

# **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

**September 15, 2005**

*A Report Prepared by the*

## **Community Vitality Center**

478 Hedy Hall

Ames, IA 50011-1070

Phone: 515-294-3000

FAX: 515-294-3838

E-mail: [cvc@iastate.edu](mailto:cvc@iastate.edu)

Web site: [www.cvcia.org](http://www.cvcia.org)

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](http://www.cvcia.org). Video excerpts recorded by Fairfield Public Access Community television (FPAC) and are being made available at <http://www.brainbelt.com>.

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

“One of the biggest challenges for us was how to break the ice,” says Joanne Lewis, President, Douglas-Coffee County Chamber of Commerce. “I didn’t know that a lot of what we do as chambers is entrepreneurship,” Lewis said. “Most people don’t know what entrepreneurship is or how to spell it!” The other participants agreed. “A lot of the economic development folks just aren’t at the table yet on entrepreneurship,” added Burt Chojnowski, Past President, Fairfield Entrepreneurs Association. “It often turns out to be a power struggle.”

Don Betts, Manager, Enterprise Development, Economic Development Institute, Georgia Tech University, agrees: “Economic development groups still view business recruitment as their core mission. They also have existing industry, Main Street and other ‘silos’ that take up their time. The entrepreneurship focus has been viewed as an ‘if we have to’ part of their job description, and it shouldn’t be, because entrepreneurship is the foundation of all business.”

“Fifty-percent of the businesses in our industrial park are entrepreneurs,” says Lewis. “They are working on entrepreneurship. They just don’t realize it.”

“Retention and expansion for existing businesses means the same as “second stage growth strategies for entrepreneurs,” added Chojnowski. “Often times, different groups use different terms to describe similar ideas.”

Everyone agreed that breaking down ‘perceived’ territorial boundaries is essential for entrepreneurship development in rural areas. “There are no territorial boundaries in tourism,” says Lewis. “We need to apply the same philosophy to entrepreneurship. We need to be good neighbors and not competitors. We need each other to survive.”

“One of the issues we see in Michigan is who claims responsibility for entrepreneurship,” says Dennis West, President, Northern Initiative of Marquette, Michigan. “Sometimes, it’s a policy battle between research and commercialization at the universities and the small business development centers as to where monies should be allocated.” The “Mapping Rural Entrepreneurship” report by the W.K. Kellogg Foundation and Corporation for Enterprise Development concluded that most well developed entrepreneurial support networks exist in metropolitan and university communities. This group of entrepreneurial rural communities and regions indicated strong agreement. The consensus was that too often very little money makes its way to the rural areas for entrepreneurship, or for any other economic development initiative.

Mary Ellen McClanahan, Director, Governor's Entrepreneur and Small Business Office, Georgia Dept. of Economic Development, cited Louisiana’s SBA programs in which there are multiple programs for rural areas. “However,” she added, “federal agency budgets lined out the micro-loan programs and the money dried up. One proposal would pull many of the programs from USDA Rural Development and put them into the Department of Commerce budget” and cut the overall amount of funds in the process. She and others strongly concluded that such a move would hurt rural areas.

Consensus ideas regarding federal policy tools to support rural entrepreneurship:

- Consolidating or changing the rules regarding how various programs work may place various entrepreneurial support groups at risk in sustaining their operations. Priority should be on preserving existing federal funding resources that are critical for nonmetro

entrepreneurs and nonmetro entrepreneurship support entities. There are a variety of entities that support entrepreneurship in rural areas. Programs mentioned include: USDA Rural Development, Extension-Research Programs focusing on support for entrepreneurs, Small Business Administration Programs, Community Development Financial Institution Programs in the Treasury Department, Department of Commerce Economic Development Administration and Community Development Block Grant Programs for state and local government that can be used to support rural entrepreneurship development capacity.

- Efforts to sustain entrepreneur development and support programs often represent one of the best available economic development strategies in nonmetro communities, rural regions, and underserved or sparsely populated areas. Targeting rural entrepreneurial entities and outreach networks represents an incremental approach that can build on existing capacities in a cost-effective basis. Support for technical assistance to increase rural participation in Small Business Innovative Research (SBIR) programs represents one example. Similar approaches can be applied to enhance local participation in other federal programs.
- Grant programs for entrepreneurs might include maximum flexibility at the federal level so that appropriate entrepreneurial support decisions can be made closer to where the funding is spent thus focusing on the unique needs of the entrepreneurs being assisted.
- To effectively sustain entrepreneurial development capacity in non-metro communities and rural regions, more balance is needed among technical assistance, entrepreneurial support infrastructure, and access to technology, information, and telecommunications infrastructure. Metropolitan entitlement communities receive federal funds in the form of economic development assistance, whereas non-metro communities and rural regions often receive most of their federal assistance in the form of income transfers. Perhaps rural regions with population levels similar to metropolitan entitlement areas could be given similar entitlement status or perhaps the mix of federal assistance to non-metro communities and rural regions could be changed to focus more on economic development and entrepreneurship.
- Existing federal tax credit programs, such as “New Markets Tax Credits and CDFI programs” for entrepreneurial activity should be sustained or expanded and even generalized so that a broader scope of taxpayers might benefit from investment in rural entrepreneurs and ventures. One example, might be to provide a 50 percent investment tax credit for investment in qualifying rural entrepreneurial ventures.

The Global Entrepreneurship Monitor suggests that about 10 percent of adults are predisposed toward being involved in entrepreneurial activities. This interest and opportunity spans all income levels, industries, gender, and demographics. In rural areas, the lack of resources and support infrastructure for these entrepreneurs is making it more difficult for new entrepreneurs to enter the marketplace and to sustain rural America’s potential contribution to the overall economy.

Rural communities often recognize the value of these small businesses and the wealth they create. In her presentation, Lidell Greenway, Economic Development Assistant for Entrepreneurship at the Douglas-Coffee County Chamber and Economic Development Authority told the audience: “If we announced a new industry was coming to town creating 240 new jobs, it would be very exciting. The point is that our small entrepreneurial businesses in Douglas-Coffee Georgia also

created that number of jobs in one year. And they are more often than not locally owned and less likely to relocate. So we need to celebrate those successes too,” she said.

“Ability to sustain business entrepreneurship capacity is a primary concern of rural communities,” remarked James Erb, Mayor of Charles City, (pop. 7000) “National attention is usually given to the venture capital financed, fast-growing “gazelles” that enter the Fortune 500 ranks, while the sustainable entrepreneurs of rural America are virtually unnoticed.” Without entrepreneurs in the local communities and non-metro regions of the country, “the Fortune 500 might be reduced to the Fortune 50,” says Erb. Everyone has a stake in the revitalization of rural America, and the key for communities is often a matter of finding sustainable funds and local capacity for entrepreneurial development and support networks,” says Erb.

“Not everyone wants to live in a big city,” says Erb. “And people depend upon small business owners to provide the services that add quality of life for those who prefer small town living to big city bustle.” Every city in America regardless of size is primarily supported by entrepreneurial small business-owners. In rural America, entrepreneurship is the lifeblood for survival, as one generation of entrepreneurs creates the next generation of major local employers. Innovation and adaptation by local private and public sector entrepreneurs determines whether a community grows or declines. Too often agricultural and city entrepreneurs do not work together. Entrepreneurs in rural America must overcome these barriers because there is a lot that we can learn from each other, to the benefit of us all.

**For more information on the Internet see:**

[www.cvcia.org](http://www.cvcia.org)