

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

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

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

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

by June Holley, President and Founder

The Appalachian Center for Economic Networks (ACENet) serves the Ohio Appalachian region, where the unemployment rate is close to 20 percent, and the majority of the residents are low income. ACENet was founded in 1985. The founder worked for a year without pay before receiving a state grant. Today, it has a staff of 12 and an annual budget of \$1.2 million. ACENet's 2004 track record includes facilitating 63 startups, assisting 301 entrepreneurs, increasing client sales 67 percent over 2003, and creating 140 jobs.

ACENet is a nonprofit entity--not a government agency. "We see ourselves as a 'free agent.' Every community needs a free agent who is not held back by the strings that tie government agencies," says June Holley, President of the ACENet Institute. "We can see opportunities and make things happen. Our story is not about ACENet, it's about partnerships and relationships."

"Local businesses often need access to professional services and training to identify new markets and products. Many businesses serve different needs for the same customers--specialty food products, artisans, bed and breakfasts, restaurants, and recreation businesses. Individually they can't always survive. Their chances can be improved if they work together or if they affiliate through a network. In the very rural and poor Appalachian region, there is a great need to come together and aggregate.

However, entrepreneurs need a reason to come together beyond altruistic discussions to benefit the community. ACENet's role as facilitator, combined with the availability of small grants, provided the catalyst that compelled the entrepreneurs to organize. Together, they became the regional flavor that represents the Appalachian community.

Through clustering, they became empowered to change their interaction with each other. Cluster businesses have shared knowledge. They collaborated on advertising and marketing expenses. They shared multi-skilled employees. Through "economies of scale" their purchasing power was increased. Collectively they developed new products by tracking emerging trends. "Building clusters from local assets enabled small businesses to access crucial services and education," says Holley.

The results have been impressive. They developed brand ID's for unique agricultural products. The new value-added products include specialty eggs, processing plants, organic products, ag-tourism, and specialty crops like mycelium mushrooms. These new products netted new revenue streams. "Rural entrepreneurs are encouraged to develop products to be as unique and valuable as possible to reach more markets," Holley says.

The 11,000 square-foot incubator churned out hundreds of new food products as a cluster-focused incubator. The facility is fully licensed and can rent equipment to develop new food products. Entrepreneurs can produce and sell products directly from their rented space. "Some were skeptical in the beginning. More farmers have recently shown interest in developing consumer-ready products from their crops and now lease space," says Holley.

"Now looking back, we see that awareness of local resources that many took for granted created an entire new industry. For example, a large number of several varieties of birds in the region were attracting the attention of many bird watchers. People would come in the early morning to

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watch the birds, spend 10-15 minutes in town and leave to go home,” Holley stated. To serve this market, ACEnet partners created bird paths, painted quilts on barns, assembled a map, identified local restaurants, gift shops, and bed and breakfast operations, and mailed a brochure to 30,000 people through the Audubon Society. The participating local businesses increased revenues by 40 percent in one year. Stores started carrying more quilts, wooden collectible items and other bird-related products. A gap analysis revealed a need for more restaurants to serve the increasing tourism traffic. Festivals began through efforts by food, retail, tourism, and artisan businesses.

ACEnet acts as ‘business marriage brokers’ – they listen to local business needs, and bring together potential or available partners who can assist them. They help create ‘serial entrepreneurs’ – successful business owners who open new businesses, sometimes related to their primary business, and sometimes not. They also encourage ‘catalyst entrepreneurs’ – business owners who help other businesses become more effective, innovative and improve business practices for optimum operations.

ACEnet works closely with special businesses that begin to spin off new businesses. For example, a local restaurant owner spun off 18 new businesses in 10 years. Casa Nueva Restaurant solicited 15 restaurants to join an independent association whose mission is to increase the number of local restaurants, encourage diversity in menus and ambience, and encourage the use of local products. Many restaurants are employee-owned and buy up to 90 percent of their inputs from local farmers, featuring these farmers in their advertising. “When businesses are innovative by developing new processes or products every year, their experiences and lessons learned help them to be more successful overall. They create more jobs with higher wages, become more resilient in bad times, and have a higher growth potential,” continues Holley.

Their efforts have not been without challenges – accessing seed funds, building the local teams, creating the “purpose” to bring them together. Government grants and loans don’t always work. Funding sources may need to be restructured with more flexibility and fewer “strings.” “There needs to be a readily available sophisticated information source on markets, targeted training to restructure consumer behavior, and technical skills for combining web pages and other computer processes,” Holley says.

“Communities need to support regional infrastructure and entrepreneurial support systems built through innovative and collaborative projects,” Holley said. “ACEnet tracks partnerships and networks created, not just jobs. We spend more time with catalyst and influential entrepreneurs. We have created communication enhancers, such as e-mail newsletters, listserv functions, web site hubs, and networking opportunities. Make your community exciting,” she says. “ACEnet’s success can be summed up in two words – partnerships and relationships.” ACEnet counts over 50 active partners and many more collaborators. “Remove territorial boundaries and become collaborators—not competitors. Nothing happens until you make it happen,” she concluded.

