

# Revitalizing Rural Economies Through Entrepreneurship Development Systems

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December 2008



**FIELD**

Microenterprise Fund for  
Innovation, Effectiveness,  
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This report is made possible by a grant from the W. K. Kellogg Foundation.

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## Acknowledgments

We would like to extend our heartfelt appreciation to all of the partner organizations, entrepreneurs and community members participating in the Entrepreneurship Development Systems that are the subject of this report, and who gave generously of their time for interviews and site visits. In particular, we thank the coordinators of each of the Systems who spent considerable time responding to our questions, arranging our site visits, and providing us documents to review. They include: Gayle Vest of Advantage Valley, Kathryn Weber of CORE, Scott Beckman and Cristina McCandless of Empowering Business Spirit, Milan Wall of HomeTown Competitiveness, Leslie Scott of the North Carolina Rural Outreach Collaborative, and Kim Tilsen-Braveheart of the Oweesta Collaborative. We also want to acknowledge the generosity of the Systems' site evaluators who gave us the benefit of their research and insights: Mary Emery of the North Central Regional Center for Rural Development, Mande Lancaster and Sara Lawrence of RTI International, Shanna Ratner of Yellow Wood Associates, Catherine C. Dunlop, Ph.D., Kathleen Pickering of Colorado State University, and Robin Lackey. The staff at CFED who managed the EDS initiative for the W.K.K. Kellogg Foundation – Andrea Levere, Kim Pate, Nancy Stark, Keven Cotton and Jennifer Malkin – were great sources of counsel. And finally, we extend our sincerest thanks to Caroline Carpenter, Program Director at the W.K. Kellogg Foundation for giving us the opportunity to do this work. The Foundation's vision for this initiative has been more than realized in the rich learning it has provided for practitioners and supporters of rural economic development.

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## Executive Summary

Entrepreneurship development systems (EDSs) reflect a theory whose time has come. Emerging across the country as rural practitioners seek more effective engines for rural revitalization, these systems are intended to strengthen and integrate programs, products and services to better meet the needs of entrepreneurs. They are designed to:

- create a pipeline of entrepreneurs by identifying and supporting youth and adult entrepreneurs;
- implement a system of financial and technical support for entrepreneurs of all types; and
- foster a policy and cultural environment that is supportive of entrepreneurship.

This study was commissioned by the W. K. Kellogg Foundation to document the lessons from its investment in a three-year demonstration implemented in six sites:

- The Advantage Valley Entrepreneurship Development System in 12 counties of West Virginia, Kentucky and Ohio;
- Connecting Oregon for Rural Entrepreneurship (CORE) in five rural regions in Oregon;
- The Empowering Business Spirit (EBS) Initiative in four counties in northern New Mexico;
- HomeTown Competitiveness (HTC) in communities across Nebraska;
- The North Carolina Rural Outreach Collaborative across its home state; and
- The Oweesta Collaborative on three Native American reservations in South Dakota and Wyoming.

The findings and observations that follow were developed by researchers at the Aspen Institute's FIELD program in response to a set of questions posed by the Foundation and its manager for the EDS demonstration, CFED. The questions address two concerns: What can be said about the effect of the funded Systems on entrepreneurs, local communities, and the policy environment that surrounds them? What is being learned about the development of these Systems that others can apply?

This report reviews the sites' experiences at the close of the three-year demonstration. Data issues made it challenging to answer these questions fully. However, the research provides illustrative evidence of the effects of these emerging Systems. It also reveals a set of promising practices and lessons that others interested in implementing an EDS or "systems" approach to entrepreneurship development will find helpful.

### ***Accomplishments***

The collective efforts of the six demonstration sites have resulted in a set of accomplishments that, while not embodied in each System, deserve special recognition. Through these achievements the Systems have contributed to their respective regions, and to the practice of entrepreneurship development. These initiatives have:

- *Raised the profile of – and changed the conversation regarding – entrepreneurship in their target regions and states.* In each of the sites, System organizers and participants advocated strenuously for entrepreneurship development to be a central part of their regional strategy, and mobilized broad coalitions of institutions and individuals to carry that argument. Importantly, all have made the case for entrepreneurship as an essential part of rural revitalization. Hundreds of individuals have participated in summits and convenings to explore the role of entrepreneurship in their states. Conversations regarding the value of entrepreneurship have taken place in small towns and villages, capital cities and campuses, in policy centers from the local level up. In North Carolina alone, more than 9,000 individuals participated in 574 community events. This engagement represents a substantial divergence from standard economic practice.
- *Modeled entrepreneurial development strategies that show potential for increasing enterprise formation and growth.* Several of the Systems have developed, refined and implemented strategies that are expected to

support not only emerging entrepreneurs, but also enterprise growth. They have: introduced coaching as a key tool in helping entrepreneurs think strategically, enlarge their vision, and move forward; created peer support systems; fostered greater community support for entrepreneurship through educational and consciousness-raising events; and made progress in increasing the inclusiveness of entrepreneurship opportunity. Collectively the Systems have coached more than 1,000 individuals, supported networking events for these entrepreneurs and others, and started to document hundreds of new businesses and jobs.

- *Invested substantially in infrastructure and services which strengthen their capacity to serve entrepreneurs and to collaborate.* The sites have created Web sites, documents and other informational resources to increase the “transparency” of the system; created or leveraged new training, capital funds, and marketing and technical assistance services; and introduced demand-driven ways for entrepreneurs to interact with service providers. Three sites reported their partners served more than 6,500 individuals, and four sites reported new capital sources totaling \$15.8 million. In addition, collectively the Systems have brought together at least 113 institutions into networks aimed at providing services to entrepreneurs in their target regions.
- *Substantially advanced youth entrepreneurship in their states.* The Systems have elevated the profile of youth entrepreneurship in their communities and states, supported curriculum development and teacher training, financed training for thousands of young people, and contributed to the creation of new structures to promote youth entrepreneurship. Collectively, the EDSs have trained about 17,000 young people, engaged about 1,200 in business plan competitions, and provided several thousand teachers with professional development.
- *Supported integration of entrepreneurship education into community college and college curricula.* Oglala Lakota College in South Dakota has added new course offerings. In North Carolina, several community colleges are introducing entrepreneurship degrees, and each campus of the University of North Carolina system is articulating strategies for entrepreneurship education and outreach. In West Virginia, efforts are underway to expand entrepreneurship education in the community and technical colleges statewide.
- *Achieved important policy wins and laid the groundwork for future gains.* The Systems have: increased the visibility of entrepreneurship through large public events and intensive public relations campaigns; educated policymakers through formal and informal means; and secured funding for entrepreneurship services, tax credits for microentrepreneurs and community asset building, and a Uniform Commercial Code on the Pine Ridge reservation. At a minimum, the Systems have successfully advocated, and/or secured \$10.6 million for entrepreneurship services.
- *Developed some partial solutions to the issue of sustaining these Systems over time.* As they have moved from demonstration to ongoing implementation, the Systems have begun to make choices about what to sustain, and what to let go. It is clear that sustainability is not a permanent state, but a process that must be tended to over time. In the case of these complex structures, sustainability will depend on the will and commitment of many partners. As they go forward, these six Systems will provide further examples of how these efforts might best be sustained.

### ***Constructing a System***

The sites have demonstrated that variations in local context, and varying theories about how to promote entrepreneurship and community change, have led to different approaches to the construction of entrepreneurship development systems. The sites tended towards one of two strategic approaches. Some gave primacy to bringing together all actors engaged in supporting entrepreneurship development and then focused on creating a set of common goals and practices. This “big tent” or supply-side approach was based on the expectation that filling gaps in services, better marketing, and improving coordination would lead to more, and more appropriate, services for entrepreneurs, ultimately quickening the pace of entrepreneurial development and growth. Sites taking the second approach gave primacy to a “transformational” or demand-side approach to Systems construction in which they sought to apply a defined model for entrepreneurial and community transformation systematically in their regions. The partners convened in that process were a function of the model selected. These models emphasized the personal development and learning of entrepreneurs, and the creation of coaching relationships and support structures that included peer groups and community organizations awakened to the value of entrepreneurship.

Creating a System clearly requires work on both supply and demand, and all of the EDSs attempted to incorporate some aspects of both as they worked to achieve the demonstration's goals. As the list above illustrates, all the Systems demonstrated notable accomplishments. However, the experience suggests advantages to starting with a transformational approach – especially in terms of the focus that such an approach provided for partner roles, and its capacity to demonstrate fairly quick, tangible results that could be attributed to the System. The collective experience also illuminates some considerable challenges to the “big tent” approach, most especially in terms of the time and energy required to generate shared values and commitment to a highly complex agenda, and the difficulties encountered in efforts to improve the match between clients and services.

### ***Creating a pipeline***

The Kellogg-funded EDS work also added important value by providing resources to create and deepen efforts around youth entrepreneurship. The work demonstrated that youth entrepreneurship can be the catalyst for change at the community and state levels, and can spark high levels of student and parent involvement.

Practitioners interested in fostering youth entrepreneurship should: implement multiple approaches that can reach youth at all levels; work from both the top down and bottom up to penetrate formal school systems; use high profile events to create enthusiasm; and consider how to connect entrepreneurship education explicitly to local culture and community concerns.

The Systems' work also has amplified the concept of an entrepreneurial pipeline. As articulated by CFED, this concept relates to efforts to broaden the pool of potential or aspiring entrepreneurs. Several EDSs, however, expanded the concept to also include the *process by which entrepreneurs and their businesses progress along the stages of business development*.<sup>1</sup> In addressing this new dimension of “pipeline development,” three of the sites placed a special focus on coaching. Sites that promoted coaching each generated some positive quantitative evidence of business formation and growth.<sup>2</sup> Coaching models showed value in recruiting clients, offering customized services that addressed an entrepreneur's strategic and technical needs, supporting personal empowerment, and brokering resources. However, much more could be learned about the strengths and weaknesses of the different coaching strategies used. EDS experiences also demonstrate the challenges in implementing these models, including finding, developing and retaining coaches.

One EDS site invested relatively heavily in networks; in other sites the focus on networks was less strong. Four sites supported post-secondary education initiatives. Although it is too soon to determine the results from expanded networking or adult education opportunities, some qualitative evidence from North Carolina and Advantage Valley supports the importance of the networking strategy.

Almost all of the sites achieved greater inclusion of populations that traditionally have been served less well by mainstream entrepreneurship services – although their approach to this issue and the specific target groups they focused on varied considerably. Their efforts demonstrate that broadening entrepreneurship opportunity requires conscious strategy and resources. They also suggest that those seeking to promote inclusion can find value in: investing in leadership development and new, more inclusive community structures; including diversity training within entrepreneurial development programs; funding training scholarships for underserved populations; and developing in-depth partnerships with institutions that represent traditionally underserved populations. The Oweesta Collaborative's work also demonstrated how a sole focus on Native Americans can accelerate progress.

<sup>1</sup> This use of the term “pipeline,” as applied to the process of developing entrepreneurs, was originally developed by Lichtenstein and Lyons. See Gregg A. Lichtenstein and Thomas S. Lyons, “Managing the Community's Pipeline of Entrepreneurs and Enterprises: A New Way of Thinking about Business Assets,” *Economic Development Quarterly*, Vol. 20, no. 4 (November 2006): 377-386.

<sup>2</sup> These data are summarized in the case studies at the end of this report.

### ***Building systems of financial and technical support***

The sites worked in different ways to develop comprehensive systems of financial and technical support for entrepreneurs. Several faced the challenge of filling gaps in services. To do so, some created new services, while others brought services from elsewhere into their region. And all sites sought workable ways to increase coordination among service providers. As might be expected, the goal of developing a full continuum of services was difficult to achieve.

