

BRAD FELD

STARTUP COMMUNITIES

SECOND EDITION



**BUILDING AN
ENTREPRENEURIAL ECOSYSTEM
IN YOUR CITY**

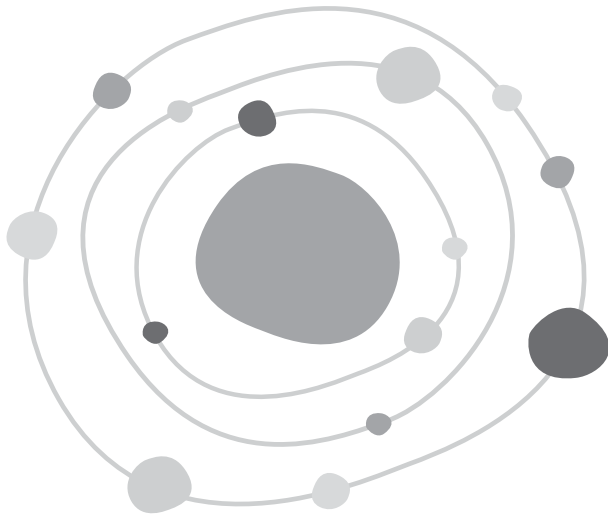
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Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

Published simultaneously in Canada.

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Library of Congress Cataloging-in-Publication Data

Names: Feld, Brad, author.

Title: Startup communities : building an entrepreneurial ecosystem in your city / Brad Feld.

Description: Second Edition. | Hoboken : Wiley, 2020. | Revised edition of the author's Startup communities, [2012] | Includes bibliographical references and index. | Description based on print version record and CIP data provided by publisher; resource not viewed.

Identifiers: LCCN 2020024518 (print) | LCCN 2020024519 (ebook) | ISBN 9781119617792 (epub) | ISBN 9781119617822 (adobe pdf) | ISBN 9781119617655 (cloth) | ISBN 9781119617655q(cloth) | ISBN 9781119617822q(adobe pdf) | ISBN 9781119617792q(epub)

Subjects: LCSH: Entrepreneurship. | New business enterprises—Environmental aspects. | Communities—Social aspects.

Classification: LCC HB615 (ebook) | LCC HB615 .F45 2020 (print) | DDC 658.1/1—dc23

LC record available at <https://lccn.loc.gov/2020024518>

LC record available at <https://lccn.loc.gov/2020024519>

Cover Design: Wiley

Printed in the United States of America.

10 9 8 7 6 5 4 3 2 1

*To Len Fassler, who has taught me more about entrepreneurship
than anyone else on this planet.*

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FOREWORD

I was honored when nearly a decade ago, my good friend, Brad Feld, asked me to pen the foreword to the first edition of *Startup Communities*. At the time, the country was recovering from a recession, and the role startups play in creating jobs and driving economic growth was not well understood. At the time, the conventional wisdom was that the only startup community that mattered was Silicon Valley. In that original 2012 foreword, I asserted that the startup revolution should not be limited to coastal tech hubs and that we needed more work, and continued leadership from innovators like Brad to encourage the growth of nascent entrepreneurial ecosystems all across the country.

Shortly thereafter, I decided to hit the road to put that advice to the test. Revolution, the investment firm I started in 2005, launched Rise of the Rest, an effort to shine a spotlight on startup communities in cities all across the United States. So far, we've traveled 11,000 miles to visit 43 cities showing real momentum as innovation hubs, including Denver, Atlanta, Detroit, St. Louis, Nashville, and Indianapolis. Our focus was on understanding what was happening in each city and doing what we could to encourage greater collaboration, encouraging and amplifying a sense of optimism and possibility.

We also invested in at least one startup in each city. The momentum we saw led us to create Revolution's Rise of the Rest Seed Fund, backed by some of America's most successful entrepreneurs (including Jeff Bezos,

Eric Schmidt, Tory Burch, Sara Blakely, and Howard Schultz). To date we've invested in more than 130 companies in more than 70 cities—and we're just getting started.

