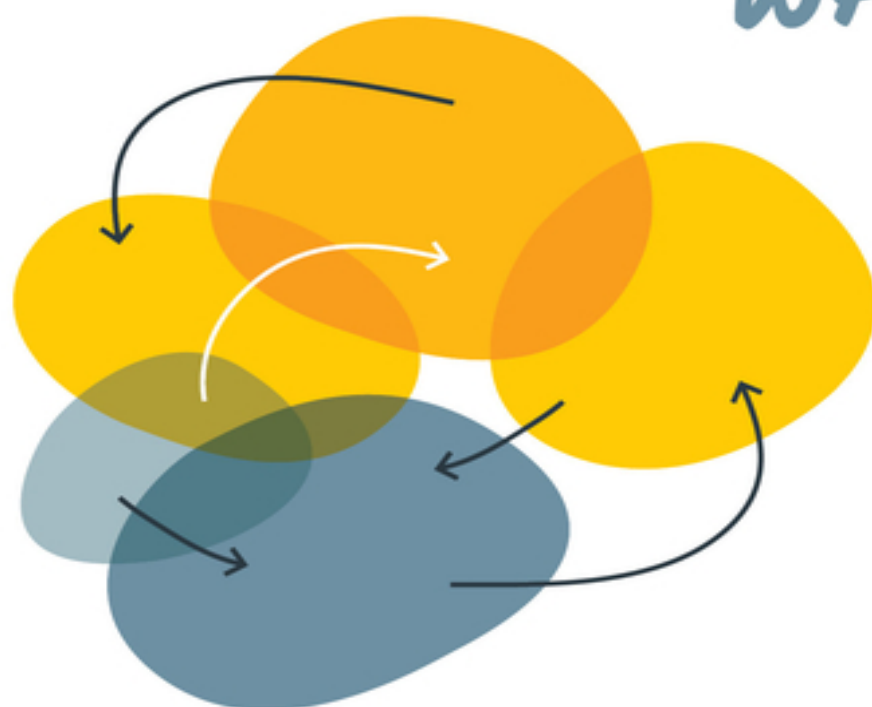


BRAD FELD + IAN HATHAWAY

# THE STARTUP COMMUNITY WAY



EVOLVING AN  
ENTREPRENEURIAL  
ECOSYSTEM

WILEY

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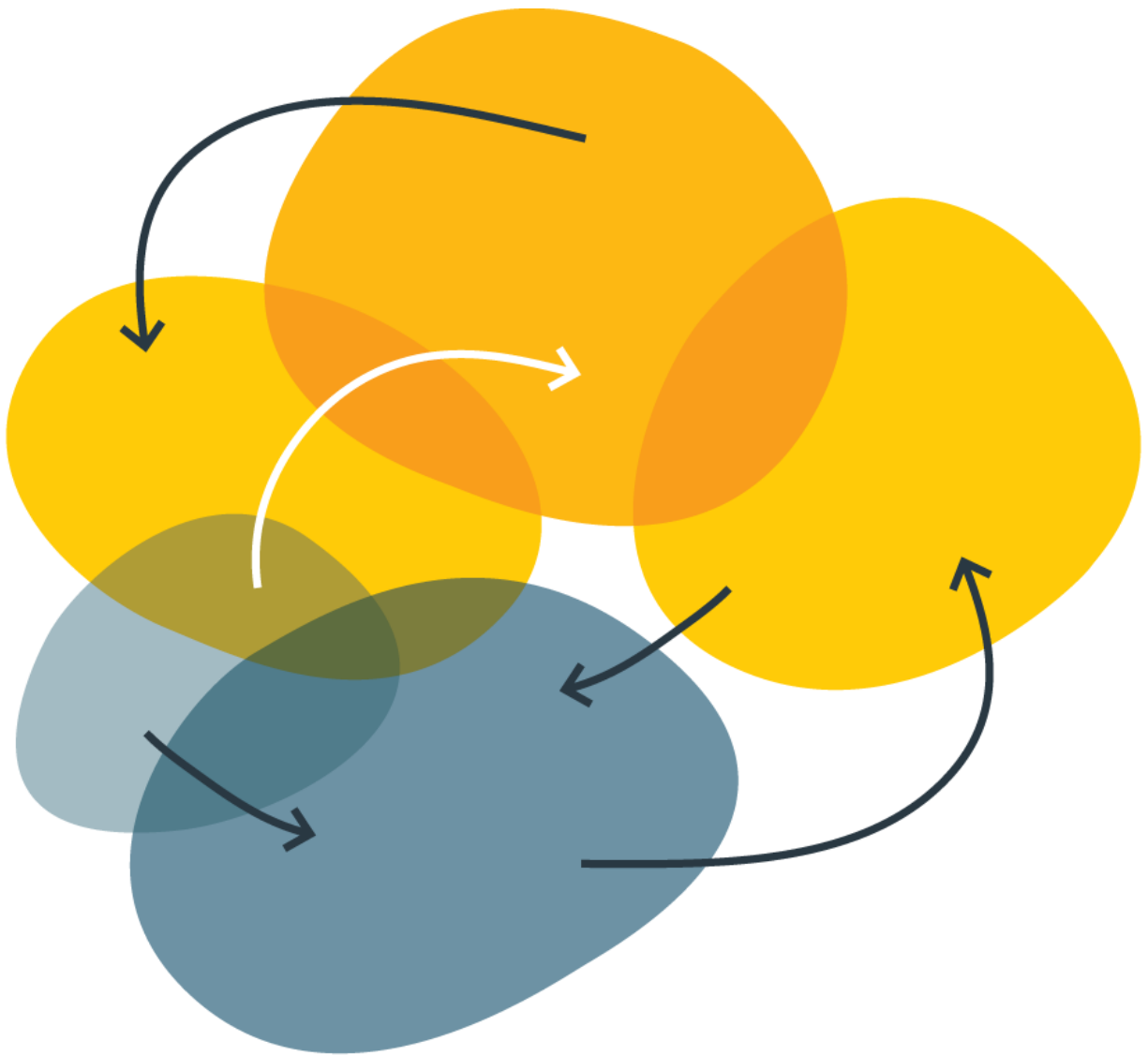
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**BRAD FELD AND IAN HATHWAY**

# **THE STARTUP COMMUNITY WAY**



**EVOLVING AN ENTEPRENEURIAL ECOSYSTEM**



**WILEY**

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*For Amy, who tirelessly supports me in all my endeavors.*

*For Suzy, co-founder of my favorite startup.*

# FOREWORD

In 2020, startup communities, which once appeared on the landscape of business (as well as the literal landscape) like so many rare animals, are long past the point of being uncommon or even unusual. As you'll read in the many compelling stories of progress that follow, they're coming together everywhere now, both in this country and around the globe, filled with energy and potential and the desire to look ahead to the kind of future we all want for our society. This is a critically important development. Quite simply: We need entrepreneurs and their ideas to keep our society moving forward, not just economically but equitably. The nurturing of startups, which is amplified by magnitudes when they share in a community of organizations and people, is the best way to make sure we achieve that goal.

That startup communities exist in such abundance is thanks, in large part, to Brad Feld. Every startup is unique, unpredictable, and unstable, but that doesn't mean they can't be managed for success, provided it's the right kind of management. The same is true of every startup community. That's the subject of Brad's book, *Startup Communities: Building an Entrepreneurial Ecosystem in Your City*. It lays out clear practices and principles for managing the bottom-up (versus top-down) structure of startup communities, which, because they're built on networks of trust rather than layers of control, can't be maintained in the same way that public goods and economic development were in the past. Rather than a rigid, hierarchical set of rules and processes, they thrive on a responsive, flexible method of working that uses validated learning to make decisions with minimal error. Like entrepreneurs, startup community builders can't rely on hunches or assumptions; they need to

get out there, gather data, and see what's happening for themselves. Only then can they bring together diverse, engaged organizations that draw on each other's energy and experience and are led by committed, long-term-oriented entrepreneurs. By detailing a system that was hiding in plain sight, like so many methods used by entrepreneurs, Brad made it available to anyone worldwide who wants to bring innovation and growth to their city or town.