Much of the terminology and language around the EDS concept – particularly as articulated by CFED – focused on collaboration among service providers as the means to achieve a “system.” The work of the six sites reveals that this language only partially describes what a system is about, and that assessing demand for services, and creating more explicit links between demand and supply are also central to the notion of “system.” Collaboration alone may not lead to a full spectrum of services, nor to services that meet actual, specific entrepreneur needs

As Systems worked to more effectively connect demand (entrepreneurs with needs) to supply (service providers), they used both entrepreneur- and supplier-driven approaches. To put entrepreneurs in the driver’s seat, sites used focus groups to assess needs and engage in strategic planning; developed more precise processes for diagnosing entrepreneur needs; and worked to increase the transparency of the “system” through directories, Web portals, and other marketing efforts. Systems also focused on the role that the service providers – or suppliers – play in matching clients to needed services. These supplier-driven approaches sought to overcome resistance to cross-referrals through tools that increased provider awareness of one another’s competencies, team-building exercises, and joint professional development. These approaches met with limited success as Systems found it challenging to overcome resistance to referrals grounded in differences in institutional imperatives, operational models, strategic choices, and quality concerns.

Systems also wrestled with the issues of specialization among service providers and quality in service delivery. In neither instance were they able to address these issues satisfactorily. In the case of specialization, their experience does not illuminate whether or how specialization matters, and when it should be encouraged. In the case of quality, the EDS experience demonstrated the difficulty in addressing quality while simultaneously trying to build a system of service providers who could “play well together.” While ongoing investment in common tools and systems may yield future benefits, these Systems are still far away from having models that solve these challenges.

### ***Fostering favorable policy and community environments***

The Systems’ efforts to create a more favorable policy environment incorporated four approaches: broad-based efforts to raise awareness; initiatives to increase funding for EDS-like services; advocacy aimed at achieving regulatory and tax policy favorable to entrepreneurial development; and efforts to organize grassroots support for entrepreneurship. A few Systems demonstrated significant success in achieving both funding and tax policy changes. Three factors seem to contribute to this success: a history of engagement on entrepreneurship policy; expertise in policy development and advocacy; and the designation of a strong organization to be the policy lead.

The experience of the sites also suggests the importance of a comprehensive policy agenda that addresses structural, regulatory and tax issues; intellectual property; educational policy; and funding for services. This does not mean that all items can or should be pushed simultaneously, or that it will be feasible to achieve them all. It does mean that changing the environment for entrepreneurship involves more than simply securing funding for resource providers. And for entrepreneurs, other policy elements may actually provide more immediate, substantive benefit. Experience also suggests that policy change may be enhanced by having a statewide rather than a solely rural perspective. The policy agendas of four of the sites were supported by statewide coalitions of organizations, and in most instances, sought to bring benefits to urban and rural entrepreneurs and areas.

The Systems also worked to increase community support for entrepreneurship. They worked to “create” model entrepreneurs and communities, and marketed their success broadly, encouraging others to follow. They sought to connect entrepreneurship to traditional values, and worked to interest community stakeholders in entrepreneurship and provide them with tools to organize for change. Some used the Energizing Entrepreneurship curriculum to launch these efforts, and invested in community and regionally based organizing efforts, such as entrepreneurial task forces and networks of local service providers and/or entrepreneurs. A few sites also worked to enhance civic entrepreneurship, providing training to local policy makers and fostering new, more inclusive community leadership.

Experience with these approaches suggests several lessons. First, staff and money help to amplify voluntary participation of civic and business entrepreneurs. Sites that obtained funding to support community-level work made more progress than those that did not. A more intensive approach to community work is also more likely to yield visible transformation in attitudes and support for entrepreneurship. This poses challenges to Systems trying to cover broad geographies, but it is important to recognize the trade-offs when defining the scale and scope of EDS initiatives. Some sites have shown that enterprise facilitation models can strengthen the power of coaching and engage communities in the success of their entrepreneurs. And HTC in Nebraska has demonstrated how a financing tool can foster a regional vision and support for joint economic development work among communities.

While most Systems likely would suggest that the local culture of entrepreneurship will change as their efforts to create and serve entrepreneurs gain traction and demonstrate results, it is not clear that this has happened yet in many places. EDS leaders have noted that changing from traditional ways of doing business to more entrepreneur-driven approaches is slow going. This work to change the local culture may require more resources – and more data demonstrating the value of these investments – than most of the Systems have mobilized to date.

### *illuminating the EDS model*

The six Systems provide important insights into the EDS model. Entrepreneurship development systems are intended to work toward the three goals of pipeline development, systems building, and policy and community change. They also are expected to embody nine principles:

- *entrepreneur-focused* (driven by the true needs of entrepreneurs);
- *inclusive* of all types of entrepreneurial talent, underrepresented populations and all types of organizational leadership;
- *asset-based* (building on a region’s assets);
- *collaborative* (including leadership across private, public and nonprofit sectors, and engaging service providers);
- *comprehensive and integrated* (addressing all elements of an EDS and integrating entrepreneurship into other aspects of the regional economy);
- *community-based but regionally focused*;
- *linked to and informing local and state economic development policy*;
- *sustainable*; and
- *focused on continuous improvement*.

Simple recitation of this list suggests that developing an EDS is a marathon and not a sprint. At the end of the three-year demonstration period, only part-way through the race, each System has addressed or adhered to some principles more than others. For example, while all the Systems have placed some value on policy change and sustainability, progress on these fronts varied considerably across the sites. Efforts to inculcate a culture of continuous improvement encountered difficulties; and there were limited efforts to articulate asset-based approaches.

The Systems also have illuminated instances where these principles may conflict with each other or with local

approaches. For example, the sites varied in their beliefs regarding the importance of inclusivity and comprehensiveness, as some found collaboration to be easier and more effective with a limited number of partners. And most Systems appeared to find it difficult to be both community-based and regionally focused.

The value of these six demonstrations is not diminished because they did not completely represent all the EDS principles. Rather, their experiences provide a more realistic understanding of what it takes to develop an EDS, and how local contexts and capacities shape individual Systems. The demonstration has yielded clear value for rural entrepreneurship that will help others seeking effective strategies for economic revitalization. In particular:

To practitioners interested in developing such initiatives, these cases demonstrate that it is possible to conceive and implement new ways of supporting entrepreneurial development that have the potential for great impact.

To funders interested in supporting transformative change, the experience argues for long-term, substantial, flexible financial support and organizational development assistance.

To policy makers interested in finding better pathways to rural economic development, these Systems clearly demonstrate the power of entrepreneurship as an organizing force for change, and the need to support service providers and enable communities and entrepreneurs to envision new ways of moving forward.

And finally, to entrepreneurs and their communities, this work demonstrates the commitment of many partners to the work of rural revitalization, and the models that can be built on as they seek to develop a better future for themselves and their regions.

## Introduction

Entrepreneurship development systems (EDSs) reflect a theory whose time has come. Crafted from the experiences and perspectives of long-engaged rural practitioners and researchers – who see encouraging entrepreneurship comprehensively as the most effective path to economic revitalization in distressed rural communities – entrepreneurship development systems can be found in varying stages of construction across the United States.<sup>3</sup> When the W.K. Kellogg Foundation announced plans to fund six demonstrations of this strategy in 2004, 183 applications were submitted. And while only six received grants, many of the other applicants have pursued regional initiatives, drawing on their own resources and other funders to move them forward.

In the meantime, interest in the Kellogg-funded Systems remains high. Blessed with substantial financing – \$2 million over three years – and with opportunities to engage in a joint learning process, these Systems have had substantial advantages not available to others. Now as the demonstration period has drawn to a close, what has been learned about the practice of entrepreneurship development systems? What appear to be the accomplishments? What are the challenges? And what promising practices are emerging?

This study, commissioned by the Kellogg Foundation, attempts to capture the learning that has emerged to date. The findings and observations included here have been developed by a research team from the Aspen Institute's FIELD program, in response to a set of questions posed by the Foundation and by its manager for the EDS demonstration, CFED. Those questions address two types of concerns: What can be said about the effect that the funded Systems are having on entrepreneurs, local communities, and the policy environment that surrounds them? And what is being learned about the development of these Systems that others can apply?<sup>4</sup>

All of these questions are important. However, not all of them can be answered equally well by this study. As the document lays out, variations in data collection across the six sites have made it challenging even to count the number of entrepreneurs served across the six sites, let alone to track entrepreneur outcomes and other larger effects in a consistent manner. Because of this, determining what constitutes a “successful” EDS seems presumptuous. However, it is possible to discern and describe illustrative examples and evidence of the effects of the Systems, and a set of promising practices and lessons that others interested in implementing systems approaches to entrepreneurship will find helpful. In addition,

<sup>3</sup> The concept of an EDS builds in particular on the work of the Rural Policy Research Institute (see [www.ruraleship.org](http://www.ruraleship.org)), and Gregg A. Lichtenstein and Thomas S. Lyons, as described in Gregg A. Lichtenstein and Thomas S. Lyons, “The Entrepreneurial Development System: Transforming Business Talent and Community Economies,” *Economic Development Quarterly*, Vol. 15, no. 1 (February 2001): 3-20.

<sup>4</sup> For a detailed discussion of the research approach that was used to consider each evaluation question, based on the constraints and “givens” surrounding this national study, please see the Appendix.

## 1. Entrepreneur Level Issues

- To what extent has the pipeline of aspiring entrepreneurs seeking services increased?
- To what extent has the number of entrepreneurs increased?
- What outcomes do assisted entrepreneurs (participants) experience?
- What changes do assisted entrepreneurs (any participant, including youth) express with respect to their attitudes about and capacity for entrepreneurship?

## 2. Entrepreneurship Development Systems

- What are the core functions, components and drivers of a successful EDS?
- What are the key lessons with respect to developing and maintaining a successful EDS?

## 3. Community and Policy Level Issues

To what extent did the EDS initiatives contribute to poverty reduction, economic progress and policy change in the six target regions?

the experiences of these Systems also raise issues and questions for further exploration. In order to capture and distill these experiences, this document:

- Summarizes our understanding of the theory of entrepreneurship development systems;
- Describes each of the six Systems funded by the Kellogg demonstration, identifying their accomplishments, their approach and progress toward sustainability, and key lessons for practice;
- Discusses lessons learned about the construction and management of Systems;
- Describes and discusses findings regarding the Systems' work to develop a well-functioning "pipeline" to serve aspiring entrepreneurs, implement a comprehensive and coordinated system of financial and technical support for entrepreneurs at all levels, and foster policies and community attitudes that are supportive of entrepreneurship;
- And, offers final observations and questions about how the sites illuminate the evolving practice of entrepreneurship development systems.

It cannot be emphasized enough that the initiatives funded by the Kellogg Foundation are ambitious and long-term processes that, in many ways, have only begun to demonstrate their potential results. The agendas of these Systems are ambitious and complex; the goals are about shifting minds, institutional ways of doing business, state and local policies and the investment of resources. As with many complex undertakings, the efforts to build these Systems have been harder and, for most, taken longer than envisioned in their original proposals. It is important to keep the magnitude and complexity of these efforts in mind as we reflect on their results in comparison to their original goals.

**Part 1**  
**Entrepreneurship Development Systems:**  
**Theory and Practice,**  
**Accomplishments and Lessons**

# Defining Entrepreneurship Development Systems

The concept of an EDS was identified and summarized in CFED's study for the W.K. Kellogg Foundation entitled *Mapping Rural Entrepreneurship*. Flowing from the findings of this work, CFED and W.K. Kellogg jointly developed a request for proposals for the W.K. Kellogg Rural Entrepreneurship Development Systems project, which aimed to invest in a set of efforts to create or enhance a "systems" approach to entrepreneurship development.

