Ord, Nebraska.

In the 1970s, Ord and its region was in slow but chronic decline as its primary industry, commodity agriculture, automated thus eroding the need for both workers and communities. The 1980s agricultural crisis¹ deepened and accelerated this decline to alarming levels, driving some in Ord to action and fundamental change. During the 1990s, this community overcame some major social and economic crises and began its search for solutions to better times. In so many ways, 2000 was the pivot year from decline and hopelessness to hope and progress. During the 2000s major commitments were made, including smart development investments, positioning this community for transformative change. During the last decade of 2010 to 2020, transformative change was realized.

Economic Diversification – The Economic Dimension

Over the past 40 plus years we have carefully observed the development of rural communities and regions throughout North America. We have gained insight on why communities are struggling and failing, and why communities are progressing and thriving. In our search for rural community economic development solutions, the secret sauce or formula for success, we have curated our e2 [Community Prosperity Theory of Change Model](#) as illustrated in Figure 3.

Figure 3. e2’s Theory of Change Model



We will not go into detail on this model in this paper because we have several resources (noted later in this paper) that can provide you more detail on our theory of change. However, we wanted to share this

¹ For more information on the ag crisis, read our paper, [Looking Back at America’s Farm Crisis](#).

model because of the prominent role of **broadening economic diversification** within our theory of change. This model is not theoretical or conceptual despite its simplistic presentation. Rather, it is rooted in extensive field experience and reality. Bottom line, increasing entrepreneurial behavior in our rural communities inherently drives greater economic and eventually social diversification. Economic diversification is a powerful cog in the cycle of community progress in becoming both an entrepreneurial and prosperity community.

Ord, Nebraska, and Its Rural Region. We can best illustrate our point through the five-decades long story of Ord, Nebraska, and its rural region. Like a modest collection of other highly successful, very rural communities across North America, the Ord story speaks to the power of economic diversification and rising prosperity. We will not go into the quarter-million plus words that are part of this collection of stories and papers here, but in the Resource Section of this paper we provide hyperlinks to this entire collection. However, we share some highlights here. Figure 4 on the next page provides a conceptualized progress of Ord and its region from typical chronic and severe decline to transformative change, bucking the trend lines.

Figure 4. Ord, Nebraska – From Crisis and Hopelessness to Hope and Prosperity

| 1970s | 1980s | 1990s | 2000s | 2010s |
|---|--|--|---|---|
| Steady decline manifested in outmigration and depopulation. | The Ag crisis creates a breaking point, empowering fundamental change. | A decade of searching for solutions and embracing new opportunities. | Serious and smart commitments and investments, empowering progress. | The decade of transformative change and progress. |

Central to realizing transformative change was an intentional commitment to entrepreneur-led development. The resulting diversification of this community’s economy is highlighted in Figure 5.

Figure 5. Ord, Nebraska – From a Two-Sector to Seven-Sector Economy

| Historically | Analysis | Now |
|--|--|--|
| <p>A Two-Dimensional Economy</p> <p>Commodity Agriculture Area Hub City*</p> <p>*Ord’s region has grown in size and become more prosperous as this hub city and its region have fueled development.</p> | <p>Before its transformation, Ord was a two-dimensional economy rooted in the boom-and-bust cycles of commodity agriculture and its role as a hub city serving a small rural area. Today, Ord and its region supports a multi-dimensional and diverse economy driving growth and prosperity.</p> | <p>A Multi-Dimensional Economy</p> <p>Commodity Agriculture Value-Added Agriculture Regional Hub City* Tourism Growth Entrepreneurs Regional Health Care Retirees Commuters</p> |

Next, we explore how your community can embrace and energize a diversity game plan.



Diversity Planning

In July 2021, I will address the [Traverse Connect](#) development group based in Traverse City located in Northeastern Michigan. We completed a planning call in June 2021 to scope out my presentation and discussed diversity and the role of being intentionally smart in crafting development policy and strategy. Embracing the power of diversity as a development asset begins by recognizing its importance and then figuring out the formula for growing it.