Fast forward to 2020 and—thankfully!—we've seen remarkable change. In recent years we've seen what some have dubbed “flyover country” give birth to dozens of very successful companies. Silicon Valley icon Salesforce acquired ExactTarget in Indianapolis, and doubled down on the city; indeed, it's now Salesforce's second largest office, with more than 2,000 employees. Minneapolis-based Target acquired Birmingham's Shipt to power its ecommerce expansion. Healthtech powerhouse Epic Systems has grown to more than 11,000 employees, mostly by expanding its Madison headquarters. Ann Arbor-based Duo Security was a multi-billion-dollar acquisition for Cisco. And some of the hottest IPOs have been in places like Salt Lake City, the home of a number of enterprise software companies, including Pluralsight and Domo.

Progress has been made on other fronts. More mayors now recognize the pivotal role startups play in revitalizing their cities. More governors have begun shifting their economic development agenda from luring big companies to launching small companies, some of which will become the big companies of tomorrow. More investors are finally paying attention to startups outside of Silicon Valley. And more entrepreneurs are increasingly able to decide where they want to start a company as they are now increasingly able to attract talent and capital to nontraditional tech hubs.

Even the political dialogue has changed. It is now broadly understood that there are societal drawbacks when the benefits of technology accrue to too few places. Given that startups are key job creators, there is a growing recognition of the need to encourage their growth across the country, especially as worries about automation and globalization multiply.

Brad, a pioneer in encouraging the development of startup communities, seeded the momentum more than a decade ago that we're seeing now. His personal efforts transformed Colorado into a startup hub, and then his leadership—including the launch of Techstars, Startup Weekend,

his series of Startup Revolution books, and countless other initiatives—has been instrumental in building a national startup movement.

Because of this, Brad's thinking on the best practices for developing strong and sustainable startup communities is now more important than ever. This updated and expanded book, rich with case studies, will guide readers on what it takes to create a stronger entrepreneurial economy. It can help show us the way as we seek to build a startup economy that is more geographically diverse as well as more inclusive. Indeed, *Startup Communities* is a must-read for anybody who cares about the future of their community and their nation.

While the progress we've seen is encouraging, we still have a long way to go. In 2018 more than 75% of US venture capital went to just three states—California, New York, and Massachusetts. The other 47 states fought over the remaining 25%. That data is sobering, but for me, it's déjà vu all over again. When I co-founded AOL in 1985, only 3% of people were online, and the conventional wisdom was that the Internet had limited appeal. It took a while to convince people there were benefits to getting online, but we finally broke through. I am fond of saying that AOL was an overnight success ten years in the making!

Similarly, the startup revolution that is being unleashed all across the country, and all across the world, will take time. And it will take the talents of many—business executives, civic officials, and university leaders, and, most of all, entrepreneurs—all coming together to strengthen and propel their startup communities. I have no doubt that Brad's book will serve as an invaluable blueprint for those on that important journey.

Steve Case
Chairman and CEO, Revolution
Co-founder, America Online
February 2020

INTRODUCTION TO THE SECOND EDITION

The first edition of *Startup Communities* was published in 2012. As a society, we were emerging from the global financial crisis, and entrepreneurship was starting to be discussed more broadly around the world. The transition from an industrial, hierarchical, top-down economy to a digital, networked, bottom-up one was underway.

Economic pundits and politicians started to refer to this time as a jobless recovery since traditional employers had stagnated and jobs were scarce and unreliable. As young, talented people began looking for work, three digital technologies converged: ubiquitous high-speed internet, smartphones, and cloud computing. Consequently, starting a digitally enabled company became much cheaper and easier to do, and it could be done anywhere. All that was needed was an internet connection, a laptop, and an imagination.

Suddenly, people around the world wanted to learn how to apply the phenomenon of entrepreneurship. What felt different about this era when compared with the hysteria of the dot-com bubble in the late 1990s was a sense that people wanted to get things right. Instead of just making money,

they wanted to understand what was going on and how to effectively build vibrant startup communities in cities around the world.

Prior to the publication of the first edition of this book, the phrase “startup community” didn’t exist. Geographic areas with a concentration of innovation and entrepreneurial activity were often labeled entrepreneurial ecosystems, innovation parks, or research clusters. The word *startup* was often hyphenated, much to my chagrin. As I was working on this book in 2010 and 2011, I was searching for another way to describe the thing that I felt that I was involved with in my hometown of Boulder, Colorado. One day, the phrase *startup community* jumped out at me.

The publication of *Startup Communities* in 2012 provided a framework and practical guidance for startup community builders through the lens of my experience in Boulder. In the mid-1990s, Boulder didn’t have much in the way of a startup community. While there was plenty of startup activity occurring in isolation, there wasn’t much bringing people together in a coordinated way. Slowly this began to change over time because of a small group of dedicated entrepreneurs who created an organic, bottom-up movement that built a startup community.

A lot has happened in last eight years. The phrase *startup community* is now well-defined and distinct (but related to) an entrepreneurial ecosystem. The Boulder Thesis, which I first described in 2012, is a common and straightforward set of principles being followed by entrepreneurs, startup community builders, and participants in startup communities all over the world. Entrepreneurship is front and center as a new generation of entrepreneurs and companies drive innovation forward in cities everywhere.

When I sat down to update *Startup Communities* with a second edition, I thought hard about the approach to take. I was in the middle of writing a sequel to *Startup Communities* with Ian Hathaway called *The Startup Community Way* that was published in July 2020, and I wanted to link the two books together on a continuum, without diminishing the importance or relevance of either of them as a stand-alone book.

After reflection, I decided to refresh *Startup Communities* without rewriting history. I carefully read through the 2012 edition and felt that many of the ideas in the book were still highly relevant. I knew there were a few things I wanted to fix that I felt like I had gotten wrong, along with several things I wanted to add. But I wanted to leave the core alone, even if some of it was from my perspective eight years ago.

I've regularly gotten feedback that the examples are a valuable part of this book. I wanted to stay true to the context from 2012, so I left most of the original sidebars untouched and instead added short summaries at the end, describing what ultimately happened with the initiative or the example. I added a few new sidebars and put a parenthetical date at the end of each one—(2012) or (2020)—indicating when the sidebar was written. In a few cases I updated an old sidebar with permission from the original author or removed a sidebar at an author's request. When the author has a different job than in 2012, I indicate this with a parenthetical "(now *newcompany*)."

For several of my books, I've now written multiple editions (for example, *Venture Deals: Be Smarter Than Your Lawyer or Venture Capitalist* is now on its fourth edition). I found this updated edition to be particularly tricky since I wanted to preserve the historical context from 2012 while updating it with some new ideas and examples and yet allowing it to stand alone as a prequel to *The Startup Community Way*.

Hopefully I've done that. I encourage you to use time travel as your friend and think back to where you were and what you were doing in 2012 as you read this book. I continue to be amazed as how quickly time passes, while simultaneously being fascinated by how slowly some things change. Ultimately, some ideas endure, while others don't. I hope I've managed to keep and extend the enduring ones, while eliminating those that are no longer relevant.

PREFACE

In the fall of 2008, the world financial markets were rocked in an unprecedented way. The global financial crisis that ensued created massive uncertainty across our society and resulted in extraordinary actions by governments and companies throughout the world.

In a parallel universe, something else was happening. Entrepreneurial companies such as Facebook, Twitter, LinkedIn, and Zynga were growing at an equally unprecedented rate. While these companies and many others were emerging from Silicon Valley, cities across the country were brimming with startup activity. My hometown of Boulder had become known throughout the world as a great startup community, but cities like New York, Boston, Seattle, Portland, Chicago, and Austin were also seen as nexuses of startup activity.

As the macroeconomic impact of the financial crisis was felt throughout 2009 and 2010 and society tried to readjust to the new economic reality and constraints generated by the collapse of many traditional and well-established institutions, the startups kept being born, growing, and adding jobs.

In early 2011 the world started to notice. On January 31, President Obama acknowledged the importance of entrepreneurship to our global economy through the launch of Startup America. He stated:

Entrepreneurs embody the promise of America: the idea that if you have a good idea and are willing to work hard and see it

through, you can succeed in this country. And in fulfilling this promise, entrepreneurs also play a critical role in expanding our economy and creating jobs.

—President Barack Obama, @BarackObama (2011)

Suddenly entrepreneurship was at the forefront of the discussion. While entrepreneurs continued to toil away building their companies from scratch, it became clear that entrepreneurship was a global theme—one that impacted every geography, industry, market, and demographic throughout the world. Overnight, everyone started talking about entrepreneurship as the way to revitalize our global economy.

Entrepreneurship was no longer limited to a small set of risk takers located in a few specific cities. States and local governments became interested. Universities dusted off their entrepreneurship initiatives. Angel groups visibly reemerged, venture capitalists (VCs) became popular again, and large companies created new startup programs.

All of this activity has created an enormous amount of noise that runs the risk of drowning out the powerful signal that is entrepreneurship. It won't matter in the long run, as entrepreneurs are going to do what they do, which is create new things (products, companies, jobs, and industries) out of nothing, but it occurred to me that there were powerful lessons that we could learn from the experience I'd had in Boulder. From this came the Boulder Thesis, a new framework for creating and building a startup community in your city. I have a deeply held belief that you can create a long-term, vibrant, sustainable startup community in any city in the world, but it's hard and takes the right kind of philosophy, approach, leadership, and dedication over a long time. Hence, this book, whose goal is to help you understand how to do this and give you the tools to create an amazing startup community in your city.

AUDIENCE

This book is aimed at anyone who wants to be involved in creating, building, and sustaining a startup community in their city. Because entrepreneurs are at the heart of every startup and every startup community, this book is for every entrepreneur.

Startup communities consist of many more participants than just entrepreneurs. Government, universities, investors, mentors, service providers, and large companies play key roles in the development of a startup community. This book is for anyone in those organizations interested in entrepreneurs and startup communities.

Startups have employees who are critical participants in the startup community. Some of these employees will go on to become entrepreneurs and start their own companies; others will work for a range of startups over their careers. They, too, can benefit from many of the ideas in this book.

There are many people studying entrepreneurship, economic development, and innovation, both in government and university settings. Whether you are doing research, creating policy, or just trying to understand what is going on, this book is for you.

Recently, the media has once again become infatuated with entrepreneurship. Unlike the late 1990s when there was relatively little critical thinking in the mix, this time around many journalists and writers are trying to really understand what is going on below the pretty, glossy surface of rich, famous, and successful entrepreneurs. I hope this book will help.

I've been talking about the ideas of a startup community for a number of years and have lived them as an entrepreneur, one of the leaders of the Boulder startup community, and a participant in many other startup communities. By codifying my thoughts and ideas in this book, it forced me to think deeply about them. I hope you benefit from this effort as you explore your own startup community.

OVERVIEW OF THE CONTENTS

After a brief introduction, I'll spend some time exploring the Boulder startup community. I'll go through a brief history, dating back to the 1970s, and include several perspectives besides my own.

I'll then go deep into the principles of a vibrant startup community. I will explore several historical frameworks, describe the Boulder Thesis, and explain the various components of it.

I'll then explore the different participants in a startup community. I separate the participants into three categories—leaders, feeders, and instigators—and I'll describe in depth the characteristics of each and what they can do to help, as well as hinder, the startup community.

Given an understanding of the participants, I'll discuss the attributes of leadership in a startup community. I'll follow this with a thorough exploration of a set of classic problems that startup communities encounter.

I'll then give a bunch of examples of activities and events that drive the startup community. Many of these examples will come from the people in the Boulder startup community who helped create the activities. My hope is that these examples will help generate a better understanding of the leadership dynamics around startup communities. I'll wrap this up with a detailed look at the power of accelerators to a startup community, using my experience with Techstars as an example.

I'll shift gears and explore the involvement of the university in a startup community. With help from Brad Bernthal, I'll use a set of examples from Boulder to help create a better understanding of what's actually going on and how a university can participate effectively. I'll then spend some time on the contrast between entrepreneurs and government and how this often plays out in the development of a startup community, along with how large companies can engage effectively in a startup community.