In the EDS theory developed by CFED, a set of entrepreneurship services (many of which may exist in a rural region prior to the formation of an EDS), come or are brought together to fulfill a set of goals, and in doing so, operate by a set of common principles. According to the RFP:

"An effective entrepreneurship development system integrates a wide range of programs and tailors products and services to meet the diverse needs of entrepreneurs. It should be comprehensive, flexible, culturally sensitive, and integrated, and should require providers to collaborate rather than operate independently or in isolation."<sup>5</sup>

In the theory advanced by CFED, the core goals of an EDS are:

1. To create a pipeline of entrepreneurs by nurturing entrepreneurial aspirations in youth, identifying and supporting potential entrepreneurs, and fostering an entrepreneur-friendly environment that attracts entrepreneurs;
2. To implement a system of financial and technical support for all types of entrepreneurs of varying motivations and skill levels; and
3. To foster a supportive policy and cultural environment of entrepreneurship within the public, private and nonprofit sectors.

The EDS definition also identified five key areas of entrepreneurship services and/or programs that would be included or integrated into the System. These five components are:

- **Entrepreneurship education** – entrepreneurship concepts included in-school curricula (K-12) preferably using experiential learning techniques; student-created enterprises encouraged as after-school and out-of-school activities; and entrepreneurship integrated into a wide range of courses and disciplines at post-secondary education institutions.
- **Adult entrepreneurship training and technical assistance** – high-quality and accessible basic financial education, product development and marketing advice, and business development training and technical assistance to aspiring and existing entrepreneurs.
- **Access to capital** – adequate and appropriate supply of equity and debt financing to meet the needs of entrepreneurs at different levels of development.

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<sup>5</sup> Brian Dabson, "Fostering Entrepreneurship Development Systems in Rural America: First Review of the Results of the Request for Proposals," report to the W.K. Kellogg Foundation. CFED and the Rural Policy Research Institute (RUPRI), January 2005, 3.

- **Access to networks** – that allow entrepreneurs to share ideas, learn from one another, and conduct business together, linking them to new markets, new sources of capital, new employees, strategic alliance partners, and service providers.
- **Entrepreneurial culture** – cultural, social and civic engagement that encourages, nurtures and raises the profile of entrepreneurs.<sup>6</sup>

The set of guiding *principles* sought to ensure that the Systems would be effective and wide-reaching. According to these principles, EDSs were to be:

- Entrepreneur focused – driven by the true needs of entrepreneurs.
- Inclusive – of all types of entrepreneurial talent, of underrepresented populations and communities; of all types of organizational leadership.
- Asset based – building on the region’s assets.
- Collaborative – (1) leadership across private, public and nonprofit sectors and (2) engagement of service providers.
- Comprehensive and integrated – addressing all elements of an EDS and integrating entrepreneurship into other aspects of the regional economy.
- Community-based but regionally focused – rooted in communities but connected to the resources of a region.
- Linked to policy – informing economic development policy (local and state) through the demonstration of entrepreneurship in communities and regions.
- Sustainable over time – if entrepreneurship development is a long-term strategy, the Systems must be sustainable over time as well.
- Continuously improving – articulating and measuring outcomes that reflect the goals of EDS, and being flexible enough to revamp, retool and rethink the practice while moving forward.

Two additional attributes were deemed important to the functioning and success of an EDS, and were expected to be included in the proposals sought by CFED and the Kellogg Foundation. Initiatives were to be *regional* in scope; regions could include tribal and multitribal regions, multicounty sub-state regions, or multicounty regions that cross state lines. And a key underlying concept was that of *collaboration* – the initiative would bring “together several different types of organizations – private, governmental, community-based, tribal, nonprofit and educational – that would work in concert to create a coherent **system** of entrepreneurship development services to a diverse customer base within a defined geographical region.”<sup>7</sup>

As is evident from the above discussion, the concept of an entrepreneurial development system is complex and wide reaching. It reflects an effort to bring together a set of practices and principles from a number of research efforts and innovative initiatives to create a comprehensive conceptual framework or theory for how to best support entrepreneurial development in rural communities. At the time that the demonstration was launched, there were no existing Entrepreneurship Development Systems in the U.S. – although there were initiatives, including some

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<sup>6</sup> Dabson, 3.

<sup>7</sup> Dabson, 4.

among selected grantees, that incorporated some of the key components, and exemplified some of the guiding principles. The opportunity – and the challenge – facing the six sites funded through the W.K. Kellogg Rural Entrepreneurship Development Systems project, was to put the above EDS concepts into practice.

Now at the end of the demonstration, the sites have made significant strides. Each has worked to develop a “system” that advances the three goals. In different ways, they have worked to develop, expand or enhance entrepreneurial education, business training and technical assistance services, access to capital, entrepreneurial networks, and to build a more supportive culture for entrepreneurship. However, as each has moved forward it has placed different emphases on these components and on the model's guiding principles.

These differences increase the opportunities for experimentation and learning, and demonstrate to other practitioners how EDS principles can translate in regions with varying contexts and institutional capacities.

## The Six Entrepreneurship Development Systems

The implementation of EDS theory and principles across the six sites has led to a rainbow of approaches, each colored by a variety of factors. These include the state and local context, the degree to which local leaders are open to entrepreneurship, institutional infrastructure and capacities, the extent to which institutions are prepared for joint action, and their assessment of the most strategic way to move toward an EDS in their region. While each EDS directs its work toward distressed rural communities, the nature and drivers of distress vary, as do the choices made with respect to how best to effect change.

This section provides a brief introduction to each of the six Kellogg-funded Systems to provide context to the following chapters, which describe and analyze their collective experiences in implementing the EDS concept. Table I provides further summary details with respect to the context, partners and the theory of change for each site. In addition, detailed case studies of each System, which discuss the context in which the EDS was developed and its structure, strategy, accomplishments, and lessons are included in Part 2.

The **Advantage Valley Entrepreneurship Development System** works in a 12-county region spanning parts of West Virginia, Kentucky and Ohio. The region has experienced significant employment decline in its traditional industries, an overall population loss, and very low rates of entrepreneurial activity. Led by Advantage Valley, Inc., a tri-state economic development organization, the System brought together eight partners to offer:

- A coaching and networking program using the proprietary Entrepreneurial League System® developed by, and implemented in partnership with Collaborative Strategies, Inc.; linked to a network of regional service providers, and
- A collaborative that linked these regional initiatives with statewide institutions, some of which were newly forming and concerned with entrepreneurship education, policy and the development of additional services.

The EDS implemented bottom-up and top-down strategies. In the region, the key goal was to build a critical mass of growth-oriented entrepreneurs that would create new growing industries, develop a sustainable culture of peer support among entrepreneurs, and provide leadership in the public and nonprofit institutions designed to support them. At the state level, policies and institutions were developed to expand the pool of entrepreneurs as well as create a more supportive environment for entrepreneurs of all kinds.

**CORE (Connecting Oregon for Rural Entrepreneurship)** brought five distinct regional initiatives in Oregon together with newly created or expanded statewide services for rural entrepreneurs. Led by Rural Development Initiatives, a nonprofit leadership development organization with a rural focus, more than 20 partners organized into five target area teams and statewide support committees to support economic revitalization in regions that had been hard hit by declines in the timber

industry, but which have begun to experience slow resurgence as people have been attracted to the area's natural amenities. CORE has focused on supporting approaches designed in each target area by local leaders and entrepreneurial advisory boards which incorporated entrepreneurship into their regional economic development strategies. At the state level, CORE facilitated a collaborative with more than 20 partners to provide newly created or expanded statewide services to fill gaps common to all the regions, to increase the visibility of entrepreneurship in the state, and to promote policy changes that support entrepreneurship.

**The Empowering Business Spirit (EBS) Initiative** operates in four counties in northern New Mexico that are ethnically diverse and culturally rich, but suffer from 22% poverty rates and high unemployment. Led by the Regional Development Corporation, an economic development nonprofit, EBS focused primary on creating "a seamless, integrated partnership and continuum of service providers within the region," bringing together 20 partners from within and outside the region to expand services, deepen outreach through intensive marketing, and increase effectiveness through greater coordination. More recently, it has broadened its partners, and is focusing on implementing "network facilitation" programs throughout the region.

**HomeTown Competitiveness (HTC)** is working not in one distinct region, but in a set of geographically dispersed rural counties and communities in Nebraska that have depopulated due to changes in traditional agriculture. HTC was formed prior to the Kellogg initiative by three nonprofits – the Nebraska Community Foundation, the Heartland Center for Leadership Development and the RUPRI Center for Rural Entrepreneurship. Together they developed a comprehensive rural economic development strategy that focuses on:

- leadership development
- youth engagement
- entrepreneurship
- building community assets

Under the grant, they built a broader group of resource partners to achieve EDS goals, and have worked with local communities to form broader regional development initiatives aimed at spurring greater impact within their target communities.

The **North Carolina Rural Outreach Collaborative** emerged from a statewide association of business resource providers in response to the Kellogg RFP. It was led by the North Carolina Rural Economic Development Center's Institute for Rural Entrepreneurship, with the intent to serve all 85 rural counties in the state, which have suffered losses in traditional manufacturing, tobacco and other agriculture. Twenty-five partners participated in the EDS on a management team and in working groups to develop statewide tools and activities. The Collaborative also supported emerging regional activities in six areas of the state. Its focus was to develop a statewide rural system with increased transparency to entrepreneurs and increased quality of services.<sup>8</sup>

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<sup>8</sup> Note that the name, North Carolina Rural Outreach Collaborative was chosen for the Kellogg proposal, and is not used or recognized in North Carolina.

Finally, the **Oweesta Collaborative** is a nine-member collaborative focused on three Indian reservations in the Great Plains: the Pine Ridge and Cheyenne River reservations in South Dakota, and the Wind River Reservation in Wyoming. All three reservations have experienced extreme and longstanding poverty due to the historic social and economic disenfranchisement of Native Americans, and lack of infrastructure needed to support enterprise and economic development. The nine organizations adopted a bottom-up, client-centered approach built around the implementation of the Wawokiye Business Institute, a Native American coaching model. The Oweesta Collaborative has recently changed its name to SAGE – the Starting and Growing Entrepreneurs Collaborative.

