

## **Greenstone Group**

### **Support for the Entrepreneur**

This case study was written by Deborah Markley of the Center for Rural Entrepreneurship in January 2012 to assess the work of the Greenstone Group in developing and testing an innovative approach to building regional entrepreneur development capacity in the northeast Minnesota region.

# **The Evolution of the Greenstone Group**

*Building Regional Entrepreneur Development  
Capacity in Northeast Minnesota*



**Deborah M. Markley, PhD**  
**Managing Director**



January 2012

## ACKNOWLEDGEMENTS

This report marks the culmination of three years of documentation and learning about the Greenstone Group – an initiative of the Entrepreneur Fund in northeast Minnesota. Throughout this three-year effort, individuals across the region graciously contributed their time and insights about the Greenstone Group. I greatly appreciate the time and honest assessment of both the achievements and challenges of Greenstone given by all who participated in these interviews. In particular, I want to acknowledge the insights shared by the entrepreneurs. It is to you and the growth of your enterprises that Greenstone is committed. Your willingness to spend time away from your businesses to share your experiences – your successes and your challenges – was invaluable to this documentation process. I greatly appreciate not only the time you gave to this documentation effort but also your willingness to participate in the development, testing and evolution of an innovative approach to building regional entrepreneur development capacity in the northeast Minnesota region.

In addition, I would like to acknowledge the John S. and James L. Knight Foundation for recognizing that designing and launching a new initiative focused on both entrepreneur and regional development would require the time to test, assess, redesign and implement, and agreeing to a long-term commitment of resources consistent with the long-term nature of regional and entrepreneur transformation. And, I would like to acknowledge the leadership of Mary Mathews and the Entrepreneur Fund in this endeavor. Innovation at any time is challenging; innovation during a “Great Recession” will test one’s nerves, stamina and commitment. Mary Mathews and the Entrepreneur Fund board and staff deserve praise for continuing to evolve the Greenstone Group model as an important component of the region’s economic development infrastructure during these demanding times.

The insights shared in this report reflect common themes heard throughout the documentation process. Statements in quotations are actual quotes from participants but are unattributed in keeping with the confidentiality of the interview process. Any errors are the sole responsibility of the author.

*Deb Markley  
January 2012*

## EXECUTIVE SUMMARY

From an idea that grew out of the Entrepreneur Fund's decades of experience to its current incarnation, these first three years of a 10 year plan for the Greenstone Group initiative can be viewed best as the *product development and testing phase* of an innovative approach to entrepreneur and regional development. The result is an initiative that looks and feels different from its initial formulation but that has remained true to its overarching mission – a mission that is, by definition, one of both entrepreneur and regional transformation:

*The mission of Greenstone Group is to create a culture of entrepreneurship and increase the number of highly skilled entrepreneurs in the region capable of building successful companies in sufficient numbers to create individual and community wealth and drive employment.*

While there is growing evidence that coaching entrepreneurs is an important component of an entrepreneur development strategy, at the time of Greenstone's launch, there was no guidebook or "how to" manual for designing a coaching intervention. Instead, the development and implementation of the Greenstone Group provides some important lessons learned for the field of entrepreneur development. Through this process, continued innovation has become a hallmark of the Greenstone model.

### The Framework

The Greenstone Group was launched with the challenge of developing and testing a process that would connect entrepreneurs across the region with tools to help them build their own skills and, in turn, advance their businesses. The result was an approach to entrepreneur development with four key strategies:

- **Entrepreneurial development** – The approach has evolved from primary reliance on one-on-one Business Performance Coaching (supported by growth groups, business briefings and targeted training) to a broader product mix, including Be Strategic groups and the Strategic Review and Recommendation assessment process. These innovations derived from segmenting entrepreneurs and better matching the needs of different types of entrepreneurs with appropriately designed coaching tools.
- **Entrepreneurial champions** – Successful entrepreneurs, including the coaches, are working hand in hand with the leadership team to develop and deliver new products (e.g., Strategic Review and Recommendation, Be Strategic facilitation).

Service providers are working with Greenstone coaches to better support entrepreneurs and local leaders are helping to promote Greenstone throughout the region. The Be Strategic groups are building cadres of entrepreneurs who have benefited from Greenstone and are sharing this success with other entrepreneurs and community leaders.

- **Campus initiative** – The reality of declining public sector resources for higher education has limited work to develop curricula, support business plan competitions, and organize e-teams to encourage entrepreneurship among both students and faculty. Pockets of activity and interest remain strong and ready to engage when adequate resources become available.
- **Civic engagement** – By engaging business, education, and economic development stakeholders through an advisory council and a Thought Leadership Group, and having Greenstone leadership continue an active role in regional economic development, Greenstone is contributing to efforts to design a more intentional strategic focus for entrepreneur development in the region.

The Greenstone leadership team has used an intentional measurement process to capture outcomes as well as to continue to improve the program and develop new tools. There is strong interest in understanding what *difference* Greenstone's approach is making to the entrepreneurs it is designed to support, both in terms of their own personal development and concrete business outcomes, and to the region it hopes to transform. While three years is insufficient time to affect and measure changes in the regional economy, impacts on the entrepreneurs and their businesses can be demonstrated.

## The Impacts

The Greenstone Group has touched an important number of entrepreneurs across the region in its first three years, serving 133 entrepreneurs through Business Performance Coaching and Be Strategic Groups since 2008. At this rate, Greenstone should be successful in working with at least 500 entrepreneurs by the end of its first 10 years. As of January 2012:

- There are 9 entrepreneurs engaged in Business Performance Coaching, 45 participants in 7 Be Strategic Groups, and 79 alumni of Business Performance Coaching and Be Strategic Groups.
- Current participants and alumni of Business Performance Coaching are responsible for 646 full-time and 284 part-time employees; alumni of the Be Strategic Groups represent another 63 full-time and 68 part-time employees.

- Entrepreneurs engaged in coaching ran businesses with sales that ranged from less than \$10,000 to over \$8 million annually, with average sales for alumni of \$1.2 million and current entrepreneurs of about \$600,000; Be Strategic entrepreneurs had gross sales ranging from less than \$20,000 to almost \$900,000.
- In 2008, 72 percent of participants were from either St. Louis or Cook counties; in 2011, 57 percent are from St. Louis and Cook, and the remainder spread across the other counties in the region.

It is clear from interviews with entrepreneurs that Greenstone is helping them transform themselves and their businesses. While funders, regional economic developers, local leaders and the entrepreneurs themselves are concerned about business outcomes, there are important qualitative impacts or value to the entrepreneur from Greenstone coaching:

- “Greenstone Group training and experience is a way to grow myself and business in a very organic, flexible way...”
- Coaching provided a sounding board and a source of valuable feedback on ideas and challenges, particularly for entrepreneurs without senior level staff.
- Coaching encouraged focus and gave the impetus for change; it “kicked you into gear and out of neutral.”
- Coaching helped the entrepreneur “get there faster” than they would have working on their own.
- The process helped move the entrepreneur from working *in the business* to working *on the business* in a very strategic, growth-oriented way.
- Coaching connected entrepreneurs to resources that they were not accessing on their own.
- Many clients credit Greenstone with helping them survive during the economic crisis.

In addition to these qualitative impacts, Greenstone is contributing to enhanced business performance:

- The 9 active entrepreneurs have added a net of 12 full-time equivalent employees. At the same time, overall private sector employment in the Arrowhead economic development region declined from 2008 to 2010.
- Two-thirds of these entrepreneurs increased profitability during their coaching experience; one of the three reporting no increase in profits reinvested in the business, reducing net profitability.

- Overall, the entrepreneurs rated themselves with *above average* improvement in skills across all categories with a 3.5 average total skill score (on a scale of 1 = no improvement to 5 = strong improvement).
- The 49 coaching alumni who provided data added a net of 12 jobs; over 50 percent participated in coaching for less than one year.
- The 23 alumni who provided data from the Be Strategic groups added a total of 15.5 net jobs; 15 increased revenues and 15 increased profits.

## The Lessons

The important lessons from the Greenstone Group, for both the initiative itself and the field of entrepreneur development, relate to:

- **Designing a High Impact Coaching Initiative** – Greenstone’s experience suggests that finding the right match between the coaching model and a region’s entrepreneurs is critically important. There is no single “best” approach to coaching that works for all entrepreneurs. However, a common element across coaching models must be high quality, well trained coaches who bring significant entrepreneurial experience to the table.
- **Building a Pipeline for Entrepreneur Development** – The Greenstone Group experience has shown that building an entrepreneur development pipeline is a continuous and iterative process. With each new piece, the profile of Greenstone has been raised and its value demonstrated, drawing out new entrepreneurs who often bring unique needs to the table. As other regions consider the job of building this pipeline, it will be important to recognize the nature of this process and allow the time and resources to continually evolve the approach over time.
- **Measuring Success and Telling your Story** – Measurement matters. It is important at the front end to clearly define the ways that success will be measured and to establish the systems for managing data over time. Clear responsibility and accountability for gathering data must be established and entrepreneurs must understand that sharing their outcomes is part of the way they “give back” to the system that supports them. Without both the numbers and the stories, it is difficult to continuously improve the model and build momentum and support going forward.
- **Quality and Consistent Leadership** – During the development and testing of a new and evolving approach to entrepreneur development like the Greenstone Group, stable leadership is critically important. That leadership can ensure that the mission is clearly and consistently articulated even while the elements of the initiative may be changing over time.

- **Support and Sustainability for Innovative Regional Development** – Where will support for innovative regional development efforts like Greenstone come from? One option is to encourage the re-allocation of existing economic development dollars toward these new approaches. Even with clear leadership from local elected officials, however, innovative approaches to regional economic development are likely to require some level of philanthropic support. Local community foundations and other regional foundations are likely sources of support for these efforts both in Minnesota and across rural America.

## **The Future**

The Greenstone Group has made important strides toward achieving its overarching goal of transforming entrepreneurs and, through them, the region. Entrepreneurs working with Greenstone are building their skills and transforming their approach to growing their businesses. In spite of overall economic challenges, these entrepreneurs have created and retained jobs, maintained and strengthened the performance of their businesses. As these entrepreneurs continue to apply the human capital they have developed over time, and as new entrepreneurs are added to the Greenstone pipeline, the prospects for transforming the northeast Minnesota region through entrepreneur development will continue to advance.



## ABOUT THIS REPORT

The RUPRI Center for Rural Entrepreneurship was asked by Mary Mathews and the Entrepreneur Fund to document the process of creating the Greenstone Group and identifying appropriate performance metrics, and to assess progress over the first three years of the initiative toward achieving specific goals. This report is based on four visits to the region over three years – an initial visit in February 2008 to help establish a baseline for the work and then annual visits in March 2009, June 2010 and November 2011 to assess progress. Each week-long visit included one-on-one and group interviews with Greenstone’s leadership and management team, members of the advisory group and Entrepreneur Fund board, service providers and other regional partners, and the coaches and entrepreneurs who are at the heart of the Greenstone model (see Appendix I). Interim progress reports were shared with the management team as a way to provide input for continuous improvement and to support the evolution of the approach.

This report is designed to share the journey that is the Greenstone Group. The first section provides the context for the development of Greenstone. The second section captures the experience of Greenstone – documenting the evolution of the key components of the approach, both the accomplishments and the challenges. The third section discusses Greenstone’s impacts – on the entrepreneurs and their businesses and on the wider region. The final section shares some lessons learned from this journey for the field of entrepreneur and regional development.

## THE CONTEXT

### **Brief History**

From an idea that grew out of the Entrepreneur Fund’s decades of experience to its current incarnation, the Greenstone Group reflects an innovative approach to both entrepreneur and regional development. Like many innovations, Greenstone grew out of a challenge that the Entrepreneur Fund and indeed the region faced. The Entrepreneur Fund had a well-recognized model, using training and capital access, for helping microentrepreneurs identify their business ideas, develop their business plans, and get their enterprises off the ground. But, in too many cases, those with the opportunity and interest to *grow* their businesses were, as described by an Entrepreneur Fund staff person, “graduating into oblivion” without access to the resources needed to help them grow.

What was needed was a way to build on the transformation that the Entrepreneur Fund was seeing in its client entrepreneurs already. Entrepreneur Fund staff could see the benefits that would flow if the region could provide additional support to entrepreneurs to build themselves and their businesses and, in turn, begin to create and strengthen the entrepreneurial culture in northeast Minnesota. Just as the Entrepreneur Fund had developed tools to help transform microentrepreneurs, they needed a new set of tools and ways to both develop and transform the entrepreneurs in the region.

Like most innovators, the leadership team sought to identify existing models that might be adapted to meet this challenge. The Entrepreneurial League System® was studied as a possible model, and elements were deemed to be applicable to Minnesota. But, it also became clear that this region had strong regional assets that needed to be drawn into any new model and that there was a strong history of regional thinking, if not collaborative behavior, toward economic development challenges. The result was the Entrepreneur Fund chose to use lessons from other models but to build the structure of Greenstone in response to the unique assets and needs of the region.

Launched in January 2008, these first three years of a 10 year plan for the Greenstone Group initiative can be viewed best as the *product development and testing phase* of an innovative approach to entrepreneur and regional development. Since there was no “off the shelf” model that could be implemented whole cloth in the region, the Greenstone leadership team has been engaged in the full spectrum of the innovation process – design, testing, remanufacturing and product development, new testing, organizational development, promotion, “sales” and growth. The result, as described in this report, is an initiative that looks and feels different from its initial formulation but that has remained true to its overarching mission – **“The mission of Greenstone Group is to create a culture of entrepreneurship and increase the number of highly skilled entrepreneurs in the region capable of building successful companies in sufficient numbers to create individual and community wealth and drive employment.”**<sup>1</sup> This mission, by definition, is one of both entrepreneur and regional transformation.

The vision for Greenstone grew out of the experience of the Entrepreneur Fund and it was designed as an initiative of the fund. Yet the connection between these two entities is just now coming into sharper focus. At the outset, there was a strong feeling that Greenstone, targeting growth-oriented entrepreneurs, needed to establish its identity separate from the Entrepreneur Fund, still viewed as a resource for microentrepreneurs and those seeking self-employment across the region. As the Greenstone brand was

---

<sup>1</sup> [www.greenstonegroup.org](http://www.greenstonegroup.org)

developed over the first two years, it had an intentionally different look and different personnel from the Entrepreneur Fund. Yet it was also clear that Greenstone and the Entrepreneur Fund address distinct sections of the same entrepreneur development pipeline in the region – some Entrepreneur Fund clients moved into Greenstone coaching when they were prepared to grow their businesses in new ways, Greenstone coaches directed clients to Fund staff and financing resources. Over the past year, however, reorganization at the Entrepreneur Fund and a strong commitment on the part of the Board to Greenstone as a key component of the Entrepreneur Fund has led to a stronger and more visible connection between the two, including leadership for Greenstone coming from Entrepreneur Fund staff. This leadership role is important to establishing a consistent and strong presence in the region, as described in more detail later in this report.

## **The Regional and National Context for Innovation**

The Greenstone Group was targeted to a multi-county region in northeast Minnesota and Douglas County in Wisconsin.<sup>2</sup> The region's economy has traditionally been tied to its natural resource base, with tourism important along the north shore of Lake Superior and in the Boundary Waters area, mining on the Iron Range, logging and paper mills in the northern region, and a more diversified regional trade center economy in the Duluth metro area. The region has gone through challenging periods of boom and bust, including economic restructuring of the mining industry in the 1980s. In spite of the rebound in mining activity, although not at the employment levels of the past, the economy is slowly expanding into other sectors, including health care and financial services.<sup>3</sup>

Throughout the past several decades, the region has had a growing base of entrepreneurship, measured as proprietorships. For the region as a whole, wage and salary employment increased 31 percent from 1970 to 2009, growing from 124,900 to 163,622.<sup>4</sup> Proprietorships – people running their own businesses – increased by 153 percent, growing from 16,630 to 42,010. In importance overall, proprietors generated 20 percent of employment in 2009 as compared to only 12 percent in 1970. The important challenge, however, relates to the minimal growth in income generated by these proprietorships over this period. In 2009, proprietorships accounted for 11 percent of income in the region, an increase from 10 percent in 1970. Within the region, only two counties saw both an increase in proprietors' employment and income during this same

---

<sup>2</sup> Counties in Minnesota include Aitkin, Carlton, Cass, Cook, Itasca, Koochiching, Lake, and St. Louis.

<sup>3</sup> Matthew Schoeppner, State of the Northeast Region, *Minnesota Economic TRENDS*, December 2007.

<sup>4</sup> Data in this section are drawn from *A Profile of Socioeconomic Measures*, Headwaters Economics, November 2011.

period – Lake and St. Louis. In the other counties – Aitken, Carlton, Cass, Cook, Douglas, Itasca, Koochiching – growth in proprietors’ employment far outpaced increases in wage and salary employment, but proprietors’ share of income declined. It is this challenge – helping entrepreneurs grow their businesses and generate greater income for themselves, their families and the region – that Greenstone was designed in part to address.

Just one year prior to the Greenstone Group’s launch, the National Bureau of Economic Research announced that the country had been in recession for a year, a fact of which many entrepreneurs in the region were painfully aware. Over the period of the “Great Recession” (2007-2009), total U.S. nonfarm employment fell 6.3 percent – far greater than any downturn since 1953.<sup>5</sup> For the entrepreneurs who chose to participate in Greenstone during its launch year, the challenging overall economic context meant that “growth goals” often became “survival goals.” While any innovation is unlikely to generate significant impacts during its product development and testing phase, the coincident economic crisis created a context that challenged both the Greenstone initiative and the entrepreneurs it sought to support.

## **The National Context for Entrepreneur Development**

A final element of the context for the Greenstone Group initiative relates to changes in the approach to entrepreneur development occurring nationally, particularly the growing importance of coaching. Lyons defines enterprise development this way:<sup>6</sup>

Enterprise development refers to the activities of the substantial collection of programs whose mission is to assist entrepreneurs to form and grow successful new enterprises. These programs include business incubators, microenterprise programs, small business development centers (SBDCs), entrepreneurship forums, venture capital forums, revolving loan funds, technology transfer programs, and export assistance programs, to name a few.

While a focus on entrepreneurs as part of an economic development strategy is not new, most efforts have not achieved the scale of impact on a region’s economy nor have they been embraced on an equal footing with regional development efforts targeted to industrial recruitment.<sup>7</sup> Lyons argues that this challenge relates to a fundamental flaw

---

<sup>5</sup> Brad Watts, Post-Recession Employment Growth: How does the “Great Recession” Fare, Upjohn Institute Blog.

<sup>6</sup> Thomas S. Lyons, *The Entrepreneurial League System®: Transforming Your Community’s Economy through Enterprise Development*, The Appalachian Regional Commission, March 2002.

<sup>7</sup> There are some notable exceptions such as the experience in Littleton Colorado with economic gardening.

of most enterprise development activities – they focus on the *business* and not the *entrepreneur*. He goes on to suggest that “it is the entrepreneur who is the crucial component of any enterprise. Enterprise development should be about human capital development; however, too often, it is more about providing services to small businesses through arms-length transactions.”

What many are discovering as a missing component of entrepreneur development is the coaching function – pairing an entrepreneur with a coach who is adept at building the skills of the entrepreneur over time so that a stronger, more skilled entrepreneur can, in turn, build and grow a stronger business. As described earlier, the Entrepreneurial League System® is one model that offers a systems approach to building entrepreneurial skills. It is based on a very significant base of experience working with entrepreneurs in different environments; however, there is limited external documentation of the impacts on entrepreneurs and economic development in regions that have applied the model.

Another model is Dakota Rising, an initiative of South Dakota Rural Enterprise, developed and tested over the same period as Greenstone. Dakota Rising works with committed communities to build a system of support for entrepreneurs that includes nurturing entrepreneurs, networking resources and building community support. The heart of this initiative is an entrepreneur fellowship program that enables a select group of entrepreneurs in these communities to build their skills through a peer cohort process. Entrepreneurs receive the process tools needed to effectively coach each other through active listening, questioning, and deep trust building. The program has had three classes of entrepreneur fellows since 2009 – 22 entrepreneurs in total, 20 of whom are still involved in Dakota Rising.

Recognizing the economic challenges during this time, the fellows collectively have increased their assets by 50 percent, increased revenues by 14 percent and added 24 new full-time employees earning above South Dakota’s rural living wage. These aggregate numbers hide some of the diversity in impacts – some entrepreneurs cut back employment in order to increase profits and hang on during the downturn; others experienced more significant relative employment and sales increases.<sup>8</sup> What these quantitative numbers do not convey, however, are some of the more qualitative impacts on the entrepreneurs in terms of their confidence, decision making skills and capacity to grow their enterprises.

---

<sup>8</sup> [www.dakotarising.org](http://www.dakotarising.org)

While there is growing evidence that coaching entrepreneurs is an important component of an entrepreneur development strategy, at the time of Greenstone's launch, there was no guidebook or "how to" manual for designing a coaching intervention. Instead, the development and implementation of the Greenstone Group provides some important lessons learned for the field of entrepreneur development, as shared later in this report.

## THE EXPERIENCE

### Highlights of the Framework

Given the limited experience with and tools to support transformational entrepreneur development, the Greenstone Group was launched with the challenge of developing and testing a process that would connect entrepreneurs across the region with tools to help them build their own skills and, in turn, advance their businesses. The focus from the start was on the entrepreneurs, not the businesses. And the approach and the tools developed were focused on building and strengthening the *human capital* embodied in the Greenstone entrepreneurs. The emphasis was on providing *transformational* services vs. *transactional* services; success would be measured in terms of more skilled entrepreneurs capable of growing their businesses and not, for example, the number of business plans developed.

The result was an approach to entrepreneur development with four key strategies:

- Entrepreneurial development – Business Performance Coaching, business briefings, mentoring and targeted training with a goal of working with 500 entrepreneurs over 10 years.
- Entrepreneurial champions – Successful entrepreneurs, public and private sector service providers who work together to help develop and provide tools to entrepreneurs so that they have coordinated access to the resources needed to grow their companies.
- Campus initiative – Eight community colleges working to develop curricula, support business plan competitions, and organize e-teams to encourage entrepreneurship among both students and faculty.
- Civic engagement – Business, education, and economic development stakeholders who work with Greenstone to advance the vision of an entrepreneurial region, an advisory council to support the design and implementation process for Greenstone, and a Thought Leadership Group of entrepreneurs to advise on building the regional support environment.

As initial efforts were focused on creating an effective process and set of tools for Business Performance Coaching, the central piece of Greenstone's entrepreneurial development strategy, the Greenstone Group faced two key implementation questions:

- Would Greenstone be able to find quality Business Performance Coaches in northeast Minnesota?
- Would Greenstone be able to recruit entrepreneurs with the interest and opportunity to grow their businesses?

These questions were answered in part affirmatively – Greenstone began with three coaches and an initial group of 31 entrepreneurs. At the end of year one, a key challenge was to create the organizational systems that would be needed for Greenstone to move to a regional scale – documenting the coaching model and building training capacity, creating the operating systems for the initiative, figuring out a way to recruit regionally, and setting up a system for sustainability. Changing leadership within the Greenstone Group during this year created a speed bump for the initiative that had to be addressed.

At the end of year two, significant progress on organizational development and systems building had been made, but Greenstone struggled with recruitment. It was clear that the one-on-one Business Performance Coaching was working well and creating value for the entrepreneurs, yet capturing metrics and sharing the story of this success proved to be a challenge. Reaching more entrepreneurs throughout the region and targeting higher cost one-on-one coaching to higher skilled entrepreneurs were two challenges that were the focus of efforts moving into year three.

The final evaluation visit found an initiative that has fundamentally re-imagined itself, with particular emphasis on segmenting entrepreneurs as a way to better meet their needs and achieve the transformational outcomes that are at the heart of Greenstone's approach. There have also been important decisions related to leadership for the initiative going forward. Recruitment/promotion and sustainability remain issues to be addressed in the year ahead.

The rest of this section dives more deeply into a number of key elements of the Greenstone Group experience – coaching, service provider engagement, engaging the entrepreneurs, and changing the regional conversation about economic development.

## **Coaching**

At the heart of the Greenstone Group model for entrepreneur development is Business Performance Coaching. And, the key to quality coaching is the quality of the coach.

From the start, there was concern about the ability to find coaches in the region who had the right blend of coaching and entrepreneurial skills to work effectively with Greenstone clients. To be effective in working with growth-oriented entrepreneurs, it was assumed and confirmed by the entrepreneurs that the coaches needed entrepreneurial experience – they had to be perceived as having “been there, done that” in order to gain the respect and buy-in of the entrepreneur and they had to be viewed as being at a higher skill level than the entrepreneur they were coaching.

Over time, and based on experience working with a number of coaches, Greenstone has developed the following philosophy toward coaching – look for the entrepreneurial skills and you can teach the coaching skills. As a result, considerable effort was made to develop Business Performance Coaching tools – the overarching philosophy and structures needed to train someone with the right set of entrepreneurial skills to be an effective Greenstone coach. With these tools in place, Greenstone has the ability to build their bench strength and bring on new coaches as the demand for one-on-one coaching increases over time.

The coach is only half of the coaching equation – the other half is the entrepreneur. While one of the clear accomplishments of Greenstone has been the high quality and positive experiences associated with the one-on-one coaching, two challenges were identified. One, individual coaching is expensive. It requires a significant commitment of time on the part of the coach, which costs money. It also requires a significant commitment of time on the part of the entrepreneur, which likewise takes resources aside from any payment for coaching services. The Greenstone leadership team had to consider how to balance the costs with the benefits. Two, coaching needs to begin with clearly defined goals that the entrepreneur embraces and the coach uses as the focus of coaching activities. Without well articulated and meaningful goals, coaching may be unfocused and less effective. Important changes were made to the program in year three to address both these issues.

**Be Strategic Groups.** From the start, Greenstone has focused on existing entrepreneurs – those in business at least two years – with a desire to grow the business over the next three to five years. In addition, the program distinguished between entrepreneurs based on a self-assessment of their entrepreneurial skills. These categories move from lower entrepreneurial skills to higher skills:

- Operators – working in the business
- Managers – managing the business
- CEOs – governing the business



- Beyond CEOs – developing new strategic alliances and partnerships for the business

An assessment of the entrepreneurial talent engaged with Greenstone at the end of year two showed many entrepreneurs who would best be described as operators and fewer managers/CEOs. The one-on-one coaching experience for these operators was proving to be costly. As a result, the leadership team designed and tested a new model for group coaching through Be Strategic Groups. While continuing to target established entrepreneurs, the curriculum – *Be Strategic: Grow Your Business* – focuses on building the specific skills and plans needed to grow sales and improve profitability over a six-month period. The goal is to create a growth mindset within the entrepreneur – an important step toward transformation. In a group setting, entrepreneurs meet in the own community for eight evening sessions. The focus is on creating a strategic plan focused on growth, and improving key skills in marketing, finance and operations. In addition, the group coaching experience allows the creation of a ready-made network of entrepreneurs in the local area. In fact, the entrepreneurs are given an opportunity to continue meeting after the sessions are completed, selecting someone to serve as the communications hub for the group going forward. This networking is happening in some of the early examples.

The first Be Strategic Group was launched in Ely in the spring of 2010, followed by groups in Ely (2010), Grand Rapids (two groups), Hibbing, Cloquet, Aitkin, International Falls, Grand Marais, Two Harbors (2011), and Virginia (2012).

**Strategic Review and Recommendations.** The development of Be Strategic Groups allowed the Business Performance Coaching to be more effectively targeted to managers and CEOs – the entrepreneurs who were in the best position to gain the most value from this costlier intervention. There was a need, however, for a tool to help identify coaching goals for a prospective client in advance of the coaching relationship and to show the value of having individuals outside the business strategically assess the challenges and the opportunities. Working with the coaches, the leadership team developed the Strategic Review and Recommendation (SRR) process.

The SRR is a short-term (two day) full spectrum review of the business that provides the entrepreneur with a 360 degree assessment. Two Greenstone coaches, a member of the leadership team (facilitator) and an experienced entrepreneur do a site visit to meet with the entrepreneur and his/her team to review the business and develop a set of recommendations (goals) for the entrepreneur to consider going forward. The visit and sharing of recommendations is facilitated to encourage active participation of the entrepreneur before the meeting as well as during the presentation of

recommendations. There is value to the entrepreneur in the process and feedback whether or not they choose to become engaged in Greenstone coaching – they may come away with a deeper understanding of their precise goals and a commitment to achieving them. Given this value, there is an associated fee for the SRR. If the entrepreneur does get involved in coaching, the SRR provides an actionable plan that becomes the focus of the coaching relationship.

The SRR was beta tested with two entrepreneurs by the end of 2011. In one case, the SRR provided considerable added value to the entrepreneur and helped to create the focus for coaching going forward. Both the coach and the entrepreneur report that the coaching is more effective in terms of the use of time and the results achieved. In the other case, the SRR did not result in continued coaching and suggested that the entrepreneur was not ready for the type of intensive input that a coaching relationship provides. In both cases, but for different reasons, the experience was valuable. The beta testing also suggested some important lessons about the SRR process. The quality of the review team is very critical – there needs to be a good match with the needs and personality of the entrepreneur. Some due diligence needs to be done with the entrepreneur before the SRR to identify key issues and challenges from their perspective. The process requires a skilled facilitator to insure that the recommendations are presented in a constructive way and that the entrepreneur is heard throughout the process.

Going forward, there is strong support among the coaches and the leadership team for continuing to test and use the SRR approach. It was suggested that the SRR should be the “coaching application” and the “introduction” to coaching, and that perhaps it should become a mandatory component of the coaching process. Further testing with the next round of Business Performance Coaching clients, targeted at 20 for 2012, will help to clarify its impact and its role in the Greenstone structure going forward.

## **Service Provider Engagement**

One of the goals from the outset of Greenstone was to create a service provider network in the region. The objective was to bring those organizations engaged in business and entrepreneur development together in a collaborative structure to provide better and more coordinated support to entrepreneurs across the region. Just as the coaching model has evolved over time, the focus on building such a system has changed as well.

Greenstone has focused on engaging service providers at two levels. One, the initial advisory council to Greenstone included the key business and enterprise development organizations and leaders in the region. Their input was sought at the start and they are

informed about the work as it evolves. Mary Mathews, as the president of the Entrepreneur Fund and thought leader behind Greenstone, is an active participant in regional development groups such as the Arrowhead Growth Alliance. Service providers were invited to participate in some of the early networking events supported by Greenstone, and will be engaged going forward.

Two, the individual coaches have built stronger and more organic relationships with many of the service providers in the region. One particularly strong example of this is the referral of Greenstone clients to the University of Minnesota-Duluth (UMD) Center for Economic Development (CED) which also serves as the northeast Minnesota Small Business Development Center (SBDC) for financial management training and support. UMD CED has a well developed set of tools and skills in this area and the coaches are tapping those skills rather than trying to duplicate or compete with them. In some communities, notably International Falls, the local SBDC director is providing support to some of the participants in the Be Strategic Groups and indeed was an active recruiter of participants for that group.

What has not developed is a more formal system of collaboration in the region. Based on interviews with Greenstone leadership, coaches and regional service providers, there seems to be little impetus or need to create a formal institutional structure to guide this collaborative behavior. There is support for improved communication, networking, and referrals across these groups, driven by the needs of the entrepreneurs.

## **Engaging the Entrepreneurs**

An initial goal for Greenstone was to engage 500 entrepreneurs by the end of year ten – a challenging but achievable goal. The first two years presented a recruitment challenge in several ways. One, given the intangible benefits that many of the coaching clients experienced, it was difficult to describe the real value of Business Performance Coaching. It was like beauty – in the eye of the beholder and somewhat difficult to define. Two, as with any new product it was challenging to build brand awareness in the region. Greenstone did not have the density of entrepreneurial clients in any one spot across the region, with the possible exception of Duluth, to create the word of mouth promotional buzz that can help to increase presence and name recognition. Three, the capacity of the Greenstone management team to actively engage in recruitment across the region was limited. More individuals with deep knowledge of the program and its benefits combined with local connections and respect were needed to actively recruit across the region. Four, Greenstone needed more success stories, and potential entrepreneur advocates, to spread the word about the initiative and build broader brand and value recognition across the region.

The Be Strategic Groups have the potential to play a significant role in engaging entrepreneurs more broadly in this large and diverse region. In 2008, 53 percent of the entrepreneurs engaged in Greenstone were located in St. Louis County and 72 percent were from either St. Louis or Cook (Table 1). In 2011, 46 percent were from St. Louis, 57 percent from St. Louis and Cook, and the remainder spread across the other counties in the region. Most of this expansion comes through the launch of Be Strategic Groups out on the range, up the north shore, and north to International Falls. These groups give Greenstone a presence in more communities and the opportunity to expose more entrepreneurs, community leaders and service providers to the Greenstone model. The challenge will be to insure that the Greenstone brand is clearly associated with this new Be Strategic product.

As described above, the Be Strategic model provides another benefit in terms of engaging entrepreneurs. It provides a more valuable approach to skill building for entrepreneurs who are *working in* their businesses; it gives them an opportunity to focus on growth, identify the obstacles and opportunities for getting there, and have ongoing support from their local peers as they move forward with the process. These entrepreneurs, and the success they achieve, are important outcomes for the Greenstone Group and potential contributors to community and regional economic growth.

**Table 1. Entrepreneurs Engaged in Greenstone Group, by County**

County	2008 (#)	2008 (%)	2011 (#)	2011 (%)
St. Louis	19	53	61	46
Cook	7	19	15	11
Itasca	3	8	19	14
Carlton	3	8	12	9
Douglas	2	6	5	4
Lake	2	9	7	5
Aitkin	-	-	7	5
Koochiching	-	-	5	4
Cass	-	-	2	2
<b>TOTAL</b>	36	100	133	100

## **Changing the Regional Conversation about Economic Development**

One goal of the Greenstone Group initiative has been to transform the northeast Minnesota region by changing the economic development conversation. The aim of Greenstone is to build “the region’s economy by revitalizing an entrepreneurial

culture.”<sup>9</sup> There is recognition, and has been from the start, that this regional transformation objective is a long-term goal; it will take time to achieve a scale of impact that begins to transform the way that people in the region do the business of economic development. There are signs of progress on this front as well as challenges.

There is a general sense that the Greenstone Group and the leadership of the Entrepreneur Fund are raising the profile of entrepreneurship in the region, particularly in those communities that are hosting Be Strategic Groups. While no one suggests that Greenstone has become a household name across the region, there is some consensus that among service providers and even local elected leaders in these host communities, there is recognition that Greenstone is bringing a new and valued resource to the area.

The northeast Minnesota area has a relatively strong history of *regional* economic development activity. The Arrowhead Growth Alliance is a network of the key economic development organizations in the region. For FY2012, the Alliance articulated an initiative within the strategic action plan related to aligning support for entrepreneurs and innovative businesses so they can grow and thrive in the region. A series of strategies and action steps have been identified. While it is impossible to say that the presence of Greenstone *caused* this shift in emphasis and recognition of the importance of entrepreneurship, there is a strong sense that the leadership provided by Mary Mathews and the momentum and experience of the Greenstone Group was instrumental in bringing this focus to the Alliance and to the region.

In addition to changing the regional conversation among economic developers, Greenstone also had a goal of working with the Northeast Higher Education District and associated colleges to promote entrepreneurship as a career focus. While there was energy for moving this goal forward, the recession and associated state budget crisis created a funding environment that offered no opportunity for this work to continue. Building this piece of the entrepreneurial development pipeline in the region remains important but its construction must await a stronger economic recovery and increased support for the significant asset that these colleges represent in the region.

## THE IMPACTS

The first three-year period of the Greenstone Group experience has been one of innovation, assessment and learning, adaptation and continuous improvement. During this time, the design team has undertaken an intentional process to measure impacts and define success for the initiative overall. The Greenstone leadership team has used

---

<sup>9</sup> [www.greenstonegroup.org](http://www.greenstonegroup.org)

this intentional measurement process to capture outcomes as well as to continue to improve the program and develop new tools. As part of this process, a number of key indicators were identified and tracked at the outset:

- Business revenue
- Profitability
- Job creation/retention
- Exports outside the region
- Skill level of the entrepreneurs (captured through a self-assessment tool developed by Greenstone)

The first four indicators are related to business performance; when tracked over time, these indicators show how the Greenstone coaching experience supported real achievements in business performance and, as a result, outcomes that can be transformational for the region – greater jobs, income and wealth. The fifth indicator captures the impact that coaching has on the entrepreneur herself – the skills that are built and the human capital that develops through the coaching process. Both types of indicators are key to understanding the impacts that Greenstone is having and will continue to have on entrepreneur and regional development in northeast Minnesota.

Given that Greenstone is only a third of the way along a ten-year journey, a discussion of impacts must proceed with some caution. However, there is strong interest in understanding what *difference* Greenstone's approach is making to the entrepreneurs it is designed to support, both in terms of their own personal development and concrete business outcomes, and to the region it hopes to transform. While three years is insufficient time to affect and measure changes in the regional economy, impacts on the entrepreneurs and their businesses can be demonstrated.

It is clear from the interviews with entrepreneurs over the past three years that Greenstone is helping them transform themselves and their businesses. While funders, regional economic developers, local leaders and the entrepreneurs themselves are concerned about business outcomes, there are important qualitative impacts or value to the entrepreneur from Greenstone coaching. This value – transformation – was described by one entrepreneur this way – “Greenstone Group training and experience is a way to grow myself and business in a very organic, flexible way. It allows for ongoing growth without disruption to the business.”

Overall, the Operator-level entrepreneurs cited the importance of having a sounding board, someone to provide feedback on ideas and challenges. This feedback was particularly valuable to entrepreneurs who did not have management-level co-workers

with whom they could share on a regular basis. In addition to feedback, coaching offered a focus and an impetus for change. Coaching “kicked you into gear and out of neutral.” It helped the entrepreneur “get there faster” and take the time to step away from the day-to-day operations in order to “work on the business.” This feedback helped develop the Be Strategic Group format. It is also indicative of the transformation process – helping the entrepreneur take significant steps to change the way they behave and function as an entrepreneur.

Through the coaching relationship, entrepreneurs were connected to resources they might otherwise have missed. These resources included other service providers, e.g., UMD CED, the Entrepreneur Fund’s funding resources, as well as other entrepreneurs with whom they could do business. This networking function is an important benefit to entrepreneurs who are either isolated from resources in more distant parts of the region or who are so focused on the business that they have not taken the time to learn about and connect with resources needed to grow. The referral process has become more systematized, providing better support to the coaches as well as the entrepreneurs.

In sum, the value of coaching goes beyond the numbers to include the changes to the entrepreneurs – the human capital development that was described by Lyons – as well as changes in the way in which service providers are beginning to work together. Describing this value, one entrepreneur suggested that he “wouldn’t be here without coaching.” Another offered this affirmation for the value of coaching overall – “If Greenstone Group stopped doing coaching, I’d still do it.”

### **By the Numbers<sup>10</sup>**

Since the initial recruitment in spring of 2008, the Greenstone Group has served 133 entrepreneurs through one-on-one coaching (Business Performance Coaching) and the Be Strategic Groups. At this rate, Greenstone should be successful in working with at least 500 entrepreneurs by the end of its first 10 years. As of January 2012, there are:

- Nine (9) entrepreneurs engaged in Business Performance Coaching
- 45 participants in seven (7) Be Strategic Groups
- 79 alumni of Business Performance Coaching and four (4) initial Be Strategic Groups – Ely (2), Grand Rapids, Hibbing

---

<sup>10</sup> Data for this section were provided by the Entrepreneur Fund staff. Most data were self-reported by the entrepreneurs as part of Greenstone’s assessment process.

Seven of the nine entrepreneurs currently engaged in one-on-one coaching have been in a coaching relationship for more than two years, suggesting that they see ongoing value to the relationship. Among alumni:

- 16 percent were involved in coaching for more than two years
- 29 percent were involved between one and two years
- 55 percent were involved for less than one year

As important as these numbers may be, each entrepreneur runs a business that contributes to the employment base in the region. Considering only current participants and alumni of Business Performance Coaching, these businesses are responsible for 646 full-time and 284 part-time employees. The alumni of the Be Strategic Groups represent another 63 full-time and 68 part-time employees.

In addition to employment, entrepreneurs engaged in coaching ran businesses with sales that ranged from less than \$10,000 to over \$8 million annually, with average sales for alumni of \$1.2 million and current entrepreneurs of about \$600,000. Be Strategic entrepreneurs tended to be smaller, with gross sales ranging from less than \$20,000 to almost \$900,000.

From the beginning, Greenstone was to have a regional footprint across northeast Minnesota. There were deliberate attempts made to recruit broadly and to insure that Greenstone was not “Duluth centric.” Over the past three years, the initiative has established an increasingly strong *regional* footprint and orientation, as shown earlier in this report in Table 1.

Participation in Greenstone is one thing; achieving solid business outcomes is another. What business outcomes were achieved during the entrepreneurs’ Greenstone experience? While it is not possible to establish causality between participation in Greenstone and these outcomes, it is fair to say that Greenstone contributed to them. To borrow an ice hockey term, Greenstone’s coaching support provided an “assist” to the entrepreneur. During interviews with many of the coaching clients, the value and importance of these “assists” particularly during the economic crisis of the past few years was acknowledged over and over again.

**Active Greenstone Group Participants.** Since the beginning of their coaching experience, the nine active entrepreneurs have added a net of 12 full-time equivalent employees. To put this small but important number in perspective, overall private



sector employment in the Arrowhead economic development region declined from 2008 to 2010.<sup>11</sup>

Two-thirds of these entrepreneurs increased profitability during their coaching experience; one of the three reporting no increase in profits reinvested in the business, reducing net profitability. This increase in profitability is especially important during a time of continued credit restraints since retained earnings are one way to support business expansion.

In addition to these business outcomes, the current entrepreneurs completed a self-assessment related to their entrepreneurial skills in 2011. Overall, the entrepreneurs rated themselves with *above average* improvement in skills across a number of categories. Using a scale of one (no improvement) to five (strong improvement), the average rating across skill categories for active participants is shown in Table 2.

**Table 2. Self-Assessment of Skill Building, Current Greenstone Entrepreneurs**

Skill	Average Score (1=no improvement to 5=strong improvement)
Management	3.9
Marketing	3.5
Sales	3.2
Confidence in decision making	3.7*
Product development	3.8
Financial management	3.3
Growth strategy and management	3.7
Succession planning	3.2
Exit planning	3.0
<b>AVERAGE ACROSS ALL SKILLS</b>	<b>3.5</b>

\*Based on only five respondents

**Coaching Alumni.** The 49 (out of 55) coaching alumni who provided data on business outcomes added a net of 12 jobs during their coaching experience. While many saw little change in profits, seven experienced an increase while four experienced a decline. Again, these numbers must be viewed within the context of the regional and national economic crisis. In addition, over half of these alumni participated in coaching for less than one year, a relatively short time to translate coaching support into business

---

<sup>11</sup> Minnesota Department of Employment and Economic Development, Business Employment Dynamics, [www.positivelyminnesota.com](http://www.positivelyminnesota.com).

outcomes. Many of these alumni were “transitioned out” of Business Performance Coaching during the shift to implement the Be Strategic Groups as a way to better segment entrepreneurs and create greater value by matching them to the most approach coaching resources. Several of these alumni have participated in a Be Strategic Group.

**Be Strategic Group Alumni.** Of the 23 alumni who responded from the four groups in Ely (2), Grand Rapids, and Hibbing, nine added a total of 15.5 net jobs, 15 increased revenues, and 15 increased profits. Given the type of businesses included in these groups – relatively small enterprises with limited sales beyond the local community – these are important changes.

In addition to these business outcomes, the entrepreneurs reported gaining sharper focus on goal setting and moving from goals to planning to execution. All who responded to the evaluation would recommend participation in a Be Strategic group to another entrepreneur – an important measure of the perceived value of this model.

## THE LESSONS

The value of documenting the Greenstone Group journey is twofold. One, the documentation and assessment process has provided valuable insight for the leadership team to use in continuing to improve and evolve the Greenstone model. Two, the experience offers useful lessons to others who are considering coaching as a key component of an entrepreneur development strategy for regional economic development. The important lessons from the Greenstone Group relate to:

- Designing a High Impact Coaching Initiative
- Building a Pipeline for Entrepreneur Development
- Measuring Success and Telling your Story
- Quality and Consistent Leadership
- Support and Sustainability for Innovative Regional Development

### Designing a High Impact Coaching Initiative

The Greenstone Group experience has demonstrated that even in a relatively rural region, there are individuals with the entrepreneurial skills to become effective business performance coaches. The key lesson learned has been that it is the *entrepreneurial skills* that must assume primacy; coaching skills tailored to a particular approach can be taught. For those seeking to initiate a coaching program, the importance of this training component should not be underestimated. Providing the right coaching skills consistent

with the overall goals of the initiative is a key to maintaining the quality coaching that will “sell” the program to entrepreneurs.

A high impact coaching model does not end with the coaches. The other component of effective coaching relates to matching the entrepreneurs with the most appropriate coaching model. Greenstone’s experience with one-on-one coaching suggests that this intensive, “high touch, high cost” form of coaching is best targeted to more skilled entrepreneurs – to use Greenstone’s terms, entrepreneurs who are assessed at the manager or CEO level. Using Business Performance Coaching with operator-level entrepreneurs, Greenstone found, has two limitations. One, it is relatively costly compared to the potential benefits it generates. Two, the group process that is part of the Be Strategic coaching model provides additional value for less skilled entrepreneurs at lower cost. The development of this new product enables Greenstone to better match entrepreneurial talent to the coaching approach.

In addition to these more formal approaches to coaching, Greenstone has provided other venues for entrepreneurs to learn and build skills. Business Briefings were held periodically during the first two years and provided an opportunity for networking and learning about specific topics in a large group setting for Greenstone and non-Greenstone clients. Business Performance Coaching used Growth Groups as a means for peer exchange and learning among the Greenstone clients, with varying degrees of success. The leadership team continues to rethink the most effective, value added way to offer these additional networking and learning opportunities.

The final element of a high impact coaching model relates to the process of articulating coaching goals at the outset. In the start-up phase of the Greenstone model, entrepreneurs established growth goals that were to guide the coaching relationship. However, it was clear during the interviews that these goals were not really driving coaching. As the model has evolved so that Business Performance Coaching becomes focused on higher skilled entrepreneurs, the development of the Strategic Review and Recommendation process offers a new tool for identifying relevant goals and more sharply focusing the coaching relationship. To the extent that this tool can continue to be evolved, tested, and adopted as a component of the Greenstone Business Performance Coaching model, it will contribute yet another piece to this potentially high impact approach to coaching.

For other regions seeking to build a high impact approach to coaching, Greenstone’s experience suggests that finding the right match between the coaching model and a region’s entrepreneurs is critically important. There is no single “best” approach to coaching that works for all entrepreneurs. However, a common element across coaching

models must be high quality, well trained coaches who bring significant entrepreneurial experience to the table.

## **Building a Pipeline for Entrepreneur Development**

The Greenstone Group experience confirms the importance of building a pipeline of support for entrepreneurs as part of the entrepreneur development *infrastructure* in a region. The idea for Greenstone grew out of the experience of the Entrepreneur Fund with microentrepreneurs, one piece of the pipeline. The original design for business Performance Coaching addressed another piece of the pipeline – coaching for skilled, experienced entrepreneurs with a commitment to growth. Based on that experience, the Be Strategic model addressed another part of the pipeline targeting entrepreneurs who are working *in* their businesses and need the tools, planning, and support to step onto a path toward growth. However, it is not just the pipeline infrastructure that is important; it is the transformation that occurs for the entrepreneurs who are part of that pipeline. This transformation happens as they move along the pipeline by building their skills and gaining access to resources that can help them move from self-employment to microentrepreneur to growth entrepreneur.

As the Greenstone Group initiative moves forward, what remains to be seen is how well these pieces of the pipeline feed into one another. For example, do the Be Strategic Groups serve as “incubators” of potential coaching clients? Do the Be Strategic Groups help inspire a growth mindset? Do participants in these groups move through the pipeline into coaching, or on to other resources that can meet their needs such as the SBDC? In addition, it will be important to consider whether there are pieces of the regional pipeline that are missing or weak. For example, at the mouth of the pipeline, what can be done, given funding challenges, to build a stronger connection between the community colleges, K-12 institutions across the region and entrepreneur development? At the other end of the pipeline, the Greenstone leadership team is beginning to explore models for working with highly skilled entrepreneurs who may not see the value of Business Performance Coaching but are not well suited to the current Be Strategic Group. This continued innovation has become a hallmark of the Greenstone model.

The Greenstone Group experience has shown that building an entrepreneur development pipeline is a continuous and iterative process. With each new piece, the profile of Greenstone is raised and its value demonstrated, drawing out new entrepreneurs who often bring unique needs to the table. As other regions consider the job of building this pipeline, it will be important to recognize the nature of this process and allow the time and resources to continually evolve the approach over time.

## **Measuring Success and Telling your Story**

Economic development is a numbers game – e.g., number of jobs created, dollars of investment attracted, and sales tax revenues increased. But, the value of measuring success goes far beyond the reporting of these numbers. It is a valuable tool for planning, assessing progress, and recalculating program direction. Greenstone Group's experience with measuring and sharing its success has been mixed, giving rise to some important lessons for others engaged in entrepreneur development.

The challenge of measurement for the Greenstone Group has been twofold. One challenge has been the lack of a consistent data collection and management system from the outset. While the tools were in place and key indicators identified, the responsibility for collecting data has often fallen on the coaches, a role which was not embraced consistently from one coach to another. The systems for reporting data changed from year one to year two, creating a challenge for building a coherent time series of data over time. The current leadership team has put considerable effort into gathering data and creating a consistent, coherent set of measures to track progress over time, as reported here. The team will also be working over the next year to establish a performance based management and measurement system for the initiative to address this perceived weakness.

The more important challenge relates to identifying what role Greenstone Group has played in the positive business outcomes achieved through coaching. To illustrate this challenge, here is the story of one entrepreneur that was shared during an interview:

From 2004 to 2011, the entrepreneur's business doubled in size, with almost all of the increase occurring during the period of active coaching with Greenstone. Even during the recession, the business was growing. Working with the Greenstone coach, "didn't give him an opportunity to get stuck," unlike some of his competitors. Coaching helped to build skills that translated into business success – new information management systems, a new focus for business operations, and a commitment to measurement and to using data to drive decisions. Most importantly, coaching helped change his approach to his employees, moving toward more open communication with the staff, engaging them in problem solving, and really listening to their ideas. All of this helped move him from a "good enough rut" into a growth mode.

What credit can Greenstone claim for these positive business outcomes? It is impossible to assign a specific percentage for which Greenstone is responsible; these outcomes arise from a unique combination of the entrepreneur's own skills and experience, the

vagaries of the specific sector in which he operates, and the support received from the Greenstone coach and possibly other resources. What can be said quite clearly is that Greenstone provided an “assist” to the entrepreneur in achieving these outcomes. This story shows the positive impact that coaching can have on an entrepreneur and how that may translate to the business. These stories are an important part of the documentation of the Greenstone experience and can play a role in helping to communicate the value of Greenstone to other entrepreneurs and partners across the region.

The lessons for others engaged in coaching and entrepreneur development are clear. Measurement matters. It is important at the front end to clearly define the ways that success will be measured and to establish the systems for managing data over time. Clear responsibility and accountability for gathering data must be established and entrepreneurs must understand that sharing their outcomes is part of the way they “give back” to the system that supports them. Without both the numbers and the stories, it is difficult to continuously improve the model and build momentum and support going forward.

## **Quality and Consistent Leadership**

Operating on the innovation frontier in any field requires strong and consistent leadership while the product is designed, launched, re-engineered and even re-imagined. Think Steve Jobs and Apple. It can also be difficult to transition from the entrepreneur whose vision guides the start up of a new initiative to someone who will manage the initiative going forward. Greenstone has struggled over its first three years with this leadership challenge. At the heart of the initiative is the leadership team, led by Mary Mathews and Kathy Keeley. Around that team, however, there has been significant change. From its launch in January 2008 through November 2011, Greenstone has had two directors from outside the Entrepreneur Fund and, at the time of the final regional visit, co-leadership by Fund staff. Each new leader had visibility in the region and became the face of Greenstone during his tenure. Each leadership change, in turn, created an element of confusion for the entrepreneurs who were participating in the program and for the regional partners. There was a strong sense that the inconsistent and, to some, chaotic leadership at the helm contributed to some uncertainty about the brand and its potential for success in the region.

The cause of the leadership challenge is less clear. The perceived need to distinguish Greenstone from the Entrepreneur Fund at the outset may have resulted in bringing in outside management too soon, before the product and the vision for Greenstone were fully established. It is possible that the initial hires were too “entrepreneurial” – having

their own visions for Greenstone rather than working to implement the vision of the design and leadership team. Whatever the root causes, this leadership challenge has been recognized by the Entrepreneur Fund staff and board. At the end of 2012, the decision was made to create a new and more permanent team approach within the Fund to guide Greenstone going forward. That decision involves Mary Mathews becoming the “face” of Greenstone in the region and sharing management of the initiative with Shawn Wellnitz. Kathy Keeley will join them as part of the design team. This anchoring of Greenstone within the Entrepreneur Fund and clearly vesting leadership with Entrepreneur Fund staff should provide the consistency and vision needed to move Greenstone forward.

The lesson for other innovators is clear. During the development and testing of a new and evolving approach to entrepreneur development like the Greenstone Group, stable leadership is critically important. That leadership can ensure that the mission is clearly and consistently articulated even while the elements of the initiative may be changing over time.

### **Support and Sustainability for Innovative Regional Development**

Perhaps the most important lesson from the Greenstone Group journey to date is the recognition that the process of regional transformation through entrepreneur development is a long-term proposition. As such, it requires long-term support through the early product development and testing phase, into the implementation and scaling phase, and onto the realization of regional impacts and transformation. In this way, it is not unlike other efforts to change the way that regional economic development is accomplished. For example, Littleton, Colorado’s decision to move from economic development focused on the recruitment of outside companies and instead support economic gardening targeted to existing and new businesses was accompanied by the reallocation of the economic development budget to support these new efforts. And, their success with this approach has unfolded over a period of more than 20 years.

One of the lessons arising from the Greenstone experience relates to expectations on the part of the community about economic and entrepreneur development. The traditional approach to economic development practiced across the country focuses on luring companies to a region by providing incentives of various kinds – e.g., tax abatement, subsidized workforce development, infrastructure investments. These practices have not gone unnoticed by entrepreneurs. As one entrepreneur stated, “if you were recruiting us, you’d be paying us.” As a result, there is an expectation that economic development initiatives should be “free” to participants. If Greenstone is identified as

an economic development effort, it becomes challenging to create a fee-for-service structure that is acceptable to entrepreneurs.

At the same time, there is an expectation that for entrepreneur development efforts to be successful, the entrepreneurs must have some “skin in the game.” Funders are often leery of supporting efforts that appear to benefit private sector companies without seeing some investment on the part of the entrepreneur. The challenge is defining what it means to have “skin in the game.” For the entrepreneurs who are actively participating in Greenstone’s Business Performance Coaching, that “skin” could reasonably be defined as the time and effort they contribute to making the coaching experience work, along with the significant investment they have made to create and grow an enterprise in the region.

As Greenstone builds a well documented track record of success with Business Performance Coaching, it will become easier to institute some fee structure that can contribute to the sustainability of the initiative over time. In fact, some of the entrepreneurs are currently paying a portion of their coaching costs. With the launch of new products such as Be Strategic and SRR, Greenstone has been able to establish a fee structure at the outset that is covering a portion of the costs of providing these new services. However, there is strong consensus that the Greenstone Group will not be self-sufficient as an entrepreneur development strategy.

Where will support for innovative regional development efforts like Greenstone come from if self-sufficiency is not realistic? One option is to encourage the re-allocation of existing economic development dollars toward these new approaches. For example, local units of government could cover some or all of the costs of implementing Be Strategic Groups in their communities. As experience with these groups grows, and as success is documented, the opportunity to engage local leaders as partners in Greenstone’s work should likewise increase. Even with clear leadership from local elected officials, innovative approaches to regional economic development such as Greenstone are likely to require some level of philanthropic support. Local community foundations and other regional foundations are likely sources of support for these efforts both in Minnesota and in other rural regions across the country.

## **THE FUTURE**

The Greenstone Group journey to date has been marked by progress, recalibration, and continued forward momentum. The initiative is making progress toward achieving the goals established at the outset. With continued recruitment and engagement of



entrepreneurs in the years ahead, Greenstone should meet its target of engaging 500 entrepreneurs over 10 years. While the need and support for creating a formal service provider network is not evident, Greenstone is helping to establish a new way for service providers to work together, driven by the needs of the entrepreneurs and the relationships built among the resource providers in the region. While funding limitations have derailed efforts to advance entrepreneurship as a career option through the community colleges, there are pockets of activity across the Northeast Higher Education District that can be leveraged as resources become available in the future.

With consistent and clear leadership at the top, Greenstone is poised to offer its broader product mix throughout the region, matching entrepreneurs with the most appropriate coaching opportunities. With measurement and documentation of the stories of success, the initiative will be in a position to better articulate the value proposition for entrepreneurs to engage with and for potential funders and investors to support the Greenstone Group going forward.

The Greenstone Group has made important strides toward achieving its overarching goal of transforming entrepreneurs and, through them, the region. Entrepreneurs working with Greenstone are building their skills and transforming their approach to growing their businesses. In spite of overall economic challenges, these entrepreneurs have created and retained jobs, maintained and strengthened the performance of their businesses. As these entrepreneurs continue to apply the human capital they have developed over time, and as new entrepreneurs are added to the Greenstone pipeline, the prospects for transforming the northeast Minnesota region through entrepreneur development will continue to advance.

## APPENDIX I – INTERVIEWEES

Individual*	Role
Mary Mathews – Entrepreneur Fund (EF) Kathy Keeley – Consultant to Greenstone Group (GG) Shawn Wellnitz – EF Jerry Peterson (former GG director) Dean Minardi (former GG director) Stacy Milner – GG	Leadership and management team
Elaine Hansen – UMD Center for Economic Development & NE Minnesota SBDC Mark Peterson – EF Board Rob West – APEX Carol Willoughby – EF Board Bill Hansen – EF Board Wade Fauth – Blandin Foundation Tom Renier – Northland Foundation Peter McDermott – Itasca Economic Development Corp. Sue Collins – NE Higher Education District Suzanne Semborski – EF/Campus Initiative Mike Lalich – UMD Natural Resources Research Institute Andy Lisak – The Development Assn. of Superior and Douglas County, WI Sandy Layman – Iron Range Resources Nancy Larson – Ely Area Development	Advisory Council/Regional Partners/Service Providers
Charles Agbor Joe Sertich Jen Bertsch Chelle Bakke	Coaches
15 in Year 1 13 in Year 2 16 in Year 3	Entrepreneurs

\*Individuals in this table were interviewed at some point during the four trips to the region. Some individuals play multiple roles in the region, but are listed only once.

## Questions & More Information

Don Macke

[don@e2mail.org](mailto:don@e2mail.org)

402-323-7336

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

**The Center for Rural Entrepreneurship's** mission is to help community leaders build a prosperous future by supporting and empowering business, social and civic entrepreneurs. With our roots and hearts in rural America, we help communities of all sizes and interests by bringing empowering research, community engagement and strategy development to you through our many Solution Areas. Our **Solution Area Teams** empower communities to discover their own answers to the challenges and opportunities they face:

- **Community Development Philanthropy:** Providing research and community engagement strategies that help communities build philanthropic capacity and create development resources now and in the future.
- **Youth Engagement:** Providing tools and a framework for communities to engage young people now and to bring them home in the future.
- **Measurement Research Policy:** Providing the tools to help communities define development goals, measure success and improve outcomes.
- **Entrepreneurial Communities:** Providing a roadmap for communities to design and deliver entrepreneur-focused economic development strategies that work.

To learn more about us, go to [www.energizingentrepreneurs.org](http://www.energizingentrepreneurs.org).

421 S. 9<sup>th</sup> Street, Suite 245  
Lincoln, NE 68508  
(402) 323-7336

**©Copyright 2014 Center for Rural Entrepreneurship.**

*The information contained in this document is the intellectual property of the Center for Rural Entrepreneurship or has been provided by a strategic partner for the Center's use. Use of these materials is restricted to community or personal use unless otherwise approved in writing by the Center. The resale or distribution of this material is prohibited without written permission of the Center. Inclusion of this information in other documents prepared by the user requires written permission by the Center and must include appropriate attribution. For guidance and permission, contact Don Macke at 402-323-7336 or [don@e2mail.org](mailto:don@e2mail.org).*