All of which is why, now that we've reached the next phase of startup community development, there's no one better than Brad to address its central issue: what happens (or doesn't) when startup communities co-exist with other, more traditionally hierarchical institutions that, as much as they'd like to work with their innovative neighbors, can't break free of their old rules and management styles? And how can we ensure that all of these players work together with respect for each other's strengths, and with clarity, to maximize their positive effect on the world around us? Brad's answer, once again, is to clearly lay out the methods and tools that can affect this change. He and his co-author, Ian Hathaway, have combined deep experience with rigorous, intensive research and analysis to create a framework for this necessary path forward.

Every entrepreneur continues to iterate on their original product, and Brad is no exception. This book, *The Startup Community Way: Evolving an Entrepreneurial Ecosystem*, isn't just a follow up to *Startup Communities*; it's a refinement of those initial ideas—as well as an expansion of them. It encompasses the increasingly common and often complex relationships and interdependencies between startup communities and legacy institutions including universities and government (both local and federal) and corporations, culture, media, place, and finance. By situating startup communities within this larger system of

networks, Brad and Ian shine light not only on the interconnectedness between them, but their connections to the larger community and society as a whole. *The Startup Community Way* zooms out to look at the big picture even as it provides a close, highly detailed look at each of the actors, factors, and conditions that can combine to create a successful entrepreneurial ecosystem. It also examines some of the mistakes that are routinely made, like trying to apply linear thinking to the distinctly dynamic, networked relationships in startup communities, and trying to control them rather than let them operate freely within thoughtful parameters. All of this is presented with the sole goal of helping to forge deeper connections between often disparate parts so that they can better work together toward a common purpose.

I feel a deep kinship with Brad, whose work echoes in many ways the development of my own thinking about entrepreneurship and its uses. I began with the methodology for building successful individual startups in *The Lean Startup* and moved on in *The Startup Way* to applying those same lessons at scale to bring entrepreneurial management to large organizations, corporations, government, and nonprofits. I share Brad's faith that the entrepreneurial mindset is crucial not just for improving our present day-to-day lives but also for ushering our world into the future as we apply it to all kinds of organizations, systems, and goals, including those involving policy.

One revision Brad has made since the publication of *Startup Communities* resonates with me in particular: Where he previously called for startup communities to operate on a simple 20-year timeline, he's changed that to a "20 years from today" timeline. The work of innovation is continuous, and thinking truly long-term is crucial in order to reap its true benefits. What I mean by long-term thinking

is an ongoing, honest, and comprehensive consideration of what we want our companies to look like—and our country and our world—for upcoming generations. In order to have the future we strive for, one in which opportunity and assets are fairly distributed, thoughtful management and care for the planet and all of the people who live on it with us is central, and we need to look beyond the right now to the realization of all the promise of the work that's already been done. This book is a perfect entry point for doing just that.

Eric Ries  
Author, *The Lean Startup*  
April 2020



## PREFACE

In 2014, I<sup>\*</sup> was in Downtown Las Vegas. This location is not the glitzy sunset strip where most people spend time when they are in Las Vegas, but the historic business district that was undergoing a massive renovation under the leadership of Tony Hsieh, the founder of Zappos. Dead buildings were coming back to life, and Las Vegas no longer ended at Fremont Street.

UP Global, a nonprofit dedicated to building startup communities that is now part of Techstars, was having its annual summit. I was on the board of UP Global at the time and over 500 entrepreneurs from 70 countries were in attendance. Organizers from all over the world of the three UP Global programs—Startup Weekend, Startup Week, and Startup Digest—were meeting each other and participating in sessions about how to run their programs, build their startup communities, and spread the ethos of startups and innovation.

The event was in full swing with energy and excitement around startups in the air. While English was the dominant spoken language, the body language, discussions, and personal styles of the attendees gave the event an unmistakable international feel. The gathering was a diverse collection of people of all ages from around the globe.