**TABLE I: EDS STRUCTURE**

Collaborative	Geographic Region	Economic and Demographic Challenges	Lead Organization	Partners/Structure	Theory of Change
<b>Advantage Valley EDS</b>	12 counties in West Virginia, Kentucky and Ohio	<p>Employment decline of manufacturing and extractive industries</p> <p>Out-migration of a large segment of the working-age population over past 25 years</p> <p>Very low rates of entrepreneurial activity</p>	Advantage Valley, Inc. a multistate regional economic development organization	<p>Eight initial partners including regional organizations (three economic development organizations, and a network of local community and technical colleges) and statewide institutions (WV SBDC system, a microenterprise development organization providing services in rural areas statewide, WV Dept. of Education, Entrepreneurship Education Coordinator, and an advocacy organization focused on WV economic development policy)</p> <p>Entrepreneurial League System®</p> <p>Entrepreneur Assistance Network of regional business development service providers</p>	By systematically developing talent it is possible to create a supply of highly skilled entrepreneurs capable of building successful companies, doing so in sufficient numbers to transform a region's economy.
<b>Connecting Oregon for Rural Entrepreneurship</b>	<p>Five regional target areas in Oregon:</p> <ul style="list-style-type: none"> <li>• NE Oregon</li> <li>• Warm Springs Reservation</li> <li>• Lake County</li> <li>• SW Oregon</li> <li>• Lincoln County</li> </ul>	<p>Decline of the timber industry</p> <p>Out-migration of a large segment of the working-age population over past 15 years</p> <p>Relatively high rates of self-employment</p>	<p>Rural Development Initiatives, a rural leadership T.A. provider, manages the overall project/process</p> <p>A local organization, usually a service provider, manages the activities in each target area in conjunction with local Entrepreneur Advisory Boards</p>	In addition to the partners in each target area there are more than 20 statewide organizations providing resources to support/assist local efforts. In some cases the statewide partners support the target area partners; in others they work directly with entrepreneurs to provide specific forms of T.A., training or access to capital	By combining ground-up local planning that informs resource allocation with comprehensive, high-quality supports for entrepreneurship, rural communities can use entrepreneurship to fuel economic change strategies that promote community values, stewardship of rural resources, economic competitiveness, and regional equity.
<b>Empowering Business Spirit</b>	Four counties in northern New Mexico (San Miguel, Rio Arriba, Mora and Taos)	<p>High rates of poverty and unemployment</p> <p>High-high school dropout rates</p>	Regional Development Corporation	<p>20 partners, primarily service providers of all types (SBDCs, nonprofit CDFIs, community-based organizations, educational institutions)</p> <p>Working groups in key areas (capital access, policy, best practices) create agenda for action</p>	Creating a continuum of service providers that can provide quality services will enhance entrepreneurial activity and success. Later expanded to include concept that community-based networks of volunteers and facilitators can play a key role in providing the supports that entrepreneurs need.

**TABLE I: EDS STRUCTURE-Continued**

Collaborative	Geographic Region	Economic and Demographic Challenges	Lead Organization	Partners/Structure	Theory of Change
<b>Home Town Competitive-ness</b>	Statewide organizations work to create locally based systems or initiatives (at the community or county level). Currently focusing on communities in 16 Nebraska counties.	Decline of traditional agriculture sectors  Out-migration of youth	Three core institutional partners: Nebraska Community Foundation; Heartland Center for Leadership Development; RUPRI Center for Entrepreneurship	Management team that includes four additional partners  28 resource partners including communities, nonprofits and educational institutions	Revitalizing rural communities involves a three-stage process of community engagement focused on four key pillars: <ul style="list-style-type: none"> <li>• Leadership development</li> <li>• Youth engagement</li> <li>• Community asset development</li> <li>• Entrepreneurship</li> </ul>
<b>North Carolina Rural Outreach Collaborative</b>	Statewide rural effort to engage key systems of service providers (SBTDC, SBCs, educational institutions, etc.)  Six distressed rural regions were chosen for initial focus; EDS team provided encouragement of and some support for regional networks and efforts in each of these regions.	Loss of jobs in key manufacturing and agricultural (tobacco) industries.  High rates of poverty in some rural regions and communities  Longstanding state reputation and infrastructure for industrial recruitment; little state or local policy emphasis on supporting new firms	North Carolina Rural Economic Development Center (its Institute for Rural Entrepreneurship was established in 2003 to collaborate with many external partners)	25 partner organizations, all represented on EDS management team, which met regularly  Entrepreneur advisory committee  Working groups on policy, education, minority outreach and capital access  Community leadership teams in each region  Executive policy team	A seamless entrepreneurship delivery system, along with improved service provider qualifications, and greater information to community and political leaders should lead to quality entrepreneurship services in rural and distressed communities, and communities with more knowledge of and positive attitudes and behavior toward entrepreneurship. If these intermediate outcomes are achieved, the final outcome will be “improved and/or more successful entrepreneurs.”  Regional networks of entrepreneurs will help to combat current sense of isolation and disconnectedness among entrepreneurs.
<b>Oweesta Collaborative</b>	Three reservations in South Dakota and Wyoming (Pine Ridge, Cheyenne River, Wind River)	Very high rates of poverty, teen pregnancy and teen suicide  Lack of private, Native-owned enterprises	Oweesta Corporation (a certified national Native CDFI Intermediary) acted as lead; Rural Community Innovations as fiscal agent  Oweesta Corporation hosts Web site extranet and provides communications support  Very flat organizational structure	Nine partners: <ul style="list-style-type: none"> <li>• Two national organizations (one Native, one non-Native) with strong experience in Native entrepreneurship (Oweesta Corp. and RCI)</li> <li>• Three local Native CDFIs</li> <li>• Wawokiye Business Institute (coaching model)</li> <li>• Pine Ridge Area Chamber of Commerce</li> <li>• Oglala Lakota College</li> <li>• First Peoples Fund</li> </ul>	Creating a culture and strong base of Native-owned individual enterprises is critical to breaking the cycle of poverty and dependency on Native American reservations.  A system of long-term, client-driven technical assistance and coaching, combined with access to capital, is key to supporting enterprise creation among Native Americans.

## EDS Accomplishments

As the EDS goals indicate, the Kellogg demonstrations were expected to produce significant changes in the way rural regions developed and supported entrepreneurs. They also were expected to produce changes in the environments in which entrepreneurs operated—both at the community level and at the policy level. Case studies at the end of this document offer a detailed look at each System’s work with respect to the three goals, discussing them in the context of their environments and strategies, and identifying lessons learned.

The expected changes were intended to lead to measurable, quantitative results as well as qualitative results. Because of challenges with data collection at each of the sites, the quantitative record is only partial. Nevertheless, the available data, along with documentation of the qualitative changes, produce a fairly strong picture of what has been achieved. This section summarizes the collective accomplishments of the Systems, focusing in particular on those that offer models for those interested in emulating or supporting these approaches. The EDS sites achieved the following key accomplishments:

***Raised the profile of – and changed the conversation regarding – entrepreneurship in their target regions and states.*** Each of the EDS regions faces fundamental economic challenges. In response, the Systems have offered new and transforming answers to the questions: What should the strategy be? Who should be engaged in fostering change? In each of the sites, System organizers and participants have advocated strenuously for entrepreneurship development to be a central part of their regional strategy, and they have mobilized broad coalitions of institutions and individuals to carry that message. Importantly, all have made the case for entrepreneurship not as an aspect of a “new economy” sector such as technology, but as something that is essential to revitalization in all sectors of the regional economy. Hundreds of individuals have participated in summits and other convenings to explore the role of entrepreneurship in their states, and conversations regarding the value of entrepreneurship have taken place in small towns and villages, capital cities and campuses, and in policy centers from the local level up. In North Carolina alone, more than 9,000 individuals participated in 574 community events. This level of engagement from the grassroots up represents a substantial divergence from standard economic practice.

***Modeled entrepreneurial development strategies that show potential for increasing enterprise formation and growth.*** Over the last three years, several of the Systems have developed, refined, and implemented strategies that over time are expected to support not only emerging entrepreneurs, but also enterprise growth. Based on the insight that entrepreneurs advance more rapidly with peer and community support, these models have worked at several levels to achieve results. They have:

- Introduced coaching as a key tool in helping entrepreneurs think strategically, enlarge their vision regarding their potential for growth, and move forward;
- Created peer support systems that range from community-level entrepreneurial task forces and advisory boards, to more intimate peer groups of entrepreneurs, and broader, local business networks;

### Illustrative Accomplishments:

- ⇒ HTC’s first site, Valley County reports 73 new businesses, 10 business expansions, 21 business transitions to new owners, and 332 new full-time jobs. Per capita income up 22% and a 3% population gain (first time in 70 years).
- ⇒ Advantage Valley had 116 entrepreneurs in its Entrepreneurial League System®. More than half doubled revenues, and 49 new jobs were created.
- ⇒ CORE reported 50 new businesses and 55 new jobs in one program focused on ten very distressed communities in its target areas.
- ⇒ EBS reported 136 new jobs.

### Illustrative Accomplishments:

- ⇒ CORE created MarketLink, a centralized source of market data and CapitalLink, a state microenterprise fund valued at \$300,000.
- ⇒ HTC created entrepreneurship task forces and entrepreneurial advisory boards in 30 communities.
- ⇒ North Carolina Rural Center's Venture Fund, valued at \$6.8 million: the first six investments totaling \$2.1 million are expected to generate 400 new jobs by 2013.

- Fostered greater community support for entrepreneurship through educational and consciousness-raising events. At least three used the Energizing Entrepreneurs (E<sup>2</sup>)<sup>9</sup> curriculum to launch entrepreneurial support activities at the local and regional levels. HTC also used community surveys, and reflections on their findings, to motivate the adoption of an HTC program with an entrepreneurial dimension.
- Increased the inclusiveness of entrepreneurship opportunity to some degree. The sole focus of the Oweesta Collaborative was Native American entrepreneurship. Other sites have expanded the roles of women and youth in their communities (HTC, EBS, CORE), and other Systems' partners have reached people of color and ethnic minorities in greater numbers than their presence in the population (North Carolina and Advantage Valley).

While these efforts are still in the early stages, initial results show their value. Collectively the systems have coached more than 1,000 individuals, supported networking events for these entrepreneurs and others, and started to document hundreds of new businesses and jobs.

***Invested substantially in infrastructure and services that strengthen their capacity to serve entrepreneurs and to collaborate.*** The EDS sites have demonstrated that creating more comprehensive systems of support requires not only coordinating available services, but also creating new ones or leveraging them from outside. They also have demonstrated that more effective systems enable entrepreneurs to connect to resources more efficiently. Their accomplishments have included:

- Development of Web sites, documents and other informational resources that increase the "transparency" of the system to potential clients and to all service providers
- *Creation* of new services, capital funds, marketing services and technical assistance services, and *leveraging services* from outside the region to fill critical gaps
- Introduction of new, demand-driven ways for entrepreneurs to interact with service providers. These include coaching efforts that increase entrepreneurs' capacity to better define their needs and desired services, as well as educational efforts that enable community leaders to be better consumers of outside resources.

Three sites (EBS, CORE and North Carolina) reported that their partners served more than 6,500 individuals. Four sites reported creating new capital sources totaling \$15.8 million for rural sites. In addition, collectively the Systems have brought together a minimum of 113 institutions into networks or collaborations aimed at providing services to entrepreneurs in their target regions.

***Substantially advanced youth entrepreneurship in their states.*** Prior to these demonstrations, the connection between youth entrepreneurship activities and

<sup>9</sup> The Energizing Entrepreneurs (E<sup>2</sup>) curriculum is a product of the RUPRI Center for Rural Entrepreneurship. See: <http://www.energizingentrepreneurs.org/content/cr.php?id=8&sel=1>

other entrepreneurial development efforts was limited. By making connections between the two, and by investing substantial resources in youth engagement activities, the Systems were able to dramatically increase its visibility and the numbers of students offered the opportunity to explore entrepreneurship. Most notably, these Systems have:

- Elevated the *profile of youth entrepreneurship* in their communities and states – through the formation of active local youth groups, and the convening of highly visible statewide events.
- Supported *curriculum development and teacher training*, with an emphasis on experiential learning. New curricula focus on middle and high school and are structured for classroom and extracurricular uses.
- Financed *training* for thousands of young people using the schools, Job Corps, Boys and Girls Clubs, 4-H, special university-based programs and the schools.
- Contributed to the creation of *new structures* to promote youth entrepreneurship. These range from community-level youth task forces in Nebraska to a statewide youth entrepreneurship network in New Mexico, and a Consortium on Entrepreneurship Education in North Carolina that is a forum for teacher networking and best practices at all educational levels.
- Catalyzed inclusion of entrepreneurship education in one state's *mandatory financial literacy curriculum* adopted by West Virginia's 21<sup>st</sup> Century Partnership.

