

FOSTERING ENTREPRENEURSHIP DEVELOPMENT SYSTEMS IN RURAL AMERICA

First Review of the Results of the Request for Proposals

Report to the W.K. Kellogg Foundation



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I THE SELECTION PROCESS

Introduction

On the occasion of its 75th Anniversary in March 2005, the W.K. Kellogg Foundation will announce grants of up to \$2 million each to a number of rural regions that have shown the imagination and determination to make entrepreneurship a priority development strategy. This will mark the culmination of a year-long effort to engage communities, governments, and institutions across the country in recognizing the potential importance of homegrown development as a way of stabilizing and re-energizing struggling rural regions.

This report is a first attempt to document what has been an extraordinary response to a Request for Proposals and to draw out some preliminary lessons that can be shared with anyone with an interest in entrepreneurship and the future of rural America.

The story began in September 2003 when CFED¹ submitted its report, *Mapping Rural Entrepreneurship*², to the Kellogg Foundation. The report, which was widely disseminated, presented data on institutions, programs, and activities that in different ways supported rural entrepreneurship. More importantly, it concluded that a new framework is needed that will animate people and institutions at all levels around four principles for entrepreneurship development in rural America:

- **Focus on the entrepreneur:** Systems thinking is required to align the plethora of training, technical assistance, and financing programs to meet the variety of needs of entrepreneurs and their different levels of education, skills, and maturity.
- **Focus on the region:** Only through regional cooperation across multiple jurisdictions and through regional institutions can there be sufficient scale, resources, and expertise to enable individual communities to play their full role. There are issues and concerns common to both urban and rural areas that can best be addressed through regional solutions; regions represent the economic engines and markets that rural enterprises have to serve.
- **Focus on the community:** Local communities need the tools and resources to identify and build upon their assets, to make choices that appropriately balance economic, social, and environmental imperatives, to learn from the experiences of others, and to be open to experimentation and innovation.
- **Focus on continuous learning:** Networks for peer support and learning are essential for entrepreneurs and for practitioners, community leaders, and policymakers. Learning about entrepreneurship should be part of the school curriculum. The need for rigorous evaluation of the effectiveness of entrepreneurship strategies and returns on investment is pressing.

The Kellogg Foundation subsequently contracted with CFED to assist in identifying the states and regions in rural America that demonstrated the capability to create effective systems for

¹ CFED: Formerly the Corporation for Enterprise Development

² Dabson, Brian and Malkin, Jennifer with Amy Matthews, Kimberly Pate, and Sean Stickle (2003), *Mapping Rural Entrepreneurship*. Battle Creek, MI: W.K. Kellogg Foundation and Washington DC: Corporation for Enterprise Development

entrepreneurship development based on these principles. Accordingly, CFED with the help of an Advisory Committee of experts (see Appendix 1) designed and launched a web-based Request for Proposals.

Core Definitions and Key Concepts

The request for proposals was designed around a set of definitions and key concepts derived from the principles listed above.

- **Entrepreneurship development systems.** The intention was to invest in a variety of approaches that would create or enhance a systems approach to entrepreneurship development. These were defined as a coordinated infrastructure of public and private supports that facilitate entrepreneurship. An effective entrepreneurship development system integrates a wide range of programs and tailors products and services to meet the diverse needs of entrepreneurs. It should be comprehensive, flexible, culturally sensitive, and integrated, and should require providers to collaborate rather than operate independently or in isolation.

Five system components were expected:

1. **Entrepreneurship education** – entrepreneurship concepts included in school curricula (K-12) preferably using experiential learning techniques; student-created enterprises encouraged as after-school and out-of-school activities; and entrepreneurship integrated into a wide range of courses and disciplines at post-secondary education institutions.
 2. **Adult entrepreneurship training and technical assistance** – high quality and accessible basic financial education, product development and marketing advice, and business development training and technical assistance to aspiring and existing entrepreneurs.
 3. **Access to capital** – adequate and appropriate supply of equity and debt financing to meet the needs of entrepreneurs at different levels of development.
 4. **Access to networks** – networks that allow entrepreneurs to share ideas, learn from one another, and conduct business together, linking them to new markets, new sources of capital, new employees, strategic alliance partners, and service providers.
 5. **Entrepreneurial culture** – cultural, social, and civic engagement that encourages, nurtures, and raises the profile of entrepreneurs.
- **Entrepreneurs and Entrepreneurship.** Simple definitions of the terms ‘entrepreneurs’ and ‘entrepreneurship’ were used. **Entrepreneurs** are people who create and grow for-profit and or nonprofit enterprises. The idea of an entrepreneur should cut across gender, race, class, and age demographics and can encompass a broad range of motivations and types. These might include aspiring, survival, lifestyle, growth, serial, and social entrepreneurs. **Entrepreneurship** describes the *processes* through which entrepreneurs create and grow enterprises. The National Entrepreneurship Education Standards classify

these processes as ones of discovery, concept development, resourcing, actualization, and personal management.³

- **Geography.** The focus of the project was clearly on rural America, but the definition of **rural** was broadly defined according to the generally accepted typology of “micropolitan” and “non-core” counties as defined by the Office of Management and Budget in 2003. It was also expected that proposals would be **regional** in scope, which would be self-identified by the applicants but could include tribal and multi-tribal regions, multi-county sub-state regions, states, or multi-county regions that cross state lines.
- **Collaboratives.** A key concept was the **collaborative**, a process or mechanism that brings together several different types of organizations – private, governmental, community-based, tribal, and nonprofit organizations, and educational institutions – that work in concert to create a coherent **system** of entrepreneurship development services to a diverse customer base within a defined geographical region.