For more information on the Internet see:

www.acenetworks.org

Report 2: Northern Initiatives in Michigan's Upper Peninsula

by Dennis West, President, Northern Initiatives

The Upper Peninsula (UP) of Michigan is 92% forested and underdeveloped relative to the rest of the state. The population of 316,000 is much the same as it was 100 years ago. Mackinaw Bridge connects the Upper Peninsula to Lower Michigan. The geography, combined with having the population spread throughout the region, means that the population is sparse and people are often isolated. By 1985, due to mine closures and lay-offs, unemployment was at 20%. In response to these challenges, Northern Michigan University created the Northern Economic Development Initiative. In 1992, the Initiative partnered with Shore Bank of Chicago to create the Northern Initiatives (NI). NI adopted several of the business development concepts that had previously been used by Shore Bank in underdeveloped low income metro areas and applied the lessons learned to the more sparsely populated UP region. Northern Initiatives is now organized as a Community Development Financial Institution (CDFI) which allows access to special CDFI programs of the U.S. Treasury Department.

“The Northern Initiatives model is like a funnel for ideas,” says Dennis West, Director, “Entrepreneurial inspiration is poured into the funnel. We add technical assistance and go along with them through the enterprise development process. We gradually wean the new business off of our resources as they get off the ground and grow.”

Northern Initiatives focuses attention on new business start-up enterprises by identifying capital and access to specialized expertise to get the new venture up and running. Northern Initiatives uses its \$8.5 million in capital to provide loans – 59% to start-ups – and the rest to fledgling businesses and other activities. Loans are made in cooperation with 20 community banks. In 2004, NI's territory expanded to cover 51 total counties with some in northern lower Michigan and five in Wisconsin. NI's loan fund capital is expected to reach \$12 million in 2007. NI's 3-year plan emphasizes financial services, information services, and work in three sectors: manufacturing, secondary wood processing, and nature tourism.

“One in ten Americans has the capacity to start a business,” says West. “Our challenge is to connect the entrepreneur with staff consultants or special outside expertise to flesh out ideas and test their marketability.” He then related several examples:

Jacquart Fabric Products, a local cut and sew business, was facing hard times. Working with NI, they researched a targeted market – pet-owners – and learned that pet owners spend a lot of money on their pets for accessories, such as beds, blankets, etc. They determined that their expertise and assets could be used to create customized dog beds. Today, they offer dog beds in 95 styles with a personalized embroidered name of the pet. Internet marketing opens up global markets. They deployed a just-in-time customization strategy that allows them to keep inventory low with delivery anywhere in the U.S. within 48 hours. The combination of high quality product, personal customization, and 48-hour delivery generates a premium value in the market that company leaders see as being less vulnerable to replication by more generic offshore mass-produced lines offered by large discount retailers.

NI also researched the “Stormy Kromer,” a wool blend classic fleece cap with uniquely recognizable flaps that was no longer available in the UP region. A Wisconsin company had discontinued the line citing that sales were down. However, their research indicated that 30 percent of the sales were coming in from the UP region. The business was not for sale, but Jacquart was able to buy the pattern and royalty rights, along with royalty rights with different

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universities, Harley Davidson, etc., and now they produce the Stormy Kromer line. The Jaquart Fabric Product successes have been in “mass- customization” and not mass-production, turning a struggling industry for which the market had declined, into a niche company meeting a targeted market demand for an affluent market segment.

“Sometimes the rural business needs are not about marketing,” West said, “but more about hiring qualified employees.” Pettibone, for example, lost their material purchasing manager, which was critical to their operation. Northern Initiatives offered a staff person until a new person was hired 6 months later.

With virtually all of the copper mines closed, Northern Initiative helped develop SubTerra, LLC, an emerging biotechnology company focusing on the production and refinement of plant-based therapeutic proteins. The empty mines became a perfect space to provide “biosecurity.” The mines provide a controlled environment with favorable growing conditions that are constant and isolated from the outside environment, free of physical contamination, pests and pathogens. SubTerra operates out of the former White Pine copper mine, which provides in excess of 20 acres of underground space for the development of a biosecure growth chamber. SubTerra also owns a 35,000 square foot building located at the entrance of the mine. The company targets biotech pharmaceutical markets, which require the ability to produce large quantities of pharmaceutically active plant material at an accelerated rate.

In addition to producing transgenic plants, SubTerra provides some processing activities to provide its customers with a semi-finished product and an environmentally friendly product for transportation.

About 80 percent of the UP region is accessible to the public and there are hundreds of lakes, streams, waterfalls, and trails. Historically, when a tourist would stop in a local shop and ask them what activities were available in the region, the locals didn’t know the answer. Northern Initiatives worked with a number of communities to promote the tourism market through attractions, promotion infrastructure, etc. “Soft-Adventures,” such as bird watching, biking, hiking, cross country skiing, kayaking, etc...are popular with baby-boomers. And, the training of local shop owners, cross-promotion of businesses, and improved marketing of the area have created a new tourism sector for the UP. (See: www.greatwaters.net).

West concludes, “The largest customer is often confused with the best customer. Sometimes meeting the demands from the largest customer is not as profitable or sustainable long term compared to other customers. What is important for local entrepreneurs is to work together on the three shortages rural communities face – access to capital, information and larger markets.” He adds, “NI adheres to the Jane Jacobs theory of Rural Development. Jane Jacobs’ theory states that rural areas need connections to urban centers to overcome these three shortages.”