In the process, collectively the EDSs have trained about 17,000 young people, engaged about 1,200 youth in business plan competitions, and provided several thousand teachers with professional development.<sup>10</sup>

***Supported integration of entrepreneurship education into community college and college curricula.*** This integration provides opportunities for students to learn the elements of entrepreneurship as electives, and in some instances, to gain certificates in the field. Because of EDS initiatives, the Oglala Lakota College in South Dakota has added new course offerings. In North Carolina, several community colleges are introducing entrepreneurship degrees, and each campus of the University of North Carolina system is articulating strategies for entrepreneurship education and outreach. In West Virginia, efforts are underway to expand entrepreneurship education in the community and technical colleges statewide.

Although it is too early to tell the extent to which these youth and adult education initiatives will increase the number of entrepreneurs in rural communities, it is clear

### Illustrative Accomplishments:

- ⇒ Young children in West Virginia ran lemonade stands at the State Capitol as part of entrepreneurship day.
- ⇒ High school business plan competition winners were awarded their prizes at statewide events in North Carolina, West Virginia and New Mexico.
- ⇒ HTC sponsored-curriculum, ESI: EntrepreneurShip Investigation, received 4.5 out of 5 from more than 400 users in 28 community pilots.
- ⇒ CORE provided financial literacy training to 682 students.
- ⇒ Oweesta trained 999 youth in entrepreneurship and created a toolkit for teachers to incorporate concepts into traditional curricula.

<sup>10</sup> This data is based on reports from the EDS managers or their evaluators. Because the EDS did not collect consistent data, these numbers should be considered minimums. For example, because EBS provided the number of schools in which youth enterprise classes were introduced (11) and not the number of students in these classes, their students are not included in the count of 17,000. Also note that this count includes the total number of students reached by EDS partners in North Carolina (Junior Achievement, 4-H and NC REAL), and not just the expansions they achieved from their base performance prior to EDS resources. Regarding teacher training, Advantage Valley EDS reports training 1,143 teachers; North Carolina Rural Outreach Collaborative's evaluation reports that 200 teacher training events were held. While no attendance numbers are offered, it can be assumed that these events reached more than a thousand participants.

### Illustrative Accomplishments:

- ⇒ North Carolina's three annual Summits gathered about 1,500 people.
- ⇒ North Carolina acquired a \$600,000 allocation from the state legislature for regional EDS activities.
- ⇒ In Nebraska, the Building Entrepreneurial Communities Act provides \$500,000 annually for communities to support HTC-like activities.
- ⇒ Oweesta achieved the creation of a state IDA program in South Dakota.
- ⇒ CORE's PR firm helped generate 200 newspaper articles over three years.

that thousands of young people and young adults have been exposed to, and engaged in, entrepreneurship in substantial ways. And many are taking it seriously. In Nebraska, for example, HTC finds that between 41 and 51 percent of young respondents in community surveys say they are interested in owning their own businesses.

#### ***Achieved important policy wins and laid the groundwork for future gains.***

Several EDSs have achieved new state legislation or allocations of funds, while the efforts of other Systems have focused more on "tilling the soil." The degree of progress achieved often has depended on the System's institutional capacities and previous experience in the policy arena. In all cases, however, the sites have found that policy work has local and state dimensions, and both levels need cultivating.

Policy achievements have included:

- Increasing the *visibility* of entrepreneurship – through annual summits in North Carolina (now biennial) and a Governor's conference in New Mexico, an Indian business conference in South Dakota, and intensive public relations campaigns focused on the target regions in Oregon.
- *Educating policy makers* through formal and informal means, and
- Securing *funding* for entrepreneurship services, including: *tax credits* for microentrepreneurs and community asset building, *Uniform Commercial Code* on the Pine Ridge Reservation, and generating other proposals that are in process.

At minimum, the Systems have successfully advocated, and/or secured \$10.6 million for entrepreneurship services.

As part of this work, the Systems have illustrated the range of policy initiatives that may be required to make the environment more favorable for entrepreneurs. In West Virginia, a key issue is an administrative change that would allow localities the flexibility to use state economic development funds for entrepreneurship. On Native American reservations, Uniform Commercial and Secured Transactions codes are critical to enterprise development. And in Nebraska, key areas of focus include a change in the tax code to provide credits to microentrepreneurs for business investments, and new mechanisms that allow funds to be channeled to local communities to pay for the staff and other infrastructure costs that are central to providing sustained support for entrepreneurial assistance.

#### ***Developed some partial solutions to the issue of sustaining systems over the long term.***

After three years, the demonstration funding is over, although the initiatives themselves have not ended. As they move from demonstration to ongoing implementation, the Systems have begun to make choices about what is worth sustaining, and what should be dropped. At one end of the spectrum is an EDS working to sustain and even grow the whole, and another very close to doing the same. At the other end, there are Systems that are terminating substantial components of their initiatives. Their decisions about whether and how to sustain the System depend on several factors:

- the capacity of the leads to raise additional resources;
- the expectations of the partners about the longevity of the program and their participation;

- the willingness of different institutions to continue or absorb (and find ways to finance) functions that were started under the demonstration;
- And finally, the assessment of the success of different components.

The case studies at the end of this report detail the status of each System in this respect. It is clear that, as in all entrepreneurial development work, sustainability is not a permanently achieved state, but a process that must be tended to again and again. In the case of these complex structures, sustainability will depend on the will and commitment of many partners. In their efforts going forward, these six Systems will provide further examples to others of how this might best be achieved.

## Constructing an EDS: Lessons regarding Structure, Strategy and the Role of Collaboration

Implementing the concept, or theory, of an entrepreneurship development system as articulated by CFED and the W.K. Kellogg Foundation is an ambitious and complex undertaking. The examples of the six demonstration sites have taught us important lessons about the process of adapting that theory to the realities of a distinct region. The following sections of this report lay out in some detail the experiences and findings related to each of the three EDS goals. However, for those interested in creating a System in their region, it is useful to begin by contemplating some of the overarching lessons regarding this process of “system building.” They are as follows.

### Lessons On Structure and Strategy

***Developing an EDS is a long-term proposition.*** Any group of practitioners interested in embarking on the EDS journey should recognize that they are in for a long haul. After the three years of the Kellogg demonstration, these six efforts are in varying stages of evolution. None of them has fulfilled all of the goals, or incorporated all of the principles laid out in the EDS concept. Some of them are still working toward these goals, but others appear to have found that only parts of the vision work for their particular circumstances, institutions, capacities, resources and context.

***Each EDS must be shaped to reflect the unique circumstances of its region.*** Each EDS will be shaped by a set of givens. These include the local economic and social conditions that shape the region’s challenges and opportunities. The givens also include the institutional capacities and leadership tendencies that already exist to support entrepreneurial development, and the history – or lack of – of collaboration among those institutions. Each EDS also will be shaped by a set of decisions that its organizers make. Those decisions include:

- What are the boundaries of the region that will be served?
- Who will participate and how will they be structured?
- Perhaps, most importantly, what is the underlying approach to entrepreneurial change that will guide the initiative? In other words, what is the theory of change?

***How EDS planners define “system” will define the EDS structure.*** The concept of a “systems approach” is central to the theory of an entrepreneurship development system. The idea is that to be most effective, support for entrepreneurship must go beyond a single program, or even a collection of disparate but unconnected initiatives, to a coordinated and multifaceted set of activities. In examining how the six Systems have been constructed – their members, their strategies, and their methods of decision-making and service delivery – it appears their concept of a “system” varies.

### Practices of Promise – Constructing an EDS

- ⇒ Identify a clear model for entrepreneur or community transformation.
- ⇒ Focus initially on building the capacity of entrepreneurs to engage providers, rather than on provider specialization and referrals.
- ⇒ Be clear on how you are defining a “system.”
- ⇒ Develop common measures first, not a common data system.
- ⇒ Educate funders about the long-term nature of this work.

Just what does the term “system” mean? Definitions include:

“A group of interacting, interrelated, or interdependent elements or parts that function together as a whole to accomplish a goal.”<sup>11</sup>

“A system is an assemblage of inter-related elements comprising a unified whole. From the Latin and Greek, the term “system” meant to combine, to set up, to place together.”<sup>12</sup>

Within these definitions there are two key concepts: the first relates to bringing together a diverse or disparate set of components or actors. The second is the notion of a common goal, objective or a unified whole.

Among the six Kellogg-funded Systems, some have given primacy to the process of bringing together the set of actors engaged in supporting entrepreneurship development, and then focused their efforts on creating a set of common goals and practices. This is the “big tent” or the “supply side” approach to System construction. In this approach, the expectation was that if you could fill gaps in services within the region, if you could market services more effectively, and if you could improve coordination among these services, entrepreneurs would get more, and more appropriate, services. And they would get them when and where they needed them. Ultimately, if entrepreneurs got more and better services, this would quicken the pace of entrepreneurial development and growth. The Systems that began with this approach are the Empowering Business Spirit, Connecting Oregon for Rural Entrepreneurship, and, to some degree, the North Carolina EDS.

Other Systems (Advantage Valley EDS, HomeTown Competitiveness, Oweesta Collaborative), initially came together around a clear methodology for how entrepreneurs or communities can be brought into and move through a process of development, or change. They then worked to bring together not everyone engaged in supporting entrepreneurs, but rather the key actors required to implement that methodology. This might be called the “transformational” or “demand-side” approach to System construction.

In this approach, the organizers had a model for entrepreneurial transformation that they attempted to apply systematically in their regions. The models they used had some common elements:

- they emphasized the *personal development and learning of entrepreneurs*, as well as empowering them to think strategically about their businesses;
- they valued sustained *relationships with coaches* as a means of helping entrepreneurs to achieve growth;
- And they sought to connect entrepreneurs to some larger *structures of support* – be they peer groups of like-minded entrepreneurs, or supportive community organizations that have been awakened to the value of entrepreneurship.

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<sup>11</sup> See [www.doe.mass.edu/frameworks/scitech/2001/resources/glossary.html](http://www.doe.mass.edu/frameworks/scitech/2001/resources/glossary.html)

<sup>12</sup> <http://en.wikipedia.org/wiki/System>

To some degree, these approaches also included the expectation that entrepreneurs would be able to access more effectively the technical services they needed -- either because their coaches would act as brokers, or because they would increase their own capacity to articulate their needs and seek out the appropriate services.

*Creating a System requires work on both on “supply” and “demand.” But it probably makes sense to start on the demand side, with a clear process for engaging entrepreneurs.* EDS sites using both of these approaches have accomplished many things. And both approaches have helped illuminate important lessons about how to construct an EDS. By the same token, initiatives on either side have also struggled to find their way. And in reality, all of the EDSs attempted to incorporate elements of both approaches as they worked to be true to the requirements of the RFP. For example, some of the sites that began with a transformational theory of entrepreneurial change used the EDS demonstration to add new partners and expand their policy activities. And some of the sites that emphasized a “supply side” or “big tent” approach included demand-driven elements (CORE, for example, allocated its resources according to entrepreneur priorities elicited through target area assessments) or moved, over the course of the demonstration, to incorporate explicit methods for entrepreneur and/or community engagement.