Selection Criteria

Four primary selection criteria were used both to guide applicants and to structure the selection process:

1. **Target Market** Applicants were expected to have a deep understanding of the market their systems were created to serve together with a plan for meeting the market’s needs and achieving significant market penetration. They were also required to demonstrate that they had the interest and the capacity to serve diverse types of entrepreneurs and populations, specifically disadvantaged entrepreneurs and distressed communities.
2. **System Design** The extent to which all the elements of an entrepreneurial development system were clearly and effectively integrated into a comprehensive strategy was of particular importance, as was a plan to assess outcomes and impacts on the targeted entrepreneurs, community, rural region, and the regional economy.
3. **Collaboration and Sustainability** Evidence was sought of the commitment of all of the partners and of their substantive involvement in the design, implementation, and sustaining of the system. In addition, there had to be a plan for resource development to ensure that the system had a good chance of being sustained for the long-term.
4. **Policy** An understanding of the policy development process at the federal, state, tribal, and local levels, and a demonstrated capacity to achieve policy and advocacy outcomes related to entrepreneurship development, was regarded as essential.

The First Round

After having been given just ten weeks to respond to the demanding requirements of the Request for Proposals, 182 proposals were submitted for entrepreneurial development systems in rural regions in 47 states, as well as three ineligible proposals from outside the United States.

³ These standards have been defined by the Consortium for Entrepreneurship Education and can be viewed at www.entre-ed.org

These proposals were subjected to an intensive CFED staff review to test for completeness, eligibility, and satisfaction of the selection criteria described above. This review resulted in 61 proposals deemed acceptable to move to the second round.

The Second Round

The 61 proposals were then distributed among the members of the Advisory Committee in a way that allowed each proposal to be reviewed by two Committee members and each member to review no more than 15 or 16 proposals. This second round process involved a careful assessment against the selection criteria resulting in just 12 proposals being selected for site visits.

Those not selected were excluded for one or more of the following reasons:

- **Insufficient Market Knowledge.** Although most proposals demonstrated a good understanding of their region's general economic needs, several lacked sufficient knowledge and understanding of entrepreneurs' needs. Without this, it is not possible to design an effective entrepreneurship development system.
- **Lack of Inclusiveness.** Proposals did not demonstrate how the entrepreneurship development system would serve a diverse customer base reflective of the market of potential entrepreneurs operating in the proposed region. They did not specifically address how they intended to serve a range of different types of entrepreneurs or a range of populations varying in gender, age, race and income levels.
- **Incomplete Model.** Proposals did not incorporate all five elements of a comprehensive entrepreneurship development system. "Access to networks" and "entrepreneurial culture" were often left out altogether or inadequately addressed.
- **Weak Partnership Structures.** Several collaboratives appeared to be largely driven by a single dominant organization with many of their partners not fully engaged in the design of the system. Other collaboratives seemed to be missing important partners, for instance where entrepreneurship education was highlighted as important but where there were no educational stakeholders included in the proposal. The absence of a collaborative design process and a clear decision-making process going forward led to several proposals being set aside.
- **Limited Financial Sustainability.** Some sustainability plans were either unrealistic or potentially risky, and raised questions about the systems' ability to survive after the Kellogg grant had been spent.
- **Poor Policy Capacity.** Policy development was generally one of the weakest areas, and even among those who demonstrated a capacity to engage in policy work, many failed to outline specific, anticipated outcomes.

The Third Round

The final 12 proposals that were deemed to have met or exceeded expectations based on the selection criteria were selected for further in-depth review and site visits. Over a period of four weeks in October and November 2004, each of the sites was visited by a team of two CFED staff or consultants for a round of meetings and interviews with representatives of lead organizations and members of the collaborative. The purpose of these visits was to conduct due diligence assessments and to pursue specific questions raised by the Advisory Committee. Each visit was

conducted broadly in accordance with a pre-determined protocol based on the original selection criteria. Many of the visits involved traveling long distances across regions to interview partners or conducting up to 30 meetings inside two days. The members of the review teams came together at the end of November to present their findings and to enter into a detailed discussion about the strengths and weaknesses of the twelve proposals.

During the course of this meeting a number of important considerations were identified that proved to be influential in determining which proposals were to be recommended. These considerations all related to the impact that an award of \$2 million might have on the system being proposed;

- Would the grant be transformative for the rural region – would it really make a difference?
- Could the investment be regarded as potentially a high risk given what was known about the history, demographics, geography, and capacity of a region?
- Would it be more cost-effective to invest in organizations and collaboratives with a proven track record or in those with more potential than experience? (This question was linked to the one below.)
- Should priority be given to those regions with fewer resources or, are leverage and sustainability more important factors?
- Should priority be given to those that focus their attention on low-income communities and entrepreneurs or to those that have a regional orientation that includes outreach to these communities and higher growth entrepreneurs more broadly?
- Is it more appropriate to invest in those that up to this point have paid particular attention to systems development and relationship-building and have not moved as far along in the development of new or improved products and services?
- Should the aim be to focus on those that represent moderate risk and the promise of moderate rewards or would it be better to recommend a portfolio of investments that includes a range of risks and potential rewards?
- How important is it to achieve national geographic and demographic diversity among the finalists?