Embracing and Growing Diversity – Overcoming Racial Bias

The news and popular media is full of stories, books, documentaries, and movies about the **Tulsa Race Massacre** (May 31 – June 1, 1921) when a thriving and vibrant African American community of the Greenwood District of Tulsa, Oklahoma was destroyed by mobs of non-Hispanic, white residents. Known as the **Black Wall Street**, this was a thriving and vibrant entrepreneurial and prosperous African American community fueling success in this region of the United States.



While there are many possible causes for this tragic loss of human life and the destruction of a wonderful community, a central theme was envy of Tulsa’s white community towards the prosperity of Greenwood and its entrepreneurial ventures. Instead of seeing Greenwood and its Black residents as assets to the growing Tulsa community, it was viewed by the dominant culture as a threat to the stratified white/Black relationship rooted deeply in “Jim Crow” America (e.g., beliefs that whites had superior status relative to people of color and particularly African Americans). One wonders if Tulsa in 1921 had

embraced Black Wall Street as an asset to be supported, versus a threat, what might have happened to the community in the intervening 100 years.

Figure 6. Overt and Subtle Bias Defined

| Overt Bias and Discrimination | Subtle Bias |
|--|--|
| <p>Overt bias reflected in institutionalized discrimination is a central theme in America’s history, beginning with viewing Native Americans not as humans, African slaves as sub-human and Chinese as a subclass of human beings. When there is overt bias, government and societal discrimination and abuse is rationalized and tolerated. In these environments human talent from these communities is restrained or destroyed, denying the larger community its motivation, creativity, and entrepreneurial potential.</p> | <p>We all have subtle bias. We may not view ourselves as racist, but we act in ways that can deny others in our community an opportunity to progress. Hiring studies show that when gender and race information is suppressed early in the new employee screening process, more women and people of color are hired. For non-Hispanic, white rural communities, subtle bias against women, younger people, new residents, and persons from “questionable” families, creates an unfair playing field for entrepreneurial development.</p> |

Central to embracing diversity is overcoming both overt and subtle bias. Figure 6 (previous page) provides operational definitions for both overt and subtle bias through an entrepreneurial talent lens.

Hostility Toward Diversity

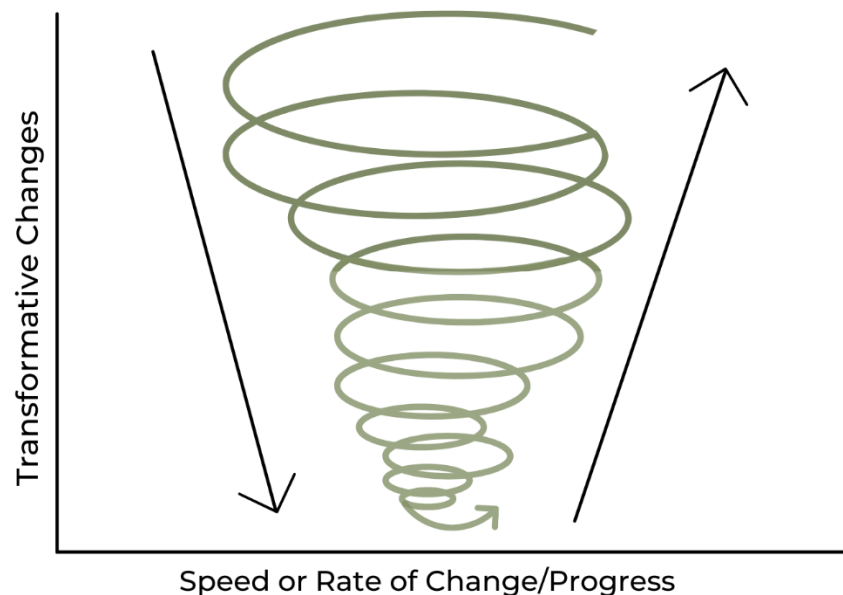
Racism is not the only bias. A few years ago, I visited a sporting goods store and while checking out the teenage clerk commented that gays were hated by God. I was stunned, as we have family members who are gay and are loved and welcome in our family. To this day, I have never patronized this business again.

