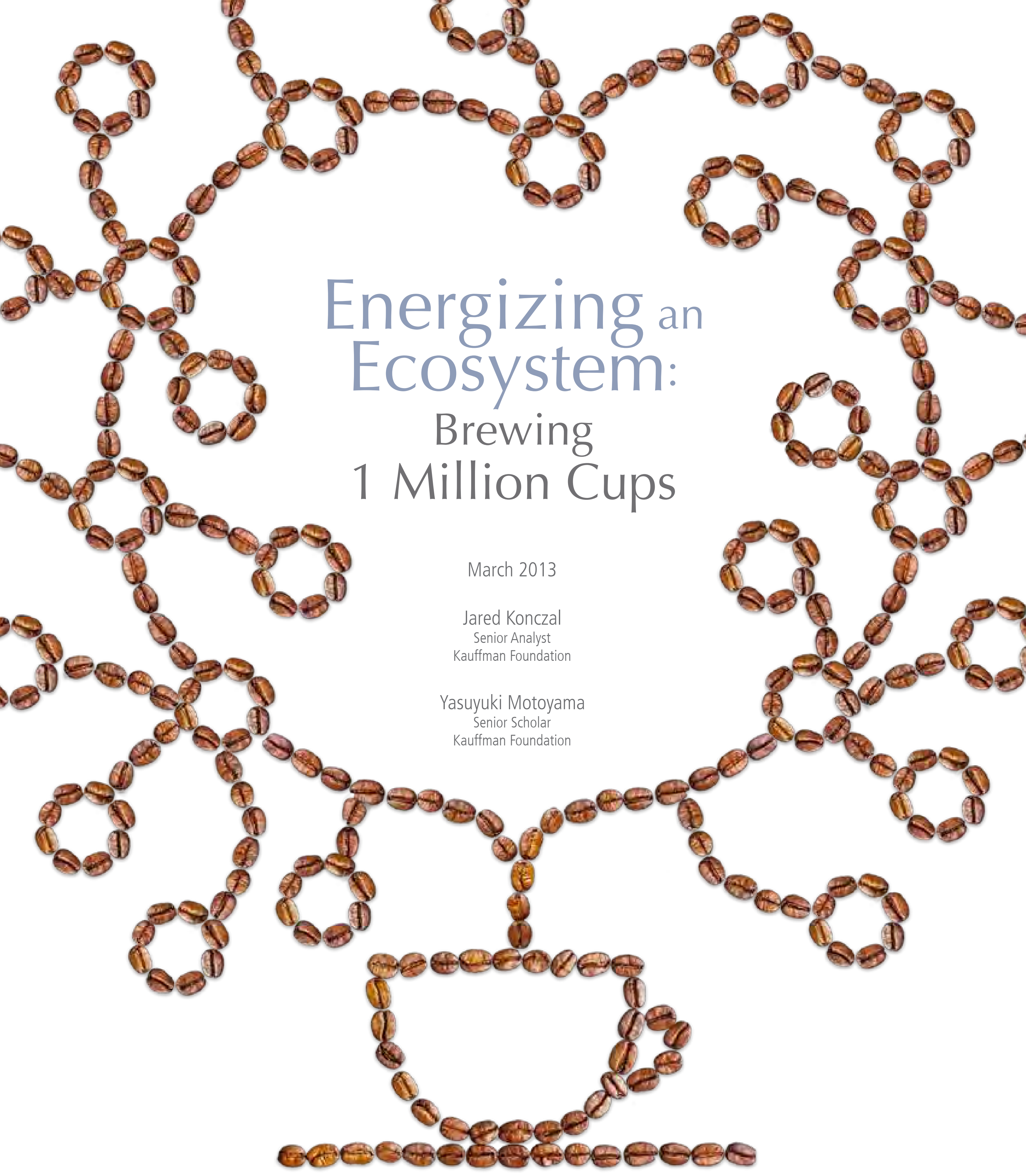


Energizing an Ecosystem: Brewing 1 Million Cups

March 2013

Jared Konczal
Senior Analyst
Kauffman Foundation

Yasuyuki Motoyama
Senior Scholar
Kauffman Foundation

Ewing Marion
KAUFFMAN
Foundation

Fostering
economic independence
by advancing
education and entrepreneurship

1 MILLION CUPS

Energizing an Ecosystem: Brewing 1 Million Cups

March 2013

Jared Konczal
Senior Analyst
Kauffman Foundation

Yasuyuki Motoyama
Senior Scholar
Kauffman Foundation

Ewing Marion
KAUFFMAN
Foundation

The authors would like to thank Nate Olson, Cameron Cushman, Thom Ruhe, Dane Stangler, and Jordan Bell-Masterson at the Ewing Marion Kauffman Foundation, and Nick Seguin at Dynamit.

Executive Summary

In April 2012, Kauffman Labs launched the 1 Million Cups (1MC) program in Kansas City, Missouri, a weekly event for entrepreneurs that showcases presentations from early-stage startups. From initial attendance of about a dozen people in April 2012, the event had, eight months later, reached more than 200 attendees per week. It also has expanded to other cities, including St. Louis, Des Moines, Cedar Rapids, Houston, and Reno, with further expansions currently in development. As a way to track the evolution of this emerging program and the entrepreneurial community it represents, we surveyed attendees in November 2012. Our findings provide insight into how an entrepreneurial network grows and develops, and underscore the need for continued data collection.

Highlights from this initial survey include:

- Participants attend frequently—66 percent attend two or more times each month, and 42 percent attend almost every week.
- 43 percent of 1MC participants are not originally from the Kansas City metropolitan area, but came to this area to attend college and stayed, or came after college and stayed.
- 96 percent of participants were Caucasians and 84 percent were male. However, in terms of age and identity (self-reported background such as designer/creative or management), participants are much more diverse.
- 1MC has captured entrepreneurs in a relatively early stage, but the majority of founders and co-founders report working full-time in their startup (74 percent) and having taken in at least some form of revenue (64 percent).
- Participants attend and continue to come back to the program many months after they first attended, which is a strong signal about the value of the event to attendees.

The communication mode for recruiting participants is worth discussing. Despite the age of digital and social media, word of mouth continues to be the dominant method for bringing new attendees into the 1MC network. Furthermore, it is not just one single person or a few key people passing the word along to other people, but a wide variety of individuals who referred 1MC to people who then decided to attend.

These lessons from 1MC are important for other cities looking for a model to connect entrepreneurs with their region's entrepreneurial network. The organizational framework of 1MC is easy to understand, and there is a low cost of holding the weekly event. If facility space is donated, the primary remaining costs are for coffee and the in-kind time contribution of the organizer(s). For cities and entrepreneurs looking for a low-cost, high-value program, we feel the 1MC story and the findings presented in this paper are highly relevant.

Importantly, we present these findings in the spirit of 1MC itself: as exploratory, not definitive. This is the first of many surveys that will be conducted, and we fully expect that the findings will evolve along with the program itself.

1 MILLION CUPS
CAFFEINATED BY KAUFFMAN LABS

Introduction

Coffee is justly famous as a social lubricant and intellectual fuel. In *Where Good Ideas Come From*, Steven Johnson credits coffee and coffeehouses for incubating the ideas behind the Enlightenment. Today, coffee and its associated cafes and shops again serve as the emblems of a movement—this time, the entrepreneurs and innovators who are leading a startup movement in the United States and around the world. Anecdotally, coffeehouses today incubate countless numbers of new companies.

