

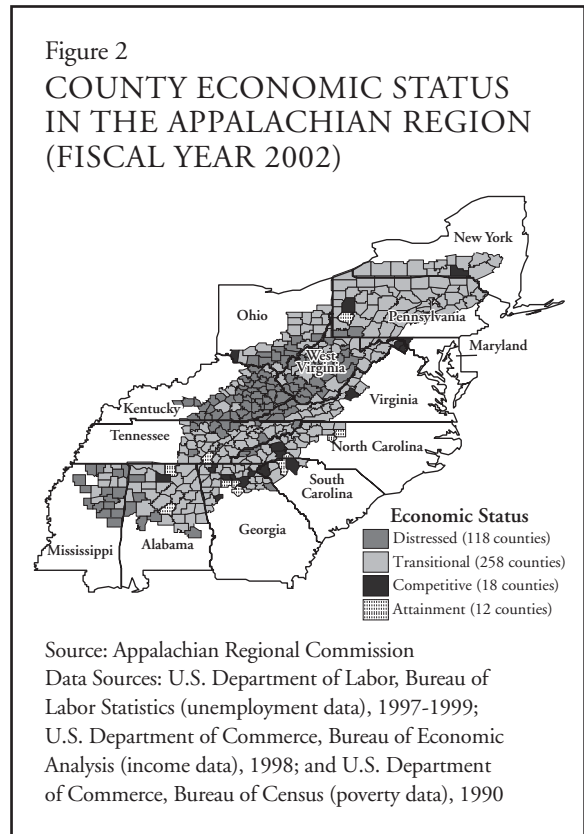
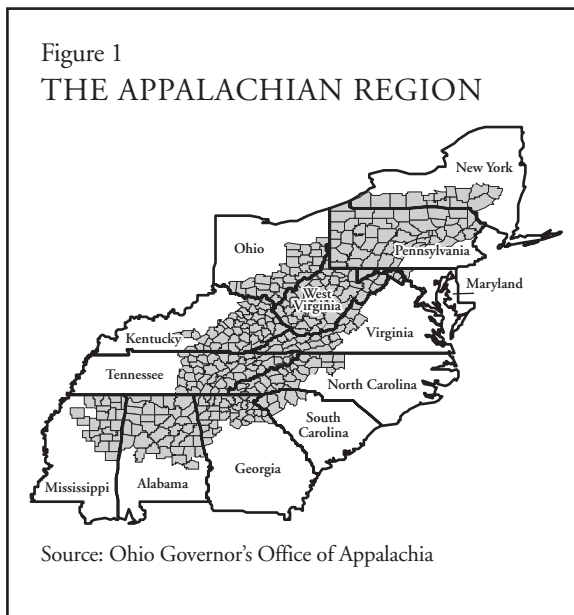
Boosting Entrepreneurship in Appalachian Ohio

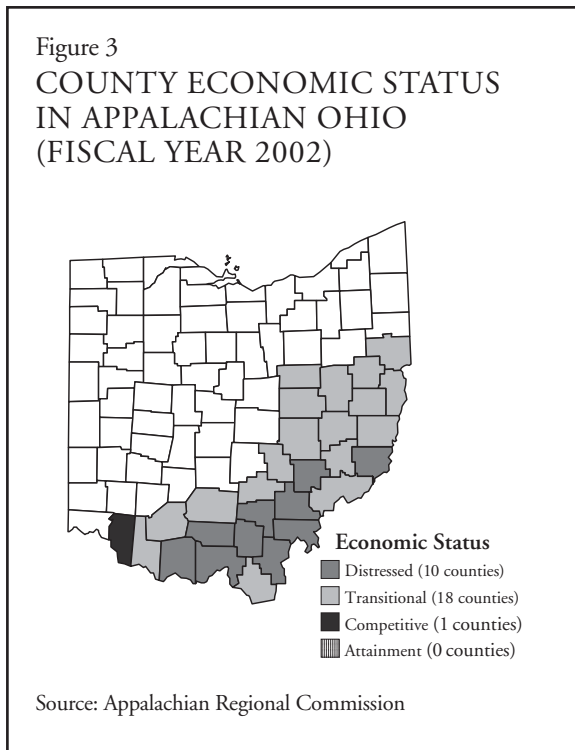
Brenda Emery, Larry Fisher, and Don Macke