So, how do we move from a culture and ecosystem that does not embrace the fullest extent of our community's entrepreneurial talent to one that does? We explore some strategy considerations next.

The Human and Economic Diversification Cycle. As noted elsewhere in this paper, we make the point that embracing human diversity drives economic diversification and increasing economic diversification drives the need to embrace new residents who are much more likely to be different from us. This dynamic not only grows more competitive and thriving economies, but it also grows more vibrant and prosperous communities. Once this dynamic is put into action, it becomes a force driving necessary change and creating community economic development opportunities our communities never thought possible based on previous status quo reality. (Figure 7)

Figure 7. Economic Development Cycle

The Cycle of Community Economic Development Progress or Decline



But increasing human and economic diversity can create stress points with respect to dominant historic residents and venture community. When communities perceive themselves as becoming "majority-minority" communities, the status of historic residents and economic interests can be threatened. Again, the factors driving a majority-minority community are more expansive than race. It can be a growing community of new residents, or a business sector once dominated by males and increasingly led by women.

Embracing and Growing Entrepreneurial Talent (eTalent) Diversity

We are most comfortable around people like us. Becoming comfortable and seeking out diversity is a learned human trait that can enrich who we are and our ability to thrive in our global society and economy. Embracing and growing entrepreneurial talent is rooted in embracing and growing our human talent pool even when we are a comfortable, homogeneous, non-Latino, white community.

Human and eTalent Diversification Framework. Consider the following human and eTalent diversification framework and its associated action steps. We recommend the following seven-step action plan to grow a much richer, more interesting, and competitive community through human talent diversification:

Step 1 – Community Diversity as a Development Goal. Embracing change, including those who are different from us, can be hard for our rural communities. But the intentional act of a community to explore, address and embrace human diversity as a development goal is foundational for success. When our communities are failing and in decline, embracing diversity is not really an issue. With even modest development and progress, embracing diversity becomes much more important. Chances are good that as we need to attract new residents to our community to support our development, they will be different. Step 1 is setting increasing community diversity as a desirable goal.

Five Key Questions Every Community Should Ask

In our work with the Aspen Institute’s Community Strategies Group, we curated five basic questions every community must ask itself as foundational to successful development. These include:

1. Who lives in my community?
2. How are our community’s residents doing?
3. How is our economy doing?
4. How is our community doing?
5. What assets do we have to support desired development?

Step 2 – Assess Your Community’s Diversity. Your next step is to explore your community’s current diversity. Move beyond the statistics and consider the fullest range of residents. Particularly focus on who is moving into and out of your community and why. Laying down a qualitative and quantitative baseline is important, so you can set goals and monitor your progress against defined benchmarks.

Step 3 – Talk with and Learn from Newcomers. As noted before in this paper, chances are good that new residents to your community are different from your current residents. This is also true for boomerangs or those who once lived in your community and have moved back. Taking time to get to know these new residents and learning from them can help your community become more aware and intentional with respect to growing a genuine welcoming community.

Embrace Diversity as a Development Asset and Not a Threat

Right now in America, there is a feeling that immigrants are a threat to our values, way of life and jobs. This is not new and has been at work since the first non-Native settlers in Virginia, New

Mexico, and Alaska. With each wave of immigrants there were challenges and in some cases the America First ideology, often rooted in white supremacy, fostered fear, hatred, discrimination and even violence against new residents. At the core of becoming a welcoming community is growing a community culture that views diversity as a development asset and something to be celebrated, and not a threat.

Step 4 – Take Stock of Your Culture and Place. By hosting community conversations with both current and new residents, you can begin to take stock of your culture and place with respect to diversity. Central to growing a positive diversity culture is inviting different members of your community to become engaged. It is important then to allow them to share their gifts of time, talent, and treasure.