I participated in a few discussions on startup communities, signed a bunch of copies of my book, *Startup Communities*, and smiled for an endless stream of selfies taken with community organizers from all over the world. The weather was hot, and the emotions were warm.

At the final evening gala, the buzz of the event was building to a climax for many participants. I was worn out from the previous two days, and stood, observing quietly, in a far corner of the giant banquet hall. Suddenly, a person I did not know came up to me and shouted over the din, “Thank you for changing my life!” while simultaneously putting a baseball cap on my head.

I responded with, “What did I do?”

The young man said, “Look at the hat!”

I took the cap off and saw that it was from a Startup Weekend in the Middle East. I saw tears in the eyes of the person who was now several inches away. Arms opened, and a big hug followed.

A 20-something from the Middle East and a 40-something American Jew, hugging in Downtown Las Vegas, bonding over startups and startup communities. A life changed. Well, two lives changed.

In the fall of 2008, Ben Casnocha, a longtime friend of mine, wrote an article for *The American* called “Start-up Town” that began with the following teaser:<sup>[1](#)</sup>

In the past 15 years, Boulder has gone from a little hippie college town to a little hippie college town also boasting an impressive and growing congregation of Internet entrepreneurs, early-stage venture capitalists, and bloggers. How did Boulder pull this off? And what can other cities, policymakers, and entrepreneurs who want to boost their own start-up quotient—and overall competitiveness at a local level—learn from Boulder's success?

When I saw the article, it reaffirmed a hunch I had about what was happening in Boulder around startups and entrepreneurship. People started talking about

entrepreneurship as a way out of the Financial Crisis of 2007–2008 and the Great Recession that followed. Places, including Silicon Valley, New York, and Boston, were being described as “entrepreneurial ecosystems.” In his article, Ben mentioned, “Silicon Valley, New York, Boston, and Boulder.” Yes, Boulder.

Boulder is very different from Silicon Valley, New York, and Boston. It's a small town of around 107,000 people, with about 315,000 in the metro area of Boulder County. While it is only a 30-minute drive from Denver, which has a population of 700,000 (and a metro-area population of 2.9 million), in 2008, the two cities couldn't have been further apart from each other when it came to identity. Two recurring jokes that I have heard regularly since moving to Boulder in 1995 are “Boulder is 25 square miles surrounded by reality” and “to get between Boulder and Denver on US-36 you have to pass through a guard gate and an airlock.” From my perspective, the entire population of Boulder could probably fit on a single city block of Midtown Manhattan, if you turned the office buildings into condos.

Over the next few years, I spent much time learning about entrepreneurial ecosystems, reading everything I could on innovation clusters, national innovation systems, innovation networks, and startup incubators. As Techstars, which I co-founded in 2006, started to expand, first to Boston, then to Seattle, and on to New York, I began seeing similar patterns—both positive and negative—in the way startup culture developed. By 2011, I formed a view on a new construct I started calling a “startup community.” In 2012, I wrote and published *Startup Communities: Building an Entrepreneurial Ecosystem in Your City*.

I built the book around a concept I called the Boulder Thesis, a set of four principles that defined how to create a

lasting and durable startup community. Shortly after *Startup Communities* came out, the Kauffman Foundation did a short video called “StartupVille” that did a phenomenal job of stating the Boulder Thesis.<sup>2</sup> I did an extemporaneous, four-minute riff, Kauffman built a video around it, and “StartupVille” and my verbal description of the Boulder Thesis became the opening for many talks in the next few years on startup communities. Within a year, the phrase “startup communities” became the definitive phrase for the phenomenon while the premise that you could build a startup community in any city with at least 100,000 people became a mantra for entrepreneurs all over the world.

Ben wrote his article only 12 years ago, which isn't a very long time in StartupVille. If you have read *Startup Communities*, you know that the second principle of the Boulder Thesis is that “you have to have a long-term view—at least 20 years.” Over time, I have adjusted that to be “you have to have a long-term view—at least 20 years from today,” to emphasize the importance of both the startup community to a city and a long-term view for anyone involved in a startup community.