Appalachia is a vast American region covering all or parts of 13 states running from western New York to northeastern Mississippi (Figure 1). Historically, the name Appalachia evokes images of struggling families, coal mines and black lungs, poor communities, bad water, and social injustice. For those who have spent time in Appalachia it is also a place of warm people, remarkable culture and heritage, and great natural beauty. A great deal has been written about this region in part due to the decades-long work of the Appalachian Regional Commission (ARC) and others.

In total there are 406 counties in the Appalachian Region. The ARC classifies each of these counties in terms of economic status ranging from distressed to

attainment.¹ There are only 12 attainment counties—just 3 percent of the total. Attainment counties are those that have unemployment rates and poverty rates below the national averages and per capita income rates above the national average. Comparatively, 118 counties are distressed (nearly one-third) with higher unemployment, significantly lower income levels, and significantly higher poverty (Figure 2).





Located in the northwestern corner of this vast region is Appalachian Ohio. Running several counties deep along the Ohio River from Cincinnati to western Pennsylvania, Appalachian Ohio consists of 29 counties. Ten of these counties are distressed (34 percent) and another 18 are classified as transitional (62 percent). None have reached attainment status, and only one is defined as competitive (Figure 3). Poverty rates in the distressed counties run nearly 20 percent.

With economic indicators like these, one might not expect much in the way of entrepreneurship activity or opportunity. Field observations based on the Center for Rural Entrepreneurship's work in Appalachian Ohio give rise to the following insights on entrepreneurship in the region:

- The number of *entrepreneurial growth companies* (EGCs) is significantly below the national averages.²

- The rate of entrepreneurship in the region is relatively low, but the share of the population with entrepreneurial traits and experiences is likely above national averages.
- There are highly effective and well-established *entrepreneurial support organizations* (ESOs) working in this landscape.³ These organizations are contributing to an enriched entrepreneurial environment and are stimulating entrepreneurial activity.
- The overall economic development focus in the region (with the exception of these ESOs) is still traditional, focusing on industrial attraction and maintaining entitlement supports and commodity-based development.⁴
- The consortium addressed in this case study is intentionally focusing on entrepreneurs and seeking ways to achieve scale and reach throughout the 29-county Appalachian Ohio region.
- The underlying culture of this region is not necessarily supportive of entrepreneurs, increasing the necessity of strong entrepreneurial support infrastructure.

In order to illustrate the innovative and entrepreneurial-focused work in Appalachian Ohio, this case study contains two stories. The first story is presented by Larry Fisher and highlights the role of the Appalachian Ohio Regional Investment Coalition (AORIC) in creating stronger entrepreneurial support infrastructure. The second story is by Brenda Emery with Planning Adams County Tomorrow (PACT.) PACT illustrates one of the community-based and grassroots efforts to support entrepreneurs as a community building strategy in one of Appalachian Ohio's distressed counties.

APPALACHIAN OHIO REGIONAL INVESTMENT COALITION

The Appalachian Ohio Regional Investment Coalition (AORIC) is a partnership among experienced leaders and organizations that work within the 29-county region of Appalachian Ohio. The shared energy and efforts of these partners stem from a deep appreciation and concern for the people and assets of the region and are based upon a mutual commitment to place-based, sustainable forms of community and economic development.

The creation of AORIC is rooted in a history of shared values and a common goal of making Appalachian Ohio better. Within the partnership, several organizations had worked together on smaller projects or joint grant programs for approximately 20 years. These efforts enabled us to talk about a broader collaboration with our many partners, enabling each organization to have a strong impact on our region by focusing our combined energies and resources. In 2001, the partners began to share their vision for the region and to discuss opportunities where our programs, our missions, and our visions intersected. While partnerships seem like a positive move forward for our organizations, there are some major challenges, such as, allocation of time and resources, and the ever-present challenge of scheduling meetings. But, foremost, is the issue of trust. Most of the partners use the same sources for funding their programs and sharing this information is difficult. As resources continue to become scarce, this issue of collective programs and services becomes more necessary and at the same time more difficult. The one strong thread that continues to hold this coalition together is the great need of our region and the opportunity to do more with our limited resources and to provide a better set of services to the entrepreneurs living and working in our rural landscape.

THE COLLABORATION

During our early dialogue, six unique partners came together to form the initial AORIC collaboration:

- *The Appalachian Center for Economic Networks* (ACE-Net) is a nonprofit regional economic development organization that focuses on a strategy of expanding the food and technology sectors of the region, utilizing an incubator system, combined with technical assistance and access to capital through ACE-Net Venture (a high-risk loan fund). The work of ACE-Net is based upon a strong desire for building a just and sustainable regional economy that provides opportunities for all members of society.
- *The Corporation for Ohio Appalachian Development* (COAD) is a community and economic development organization comprised of 17 community action agencies, serving various counties within the region. COAD's mission is to improve the quality of life for the citizens of Appalachian Ohio.
- *The Foundation for Appalachian Ohio* (FAO) is a regional community foundation established to serve the 29 counties of our rural region. Its main focus is to promote and develop philanthropy in the region, focusing on youth and angel networks.
- *The Nature Conservancy* (TNC) is dedicated to the creation of new market-based strategies for achieving compatible development with our region. It currently manages more than 13,000 acres of forest property within southeast Ohio in cooperation with the Cincinnati Museum Society. It provides funding and support for PACT.
- *Ohio Arts Council's Appalachian Arts Program* works to strengthen, promote, and celebrate the rich cultural and artistic traditions of our region.

- *Rural Action* is a membership-based nonprofit organization that promotes social, economic, and environmental justice in Appalachian Ohio by developing strategies for sustainable development. Current strategies include work with nontimber forest products, forest management, and field products.

Together, these six organizations formed AORIC following a shared vision and mission. The mission of AORIC is to build upon the work of our partners in creating a vital regional economy, based upon the foundations of sustainable economic development and opportunities for all citizens. The strategy for our work is based upon our efforts to build a sustainable entrepreneurial economy in the region through programs and services that will increase the number of successful entrepreneurs, creating wealth and quality jobs. To this end, we are working with local communities and counties to expand entrepreneurial capacity, to align local resources, and to mobilize policy initiatives that will support this approach to sustainable economic development.

Funding the Coalition

In combing our resources and field assets, we decided that there needed to be a major funding source dedicated to supporting our efforts to attack the challenge of introducing sustainable entrepreneurial economic development to our region. In the same year, we began discussions and formed a new national collaborative to reinvest in and revitalize rural American communities that were struggling with persistent poverty. The National Rural Funders Collaborative⁵ (NRFC) started in 2001 with seven private U.S. foundations working together to leverage their assets with local resources to encourage and establish meaningful, engaging, and effective partnerships that would unite regional and national fund providers with community partners. What timing. What a fit. AORIC entered the competition for support, along with 283 other groups, and we were

selected as one of four collaboratives for a three-year partnership. NRFC, along with the matching dollars it enabled AORIC to leverage, has provided AORIC the necessary seed capital to move this innovative initiative forward.

Sector Focus

Because of the strong sector focus employed by several of our partners, we decided to play to our strengths when working with entrepreneurs and sustainable economic development. As a project, this will provide vertically integrated business opportunities that then can sustain themselves in the long run. With this method, we can connect the entrepreneurs with the raw materials to those creating finished products or services. We can reduce the amount of business and supplies that we import into our community and build upon local assets and strengths. ACE-Net operates using a sector-based strategy in the areas of food and technology. Rural Action and The Nature Conservancy both work in the sector of forest products, timber and nontimber. The Ohio Arts Council has the sector focus of arts and heritage, encouraging tourism for the region. So, among our organizations, we had three strong sectors that could easily be linked together to encourage sustainable economic development. Through sector work, we have the ability to align our programs and resources in efforts to vertically integrate an economic strategy. The herb subsector is a prime example of our combined efforts. Rural Action has links to a growers association, a research station, and a variety of regional growers. ACE-Net has a kitchen and processing center that can provide value-added assistance in product development, marketing, and distribution.

Core Strategies

In moving forward with our sector focus, AORIC developed a strategy based upon three fronts: developing entrepreneurial capacity, developing community

or civic capacity, and developing a policy agenda that supports entrepreneurship. Studies by the National Commission on Entrepreneurship and others demonstrate a direct correlation between the presence of a critical mass of high-growth and innovative enterprises within a region and the performance of regional economies. The studies also revealed that the most successful entrepreneurs are not the “lone rangers” but are instead embedded in a supportive system that includes networking opportunities with other entrepreneurs, links to mentors and role models, access to business clusters or sectors, a supportive culture, and infrastructure elements, such as capital and quality business services. Drawing upon this research, we embraced our strategy of building the capacity and systems to support entrepreneur activity.

DEVELOPING ENTREPRENEURIAL CAPACITY

In searching for a holistic approach to entrepreneurial development, we studied various models being implemented throughout the United States and the world. The model that served as a guideline for our project was the Sirolli method called *enterprise facilitation*. In reviewing many of our current programs, our organizations had been implementing a strategy similar to this method in our various sector endeavors. So, we began envisioning our staff working as entrepreneur facilitators and sector intermediaries, with a more specialized expertise in our focal sectors. It was also important that this be a strategy embraced by local economic development professionals and small business support organizations, as a part of the overall strategy of economic development for the various communities and counties. It was important that we were not pictured as a competitive program that challenged existing strategies and programs but as a partner in the overall landscape of development. We presented ourselves as a partner that would focus on the entrepreneur and sustainable economic development and that we could be used as a resource for the other organizations. As an *entrepreneur support organization* (ESO), we

would then build a team of local persons, the *entrepreneur support network* (ESN), who would provide specialized assistance to entrepreneurs in areas such as basic start-up, access to capital, marketing, and other related matters. We also would include our staff to assist with the sector-focused issues and to facilitate the functioning of the network.

Developing Civic Entrepreneurs and Civic Capacity

In each and every community, there exist civic entrepreneurs that have the ability to direct positive change through their involvement and leadership. It became apparent that if we were to affect change within our region and our communities we would need to enlist the support of these civic entrepreneurs and in some cases we would need to develop their leadership skills to increase their ability to move this process forward. Our first step was to utilize the community development tools of our partners to locate and engage these civic entrepreneurs in a dialogue about sustainable economic development and support for local entrepreneurs. Once partners were identified, we would implement leadership training as needed. These entrepreneurs would then provide access to community leaders and to volunteers for the entrepreneurial support network. They also would help in the efforts to align local resources in support of the business entrepreneurs in their community. Without their acceptance and support, we would be very limited in our ability to make this a community-based program that would be self-sustaining within the three years of the project.

Developing a Policy Agenda

Two of our coalition members—Rural Action and ACE-Net—are involved with a regional group, the Central Appalachian Network. The purpose of this network and the funding partner, the W. K. Kellogg Foundation, is to identify a policy issue facing the

larger Appalachian region and to build a communication strategy and policy agenda around the issue. This also is being addressed on a local level through each participating group. ACE-Net has been working on a policy agenda for three local counties to consider entrepreneurship training as a part of workforce development through our local Workforce Investment Act Boards. This is providing us with a wonderful learning opportunity, as we look at a larger state strategy.

CHALLENGES

Collaborations often shine in selected moments of time, but they are difficult organizational structures to sustain over time. In any large collaboration, there will always be administrative challenges focused around decisionmaking, communication, and budgeting. These issues are compounded by the fact that we are dealing with a major policy issue and an innovative set of strategies. With the help of our various partners, we are blazing a trail for a new model of sustainable economic development in a rural landscape. And with anything new and innovative comes the frustrations of limited resources, resistance to change, and cost of collaboration.

In addition, we face difficult challenges from the communities and counties that we are engaging. First and foremost is the issue of being accepted by local leaders, economic development professionals, and other business support agencies as part of the economic development strategy for a community. We also are challenged by our strong desire for sustainable development as it relates to our environment and the social welfare of our citizens. We want to encourage development that will be responsive to environmental concerns, provide jobs that pay a living wage, and provide health benefits to the people of our region. As we move forward with the AORIC project, we also will need to focus on policy issues that directly impact entrepreneurs and small enterprises. Our state must not only encourage recruitment of businesses to our area, but it must encourage and support innovative

entrepreneurs through tax incentives, access to capital and entrepreneur training, among many other issues. Maybe the greatest challenge for the AORIC collaboration will be sustaining our efforts over the long haul of this project and to find ways to expand our efforts to other communities and counties within our region. This is only a matter of having enough resources and energy to accomplish the task.

Sustaining AORIC

While each member must take some responsibility for sustaining this program, we are encouraged by the support of our partner, the Foundation for Appalachian Ohio. Through the efforts of this organization, we are working to leverage the investment of the NRFC and our partner organizations. We are continuing to seek out new fund providers and to engage the regional ARC districts in this strategy. And we are aligning our programs and resources to support our partner organizations and to focus our efforts on this project. We cannot forget that we are working in a terribly distressed region, covering 29 counties and 1.5 million residents, mostly in rural settings. So, the task before us is all consuming and as we continue to have success in our three limited areas of this project, we are being approached by more and more communities. But without core funding for the entire region, our work is severely limited. We must establish a certain amount of respect and credibility, if we are going to redirect the traditional economic development resources that are so desperately needed. Another source of support needs to come from within the entrepreneur support system through volunteer hours and services provided by successful entrepreneurs who have been a part of the program. As we help individual entrepreneurs with their growing businesses, we are encouraging them to become a patron of their community project and for the entire region. The Foundation for Appalachian Ohio strongly supports the coalition by encouraging charitable giving, volunteerism, and philanthropy in Appalachian Ohio.

THREE OF ACE-NET'S CLIENTS

At ACE-Net, we continue to review our services and programs to align them with the overall mission of the AORIC partnership. We currently are using our work in the food sector to expand to tourism with farm and food attractions and festival work. We are moving forward with a new festival that supports a move to local freshwater shrimp production. We continue to support a variety of other food-related festivals in our region as a way to link both the food and tourism sectors together.

We also provide a kitchen incubator to our region and continue to assist in the development of other incubators throughout the region. We currently are involved with three new incubator projects within the 29-county region. We are working with more than 250 food-related businesses, assisting with product development, marketing, labeling, production, and access to markets.

Three companies include:

The Laughing Belly is a retail restaurant and catering service. The owner is using the ACE-Net commercial kitchen to prepare daily lunches and fulfill catering orders. This new business receives technical assistance from ACE-Net with marketing, food preparation, menu selection, purchasing, and general business skills. After the first six months of incubation, the Laughing Belly is preparing to hire two part-time employees to fuel its growth.

King Family Farm produces a variety of farm fresh food products. It is constantly evaluating new products and packaging ideas. Its goal is to increase farm revenue by \$100,000 during the next two years. ACE-Net is providing assistance with labeling, marketing plan development, and distribution through the "Food We Love" regional branding campaign. The next step for King Family Farm is ready-to-eat meals.

The Frog Ranch has nothing to do with frogs and everything to do with salsa. From a humble start in a small cabin on 40 acres in Appalachian Ohio, nine years later, the Ranch now is selling its salsa to two national grocery store chains and numerous regional outlets. Its products have been award winners at the National Fiery Food Show during the past four years. ACE-Net has worked with the Ranch to manage its growth from a local venture to a national player.

PLANNING ADAMS COUNTY TOMORROW

Planning Adams County Tomorrow (PACT) is a relatively new grassroots development organization. Adams County is located in southwestern Ohio on the Ohio River. It has a population of 27,000 (2000 Census). Historically, it has been a relatively poor place with an average per capita income of \$18,462 or 57 percent of the state average. Primary sources of

personal income are transfer payments, retiree income, government, and manufacturing.

PACT was founded in 1997 as a community betterment organization. A central focus of PACT is sustainable development reflecting the interests of one of our core members, The Nature Conservancy. (TNC has land interests in Adams County.) PACT is a partner in AORIC and the center of AORIC activity in western Appalachian Ohio. PACT is also a model of a

community-based approach employing entrepreneurial facilitation. This development approach is influenced by Ernesto Sirolli and his concept of enterprise facilitation™. Enterprise facilitation is a type of coaching involving customized entrepreneurial assistance. As PACT coordinator, Brenda Emery serves as an entrepreneurial facilitator working with a growing client base in Adams County. Over the past year, the community has become aware of PACT's work and those with business ideas or problems regularly seek Emery out.

The range of entrepreneurial types that Emery serves can be seen using three client examples:

- Peach Mountain Waters is the creation of Bill Smally. Peach Mountain Waters is a bottled water product made from mineral waters within Adams County. Millions of gallons of water that flow into Mineral Springs Lake supply Peach Mountain spring water. Production potential is large, but marketing challenges have restrained growth within this November 2002 start-up. Smally wants to be self-employed. He is a true inventor and a man with great ideas. Like other new start-up entrepreneurs, he is seeking help to create a clearer venture vision and details on how to proceed with his business.
- Vohn Hoop developed Hoop Halo Inc. A Hoop Halo is a protective device used to alleviate spinal injuries in football players. Its design allows the impact of a helmet-to-helmet blow to be absorbed through the shoulder area instead of the spine. Two hundred fifty Hoop Halos have been produced, and the company is in the early phase of marketing this new and innovative product. Hoop is creative, ambitious, enthusiastic, and willing to take risks. But like other entrepreneurs, he lacks long-term patience.
- Greg Scott created River Barn Village in March 2003. The Village consists of two log cabins on the Ohio River front, complete with a hot tub,

kitchen, and fireplaces. There is also a recreational vehicle park with river frontage. The barn is a two-story structure that can accommodate up to 400 persons for receptions, conferences, meetings, and other gatherings. The Village has proven to be a great success and was fully booked through December 2003. The Village is just one of Scott's many ventures. He is a serial entrepreneur who is remarkable at identifying and seeking growth opportunities. He is a risk taker and is highly creative. He is good at finding and developing new markets. Finally, he has acquired the skill to build robust ventures that are commercially successful.

A key to our development approach is the community resource team (another of Sirolli's ideas). The team consists of a diverse set of community members with varying expertise. It is there to help meet the specific needs of our entrepreneurs. Whether it is financing, bookkeeping, or marketing, this resource team is the first place we go to find answers and help. Supporting PACT and its work with entrepreneurs is AORIC. AORIC represents an external network that offers both programmatic and entrepreneurial support. Within AORIC, both ACE-Net and Rural Action are employing entrepreneurial facilitators in different landscapes within Appalachian Ohio. Eventually, AORIC hopes that all 29 counties in Appalachian Ohio will be served by entrepreneurial facilitation.

PACT faces many challenges. First, entrepreneurial facilitation is more of an art form than science. There is no cookbook or cookie-cutter approach. Experience and training are necessary to enable folks like me who are engaged in this form of support to stay good at it. Second, we face some turf issues. As the new kid on the economic development block, we are working hard to build relationships with existing development interests. We are looking for win-win situations. However, building these relations takes time and energy, so trust and cooperation can replace concern and questions. Third, being part of a coalition (e.g., AORIC) takes time. Meetings and conversations are required

to ensure we are all on the same page and working together. A coalition approach has great value, but it also has necessary costs that must be accounted for in budgeting time and resources. Fourth, we are doing this work on a shoestring budget. Right now, there are too few resources. We have far more demand for entrepreneurial assistance than we have capacity. Building our resource base and capacity is essential to long-term success. Finally, this approach to economic development is not widely understood, let alone supported in Ohio. There is a lack of programmatic support for this work. We must ultimately find partners and resources to create a support system that can meet the needs of our entrepreneurs on a real-time basis.

PACT is making a difference in Adams County. Each day, I see how we are helping folks discover and realize their dreams for a better life and community. Our vision for Adams County is a fitting way to end my story:

“In the year 2020, Adams County is recognized for its abundant natural resources, innovative and compatible economic opportunities, proud Appalachian heritage, perceived rural landscape, and well-educated, healthy, and employed residents.”

CONCLUSION

Appalachian Ohio has been economically and socially challenged for generations. It is too soon to project the likely impact of AORIC and its strategy to build stronger communities and a regional economy through entrepreneurship. The bulk of economic development resources (limited as they are) continue to flow to traditional strategies that historically have not been able to change the underlying economic and social conditions of this region. But the AORIC initiative is innovative with strong leadership and a powerful vision of the future. It is an area worth continued study, so we can learn from AORIC’s potentially historic work. At this time, we have five major conclusions that illustrate AORIC’s footprint to date:

COMMUNITY BANKERS

Community bankers actively are engaged in and supporting PACT’s work. Patty Wilmoth with First State Bank is currently a PACT Board Member and active in the community resource team. John Wilson with National Bank and Trust recently has been recruited to become part of the PACT team. Finally, Tonya Bouman with Fifth Third Bank is being recruited into the PACT program. All told, every bank in Adams County is part of the PACT initiative.

One, AORIC intentionally is focusing on entrepreneurs as the prime opportunity for building a stronger economy in Appalachian Ohio. It believes entrepreneurial talent is present. It is working to identify this talent and provide customized assistance that develops raw entrepreneurial talent into more successful growth-oriented entrepreneurs.

Two, the coalition has developed a sophisticated entrepreneurship strategy that is among the most innovative and cutting edge in rural America. There is a remarkable brain trust within the AORIC team that is designing this strategy. The strategy hinges on entrepreneurial facilitation or customized one-on-one assistance. It recognizes the critical importance of civic entrepreneurship, and it is working to build local support networks for entrepreneurs. It sees communities as its long-term partners in this economic development effort.

Three, AORIC is rooted in nongovernmental organizations. This initiative has evolved over the years by a group of innovative nonprofit and anti-poverty organizations. As organizations, they are well-networked, entrepreneurial, and committed to transforming change. While they are nonprofits, they actively partner and engage with all levels of

government from local county commissioners to federal agencies.

Four, AORIC as a collaborative, represents a challenging organizational form. Creating and sustaining a partnership of development organizations and programs creates challenges of cost, leadership, vision, and time. There are turf battles, communication breakdowns, and the overwhelming issue of creating a system of support from a collection of historically fragmented services.

Five, AORIC faces the ultimate challenge any entrepreneur faces—how to stay in the game long enough

to realize success. Achieving sustainability while reaching scale is the dominant long-term challenge facing this collaboration. Like an entrepreneurial start-up business, there is a shortage of seed and growth capital. AORIC actively is exploring how it can mobilize enough of the right kind of resources to sustain and grow its initiative. Current strategies involve the redirection of existing economic development dollars, creating win-win partnerships with available players, and pursuing alternative sources, such as private donors.

ENDNOTES

¹Distressed counties have a three-year average unemployment rate that is at least 1.5 times (150 percent) the U.S. average of 4.6 percent; have a per capita market income that is less than two-thirds (67 percent) of the U.S. average of \$23,564 and have a poverty rate that is at least 1.5 times (150 percent) the U.S. average of 13.1 percent or have 2 times (200 percent) the poverty rate and qualify on one other indicator.

²National Commission on Entrepreneurship. *High-Growth Companies: Mapping America's Entrepreneurial Landscape*. July 2001. <http://www.ncoe.org>.

³Examples of ESOs in Appalachian Ohio, include Rural Action, ACE-Net, and Planning Adams County Tomorrow.

⁴Examples of entitlements include commodity supports, such as the tobacco program, assistance for elders (e.g., Social Security and Medicare), assistance for low-income households including Medicaid, and other aid programs that support health care, local governments, forests, and other resources in Appalachian Ohio.

⁵The National Rural Funders Collaborative (NRFC) is a relatively new and innovative collaborative among some of America's major foundations with strong rural interests. These foundations have pooled funds to create a portfolio of projects including AORIC in Appalachian Ohio. For more information on NRFC, go to <http://www.nrfc.org>.