Invited, but not really

Early in our married life, my wife and I and our two young sons began attending my wife's church. We were married by the head minister. It was a well-established downtown church in Lincoln with a rich history and a commitment to being a welcoming faith community. The church was well organized and worked hard to engage younger and new members into the work of the church. Our minister encouraged us to volunteer to be part of a church committee. Despite our crazy lives, we wanted to be more than Sunday morning members. We volunteered. The committee, largely composed of older and more established members, were nice and welcomed us. But after a few meetings it was clear they did not want our input. We were there to help fulfill their plans. After a few months we became discouraged and dropped off this committee. There is a huge lesson here with respect to the difference of being invited and truly being welcomed through meaningful engagement.

Step 5 – Build a People Attraction, Development and Retention Game Plan. Most communities need new residents. Natural birth rates versus deaths are no longer sufficient in many smaller rural communities to sustain healthy demographics. Building a smart and meaningful people attraction, development and retention game plan puts commitment, resources, and action into growing community diversity. Check out our strategy paper on new resident attraction for more information. (Coming soon.)

Step 6 – Become a Welcoming Community. Becoming good, let alone great, at being a welcoming community takes both intentionality and hard work. This is a never-ending community building process. There will always be a flow of new residents with their own values, histories, skin colors, and dreams. When we are willing to meet them at a human level, listen and learn, we can position our community to become the welcoming community that will empower human diversity.

Invited to the dance – A welcoming community.
Asked to dance – True diversity.

Step 7 – Keep Working at It. In years past there was something called the Welcome Wagon where community members would visit new residents, provide some gifts from the community, and make the case that the community was happy to have these folks make this their hometown. The same was true with Chambers of Commerce and those starting or buying

businesses in our communities. The time is right to recharge these kinds of efforts, but also commit to community member sensitivity and welcoming training. Whether it is the 16-year-old clerk at the sporting goods store or that church committee, understanding the art and science of becoming a welcoming community is worth the investment.

Now we consider some economic diversification strategies.

Embracing and Growing Economic Diversity

Being intentional about embracing and growing economic diversity is foundational to evolving a higher performing economy. Consider the following economic diversification framework and its associated action steps.

Economic Diversification Framework. We recommend the following seven-step action plan to grow a much more competitive, diverse, and resilient economy through entrepreneur-led development:

Step 1 – Diversification as a Development Goal. The first step in this process is for your development team and community to deeply embrace economic diversification as a development goal. With this goal articulated and providing North Star guidance with respect to your economic development strategy implementation, the likelihood of growing a more diverse economy becomes possible.

Step 2 – Assess Your Community’s Economic Diversification. Once your community has established economic diversification as a development goal, then it is time to assess your community’s current economic diversity, laying down a baseline for setting future progress benchmarks. Figure 8 provides a baseline of Klamath County, Oregon’s economic diversification for 2018.

Employing e2’s [Quick Method for Estimating Economic Diversity](#), nearly 67% of all economic activity is concentrated in the top four economic sectors. Klamath County (population of 68,238 in 2019) is a rural county in South Central Oregon with its lead hub city of Klamath Falls (population of 21,335). Using this baseline, [Klamath IDEA](#) is pursuing an entrepreneur-led development strategy focusing on growing out its hospitality sector (e.g., #8 in terms of household earnings generated in 2018). Refer to Figure 8 on the next page.

Asset-Based and Genuine Development Opportunities

All community economic development should be rooted in a community’s assets, genuine development opportunities, and its development preferences. This three-point focus optimizes a community’s development. Central to growing a more diversified economy is understanding your community’s underdeveloped and likely entrepreneurial development opportunities. Growing out these opportunities by energizing entrepreneurs within these opportunity areas is foundational in realizing a higher value and more diversified economy.

Step 3 – Explore Your Community’s Likely Entrepreneurial Development Opportunities. e2’s [Development Opportunity Profile](#) can help your community identify your unique and likely entrepreneurial development opportunities. Exploring these development opportunities with your community’s entrepreneurs can establish smart development focus areas. To learn more read our paper, [Likely Entrepreneurial Development Opportunities for Rural Communities](#).