New efforts to cultivate future entrepreneurs are being introduced in grades K-12. An Entrepreneurs Institute was sponsored by NI that trained 100 teachers on how to build a curriculum around entrepreneurship, and interest is growing. Social studies classes put a business plan together working with local mentors and then the students present the plan to local leaders. The plan is tested, and students sell their products or services in one night at the local mall. Two ideas from the students have been “stolen” by other entrepreneurs, in that a new mini golf course has opened up and a manufacturer has commenced production of a “snowboard carrier.”

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“Collaboration, relationships, networks and partners are critical for facilitating entrepreneurial outcomes,” says West. “The technical assistance provider must establish a practical theory of practice, charge market rates for the services whenever possible, and remember that relationships matter in rural areas. It is also important to regularly evaluate your performance and track record.”

Some of the best practices of Northern Initiatives include: quarterly loan reviews, sound underwriting, good risk management practices, technical assistance in support of borrowers, accounting firms under contract, marketing expertise, website developers, and an annual board retreat. NI has strong intentions to be in the relationship business, and to sell customers based on what they need--not who they happen to employ. NI encourages its business clientele to maintain consistent customer evaluations, participate in peer reviews, and development of networks.

Of the lessons learned, West stressed three primary factors that contribute to failure: lack of leadership, inability to heed advice, and refusing to adapt to the addition of more complex systems that new products, services, or markets require. Models matter--when someone is seen as doing something successfully, others become willing to try. “Entrepreneurs are important drivers to social change,” West says. “They often hold the key strategies to transform communities.”

For more information on the Internet see:

www.niupnorth.org

www.greatwaters.net

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

by Carla Gomez, Founder, *Tapetes de Lana*

Tapetes de Lana is a weaving center located in Mora, New Mexico, a town of 5,000 people. The territory covers 2000 square miles and Mora has become the genesis for a significant development project which includes a textile processing plant, textile business, an art center, a pottery studio, and a community based mill, with plans to expand into a theater and a rural development center.

It all started as a dream of one person with a love of weaving and a desire to offer welfare families alternative job opportunities and training for a unique skill. Carla Gomez weaved an entire industry from humble beginnings in a one room schoolhouse, with \$20,000 in start-up funds and a newly formed non-profit.

She used the grant funds to purchase textiles and her first weavers made their products out of their homes. *Tapetes de Lana* would purchase these products and re-sell them to customers at the one room school house, converted into a make-shift shop.

The weavers build their own looms out of scrap 2x4s and use all natural dyes. The wool is dyed by hand outside in big tubs and then dried on lines outside of the building. The final products are wool quilts that range from the very basic to more intricate designs. Contrary to what Gomez initially expected, many of her primary weavers and employees are men.

Tapetes de Lana quickly outgrew the school house. With a growing market, there was an increased need to have weavers in a production and retail shop. She began looking for a new place to accommodate the changing needs of the business. Sitting on a corner in the small rural town of Mora was an empty building of 11,000 square feet that stood next to a historic adobe house, a theater, and a hotel. The properties took up one entire block and had been vacated by its prior owners. The corner had become an empty void in the community.

Tapetes de Lana purchased the property and began renovations with a grant from USDA Rural Development for \$302,000. All labor has been provided by the locals and the vision for the community is to use it to bring a vision of rural living to life – raising sheep, shearing the wool, spinning it into yarns, dyeing it and making the final textiles.

As the business grew, new possibilities for revenue streams presented themselves. Specialized alpaca wool is high-value wool that requires special handling to keep the alpaca strands separate from other wools. Much of the alpaca wool has been in storage due to the lack of a facility with capability for spinning it. *Tapetes de Lana* is working with the alpaca breeders to process their wool, offering a capacity to spin 2,000 – 4,000 pounds of wool a day.

With most successful operations, solving space and capacity issues are more easily addressed than addressing competitors that object to public funding for private ventures. *Tapetes de Lana* met the challenge head on. Gathering all of the mills together to talk about collaborations, the participants reached a conclusion that most textile businesses were moving to Egypt, China and other countries. But by working together, they could help the New Mexico textile industry to survive and they concluded that they could compete by creating their own niches and synergies in advertising collectively, etc.

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The weavers continue to look for ways to add value to their products and to remain competitive. They are learning how to weave various kinds of yarn, offering services for a fee, adding new product lines, developing brand identification, and providing the story of the product for customers. Telling the story to customers about where the product is from and how it became the quilt or blanket is very important to the marketing process. It builds customer loyalty and helps to expand the market. The weavers also describe the concepts being implemented or under development to paint the picture of the faces behind the product.

Tapetes de Lana is an example of the power of one person with a dream, a desire to make a difference and willingness to take a risk. For rural America, one entrepreneur can be the catalyst to rejuvenate an entire community.