Drawing on the relationship between coffee and entrepreneurship, in April 2012 Kauffman Labs launched 1 Million Cups (1MC), on the informal premise that if local entrepreneurs (in this case, in Kansas City) drank one million cups of coffee together, the constant mixing and interchange would create a strong entrepreneurial learning network. So far, the original informal premise has been borne out: from initial attendance of about a dozen people, to average attendance of thirty to sixty in the early months, 1MC had reached weekly attendance of 200 people by January 2013 (see Figure 1 below). 1MC is expanding to other cities, including St. Louis, Des Moines, Cedar Rapids, Houston, and Reno. Des Moines, coincidentally, is taking the 1MC theme close to heart—it started in a coffee shop.

Each week at 1MC, two startups give six-minute educational presentations about their enterprise to an open-invitation audience usually comprising entrepreneurs, people aspiring to be entrepreneurs, mentors, advisors, and other supporters. It's important to note that this is not a pitching event for investors. While there may be prospective investors in the room, this is not the event's purpose. Twenty minutes of questions and discussion follow each presentation.

Typically, entrepreneurs share the story of their company, where they hope to go, and challenges they face. This exercise allows entrepreneurs to articulate to a group of their peers the process that enabled them to identify and evaluate opportunities and their ability to bootstrap, marshal resources, and convince others to buy in. The presentation functions as a two-way learning experience. The presenting entrepreneurs receive feedback on their ideas and insights on things they had not thought about before. The audience gets to see first-hand how entrepreneurs act and think when they are talking about their business: they see role models for how to present; they learn about the types of questions to ask themselves; they learn how people respond to these questions; they learn about new ideas they were not aware of before.

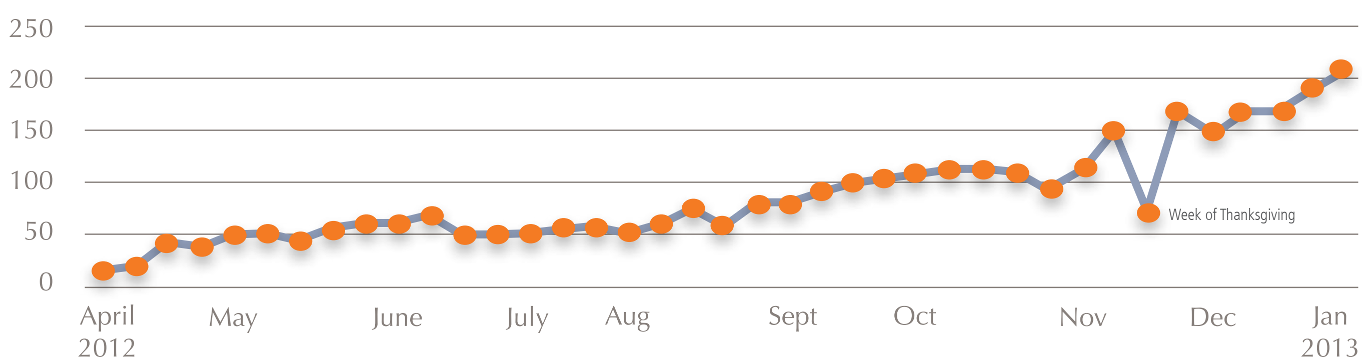
In most cases, the startups presenting are less than a few years old or just in the process of getting started; at the time of this initial survey, many had not formally incorporated (we plan to research formal incorporation in subsequent work). In some cases, a solo entrepreneur presents, while in others, multiple members of the founding team present. The type of company varies, and the program attracts a varied mix of sectors and industries. The preponderance, it is fair to say, would be Internet and mobile startups.

The three prime movers behind 1MC—Nate Olson, Cameron Cushman, and Nick Seguin—intended to create an experiential environment by connecting individuals in the Kansas City area using presentations by startups as a catalyst activity. The program has three main objectives: to engage the community (first entrepreneurs directly, then the community at large), to educate the community about startups in their area (often discussing how the community can support these companies), and to accelerate the growth of these startups by facilitating collaboration.

Aside from the organizers' time costs and in-kind costs of using Kauffman Foundation facilities and technology, there are minimal additional costs associated with running the event. The rapidly growing attendance, shown below, demonstrates the value that entrepreneurs and others perceive in the program.

In November 2012, attendees were invited to respond to an online survey that asked for some basic demographic information,

Fig. 1. 1MC Attendance Over Time



Source: 1MC Organizers

information about whether they were a founder or co-founder of a startup, and their attendance at 1MC. In this paper, we discuss the rationale for this research project, then provide an overview of the survey design and analysis of results. We conclude with implications for 1MC and the building of entrepreneurial communities.

Rationale

There is a point in the entrepreneurial journey past which conventional academic research usually doesn't venture: the earliest stages of idea exploration, long before company formation, what researchers call "nascent" entrepreneurship. This is what we see as the black box of entrepreneurship; it is a primordial soup, messy and unyielding to most research methods, yet essential to entrepreneurship and economic growth.

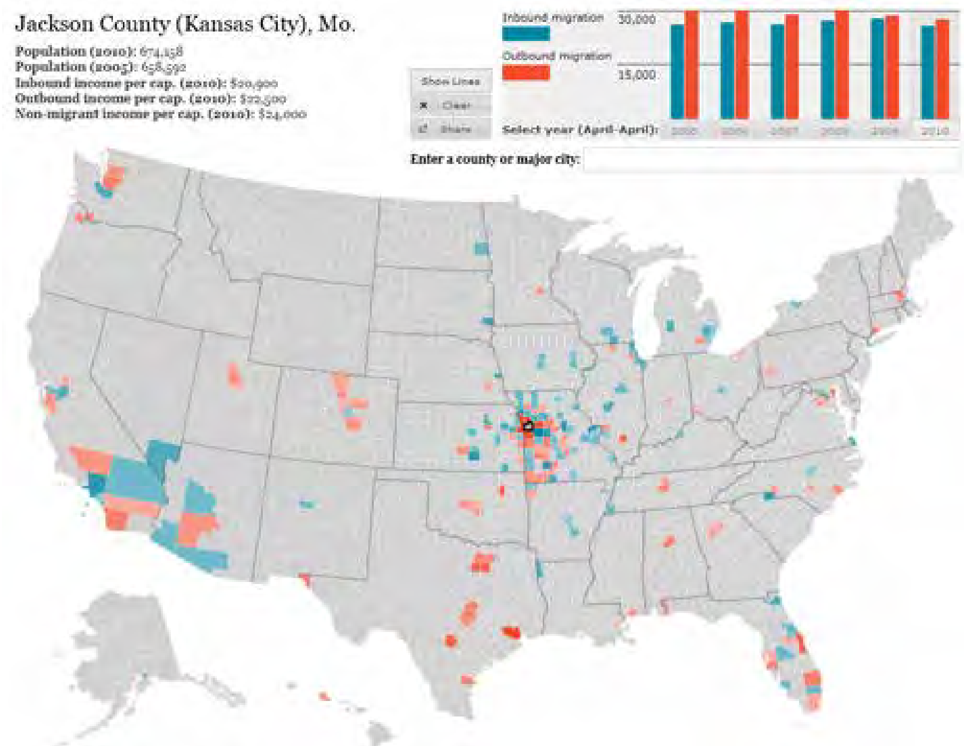
We designed a survey that aimed to capture information about the earliest stages of an entrepreneurship community that is just emerging, but intend to approach this survey in the spirit of 1MC—as exploratory and constantly evolving. The program already has changed since we administered the initial survey, but it is important to present these findings here as a first step. Accordingly, our goal was to acquire an exploratory understanding and begin to draw lessons for creating an entrepreneurial community. In particular, we focused on two areas of entrepreneurship that have not received much attention from researchers: 1) how a network of entrepreneurs emerges, and 2) the mobility of early-stage entrepreneurs. We explain each objective in detail.

