

Entrepreneurial Rural Communities National Case Studies Series

Eight case studies of entrepreneurial rural communities and a summary report have been developed from presentations and discussions at a National Entrepreneurial Rural Communities Workshop held in Fairfield, Iowa, on June 3, 2005. The series includes:

Report 1: The Appalachian Center for Economic Networks (ACEnet) in Athens, Ohio

Report 2: Northern Initiatives in Michigan's Upper Peninsula

Report 3: *Tapetes de Lana* Weaving Center, Mora, New Mexico

Report 4: Douglas-Coffee County, Georgia: An Entrepreneur-Friendly Community

Report 5: The IDEA Center Incubator of Tupelo, Mississippi

Report 6: North Iowa Area Community College Entrepreneur and Capital Networks

Report 7: AgVentures Alliance: An Entrepreneurial Value-Added Agriculture Network

Report 8: Fairfield, Iowa: The Emergence of a Serial Entrepreneurial Community

Report 9: Reflections on Local, State and Federal Policies to Support Entrepreneurs

Supplement: *"Entrepreneurial Community Ecosystems..."* by Sohodojo

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A Report Prepared by the

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The National Entrepreneurial Rural Communities Workshop and Case Study Project was sponsored by Farm Foundation. The case studies were edited by Sue Lambertz, Sandra Burke, Becky Johnson, and Mark Edelman of the Community Vitality Center, Iowa State University. The workshop was organized by Burt Chojnowski, past President of Fairfield Entrepreneurs Association. Companion PowerPoint presentations are available for download from the CVC web site: www.cvcia.org. Video excerpts recorded by Fairfield Public Access Community television (FPAC) and are being made available at <http://www.brainbelt.com>.

Report 6: North Iowa Area Community College Entrepreneur and Capital Networks

by Jamie T. Zanos, Director, NIACC John Pappajohn Entrepreneurial Center

Mike Morrison, the president of North Iowa Area Community College (NIACC), has the following saying: “Demography is destiny, unless we do something about it,” says Jamie T. Zanos, Director of NIACC’s John Pappajohn Entrepreneurial Center (JPEC). With nearly a 30 percent reduction in K-12 school enrollment, North Central Iowa has experienced a decline in population like many rural areas. According to one Business Vitality Index, Iowa rates 45th in new entrepreneurs. With a proud tradition in education, Iowa educates and exports its college grads between the ages of 22-29. “Enough!” says NIACC. “No more prizes for predicting rain! Bold new initiatives are required – Iowa’s future depends upon it.”

NIACC, along with area leaders, decided it was time to do something about the bleak portrait for its region. “We have many strengths,” says Zanos, “and we pulled them together to change our destiny.” NIACC houses the John Pappajohn Entrepreneurial Center, one of five JPECs in the state. Each JPEC is funded in part by contributions from John Pappajohn, an Iowa native and successful venture capitalist. He gave each center three charges: cultivate a culture conducive to entrepreneurship, provide them the tools for success, and give access to capital for the most promising entrepreneurs. NIACC’s JPEC is dedicated to creating new and innovative programs to serve the needs of entrepreneurs, businesses, students, and communities that are located primarily within NIACC’s nine-county community college district.

However even with this asset, NIACC and the JPEC recognized they needed a broader base of partners to effect change. North Central Iowa area economic development groups, Iowa Workforce Development, Iowa Department of Economic Development, Small Business Development Centers, local elected officials and others agreed to partner with NIACC and the JPEC. “The synergies of the collaboration and networks made it work,” says Zanos, “and together they pooled their resources and talents and set about gathering data that can be utilized by all in attracting and growing businesses in North Iowa.”

Believing that planning is essential, the collaboration conducted a nine-county labor shed study of their workforce characteristics and an industry cluster analysis to determine their competitive advantages. Now armed with this data and information, the local Economic Development Corporations looked to help existing industries grow, while attracting new businesses that the cluster analyses have helped target. Furthermore, seven of the counties banded together to create a marketing alliance and a partnership with matching dollars from the State of Iowa. “Where once competition existed, now trust is forming and common ground is sought to raise the prospects of all North Iowa.

NIACC’s JPEC took the lead with the State of Iowa and actively pursued designation as an Business Accelerator. With so much already in place, overhead covered and expertise on staff, Zanos felt passionate about the need for a Business Accelerator for North Iowa, and locating it within NIACC’s JPEC was logical and important. “Leveraging the many assets of the community college and the JPEC, as well as local, state and national resources makes the most sense,” Zanos said. “Why recreate the wheel?” With funding from the State and matching funds from NIACC, the North Iowa Accelerator (NIA) was launched to assist existing companies in

expanding and growing their businesses to a new level, and to assist new start up companies, as well.

NIACC expanded programs to expose students who might not otherwise be involved in entrepreneurship. Partnering with Iowa State University, they are creating a student network to provide support for new start-ups and mezzanine level businesses, especially in the marketing arena. They developed best practices in cross-curriculum entrepreneurship education and will soon be offering an evening credit course on “The Entrepreneurial Process,” to further reach the interested population at times convenient to them. They also helped establish a student organization, the Collegiate Entrepreneur Organization, on the NIACC campus and hosted the Collegiate Entrepreneurs Iowa Conference with over 400 participants attending. They are introducing entrepreneurship into early education. One class is designed for elementary school children called “Entrepreneur for a Day” and will host elementary students from the region to provide them with an early look at the option of being job creators and not just job takers. “Young children are full of ideas, it is as we approach adulthood that many of us become overly cautious and afraid to take the risks necessary to start and grow businesses or let our dreams take fruition,” Zanos said. Additional programs developed by the other JPECs around the state are offered through the NIACC JPEC for middle schools and high schools, thus further leveraging scarce resources and not re-creating the wheel.

With new educational opportunities established, the NIACC JPEC is pursuing the creation of a business incubator to assist new entrepreneurs in getting started. Assuming the partnerships can be formed and the funding to launch the incubator obtained, they hope to launch their incubator in the next year. NIACC is in a unique position to provide all the tools necessary for business incubation and they expect this effort to be another model for Iowa and other rural communities. “Partnering with community colleges can provide stability, leadership, experience and much more,” said Zanos. In the new business incubator, entrepreneurs will be provided with a multitude of hands-on and easily accessible services. Business start-up and expansion services, technical assistance, access to capital, creating entrepreneurial communities and regions, and entrepreneurial education are available. With a staff of six, the NIACC Pappajohn Entrepreneurial Center annually serves the needs of over 1,500 clients.

In the past two years, the NIACC JPEC used the Minnesota Regional Angel Investor Network (RAIN) funds as a model and worked with the Iowa Department of Economic Development in creating a new Iowa Community Based Venture Capital Fund template. Having identified interested “Angels” in North Iowa, the JPEC assisted and supported the effort to create a community based venture capital fund in North Iowa. As a result, \$1.7 million was capitalized into the newly created North Iowa Venture Capital Fund LLC (NIVCF), with 61 investors from 16 communities throughout North Iowa, representing all the counties in NIACC’s area. The NIVCF Fund is a for-profit fund. “The fund believes that Economic Development is a result of profits. If the NIVCF makes a profit, that means that the startup companies supported are successful. In turn that means that more people are employed and economic development resulted,” said Zanos. “It is not a revolving loan fund and they do not offer grants. They view themselves as deal makers and advisors,” he said. NIVCF has reviewed 80 potential business plans, assisting 51 of those with education and technical assistance, and finally investing \$815,000 in five companies. As a result of this fund, a new software company relocated to Iowa in Cerro Gordo County and an existing software company in Franklin County received needed funding to complete efforts to expand and grow their business. When a company receives an investment from the NIVCF it receives 61 interested successful business persons that have a stake in the company’s success. Often times one of the owners of the NIVCF will become part of the board of directors of the invested company and also the NIVCF will lend its expertise when

necessary to assist the companies in which they have invested. “Companies get much more than just money, when the NIVCF invests,” says Zanos.

To date, the NIACC JPEC collaboration has helped launch 157 new local start-ups. According to Zanos, 75 percent of new jobs come from small business (small start-ups). “So some effort and resources should be directed to entrepreneurship and the jobs and job growth as one leg of the three legged stool of economic development,” Zanos believes. “Iowa is conservative – but we need to learn how to become better risk takers – not just to celebrate the successes, but to support and celebrate the risk-takers,” he said.

Zanos said that in their experience, most entrepreneurs do not come from business schools, as those grads are often hired to manage existing companies. Entrepreneurs more typically come from the arts, engineering, education, liberal arts, sciences, and more technical areas. “Most entrepreneurs do not recognize their own talent and innovation,” Zanos says. “We are working to raise the level of awareness among these non-traditional groups. Creative juices come from the artisan. NIACC doesn’t want to make business people out of artists, but to link the innovators with business acumen to create a collaboration that brings the strengths of both worlds together on the same team.”

The initiative’s leaders have also had several challenges. Shifting the paradigm from viewing themselves as competitors of the community next door has been slow. Resources are not always leveraged to the fullest advantage.

Rural economic development represents a vision that all Iowans need to embrace for the whole state to prosper. In North Central Iowa, part of this vision is achieved through cultivating and supporting entrepreneurship, networking across the region, and looking internally within the region to find investors who are willing to invest within the region.

For more information on the Internet see:

www.niacc.edu/pappajohn