The Fourth Round

As a result of these deliberations, and following discussion with the Advisory Committee, six proposals were recommended to the Kellogg Foundation in December 2004:

- Nebraska Hometown Competitiveness, NE – Nebraska Community Foundation
- Advantage Valley Entrepreneurship Development System, WV-OH-KY – Advantage Valley, Inc.
- North Carolina Rural Outreach Collaborative, NC – North Carolina Rural Economic Development Center
- Oweesta Collaborative, SD – First Nations Oweesta Corporation
- Connecting Oregon's Rural Entrepreneurs (CORE), OR – Rural Development Initiatives
- Northern New Mexico Entrepreneurship Development System, NM – Regional Development Corporation

Each of these has been invited by the Foundation to submit a formal grant proposal and the final decision will be announced at a conference in Washington DC in March 2005.

II SNAPSHOTS OF THE FINAL SIX

The six proposals recommended to the Kellogg Foundation represent a range of contexts and approaches. Three are based on existing collaboratives with a track record; three are new, specific responses to the Request for Proposals. They each have exciting and innovative aspects, and all present degrees of risk. These entrepreneurial development systems are complex, 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.

Home Town Competitiveness Nebraska

Home Town Competitiveness (HTC) is a two-year old collaborative of individuals, families, organizations, businesses, and communities currently working together in five regional sites in Nebraska to build stronger, vibrant communities. The focus is on energizing entrepreneurship, engaging young people, mobilizing local leadership, and cultivating charitable assets. The proposed HTC Entrepreneurship Development System (EDS) would deepen its efforts in those five communities and expand HTC to serve up to 12 multi-community sites, including Native American communities and new immigrants. It would greatly expand, deepen, and formalize its collaborative efforts through a network of communities, service providers, and policy organizations.

The target sites are rural counties and communities in geographically isolated places across the state where the out-migration of young, entrepreneurial, or educated people is eroding every aspect of current and future community capacity. The EDS would serve three distinct groups: disadvantaged venture entrepreneurs (mainly women, new immigrants, Native Americans, and survival entrepreneurs) who have no safety net, who are just getting by and not building assets; social entrepreneurs (usually in nonprofit organizations whose work enhances the quality and capacity of rural communities); and young people, on whom the future of rural communities depends.

There are 33 identified partners⁴ in the EDS with the Nebraska Community Foundation as the lead organization. Task forces will be established in each of the 12 sites, receiving training, coaching, and support from the collaborative partners to set goals, design work plans, and draw upon the expertise of community members and external resource partners. The emphasis is on creating a demand-driven, ground-up system with local communities committing local match funds.

Governance will be through an annual meeting of the collaborative partners that will elect an eight-person Executive Committee comprising representatives of two community partners, one tribal partner, one post-secondary education partner, one K-12 education partner, one private sector partner, and one representative of the lead organization. There will also be a management team comprising the Nebraska Community Foundation, RUPRI Center for Rural Entrepreneurship, Heartland Center for Leadership Development, and the Center for Rural Affairs. HTC will benefit from extensive state and federal connections through the members of its management team with a

⁴ These partners and those associated with the other recommended EDSs are listed in Appendix 4.

focus of evolving existing categorical policies and programs to be more useful to community and regionally-based EDSs.

Long-term sustainability of the EDS will be partly assured by cash and in-kind commitments of the partners. More importantly it will be assured by a strategy to systematically secure and manage local charitable assets based on the anticipated enormous intergenerational wealth transfer over the next several years in rural Nebraska, as calculated by the community foundation.

Integral to the EDS will be a documentation approach that both informs funders and partners of the outcomes and provides a mechanism for continuous learning among the partners. Evaluation will seek to inform how the program works, what successes are experienced, identify challenges and missed opportunities, and measure change in community attitudes. In addition, communities will be assisted in creating local scorecards for both internal learning and for cross-community sharing.

Advantage Valley Entrepreneurship Development System Collaborative West Virginia, Kentucky & Ohio

Advantage Valley is a region of Appalachia comprising eight counties in West Virginia, three in Kentucky, and one in Ohio. It is an area traditionally reliant upon extractive industries and branch plants. A number of recent studies and analyses have highlighted the importance of entrepreneurship as a way of changing the culture of the region. Advantage Valley has adopted and begun to implement on a limited scale the *Entrepreneurial League System* developed by Tom Lyons and Gregg Lichtenstein. The focus is on organizing existing service providers into a collaborative service provider network, and on establishing peer networking teams for entrepreneurs. The proposed EDS would allow the league system to penetrate the region and enlarge its scope to make a greater impact.

The target counties are largely distressed and disadvantaged on most accepted indicators, and studies show comparatively low levels of social capital. Aspiring entrepreneurs, those who have yet to start a business, will be a major target group. The EDS will employ diagnostic techniques developed by Lyons and Lichtenstein to assess the skill levels of entrepreneurs to ensure that their needs are met by the appropriate resource.

Advantage Valley, Inc., a regional economic development organization, is the lead for the eight-partner collaborative, and it will be a committee of representatives from these organizations that will continue to comprise the governance structure for the EDS. Lichtenstein will be an active participant in the implementation of the system.