Spend Time Working on One’s Venture Versus Running It

Central to successful entrepreneurial behavior is committing quality time and energy to focusing on developing one’s venture, versus spending most of one’s time running the venture. The same is true with sector development at the community level. When your rural community identifies potential development opportunity areas and engages your entrepreneurs in exploring

development and growth areas, you are creating productive space for your community and the engaged entrepreneurs to work on their ventures and your community's underdeveloped opportunities.

Figure 8. Economic Diversification of Klamath County, Oregon's Economy, 2018

| Sector | Income Millions \$ | % Total | Rank | Concentration |
|--------------------------------------|-----------------------|----------------|------|----------------------------------|
| Retirees | \$929.06 | 32.22% | 1 | Top 4 Sectors 66.77% |
| Govt. Transfer Payments | \$393.37 | 13.64% | 2 | |
| Government | \$365.52 | 12.68% | 3 | |
| Health Care | \$237.54 | 8.24% | 4 | |
| Retail Trade | \$122.15 | 4.24% | 5 | Top 5 Sectors 71.01% |
| Manufacturing | \$117.73 | 4.08% | 6 | |
| Commuters | \$92.72 | 3.22% | 7 | Top 10 Sectors 86.03% |
| Hospitality | \$81.76 | 2.84% | 8 | |
| Construction | \$79.57 | 2.76% | 9 | |
| Other Services | \$61.43 | 2.13% | 10 | |
| Real Estate | \$58.18 | 2.02% | 11 | |
| Transportation & Warehousing | \$55.50 | 1.92% | 12 | |
| Professional & Technical Services | \$53.84 | 1.87% | 13 | |
| Administrative & Waste Services | \$49.09 | 1.70% | 14 | |
| Wholesale Trade | \$47.41 | 1.64% | 15 | |
| Finance & Insurance | \$39.37 | 1.37% | 16 | |
| Management of Companies | \$25.72 | 0.89% | 17 | |
| Forestry | \$21.42 | 0.74% | 18 | |
| Farming | \$19.91 | 0.69% | 19 | |
| Utilities | \$11.41 | 0.40% | 20 | |
| Educational Services | \$11.40 | 0.40% | 21 | |
| Information | \$8.50 | 0.29% | 22 | |
| Mining | \$1.06 | 0.04% | 23 | |
| Total | \$2,883.66 | 100.00% | | |

Step 4 – Opportunity-Aligned Peer Groups and Conversations. For example, let's say your community has potential with heritage tourism development. In our other work we have shared the story of Red Cloud, Nebraska (2019 population of 1,095) and its heritage tourism development opportunity rooted in being the home and setting for writer Willa Cather and her books (www.willacather.org). Heritage tourism could diversify your economy from an area hub community to a regional ranching community and economy. In Step 4 your community's development group would begin to value-chain (www.wealthworks.org) its heritage tourism assets and identify gaps where there are development opportunities. Your community might identify more Airbnb lodging, food, drink, and docent development needs. Based on this assessment, you would invite entrepreneurs and members of your community into exploratory

conversations around these development opportunities. Through these peer conversations and one-on-one assistance, your community could begin to build out ventures to address these gaps, strengthening your heritage tourism destination's attraction power.

Learning and Insight

When we engage with others around a larger community development opportunity, we create space to learn and gain insights that can inform both community level and individual venture level decisions and investments. This process is well established can be moderated by your community's entrepreneurship team or development group. Once these exploratory discussions get going, there is real discovery as every participant brings knowledge to the table that often they had not reflected upon. Smart investments and development are the outcomes of this collective and individual learning process.

Step 5 – Sector and Venture Strategy Development. The apex outcome of this peer group and individual discovery process (e.g., Step 4) are sector or community level and individual venture level decisions and investments. In our e2 strategy paper focusing on spending capture (coming soon), we provide more detail on how to move from commitments to smart investments and actual development.

Step 6 – Ecosystem Building. When we work with entrepreneurs focused on genuine development opportunities in our community, we can quickly identify strengths and weaknesses in our entrepreneurial ecosystem. We may discover that we lack good small business bank lending or LLC equity investors to empower capital packages for related ventures. Instead of engaging in ecosystem building at an abstract and macro level, we have very specific development needs that our community can organize around and address. This approach is smart ecosystem building, optimizing the resources your community has at any given time, maximizing development outcomes and impacts.