For more information on the Internet see:

www.tapetesdelana.com

Report 4: Douglas-Coffee County – One of Georgia’s Most Entrepreneur-Friendly Communities

by Lidell Greenway, Economic Development Assistant for Entrepreneurship, and JoAnne Lewis, President of Douglas-Coffee County Chamber and Economic Development Authority

“If we announced a new industry was coming to town creating 240 new jobs, it would be very exciting,” says Lidell Greenway, Economic Development Assistant for Entrepreneurship at the Douglas-Coffee County Chamber and Economic Development Authority, “and that’s how many jobs we’ve created in one year with our entrepreneurship initiative.”

Entrepreneur and small business development is big business in the city of Douglas and in Coffee County, Georgia. Douglas was the first rural city in Georgia to undergo a readiness review through the State’s Entrepreneurial Network (ENet) and to meet the “Entrepreneur Friendly Community” standards developed by Georgia Tech’s Economic Development Institute for the Georgia Department of Economic Development. The assessment is designed to assist rural communities to become ready with entrepreneurial support programs and infrastructure. Based on the outcomes of the assessment, the state team makes recommendations for new programs the community can implement.

Energized by the process, JoAnne Lewis, President of Douglas Coffee County Chamber and Economic Development Authority literally got on her knees and begged the county supervisors to provide the funding to create an entrepreneurial support initiative for the Chamber/EDA and to hire a staff person to manage it. “I couldn’t have done that without a good relationship with our elected officials,” says Lewis. “Those relationships with your elected officials are so important. We make sure we give every photo opportunity to our elected officials so it’s their faces in the papers taking credit for any good thing going on in our community.”

It hadn’t been that long ago when Douglas and Coffee County were in a slump. They were experiencing very slow to no job growth. Many of the good jobs in the rural Southeast were headed off-shore. “At that time we had a very narrow vision of the Chamber’s role. We had to change the way we did things,” says Lewis. “So when the state announced their new entrepreneur and small business development program, we knew we needed to align ourselves with what the state was doing because we needed their resources.”

With the assessment completed and the staff person (Lidell Greenway) hired, they created a “How to Start and Grow a Business” publication, available in print, on their website, by CD-ROM, and by email. “We wanted to get it into as many hands as possible,” explains Greenway. “Our goal was to demonstrate to the community that we were serious about stimulating entrepreneurship and small business.”

Their efforts also included creating equitable tax incentives for both traditional industry prospects and small business entrepreneurs, such as tax abatement. They developed an informal “retail” incubator where potential retailers can lease space month to month to test their idea. If they find the concept has a market, the new business leases permanent space and opens their business.

“What’s helped us is we reviewed where we were and recognized the reality of how we could maintain and grow our local economy,” says Lewis. The Chamber/EDA designed an “Economic Gardening” theme and heavily promoted the vision to the community. They made personal visits to their small businesses. They learned that entrepreneurs coming in the door needed services, “not an agent.”

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Lewis and Greenway offered these recommendations to communities interested in energizing entrepreneurship:

- Secure a committed leadership team and foster new leadership to fill voids when an empty seat is open
- Identify local resources through asset mapping or some credible process
- Hire a staff person to support efforts to demonstrate commitment
- Develop a strategic plan and get the plan adopted by your partners
- Increase community awareness
- Monitor and track your efforts. Set a standard for tracking effectiveness and results.
- Evaluate ongoing interest and needs of entrepreneurs
- Recognize weakness and work with your strengths
- Be willing to take risks
- Keep local papers informed with stories of interest. Make sure your audience understands what you are doing
- Give the credit and the photo opportunities to the local politicians

“Government agencies at all levels have to make it a household word,” says Lewis. “Entrepreneurship needs to be fundamental.” Small business efforts have spurred larger projects. A new 8-screen cinema and a hotel with conference space are underway. The number of new jobs continues to grow.

“If you don’t tell your community what you are doing, they don’t know what you are doing,” says Lewis. “When the state does an article and mentions your name, you give that to everyone – build your local political capital!” She adds, “Success comes from talking about it!” JoAnne Lewis and Lidell Greenway are excited about entrepreneurship, and that enthusiasm is contagious, which is certainly a contributing factor to their success. Entrepreneurship is exciting, as Lewis and Greenway can attest.

For more information in the Internet see:

www.douglasga.org/newBusiness.asp

www.georgia.org/esbd/community_based/index.asp

www.georgiainnovation.org

Report 5: The IDEA Center Incubator in Tupelo, Mississippi

by Wayne Averett, Vice President of Entrepreneurship and Small Business Development,
The IDEA Center

Tupelo, Mississippi is recognized around the world as the birthplace of Elvis Presley. The small, shotgun house where Elvis was born, and the adjacent Elvis Presley Museum and memorial chapel, draw nearly 100,000 visitors each year. They are centerpieces of Tupelo's \$46 million tourism and hospitality industry. With a population slightly under 40,000, Tupelo has a rich and colorful history which dates back to 1540, when the Chickasaw Indians forced Spanish explorer Hernando De Soto westward to his discovery of the Mississippi River.

The IDEA Center in Tupelo, Mississippi, is a business incubator in the final stages of construction. The incubator will serve new business entrepreneurs in manufacturing and professional services. The name "IDEA" stands for Innovation, Development, Entrepreneurship and Action.

"To tell the story behind Tupelo's IDEA Center," says Wayne Averett, the Center's Executive Director, "you need to know the inspiration behind the IDEA. The inspiration comes directly from one of Tupelo's most inspirational leaders from the past, by the name of George McLean."

George McLean was an entrepreneur who relocated to Tupelo in the early 1930s. Trained to be a college professor and minister, he became disenfranchised with academia and turned instead to newspaper publishing, purchasing a local newspaper and making it a regional voice for economic development. From June 1934 until his death in 1983, he used his newspaper, *The Daily Journal*, to promote the cultural development of the area. Long before his death, he was seen as one of the foremost community development figures in the United States. In 1937 when he was only 34 years old, George McLean was named "Man of the Year" by *Nation Magazine*. The same title was later bestowed on him by *Progressive Farmer*. In 1981, he became the Tennessee Valley Authority's first recipient of their Distinguished Citizen Award.

The "IDEA," says Averett, "came from the passion left behind by George McLean. He developed Community Enterprise Warehouses for people to start a new business, and he built the warehouses in underdeveloped areas." As a result of his seed capital in investments, large quantities of warehouse space were offered to entrepreneurs at very low lease rates. Because this initial effort grew, the City of Tupelo and Lee County became a center for manufacturing.

Currently, Tupelo is still seen as a hub for upholstered furniture manufactures, but it slowly is losing production to China. "We needed a place where we could insulate the incubator's position from the ebbs and flows of occupancy," Averett says. "People in impoverished areas, or who have worked in manufacturing all their lives, have a difficult time believing they could be the genesis of something big," says Averett, "so our early efforts focused on 'How to Teach an Old Dog New Tricks'."

Completion of a feasibility study determined the city of Tupelo was primed to develop a business incubator, but that the community lacked an appropriate facility to house it. On November 25, 2002, the Community Development Foundation's Board of Directors unanimously approved a location in the downtown redevelopment area of Tupelo known as the Fairpark District. The decision, which was the outcome of long deliberations between the Community Development Foundation (CDF) and the Tupelo Redevelopment Agency (TRA), reflects CDF's and TRA's

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willingness to support each other in the development of entrepreneurship and in creating progress for the downtown Tupelo area. The 2.8 acre site is located on the corner of Main Street and Elizabeth Street, across from the Convention and Visitors Bureau and the Automobile Museum, as well as the first TVA substation. It is a highly visible spot from Highway 45, and serves as a gateway to downtown Tupelo. The large site will enable future expansion of the incubator.

The following facts of the National Business Incubation Association (NBIA) highlight the various benefits of business incubation: For every \$1 of estimated annual public operating subsidy provided to the incubator, clients and graduates of NBIA member incubators generate approximately \$45 in local tax revenue alone. NBIA members report that 84 percent of incubator graduates stay in their communities and continue to provide a return to their investors. Publicly supported incubators create jobs at a cost of about \$1,100 each, whereas other publicly supported job creation mechanisms may commonly cost more than \$10,000 per job created. Every 50 jobs created by an incubator client generate another 25 jobs in the community. Today there are more than 800 business incubators in North America, up from 12 in 1980. Forty percent of incubators are technology-focused, 30 percent are mixed-use, focusing on a wide variety of clients, and the remainder focus on service, light industrial, niche markets, or assisting targeted populations.

The feasibility study recommended expending \$1,450,103 in construction costs, and a first year operating budget of \$138,401. Eleven different government agencies and Tupelo area entities collaborated to fund the incubator. Upon completion of the 28,089 square foot facility, 40 spaces will be offered for lease with high speed internet access, VOIP phone service, faxing and copy services, and customer parking. Most importantly, business counseling in a small business resource center will be offered, along with business training from experts in various fields of business.

“We wanted to offer a one stop business shop in one building location,” explains Averett. “There is no place in Tupelo that offers all of these business services. We won’t be able to be everything to everybody, but our focus will be on developing a bundle of services that can then be used by many different types of entrepreneurs to help successfully launch their businesses.”

“We know we have to offer opportunities for more diverse forms of businesses – not all high-tech businesses are going to locate in our incubator,” says Averett. The incubator will be able to accommodate businesses from professional services to manufacturing, providing technical assistance, training, education and shared clerical staff. “We have a strong board of advisors which has been critical to our success,” Averett adds. In the case of business incubators, it is the people, programs and networks that are brought to bear for the fledgling new entrepreneurs that are the most important elements for enhancing the odds for success for new startups.

Before his death in 1983, George McLean told the people of Tupelo: *“I believe that it is the responsibility of the educated people of Mississippi to help raise the level educationally, economically, and culturally of our own people. No one else will come in and do the job for us.”* These words still ring true for the Tupelo IDEA Center, today.

For more information on the Internet see:

www.cdfms.org/ed_businessdevelopment.cfm

www.cvcia.org/

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

by Jamie T. Zanios, 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. Zanios, 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 Zanios, “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 Zanios, “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 a Business Accelerator. With so much already in place, overhead covered and expertise on staff, Zanios 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,” Zanios 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.

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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.

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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

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

by Don Hofstrand, AgVentures Alliance Executive Director, Co-Founder, and Regional Management Specialist, Iowa State University Extension

Sometimes the entrepreneurial group that is overlooked by community economic development supporters is the commercial farmer. Value-added agricultural projects are often misunderstood and finding the right mentors, models, industry expertise, and financiers can be frustrating for individual producers and entrepreneurial groups. AgVentures Alliance was started in the mid-1990s and is based in Mason City, Iowa. It was organized to fill the entrepreneurial technical assistance void and offer financial support in developing value-added agricultural business ventures. The initial organizational concept was sparked by Don Hofstrand, a Regional Farm Management Specialist with Iowa State University Extension. Hofstrand invited a group of 20-30 farmers together to discuss the challenges and opportunities of value-added agriculture projects for the communities, and then he told the group, “You need to do this, not me.” Hofstrand says, “If it was going to work, it had to be driven by the producers.”

After several months of meetings, Ag Ventures Alliance was off and running with an exclusive mission to facilitate the development of value-added agriculture projects. Membership requires a \$250 initial investment, with annual dues determined by the members. Since inception, annual dues have ranged from \$0 to \$50 per year. The membership list is kept confidential. Current membership includes 1,153 investors, including 433 accredited investors. Most of the members are from North Central Iowa, but there are a few members from Minnesota and other parts of Iowa. Membership is open to anyone, however 91 percent of the members are farmers. The remaining membership consists of farm managers, coops, landowners, bankers and others. “For \$250, anyone can join,” says Hofstrand. “We are an inclusive, not exclusive organization.”

Since 1998, Ag Ventures Alliance has been the development force behind three successful projects: One project is Golden Oval Eggs, a 5.5 million bird capacity laying facility in Thompson, Iowa. Seven hundred farm members financially invested (as a coop – farmer owned) and provided commitments for delivery of corn. The vision isn’t to just break eggs, but to move up the food chain directly to the consumer with ready-to-cook egg products. Farmer members have recently changed the organizational structure to an LLC to allow for more creative financing opportunities.

Midwest Grain Processors has nearly 1000 farmer-owners and has developed an agricultural industrial park in Lakota, Iowa. MGP’s first ag business is an ethanol production facility with a 45 million gallon per year capacity. The plant uses 16 million bushels of corn annually. Plans are underway to double the capacity of the plant. Currently, they are also investigating additional corn processing opportunities.

Minnesota Soybean Processors has over 2000 farmer members and they have opened a soybean processing plant in Brewster, Minnesota. It processes 100,000 bushels of soybeans per day to produce soybean oil and meal.

In addition, there are several other projects that are in the planning stages. Northern Iowa Dairy Development Initiative is designed to utilize the livestock feed grown in the area to produce more milk products. The number of dairy operations has declined in recent years due to farmer age and economics. However, larger and more efficient dairy operations are being recruited to sustain the industry’s infrastructure so that the whole industry is not lost to the region. Ag Ventures Alliance

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plans to identify prospective dairy producers, screen them, provide training programs, and relocate them to Iowa. Currently, they are working with dairy farmers from other states and the Netherlands. Iowa has several milk processors, but is increasingly importing milk from other states for processing.

Aqua-Ventures is a large scale shrimp production project using large ponds. It is a seasonal business, and plans are to produce shrimp in large enclosed buildings. One of the outputs from ethanol plants is a large amount of hot water that might be used in the process.

SoyEx is an adhesive sealing product from soybeans used for binding materials such as plywood. Current binding materials are sometimes expensive and toxic. AgVentures is looking to provide binding materials that are safe and less expensive. There is concern about long term adhesive properties, and they are researching the capabilities to assure builders of its long term use.

Other possibilities being explored are value-added tours. “There is a lot to learn about agriculture in other states and direct marketing to the consumer,” says Hofstrand, “One of our goals is to advance our membership nationally.” Hofstrand concludes that farming has become an international business, and farmers need to be in the international market. AgVentures Alliance offers an edge against inflation and land values.

Ag Ventures Alliance will also research and monitor legislation pertinent to agricultural interests on both a state and federal level. Recently, it conducted research on innovations resulting from the Wyoming Cooperative Law. Keeping an eye on legislative activity enabled AgVentures Alliance to develop a rural partnership venture to qualify as a Community Development Entity (CDE) for certain programs of the U.S. Treasury Department. As a result, it was one of 61 recipients of New Market Tax Credits and received a \$44.5 million allocation for projects in value-added businesses located in eligible low income rural areas. It is a complicated process, but the demand is there. “We’ve received \$1.5 billion in requests,” Hofstrand reported. The program provides an investment tax credit of up to 39% that can be used over seven years.

Members of Ag Alliance Ventures invested \$21 million in the first two projects. Approximately 40 to 50 members worked to provide technical assistance and organize equity capital for the two projects. “We don’t rely on outside consultants, but we work with local leaders to put projects together using local expertise,” Hofstrand said. Industry consultants are brought in as the project needs may require, but projects are not driven by consultants. A fee is charged for the services provided to each project, and if the project is successful, the fee comes out of the dollars raised. No Wall Street investors are contacted to invest in the projects. The preference is for projects to be locally owned and controlled.

Ag Alliance Ventures knows agriculture is big business, and much of their profits are being distributed among a lot of small-to-medium sized operations. Entrepreneurship is not limited to shops, services, manufacturing and other businesses that most communities consider when they seek local entrepreneurial initiatives. “Ag Ventures Alliance is an example of what can happen when entrepreneurial farmers are invited to a meeting to think about the possibilities,” says Hofstrand. “We created an organization that develops the expertise and capacity to help a few innovators turn good ideas into larger scale value-added ventures that provide markets for agricultural producers as well as the entire region’s economy.”

For more information on the Internet see:

www.agventuresalliance.com

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

by Burt Chojnowski, past President, Fairfield Entrepreneurs Association

Fairfield is a unique entrepreneurial community of 9,600 in Southeast Iowa. Fairfield's entrepreneurial spirit has its roots in the rich early history of the community. Fairfield was home to Iowa's first state fair and claims the oldest golf club west of the Mississippi. William Louden, one of Fairfield's early entrepreneurs, designed and manufactured one of the first manure spreaders, one of the first modern dairy barns, and one of the first ceiling-suspended single-track rail systems that formed the basis for in-plant movement of materials for many manufacturers nationally. The Louden manufacturing works still stands today as a facility that continues to provide an atmosphere for startup ventures.

The current entrepreneurial spirit in Fairfield is largely traced to decisions made by local leaders during the 1970s. The closure of Parsons College in 1973, the city's largest employer, left a gaping void in the community. Located 60 miles from the nearest interstate and more than an hour away from any major airport, Fairfield had limited success in attracting and retaining major manufacturers. So how does a community go from despair to being a recipient of the 2003 National Grassroots Rural Enterprise Award presented by the Kauffman Foundation and the National Center for Small Communities? "Easy," says Burt Chojnowski, former President of the Fairfield Entrepreneurs Association, "you return to your entrepreneurial roots and you focus on establishing entrepreneurial networks and relationships."

A key factor was Fairfield's Maharishi University of Management (MUM), which located in Fairfield on the former campus of Parsons College. MUM brought with it a large influx of professional people from both coasts and some from abroad, who were attracted by the philosophical principles of the Transcendental Meditation (TM) program. Starting in 1979 and 1980, TM practitioners were encouraged to move from around the world to Fairfield to participate in a utopian community experiment that encouraged world peace. Many stayed. They had to find creative ways to earn a living and began using their business and technology connections from around the world to establish their own local companies.

Several clusters from the grassroots emerged – brokerage firms that could sell securities or fuels over the phone. Other new companies took advantage of the growth of personal computers and developed software. The deregulation of television advertising resulted in the first "no money down real estate" infomercials, and they were produced in Fairfield. This spawned a whole new industry that is still dominated by Fairfield's *Hawthorne Direct*.

Several companies such as Telegroup and USA Global Link leveraged the de-regulation of telecommunications to create international "callback services" that helped accelerate the deregulation of telecommunication markets around the globe.

Marci Shimoff, co-author of *Chicken Soup for the Mother's Soul* teamed up with fledgling *Books Are Fun*, a direct-sale book distributor. The result was the start of the *Chicken Soup* franchise of books. Thirteen *Chicken Soup for the Soul* co-authors live or have lived in Fairfield. Revenues for *Books Are Fun* grew to \$400 million in twelve years, before the company was acquired by Reader's Digest.

Another emerging cluster includes artists, health, and art-based businesses. Fairfield has launched a number of art-based businesses, including Creative Edge, Bovard Studios, and Art Select. Each employs 50 or more people. Fairfield has become home to many authors, musicians, filmmakers,

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and artists. Several have regional or national reputations. Fairfield has attracted a place for creative people to rejuvenate. Fairfield residents have included filmmaker David Lynch, Mike Love of the Beach Boys, comedian Andy Kauffman, and magician Doug Henning. Several alternative medicine specialties are linked to Fairfield. It is home to the Raj, a center for ayurvedic spa treatments.

Over time, the entrepreneurial networks and practices have encompassed second stage growth for some of Fairfield's long-established businesses. Harper Brush Company is an example where the third generation owners of this Fairfield company benefited from the local entrepreneurial expertise, culture, and networks. This in turn stimulated rapid growth for this mature 100-year-old company.

The diversity has proven to be a great resource for the community, bringing a wide variety of ethnic foods and restaurants – and visitors who travel to Fairfield for its excellent cuisines. “We have more restaurants per capita than San Francisco,” says Chojnowski. “Part of the reason is because of the all the business networking lunches that occur on a daily basis.” This has also encouraged the development of a strong community food cluster that supplies locally grown organic and natural foods.

One of the unique characteristics of Fairfield is its ability to attract capital for startup companies. According to local sources, since 1990 over \$250 million has been invested in 50 new companies. These projects include software development, marketing, financial services, media and telecom businesses. This investment has netted Fairfield with 3000 new jobs locally, 12,000 jobs globally, and nearly \$1 billion in new equity. Chojnowski says that over 60 companies with national and international offices are headquartered in Fairfield.

“Fairfield is ranked 3rd in the nation per capita for giving,” according to February 2003 issue of *The Chronicle of Philanthropy*. Chojnowski says that successful entrepreneurs created an environment of giving that has fostered a culture of social and civic entrepreneurship that has resulted in a new trail system, a new convention and civic center, the 1st Friday's Art Walk, a cultural district and one of the top farmer's markets in Iowa.

Fairfield has been recognized by several national publications, such as Wired, Business 2.0, Computerworld, Sky, Entrepreneur.com, Body and Soul, Red Herring, Fast Company and others. “Venture capitalists on the coasts think of us as ‘Silicorn Valley’,” says Chojnowski. “We think of ourselves as the *Entrepreneurial Capital of Iowa*.”

Prior to the early 80s, there was little or no infrastructure to support entrepreneurs. Chojnowski describes Fairfield in the 1980s as an early stage entrepreneurial community. “There was a lot of trial and error – and failures – to get to where they are today,” he said. Fairfield experienced some ups and downs with the fortunes of the information and technology industries nationally, but the failures of some companies have provided cheap space, office furniture, and equipment for another round of startups. Failure has freed up talented people who again ask what new concepts and companies can we start here in Fairfield. And this cycle has repeated itself a couple of times. Business failure in Fairfield is seen as an opportunity. It does not carry the negative stigma that it has in other rural communities of similar size. Chojnowski says, “Earl Kaplan of *Books Are Fun* was a good example. His first two businesses were tofu and appliances and they failed before he created the company that Reader's Digest acquired.”

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In the early 1990's, Fairfield became a "second stage entrepreneurial community." According to Chojnowski, the culture began to create a lot of Fairfield companies that generated significant revenue traction and a few acquisitions.

The key catalyst has been the Fairfield Entrepreneurs Association, (FEA) and it was established in 1989. It has been a volunteer organization that has operated on a total budget of \$50,000 over the past 16 years. This means that FEA spent about \$3000 annually, primarily for promotion and educational programs. The FEA was organized by a number of successful entrepreneurs who wanted to provide more support to early stage companies and increase the survival rate of start-ups. This was the genesis of the peer-to-peer networking, mentoring and support that is the foundation for Fairfield's creative and entrepreneurial success. Chojnowski describes the process as allowing individual entrepreneurs to "tap into the collective wisdom and experience of a variety of other businesses." He contends it is easier to network in a small town where the social and business life is closely intertwined. He suggests that it is easier to arrange a meeting over lunch or a cup of coffee. Chojnowski says, "90 percent of what local entrepreneurs learn is learned from other entrepreneurs."

"Fairfield grew up with the Internet," says Chojnowski, "we talked about making Fairfield into the digital suburb of every major city in the world." The FEA has taken a networking approach to entrepreneurship. As companies were acquired or completed an IPO, the managers of those companies started new endeavors. Chojnowski describes this as the evolution of Fairfield into a "serial entrepreneurial community." As one company would exit--whether successful or not--it would release the resources, people, money and office furniture to start a new business. Chojnowski says the senior management talent pool grew and matured with various experiences in multiple endeavors.

The low overhead of rural Iowa allows many companies to incubate, which is a luxury compared to California-based or east coast-based companies. Cambridge Investment Research was 10-years old when they moved to Fairfield with \$500,000 in annual revenue and five employees. From year 10 to year 20 they grew to over 160 employees, \$100 million in revenue. CEO Eric Schwartz says their ability to bootstrap and finance their expansion was due to two competitive advantages – lower overhead than big city competitors and a loyal, highly skilled workforce.

Chojnowski recommends that other communities consider doing the following:

- Recognize that peer-to-peer networking and mentoring of entrepreneurs is the key and tantamount to creating an open-sourced entrepreneurial development system
- Change the paradigm to support start-ups and make startups a priority
- Re-define failure as a step of innovation
- Freely share the wealth of experience and wisdom of the successful businesses and entrepreneurs
- Leverage the Internet whenever possible to market globally
- Celebrate entrepreneurs by recognizing success stories and establish awards and award ceremonies, such as Entrepreneur of the Year or Hall of Fame

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- Offer networking events, workshops and seminars, monthly if possible on topics of interest to entrepreneurs
- Create an entrepreneurs support organization or committee to create a critical mass of leaders who focus solely on supporting local entrepreneurs and helping them to avoid mistakes, to learn from others, and to make connections

Above all, Chojnowski adds, communities, and entrepreneurs, should not fear failure. “Company failures are the compost that supports the startup of new companies or builds the second generation start-ups-- those who have had one business failure and started another.”

Entrepreneurship is all about risk and building on your experience. It is not going to happen in one or two years, and you have to understand the dynamics of going from an early stage all the way to a serial entrepreneurial community,” he said.

For more information on the Internet see:

www.fairfieldiowa.com/economic_bureau/fea.php

www.mum.edu

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

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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

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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

**Supplement: “Entrepreneurial Community Ecosystems in the Small Is Good World”
An Invited Presentation at the National Rural Entrepreneurial Gathering**

Sohodojo Co-founders and Research Directors Jim Salmons and Timlynn Babitsky kicked off the Gathering with a presentation that explored the potential of microenterprise networks and alternative markets as an engine for rural and small town economic and community development.

This presentation is on-line in various formats at:

<http://brainbelt.com/NREG-sohodojo>

For more information on the Internet see:

www.sohodojo.com