Trying to accomplish all of these things was exceedingly ambitious for a three-year timeframe. The starting points chosen by each EDS were clearly driven in part by contextual factors. It would be ideal, in attempting to determine which approaches worked best, to be able to draw on quantitative data that describes the changes in entrepreneurial activity and outcomes that resulted in each site. In the absence of such data, however, our observation of the progress made to date suggests that for the following reasons, there are real advantages to starting with a transformational approach that focuses first on engaging entrepreneurs and communities:

- In theory at least, these methodologies put the entrepreneur (and sometimes the community) at the center of the process and provide a framework for understanding how each changes and grows over time, and how the process of change might best be facilitated.
- These methodologies emphasize strategic thinking and action, and offer a blueprint for a more intensive, longer-term process that not only can catalyze but also sustain change (not only create more entrepreneurs but also help them through the pipeline towards growth).
- They provide a consistent definition and focus for partner roles and a context for better use of technical and financial services.
- They marry one-to-one assistance with a group process (peer-to-peer or community-based support group), offering entrepreneurs a more substantial support system for change.
- They lend themselves to demonstrating tangible results in terms of entrepreneurial outcomes that can be attributed to the work of the system, and that can serve to rally attention and support.
- And, because these methodologies emphasize transformation, they align with the notion that the EDS is more about the entrepreneur than a specific business.

Although those adopting a “big tent” approach also expressed an entrepreneur-focused vision, this theory of change contains a number of challenges:

- Bringing many new partners together at one time – to participate in a highly complex agenda – means that substantial time must be expended to build shared goals and values that support effectiveness.
- Differences in institutional missions, perspectives and incentives can lead to divided loyalties (all institutions respond to investors and stakeholders outside the EDS; in most cases these stakeholders are more critical to the institution’s survival than the EDS itself; and in some cases, there was reported reluctance to allow whoever “led” the EDS to take credit for the aggregate outcomes in reporting results to prospective funders).
- The lack of a common, core methodology means that the added value of the system depends on its capacity to increase availability of current services and add new ones, and increase effectiveness through better matching of clients to services. As the discussion below will indicate, this last strategy has been very difficult to implement.
- Different perspectives about strategy also can cause conflicts within the group, although this problem has not been confined to “big tent” implementers.<sup>13</sup>
- And finally, the lack of focus on entrepreneurial and community transformation may result in fewer resources being applied to support these processes in favor of other goals.

***Some sites envisioned that provider specialization and the creation of a referral process among providers were central to the creation of a “system.” But implementing these ideas is a challenging and likely long-term process.***

For a few EDSs, the notion of “no wrong door” was embedded in the meaning of system. This concept suggested that, regardless of how an entrepreneur came to the EDS, s/he would be referred to the institution that could best meet his or her needs. What this meant was that: service providers would identify areas of specialization, in terms of the types of entrepreneurs served or issues address; all service providers would have a strong, and somewhat similar, capacity to assess client needs; and there would be a process through which providers would refer a client to another service provider if their services weren’t appropriate.

In most cases, referrals did not happen in substantial numbers. The North Carolina evaluation has some limited data suggesting that client referrals there were increasing. However, other systems had almost no success in tracking referrals. And anecdotal evidence suggested that in many of the Systems, referrals were not increasing. This was true for a variety of reasons:

- Providers sometimes doubted the quality and capacity of other service providers.
- Many providers faced institutional imperatives to serve clients directly – in other words, they needed to maximize their client count.

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<sup>13</sup> In fact, the most significant clash among partners occurred in one “transformational” model where there were significant differences among the partners around the degree to which service providers were expected to transform their roles to better align supply and demand. The more “radical” the realignment of roles suggested by the EDS, the more resistance resulted.

- Some providers did not have computerized client-tracking systems.
- Sometime providers simply lacked information about each other, etc.

One EDS leader summed up the challenges well:

*"It will take a long time to realize the "no wrong door" ideal, where we have an effective client management and referral system that is clear and consistent. None of the collaborative partners wants to be told what to do – each has an ego about what they do well and feels accountability pressure already; any lead agency cannot be heavy-handed. With better information tools that guide the entrepreneurs to us, the clients can help reinforce the value of having better insight on where to go for various expertise and encourage us each to stick to what we do best and to practice continuous improvement."*

In other words, it may make more sense, at least at first, to use tools (including coaches or facilitators) that help entrepreneurs better identify appropriate resources, rather than focus on getting providers to refer to each other.

***There are multiple strategies for building an entrepreneurial culture.*** The EDS sites focus most of their "strategy" on improving the system through which entrepreneurs interacted with service or resource providers. While the first four components of an EDS – entrepreneurship education, adult entrepreneurship training and technical assistance, access to capital, and access to networks – are all areas where service providers typically play a key or facilitating role, the fifth component – entrepreneurial culture – involves a much broader range of players. As they neared the end of their Kellogg-funded work, some of the Systems noted that culture change is at the heart of the EDS process. Yet addressing this issue involves a more broad-based process.

The EDSs offer a rich set of examples of how to promote change in entrepreneurial culture. In many instances, they worked to demonstrate that entrepreneurship is culturally appropriate and linked to traditional values; whether these are Native American trading traditions, Appalachian independence, Plains farming traditions, or southwestern values and land and water management practices. In other Systems, efforts to change the culture were more about heightening awareness that economic progress can be driven internally rather than by external forces or trends. To promote change in culture, the EDSs have used strategies such as:

- Showcasing model entrepreneurs and marketing their success as a means to encourage others to follow in their footsteps, and to see the region's potential;
- Using the Energizing Entrepreneurship curriculum and other tools to interest community stakeholders, and to provide them with the tools to organize for change;
- Encouraging the formation of local entrepreneurial task forces and networks of service providers or entrepreneurs to serve as a seed bed for community change.

A few sites also have worked to enhance civic entrepreneurship, providing training to local policy makers and working to foster new, more inclusive community leadership

***Sound data collection and evaluation are essential. Focus first on common measures, not common systems.*** All of the EDSs had their own local evaluator, which allowed them the freedom to pursue evaluation questions that were important to them operationally, as well as to get help in designing and implementing common data-collection processes or information systems. The evaluators played some extremely valuable roles, including:

- Helping to clarify program goals and objectives, logic models or a theory of change;
- Implementing formative designs that provided feedback to the site teams;
- Selecting indicators and creating tools to collect data;
- Facilitating learning sessions among EDS members; and
- Documenting qualitative changes at the community level.

Some of this work was more successful than others. Efforts to collect quantitative data were extremely challenging. Only a few sites attempted to collect quantitative data on service delivery and entrepreneurial outcomes, yet their capacity to demonstrate their accomplishments and support advocacy depend precisely on having this data. Although a few systems attempted to create a common database, at this point they have very incomplete data – despite great investments of time and energy. The factors that most affected their progress were the number of organizations involved, and the quality of and their commitment to their existing internal systems, which clearly took precedence over any new, joint system.

This does not mean that these efforts have been failures. The Oweesta Collaborative, whose members had modest data capacity at the start of this process, have come a long way in developing measures and a system that will likely prove useful. North Carolina's efforts to collect common data were severely challenged over the three years. Yet in the end, two of the state's major service providers are using the same management information system.

So, this is not to discourage collective efforts to collect data on EDS activities and accomplishments. In fact, such data will be essential to managing and sustaining Systems over time – as it can help to focus partners on key numeric goals, and also to demonstrate that investments in the EDS are providing real value in terms of entrepreneurial outcomes. But in pursuit of this data, it is important to note that common data collection needs to be approached with caution, and with the expectation that convergence will be slow. And the best place to start may be in getting partners to understand the importance of data collection for an EDS, and to collect information on a set of common measures, rather than to use a common data collection system. Researchers can play an important role in helping partners to think through and get commitment on a minimum number of key measures – and their definitions – to start.

***Sustainability takes many different forms. Systems may not be able – or want – to do it all.*** After three years, the demonstration funding is over, although the initiatives themselves have not ended. As they move from demonstration to ongoing implementation, they are deciding what is worth sustaining, and what should be dropped.

## Practices of Promise— Collaboration

- ⇒ Select a lead with credibility, experience and the ability to be neutral in turf-centered discussions regarding who delivers what services.
- ⇒ Work to generate sufficient funding to incentivize participation and changes in organizational behavior.
- ⇒ Focus first on aspects of the system where “wins” can be generated that require less coordination.
- ⇒ Recognize that collaboration creates challenges and brainstorm solutions earlier, rather than later in the process.
- ⇒ Understand that shared values, as well as shared goals, are key to collaboration.
- ⇒ Use neutral facilitators, regular partner meetings, and retreats and training to build a common vision and address issues.
- ⇒ Create Web-based tools (intranet and extranet) to disseminate information among partners, with entrepreneurs and policy makers.
- ⇒ Clear – even numeric – goals help keep partners’ eyes on the prize.
- ⇒ Try to make contracting and funding as agile as possible.

As other practitioners think about implementing EDS approaches, here are several cautionary thoughts:

- Know that this is long-term effort, and try to gain the support of funding partners who understand the timeframe.
- Think about the high transaction costs involved in building and sustaining large collaboratives, and about where and when large-scale efforts add value. It may make sense to start smaller and build organically.
- Plan to raise sufficient resources to incentivize participation and real change in the way partners work. Partners in several Systems have spoken to this issue – in some instances noting that they participated *despite* not being fully reimbursed for their engagement or services, and in other cases, emphasizing that the limited resources they received supported certain outputs, but were not sufficient to transform the way they did business. For other Systems, lacking the level of financial resources the Kellogg grants provided, it will be important to look to other incentives for participation and change.
- Again, think about starting with a clear methodology for entrepreneurial development – at both the adult and youth levels. Once there is progress in developing the pipeline, this will naturally lead to thinking about where the gaps in service are, and exploring options for addressing supply.

## Lessons Regarding Collaboration

*The standard lessons of strong leadership and good collaboration apply to the EDS experience.* New initiatives, especially complex ones, do better when they have strong leadership. Similarly, collaboration is difficult, and practices of good collaboration applied to the EDS experience as well. In other words, the Systems with strong individual and organizational leadership -- in which the coordinating entity was seen as a neutral party, that developed strong tools and processes for communication, and that either had within the management team or brought in someone with strong facilitation skills -- generally found the collaborative process to be easier. Some of the specific techniques used to promote facilitation can be found in the “practices of promise” at right.

*Do not assume that a system requires a large number of collaborators – especially at the start.* People are people, and getting people to cooperate is no easy feat. Getting institutions to cooperate can be even harder given differences in institutional missions, competitive fears, performance mandates and metrics, stakeholders and lines of accountability. Even those EDSs with a smaller core group – like HTC and the Oweesta Collaborative – experienced some challenges in building and maintaining a common approach. But their smaller size and the fact that they came in with a common approach and values made it much easier for them. Those with a previous history of collaboration, like North Carolina, were more able to move an ambitious agenda than those coming together for the first time. Unless there are strong overriding reasons for a large group (such as a history of collaboration), it may be wiser to begin with a smaller, like-minded group and build out organically over time. And in fact, some Systems found that as they demonstrated success, new partners came voluntarily to the effort, wanting to be part of something that was making a difference.

When thinking about collaboration, it is also important to recognize that different goals require groups of different sizes, and that collaboration works better for some things than others. The experience of these Systems demonstrates that larger-scale collaboratives can be effective at:

- engaging in joint professional development,
- brainstorming collectively about how to help particular clients,
- advocating for policy change,
- engaging in joint marketing,
- working to make their services more transparent or visible to customers and each other.

On the other hand, large-scale collaboratives encountered significant challenges when they sought to make fundamental change in the way all of the partners worked. HTC and the Oweesta Collaborative probably provide the two best examples of Systems where a set of organizations came together to create a significantly different way of doing business. In both cases, the members implemented a significantly different model for supporting entrepreneur and/or community change, with each partner playing a clearly defined and well-integrated role. And these were relatively small-scale collaboratives.