Scaling and Transformative Change

Central to Ord, Nebraska's success in realizing transformative community economic development change is rooted in its ability to scale up successful activities resulting in macro-economic improvements as reflected in key secondary performance indicators. Evolving from a two-sector to seven-sector economy has enabled Ord's and its region's transformation. Scaling requires building an ecosystem that can support intentional and high-level economic development activity.

Step 7 – Continue and Scale-Up. A community's development work is never done. It is a 24-7-365 forever commitment and undertaking. To realize transformative change into a sustainably prosperous entrepreneurial community, there must be a game plan to scale up development that is yielding results and impact. Scaling up your development game plan requires an ability to mobilize more resources to fuel successful development. Central to Ord's success is it has scaled with over \$250 million in net new documented investment between 2000 and 2020.

Before we move to conclusion, we want to highlight some other diversity related resources available through e2.

Resources Your Community Can Use

There is an overwhelming collection of resources available today focusing on diversity related topics. We encourage you to undertake your own search for information that can help your community realize greater social and economic diversity. At e2, we are curating our own collection of diversity related resources specific to rural community economic development. These are free and readily available to you and your community to use in your search for your solutions.

From our growing collection of resources, we recommend the following free papers and podcasts for those practitioners wanting more content on this topic of diversity.

Must Reads

- [Rural Community Prosperity Development Framework](#)^{*2}
- [e2's Community Prosperity Theory of Change Model, Guidance for Economic Development Work](#)
- [Ord Story Collection](#)*

Recommended Reads

- [Is Your Community a JEDI Hometown?](#)*
- [Community Quality of Life Placemaking](#)
- [Building Entrepreneurial Ecosystems in Communities of Color](#)*
- [Marginalized Rural Americans, Economic Development Implications](#)*
- [Likely Entrepreneurial Development Opportunities](#)*

Allied Reads

- *Entrepreneurial Development Opportunity Strategy Guides Collection (in progress)*
- [The 2020 Pandemic Recession – Future Trends](#)*
- [Mega Trends Influencing the Future of America's Rural Communities](#)*
- [Economic Crashes – Mini-Case Studies](#)*
- [Urban America is Filling Up – Implications for Rural America](#)*
- [Quick Method for Calculating Economic Diversity](#)

There are so many other resources relevant to the topic of diversification. We hope this recommended reading list is helpful to your community's search for understanding and solutions.

*Those resources denoted with * have related podcasts available by December 2021. Click to learn more about e2's [Pathways to Rural Prosperity Podcasts](#).

Diversity is as Important as Water

Under the right conditions, a human being can live for up to a month without food. But that same human being under good conditions can only survive for a few days without water. We all know water is foundational to our wellbeing and survival. Around the world and here at home in America, addressing water supplies is a huge development focus. While a lack of diversification will likely not kill us in a few days, we would argue it is foundational to rural community survival, let alone prosperity.

It may seem an extreme analogy that diversity – both human talent and economic – are as important as water to living beings. But there is strong field evidence that more diverse societies and economies are doing significantly better when compared to rural societies and economies that are less diversified. With increased diversity, we have more development opportunity and community resilience. There is this symbiotic relationship between human talent diversity and economic diversification. Our field observations strongly supports the view that they fuel each other into this progressive cycle, contributing to more vibrant, sustainable, and prosperous communities and regions.

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 and invite practitioners to join our [National e2 Practitioners Network](#).
- ✓ **[Analytics Support](#).** e2 helps communities and regions understand their entrepreneurial potential through research and data.
- ✓ **e2 University (e2U)** is our online platform for sharing guides, papers, stories, tools, and resources with communities wanting a deep dive into eEcosystem building. Don Macke leads the [e2 University](#) 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.

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[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, and emerging and established businesses, to a deep network of business building resource organizations across the state.

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