Generally speaking, there are two approaches of studies in entrepreneurship: focusing on entrepreneurs as individuals, or focusing on communities or external forces that influence the entrepreneurship phenomenon (Shane 2003). However, despite its importance, scholars have paid insufficient attention to the study of entrepreneurship on communities (Martinez, Yang and Aldrich 2011; Lyons et al. 2012). More specifically, there has been virtually no development of actionable knowledge about how to connect entrepreneurs. It is widely known that Silicon Valley enjoys an extremely dense network of entrepreneurs, investors, and other entrepreneurship supporters (Lee et al. 2000; Kenney 2000), and they come with specific historical roots, such as the role of Frederick Terman at Stanford University toward Hewlett and Packard (Lecuyer 2006) and the spin-off firms created by early semiconductor manufacturers, such as Fairchild (Saxenian 1994; Klepper 2010). Nonetheless, these historical analyses provide few implications for actionable knowledge about how to start an entrepreneurial community from scratch. In other words, how special things happened with a few distinguished individuals within specific institutional settings, such as at universities or particular firms, does not necessarily provide implications for how to replicate such networks in other places. Other research has focused on the importance of networks to entrepreneurs (Nanda and Sørensen 2010; Sorenson and Stuart 2004; Stuart and Sorenson 2007; Stuart and Ding 2007). However, these lines of research are primarily focused on the value of networks to entrepreneurs for securing resources (e.g., for finding suppliers, customers, mentors, and investors) or for deciding whether to become an entrepreneur or not. They do not focus on the emergence of the entrepreneurial network itself.

The closest to answering this question was Saxenian and her colleagues (1999, 2002). However, their scope was limited to analyzing why Chinese and Indians formed ethnic professional associations, and how such associations developed over time within the social and economic limitations faced by Asian technical professionals in the Silicon Valley semiconductor sector. Their studies revealed a couple of important implications: first, a few key individuals formed those ethnic professional associations, and, second, it took almost two decades for those associations to fully function as a vehicle for entrepreneurship. Nonetheless, it is a different question to ask how to create a network from scratch in places where there have been few active networks among entrepreneurs. To our knowledge, this will be the first exploratory study to examine how a network of entrepreneurs has been formed, developed, and spread. Here, we will pay specific attention to where entrepreneurs have heard about the entrepreneurial network because this communication mode is crucial for understanding how the information flows among entrepreneurs, how and why they join the network, and how the network structure is organized.

Conventional wisdom says that, in the current digital age, particularly with a tech-savvy population, entrepreneurs' networks will emerge through the Internet and social media—Facebook, Twitter, and various websites. Indeed, 1MC has a website, its key organizers actively tweet, and digital media for entrepreneurship, such as *Silicon Prairie News*, have referenced 1MC periodically. However, we have a counterhypothesis on this point: Entrepreneurs rely primarily on people for important information. The digital age also is an age of information abundance. There are vast volumes of books, websites, and blogs about how to start and successfully grow companies. However, in reality, entrepreneurs do not have time to sift through all this information. It is more crucial for them to get to trustable

Fig. 2. General Migration Pattern of Jackson County, Missouri



Source: Forbes (2013): http://www.forbes.com/special-report/2011/migration.html

information. And when people look for trustable information, they often obtain it through face-to-face interaction with other people, in this case other entrepreneurs (Sabel 1993; Helper, MacDuffie, and Sabel 2000; Storper and Venables 2004). Therefore, our hypothesis is that entrepreneurs hear about a network like 1MC through other entrepreneurs and decide to join.

We will take this analysis a step further and examine the network structure. Suppose people are the source of networks. Is there a specific and small number of people who function as the central node of a network, or rather, does the network snowball? There simply is not enough research to formulate a hypothesis on this matter.

Second, we need to deepen our understanding of the interregional mobility of entrepreneurs. There has been plenty of literature about migration patterns of the general population. However, little is known about migration patterns of entrepreneurs. We come closest by drawing some implications from Florida's "creative class" theory (2004). Successful entrepreneurs, who would be somewhat closely classified as part of Florida's creative class, would be attracted to places with high quality of life, most notably places such as Silicon Valley, Boston, and New York. The Kansas City area, not generally considered attractive by these standards, may lose entrepreneurs to other regions. While it is not easy to guess this interregional migration pattern of entrepreneurs, census data as of 2010 (measuring the change since 2005) suggests that Jackson County, Missouri, which covers the Kansas City, Missouri, area, indeed has lost population to places like Seattle; the San Francisco Bay Area; Southern California; Denver-Boulder; and Dallas, Houston, and Austin, Texas (see Figure 2).

It is further alarming that people who migrated out of Jackson County had higher per capita income ($22,500) than people who migrated to Jackson County ($20,900) (Forbes 2013). The Kansas City metro area, of course, includes several surrounding counties besides Jackson County. However, in terms of population, Jackson County, Missouri, and Johnson County, Kansas, are the two largest by far and combine to make up nearly 60 percent of the metropolitan statistical area (MSA) population. For comparison, Johnson County has actually gained net population from greater inbound migration, but also has lost population to similar areas as Jackson County. Additionally, people who migrated out of Johnson County had higher per capita income ($29,200) than people who migrated in ($28,400). Therefore, the Kansas City metro's two core counties have outbound migration to similar geographies and inbound and similar outbound migration patterns in terms of per capita income. Nonetheless, we know little about entrepreneurs' migration patterns, and it is important to have an exploratory analysis in the Kansas City area.

Though our sample size is relatively small (seventy-nine responses), we can effectively capture a specific segment of population—early-stage entrepreneurs—about whom previous research offers little, and we achieved more than a 50 percent response rate.[1] More specifically, in the survey, we ask participants where they are originally from (Kansas City or elsewhere) and where they have attended college, which gives some basic analysis of migration patterns of entrepreneurs at key points in life.

The implications drawn from these two research questions are important in identifying the best communication method to recruit entrepreneurs for events like 1MC and the types of people program organizers should target. As mentioned, word about 1MC has spread widely, and the Kauffman Foundation periodically receives inquiries about how to replicate 1MC. In fact, other cities already have launched 1MC: Des Moines, Iowa, in November 2012, Houston in January 2013, St. Louis in February 2013, and Reno and Cedar Rapids in March 2013. In this sense, it is a mandate of the Kauffman Foundation to draw as many lessons as possible from our own 1MC in Kansas City.

Survey Analysis

With the exploratory nature of this project, our strategy was to design a quick and easy survey to be of little burden to participants. We aimed to capture a high response rate by administering the survey on site at 1MC. We distributed the survey at two separate 1MC events in the beginning and end of November 2012.[2] Seventy-nine valid completed responses ultimately were recorded. We estimate a response rate of above 50 percent.[3] We present tables and charts derived from the survey questions in this section.

Not all attendees at 1MC are a founder or co-founder of a company—fifty-three respondents (67 percent) identified themselves as such. Thirty-three of those fifty-three (62 percent) identified themselves as having prior founding experience as well. There was a set of questions that only these fifty-three respondents received, and some of our analysis will call special attention to this group.

Table 1. Age of All 1MC Attendees

	Count	Percent
17 or younger	2	3%
18–24	5	6%
25–34	29	37%
35–44	28	35%
45–54	9	11%
55–64	6	8%
Total	79	100%

Table 1 presents the age distribution of all survey respondents. The distribution for founders and co-founders only is nearly identical (not shown). However, if we consider just founders and co-founders, this distribution skews slightly younger than what other research about entrepreneurs has found, with a greater portion of the twenty-five to thirty-four age group represented, and less among forty-five and older groups.[4] This could reflect the sectoral mix of companies represented at 1MC, as well as the network effects that we will discuss in more detail later (i.e., that twenty-five- to thirty-four-year-olds primarily refer other twenty-five- to thirty-four-year-olds to the program, so a program that is just beginning is more likely to reflect those who happened to attend at the start).

Table 2. Race

	Count	Percent
Asian	1	1%
Caucasian/White	76	96%
Other	2	3%
Total	79	100%

1. The closest data collection effort is the Panel Study of Entrepreneurial Dynamics (PSED), which captures people with the intent to start a business soon (those who are interested and taking steps to start, but have not yet formally started, a business). However, the PSED does not address networking activities at the same level as this report.

2. A note on survey distribution: since this population is predisposed to use laptops and mobile devices, we created the survey to be available on both laptops and mobile devices, and posted a QR code and URL during 1MC. At the first event, the 1MC organizers set five minutes aside at the start to announce the survey and give attendees the opportunity to take it at that time. Naturally, the willingness to participate is high when participants are on site. Moreover, postcards with a QR code and URL for the survey also were distributed for individuals to take home in the event they wished to take the survey later. An announcement was made and another set of postcards distributed at the second event a few weeks later reminding attendees about the survey (though no time was set aside this second time).

3. Attendance at the two 1MC events was estimated at 111 individuals at the first event and 165 at the second. Many individuals attended both events, which complicates our response rate calculations. Most responses (sixty) were recorded the day of the first event with 17 percent (ten respondents) reporting to be first-time 1MC attendees. The day of the second event, nineteen additional responses were recorded, with ten reporting it as their first time attending. Our estimated response rate thus depends on what proportion of first-time attendees were at the second event. From the first day, we know that 17 percent were first-time attendees. Anecdotally, the event organizers report that around 20–25 percent of attendees each week continue to be first-time attendees. It thus seems reasonable to assume that first-time attendees comprise anywhere from 17 to 25 percent of the 1MC audience each week. If we assume attendees are all equally likely to respond to the survey regardless of their attendance history, a back-of-the-envelope calculation finds a total eligible pool of 111, plus another twenty-eight (17 percent of 165) to forty-one (25 percent of 165) individuals. This means the raw response rate likely varied between 57 percent and 52 percent. However, Kauffman Foundation employees were excluded from taking the survey, so the total eligible responses from each event were slightly less than total attendance (fewer than a dozen EMKF employees typically attend), meaning the 57 percent to 52 percent calculation is likely understating the true response rate. But to err on the side of caution, we simply estimate above 50 percent.

4. See, for example, Fairlie 2012, Reynolds and Curtain 2008, Ballou et al. 2008, and Wadhwa et al. 2008.

Table 3. Educational Attainment[5]

	Count	Percent
High school graduate*	8	10%
Technical, trade, or vocational degree	1	1%
Associate's degree	2	3%
Bachelor's degree	45	57%
Master's degree	20	25%
Doctoral degree	3	4%
Total	79	100%

*diploma or equivalent to diploma

Table 4. Gender

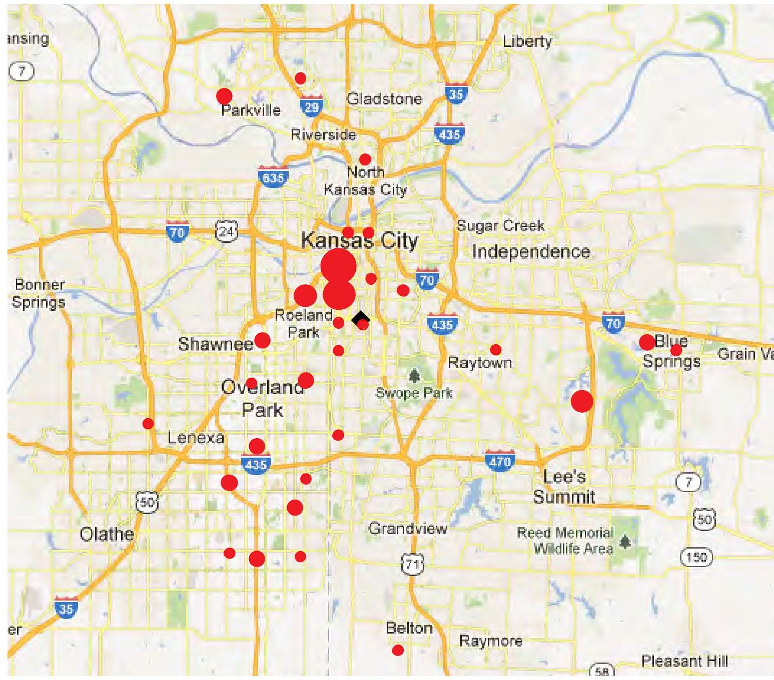
	Count	Percent
Female	13	16%
Male	66	84%
Total	79	100%

Tables 2, 3, and 4 present additional demographic information. 1MC attendees are almost all white and have a high level of formal education. They also are predominantly male (84 percent). This seems somewhat comparable to data for other entrepreneurial activities. As a reference, the Kauffman Foundation's Startup Weekend reports that around 17 percent to 20 percent of its attendees are female, while there are fewer participants age twenty-four or younger and more participants ages fifty-five and older for Startup Weekend.[6]

Founders and co-founders were asked to provide the zip code where their business was located. Figure 3 plots the distribution of businesses around the Kansas City metropolitan area. Red dots represent businesses; the larger the dot, the more businesses located in that zip code. The black square marks the 1MC event location. The majority of businesses are located in Kansas City, Missouri. Many entrepreneurs are incurring significant travel costs to attend 1MC. For example, Blue Springs, Belton, and Parkville, Missouri, all have companies represented and all are at least fifteen miles away from the event location (travel time of at least twenty-five to thirty minutes).

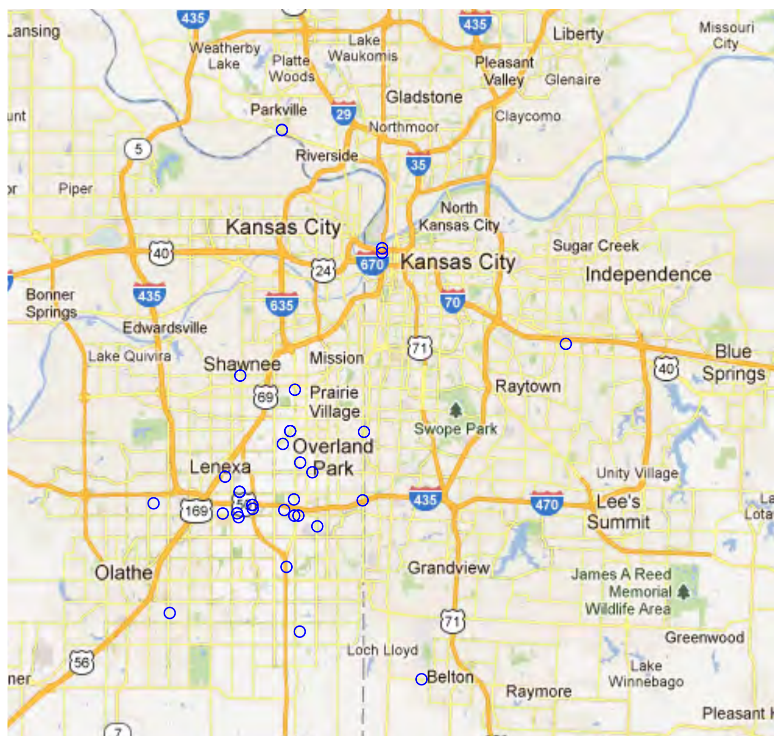
The Inc. 500 is a list of fast-growing private firms published every year since 1982 by *Inc.* magazine. The distribution of companies that attend 1MC stands in stark contrast to the location of Inc. 500 firms over the years. Figure 4 shows the clustering of Inc. 500 firms during the 2000s. Inc. 500 firms tend to cluster in

Fig. 3. 1MC Founder and Co-founder Business Location



Source: 1MC Survey

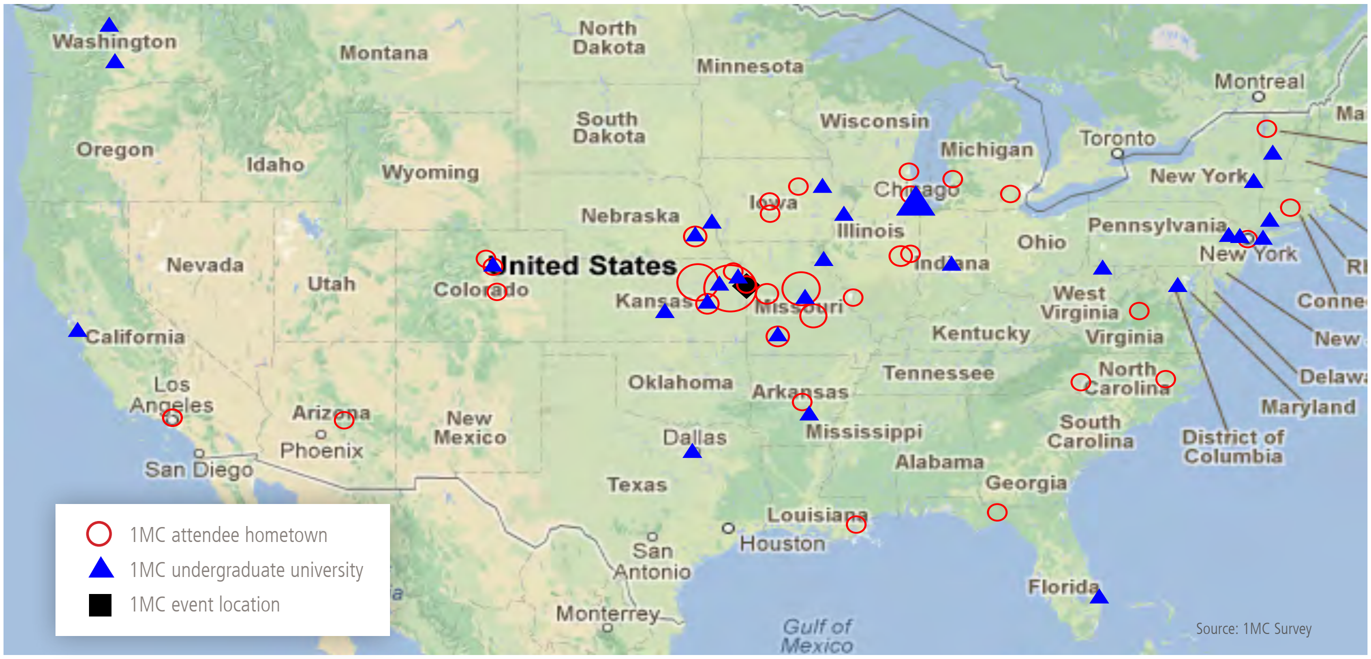
Fig. 4. Location of Inc. 500 Firms in the 2000s



Source: Authors' tabulation from Inc. 500 data

5. Educational attainment represents the highest level of degree obtained.
6. Franck Nouyrigat, pers. comm., May 24, 2012; Steven Chau, pers. comm., April 30, 2012.

Figure 5. Hometown and University of 1MC Attendees



the suburbs of Johnson County, Kansas. This is in contrast with 1MC-attending businesses, which are located predominantly in Kansas City, Missouri (KCMO). One of the possible reasons is that more 1MC-attending businesses draw from KCMO due to the proximity of the 1MC event location. Notably, Kansas City, Kansas, is not represented much among 1MC-attending businesses or Inc. 500 firms. Another possibility is that entrepreneurs do start their businesses in Kansas City, Missouri, but over the course of business development they relocate to more suburban locations, like Johnson County.

Table 5. Kansas City MSA Native

	Count	Percent
No	34	43%
Yes	45	57%
Total	79	100%

Figure 5 shows with red circles the hometown of 1MC attendees. The larger the red circle, the more 1MC attendees from that area (the black square again refers to the 1MC event location in Kansas City, Missouri). We see from the chart as well as Table 5 that most of the attendees are from the Kansas City area originally. The same percentages are true when considering founders and co-founders of companies only (not shown).

However, we also see that many come from outside Kansas City, drawing first from the Kansas and Missouri regions and then further from scattered cities across the United States. That is to say, there are fair amounts of 1MC attendees that have migrated to Kansas City, and many of them ended up founding or co-founding a business.

Table 6. Migration[7]

Patterns	Type	Count	Percent
From KC, attended local univ.	Never left	28	35%
From KC, outside univ., came back	Retained	10	13%
From outside, attended local univ., stayed	Attracted/ Retained	12	15%
From outside, attended outside univ., now in KC	Attracted	15	19%
Unknown	Unknown	14	18%
Total		79	100%

7. The results of Tables 5 and 6 are not directly comparable because not all respondents answered both questions.

Figure 5 also uses a blue triangle to denote where 1MC attendees obtained their undergraduate degree (if applicable). This demonstrates further geographic spread. Looking at Table 6, we see that many attendees are Kansas City natives who either attended a local university and stayed, or attended outside the region and came back. However, there is still a fair amount of attraction and retention—either from people purely moving to Kansas City, or from those who attended a university in the region and ended up staying in Kansas City.[8]

Table 7. Identity

	Count	Percent
Designer/Creative	10	13%
Developer/Engineer	7	9%
Finance	5	6%
Management	26	33%
Marketing	10	13%
Other	21	27%
Total	79	100%

1MC attendees were asked to identify themselves based on their primary background. Table 7 shows that the Management and Other[9] categories make up the majority of responses. Of the two age groups with highest representation, the older of the two (thirty-five to forty-four), has roughly double the amount of Management representation than the twenty-five to thirty-four group. There are more people identified as the Designer/Creative and Marketing in the twenty-five to thirty-four group.

Table 8. Business Stage

	Count	Percent
In development	25	47%
Undergoing a major modification (or "pivot")	12	23%
Solid and/or well-developed	16	30%
Total	53	100%

Table 9. Financing Status

	Count	Percent
Already raised sufficient capital	14	26%
Seeking capital	13	25%
Have not started seeking capital	25	47%
(Skipped question)	1	2%
Total	53	100%

The majority of founders and co-founders indicated they were still undergoing changes to their business model, with 47 percent still developing and 23 percent making major modifications (Table 8). This is in line with what we expect from an event centered on presenting ideas and Q&A development sessions. The majority also were not actively involved in fundraising, with 26 percent completed and 47 percent not having attempted any (Table 9).

Table 10. Financing Sources[10]

	Count	Percent out of 53
Savings	42	79%
Family	22	42%
Personal or business credit card	12	23%
Business acquaintances	7	13%
Personal or business bank loan	6	11%
Angel investors	6	11%
Friends	4	8%
Venture capitalists	2	4%
Government grant	1	2%
Did not use any financing	6	11%

1MC attendees who are founders or co-founders were asked to identify any source of financing they used to finance their current company. Table 10 presents financing sources, and financing patterns are similar across each business model development stage: The majority have drawn on personal savings and family members. Credit card usage also is prevalent.

8. We are not sampling individuals who have left Kansas City. Therefore, we can't account for how this retain and attraction pattern holds relative to outbound migration.

9. Many respondents in the "Other" category identified themselves as "entrepreneurs."

10. This table is derived from a question in which respondents were allowed to select multiple answers. The count represents the number of times a response item was selected, and the percent is calculated out of the total number of respondents who answered the question.

Table 11. Revenue by Full-Time Status

Full-Time Status	Revenue Intake Status: No	Yes	Grand Total
100% for this company	9	30	39
Have another job	10	4	14
Total	19	34	53

Founders and co-founders were asked whether their current company was taking in any revenue and whether they worked on that company full time. Table 11 shows that the majority of respondents were committed full time to their companies and generating revenue. We interpret this as evidence that both aspiring entrepreneurs in the idea phase and active entrepreneurs are integrated in 1MC.

Table 12. Attendance Frequency

	Count	Percent
Almost every week	33	42%
About twice a month	19	24%
About once a month	7	9%
This is my first time	20	25%
Total	79	100%

Attendees mostly comprise people who keep coming back to 1MC events, as shown in Table 12. The majority of respondents previously had attended 1MC, with 42 percent reporting attending nearly every week. Table 13 shows how respondents first heard about the event and the month in 2012 when they first attended 1MC. Nearly half of respondents first attended 1MC three months or more prior to the survey administration. This repeat attendance over a long period is a strong signal that attendees highly value the event. Additionally, word of mouth by far (67 percent) is the catalyst for bringing in new attendees, even as the event continues to mature.

It is possible that some respondents considered hearing about 1MC in the news or other sources to be word of mouth. To control for interpretation issues around "word of mouth," respondents were presented with a write-in question asking them to specifically name the individual who told them about 1MC. Of the fifty-three word-of-mouth responses, forty-five named a person or a number of people, and eight did not write in any names. For the forty-five who did, we tabulated the spread of names. In only a handful of instances were multiple names listed (four), and in all of these cases dual names were given, which means that, in total, forty-seven names were given:

- Named once: 24
- Named twice: 4
- Named three times: 2
- Group/organization was named: 2

Additionally, the event's primary organizer, Nate Olson, was named seven times.

The wide variety of people involved in word-of-mouth activities serves as another signal about the value of the event and reinforces findings from Figure 1 about the spread of this developing entrepreneurial network in Kansas City.

Table 13. Discovery by First 1MC Attendance

Discovered 1MC	First Attend 1MC: Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Grand Total
1 Million Cups website				1					1
Other entrepreneurship organization/groups	1	1	1	3	1			3	10
Other website							1		1
Twitter				1	2		1	2	6
Word of mouth	3	5	3	3	12	8	7	12	53
Other			1			1	2	4	8
Total	4	6	5	8	15	9	11	21	79

Table 14. Other Program Attendance[11]

	Count	Percent out of 79
Startup Weekend	22	28%
Red Nova Labs Venture Friday	21	27%
Think Big Partners (various programs)	20	25%
KCSourceLink Events	11	14%
BetaBlox Accelerator/Incubator Program	7	9%
Hackathon	7	9%
Kauffman FastTrac	6	8%
Pipeline	6	8%
UMKC E-Scholars	5	6%
Helzberg Entrepreneurial Mentoring Program	2	3%
Other	21	27%

1MC is not the only program for entrepreneurs in the Kansas City area. 1MC attendees were presented a list of other entrepreneur-focused programs and events and were asked to select all that they had attended. Responses are presented in Table 14.[12] Red Nova Labs, Startup Weekend, and Think Big Partners all are frequently attended other programs.[13] Notably, in the "Other" category, KC Next was written in multiple times.

Table 15. Program Attendance Distribution

	Count	Percent
Attended no other program (or skipped question)	25	32%
Attended one other program	18	23%
Attended two other programs	11	14%
Attended three other programs	13	16%
Attended four or more other programs	12	15%

Table 16. Reason for Attending 1MC[14]

	Count	Percent out of 79
To connect with other entrepreneurs	69	87%
To have fun	36	46%
Just to check it out	36	46%
To generate or test new ideas	19	24%
To find people for my company	12	15%
Other	17	22%

In total, there were 128 instances of other program attendance. Table 15 shows the distribution among all seventy-nine respondents. The majority of respondents reported attending one or no other programs. Nearly one-third attended more than two. Attendees also were asked to select from a list all their reasons for attending 1MC (Table 16). The majority was there for networking—"to get connected with other entrepreneurs"—which bolsters our depiction of 1MC as an event that uses business presentations as a catalyst for discussion and networking.

Considering Tables 15 and 16 together, it is hard to conclude anything from these findings yet about programs and networks in Kansas City. However, given that a good number of 1MC participants have attended either three other programs (16 percent) or four or more (15 percent), this signals that some portion of 1MC participants are active in the local entrepreneurial community, and the networks of 1MC participants overlap with events and organizations like Startup Weekend, Red Nova Labs, Think Big Partners, and KC Next.

11. This table is derived from a question in which respondents were allowed to select multiple answers. The count represents the number of times a response item was selected, and the percent is calculated out of the total number of respondents who answered the question.

12. Accompanying this paper is a web-based interactive network map showing the other Kansas City programs to which 1MC attendees also are connected.

13. We note that other programs do not occur at the same interval (once a year versus multiple times a year) and vary widely in their structure, so it is inappropriate to compare one versus the other as more "popular." For example, Startup Weekend is an event held opportunistically, while Red Nova Labs Venture Friday occurs once a month, and UMKC E-Scholars is an enrolled program. Additionally, we note for disclosure that the Kauffman Foundation is directly and indirectly involved in many of these programs, and financially supports many of them. However, Kauffman Foundation involvement was not the basis for the list, which was generated from group discussion among the survey design team members.

14. This table is derived from a question in which respondents were allowed to select multiple answers. The count represents the number of times a response item was selected, and the percent is calculated out of the total number of respondents who answered the question.

Discussion and Implications

We have observed a stellar demand for an entrepreneurial community like 1MC in Kansas City, given the extremely rapid growth in number of participants and their frequent attendance (almost every week). Since connecting with other entrepreneurs was the leading reason cited for attending 1MC, it is easy to see that entrepreneurs simply want to hang out. The official time for 1MC is from 9–10 a.m. on Wednesdays, but people gather and chat thirty minutes before the event, and stay for another hour afterward.

This finding of entrepreneurs' penchant for being connected with other entrepreneurs is consistent with our own experience of entrepreneur training programs at Kauffman Labs (2010–11), and, for example, the Pipeline Program, which provides training to entrepreneurs for scaling potential high-growth startups to million-dollar companies. Bottom line: Entrepreneurs value the interaction with peer entrepreneurs. This desire for camaraderie is intuitive; we know entrepreneurs feel lonely (Kauffman Foundation 2013). They face a number of problems as sole decision makers, and it appears that 1MC provides emotional support.

In addition to this psychological aspect, we find that 1MC functions as a space of learning for entrepreneurs. Entrepreneurs have to find solutions for their problems with limited time and knowledge. They need answers from somewhere, and their peer entrepreneurs who are experiencing similar problems are perhaps the best source for finding solutions. We need to further explore this learning aspect—what they learn, how they learn, under what circumstances, etc.

The experience of 1MC implies that, if we replicate 1MC in other cities, we should target places with high demand and low supply, i.e., places where early-stage entrepreneurs have not found or taken part in an entrepreneurial community. Jim Brasunas, executive director of ITEN (Information Technology Entrepreneur Network), described the situation in St. Louis: "When I talked to entrepreneurs, they typically said 'I do this [my business] alone and I don't know other entrepreneurs or investors in town. So I go to Silicon Valley to look for investors.'" (Interview, 4/27/2012). We encourage entrepreneurs and supporters to contact the Kauffman Foundation to launch a new 1MC if they feel this description fits their region and they want to start a new entrepreneurial community.

As noted, it is fair to say that, while a variety of companies present at 1MC, the preponderance seems to be, anecdotally at least, mobile and Internet businesses. A popular perception is that these are less "real" companies than, e.g., a startup that makes a physical product because there are minimal or no capital costs. We found that the majority of 1MC companies have founders who not only are taking in revenue, but also work full time for their startup. While there may be nuances to these reported activities (e.g., this does not speak to profitability and the ability to sustain full-time employment at the startup), the fact remains that, at least in the case of 1MC companies, there is real revenue at stake and real professional commitment from the founders and co-founders to their startups. This might assuage fears of potential organizers in other cities about their abilities to attract presenters that are beyond the idea stage.

Researchers at the Santa Fe Institute have demonstrated that there is such a thing as the "epidemiology of ideas"—ideas spread like viruses. In the age of YouTube, it has become common to speak of something "going viral." In the context of an entrepreneurial community, this initial 1MC survey demonstrates that the notion of virality is quite appropriate. The digital age does not mean that people started to come to 1MC because of its website, Facebook page, or tweets. People heard about and decided to participate in 1MC through other people. Moreover, it was not a small number of key people who became the node of network and spread the word, but rather, the circle of network grew organically through a number of people. The primary organizer of 1MC was mentioned seven times as a specific source for word of mouth; however, these seven responses constituted a small fraction of our sample, and the rest of the participants heard about 1MC from a number of different individuals. These findings suggest that we should not rely solely on digital media to establish and develop an entrepreneurial network.

At the same time, it could be a different story once people have decided to attend: Digital media could play a more important communications role. Thus, we do not imply that the digital media is unimportant for an entrepreneurial network. Our point here is simply that word of mouth plays a dominant role at the early stage of creating and developing a startup community. In this project, we did not ask how continuing participants use digital media to communicate. It will be a subject of future research.

We cannot emphasize enough that one of the biggest advantages of 1MC is its low cost. Aside from the time devoted by the three Kauffman associates and a small budget for coffee and other drinks, 1MC program expenses are next to nothing. After its initial launch by Kauffman associates, the program now is run completely by volunteer entrepreneurs, so it could be the case that programs in other cities will have even smaller startup costs. However, it is important to have a facility large enough to hold participants. While initial meetings may take place in small locations like coffee shops, if the same growth pattern occurs in other cities as in Kansas City, event organizers may find that they quickly outgrow their space. This was not an issue for 1MC in Kansas City because they could use the large communal space at Kauffman Labs for free. With the number of participants closer to 200 as of January 2013, 1MC is discussing relocating to an even larger space at the Kauffman Foundation Conference Center next door, which still is free for participants. City governments or entrepreneurship-supporting organizations can help with this logistical issue by providing a large space at low or no cost. And don't forget good coffee for entrepreneurs.

Importantly, this is not about networking, which is a current fashion among many entrepreneurship programs. Having entrepreneurs discuss their story and business and then interact with peers is a catalytic educational activity. This structured activity is critical for building the network of entrepreneurs, and allows participants to silently partake, thus lowering the barriers to attending (far less pressure). It seems the pitching and Q&A structure worked well for community building purposes rather than events that are structured, for example, around keynote speeches because the pitches are from a peer group rather than a speaker with perceived higher status. Preparing to present and respond to questions and assimilate feedback turns out to be a good exercise for the entrepreneurs.

The initiation of 1MC presents an alternative model to the leadership role in entrepreneurial communities. Reflecting on his lengthy experience in Boulder, Colorado, Brad Feld (2012) advocated the creation of an entrepreneurial community by entrepreneurs themselves. He specifically stated that government officials, university professors, and people at support organizations are "feeders," not leaders, of the entrepreneurial community, and that feeders should not lead entrepreneurial community. Technically speaking, the three associates at the Kauffman Foundation are not entrepreneurs. It does not seem that this leader versus feeder distinction is a strict rule for creating and developing an entrepreneurial community. However, with no self-promotion intended, the Kauffman Foundation is not an ordinary organization in the realm of entrepreneurship. The Foundation primarily is dedicated to the promotion of entrepreneurship, and our job is to support and engage with entrepreneurs. In that sense, the three key associates who started 1MC were substantially closer to being entrepreneurs than government officials, professors, or other so-called feeders. Unfortunately, not every city enjoys the benefits of Kauffman's infrastructure (such as meeting space) and financial and human resources. The experience in Kansas City opens a door that non-entrepreneurs may contribute to the creation of entrepreneurial communities. However, we caution that those non-entrepreneur leaders need to be dedicated to promoting entrepreneurship and have a thorough and studied understanding of entrepreneurs. Perhaps a critical distinction is that during the event itself, aside from brief announcements and introductions, all of the talking should be done by presenters and the 1MC audience; that is, the actual entrepreneurial community provides the content and substance of the event. This plays into a larger development in 1MC: as 1MC as a network has taken off, its leadership shifted to three entrepreneurs in late 2012. Anecdotally, energy and enthusiasm have not been lost in this transition, and attendance has continued to climb. This will be an area of focus in the next survey.

> Entrepreneurs have to find solutions for their problems with limited time and knowledge. They need answers from somewhere, and their peer entrepreneurs who are experiencing similar problems are perhaps the best source for finding solutions.

Relatedly, we would like to discuss the role of multiple organizers. Since we have not researched other comparable networks, we do not have a definite conclusion to offer just yet. However, we believe that the involvement and presence of the three organizers was important in the formation of 1MC for at least three reasons. First, three people, in general, can recruit more participants than one or two people. While a network has to start at a small scale, it may not make sense to start with only three or four participants. Moreover, if a single person recruits, chances are that the participants may already know each other. In contrast, if each organizer recruits three or four people, and if there are three organizers, there easily will be more than ten participants. This happened for 1MC at the very beginning. The sociologist Ronald Burt has developed the concept of a "structural hole" of network, which is applicable here (1982, 1992, 2002). Every individual has gaps in knowledge. When people meet with the same circle of people repeatedly, it does not fill in holes of information. New people are likely to provide different kinds of information and fill in the holes with different kinds of functions. Thus, the value of a network increases if participants get to know new people.

Second, from a logistical standpoint, organizing might be a burden for one person during the initial phase of setting up 1MC. While the cost of an event like 1MC is minimal, the logistical work to create and run the event is substantial: recruiting participants; deciding who presents when; reserving a facility and paying fees; starting and facilitating the event every week; organizing the event website; being available to other participants; etc. It turned out that the three organizers at the Kauffman Foundation could devote significant time on this project, but that may not be the case if other regions try to replicate this type of network. It could be an even more substantial burden if entrepreneurs themselves try to run this network, as they are more than busy with their own startup companies. Multiple organizers could rotate or divide tasks to reduce the burden on key organizers. Indeed, reliance on a single person could prevent the viral growth of a network. It has become increasingly clear that teams, rather than solo founders, are critical to entrepreneurial success, and we suggest a team approach to launching 1MC elsewhere.

At the time of this initial survey, 1MC attendees were highly homogeneous in terms of race. However, they do differ in terms of their age, educational attainment, and professional backgrounds. The gender skew toward males was heavy, but not altogether different from profiles of other entrepreneurs. Since the 1MC network appears to have been primarily built by word of mouth, we believe the race and gender homogeneity is more reflective of existing social groups (white males likely are networked with other white males). This pattern echoes the experience in Silicon Valley. Saxenian and her colleagues demonstrated that Chinese formed Chinese ethnic professional associations, and so did Indians. It may be a reasonable proposition to suggest that the network develops more easily with some form of ethnic homogeneity. However, this may apply only for the very early stage of network formation and become different as the network matures.

Indeed, recent experience suggests that as it has grown in attendance, so has the diversity of 1MC. Our next tasks for research will be to track the evolution of 1MC in Kansas City and other cities, and to place it in relation to other entrepreneurship programs. We suspect, and hope to examine, that just as the 1MC network has grown through word of mouth, so too have other associated programs around the metropolitan area, with even 1MC spawning a raft of additional programs.

References

Ballou, Janice, Tom Barton, David DesRoches, Frank Potter, E.J. Reedy, Alicia Robb, Scott A. Shane, and Zhanyun Zhao. 2008. "The Kauffman Firm Survey: Results from the Baseline and First Follow-Up Surveys." Kansas City, MO: Ewing Marion Kauffman Foundation. http://www.kauffman.org/uploadedFiles/kfs_08.pdf.

Burt, Ronald S. 1982. *Toward a Structural Theory of Action: network models of social structure, perception, and action*. New York: Academic Press.

———. 2005. "Structural Holes." in *The New Economic Society*, edited by Frank Dobbin. 325–348. Princeton: Princeton University Press. Originally published in *Structural Holes: The Social Structure of Competition*. Cambridge, MA: Harvard University Press, 1992.

———. 2002. "The Social Capital of Structural Holes." in The New Economic Sociology: Developments in an Emerging Field, edited by Mauro F. Guillén, Randall Collins, Paula England and Marshall Meyer, 148–92. New York: Russell Sage Foundation.

Ewing Marion Kauffman Foundation. 2013. "It's lonely out there." http://bcove.me/njjhszmj. Accessed January 17, 2013.

Fairlie, Robert W. 2012. "Kauffman Index of Entrepreneurial Activity, 1996–2011." Kansas City, MO: Ewing Marion Kauffman Foundation. http://www.kauffman.org/uploadedFiles/KIEA_2012_report.pdf.

Feld, Bradley. 2012. *Startup communities: Building an entrepreneurial ecosystem in your city.* Hoboken, NJ: John Wiley & Sons.

Florida, Richard L. 2004. *The Rise of the Creative Class*. New York, NY: Basic Books.

Helper, Susan, John Paul MacDuffie, and Charles F. Sabel. 2000. "Pragmatic Collaborations: Advancing Knowledge While Controlling Opportunism." *Industrial and Corporate Change 9* (3):443–89.

Klepper, Steven. 2010. "The Origin and Growth of Industry Clusters: The Making of Silicon Valley and Detroit." *Journal of Urban Economics 67* (1):15–32.

Kenney, Martin. 2000. *Understanding Silicon Valley: The Anatomy of an Entrepreneurial Region*. Palo Alto, CA: Stanford University Press.

Lecuyer, Christophe. 2006. *Making Silicon Valley: Innovation and the growth of high tech,* 1930–1970. Cambridge, MA: MIT Press.

Lee, Chong-Moon, William Miller, Henry Rowen, and Marguerite Hancock. 2000. *The Silicon Valley Edge: A Habitat for Innovation and Entrepreneurship.* Stanford, CA: Stanford University Press.

Lyons, Thomas S., Theodore R. Alter, David B. Audretsch, and Darline Augustine. 2012. "Entrepreneurship and community: The next frontier of entrepreneurship inquiry." *Entrepreneurship Research Journal 2* (1):1–24.

Martinez, Martha A., Yang Tiantian, and Howard E. Aldrich. 2011. "Entrepreneurship as an evolutionary process: Research progress and challenges." *Entrepreneurship Research Journal 1* (1).

Nanda, Ramana and Jesper B. Sørensen. 2010. "Workplace Peers and Entrepreneurship." *Management Science 56* (7):1116–26.

Reynolds, Paul D. and Richard T. Curtin. 2008. "Business Creation in the United States: Panel Study of Entrepreneurial Dynamics II Initial Assessment." *Foundations and Trends in Entrepreneurship 4* (3):155–307.

Sabel, Charles F. 1993. "Studied Trust: Building New Forms of Cooperation in a Volatile Economy." in *Explorations in Economic Sociology*, edited by Richard Swedberg, 104–44. New York: Russell Sage Foundation.

Saxenian, AnnaLee. 1994. *Regional advantage: culture and competition in Silicon Valley and Route 128*. Cambridge, MA: Harvard University Press.

———. 1999. *Silicon Valley's new immigrant entrepreneurs.* San Francisco: Public Policy Institute of California.

Saxenian, AnnaLee, Yasuyuki Motoyama, and Xiaohong Quan. 2002. *Local and global networks of immigrant professionals in Silicon Valley.* San Francisco, CA: Public Policy Institute of California.

Sorenson, Olav and Toby E. Stuart. 2004. "Social Networks and Entrepreneurship." in *Handbook of Entrepreneurship Research: Disciplinary Perspectives*, edited by Olav Sorenson, Rajshree Agarwal and Sharon Alverez, 233–52. New York: Springer Science+Business Media.

Stuart, Toby E., and Olav Sorenson. 2007. "Strategic Networks and Entrepreneurial Ventures." *Strategic Entrepreneurship Journal 1* (3):211–27.

Stuart, Toby E., and Waverly W. Ding. 2006. "When Do Scientists Become Entrepreneurs? The Social Structural Antecedents of Commercial Activity in the Academic Life Sciences." American Journal of Sociology 112(1):97–144.

Storper, Michael, and Anthony Venables. 2004. "Buzz: Face-To-Face Contact and the Urban Economy." *Journal of Economic Geography 4* (4):251–70.

Wadhwa, Vivek, Richard Freeman, and Ben Rissing. 2008. "Education and Tech Entrepreneurship." Kansas City, MO: Ewing Marion Kauffman Foundation. http://www.kauffman.org/uploadedfiles/Education_Tech_Ent_061108.pdf.

1 MILLION CUPS

Ewing Marion
KAUFFMAN
Foundation

031213

4801 ROCKHILL ROAD KANSAS CITY, MISSOURI 64110 816-932-1000

www.kauffman.org