Several years ago, I became friends with Ian. We were first introduced in 2014 by our mutual friend, Richard Florida, and over the years, we communicated every so often to share ideas and chat about our respective work and writing. Among other things, I helped Ian develop content for a “Startup Cities” course he was teaching at New York University by offering my views on best practices for startup accelerators.<sup>3</sup>

In 2016, Ian was ready for a new challenge. At the time, his working life involved advising major tech and media companies by day, and spending his nights and weekends thinking about, writing about, and finding ways to work

with startups and entrepreneurs. He reached out to me for advice about how he might better align his work around helping entrepreneurs. We began to explore ways we might collaborate directly and, after a few iterations, we ended up landing on co-authoring the book you are now reading.

By 2016, entrepreneurship was a worldwide phenomenon. The word *unicorn* no longer referred to a mythical beast, and the phrase “startup communities” was common. Ian came to Boulder to kickstart our work in the spring of 2017, and we started bouncing around ideas for this book.

In the United States, Donald Trump had just been elected president, and Britain had formally begun the process to leave the European Union. While that shouldn't have slowed us down, it caused us to take a step back and reflect on the dynamics of Western society. Ian had recently arrived in Boulder from London, where he had just witnessed Brexit firsthand as an American ex-pat. He arrived home to a very different type of political climate in the United States. There was something important, uncomfortable, and divisive going on. Against this backdrop we wanted the sequel to *Startup Communities* to be part of a broader solution, rather than a narrowly focused addition to fixing and evolving what I had written in *Startup Communities* in 2012.

Like many collaborations, it took some time for us to hit our stride. Ian did an enormous amount of research, consuming vast quantities of literature and studying a range of approaches to startup communities that had emerged in the previous five years. He talked to countless people building startup communities across the planet and he kept an open mind to everything he read and heard, including writing and ideas that criticized my approach of putting the entrepreneur at the center of things.<sup>[4](#)</sup>

Ian then sketched a first draft by mid-summer 2017, which, like all first drafts, we threw away. It was too conventional, and it didn't address a glaring problem. As Ian talked to more people, he realized there was an enormous divide between the approaches taken by entrepreneurs and others who were actively building startup communities and those taken by the range of actors who increasingly wanted to participate (e.g., universities, governments, corporations, and foundations).

While this disconnect was well-known, we decided that it was too easily explained away by saying that one group got it while the other didn't. This rationale creates antagonism, which causes a breakdown in meaningful collaboration—and that is why the problem persists. This simple explanation also turns out to be wrong. The real problem is one of structural limitations combined with deeply rooted human impulses that crave control and the avoidance of uncertainty. This hardwiring leads to predictable mistakes and missed opportunities in startup communities.

We decided our mission wasn't merely to expand and modernize *Startup Communities*, but instead to address the more fundamental issues around collaboration in a startup community. In addition to encouraging people to transcend the limitations posed by where they work, or those they impose on themselves internally, we wanted to help transform the way they think and behave.

We needed a framework to explain this. We knew that without meaningful evidence behind our ideas, they would easily be dismissed, and the gap between startup communities and the actors wanting to participate would persist. So, in the fall of 2017, Ian went on a quest to find a solution. It started with an unexpected journey—sparked by the discovery of an article on an obscure environmental sustainability website and a last-minute roadtrip to the

Santa Fe Institute in New Mexico to speak with some insanely smart people—but he was on the right path.<sup>5</sup>

In January 2018, we got together and reviewed everything that we had gathered and written to date, along with a new outline Ian sketched out. He pitched me on the idea of making complex adaptive systems the centerpiece of our explanation of startup communities. I was familiar with complexity theory and the Santa Fe Institute and immediately loved the idea. We went deeper on the concepts surrounding complexity and started framing the contents of an entirely different book than the one we had originally set out to write.

At Techstars, our friend and colleague Chris Heivly, an entrepreneur, investor, and community-builder, was busy developing a new business line for entrepreneurial ecosystem development. He has personal experience as a leader in the Durham, North Carolina startup community, and is active in a number of other places. Ian and Chris had been having regular discussions for almost a year by this point, and I began to engage with Chris and others at Techstars on this topic more frequently. Chris's experience, coupled with the insights he was gathering on the ground in different cities, helped us bridge theory with practice.