Long-term sustainability will largely come from policies that change how current state and federal funds are allocated in support of entrepreneurship. Advocates believe that such policy changes will come when the economic returns on public investment in entrepreneurship become evident. The Kellogg grant is seen as the means of achieving sufficient scale to generate measurable returns. Levying fees on service providers and on entrepreneurs participating in coached networks, and integrating portions of the system into the operations of the partners are other possibilities. For instance, the state's Department of Education has committed to a pilot for a major entrepreneurship education effort at the K-12 and community college levels in Advantage Valley in advance of a state-wide roll-out

The collaborative's policy agenda will be closely allied to that already crafted by the Entrepreneurship Subcommittee (the chair of which is an EDS partner) of Vision Shared, West Virginia's statewide economic development planning process. The entrepreneurship policy agenda encompasses awareness, infrastructure, cluster-based approaches, tax policy, education, and intellectual property.

North Carolina's Rural Outreach Collaborative North Carolina

The mission of the North Carolina' Rural Outreach Collaborative's entrepreneurship development system is to rebuild innovation and community optimism in rural North Carolina. The imperative is to accelerate the flow of knowledge and good ideas to entrepreneurial citizens who can re-create their economic base through local problem-solving. The proposal represents a second of three phases of the North Carolina Rural Economic Development Center's (the lead organization) Homegrown Jobs Initiative. The first phase, "Planting Seedlings," began in October 2003 and currently there are active pilot projects for entrepreneurship development in eleven demonstration communities, four tele-centers, and thirteen community colleges. In addition, a business resource alliance was established to bring together most of the main service providers statewide around a common agenda. The second phase, "Connecting the Roots" is aimed at transforming the state's substantial and fragmented assets into a national model of a working growing system for rural entrepreneurship development. The third phase, "Creating Rural Growth Markets" would seek \$20 million from the state and \$10 million from wealthy entrepreneurs to essentially double the funding for entrepreneurial support in the state.

The collaborative in this second phase would focus on reaching entrepreneurs in African-American, Hispanic, and American Indian communities together with workers displaced from the collapse of once-strong manufacturing and agricultural economies across rural North Carolina, all of whom face significant economic and social barriers to private enterprise competitiveness. There will be a particular concentration on the development of local systems in communities with limited entrepreneurship infrastructure. Focus groups of entrepreneurs from all over the state have provided much intelligence about priorities and approaches for the system, including the need for a "no wrong door" ethos that presumes full understanding among all service providers of each other's capacities and expertise.

There are 21 partners in the collaborative with the Rural Center and its new Institute for Rural Entrepreneurship in the lead. Governance has five components: an Executive Policy Team comprising the heads of partner organizations to develop joint legislative proposals and chair an annual policy forum showcasing the EDS's achievements; a Collaborative Leadership Team made up of key program managers and social entrepreneurs to manage the EDS's activities and be jointly accountable for outcomes; an Entrepreneurs' Advisory Team to review products and approaches before they are introduced, and a Communities' Advisory Team to do the same from a community perspective; and a Free Idea Network of entrepreneurship thinkers from across the state and elsewhere to share ideas with EDS partners.

A five-part measurement and evaluation framework is proposed that includes collaborative management development to determine knowledge, trust, and interaction among partners; customer satisfaction surveys and surveys to measure changes in entrepreneurship knowledge

among entrepreneurs, community leaders, and policymakers; a joint system for tracking entrepreneur attributes, activities, and outcomes; the use of entrepreneurship development report cards on outcomes for communities; and a third party evaluation of the system and of specific pilot projects.

Oweesta Collaborative South Dakota & Wyoming

The Oweesta EDS has been formed to create healthier and more prosperous tribal communities through entrepreneurship. The approach is based upon the culturally sensitive Wawokiye model of client-centered, long-term technical assistance and education linked to the provision of debt and equity capital, and is intended to be a model throughout Indian country. The collaborative's partners had been meeting since early 2004, well in advance of the Request for Proposals, to develop a seamless system of services for entrepreneurs.

The target market for the system is a multi-tribal region that includes the Pine Ridge and Cheyenne River Reservations, both Lakota Sioux and in South Dakota, and the Wind River Reservation (Eastern Shoshone and Northern Arapaho tribes) in Wyoming. All of the reservations have well-documented disadvantage and daunting economic and entrepreneurship challenges. However, they each have in common a Native Community Development Financial Institution (NCDFI) that greatly enhances their collaborative capacity for developing the Wawokiye model. Each has a track record in helping a diverse range of entrepreneurs, expanding existing businesses, and fostering business start-ups. The EDS will enable them to "turn up the dial" on these efforts.

The approach uses a network of volunteer and paid professional service providers, coaches, and mentors, and each site is supported by a volunteer steering committee of successful, experienced entrepreneurs in the area, which acts as a brain trust to the facilitators in the field. The collaborative has defined very specific goals, including creating or expanding 225 Indian-owned enterprises on the three reservations, developing culturally sensitive youth and adult entrepreneurship training materials and teaching 250 youth and 1,250 adults within three years, raising \$10 million in debt and equity capital to support the initiative, and forming a network of 60 volunteer and professional service providers, capital sources, and mentors linked by a virtual private network.

There are nine partners in the collaborative, the lead being the First Nations Oweesta Corporation, a five-year old organization federally-certified to invest in and support Native CDFIs nationwide and founded to assist tribes and Native entrepreneurs with loan and investment capital technical assistance, training, and community development information. With the exception of the Wawokiye Business Institute, all the partners are well-established and have committed to raise significant federal and foundation grant funding and to provide an in-kind match of \$2.9 million over five years to sustain the system.

The collaborative proposes to leverage its uniqueness as a Native American EDS to secure policy advances in Indian country, particularly in relation to an enforceable uniform commercial code, uniform leasing laws, and corporation codes; at the state level in South Dakota and Wyoming to advocate for expanded initiatives to recognize and fund tribal entrepreneurship; and at the federal level for an appropriation to establish a national demonstration project.

Connecting Oregon's Rural Entrepreneurs (CORE) Oregon

Connecting Oregon's Rural Entrepreneurs (CORE) is a brand new initiative aiming to build an entrepreneurial development system in five distinct, economically distressed rural regions across the state, brought together under a loose federated structure. Each region has different economic, geographic, and demographic characteristics, and each has demonstrated some realizable potential upon which to base an entrepreneurial effort. They are all experiencing huge cultural shifts as their economies transition from a reliance on natural resource extraction and are challenged by low population densities and difficult terrain.

For each region, there will be an Entrepreneur Advisory Board comprising entrepreneurs and local organizations interested in entrepreneurship. The Board will be responsible for drawing up an action plan for its area that is customized to local conditions and assets. Each Board will have representation on a Statewide Advisory Committee. This Committee will review the regional plans in order to identify ways in which regional and state resources can be redeployed to assist implementation, identify strategic partners, and promote policy changes that will enhance rural entrepreneurship development and sustainability.

Rural Development Initiatives (RDI) is a well-respected private nonprofit organization established in 1992 to assist Oregon's rural communities in shaping their own futures. RDI is the lead organization for CORE which comprises 28 state, regional, and local partner organizations. RDI's ongoing role will be to facilitate the Statewide Advisory Committee and oversee CORE to ensure that it will serve the needs of all types and stages of entrepreneurs in a flexible, culturally sensitive and integrated manner. It is proposed to use a multi-method approach to documentation and evaluation including outcome indicators, external benchmarking, in-depth interviews, focus groups, and balanced scorecards.

CORE's plans for sustainability have seven elements: partners have been assembled who have existing capacity, diverse and stable sources of operating money, an ability to fundraise, and an expertise and commitment to rural areas; program resources will be used to leverage new investments in direct services to entrepreneurs; priority will be given to building relationships and systems that will increase efficiencies and ease of access for entrepreneurs, and become part of normal practice for the partners; tools and services will be created that can be sustained through a fee structure; there will be investment in skill-building, leadership development, and peer-to-peer learning opportunities; there will be emphasis on communications both within CORE and with the general public to raise awareness and interest in entrepreneurship and its contribution to rural health; and CORE will work at the state level to increase support and resources for local services to entrepreneurs. The last of these should be helped by the recent creation of an Office for Rural Policy in the Governor's Office.

Northern New Mexico Entrepreneurship Development System New Mexico

The Northern New Mexico Entrepreneurship Development System, known as the SYSTEM, is a new initiative that is intended to serve a four-county micropolitan and multi-tribal region. It is a highly rural, geographically challenging, visually incomparable, and culturally diverse landscape,

much of it federal forest or park land controlled by multiple government entities. The SYSTEM's design has emerged from a mini-Town Hall meeting of stakeholders and entrepreneurs, and from intensive discussions among organizations that had not before worked together.

Three target groups have been identified for the SYSTEM: aspiring entrepreneurs in junior high and high schools; survival, lifestyle, and social entrepreneurs; and the region's growth and serial entrepreneurs associated with technology commercialization opportunities from Los Alamos National Laboratory, one of the partner organizations.

The approach has two main elements. The first is to engage the target audience where they live and work using a variety of communication methods. These will include after-school entrepreneurship and leadership programming to "grab kids' attention", neighbor networking, entrepreneur awards, coaching, and the use of a virtual scrip that will give entrepreneurs the means to pay for services they find most useful. The second element is to address the aggregate needs of the region's entrepreneurs, with a focus on policy, communication, and capital access.

The lead organization is the appropriately named Regional Development Corporation, which supports a wide range of development projects and initiatives across northern New Mexico, including administering a NASA statewide technical assistance program for entrepreneurs, and IBM's Economic Development Plan to build the region's small business management capacity. Nineteen partner organizations have committed to signing a SYSTEM-wide Memorandum of Understanding that will clearly state expectations and every partner will have a contract that will define the scope of work, deliverables, and timetable, with payments made on a "fee-for-service successfully rendered" basis.

The SYSTEM has a two-tier approach to public policy. In the short-term, the focus will be on educating local leadership, including youth in advocacy efforts, working with entrepreneurs to build their advocacy capacity, and advocate as a collaborative *with* rather than on behalf of the entrepreneurs. In the long-term, the aim will be to combine advocacy efforts with other business advocacy groups, monitor for policy-related conflicts between entrepreneurs, and encourage the development of an entrepreneurial political action committee.

III SOME FACTS AND FIGURES

Number and Distribution of Proposals

A total of 185 proposals were submitted, of which three from outside the United States (Puerto Rico, Bolivia, and Peru) were deemed ineligible. Entrepreneurship development systems were proposed for rural regions in 47 states – only Connecticut, Nevada, and Rhode Island were not included. On average, there were four proposals per state, with the highest number coming from or relating to Texas (13), New Mexico (13), California (8), Kentucky (8), and Pennsylvania(8). Distribution between the areas served by Regional Rural Development Centers⁵ was as follows:

Table 1: Distribution of Proposals by Regional Rural Development Center Areas

RRDC	All Proposals	Final 61	Final 12	Final 6
Western	44	13	5	2
North Central	48	23	4	2
Northeast	29	10	1	1
Southern	61	15	2	1
Total	182	61	12	6

There were 27 multi-state proposals, of which 21 related to either two or three states. Some proposals involved up to seven states, with one from Tennessee that targeted the 18 '1890 land grant' universities in 17 states. States engaged in the most cross-border collaborations were Arizona, Montana, and New Mexico with four each. Three of the five proposals submitted by organizations in Mississippi were for multi-state systems.

Characteristics of Lead Organizations

The lead organizations for the 182 U.S. proposals can be categorized into five main groups – economic development organizations, higher education institutions, community-based organizations, sector-specific organizations, and rural development organizations. Table 2 provides a breakdown of the proposals by these main groups.

Table 2: Lead Organizations by Category

Primary Category	Secondary Category
Economic development (61)	Regional/county development (30); entrepreneurship (8); business development (7); small business development centers (SBDCs) (4); microenterprise (4); incubators (3); chambers of commerce (2); empowerment zones (2); Main Street (1)
Higher education (49)	Universities & related (39); community colleges (6); tribal colleges (4)
Community -based (36)	Community development corporations (8); community development financial institutions (7); community action agencies (7); community -based service organizations (7);tribal organizations (5); community foundations (2)
Sector-specific (17)	Agriculture (5); education (5); health (3); workforce (3), and disability (1)
Rural development (12)	Resource Conservation & Development Councils (5); rural development (4); Rural Development Councils (3)

⁵ The four Regional Rural Development Centers, based at Utah State University, Iowa State University, Pennsylvania State University, and Mississippi State University, coordinate rural development research and education throughout the United States, and are supported by land-grant universities, the U.S. Department of Agriculture, and foundations. (See also Appendix 5)

There were a further seven lead organizations that fell outside these categories – two private firms, two service organizations, two state agencies, and a church.

Table 3 shows how the lead organizations fared through the selection process.

Table 3: Lead Organizations and the Selection Process

Category	All Proposals	Final 61	Final 12	Final 6
Economic development	61	18	6	2
Higher education	49	19	1	0
Community-based	36	13	3	2
Sector-specific	17	6	0	0
Rural development	12	5	2	2
Other	7	0	0	0
Total	182	61	12	6

Target Regions

The interpretation of what constitutes an appropriate region for an entrepreneurial development system varied widely, from a single county or reservation to a whole state, from a sub-state region to multi-state contiguous regions to distributed systems across multiple states. Many proposals included a combination of counties, pueblos, colonias, reservations, tribes, or Indian Nations in their target region, reflecting the ethnic and cultural diversity of rural America.

There were 23 statewide proposals, with Alaska, Iowa, Minnesota, and Wisconsin each having two for their state. The choice of region was dictated by a combination of several factors – the service area for the lead organization, congressional districts, labor market areas, extent of economic disadvantage, and geography, including river basins and highway corridors. The case for the definition of a region was sometimes weak and it was hard to see what tied disparate areas together. Most applied common census definitions of “rural”, but very few made a conscious effort to link rural to urban or metropolitan areas in their system design.

Collaboratives

Proposals varied considerably in their approach to collaboration, from intense engagement during the conception and design stages to the production of long lists of individuals and organizations that would be consulted during implementation. The number of partners ranged from one to 57. The average number was about 10 partners, enabling the full range of entrepreneurship development components to be incorporated into the system. The sheer variety of partners was overwhelming, an analysis of which is beyond the scope of this paper.

Focus

Many used the Request for Proposal materials as blueprints for their systems and took the underlying principles very seriously. This led not to a homogeneity of proposals but to a surprising variety of approach and focus. There were applications and adaptations of the entrepreneurial league system and the entrepreneurial facilitation programs; there were proposals based on the

county extension and Small Business Development Center networks, and others on established principles of community organizing. There were some that focused exclusively on a particular target group such as Native Americans, black farmers, or residents of colonias; others adopted a sector approach seeing sustainable agriculture, life sciences, tourism, or food products as sources of entrepreneurship activity.

IV INITIAL OBSERVATIONS

Major Lessons

1. **The proposals demonstrated extraordinary commitment, creativity, and resourcefulness by individuals, communities, and organizations across rural America.**

The themes of entrepreneurship and regional and institutional collaboration appear to have provided the impetus for thinking afresh about how rural areas can chart a new economic future that is not dependent upon relocating companies looking for cheap land and labor. Entrepreneurship has attracted enthusiastic attention across the diversity of geography, ethnicity, and culture that comprises rural America. The call for regions and institutions to explore common futures and to make the best use of scarce human and financial resources appears to mark a shift from generations of destructive competition and narrow-mindedness to the possibilities of forging new regional and national competitive advantages. Of course, it would be naive to ignore the incentive of the substantial Kellogg Foundation grant, and although that may well have been a primary motivation for many proposals, the quality of a significant number suggests that the timing for the project was just as important.

2. **The principles and concepts upon which the project was designed seemed to have stood the test of intense scrutiny.**

Within an almost unrealistic timeframe of ten weeks, people from a very wide of range of organizations and backgrounds were prepared to examine the relevance and applicability of a systems approach based on customer-focus, regionalism, local inclusiveness, and effectiveness. The result was that more than 60 proposals passed rigorous eligibility tests.

Nevertheless, there were some considerable challenges created by the approach. In particular, designers were asked to stretch in at least three unfamiliar directions.

- **Serving an inclusive market.** Many applicants had difficulty in reaching out beyond the usual clientele of the business development and enterprise agencies to under-served populations, and moreover to actively engage them in the process. This meant that for the first time county and state officials were sitting down with tribal leaders, and that business recruiters discussed economic development strategies with microenterprise organizations. It also led to some creative outreach strategies including two proposals for mobile units in Pennsylvania and Louisiana, and in some cases to exploring the potential of information technologies.
- **Delivering entrepreneurship education.** A second new direction involved extending beyond the now conventional components of entrepreneurship and small business development – training, technical assistance, capital, and networking – to entrepreneurship education. This required economic developers to reach out to educators and school districts to explore how K-12 education can effectively integrate entrepreneurship principles without compromising academic standards. One proposal in Georgia was led by a nonprofit entrepreneurship education provider; others involved readily available

programs from Junior Achievement, Economics America, or REAL. But, for many incorporating entrepreneurship education was a step too far at this time.

- **Advocating policy.** The third direction issue that challenged applicants was the requirement to engage in policy. For people and organizations accustomed to being implementers of policies, the thought that they might be in a good position to shape public policy in ways that might advantage entrepreneurship development in their communities was a novel one. In some cases, the collaboratives would have all the necessary networks, resources, and political savvy, but had not been able to put these together into a coherent policy strategy. For others, advocacy was central to the way they did business and that was reflected in their approach to this key requirement.

3. **While the process has a sharp focus on entrepreneurship development, it suggests powerful implications for rural governance.**

The essential principle of collaboration has forced communities to recognize that progress can only be achieved if governments, nonprofit organizations, and the private sector find ways of working together, sharing and leveraging expertise and resources, and reaching out across political and ethnic boundaries. Many of the proposals laid considerable stress on the need for community capacity-building and leadership development, and on the need to engage young people and groups normally left out of decision-making processes. If this is true for entrepreneurship, generally regarded as the most individualistic of activities, then it must apply to the full range of policies, programs, and services in rural America. The fact that some of the proposals make very deliberate connections to health, disability, life sciences, and sustainable agriculture points the way.

A Future Learning Agenda

There remain many unanswered questions about the realism, efficacy, and sustainability of many of the proposals.

1. **Why were there so many proposals from a single state?**

There were multiple proposals from most states, in fact an average of four per state. This may reflect a variety of factors such as target markets or geography, but what can be surmised from the fact that over one-fifth of all proposals came from just four states – Texas, New Mexico, California, and Kentucky? Does it suggest a powerful groundswell of interest in rural entrepreneurship or does it indicate an inability or lack of interest of organizations, institutions, and communities to work collaboratively?

2. **How feasible is a multi-state proposal?**

There were 27 multi-state proposals. In many instances, these were natural reflections of economic geography, or attempts to link together constituencies of common interest. Even in cases where only two or three states are involved, is it not likely that the challenges of melding together different legal, administrative, resource allocation, and political systems will blunt the effectiveness of the entrepreneurship development effort? And is it possible to create functioning systems when the parts are widely geographically dispersed? CORE in Oregon is

an attempt to do this inside a single state, but what does it take to do it across state boundaries?

3. How many of the proposals will go forward in the absence of Kellogg grant funding?

In well-resourced areas, or where institutional capacity is strong, it is quite possible many will proceed if at a slower pace or in a curtailed fashion. It will take very high levels of commitment in other less well-off areas to keep going. But anecdotal evidence seems to suggest that many of the core principles embedded in the process have been adopted in communities across rural America and may help to reshape the design and delivery of economic and community development services in the future.

4. What needs to be done to sustain the momentum created by this project?

Many possibilities suggest themselves. Here are seven ideas for consideration:

1. Conduct thorough evaluations of the funded entrepreneurship development systems and share the findings widely.
2. Provide structured learning opportunities among all interested applicants, through sharing of materials, peer-to-peer exchanges, workshops and conferences.
3. Secure other funding to support more EDS proposals.
4. Organize networks to provide support and technical assistance for EDS probably on a regional basis.
5. Conduct research and evaluations on different models that are being implemented around the country and widely disseminate the results.
6. Create a database and information system for tracking the emergence and development of EDS and to provide support for federal and state policy initiatives.
7. Develop demonstration projects and academies particularly in states and regions where there have been multiple proposals.

Final Words

This report represents just a start in trying to distil the lessons and implications arising out of the Kellogg Foundation's investment in promoting entrepreneurship development systems in rural America. The responses to the Request for Proposals in their quantity and quality far exceeded the CFED team's expectations when they set out to design the project.

Both the Foundation and CFED would like to thank all those who worked through the summer in assembling collaboratives, understanding the needs of their regions and their entrepreneurs, and creating a remarkably diverse array of systems, all in the cause of re-energizing rural America.

APPENDIX 1: The Advisory Committee

Cathy Ashmore	Director, Consortium for Entrepreneurial Education Columbus, OH
Caroline Carpenter	Program Director, W.K. Kellogg Foundation Battle Creek, MI
David Dodson	President, MDC, Inc. Chapel Hill, NC
Thomas Lyons	Director, Center for Entrepreneurship & Enterprise Development University of Louisville, KY
Deborah Markley	Co-director, RUPRI Center for Rural Entrepreneurship Chapel Hill, NC
Janie Barrera	Executive Director, Accion Texas San Antonio, TX
Thelma Stiffarm*	Director, Office of Native American Affairs, Small Business Administration Washington DC
Don-Terry Veal	Associate Director, Center for Governmental Studies, Auburn University Editor, Entrepreneurship Policy Journal Auburn, AL

** Attended the first meeting only*

APPENDIX 2: The CFED Staff Team

Brian Dabson Project Co-Director
Jennifer Malkin Project Co-Director

Jennifer Brooks
David Buchholz
Andrea Levere
Kim Pate
Eugene Severens
Nancy Stark
Michael Torrens
Lillian Woo

APPENDIX 3: Chronology of Selection Process

April 2004

First meeting of the Advisory Committee
Finalization of selection criteria and application process
Compilation of mailing lists and finalization of communication materials

May 2004

Project website developed and tested

June 2004

Launch of on-line Request For Proposals
Formal public communications

August 2004

Proposal Submission Deadline
First Round Reviews

September 2004

Second Round Reviews
Second meeting of Advisory Committee
Finalization of site visit protocols

October-November 2004

Conduct and write-up of site visits
Third Round Review
Third Meeting of Advisory Committee
Formal recommendation for Final Six to Kellogg Foundation

December 2004

Kellogg issue invitation to submit grant proposals to Final Six
Completion of project

March 2005

Formal decision by Kellogg Foundation

APPENDIX 4: Partner Organizations for Final Six Proposals

Home Town Competitiveness

Nebraska Community Foundation, RUPRI Center for Rural Entrepreneurship, Heartland Center for Leadership Development, Center for Rural Affairs (3 programs), Communities of Stuart and Atkinson, Stuart Youth Leadership Task Force, City of Grant, City of Imperial, Mullen Commercial Club, Consolidated Telephone Company, Knox County Development Agency, Great Plains Communications, Inc., Valley County Economic Development Board, River County Economic Development Corporation, Nemaha County Development Alliance, Ho-Chunk, Inc., Nebraska Microenterprise Partnership Fund, NebraskaEDGE Center for Applied Rural Innovation, University of Nebraska-Lincoln, Northeast Community College, Northern Great Plains, Inc., GROW Nebraska, Nebraska Lied Main Street, Community Strategies Group of the Aspen Institute, Rural Policy Research Institute, The Nelson Institute, University of Nebraska Public Policy Center, College of Education & Human sciences, University of Nebraska-Lincoln.

Advantage Valley Entrepreneurship Development System Collaborative

Advantage Valley, Inc., Center for Economic Options, West Virginia Small Business Development, Ashland Area Innovation Center, West Virginia State Department of Education, Advantage Valley Community College Network, Vision Shared Increasing Entrepreneurship Committee, BIDCO Foundation.

North Carolina's Rural Outreach Collaborative

North Carolina Rural Economic Development Center, Center for Creative Leadership, Council for Entrepreneurial Development, East Carolina University, e-NC Authority, EntreWorks Consulting, Good Work, Inc., IDA and Asset Building Collaborative of North Carolina, Inc., NC REAL, North Carolina Community College System, North Carolina Community Development Initiative, North Carolina Department of Agriculture, North Carolina Department of Commerce, North Carolina Indian Economic Development Initiative, North Carolina Institute for Minority Economic Development, North Carolina State University, RTI International, SelfHelp, Small Business & Technology Center at University of North Carolina, University of North Carolina-Chapel Hill School of Government, West Carolina University.

Oweesta Collaborative

First Nations Oweesta Collaborative, RCI-Rural Community Innovations, The Lakota Fund, Wawokiye Business Institute, Pine Ridge Area Chamber of Commerce, Oglala Lakota College, First People's Fund, Four Bands Community Fund, Wind River Development Fund

Connecting Oregon's Rural Entrepreneurs (CORE)

Rural Development Initiatives, Inc., East Oregon Rural Alliance, Eastern Oregon University, Food Innovation Center at Oregon State University, Illinois Valley Community Response Team, ONABEN, Oregon Economic & Community Development Department, Oregon Entrepreneurs Forum, Oregon Housing & Community Services, Oregon Microenterprise Network, Oregon Small Business Development Center Network, Oregon State University, Rural Community School Partnership, ShoreBank Enterprise Pacific, Social Enterprise Group, Sustainable Northwest, The Dissel Group, The Ford Family Foundation, University of Oregon's Community Service Center, USDA Rural Development, Confederated Tribes of the Warm Springs Reservation of Oregon, Northeast Oregon Economic Development District, Lake County Economic Development Department, SOWAC Microenterprise Development Center, Umpqua Community Development Corporation, Lower John Day Regional Partnership, Oregon Coast Community College Small Business Center, Association of Oregon Community Development Organizations.

Northern New Mexico Entrepreneurship Development System

Regional Development Corporation, North Central New Mexico Economic Development District, Los Alamos National Laboratory Technology Transfer Division, New Mexico Economic Development Department, New Mexico Community Development Loan Fund, WESSTCorp, Accion New Mexico, Native American Lending Group, Taos County Economic Development Corporation, San Miguel Las Vega Economic Development Corporation with Highlands University, Northern New Mexico ENLACE, Greater Espanola Valley Community Development Corporation, Santa Fe Community College, Small Business Development Centers, Las Tapetes de Lana, Taos Business Alliance for Economic Development, Tsay Corporation, New Mexico Cooperative Extension Service, Space Alliance Technology Outreach Program.

APPENDIX 5: Regional Rural Development Centers

The country is divided into four regions each served by a Regional Rural Development Center. These centers, located at Utah State University, Iowa State University, Pennsylvania State University, and Mississippi State University, coordinate rural development research and education throughout the United States, and are supported by land-grant universities, the U.S. Department of Agriculture, and foundations. The four regions are:

Western

Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming.

North Central

Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin.

Northeast

Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, West Virginia.

Southern

Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia.