

# **Entrepreneurial Organization of the Month**

**Northern Initiatives  
Dennis West, President**

**Location:** Marquette, Michigan  
**Purpose:** Serving the Upper Peninsula of Michigan by working to improve its economic conditions and develop its communities.

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## **Northern Initiatives: Profitable Partnership for Michigan's Upper Peninsula**

Founded in 1958, Jacquart Fabric Products started as a small family cut and sew business. Bob Jacquart bought the company from his father, and turned it into a successful upholstery firm. In the 1980s Jacquart landed several mass production projects, sewing such things custom boat covers, polar fleece hats and gun cases.

Jacquart Fabric is now a multi-million dollar business employing more than 200 people – with dog beds (in 95 styles and three sizes) as the primary product.

The company was helped in part by expertise and loans from Northern Initiatives, a not-for-profit community development corporation.

"We helped Bob transform the way that he was producing," said Dennis West, president of Northern Initiatives. "He's adopted modern manufacturing and now serves international markets."

Not bad for a small company started in Michigan's Upper Peninsula (U.P.) – an area known more for winter sports than business start-ups. But Northern Initiatives is working to change that stereotype and boost the economics and quality of life in northern Michigan.

## **History of NI**

In 1985, with an unemployment rate at 20 percent, Michigan's Upper Peninsula was feeling the full effects of the recession. Making matters worse, this area depended largely on the whims of outside market forces as they were affecting the resource extraction industry.

Northern Initiatives was born during this time when then President of Northern Michigan University (NMU), Dr. James Appleberry, saw a direct connection between regional economic health and stable enrollment at his school. The organization first ran under a grant as the Northern Economic Initiatives Center (NEIC). It was established as an independent university department housed on campus.

NEIC provided professional services and capital to small enterprises with innovative products that could be made attractive to outside markets. But by the early

1990s, the organization decided to expand the scale of its lending program in addition to providing business development services.

This shift required NEIC to move from being a department at NMU to a corporate, not-for-profit affiliated with NMU and ShoreBank Corporation of Chicago.

ShoreBank, a community development and environmental banking corporation, is responsible for rejuvenating Chicago's inner-city neighborhoods by encouraging outside investments.

The struggles in inner-city Chicago, often stemming from problems associated with outside ownership of key resources, mirrored problems in Michigan's Upper Peninsula. So seemingly strange bedfellows -- a private bank and a university -- partnered to form a private, not-for-profit corporation in 1992.

"It was a great situation because you had the vision of a university and the development expertise of a bank," said West, who joined NI as president in 1997.

An Indiana native working in community development for two decades, West moved to the U.P. for the opportunity at NI, but also for his family.

"At the time, we had two small kids," he said. "We looked into the U.P. and realized that it was a great place to raise a family."

## **Rural Businesses in the Global Marketplace**

Northern Initiatives' website asks the question: "Can businesses 'grown' here become globally competitive?"

Their answer: "Of course they can."

Folks at NI believe that when these businesses succeed, they will create healthier communities in the U.P.

Today, NI has assets of more than 8 million dollars and a staff of 18. It is governed by a 13-member board of directors comprised of representatives of NMU, ShoreBank, leading members of the manufacturing community and one Native American Tribal constituent/associate.

Northern Initiatives provides business development services to more than 200 companies annually.

Following the lead of Jane Jacobs and her philosophy on rural areas, NI has created connections between their rural businesses and urban areas with access to capital, knowledge and markets.

West puts forth the example of Jacquart Fabrics, the cut and sew company. NI became a prime lender to the company, as well as helping Bob Jacquart find information he needed to improve manufacturing and open up international markets for his products.

Northern Initiatives has issued 13 million dollars in loan funds to customers in the last nine years. Amounts range from \$2,000 to \$500,000 and can be freestanding or in conjunction with funds from local banks to complete a larger financing package. Rates are typically comparable to or slightly higher than local banks.

"Largely what we see ourselves doing is being a secondary lender," West said. "We are the better alternative to someone starting up a business with their credit card."

Loans can be used for working capital, to build inventory, for expanding facilities, to upgrade equipment, for technology enhancements and for business acquisitions.

The organization does not compete with local banks, rather they complement their services and help customers get back to one of the 27 banking institutions in the U.P.

West said that 60 percent of recent loans have been to start-up businesses. Judging by their low default rate, NI is successfully helping these ventures. But they also do extensive work with existing manufacturers, such as Jacquarts; family-owned small businesses; catalyst entrepreneurs and social and corporate entrepreneurs.

In addition to the technical assistance services that complement lending services, NI helps clients with accounting, financial statements, marketing and website development. These services are typically free for loan recipients.

## **Tourism and Trees**

The Upper Peninsula historically is known for mining and timber industries, but sour economies and global competition have changed that reality.

“In some way, the challenges in the extraction industries have been a good impetus to help open the door to more self-reliance and entrepreneurship,” West said.

Straddling 15 counties over seven hours with a population of only 311,000, the U.P. presents a challenge for business organizations and owners. Most entrepreneurs don’t think of Michigan’s outback as their first choice of places to start a business.

“People who know the U.P. really love it,” West said. “Others may only be connected to this area through the weather channel. But there is a very high work ethic in this area, and we go out in snow and function just like any other day.”

Northern Initiatives helps communities overcome density and image issues is by boosting tourism businesses, reaching new markets, extending the shoulder season, and taking advantage of natural and cultural assets.

Tourism supports 40,000 workers U.P.-wide. NI launched a nature tourism project involving five counties to not only boost business but also preserve natural resources.

“We have excellent bed and breakfasts and others doing nature tourism,” West said. “But they haven’t been as good at selling packages. We are working with these businesses to broaden the way that people see the U.P.”

Visitors need to be willing to drive 60 to 80 miles for attractions in U.P. For example, NI worked with the Big Bay Point Lighthouse and Munising shipwreck tours to provide coupons for tourists willing to drive the 70 miles from one to the other. This year, the businesses are working with NI to create websites and other tools to pool marketing efforts.

The U.P.’s natural beauty not only provides opportunities in tourism, but also in the timber industry.

Eighty-five percent of the 16,000 square mile U.P. landmass is forested. The harvesting of timber resources and the use of its by-products make a substantial contribution to the U.P. economy, employing about 8,000 local residents.

Northern Initiatives supports numerous opportunities to add value to forest products while sustaining the environment and natural resource base. One example involves using wood waste products in a project West termed “fish and chips.”

Both the fishing and forestry industries produce enormous amounts of by-products. Composting could be the answer to not only efficiently dispose of by-products, but also add value for businesses in both industries.

Northern Initiatives is conducting a pilot-composting project, which has resulted in the estimated recycling of 15,000 pounds of fish waste using sawmill residues to provide the necessary carbon input. If successful, the project could eventually result in the use of a large portion of the 7.4 million pounds of recycled waste for various compost and planting mix products.

## **Entrepreneurial Education**

“The U.P. exports trees and kids,” West said.

Another NI program involves teaching children about business.

As the NI website states, “School-based entrepreneurial education offers hands-on learning about communities, economics, and developing a business.”

In 2003, Northern Initiatives entered into an agreement with Northern Michigan University’s Center for Economic Education to provide Entrepreneurial Education Services to the U.P.’s K-12 schools.

One middle school in the U.P. had seventh graders putting together business plans.

“The kids had to go through interviews with bankers and even talk to the university president,” West said.

NI also includes entrepreneurial curriculum for adults. Business planning workshops are designed to provide participants with the tools, knowledge and resources needed to succeed. The NI website offers a business plan outline and samples, a business checklist, a cash flow template, and the 80-page 2004 Guide to Starting a Small Business, among other resources.

## **Information: Key to the Future**

In working with businesses, West said, “Capital matters, but we need to make the case that information matters just as much.”

West said NI is in the process of surveying clients about what information has been most helpful for entrepreneurs.

“We are trying to make a compelling case for information support services and why they are so important to people starting businesses,” West said.

He likes his work at NI because, as he said, “We get a chance to see companies and individuals really stretch and be able to say they are extraordinarily competitive. It’s great to be able to grow and achieve.”

And, West said, those individual achievements have high pay-offs for communities. For example, in Marquette, Michigan – the largest town in the U.P. -- businesses have thrived, creating benefits such as a symphony, sports teams and other cultural events. Successful doctors in that town have banded together to donate their time for people without insurance.

“Those things cannot occur when we don’t have economic stability and development,” West said. “What we are really looking to achieve is quality of life.”

*-By Lisa Bauer, 0304*

**For more information on...**

- ... the Center for Rural Entrepreneurship, go to [www.ruraleship.org](http://www.ruraleship.org)
- ... ShoreBank Corporation, go to [www.shorebankcorp.com](http://www.shorebankcorp.com)
- ... Northern Michigan University, go to [www.nmu.edu](http://www.nmu.edu)
- ... Jacquart Fabrics, go to [www.jacquarts.com](http://www.jacquarts.com)