Over 2018 and 2019, as we wrote, talked, and worked with colleagues at Techstars and elsewhere, we felt we had come up with something exciting to share that was worthy of being a sequel to the original concepts in *Startup Communities*.

## Notes

- \* Writing a book together creates the challenge of using first person or third person when telling stories that refer to one or the other of us. We've chosen to use the

first person to refer to Brad, given that many of the references are to him. We will refer to Ian consistently in the third person.

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# CHAPTER ONE

## INTRODUCTION

The last decade has been a transformational one for entrepreneurship throughout the world. The confluence of ubiquitous high-speed connectivity with inexpensive, powerful, and remote computing has dramatically lowered the cost of starting a digitally enabled business, allowing entrepreneurs to start new ventures in more places. In some parts of the world, capital available for startups is plentiful. In many others, it is still lacking. Consider Boston versus Orlando, or London compared to Caracas. Talent and technology are ubiquitous, but tangible opportunities are not.

The growth and geographic proliferation of innovation-driven startup activity is profound, empirically verifiable, and global in scope.<sup>1</sup> Today, we understand that communities of support and knowledge-sharing go hand in hand with other inputs and resources. The importance of collaboration and a long-term view has gained broad acceptance by entrepreneurs and startup community builders. These principles are at the forefront of the leadership behind many startup communities around the world.

*Startup Communities: Building an Entrepreneurial Ecosystem in Your City*, published in 2012, is a significant reason for this shift in thinking. Using the example of Boulder, Colorado, *Startup Communities* provided practical guidance for entrepreneurs and other stakeholders to improve the startup community in their city. Unlike most other works on the subject, *Startup Communities* stressed

the behavioral, cultural, and practical factors that are central to a collaborative system of local entrepreneurship.

Although we've made progress in recent years, much more work is needed. A great deal of startup activity is still highly concentrated in large, global, elite cities.

Governments and other actors such as large corporations and universities are not collaborating with each other or with entrepreneurs as well as they could. Too often, these actors try to control activity or impose their view from the top down, rather than supporting an environment that is led from the bottom up, principally by entrepreneurs. We continue to see a disconnect between an entrepreneurial mindset and that of many individuals and organizations who wish to engage with and support local startups. There are structural reasons for this, but we can overcome these obstacles with appropriate focus and sustained practice.

Our aim with this book is to get all relevant parties better aligned—from founders to governments to service providers to community builders to corporations and beyond. We hope this book will be transformational while building on top of the foundation created by *Startup Communities* and the work done by people in startup communities everywhere.

## THE NEXT GENERATION

*The Startup Community Way* builds off of the success of *Startup Communities*, going more in-depth in some areas while correcting foundational mistakes in others. This book isn't an update or a second edition to *Startup Communities*. Instead, it is a sequel, picking up where *Startup Communities* leaves off. It benchmarks progress made, develops new areas of inquiry and exploration, makes adjustments, and takes the content in a new direction.

In *Startup Communities*, Boulder is the basis for a framework for building a startup community. Here, we broaden both the geography and the stage, shifting to a worldwide view around existing startup communities. We try to make the concepts more generalized, especially when addressing the question: *Now that we have a startup community, what should we do next?* We emphasize that no two startup communities are the same, have equivalent needs, or operate on a comparable time frame. For each example where something worked in one city, there's at least one other city where it didn't. That's the nature of these systems.

When I wrote *Startup Communities*, there was little substantive content on the topic of startup communities. The phrase was new and has become the canonical one for naming the phenomenon. In the past eight years, a great deal of exploration and progress has occurred around startup communities. However, we have observed that, as with many things, the advice and tactics around startup communities, especially as they evolve, has become overly complicated and inaccessible to many who just want practical guidance to get started. In conversations with many people over the last few years, we've heard many variations of this: "My startup community is following the *Startup Communities* Boulder Thesis, but we don't know what to do next."

In this book, we try to address this hurdle while creating a new conceptual framework for startup communities, differentiating them from (and integrating them with) entrepreneurial ecosystems, and providing substantive examples along the way.

## **OUR APPROACH**

We have taken both a pragmatic and researched approach to cultivate the material presented in this book. As co-authors, we've forced each other out of our natural comfort zones. By coming at the problem with different perspectives, we have been able to challenge each other to see the entire picture, rather than get anchored on our frames of reference. While we each had more context than the people in the parable of "The Blind Men and the Elephant," by using different experiences, perspectives, and skills, we have been able to continuously challenge each other's thinking as we developed the ideas in the book.<sup>2</sup>

We collectively bring decades of experience to the practice and study of startups, startup communities, and their impact on local societies and economies. I have been a technology entrepreneur and venture capitalist for more than three decades. I've co-founded two venture capital firms, including the Foundry Group, the firm where I have been a partner since 2007. I also co-founded Techstars, the worldwide network that helps entrepreneurs succeed. Through that work, my writing, and my involvement in numerous entrepreneurial nonprofit endeavors, I have been involved in the cultivation of startup communities around the world.

Ian has a wealth of research and writing experience in the areas of entrepreneurship, innovation, cities, and economic growth for leading think-tanks, universities, and policy institutions. He also has a background in management consulting around analytics, strategy, innovation, and public policy. He began his entrepreneurship journey as a researcher, writer, and educator, but over time that has also evolved into the role of practitioner—first as a startup employee, then as a founder, and today as an advisor, mentor, and investor.

Our collective experience and knowledge are just a starting point as this book stands on the shoulders of many who came before us. Over many years, and intensively during the last few, we have reviewed thousands of pages of analysis and writing that covers a wide range of topics relevant to startup communities.<sup>3</sup> These sources span academic papers, business and policy research, practical and theoretical book content, case studies, and informal commentary on blogs and websites. For those who want to go deeper, these resources are carefully referenced throughout and detailed in the back of the book.

Together we have spoken with thousands of entrepreneurs and other startup community participants around the world. Their experiences and learnings informed our thinking immensely.

In this book, you will encounter four types of sidebars. The first is a short description of a principle of *The Startup Community Way*, which will appear at the beginning of a chapter. You'll find the second type sprinkled throughout the text. They contain examples written by entrepreneurs and startup community builders that are relevant to the immediately preceding text. Third, you'll encounter "Values and Virtues" sidebars, where we try to explain a specific set of behavioral characteristics that are crucial to the long-term health of a startup community. Finally, there are short essays we wrote that are relevant to that section but are distinct from the flow of the main text.

## **A DEEPER MOTIVATION**

We both share a fundamental belief that every human being on the planet should be free to live wherever brings them the most joy. They should have opportunities to engage in meaningful work in those places. When such opportunities

don't exist, they should have access to resources that allow them to create meaningful work for themselves. We believe they should be able to do this in a relatively stable, peaceful, and just society where basic human rights, the rule of law, and individual freedoms exist for everyone.

We have a long way to go in achieving that goal. Currently, around 10 percent of the world's population lives in extreme poverty, though that is a marked decline from 35 percent, which was the rate less than three decades ago.<sup>4</sup> More than half of humankind does not live in politically free societies.<sup>5</sup> Millions more are unemployed or underemployed—either in terms of hours or ability—and in many places, necessity rather than opportunity drives business ownership.<sup>6</sup> Millions of civilians see conflict daily. Most of the world faces some form of discrimination on a consistent basis. Many people have deeper holes to dig out of than others.

We believe entrepreneurship can transcend political, economic, and cultural boundaries. For us, this is especially important to address in our current geopolitical climate and in the face of the many societal challenges we face globally.

We don't think a person should have to move to Silicon Valley—or London or Shanghai or Boulder or Dubai or New York—to become a successful entrepreneur. Instead, we want people to be empowered to pursue entrepreneurial endeavors anywhere they choose to live. Doing so may come with inevitable tradeoffs, but people who start businesses in the places they want to live are more likely to succeed than those who do not.<sup>7</sup>

As I wrote in *Startup Communities*: