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## Rural Entrepreneurship and Innovative Leadership

### Features:

- ★ Supporting Rural Entrepreneurship: What Can States Do?
- ★ The HomeTown Competitiveness Initiative
- ★ Innovation Commercialization in a Rural Region





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# President Bush's 2007 Budget Request for EDA:

## *Good News for Rural America*



Rural America is home to nearly a quarter of the nation's people and more than half of its commercial banks. Yet, with its wide-ranging geography, the ebb and flow of its industries, and its ever-changing technological and global challenges, America's rural economy often performs differently than the rest of the U.S. economy.

President Bush is confident that distressed rural communities can achieve competitiveness and participate fully in the nation's growing economy, and the Economic Development Administration (EDA) will help these communities do so. Historically, EDA has invested over 50 percent of its resources in rural communities, and is committed to retaining this focus. I am pleased that President Bush's budget request for EDA in 2007 will bolster EDA support for rural communities by helping them tap into resources that will strengthen their capacity for innovation and entrepreneurship.

What is needed is a collaborative approach that leverages the private sector, agriculture, education, nonprofits and political institutions of the broader region in which a rural community resides. EDA's 2007 program will better ensure that small jurisdictions and rural areas have a "seat at the table" within the larger regional economic development framework. In 2007, EDA's investment approach:

- Maintains and strengthens EDA's long-standing commitment to rural America;
- Reduces the administrative burden on rural communities by allowing multiple activities in a single EDA grant; and
- Increases the focus on regional approaches, allowing rural areas to better build on shared strengths and link up with regional economic hubs.

This investment will ensure that rural and distressed areas integrate into the larger economic region and participate in the growing national economy.

EDA's new Regional Development Account (RDA) will support the development of economic regions and help move communities from the current fragmented approach to economic development toward a regional, collaborative approach by providing:

- Capacity-building efforts targeted at state and local officials and economic development professionals to advance the capabilities of practitioners of economic

development policy and advance the knowledge of the "hows", "whats" and "whys" of regional development strategies;

- Planning, strategy development and technical assistance services for communities and regions that have already recognized the need to work in a collaborative and integrated fashion, but have not yet developed the formalized links to each other and key regional institutions. Program services will help regions move from conceptual acceptance of the advantages of regional development strategies to the development of functioning economic regions, as well as strategies to foster innovation and encourage entrepreneurship;
- Support of established economic regions in America through an array of services spanning strategic planning to infrastructure development, focused on enhancing regional partnerships and addressing lagging areas within economic regions.

As you will see in this issue of *Economic Development America*, rural communities win when they successfully engage in regional competitiveness strategies focused on entrepreneurship and innovation. President Bush is committed to helping to create an environment that fosters this transition. I am excited about the President's budget request for EDA in 2007, which I see as a nexus of EDA's strengths and focus, and I look forward to working with you to strengthen rural economies as the new program is implemented.

Sincerely,

A handwritten signature in blue ink, appearing to read "Sandy K. Baruah".

Sandy K. Baruah

Assistant Secretary of Commerce for Economic Development

# A Framework for Developing Rural Entrepreneurship

**By Deborah M. Markley, Ph.D.** The past 10 years have seen increasingly wider acceptance of entrepreneurship as a core rural economic development strategy. While some pioneering organizations have been encouraging enterprise creation as a means of revitalizing rural places for 20 years or more, broader interest in the potential of entrepreneurship in rural communities and regions is relatively new.

Co-Director,  
RUPRI Center  
for Rural  
Entrepreneurship

Why the recent heightened interest in rural entrepreneurship? Several factors come into play. Traditional economic activities – routine manufacturing, agriculture, and natural resource-based activities – have struggled to remain competitive in the face of increased global competition. As a consequence, the traditional economic development strategies of industrial recruitment and retention/expansion have yielded fewer favorable outcomes in rural places.

Rural economic developers and the communities they serve are struggling to find new sources of competitive advantage. Many of these development practitioners are willing to think outside the box in the face of old tools and strategies that are simply not working. At the same time, models of successful entrepreneurship development now exist, so rural entrepreneurship practitioners are not alone on the innovation frontier. A growing body of research describes the outcomes of entrepreneurship development initiatives and tools that can be used to create a new, sustainable economic future for rural places.<sup>1</sup>

## Getting to the heart of entrepreneurship development

Entrepreneurship development is about more than building a support system for entrepreneurs; it is a strategy of transformation. It is about creating *entrepreneurial communities*, about changing the culture of rural places and people so that they embrace the potential of entrepreneurship. It also includes fostering public policy that invests in entrepreneurship development and is embraced by public and civic organizations and leaders.

Embracing entrepreneurship requires looking at economic development in a new way, one that holds the community responsible for creating development from within. In searching for new sources of competitive advantage, communities and regions must identify and build on their unique local assets and take a proactive approach to determining their futures.



This approach suggests that there is no “best” model for entrepreneurship development. In some ways, local communities and regions are akin to entrepreneurial startup enterprises, discovering and testing the products and approaches to entrepreneurship development that fit well with local realities. While there may be a tendency to want to wait until the models have been tested and proven, Karl Stauber, President of the Northwest Area Foundation, argues against this approach:

America is in the middle of a transformation of its rural areas. It does not have time to find perfect or guaranteed solutions. It must take the best ideas where it can find them and begin to adapt and adopt those ideas.<sup>2</sup>

Drawing on observation and study of entrepreneurship development practices across rural America by the RUPRI Center for Rural Entrepreneurship, the Kellogg Foundation, CFED and others, we have developed a framework for economic development practitioners who are trying to adapt the best ideas about entrepreneurship for their rural places.<sup>3</sup>

## A five-part framework

### 1. Understanding Entrepreneurial Talent.

Entrepreneurship development is a human development strategy even more than a business development strategy. The entrepreneur and his or her dreams need to be at the center of any strategy.

The first step in creating an entrepreneur-focused strategy is to identify and understand the entrepreneurial talent in a rural place. Every rural community or region has a range of entrepreneurial talent, from those who have the potential to become entrepreneurs – young people, displaced workers, people re-entering the workforce – to existing business owners who aspire to create new business models and reach into new markets, to those high-tech, high-growth entrepreneurs who have the potential to generate a large and significant impact on a local economy.

The mix of entrepreneurial talent may include microenterprises employing fewer than five people, larger enterprises with more than 50 employees, people with limited skill sets and those who are creating their third or fourth ventures. And, there may be special populations – e.g., youth, artisans, or new immigrants – whose entrepreneurial aspirations need to be nurtured.

To create a strategy focused on the needs of entrepreneurs, communities and regions must develop an understanding of and appreciation for the full range of existing and potential entrepreneurs.

### 2. Making the Case.

Because entrepreneurship development is a new approach to economic development for most rural regions, local leaders may require convincing in order to embrace this new approach.

Making the case for entrepreneurship requires a two-fold strategy. First, the plethora of national and international research that describes the positive relationship between entrepreneurial activity and economic growth should be shared with policy makers and leaders at the state and local levels.<sup>4</sup>

At the same time, a powerful tool for making the case exists in the stories of local entrepreneurs, who all too often are less visible to local leaders and economic developers. Stories of their struggles and their victories can often help to make the case in a way that data cannot. Rural areas that are successfully implementing entrepreneurship development strategies have found ways to actively engage entrepreneurs as advisors and leaders in this process.

### 3. Laying the Groundwork for Entrepreneurship Development.

Leaders and advocates of entrepreneurship must lay the groundwork for strategy development. Otherwise, they risk the temptation to reach for the development strategy du jour instead of building a customized strategy appropriate to the region's unique features.



There are three steps to laying this groundwork. One is determining readiness for entrepreneurship, which includes the Understanding Entrepreneurial Talent and Making the Case elements outlined above. It also includes determining whether there are organizations or individuals who already embrace entrepreneurship and can lead the way, and whether capacity exists within the community to undertake entrepreneurship development.

Once a community has determined that it is ready for entrepreneurship, the next step is to identify the development assets in the region on which the strategy can be built. Who is already working to support entrepreneurs? What service providers and capital providers exist within the community and the broader region? What youth programs exist to encourage entrepreneurship, or that could encourage entrepreneurship? What unique assets exist in the region that could become a source of new competitive advantage, e.g., local artisans, community colleges, heritage tourism destinations, natural resources, and niche farmers?

Finally, the community needs to understand its capacity to undertake any type of economic development effort. Entrepreneurship development requires innovative thinking and leadership. Who will become the leaders of entrepreneurship development? How can you actively engage entrepreneurs in leadership and strategy development? What new leaders and capacity can be tapped within the community and wider region to support entrepreneurship development?

### 4. Creating a Strategy – Building an Entrepreneurship Development System.

Based on observation of successful entrepreneurship development efforts throughout rural America, a consensus has emerged – an entrepreneurship development system (EDS) is necessary to transform a rural region. Our thinking about entrepreneurship development systems has evolved over the past several years. In “Mapping Rural Entrepreneurship,” a 2003 publication by the W. K. Kellogg Foundation and CFED, an EDS is defined as “a coordinated infrastructure of public and private supports that facilitate entrepreneurship.”<sup>5</sup> This definition has evolved, through the work of the Kellogg/CFED team, the RUPRI Center and others, to



include a set of guiding principles for the creation of an EDS. An EDS should be:

- **Entrepreneur-focused** and **asset based** – as described above.
- **Collaborative** – Leadership for the EDS should be drawn from public, private and non-profit sectors and should engage service providers from all those sectors in building a system of support for entrepreneurs.
- **Comprehensive and integrated** – The system should focus on meeting the full range of entrepreneurial needs (i.e., technical and capital assistance, entrepreneurship education, networking opportunities) as well as on building an environment that supports investment in entrepreneurship development (i.e., community engagement, policy development). Entrepreneurship should be integrated into other aspects of the regional economy (e.g., workforce development, education, the health care system).
- **Linked to policy** – By demonstrating the implementation and success of entrepreneurship development in communities and regions, an EDS can inform economic development policy at the local and state levels.
- **Community-based but regionally focused** – A systems approach should be rooted in communities but tap into the resources of the broader region to achieve scale of impact.
- **Sustainable over time** – Entrepreneurship development is a long-term strategy.

## 5. Measuring Outcomes.

Establishing outcome measures that truly reflect the goals of an EDS is a necessary part of the framework. In the early stages of implementation, these measures will primarily capture the process of building an entrepreneurship development system – the capacity that is built, the collaborative leadership team that is developed, the cross-learning opportunities that are institutionalized. As implementation continues, the measures will reflect the expected outcomes of the system – new enterprises created, entrepreneurship education capacity built in the schools, youth engaged in entrepreneurial ventures, and cultural changes that reflect greater support for entrepreneurship.

These outcome measures provide a way to build and maintain momentum for entrepreneurship development, and are critical to informing the policy-making process. In addition, measuring outcomes can support a commitment to continuous improvement. Progress toward achieving these outcomes can be used to fine-tune, redirect, retool and rethink as entrepreneurship development moves forward in a region.

### Still more to learn

Entrepreneurship is not a new concept in America. In some ways, the recent excitement and embrace of entrepreneurship reflects the old adage that “what is old is new again.” Entrepreneurial aspirations guided the opening of the Western frontier and the cyber frontier. Communities across the country are rediscovering their entrepreneurial roots as they seek new ways to generate economic growth from within.

Though we are still in the innovation phase, there has been an explosion in the laboratories of entrepreneurship development across rural America in the past few years. Some of the key innovations in the field of rural entrepreneurship are described in the pages of this publication. The results of these innovative models will provide continued guidance to economic development practitioners and community leaders as they embrace entrepreneurship as a way to transform the economic futures of rural places across the country. ★★★

<sup>1</sup> The Appalachian Regional Commission launched its Entrepreneurship Initiative in 1997. The Rural Entrepreneurship Initiative, a partnership among the Kauffman Foundation, the Rural Policy Research Institute (RUPRI), the National Rural Development Partnership, the Nebraska Community Foundation and Partners for Rural America, began in 1999 as a way of advancing our understanding of rural entrepreneurship as a development strategy. In 2001, the RUPRI Center for Rural Entrepreneurship was created and we have traveled throughout rural America, learning from entrepreneurship practitioners and developing a framework for energizing entrepreneurs. In 2003, the Kellogg Foundation and CFED collaborated on “Mapping Rural Entrepreneurship,” a project that ultimately led to Kellogg’s investment in regional collaboratives that are creating innovative entrepreneurship development systems in six unique landscapes across rural America.

<sup>2</sup> Karl N. Stauber, “Creating New Rural Development Strategies: The Role of Nonprofits,” in *New Governance for a New Rural Economy: Reinventing Public and Private Institutions*, Proceedings of a conference sponsored by the Center for the Study of Rural America, Federal Reserve Bank of Kansas City, May 2004.

<sup>3</sup> A more complete discussion of this framework can be found in Deborah Markley, Don Macke and Vicki Luther, *Energizing Entrepreneurs: Charting a Course for Rural Communities*, Nebraska: Heartland Center for Leadership Development, 2005

<sup>4</sup> Resources on the link between entrepreneurship and economic growth include the Global Entrepreneurship Monitor project, a cross-national, ongoing annual research project ([www.gemconsortium.org](http://www.gemconsortium.org)); Advanced Research Technologies report for the U.S. Small Business Administration Office of Advocacy and the Edward Lowe Foundation, *The Innovation-Entrepreneurship Nexus: A National Assessment of Entrepreneurship and Regional Economic Growth and Development*, April 2005; work in progress by staff at the Center for the Study of Rural America, Federal Reserve Bank of Kansas City.

<sup>5</sup> Brian Dabson, Jennifer Malkin, Amy Matthews, Kimberly Pate and Sean Stickle, *Mapping Rural Entrepreneurship*, W. K. Kellogg Foundation and CFED, August 2003.

# Supporting Rural Entrepreneurship:

## *What Can States Do? What Should They Do?*

**By Erik R. Pages** *EntreWorks Consulting* It's a commonplace observation that the twin processes of globalization and technological change create winners and losers. While this statement is true, it is no consolation to the "losers," those regions that have been hard hit by economic change. While lots of places - such as Pennsylvania's steel towns or Detroit's auto plants - have been hard-hit, rural America arguably has faced the most wrenching economic transformation over the past few decades. Small towns across the U.S. face depopulation, declining industries and significant economic development challenges.



Many rural residents pride themselves on their rugged independence and ability to persevere in tough times. Rural communities and their leaders are no different. Instead of simply bemoaning their fate, rural leaders are seeking to transform their regions through the embrace of new economic development strategies, including entrepreneurial development.

Fortunately, they're not on their own. State governments can and should play a critical role in supporting rural entrepreneurs and communities that are trying to support and nurture such activities. This essay takes a look at the field. State governments are relative newcomers in their support of rural entrepreneurship, but they are now engaging in a big way. What are they doing right? What's not working? By reviewing the work of several "early adopters," we can gain a better understanding of where the field is going and where it ought to go in the future.

### **Defining the issue**

As other essays in this volume attest, it's pretty hard to develop a single monolithic definition of "rural America." After all, Jackson Hole, Wyoming, the Pine Ridge Indian Reservation, the Mississippi Delta, and the Iowa cornfields are all rural, yet they face widely differing economic, political and cultural circumstances.

But acknowledging differences doesn't mean that there are no similarities. At the broadest level, these regions face similar economic challenges. Their traditional economic anchor - agriculture - can no longer support a large portion of the population. Economic anchor number two - manufacturing - is also under fire. Rural America's competitive advantage of low cost offers fewer advantages when the competition is global and firms can easily move production overseas. Various other anchors, such as tourism, still persist, but they may not be able to provide the number and quality of jobs needed to keep a community economically viable.

Faced with these daunting circumstances, rural leaders have opted to look within. If they can't count on a new branch plant coming to town, new tools for economic development are required. As a result, entrepreneurial development has taken hold as an alternative approach and it has reached critical mass quite rapidly. As recently as the year 2000, few rural communities and even fewer states had an entrepreneurship strategy. Today, such programs are com-



## A critical role for state governments involves a detailed review of existing rules and regulations to ensure that they are “entrepreneur-friendly.”

monplace. In fact, researchers at the Center for Rural Entrepreneurship note that there are now 600,000 places you can go on the Internet to explore rural entrepreneurship.

### What should states do?

As in urban areas, rural entrepreneurship is a local or regional affair. Most activity and most new program ideas will be generated at the local level. This issue of *Economic Development America* highlights numerous examples of such grassroots innovation – but they can’t do it alone. Many rural communities lack the size and resources to develop scalable programs. State governments and agencies should consider stepping in to assist when necessary.

While the state’s basic role – the enabler and supporter of locally-led innovation – is clear, things cloud up when we dig into the details. Here are some other guidelines for what states can and should be doing:

- **Get Out of the Way:** Eliminate red tape and bureaucracy
- **Show Them the Money:** Invest in rural enterprise
- **Be Entrepreneurial:** Test new ideas
- **Start at Beginning:** Embrace youth entrepreneurship

Let’s look at each of these categories in turn.

### Get Out of the Way.

Job number one for state government is to avoid screwing things up. It’s hard to be successful as an entrepreneur. It’s even harder in a rural community where one is far from potential markets, and support resources may be far away as well. In these instances, every little bit matters. If local or state regulations create serious burdens for local business owners, their potential success will be jeopardized. For example, some communities use zoning laws to prevent the establishment of “incidental businesses” on farmland. This well-intentioned farmland preservation strategy has the effect of blocking farmers from creating new businesses on their own farms.

Thus, a critical role for state governments involves a detailed review of existing rules and regulations to ensure that they are “entrepreneur-friendly.” Fortunately, many governors have heard this message. Dozens of states have completed or are presently engaged in major regulatory streamlining initiatives. Typical initiatives include the following:

- Appointment of a Small Business Ombudsman or Advocate (Georgia, California, Louisiana)
- Requiring a “Small Business Impact Statement” prior to the adoption of new rules and regulations (Michigan, New Jersey, North Dakota, Washington)
- Creation of “one-stop centers” for business licensing and registration (Michigan, Wisconsin, Rhode Island)

Regulatory reform has been quite popular, and it is likely to remain so. Many governors are now adopting a version of model regulatory reform legislation developed by the Small Business Administration’s Office of Advocacy in 2002. Fourteen states and one territory have adopted some version of the model rules, and others are in the process of doing so.

### Show Them the Money.

If state governments want to nurture rural entrepreneurship, they need to invest in the process. It’s not enough to use the bully pulpit and proclaim support for rural entrepreneurs; governors need to put real resources on the table. The great interest generated by regulatory reform is partially attributable to the fact that such activities are relatively low-cost. Meanwhile, few governors or state governments have gone ahead and made major investments to support rural entrepreneurship.

Two exceptions can be found in Kansas and Wisconsin. In Kansas, the Legislature enacted the Kansas Economic Growth Act of 2004. This bill created the Kansas Center for Entrepreneurship, a statewide coordinating body for entrepreneurship support providers, and calls for more than \$500 million in new investments to support entrepreneurship (both urban and rural) across the state. More recently, the

state has created a new venture capital fund (focused on biotech) and has revised its angel investor tax credits to expand their use and availability.

In Wisconsin, the “Grow Wisconsin” program has generated a host of activities to support entrepreneurship. The Wisconsin Entrepreneur’s Network offers peer networking and support services to new business owners across the state. The state also is committed to expanding existing programs for venture and angel capital, and has increased bonding authority for the construction of new incubators across the state.

Showing them the money is not just about investing in new programs. It can also entail support for initiatives – both public and private – that help generate investment pools that can be tapped by rural entrepreneurs. The creation and support of angel investor networks should be a top priority for all state governments. Here again, the news is promising. A 2004 study by the Community Development Venture Capital Association found that 19 states offered state tax credits to accredited angel investors. Since that study’s completion, several others states have followed suit.

### Be Entrepreneurial.

If states want to support entrepreneurship, they should act in an entrepreneurial manner. This means being willing to take risks and test out new ideas. State support of rural entrepreneurship is a relatively new concept, and there is no clear template or menu for moving ahead. Thus, states may have to resort to learning by doing.

The benefits of such experimentation can be profound, as the following examples should indicate. In Kansas, the Kansas Department of Commerce and Housing has been investing for four years in five rural development projects

employing the Enterprise Facilitation model pioneered by the Sirolli Institute. Since its inception, the program has created hundreds of jobs in some of Kansas’ most isolated rural communities.

In North Carolina, the Department of Commerce and the North Carolina Rural Development Center have provided grants to 11 pilot projects supporting entrepreneurs in sectors such as eco-tourism and handicrafts, and providing mentors and coaching for minority entrepreneurs. Another project – New Opportunities for Workers – offers entrepreneurship training to displaced textile workers.

In Georgia, the state has created a popular “Entrepreneur-Friendly Communities” program. Interested communities receive extensive training from leading experts in effective practices for supporting entrepreneurs. To date, 11 communities have received the certification.

### Start at the Beginning.

Effective rural entrepreneurship programs involve transforming local business cultures and convincing residents that entrepreneurship is both a viable and desirable career choice. Such transformation does not occur via government programs alone. These concepts must become embedded in the schools, and rural youth should be exposed to entrepreneurship education at an early age.

Lots of effective youth entrepreneurship programs, such as REAL (Rural Entrepreneurship through Action Learning) Enterprises are in place, but they face major challenges to their expanded use. For a variety of reasons, school systems and state education departments have been unwilling to embrace entrepreneurship education. In fact, only two states – West Virginia and Nebraska – have appointed state-level officials to help promote entrepreneurship education. If state governments are truly serious about getting rural youth to embrace entrepreneurship, they must make entrepreneurship a regular offering in rural schools.

### Final thoughts

States can play an important role in supporting rural entrepreneurship, but they can’t – and shouldn’t – lead this effort. The real leadership must come from rural entrepreneurs themselves, with the backing of committed and dedicated community leaders who want to transform their regions. By supporting their experiments with prudent investments and a positive attitude, state governments can make important contributions to promoting entrepreneurship throughout the heartland. ★ ★ ★



# Jack Schultz:

## *A Man with 7½ Keys to Small Town Success*

**By Louise Anderson** Jack Schultz is the CEO of Agracel, Inc., a firm that specializes in industrial development in small towns. His work led him to wonder about the roots of small-town health and prosperity. That curiosity, coupled with some research, resulted in 2004 in a popular book, *Boomtown USA: The 7½ Keys to Big Success in Small Towns*. In it, Schultz attempts to answer a perennial question: What separates the thriving towns from the struggling ones?

*International Economic  
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*Boomtown* clearly has struck a nerve. The book is going into its fourth printing, and Schultz has been asked to do more than 200 talks since it published. *Boomtown* is part toolbox and part pep talk, a kind of self-help tome for towns. With great enthusiasm, Schultz cites example after example of successful strategies from small towns across the country and provides a framework for understanding why those strategies have worked.

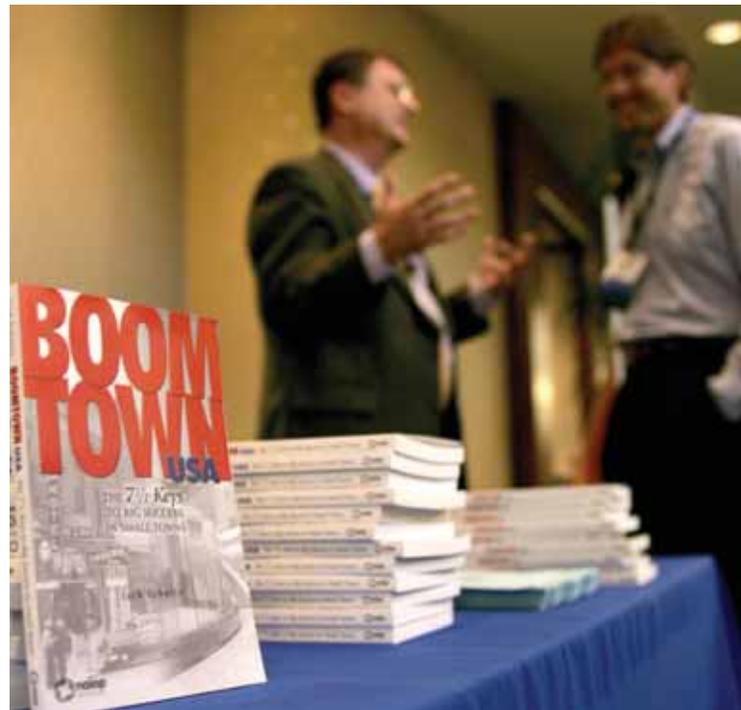
It's a book that will change the mind of even the most hardened cynic about the future of small town America. It advocates looking inward for the keys to success – nurturing vision and optimism, building on existing assets and leveraging leadership.

In this interview with *Economic Development America*, Schultz talks about some of *Boomtown's* keys to success, some surprises he encountered in his research, and shares his recent thinking on the role of entrepreneurship in small town prosperity.

### **Leadership and the Effingham experience**

Schultz has first-hand experience with the turnaround of a small town in economic crisis – that of his own town of Effingham, Illinois (pop. 12,384 in 2000), located almost smack in the middle of the state.

“In our town in the late 1980s, within about six months, we lost two major manufacturers, we had a third that was looking at moving its production to South Carolina, and a fourth was looking at consolidating one of its three plants. So, out of 4,000 higher-paying manufacturing jobs, we suddenly had 3,000 that were somewhat up in the air,” says



*Boomtown USA* has garnered much interest among people concerned about small town vitality. Author Jack Schultz, above left, has become a popular speaker since the book's publication in 2004.

Schultz. “The whole economy just dried up. Banks couldn't make loans; dealers couldn't sell cars.

“A small group of us got together and decided that we had to do some things. We could no longer be ‘held hostage’ by one of these big companies,” he says.

Effingham undertook a number of initiatives to change its fortunes, including a community planning process and marketing and image-building campaigns. “No companies came to town as a direct result of any of this,” Schultz writes in *Boomtown*, “but through these efforts the community began to recover its spirit, enthusiasm and optimism.”

After five years, the town attracted what would be the first of several new mid-sized manufacturers, and during the 1990s, Effingham realized a 70 percent increase in new

# “What many people and towns don’t realize is that staying with the status quo brings its own risks,” says Schultz in *Boomtown*.

manufacturing jobs. The story doesn’t mean to imply that attracting small manufacturers is the key to success; that’s simply what worked for that town at that time. Success came because community members came together and acted strategically to change the town’s fortunes.

## Not what you’d expect

When it comes to figuring out what makes one town prosper while another nearby is withering on the vine, Schultz says he was surprised by what he found.

“As I was doing research, I started out with a bias of what ‘good’ towns were going to look like, of what resources were really going to be critical. The really good towns were going to be near a major metro area, were going to lie on an interstate – probably two – and they were going to have a four-year college. And in the research, I was shocked to find that those aren’t necessarily the things that define success or lack of it,” says Schultz.

“On my list of what I consider to be the top 100 small communities in America, 70 of these lie over 100 miles away from a major metro area. Fifty-nine of the top 100 are over 25 miles away from a single interstate, and only 16 had a four-year college. While those are great resources, they aren’t necessarily going to determine success or failure. It’s more about attitude,” he says. “You’ve got to work with what you’ve got.”

Another surprise for Schultz was a turnaround in his thinking about the importance of downtowns. “I have confessed in my talks that when I first got started in economic development, I viewed downtown revitalization as throwing good money after bad,” says Schultz. “I’ve really had a 180-degree turn from that. What I’ve seen is, the really good communities have figured out a way to leverage their downtowns and to create a unique sense of place, which I think people and companies are looking for.

“You don’t create a sense of place in the lobby of a big box store. You create it in your downtowns, in your schools, in your parks. Anyone who is looking at where they want to live isn’t just looking for a house or school; they are looking for a community. That sense of place is becoming more important in my mind as people look at where they want to live and raise their families.”

He sees downtowns as important for other reasons as well. Pride of place fosters a sense of ownership and inspires leadership and involvement. In addition, many of the businesses in a downtown area are small and entrepreneurial in

nature. Finally, there’s the curb appeal factor. Boarded up and vacant buildings don’t communicate success; they create a bad impression for both residents and outsiders.

## The importance of branding

Schultz believes that the concept of branding is not well understood; it’s more than a marketing ploy. As he writes in *Boomtown*, “It’s a personal message about the product, company or person. It promises something; you expect the same thing from that product, company or person every time.” He talks about branding as something that almost arises naturally out of hard work in other areas.

“A lot communities think, ‘Well, we’ll just come up with a slogan,’ but it really is more than that,” says Schultz. “Some of the better examples that I’ve seen around the country are Leavenworth, Washington, which has done a good job at branding itself as a Bavarian village in the Northwest. On a national and international basis, probably the best town is Branson, Missouri, ‘the live music show capital of the world.’

“Another one that has done a great job – a little different from the other two – is Mooresville, North Carolina, which in 1989 branded itself as ‘Race City USA,’ even though they only had one race team located there. But today they have 60 race teams headquartered in Mooresville because of the quality of life and because they established themselves as the



place to be. It's one of those chicken and egg things – did the drivers locate there, or did the people who take care of them locate there first? They've got 150 entrepreneurial businesses that have started up to take care of those race teams – to supply them with decals and computers, tires, rebuilt engines, trained pit crews and all the things you need if you're a race team.

"I think the risk is that if you don't brand your community, other communities can brand you in a way you might not like," he says, giving the example of towns that are known for little more than being the home of the state penitentiary.

## Entrepreneurship

As Schultz's research on small town success continues, he has come to a greater understanding of the importance of entrepreneurship.

One of the reasons entrepreneurship is key, he says, is that only about 200 major projects (those with over 200 employees) are done on an annual basis in the U.S. Any more, "It's a needle in a haystack when you're going after these big companies," Schultz says.

The Internet and the ease of communication play big roles in fostering entrepreneurship in small towns. Schultz cites a statistic that nearly three-quarters of a million people make some or all of their living on eBay.

"In virtually every town I go into I'm seeing businesses being developed on the Internet. It doesn't matter the size of the town. Take an Amish town of 2,200 people, where a guy is selling Amish buggies over the Internet and propane refrigerators. There are other people who have a need for that – hunting lodges, that kind of thing. If the Amish are understanding the importance of the Internet, that's what I would call a tipping point," he says.

Another business that has expanded dramatically over the Internet, says Schultz, is Dakota Cabin Quilts in Hettinger, North Dakota. At a population of 1,300 people, Hettinger is the largest town for 40 miles around. A town of that size would not be able to support a quilting store, but Dakota Cabin Quilts sells its products all over the world via the Internet and now has six employees.

Yet another business he cites started in Effingham: Mid America Designs began selling Corvette patches, jackets, shirts, glasses and owners manuals at auto events and through a simple catalog; the company since expanded its line and now does \$50 million in sales per year.

Schultz sees these businesses as the next generation of mail order catalogs – many of which started in very small towns – but with much more accessible markets. Coldwater Creek, a purveyor of women's clothes and accessories, was started as a catalogue business in isolated Sandpoint, Idaho, by two former New Yorkers who never wanted to find themselves caught in the Holland Tunnel again. It now has over 4,000 employees.

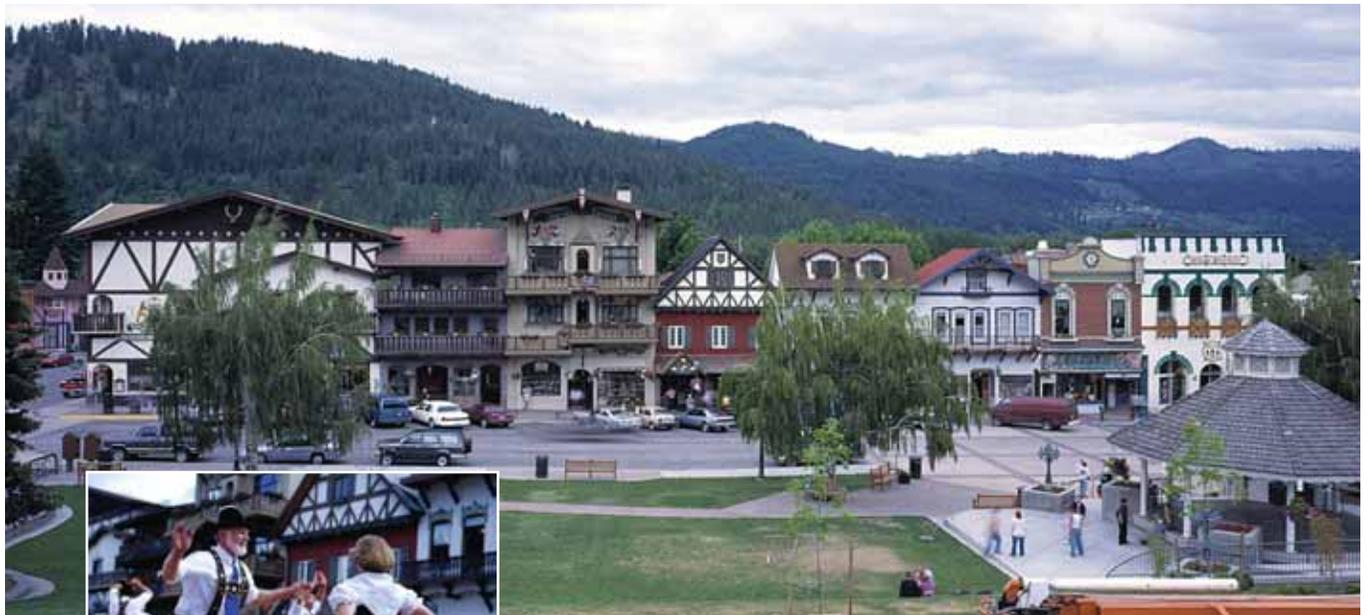


Photo Credit: Courtesy of Leavenworth Chamber of Commerce.

Photo Credit: Bob Smith-Courtesy of Leavenworth Chamber of Commerce.

The town of Leavenworth, Washington, reinvented itself from a declining sawmill and lumber town to a Bavarian village that now attracts over 1.5 million tourists per year. The inset photo shows dancers at one of the town's festivals.

“As I dug deeper, I found the roots of small-town success intertwined with the roots of individual success,” writes Schultz in *Boomtown*.

## Boomtown, USA: The 7½ Keys to Big Success in Small Towns

- 1. Adopt a can-do attitude.** Schultz writes that it's ideal when a town's civic leaders have a can-do attitude that permeates their discussions, agendas and goals.
- 2. Shape your vision.** Vision marks the roadmap to success. It takes into account the destination, the surrounding terrain, and the roadblocks and hazards along the way.
- 3. Leverage your resources.** These include current industries, businesses and institutions; natural resources such as lakes, beaches, mountains and forests; man-made resources such as lakes, parks and recreation areas; local celebrities (either living or dead); local flavor; and the local “brain bank” – the solid core of bright people who are committed to the community's welfare.
- 4. Raise up strong leaders.** Schultz writes that leaders come in all shapes and sizes and from all walks of life. In small towns, leaders come from all sectors – government, business, education, healthcare, religious and service – and have not only the opportunity but the responsibility to play a leadership role in their area of expertise.
- 5. Encourage an entrepreneurial approach.** What's in an entrepreneur's self-interest is also often in the best interest of a town. “Nurture these people, and give them room to operate,” he writes. “Towns that recognize that the better their entrepreneurs do, the better the town will do, generally find themselves on a positive growth curve.”
- 6. Maintain local control.** When government is easily accessible and people feel they can make a difference, it promotes community involvement and sense of control that contribute to prosperity. A town with local ownership of institutions such as banks, newspapers, and businesses in the retail, manufacturing and service sectors has a greater chance of being strong and vibrant than a town without.
- 7. Build your brand.** Schultz writes that branding sets towns apart by giving the region, state or even the nation notice of what the town is about and what it offers. He believes that a town shouldn't focus its initial efforts on its brand, citing examples of Mackinac Island, Michigan; Tombstone Arizona; Branson, Missouri; and Leavenworth, Washington, as places that worked to achieve a vision first, then a brand. “It might surprise you that your town has a message, but it does – whether it has been consciously crafted or not. That message is delivered to outsiders each time they visit your town and to your townspeople on a daily basis,” he writes.
- 7.5 Embrace the teeter-totter factor.** Schultz says that it only takes a small shift one way or the other to make a negative or positive impact on a community. “Just as one person can really make a difference in a small community, any of the keys to small-town success can make a difference – either for good or for bad. In other words, any key can be the deciding factor in whether a town is headed toward greater vitality and prosperity or toward troubled times.”



Branson, Missouri, has been very successful both nationally and internationally in branding itself as “the live music show capital of the world.”

He also sees promise in the trends of telecommuting and “homesourcing,” in which workers such as JetBlue’s call center reps do their work from home.

But what about the potential for sectors with great growth potential and high wages, such as manufacturing and technology, in small towns?

Schultz recognizes the limitations to starting technology-based businesses in areas that don’t have similar businesses or a technologically advanced workforce, but believes the playing field is leveling.

“In Tom Friedman’s book, *The World Is Flat*, he quotes Bill Gates of 20 years ago, asking whether you would rather be born average in the U.S. or a genius in some small town in China?” (The answer then was assumed to be the former.) “Well, that’s reversed today. The technologies of FedEx, of telecommunications, of air travel, really allow you to start a business anywhere and compete very effectively on an international basis,” says Schultz.

For example, he cites John Larsen, a technology executive who has moved his latest startup, HomeMovie.com, from outside of Seattle to the community of Winthrop in rural eastern Washington. Larsen moved to Winthrop seeking a higher quality of life for his family, and now wants to help the town retain its young people.

Schultz also mentions the importance of clustering and critical mass. He says the small town of Warsaw, Indiana, has become the orthopedic manufacturing capital of the country – one entrepreneur developed a device there, and now the area hosts a number of medical device manufacturers.

Schultz is bullish on manufacturing, believing it’s gotten a bad rap. “A lot of the media would have us believe that our manufacturing sector is doomed,” he says. “My take is that we are on the cusp of greatness in the manufacturing sector. Just yesterday, in Wisconsin, I was in two small manufacturing businesses that are growing at 20 percent a year.

“If you look at the U.S. economy, manufacturing as a percentage of the economy is at a very low level, but we are producing more goods today as far as dollar value goes than at any other times in our history. We’re doing it with fewer people because of increased productivity.

“I see the potential for greatness in manufacturing in the small businesses that are inventing new things – the entrepreneurial spirit in manufacturing, as opposed to the branch plant mentality. On a recent trip, the hosts were bemoaning the fact that 83 percent of their manufacturers have sales of less than \$100 million. I see that as a big plus. The growth potential is in these small, entrepreneurial manufacturing businesses, rather than the big Fortune 500 businesses. Those companies can’t compete because of their cost structure.”

Many of Schultz’s insights about how to foster entrepreneurship are echoed in other articles in this edition. They include providing entrepreneurship education in schools; expanding the concept of who an entrepreneur is (to include more women, immigrants, minorities and retirees); thinking regionally about assets; facilitating the development of the entrepreneurial spirit into real businesses; and providing access to capital.

He sees a bright future in the current Millennial generation, those who are approximately 25 and younger. “The Millennial generation is going to be the most entrepreneurial generation in history of U.S.,” he says. “In a recent national survey, half the kids that are graduating from high school today dream of starting their own business. I’ve already seen comparisons of them to the generation of the 1880s that transformed the U.S. These kids have got it in their DNA to start new businesses and to be involved in startup operations.”

For more information on Jack Schultz’s research, visit his blog at <http://boomtownusa.blogspot.com>, or the Boomtown USA Web site at <http://www.boomtownusa.net>. ★★

# The HomeTown Competitiveness Initiative

By **Don Macke**

Co-Director, RUPRI Center  
for Rural Entrepreneurship

Rural Nebraska faces many challenges. Youth out-migration, a daunting transfer-of-wealth scenario, and many towns' depleted hopes for surviving – much less thriving – prompt a desperate plea from Nebraska's rural communities for innovative strategies that will bring hope and sustainability.

Six years ago, the founding partners of what is now known as HomeTown Competitiveness (HTC) – The Heartland Center for Leadership Development, Nebraska Community Foundation, RUPRI Center for Rural Entrepreneurship, and the Center for Rural Affairs – decided to work collaboratively to change the landscape of rural Nebraska. They decided that a developmental initiative was needed that builds on small towns' existing resources and assets, many of which go unrecognized.

HTC's goal is to assess a community's current situation and capacity, then build on four key elements:

- Developing and mobilizing leadership capacity;
- Capturing wealth transfer through charitable giving;
- Energizing entrepreneurship; and
- Attracting and engaging young people.

Together, these four essential elements create a synergy that can significantly impact the future prospects of rural areas experiencing out-migration and economic decline. HTC is drawing significant attention in Nebraska and nationally because rural leaders and practitioners recognize that even the most distressed community has, to some degree, each of the necessary elements to launch the initiative.

## The HTC approach

The HTC framework was officially established in 2001, and pilot work began in Valley County and Ord, Nebraska, in 2002. Other sites for HTC now include the cities and towns of Stuart, Atkinson, Mullen, David City and O'Neill, and Chase, Perkins and Knox counties - all in Nebraska - plus Brookfield, Missouri, and south central Kansas. The four key elements of the HTC approach, as outlined below, are illustrated in examples from these communities.



David City, Neb., its downtown square shown above, is one of the HTC sites.

## Mobilizing Local Leaders

For small towns to compete in the 21<sup>st</sup> century, they must tap into everyone's potential knowledge, talent and aspirations. The Heartland Center for Leadership Development rejects the outdated notion of relying on "the usual suspects" to get things done. Rural communities must be intentional about recruiting and nurturing an increasing number of women, minorities and young people into decision-making roles. They need continuing leadership training programs because today's leadership must constantly reinvent itself to reflect the challenges of a changing global environment.

The Holt County communities of Stuart, Atkinson and O'Neill are a great example of neighboring communities teaming up to build a stronger region as they work together on several HTC efforts. One of the key outcomes of this relationship is the HomeTown Leadership Institute, an annual leadership program in which a class of 30 to 35 individuals, from high school students to senior citizens, participate in



Jana Jensen, right, with the Nebraska Community Foundation, “trains the trainers” at a HomeTown Competitiveness Academy session.

monthly leadership lessons and experiences. Part of the program’s impact is that it works to match participants with leadership opportunities in the community.

With the second year reaching completion and plans under way for next year’s class, this strategy for building leadership is showing results: 60 percent of the participants indicated they plan to increase their volunteer activities as a result of the Institute, and 57 percent shared that they were interested in seeking public office in the future.

### Capturing Wealth Transfer

The Nebraska Community Foundation has completed wealth transfer analysis for each of Nebraska’s 93 counties. Rural residents do not always recognize local wealth because so much of it is held through land ownership. Most people are at first shocked, and then highly motivated, once they understand the enormous amount of local wealth that will likely transfer to heirs who have migrated out of the area. In rural Nebraska alone, more than \$94 billion is at stake over the next few decades.

Both the power and the will to use these assets will no longer be tied to the community unless planned gifts are cultivated now. HTC sets a target of converting at least 5 percent of the local wealth transfer into charitable assets endowed in community foundations to fund future community and economic development efforts.

David City got a jump-start on its HTC work with aggressive and successful fundraising efforts. The David City Community Foundation is using endowment proceeds to fund the following efforts:

- A local HTC Coordinator (also the director of the David City Area Chamber of Commerce), who concentrates significant time on entrepreneur support;
- A countywide leadership program, focused on teaching the HTC framework and building a pool of leaders to implement and sustain efforts;

- Entrepreneurship classes at David City public schools; and
- Computers and software for public and parochial schools.

### Energizing Entrepreneurship

Far too many rural communities continue to invest resources in economic development for job creation and business development that exports, rather than builds, local wealth. The RUPRI Center for Rural Entrepreneurship and its partners encourage communities to become actively involved in nurturing local enterprise in three specific areas: 1) saving Main Street and other key businesses through planned ownership succession; 2) helping entrepreneurial companies that have the potential to break through to a broader product line and/or a larger market; and 3) using local charitable assets to support entrepreneurship development.

What’s the significance of ownership succession? Small towns tend to have an aging owner-operator class. In some towns, 50 percent of their Main Street businesses soon will face some kind of transition. Most of these business owners have no succession plan, so HTC tries to encourage a more optimal outcome than liquidation – which is common – by repositioning that business or real estate with a new owner.

Local leaders in Mullen (pop. 554), located in the Nebraska Sandhills, are using the HTC framework to help local entrepreneurs get established and grow their businesses. Mullen has seen promising results from its entrepreneurship agenda. In the just the past year, six new businesses and 12 new jobs have been created. In addition, 25 new jobs currently are available as a new golf course is constructed, and an additional 53 permanent and seasonal jobs will be created when the course opens.

### Attracting and Engaging Young People

It is not just the call of the city that impels them; it is also the perceived lack of opportunity and encouragement to “not come back” that drives young people away from their hometowns. HTC has developed a formula that small towns can use in their efforts to address this trend.



More than 90 youth participated in a “Thinking Outside the Box” rally in Knox County.

# In three years, Valley County, Nebraska, has graduated 70 from a leadership class; set up an endowment with \$1.2 million willed by a local couple; and hired a business development coordinator.

Using existing data on population change, the formula provides small towns with realistic goals for youth attraction. In many cases, the attraction of a handful of former high school students per year, who return with young families, can stabilize the population. HTC teaches people how to engage youth in positive ways, create career opportunities through business transfer and entrepreneurship, and nurture a sense of ownership and vested interest in the community's future leaders.

Knox County joined HTC in 2004 and immediately tapped into the potential and talent in the youth represented in its 11 communities. At a youth-led "Thinking Outside the Box" rally, more than 90 Knox County youth participated in activities and events that allowed the students to interact with local resource providers and entrepreneurs, hear from guest speakers about the opportunities for living and working in rural Nebraska, and sign up for programs and projects that would engage them in the community. In addition to creating excitement around bridging adult and youth agendas in the county, the rally resulted in several key youth initiatives, including:

- A youth chamber of commerce;
- An inventors' club to support youth interested in entrepreneurship;
- A proposed youth community foundation;
- Involvement of youth in a leadership program; and
- An 11<sup>th</sup> grade summer entrepreneurship program.

## The impact in Valley County

Early results in Valley County, which lost 10 percent of its population in the 1990s, have been promising. When Valley County first partnered with HTC, the county had a strategic plan with 26 diverse priorities and it focused its attention on industrial attraction. Now the county has prioritized business succession and growing local entrepreneurs as its two key strategies for economic transformation.

With the help of the HTC team, Valley County has identified a number of entrepreneurial enterprises, of which 10 to 15 have growth potential. In addition, succession planning for several Main Street businesses is bearing fruit. A leadership development program, now in its third year, is drawing both adults and high school youth. Finally, the goal of capturing 5 percent of the estimated 10-year transfer of wealth (\$6.3 million) has been exceeded, in addition to the successful establishment of a Builder's Club (individuals who contribute to an endowment to perpetuate the HTC work) that now includes over 50 members.

An article that ran in *USA Today* may best sum up the county's success: "In three years, Valley County, Neb., (population 4,647) has graduated 70 from a leadership class; set up an endowment with \$1.2 million willed by a local couple; and hired a business development coordinator. Ord, the county seat, has made seven small-business loans from a 1-cent sales tax fund. The county must attract 27 percent of its high school's average graduating class of 67 to stabilize the population by 2010."

In addition, the article notes that "A wealthy alum living in Arizona flies in to teach a class on growing entrepreneurs. A graduate came home from Lincoln to start an irrigation-well firm. Another plans a local dental practice."

## The process

Each of the current HTC sites in Nebraska has crafted a strategic and purposeful game plan around its core assets in leadership, entrepreneurship, wealth and youth. Engaging in the HTC process has created observable and impacting results for these communities, but it wasn't without commitment and work from the beginning.

HTC isn't right for all communities, though most communities can go through a series of steps to get them to the readiness stage. Development success at the community level is a function of two things. First, communities need a solid game plan that fits the community's reality and opportunities for development. Second, it takes broad-based community commitment and engagement in the game plan.

Having the commitment and engagement that's needed to get started can be gauged by the presence of:

- Buy-in with the HTC process;
- Participation in an HTC Academy (a week-long training in which a team of eight to 15 people from the community learns about the HTC elements and process);
- Identified and committed local champions;
- Broad-based community engagement;
- Adequate staffing and dollars;
- Willing volunteers; and
- A long-term commitment to the community's strategic development.

With this assessment, a community will know if it is ready to move forward. From there, the community works with an HTC team in establishing priorities and agendas for work around the four key areas.



In David City, a crowd gathered for the ribbon-cutting opening of Mama Moo Cow quilting.

## A model for success

The hope and renewed sense of vision and purpose that HTC is bringing to seven communities in Nebraska has been nationally recognized. CFED's study, "Mapping Rural Entrepreneurship," recognized HTC's Nebraska communities as one of two places in rural America with high entrepreneurship activity. In addition, HTC has received the International Community Development Society's Innovative Program Award.

By presenting a come back/give back approach to rural community building, HTC provides a comprehensive strategy for long-term rural community sustainability. This approach goes beyond the traditional tunnel vision of economic development and offers communities a holistic and realistic framework to guide their development efforts. Basing each community's efforts on their unique assets and capacity creates energy around locally driven change that happens one heart and one mind at a time. ★★

## Entrepreneurship Development Systems: From Theory to Practice

By Jennifer Malkin, CFED

Entrepreneurship Development Systems (EDS), several of which are described in this publication, are the new trend in homegrown economic development. But what exactly is an EDS, and can it transform a rural region?

In June 2004, on behalf of the W.K. Kellogg Foundation, CFED and a team of experts launched the "Entrepreneurship Development System in Rural America" project to test the EDS concept. In celebration of its 75th anniversary, the W.K. Kellogg Foundation invested \$12 million to support six sites, each of which is developing an EDS. CFED is currently tracking the progress of each collaborative as they move from theory to practice.

The EDS framework centers around three core objectives:

- Creating a pipeline of entrepreneurs by nurturing entrepreneurial aspirations in youth, identifying and supporting potential entrepreneurs, and fostering an entrepreneur-friendly environment that attracts entrepreneurs;
- Implementing a system of support for all entrepreneurs; and

- Fostering a supportive policy and cultural environment of entrepreneurship within the public, private and non-profit sectors.

The six grantees represent a range of unique contexts and approaches, each born from its own regional reality. These entrepreneurial development systems bring organizations and institutions together in new and challenging ways, introduce unfamiliar concepts to rural communities that have little or no entrepreneurial culture, and test approaches to delivery in areas where economies of scale are difficult to achieve and geography is a barrier.

Elements of three of the collaboratives – HomeTown Competitiveness in Nebraska, North Carolina's Rural Outreach Collaborative, and Oweesta Collaborative – are profiled in this edition of *Economic Development America*. The three remaining collaboratives are Advantage Valley, in West Virginia, Kentucky and Ohio; Connecting Oregon's Rural Entrepreneurs (CORE); and The Northern New Mexico Empowering Business Spirit Initiative.

# Incorporating Entrepreneurship into North Carolina's Economic Development Infrastructure

By **Leslie Scott**

Director, Institute for Rural Entrepreneurship, N.C. Rural Center

Rural North Carolina is proud to be one of six U.S. regions working under W.K. Kellogg Foundation funding to build a rural Entrepreneurship Development System (EDS). The team's intent is to develop an economic development system for firm startup and growth as strong as the innovative systems that the state built in the 19<sup>th</sup> century for agriculture and in the 20<sup>th</sup> century for manufacturing. In the 21<sup>st</sup> century, the new challenge is to accelerate the flow of knowledge, ideas and resources to entrepreneurial people in all sectors who can reinvigorate their own local economies.

In 2003, the North Carolina Rural Economic Development Center recognized the need to focus more attention on small business development and growth. The center validated that businesses with fewer than 50 employees created most of the net job growth in North Carolina's rural counties between 1998 and 2002.

North Carolina has had a steady stream of manufacturing layoffs in recent years – even “leading” the nation in 2002 – and those job losses were concentrated in rural places. The state's major recent new industry recruits (including Federal Express, Dell and CreditSuisse) are locating in urban areas where the education levels and other infrastructure are strongest, while the need for economic renewal becomes more acute in the rural areas. In October 2003, the Center created the nation's first state-level Institute for Rural Entrepreneurship to support self-employment, small business development, and stronger entrepreneurial culture and policy in rural North Carolina.



Four rural entrepreneurs from southwestern North Carolina answer questions from community leaders about their business experiences. Graham County, N.C., October 2005.

One of the first priorities of the Institute was to coordinate the various organizations that educate, counsel and capitalize small business owners and entrepreneurs around the state. By summer 2004, the North Carolina Business Resource Alliance included 20 organizations representing higher education, state agencies, nonprofits and lenders. They were well-positioned to pursue the Kellogg EDS grant, which required broad-based collaboratives.

The Institute for Rural Entrepreneurship now leads a 21-organization team focused on building entrepreneurship infrastructure in the 85 counties of rural North Carolina over the next two years, with specific attention to three high-poverty regions in the east and west extremes of the state. Many of the partner organizations also provide business development services in the 15 urban counties and will help ensure a strong rural-urban connection.

The EDS team believes that an entrepreneurship system can be built to parallel and complement the state's other eco-

conomic development assets. For example, North Carolina has a strong industrial recruitment infrastructure, developed over the past 30 years, that helps keep the state near the top in site selection rankings. Key elements of that infrastructure include:

- Community college-based worker training customized to industry needs – available at 58 community colleges, which are within a 30-minute drive of all citizens;
- A program for certifying the quality and “shovel-readiness” of industrial sites and that gives certified sites marketing priority in a site search database – this approach was developed by AdvantageWest, a regional economic development partnership, and later adapted by the N.C. Department of Commerce for use statewide;
- Financial incentive programs, including a job development investment grant and tax credits for job creation that favor investment in rural counties;
- A vibrant statewide network for economic developers, the N.C. Economic Developers Association, as well as public-private partnerships in each region;
- Professional development programs for economic developers, including from the School of Government at the University of North Carolina; and
- Perhaps most importantly, local and state leadership culture that believes and invests in all those efforts.

North Carolina now requires a complementary system focused on the education, technical assistance, financing, networking and policy culture for entrepreneurs to create “homegrown jobs.”

The Kellogg Foundation and the national think tank CFED describe five pillars of a comprehensive system for developing successful entrepreneurs: Entrepreneurship education for all ages; technical assistance for business owners at all stages; access to capital; entrepreneur networks; and supportive culture and policy. These are the same five areas that rural business owners identified as needing improvement when they were convened in focus groups in 22 distressed and minority communities throughout North Carolina in 2003.

The Institute for Rural Entrepreneurship and partners developed a baseline assessment of those five EDS pillars in rural North Carolina, which revealed:

- Much of the rural adult workforce has low literacy, so traditional education formats don’t reach them. Entrepreneurship education must also be more widespread for K-12 schoolchildren, the next generation of business owners.
- The current system of technical assistance is better developed for existing small businesses than for aspiring or survival entrepreneurs, who require more hand-holding and are less likely to travel to a stranger to seek help.
- Loan capital providers have ample funds but many aspiring rural entrepreneurs need improved business literacy to become qualified candidates, and growth

entrepreneurs need more angel investors and venture capital.

- Local networks of rural entrepreneurs are rare and the flow of new ideas to the state’s distressed places is slow.
- Limited understanding of entrepreneurship prevails among rural elected boards – and the local workers – who long reaped the benefits of the industrial branch plant or farm economy and are now unequipped for the innovation economy.

Based on this assessment and direction from the Kellogg Foundation, the EDS team developed the following work plan for addressing the five elements:

### **1. Demystify, publicize and improve education offerings for rural entrepreneurs at various stages of business development.**

Educate rural children to understand and practice entrepreneurial thinking their whole lives. Pilot a program to graduate urban-educated technology entrepreneurs back to rural areas.

**2. Create a seamless collaborative system of high-quality technical assistance.** Design creative approaches to reach all of North Carolina’s rural entrepreneurs near where they live with affordable business problem-solving assistance – through trained community brokers, regional events, Web-based tools, and distance learning. Develop confidentiality agreements for service providers to cross-refer clients, as well as a common set of performance metrics to measure joint economic development impact.

**3. Increase individual understanding and uptake of available financial capital.** Develop interactive materials, workshops and Web tools for rural entrepreneurs and their business counselors about available entrepreneurship capital sources and their requirements. Identify capital gaps and work jointly to fill them.

**4. Use people and information networks to connect rural entrepreneurs with new ideas.** Draw upon proven experts such as the Council for Entrepreneurial Development to develop materials and workshops for communities and entrepreneurs on establishing local entrepreneurs’ clubs, mentor/apprentice arrangements, and topic-centered forums. Ensure rural entrepreneurs have access to high-speed Internet at nearby technology centers, if not at home.

**5. Develop cultural change agents and policy to support them.** Develop the capacity of rural leaders to support entrepreneurship as an economic development strategy. Inform local, tribal, state and federal leaders about simple steps they can take to strengthen their entrepreneurial culture and outcomes. Track the aggregated results of the collaborative, including in influencing policy and public opinion.

Creating a seamless system for developing entrepreneurs is ambitious but critical for rural prosperity. With continued innovation and adaptation of its economic development infrastructure, North Carolina aspires to be known as a top place for both corporate relocation and the startup and growth of new firms, including in the most rural areas.

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<sup>6</sup> N.C. Employment Security Commission data

# Entrepreneurship on Tribal Lands

By **Elsie Meeks**

*Executive Director*

*First Nations Oweesta Corporation*

The Pine Ridge Indian Reservation in southwestern South Dakota, home to the Oglala Lakota (Sioux), is one of the most hauntingly beautiful places on earth.

Its varied landscape ranges from rolling grassy hills to deep, forested canyons, to the castle-like peaks, gullies, buttes and wide prairies of the Badlands. The reservation covers an area of 3 million acres, roughly the size of Connecticut.

However, it is also one of the poorest places in the United States. The decimation of the great herds of buffalo in the late 1800s was followed by confinement to the reservation by federal policy. Although much of the Lakota culture and sense of ancestry remains, this effectively ended the Lakota peoples' lives as a self-sufficient nation.

As a result, the Oglala Lakota people have one of the lowest life expectancies of any group of people living in the United States. Fifty-two percent of Pine Ridge's 30,000 residents live below the poverty line, compared with 13 percent statewide. Of the various government experiments attempted over the past 100 years to build the economy of the Lakota people, not one has succeeded.

In 1985, tired of the government's top-down approach, Lakota people from across the reservation decided to take things into their own hands. During an economic development planning summit, ideas to address unemployment and the lack of private businesses on the reservation began to emerge. Out of this summit, the Lakota Fund, the first Native community development financial institution (CDFI), was born with the mission of creating a private-sector economy through financing and capacity-building for entrepreneurship development. Aided by the First Nations Development Institute's Oweesta Program, the Lakota Fund began lending in 1986.<sup>1</sup>

## Myriad challenges

The challenge was much greater than anyone expected. After several years of lending, a study revealed that 85 percent of the Lakota Fund's borrowers had never had a checking or savings account; 75 percent had never had a loan; and 95 percent had never owned a business. Added to this was a complete lack of business experience. Since there were only a few private businesses on Pine Ridge when the Lakota Fund

was started (and most were owned by non-tribal people), few people had even had the chance to work in a business.

The Lakota Fund itself faced organizational challenges as it undertook difficult programs without local networks of support and without the ability to hire the experienced, knowledgeable staff that might be found in an urban setting. It had to begin with baseline development of not only staff and board, but also with an introduction of private sector business principles to the Lakota community. Most of the people who wanted to start a business were first-generation entrepreneurs.

Indeed, when the Lakota Fund first started, people found themselves wondering if being in business meant that they were forsaking their culture. Business ownership had not been a part of their history, as Lakota people had been nomadic hunters and gatherers. There also was a perception that businesses should be owned by the tribal government,



The Lakota Prairie Ranch Resort, under construction near Kyle, South Dakota, is the first motel on the Pine Ridge Reservation.



The Foodstop Café in Kyle, S.D., grew with the help of loans and technical assistance from the Lakota Fund. Carol and Buzzy Ferguson are pictured.

## Changing mindsets about the role of private business ownership on an economy, and the accountability of borrowers, became the Lakota Fund's first goal.

instead of by individual entrepreneurs. This perception persisted even though all of the tribally-owned businesses at Pine Ridge had failed.

In addition to the ambivalent perception of business ownership, there was a need to teach people about credit and the importance of repaying loans. Because of the grant-welfare mentality and poor performance of Bureau of Indian Affairs credit programs, people had to adjust to the knowledge that loans must be repaid. Changing mindsets about the role of private business ownership on an economy, and the accountability of borrowers, became the Lakota Fund's first goal. The second was to teach simple financial literacy.

Despite these enormously challenging circumstances, during its 20 years of operation the Lakota Fund has

approved approximately 600 loans, mostly in the range of \$1,000 to \$75,000, for a total of over \$3 million. It also has provided countless hours of technical assistance, training and marketing services to more than 1,600 arts and crafts micro-entrepreneurs.

The June, 2003 *South Dakota Business Review* noted that since 1985, real per capita personal income growth in Shannon County (encompassing the Pine Ridge Reservation) outpaced that of South Dakota as a whole, with growth rates of 80 percent and 44 percent, respectively. Growth in real per capita earnings for Shannon County was 92 percent, compared to 73 percent for the state. Shannon County's employment growth of 80 percent during the 1990s was the second fastest of all South Dakota counties.

These changes came about one small business at a time. Crazy Horse Construction grew from one part-time subcontractor to a multi-million dollar company. Big Bats Convenience Store also has over \$1 million in revenue. Both of these businesses have contributed significantly to the decline in unemployment, but there are numerous other smaller businesses that together have made a tremendous impact.

### Continuously adapting

Survival and growth for an organization like the Lakota Fund in an environment such as Pine Ridge is difficult, to say the least. But it is precisely because of these difficulties that the Lakota Fund has become a model resource, creating new programs and marshaling existing institutions to engage in a systematic approach to entrepreneurial development.

For instance, some of the biggest barriers to business development are the reservation's poorly constructed business regulations, lack of zoning laws and a dysfunctional court system. Several years ago, the Lakota Fund was instrumental in creating the Pine Ridge Area Chamber of Commerce by applying for the initial startup grant. The Chamber has since focused on working with the Oglala Lakota Tribal government to make changes to its laws and constitution. The first step in this process was to educate Tribal Council members about effective economic systems, since most Council members did not have business experience. Workforce development is another area of the Chamber's focus. Pine Ridge's multi-generational high unemployment rate has resulted in a very inexperienced workforce, prompting a commitment to increasing the business skills of the community.

It has taken the Lakota Fund 20 years to understand that it must move beyond just financing and technical assistance to have a real impact on Pine Ridge's business environment. So recently, the Lakota Fund started the Wawokiye Business Institute (WBI), a partnership with the Pine Ridge Area Chamber of Commerce, Oglala Lakota College and the Lakota Fund.

In addition to providing client-centered capacity-building for entrepreneurship through training, coaching and a network of specialists, its overall purpose is to build a better

business environment in a culturally sensitive manner. The goals of the WBI over the next three years are to:

- Provide intensive, long-term service to the 65 active clients of the Lakota Fund portfolio;
- Provide consultation services to 200 prospective entrepreneurs per year;
- Start 40 businesses and create 250 jobs;
- Provide refresher training opportunities to 300 business owners and employees; and
- Establish a network of 25 technical assistance professionals to support entrepreneurship on the reservation in the disciplines of accounting, marketing, sales, fundraising, strategic planning and production management.

### Replicating the model

Pine Ridge's model of creating a systematic approach to reservation socio-economic change through entrepreneurship is now being replicated at a number of other reservations, and Native CDFIs again are the catalysts. Two such organizations are Wind River Development Fund at the Wind River Reservation in Wyoming and Four Bands Community Fund at the Cheyenne River Reservation in South Dakota.

Wind River Development Fund (WRDF) is a true partner in helping reservation entrepreneurs take their business ideas to the next level. WRDF is not just a lending organization; it is a comprehensive economic resource for the community. It provides business training, one-on-one business development assistance and small business loans for entrepreneurs. By developing extensive partnerships with tribal, state and federal organizations, it helps ensure reservation entrepreneurs can tap into all the resources available to them. Four Bands Community Fund is another CDFI that is working to build and strengthen reservation-based enterprises that can further the goals of Tribal self-determination and self-sufficiency, and a stronger economy for the Four Bands of the Lakota Nation.

Oweesta itself in many ways has grown out of the inspirational work of the Lakota Fund by way of initial sponsorship from the First Nations Development Institute. As the only U.S. Treasury-certified, national Native CDFI intermediary in the country, Oweesta assists Native communities with financial education training, technical assistance, and access to local and national capital markets. From Maine to Washington, nearly 70 Native communities have either started or are in the process of starting CDFIs. Many of them also are finding that the process of building entrepreneurs is part of the process of nation-building.

During his tenure as president of the World Bank, Jim Wolfenson toured the Pine Ridge Reservation and saw its



poverty first-hand. After his tour, he said, "Private ownership around the world is key to easing poverty... To me, what I'm seeing here isn't the poverty, it's the chance to see new businesses that are being established and meet entrepreneurs that are taking their future into their own hands. The difficulties we're trying to solve around the world are to be found right here. The first is ownership. The second is lack of recognition."

Oweesta believes that Native CDFIs, given their unique combination of training, technical assistance and lending services, are the most effective tool that a tribe or Native community can employ to create the financially sustainable economies Mr. Wolfenson alludes to. They create local entrepreneurs, homeowners and tribal businesses. They also develop the infrastructure and knowledge that lead to solid and culturally appropriate governance, legal systems, business practices and community-focused financial opportunities.

★★★

<sup>1</sup> The First Nations Development Institute is a policy, research, grantmaking and lending institution. Its Oweesta Program, which became the First Nations Oweesta Corporation in 1999, works with Native financial institutions and financial education providers to provide capital for Native development efforts.

# Innovation Commercialization in a Rural Region:

*The Case of Greater Johnstown, Pennsylvania*

By Thomas S. Lyons, Ph.D. and  
Gregg A. Lichtenstein, Ph.D.



As the economy continues to globalize, developed countries with higher wage rates, like those of the United States, increasingly seek to encourage economic development that focuses on the front end of the product lifecycle – R&D. The goal is to get new ideas coming out of university and private laboratories to market as quickly as possible.

The rationale for this economic development strategy is that it leverages the U.S.'s strengths, which include knowledge, expertise and the availability of financial capital, and minimizes its greatest weakness, which is its inability to compete with developing countries when it comes to cost-saving standardized production.

This strategy – which goes by several names, including technology transfer, technology commercialization and innovation commercialization – has been adopted and supported at all levels of government. Millions of dollars are poured into these efforts each year, and yet we are only beginning to understand what does and does not work in this arena.

There is a strong tendency to attempt to replicate the successes of places like Silicon Valley, the Golden Horseshoe and the Research Triangle, using essentially the same tools and approaches. However, the question of whether these regions' success in implementing innovation commercialization strategies can and should be replicated in other locations remains unanswered.

This article examines an innovation commercialization effort in the Greater Johnstown, Pennsylvania region to explore the compatibility between traditional approaches to this strategy and the opportunities and constraints posed by a rural area.

## **The Greater Johnstown region's approach**

The Greater Johnstown region is a principally rural area in the western part of Pennsylvania that comprises two counties and includes the small cities and towns of Johnstown, Cresson, Ebensburg, Loretto and Windber. The region has struggled in recent decades with the decline of the coal and steel industries and the departure of manufacturing plants to offshore locations. It also has a declining population and a median household income that is 28 percent less than that of the nation.

Despite these challenges, the region is not without its assets. It is home to four small institutions of higher education – Mount Aloysius College, Penn Highlands Community College, Saint Francis University and the University of Pittsburgh at Johnstown; six private R&D organizations with a wide spectrum of activities and several vibrant companies in diverse industries. The four colleges/universities boast a total enrollment of about 7,000 students and 650 faculty; however, none of these institutions grants a graduate degree in a technology-related field.

The private R&D facilities, however, do engage in post-doctoral R&D work. In an effort to leverage these assets, Johnstown Area Regional Industries (JARI), a regional economic development organization, and several other partners applied to the Commonwealth of Pennsylvania's Keystone

# The plan was to develop a system to identify opportunities with commercial potential, profile the entrepreneurial skills and experience needed to capture these market opportunities, then recruit entrepreneurs capable of taking the respective opportunities to market.

Innovation Zone (KIZ) Program for funding to create a Greater Johnstown KIZ (GJKIZ).

The KIZ Program was developed by the Pennsylvania Department of Community and Economic Development as a vehicle for investing in regional collaboratives involving institutions of higher education, communities and private businesses. Its goal is to foster the creation of new technologies and to support the entrepreneurs who take these technologies to market. The state investment in a KIZ can be used to support operations, engage in planning and provide a pool of tax credits.

JARI and its partners were successful in getting the GJKIZ recognized and supported by the state. GJKIZ's winning approach was two-fold: to link together the intellectual capital of the institutions of higher education and the private R&D organizations, then link that capital with local entrepreneurs and enterprise development service providers. The overall goal is to maximize the region's ability to create new ideas and commercialize them without creating an additional level of administrative bureaucracy.

## The plan

The GJKIZ seeks to develop an entrepreneurial culture in a region that was once dominated by a single industry – steel – by targeting four industry sectors that have experienced rapid growth in the region in recent years: advanced manufacturing, environmental/energy technology, information systems/technology, and life sciences.

The first phase of this effort was to pilot the GJKIZ's plan by working with one of the private R&D organizations in the region, the Center of Excellence for Remote and Medically Under-Served Areas (CERMUSA), located on the campus of St. Francis University. The plan was to develop a system to identify opportunities with commercial potential, profile the entrepreneurial skills and experience needed to capture these market opportunities, then recruit entrepreneurs capable of taking the respective opportunities to market.

CERMUSA was selected as the test bed for the GJKIZ's approach to innovation commercialization because of its international reputation as a high-quality research lab in its

field, the relevance of its work to the region's industry sectors of interest, its sizeable inventory of technology innovations that had not yet been successfully taken to market, and its location on the St. Francis campus and close university ties.

## The process

The first step was to establish a set of criteria for evaluating commercialization opportunities (e.g., a clear set of customers with the ability to buy the offering, investment required, potential rate of return and immediacy of revenue stream, etc.). Once these were established, a team reviewed a portfolio of CERMUSA's innovation activities, from which eight potentially viable market opportunities were identified for further exploration.

CERMUSA then hired a student intern – an incoming student to St. Francis University's MBA program – to conduct a market feasibility analysis on each opportunity. The student produced a two-page summary of each market opportunity (with additional documentation), which was reviewed by the participants in several rounds as more detailed research was done.

After sufficient research, a meeting was convened to evaluate and prioritize all eight opportunities and to determine which ones to pursue. Although all eight looked promising under different conditions, one market opportunity was selected to be the primary focus of the project's commercialization effort.

The next step in the process, which is currently underway, is to find a local entrepreneur to lead the commercialization of the selected opportunity. Taking each idea to market will involve, among other things, arranging a deal to spin out the opportunity while maintaining a relationship with CERMUSA.

Once these arrangements have been made, the entrepreneur will prepare a business plan with assistance from the local Small Business Development Center (SBDC). Ongoing support in obtaining contracts, seed money, etc. will be provided by stakeholders in the region. Using the tools of the Entrepreneurial League System<sup>®</sup> (see box on p. 27), the



entrepreneur's skill level will be assessed and initial assistance will be tailored accordingly.

Using this test case, the GJKIZ will develop a plan, process and capacity for commercializing other technologies emanating from CERMUSA, St. Francis University and other R&D organizations in the region.

### Lessons learned

The experiences in the Johnstown region have yielded lessons regarding the innovation commercialization process – particularly the business concept recognition and feasibility testing process – and broader insights regarding innovation commercialization in a rural region.

- Feasibility assessment of potential market opportunities is best done in multiple iterations. Commercializable market opportunities do not emerge fully formed but must be shaped via rounds of feedback before they can be effectively evaluated.
- It is tremendously helpful to prepare write-ups that review the feasibility of each prospective market opportunity, such as those produced in this case by the MBA intern at CERMUSA. These make it possible for multiple people to review the same opportunity several times, provide coherent feedback, and understand and comment on the observations of others.
- R&D laboratories tend to think in technological terms in their assessment of market opportunities. This is only half of the equation. The missing perspective is often the “commercial” one. MBA students, with the support of experienced entrepreneurs, can effectively provide this missing business perspective.
- It is important to engage several successful entrepreneurs and experienced businesspeople at various points

in the assessment process. Having enough pairs of competent eyes is essential to a review of sufficient depth and breadth, and is a way to permit the full review of a greater number of prospective opportunities.

Participating entrepreneurs must have experience in a range of different market opportunity types so that their judgments will be varied. This will insure that opportunities are not judged as being infeasible simply because the entrepreneurs involved do not have the necessary understanding or experience to pursue them, rather than because they are unworkable in general.

- Greater involvement of business students from participating universities, especially those with entrepreneurial ambitions, in the assessment process can be very beneficial. This exposes these students to opportunities that they may want to pursue, either on a full-time basis or part-time as they complete their degrees. This can be facilitated by establishing a “Market Opportunity Register” consisting of feasibility study write-ups of the various opportunities assessed.
- Many universities try to put tech commercialization programs in place whole cloth, before the first opportunity has even been identified. In other words, they take a programmatic approach. St. Francis University is only now building its innovation commercialization apparatus in response to a process that hopefully will commercialize a real market opportunity. This puts the university in the position to build and refine its formal process and to use the proceeds from the first successful commercialization effort to fund its innovation commercialization office.
- Another commonly held misperception in the tech commercialization arena is that the viability of an opportunity is based solely on its patentability, e.g., something that can be managed as intellectual property (IP). However, in the Johnstown case, eight viable market opportunities were identified and assessed, none of which was likely to be patentable.

Yet it was deemed that all of these opportunities had potential for revenue generation, with possibly a very favorable return on investment rates. This suggests that conventional wisdom may be unnecessarily limiting. We may be missing countless opportunities for local and regional economic development by adhering to a narrow definition of opportunity viability.

This last observation has particular relevance for rural areas that are attempting to commercialize innovations. A focus solely on patentable market opportunities may be effective in regions with a strong technological base and educational institutions that are actively engaged in research, but this is not the case in most rural areas.

Rural areas literally cannot afford to overlook non-patentable business opportunities just because they don't fit the traditional model of innovation commercialization. In

Johnstown, the intent is to use early successes with non-patentable opportunities to leverage activity in the venture capital-backed IP arena in the future.

The lack of infrastructure for supporting innovation commercialization in rural areas must be acknowledged and addressed. Greater Johnstown is fortunate to have assets such as institutions of higher learning, private R&D facilities, larger companies in industries important to the global economy, and economic development officials who are thinking and acting entrepreneurially. To its credit, the community has

worked to identify all of its assets, to link them together and to focus them on supporting regional innovation commercialization efforts.

Rural communities that do not possess such assets may be faced with only two choices: to not attempt to undertake an innovation commercialization strategy, or to partner with an urban area in the larger region in a way that would permit the rural community to benefit from the spin-off commercialization activity taking place in the city. ★★★

## The Entrepreneurial League System®

The critical determinant of a community's economic vitality is the quantity and quality of its entrepreneurs and how well they are matched to the market opportunities they pursue. We methodically cultivate many other kinds of talent, why not entrepreneurs?

Modeled after one of the most successful processes in the world for systematically developing talent – the farm system of professional sports – the mission of the Entrepreneurial League System® (ELS) is to create a supply of highly skilled entrepreneurs capable of building successful companies, and to do so in sufficient numbers to transform a region's economy and create individual as well as community wealth.

The ELS establishes a breeding ground for entrepreneurs and helps them build the skills necessary for success as they work their way up the various league levels, just as athletes do in baseball. Current programs in enterprise development only deal with half of the equation for economic success: They address the needs firms have for technical and financial assistance, but do nothing to build a pipeline of highly skilled entrepreneurs *capable of*

*using that assistance* effectively to build companies.

The ELS classifies entrepreneurs into different “league” levels according to their skills in starting and operating a new enterprise. Entrepreneurs are recruited by Talent Scouts, who use a variety of methods to find or encourage individuals with the potential and drive to become an entrepreneur. Led by a Performance Coach, entrepreneurs at the same skill level are organized into Success Teams to develop the skills necessary to be successful entrepreneurs and to support each other in the tasks needed to build their businesses.

With the help of their coaches, entrepreneurs establish individualized “game plans” that help them focus their energies on reaching their goals. Consulting services, technical and financial assistance are customized and delivered according to the entrepreneurs' level of development and their need. Participating service providers are organized into a coordinated, disciplined system to improve entrepreneurs' ability to get the right kind of help at the right time and the right price. These processes facilitate the entrepreneurs' progress up the ladder to the

major leagues – not in terms of size, but in terms of performance and profitability.

The ELS also includes an innovative market development service led by individuals known as Opportunity Scouts, whose function is to actively identify new market opportunities and link them to existing and prospective entrepreneurs. The final operational components are local stewardship and performance monitoring, which lead to a system capable of continuous improvement.

The ELS provides entrepreneurs with a clear ladder to success and access to resources, psychological support and opportunities to develop new skills. These benefits make the business less costly to start, more likely to succeed, less time-consuming to achieve success and more capable of generating a greater return on investment. For service providers, the ELS produces more qualified, prescreened clients who are willing and eager to capitalize on the assistance they receive to grow their businesses.

*The Entrepreneurial League System was created by this article's authors, Gregg A. Lichtenstein and Thomas S. Lyons.*

# Kentucky Leadership Program Coaches Entrepreneurs

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**By Ronald J. Hustedde** In Kentucky, building a strong entrepreneurial culture and economy is more important today than ever as the state makes the painful transition away from a traditionally tobacco-dependent economy. To address this challenge, the Governor's Office of Agricultural Policy and the Kentucky Agricultural Development Board have invested more than \$1 million in tobacco settlement monies to create the Kentucky Entrepreneurial Coaches Institute.

This innovative program is creating a regional network of community leaders who are entrepreneurial advocates and coaches in 19 tobacco-dependent rural counties in the north-eastern part of the state. The goals are to facilitate the emergence of a strong entrepreneurial culture and to strengthen the region's entrepreneurial infrastructure.

The idea for the Institute germinated during my 20 years working in rural areas. I observed that many self-taught "natural" entrepreneurial leaders and coaches felt isolated from each other and expressed frustration about being ill-equipped for their roles. In other cases, I saw that rural communities were entrepreneurial-tolerant but not necessarily entrepreneurial-friendly. My colleagues and I believe that if we invest in rural lay leaders – providing them with new skills and knowledge and expanding their network base – they can significantly influence cultural, political and economic changes in the region. This article explains exactly how the coaching program works.

## The KECI Fellows

The process to apply for participation in the program is highly competitive. Those chosen receive a fellowship valued at \$18,000, which covers the costs of nine seminars, mini-grant projects, meals and lodging.

The first class of KECI Fellows participated in the program from September 2004 through November 2005. The second class began its training in September 2005 and will finish the program in November 2006. Both classes were



Fellows of the Kentucky Entrepreneurial Coaches Institute learn how to help entrepreneurs through a form of structured facilitation known as "supercoaching."

designed to be occupationally diverse; participants have backgrounds in agriculture, small business, education, economic development, homemaking, professional services and other fields.

The initiative also is designed for sustainability. After graduation, each participant donates a minimum number of hours to entrepreneurial advocacy, coaching and leadership for the following two years, and participates in four post-graduation seminars.

## The curriculum

Over the 15-month period, the Fellows are exposed to some of the best and brightest thinkers and activists in rural entrepreneurship, leadership studies and community development. The seminars are intended to teach leadership and coaching skills, to broaden creativity, and to actively engage participants in the community.

Although each of the seminars is unique, they tend to include the following four elements: 1) visits with innovative entrepreneurs from the region; 2) the arts – dance, storytelling, poetry and music are used to stimulate fresh perspectives; 3) required "homework" between sessions, to foster more engaged and effective leaders; and 4) a teaching methodology that minimizes the lecture format and actively engages the participants in dialogue.

The first seminar introduces the “big picture” of entrepreneurship, leadership and community development from leading thinkers in the field. Participants expand their creativity by using the tools of appreciative inquiry and asset mapping. After the first seminar, the participants interview citizens, leaders and entrepreneurs in their home counties to become more engaged leaders and expert listeners.

The second and third seminars provide practical skills about entrepreneurial coaching. Six aspiring entrepreneurs from the region are coached during these sessions. The Fellows learn a methodology known as “Supercoaching,” a form of structured facilitation in which the coach asks pointed questions about the core competencies of the management team and the uniqueness of the product or service, as well as issues of competition, marketing and finance.

As homework, the Fellows then start putting their networks to work. First, they find their own entrepreneur (or entrepreneurial team) back home to coach. After six or seven sessions, they work closely with the entrepreneur or entrepreneurial team to put together a “dream team” of advisors, investors, suppliers, customers or a potential board of directors for whom the entrepreneur makes a 15-minute presentation.

The coach does not provide any technical assistance or advice but keeps the entrepreneur focused on the tough questions that any investor might ask. In essence, this presentation engages the entrepreneur with a cross-section of valuable contacts in the community or region. Established technical assistance providers are brought into the process when needed.

Other seminars cover networking, rural entrepreneurship policy, marketing, visits with entrepreneur-friendly communities and business incubators (such as ACEnet in Athens, Ohio), and youth entrepreneurship.

### **Mini-grant experiences: Building regional alliances**

One of the goals of the Institute is to form a regional identity, because Kentuckians tend to identify strongly with their individual counties. The mini-grant experience helps foster this regional identity by putting Fellows in cross-county teams to develop mini-grant project proposals that are critiqued by the class.

Class participants form six teams based on their interests in building an entrepreneurial culture. Team projects have included technical college and high school entrepreneurship initiatives; an entrepreneurial contest for innovative ways to use wood waste; policy work on starting a regional innovation center; a seven-county agri-tourism project and an entrepreneurial awareness program. Project funding is equal to \$1,000 per team member (teams have ranged in size from three to 10), and teams are required to find an outside match of at least 25 percent.

The mini-grants provide direct experience in projects that build an entrepreneur-friendly region, but the most important aspect of the experience may be the written and verbal reports that Fellows present about the lessons learned. These visceral reflections allow participants to internalize insights

about entrepreneurial leadership and advocacy. They also foster new thinking about regional identity and cooperation among institutions. For example, elected leaders from seven counties in the region are moving forward with the agri-tourism initiative, a tremendous accomplishment in a region with traditionally county-based mentalities.

### **Rural Scotland: Understanding global markets**

The 2004-2005 class took part in a 10-day tour of rural Scotland, mostly in the highlands and islands area, and the 2005-2006 class will take a similar tour. This region was chosen for its similarities to Appalachian Kentucky and because many Kentuckians can trace their ancestry to the British Isles.

The trip offers multiple learning opportunities: to observe youth entrepreneurship initiatives, entrepreneurial coaching in action, and how rural entrepreneurs can link to global markets; to learn about rural entrepreneurship policy and to visit an entrepreneurial-friendly community. The participants had first-hand experiences of how isolated rural entrepreneurs can tie into markets in the U.S. and Asia. As one participant noted, “I thought our county was isolated, but isolation is relative in a global context. These (Scottish) people are even more remote. If they can tie into global markets, so can we.”

While there were many educational benefits from the trip, the shared experience built an incredibly strong support network among the Fellows. “We’re family now,” was a common refrain. This is significant thinking in a region that is proud of its tradition of fierce independence.

### **Evaluation: So what?**

An external evaluation team is collecting quantitative and qualitative records of the Fellows’ accomplishments and other lessons learned, and a report about the 2004-2005 class will be issued in the spring of this year. Not only are those graduates now coaching business start-ups and expansions, they are making differences in changing the mindset and culture of the region through their mini-grant experiences. In addition, five participants from the 2004-2005 class and one from the 2005-2006 class are running for elected office on pro-entrepreneurship platforms.

Fortunately, the project’s funders understand that the most significant payoff from this initiative probably will not be seen for at least five years. However, the reputation of the Institute’s current accomplishments is triggering interest in expanding the program to other parts of the state. Our team also has been approached by economic development leaders from several states who are interested in replicating aspects of the initiative. Indeed, the Kentucky Entrepreneurial Coaches Institute may serve as a model that can be integrated into existing leadership programs throughout the country.

*For more information, visit the Kentucky Entrepreneurial Coaches Institute Web site at <http://www.uky.edu/Ag/KECI/>.*

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# Wyoming Business Camp Encourages Youth to Make Their Own Jobs

Education and Outreach Manager, Converse Area New Development Organization

**By Linda Wolfe** The Converse Area New Development Organization (CANDO) in Douglas, Wyoming, is concerned about giving Wyoming youth a reason to stay in the state. If teens cannot find the jobs they are looking for after graduating high school or college, CANDO is encouraging them to consider making those jobs by creating their own businesses.



Every student walks away a winner from the CANDO Youth Business Camps, but some walk away with more after winning the \$250 best business award.

Research shows that youth and young adults ages 14-21 come up with innovative, workable ideas for new businesses. That's why CANDO created its Youth Business Camp to give Wyoming youth the entrepreneurial skills they need to turn their business ideas into reality. The camp curriculum was designed by CANDO in partnership with Paul Guinn, a serial entrepreneur who also worked with Michael Dell when Dell Computers was just starting up.

For the past five years, almost 100 teens ages 14-18 have participated in the statewide camps. Some already have a business; others have ideas but no business knowledge. Not only does the camp increase their chances of being a successful business owner, it also makes them better employees. Once the camp has ended, they truly appreciate what it takes to run a business.

## The curriculum

Camp begins on a Sunday evening, when introductions are made and camp rules given over pizza. The camp experience is based on a team competition for a \$250 award contributed by a successful Wyoming entrepreneur.

Students then perform a personal skills analysis and create a skills resume. After dividing into teams, leadership positions in four areas are posted for elections – executive, financial, marketing, and production. Students are encouraged to

run for at least one of these positions, using their skills resume to introduce themselves and to get other members of the camp to elect them.

Once the teams are formed, they receive a booklet of lessons on each step of creating a business plan and building a business. Teams then begin working on their businesses by choosing a name and logo.

## Monday: Organizing a business

On Monday, students hear from a local entrepreneur about his experiences. They then learn about business visions, values and plans; mission statements; performance goals; insurance needs and exit strategies. After dinner, students participate in fun team-building activities.

## Tuesday: Marketing

On Tuesday, participants develop a market survey and venture out into the community to conduct it. While performing the survey, teams also select the location for their business. Students return to analyze their surveys and learn about creating a promotion plan; using advertising media, including how to create a radio spot; and designing flyers and signs.

# Not only does the camp increase their chances of being a successful business owner, it also makes them better employees. Once the camp has ended, they truly appreciate what it takes to run a business.

Students then go to a local radio station to create their ad, which will be played the day prior to and the day of sales. Students also tour a local business and create t-shirts to wear on sale day.

Tuesday evening is focused on teaching finance principles, which continues on Wednesday. Topics include inputs, fixed costs, startup budget and choosing price points.

## Wednesday: Finance

On Wednesday, finance instruction continues with lessons on contribution margin and break-even analysis, leasing versus purchasing equipment, cash flow projections, balance sheets, and how to secure a loan. Toward the end of the day, teams will have filled out actual bank paperwork to apply for a loan. The teams then go before a bank loan officer who reviews their applications and talks to them as if the ventures were true business startups.

Once the teams receive their loans, they learn about staging equipment, prototyping the product, purchasing supplies, and creating an action and risk plan for sale day.

By now you might think we've really worked camp participants hard and that would be correct. That's why on Wednesday evening we take a hard-earned break and float for two hours down the North Platte River.

## Thursday: Making the sale

Thursday puts the students' training to the test as they open their businesses and begin selling to the community of Douglas. What, you ask, are they selling? Lemonade!

Think a lemonade stand is not appropriate? Donald Trump didn't. On one season of his TV program, "The Apprentice," the first task of the contestants who were competing to work as his apprentice for one year was running a lemonade stand.

The Fresh Squeeze open for business.



The float trips are done every year after the teams have secured business loans. The students have worked very hard up to this point.

The best camp team sales to date have been \$298.26. Students are allowed to divide up the profit as outlined in the exit strategy and keep it. However, that's Friday. Until then, students spend the evening enjoying a movie at the local theater.

## Friday: Wrapping it up

Friday begins with filling out a profit and loss statement, a goals analysis, and individual performance reviews. Once the teams determine how much money they've made, they prepare a presentation summarizing their week-long experience. Parents and family members are invited to watch this and the awards presentation at the end of camp.

## Fun in learning

The true power in this camp is the interactive, hands-on experience participants receive. Students end the camp with enthusiasm and excitement about what the future might hold. They have learned to network within the state and may even have met their future business partner. And perhaps best of all, they all say they had fun doing it. ★★★

*This summer, CANDO will hold its fifth Youth Business Camp from July 23-28. The camp costs \$250 per student, but with the aid of scholarships, the actual cost to each student is only \$50. CANDO is looking both for sponsorships and for youth ages 14-18 to attend. For more information, contact CANDO at 307-358-2000, or check out the Web site at [www.candowyoming.com/youthbusinesscamps](http://www.candowyoming.com/youthbusinesscamps).*

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