***Not all EDS tasks require collaboration – or at least full participation by all parties.*** For example, introducing new services that fill gaps does not require collaboration. Furthermore, in areas such as youth entrepreneurship, or policy development and advocacy, it is often best to have a clear lead organization that is supported by the broader group. Thus, Systems need to be clear-eyed in distinguishing when, or at what level, collaboration is necessary.

***Collaboration depends on shared goals and values, and it can take time for an EDS to sort out which entities can effectively participate.*** Many of the sites experienced changes in partner organizations throughout the course of this demonstration: losing partners who no longer chose to participate, gaining new partners who were drawn to the nature or the success of their work. In other instances, partners remained within the EDS but their level of participation varied over time. Based on their experience, the Nebraska HTC concluded that the process of collaboration is “an evolving thing.” The Entrepreneurial League System® within the Advantage Valley EDS, seeing flexibility and performance as key, similarly found that a more fluid approach to partnership better matched its needs. This is not to suggest that Systems should not seek to integrate as many key stakeholders as possible, but it is also important to recognize that an evolutionary orientation may be helpful, and that collaboration best takes place around clearly identified and shared goals and values.

***Having clear goals is important, and numeric goals may be especially helpful in keeping partners’ eyes on the prize.*** The Oweesta Collaborative EDS, in particular, has used numeric goals to focus partners’ work. In their original proposal to the Kellogg Foundation, the partners identified 10 goals; eight of these goals had specific numeric targets, such as “train 250 youth in entrepreneurship” and “raise or leverage an additional \$10 million in lending and equity capital for Native businesses.” Having these clear and explicit goals has played two roles: First, it has kept the individual and collective work of the partners very focused; this

### Useful Tools Developed by EDS Sites

EBS Cross-Training Olympics tools:  
<http://www.bizport.org/Documents/CrossTrainingMaterials/tabid/229/Default.aspx>

EBS Web site:  
<http://www.bizport.org/>

North Carolina EDS template for partner contracts:  
[http://www.cfed.org/imageManager/EDS/systems/NC\\_Contract\\_template\\_v3.doc](http://www.cfed.org/imageManager/EDS/systems/NC_Contract_template_v3.doc)

facilitates their collaboration. Second, the fact that the Collaborative has achieved, and in some cases exceeded, these goals provides cause for celebration, and reinforces the positive value of the partners' collective work.

## Creating and Nurturing the Pipeline of Entrepreneurs

One of the three primary goals of an entrepreneurship development system is to create or expand the pipeline of entrepreneurs – to be accomplished by nurturing entrepreneurial aspirations in youth; identifying and supporting potential entrepreneurs; and fostering an entrepreneur-friendly environment that attracts entrepreneurs. In the literature and materials developed by CFED, and first articulated by its former President, Brian Dabson (now with the RUPRI Center for Rural Entrepreneurship), the concept of a pipeline of entrepreneurs is stated as follows:

"There should be an infrastructure of lifelong learning from elementary school to the golden age, based on the simple principle that it is never too early or too late to be an entrepreneur ... The aim is to create a large and diverse pool of people, across a spectrum of entrepreneurial motivations, out of which there will flow a steady stream of high achievers with an interest in creating jobs and wealth in their communities."<sup>14</sup>

CFED and Dabson have defined the key components in developing the pipeline to be entrepreneurship education and entrepreneur networks.<sup>15</sup> In addition, a key goal of "pipeline" activities is outreach to a diverse set of aspiring entrepreneurs, specifically disadvantaged entrepreneurs. The system of business support services – training, technical assistance, and capital – that move aspiring entrepreneurs to greater success are seen as complementary to, but distinct from, this concept of pipeline.

The Accomplishments chapter summarizes the major achievements of the Systems with respect to pipeline work, as do each of the individual case studies. This section summarizes the lessons, promising practices, and tools that have been generated by the six Systems as they have undertaken to "build the pipeline" of entrepreneurs from youth to adult.

### Creating and Nurturing the Youth Pipeline

At the earliest stage in the pipeline are young people who can be encouraged to consider entrepreneurship as a career. At each site, the work on youth entrepreneurship is emergent, creative and enthusiastically pursued. As Table II shows, EDS partners are engaged in a range of activities directed to young people from elementary school to college. Although it is too early to tell the extent to which these youth initiatives increase the number of entrepreneurs in rural communities, it is clear that thousands of youth have been exposed to and engaged in entrepreneurship. Key lessons from this work include:

<sup>14</sup> Dabson and others, Mapping Rural Entrepreneurship (Washington, D.C.: CFED, August 2003), 31.

<sup>15</sup> Dabson, 31.

### Practices of Promise – Youth Entrepreneurship

- ⇒ Engage parents.
- ⇒ Use multiple approaches – in and out of school.
- ⇒ Start with weekend and summer camps.
- ⇒ Work top down and bottom up to integrate entrepreneurship education in school curricula and activities.
- ⇒ Include financial literacy.
- ⇒ Create high profile events.
- ⇒ Connect to local culture.
- ⇒ Create explicit links between youth work and other EDS initiatives.

**Useful Tools  
Developed by  
EDS Sites**

- ⇒ HTC: 4-H Curriculum for middle and high school students: ESI: Entrepreneurship Investigation: <http://4h.unl.edu/esi/>
- ⇒ North Carolina EDS: community guide to developing youth programs: *Beyond the Lemonade Stand: Growing and Supporting Youth Entrepreneurship*: <http://www.ncreal.org/media/BeyondtheLemonadeStand.pdf>

**Youth entrepreneurship can be the catalyst for change at the community and state levels.** Most of the sites found that youth entrepreneurship was a rallying point. At the community level, it resonated with leaders concerned with youth flight, something that was an issue in almost all of the sites. It resonated with youth who found entrepreneurship training, youth businesses, and business plan competitions intriguing doors to a world they knew little about. And it resonated with state policy makers, who were looking for ways to incorporate “new economy” skills into the education curriculum. Youth entrepreneurship became a motivating factor to get people to work together on an entrepreneurship agenda. In some cases, it even engaged partners who were struggling to or uninterested in collaborating on other issues.

**Entrepreneurship education sparks high levels of student and parent involvement.** ENLACE<sup>16</sup> in New Mexico has found that it reinforces or supports the goal of keeping young people in school. Staff reports that the young see more utility in their education; they begin to see the connections between their business goals and the value of advanced education; they use money from their businesses to generate savings for college; and parental involvement seems catalyzed. ENLACE reports that educators are amazed by the level of parental participation in enterprise-related events such as camps and award ceremonies, and comment that it is much higher than for other school activities. Similarly, HTC in Nebraska has noted that youth entrepreneurship activities generate high community interest in their target communities.

The Oweesta Collaborative has found that entrepreneurship training has particular resonance for students in “at-risk” programs. Many have characteristics that resonate with entrepreneurial attributes and are highly engaged by the curriculum. Other Systems also comment on the power of entrepreneurship training to spark excitement in youth. For example, the North Carolina youth entrepreneurship task force, focusing on a broad population of middle and high schoolers, commented on how excited the students are about enterprise, adopting a mindset that “this is so cool” and that they can make a difference in their communities.

**There is a need for multiple approaches.** There is no “one size fits all” that works with youth so the sites have found value in fostering multiple opportunities for exposure to entrepreneurship education – across grade levels and within and outside school. To this end, the sites have:

- *Supported the development of curricula for formal and outside school settings* (North Carolina working with REAL, Junior Achievement and 4-H);
- *Created lists of youth-access points to cultivate:* beyond the schools, ENLACE has included 4-H, community youth directors, and local business organizations offering youth programming;
- *Supported experiential learning.* CORE has supported integration of entrepreneurship education in career programs, and school-based enterprises

<sup>16</sup> ENLACE is a collaborative project designed to produce more Latino and Hispanic high school and college graduates in five counties in northern New Mexico, funded in part by the W.K. Kellogg Foundation. ENLACE has taken the lead role in implementing the youth enterprise component within the EBS Initiative.

such as the Kayak Shack, through which students have the opportunity to run a business for a period of time.

***Integration in the school system requires both top down and bottom up work.***

The Advantage Valley EDS has succeeded in getting entrepreneurship education included in West Virginia's 21st Century Partnership financial literacy curriculum. This achievement was helped by having as a participant in the EDS an Entrepreneurship Education Coordinator at the West Virginia Department of Education (a position first financed by the Claude Worthington Benedum Foundation and initiated shortly before the demonstration's start). Other sites focused on specific schools, or in the case of one CORE target area, on a specific county (Lincoln County). Systems also have learned that integration with the formal school system is challenging. HTC practitioners report that it takes two years to get an entrepreneurship course included in a school curriculum, so long that "people get frustrated."

ENLACE in New Mexico found that within the climate of No Child Left Behind and budget constraints there must be a strategy to navigate the school system and after-school providers. Further, it learned that each school, and sometimes each teacher, has a different idea about who should be served, or how service should be delivered. They learned that curricula cannot be imposed on teachers, rather it should be offered as part of their professional development, as materials that supplement and augment their broader curricular goals and objectives. The experience of the Oweesta Collaborative was similar: Individual teachers resisted adopting a single curriculum. Instead, Four Bands Community Fund – the Oweesta partner that made the most progress on youth entrepreneurship – worked with South Dakota State University to create a youth entrepreneurship toolkit for local teachers. The kit provides tools that help teachers integrate relevant topics or activities into their teaching.

And while working at the top can have its rewards, the progress can be slow there, too. The North Carolina EDS succeeded in fostering a Consortium on Entrepreneurship Education that includes representatives of the major universities and colleges, the Department of Public Instruction and other entities. While its original vision was to develop a seamless entrepreneurship curriculum for students from kindergarten through university, the group came to the conclusion that one curriculum could not satisfy and serve 100 counties, 16 universities and 58 community colleges. Members are now focusing on fostering best practice learning among themselves, including training teachers to integrate entrepreneurial thinking and hands-on experiences into existing curricula, student activities and camps. It is likely that individual teacher and school decisions will continue to drive what happens for the foreseeable future. The lesson from these collective experiences is that regardless of the starting point, Systems must learn how to engage and support teachers and other advisors in integrating entrepreneurial skills training into their classroom practice.

***Financial literacy is a key component of entrepreneurship education.*** The Oweesta Collaborative has observed very low levels of financial literacy on the reservations, yet sees such knowledge and skills as prerequisites to entrepreneurial education. Offering this education has value for all students and

supports those who then are interested in entrepreneurship. CORE's southwest target area also introduced Financial Fitness classes into area high schools and also has offered the Making Cents simulation through community classes.<sup>17</sup>

***High profile events create enthusiasm around the issue.*** Sites have found success with the following:

- *A "Lemonade Stand Project" in West Virginia:* The EDS engaged fifth and sixth graders in planning and implementing a one-day lemonade stand at the state capitol in 2006. It both introduced business concepts to young people in a fun, experiential way, and increased the awareness of legislators and other policy makers of the value of entrepreneurship education.
- *Business plan competitions for high school and college students:* Three Systems (Advantage Valley, North Carolina and EBS) sponsored competitions, which drew approximately 1,200 students. Two Systems connected the award announcements to high-profile statewide events. In North Carolina, EDS members provided a very basic guide and encouraged mentors – teachers, parents, community residents, etc. – to assist students. The state's lieutenant governor announced the winning student of the competition, called "Hop on the Bus," at the 2007 Entrepreneurship Summit attended by nearly 600 people. In West Virginia, "Dreamquest" winners were announced as part of the National Entrepreneurship Week Summit activities in the state capitol.
- *Media strategies:* CORE used the press to promote successful examples of youth programs across the state. Because of this, Lincoln County's Kayak Shack received an invitation to a Governor's Council on Travel Symposium in 2007 to explore youth engagement in sustainable tourism.
- *Large-scale events for students or teachers:* EBS sponsored its annual 2020 Youth Entrepreneurship Conference, bringing together 350 students and 30 teachers over the three year period; North Carolina's EDS offered teacher training as a pre-conference event at its 2007 summit attracting large numbers.

***Connecting entrepreneurship education to local culture and community makes it more meaningful and impactful for young people.*** Strategies have included:

- *Enhancing standard curriculum by rooting entrepreneurship in local traditions and culture:* ENLACE in New Mexico has done this to emphasize that its home region offers young people opportunities to engage in entrepreneurship as a career.
- *Making the message clear that families and communities support entrepreneurship:* One of HTC's four pillars in its community-revitalization model is youth engagement. The core partners believe strongly that, in the context of de-populating rural communities, young people need to hear the message that their families and communities want them to return after college,

<sup>17</sup> Making Cents offers curricula for students in elementary, middle and high schools, and are designed as semester-length courses. They are described as using experiential learning methodologies, and meet the National Content Standards for Entrepreneurship Education. The curricula introduce self-employment as a viable income-generation option and provide skills needed to set up and run a micro or small business. See: <http://www.makingcents.com/curriculum/youth.php>.

and that entrepreneurship offers an option for them to create their own work (to counter the perception that there is no work in their communities that would use their talents). In both this and the ENLACE case, entrepreneurship, no longer considered an individualistic, idiosyncratic pursuit, is presented as an essential factor in creating an attractive and thriving community and an exciting opportunity.

- *Creating opportunities for youth engagement in community improvement:* Both HTC and ENLACE offer youth vehicles to learn about their communities, participate in leadership development training, and participate in community betterment projects. HTC supports youth task forces using a methodology of Engage (promoting involvement in community betterment activities), Equip (through entrepreneurship education and career development), and Support (with adult mentors and business apprenticeships). The task forces have become vehicles to advocate for entrepreneurship courses in high schools or launch other projects that offer a business experience. (One HTC youth task force, for example, produced and sold calendars with photographs and key facts about community history and culture.) Because the youth groups are connected to the other community task forces created under the HTC model, they are more likely to work on projects that connect to the community's larger and longer-term goals.

***Connecting the youth work to the larger EDS efforts requires explicit attention.*** Some of the sites found initially that the youth work could occur separately from the other EDS work – in part because it involved different players. However, they also found real benefits to integrating the youth work with the broader effort – in part because of the interest and energy generated through the youth work. To achieve greater integration, in northern New Mexico, partners focused on adult services have served as presenters in ENLACE events or classrooms, and have served as judges in business plan competitions. And some youth have been guided to other EBS partners for more extensive assistance with business planning, marketing, Web site development, and so forth. In Advantage Valley, two classes in a rural West Virginia high school were introduced to the Entrepreneurial League System®. Working with an ELS coach, students learned about entrepreneurship, developed business concepts and plans, and participated in the state's business plan competition, "Dreamquest." Students also heard adult ELS entrepreneurs and commented on their business plans. And, in North Carolina, the youth practitioners (4-H, Junior Achievement and NC REAL) were funded to visit the emerging regional EDSs to see how they might connect with local-level service providers and community activists. The goal, according to the North Carolina EDS coordinator, is to "connect people in youth entrepreneurship to the larger movement ... in the past they've seen themselves as [in] their own world."

### Creating and Nurturing the Adult Pipeline

Although a focus on youth is critical to the notion of creating a "pipeline" of entrepreneurs, the basic concept also implies that the pool of entrepreneurs should include individuals at all stages of life. Thus, the Systems also have focused efforts on creating and nurturing adult entrepreneurs. As noted above, CFED originally described the process of building the pipeline as involving two types of efforts:

## Practices of Promise – Building the Adult Pipeline

- ⇒ Use coaching to support the development of entrepreneurial thinking and action.
- ⇒ Coach the coaches and offer them a support system.
- ⇒ Use peer networks for business development, learning and creating a supportive community.
- ⇒ Use multiple tools to foster broader inclusion of diverse entrepreneurs -- leadership development, diversity training, scholarships and partnerships.

entrepreneurship education and entrepreneur networks. In addition, the Kellogg Request for Proposals also emphasized the need for outreach to low-income individuals and those traditionally underserved by business and entrepreneurship programs, such as women and minorities.

While many of the sites have focused on these aspects of the pipeline, perhaps the most notable element of the EDS pipeline efforts is that some sites also have interpreted the idea more broadly – relating it not just to efforts to broaden the pool of potential or aspiring entrepreneurs, but also to the *process by which entrepreneurs and their businesses progress along the stages of business development*. In this sense, the use of the term “pipeline” is analogous to a commonly used definition of this term as “a route, channel, or process along which something passes or is provided at a steady rate.”<sup>18</sup> In other words, in these models, the pipeline serves not only to increase the supply of entrepreneurs, but also to move those entrepreneurs along the business development path growth.<sup>19</sup>

In these instances, efforts to build the pipeline include the process of outreach or attraction of new entrepreneurs; assessment and placement of entrepreneurs into groups (or segments) according to their skills and business stage; and the provision of coaching, networking, access to capital and technical assistance to move entrepreneurs to higher levels of capacity that support business growth. Incubation strategies also are used to improve the flow of entrepreneurs between pipeline segments. The Advantage Valley EDS, which is working with Collaborative Strategies LLC, the firm of Gregg Lichtenstein, to implement their Entrepreneurial League System®, appears to have taken the most articulated approach to this “process” of business growth. In addition, both the Oweesta Collaborative and HTC use coaching models toward a similar end.

Table III summarizes the range of adult pipeline activities undertaken by the six Kellogg EDS sites. As the table indicates, in their efforts to build or expand the pipeline of entrepreneurs, the sites have engaged in four types of activities:

- Creating and/or supporting networks of entrepreneurs,
- Developing programs in entrepreneurship education at post-secondary institutions,
- Engaging in special outreach to low-income and other underserved populations, and
- Implementing coaching models that aim to move entrepreneurs through the stages of business development.

The use of and experience with these strategies has not been uniform. Three of the sites have placed a special focus on coaching. One has invested relatively heavily in networks, while in others the focus on networks is less strong. Post-secondary education initiatives have been supported in four sites. Almost all the sites have

<sup>18</sup> *Dictionary.com Unabridged (v 1.1)*. Random House, Inc., accessed 25 June 2007; available from <http://dictionary.reference.com/browse/pipeline>; Internet.

<sup>19</sup> This use of the term “pipeline” was originally developed by Lichtenstein and Lyons. See Gregg A. Lichtenstein and Thomas S. Lyons, “Managing the Community’s Pipeline of Entrepreneurs and Enterprises: A New Way of Thinking about Business Assets.” *Economic Development Quarterly*, Vol. 20, no. 4 (November 2006) 377-386.

supported greater inclusion of populations that have traditionally been served less well by mainstream entrepreneurship services, but their approach to this issue and the target groups they have focused on have varied considerably.

Evidence on the success of these strategies is fairly limited:

- The strongest available evidence is on the effectiveness of coaching. Each of the sites that promoted coaching has some positive quantitative evidence of business formation and growth, which is summarized in the case studies at the end of this report.
- It is too early to determine what will result from the expansion in adult education opportunities.
- The North Carolina EDS has some qualitative evidence that the first network it supported – the High Country Business Network – has generated considerable activity. The EDS evaluation also documented feedback from informed economic development observers at county and state levels that networks are both lacking and desired. In addition, the Advantage Valley Entrepreneurial League System® has data that identifies positive results from its peer group and larger-group networking components,
- And there is some evidence from five sites (Advantage Valley, CORE, HTC, Oweesta and North Carolina) that their partners' programs include substantial numbers of the traditionally underserved, be they women and youth, Native Americans, African Americans and members of other ethnic groups.<sup>20</sup>

What lessons and practices do these experiences offer others?

***Coaching has shown its value in entrepreneurial transformation.*** In CFED's original construction of an EDS, two components were seen as critical: creating a pipeline of entrepreneurs, and creating a system of technical and financial supports. Coaching provides an explicit process for helping entrepreneurs move through the pipeline – from start-up through growth – and to connect with the technical and financial resources they need in order to move forward. The coaching process focuses on building the personal as well as the technical capacity of the entrepreneur. It also helps to make the system of service and resources providers more entrepreneur- or demand-driven, by helping entrepreneurs understand and express more clearly what they need at a given moment in their development, and to find resources to meet those needs. The three EDSs that incorporated coaching most explicitly were Advantage Valley, HTC and Oweesta. Most recently, the EBS Initiative has adopted the network facilitation model, which includes some aspects that are similar to coaching.

Coaches in these systems played different roles: in some cases, they functioned as brokers, helping entrepreneurs to find needed services, while in one System the coaches provided technical assistance themselves. In some models, the coaches worked with entrepreneurs in groups as well as individually, whereas in other cases

<sup>20</sup> This does not mean that each site served all groups equally well. HTC, for example, made strides in including youth in its programming, and many community coordinators and coaches are women. Still, HTC's evaluator noted that the inclusion of poor people, people of color and women has been uneven in HTC communities. (Emery, 47). Similarly, the North Carolina EDS only recently has begun to increase its focus on supporting entrepreneurship among Hispanics.

### Useful Tools Developed by EDS Sites

OCEDS:

Guidance on success coaching in *Handbook of the Wawokiye Business Model*.  
<http://www.oweesta.org/oc/documents>

NC EDS: Guide to entrepreneur networks, *Hello my Business Name Is ...*;  
[http://www.cednc.org/resources/reports\\_and\\_surveys/networks\\_guide.pdf](http://www.cednc.org/resources/reports_and_surveys/networks_guide.pdf)

HTC: *Business Succession: Why Business Transfer Success is Important to YOUR Hometown*, contact HTC at [info@htcnebraska.org](mailto:info@htcnebraska.org)

their intervention was strictly one on one. They worked with entrepreneurs for different lengths of time: in some cases their assistance was short-term; in others, the relationship is envisioned as long-term. Finally, the organizational home of the coaches varied: In one instance the coaches were staff of a single EDS partner, while in two others, coaches were employed by different local organizations that were charged with leading the community's work.

More needs to be learned about the strengths and weaknesses of these different coaching methodologies. However, their initial results show promise. And despite some divergence in coaching practices, there are some key elements that suggest a core of common practice that others might emulate:

- *Coaches recruit clients:* In HTC, this recruitment is expected to follow a "game plan" devised by the coach with an area resource team of bankers, attorneys, CPAs, human resource professionals and others connected to the community. The team's role is to help the coach develop a portfolio of businesses that matches the community's desired goals for start-up, expansion and transitional businesses.<sup>21</sup>
- *Coaches offer personal, customized services:* Clients receive services tailored to their needs, on their timetable, and at the level that they can absorb and follow through on. Wawokiye business coaches in the Oweesta Collaborative, for example, strive to match the passion and readiness of the entrepreneur, giving as much, but not more, than their clients are able to give.
- *Coaches work on strategy:* The business coach is the key person working with entrepreneurs. Their role, according to one of the HTC key partners, is to "create a space for that entrepreneur to step back and think about how to grow the business; the coach intentionally disrupts the entrepreneur's thinking about running the business to think more strategically."<sup>22</sup>
- *Coaches support personal empowerment:* The coach also may help the entrepreneur address personal issues affecting his or her businesses. In all cases, the coach works to foster the entrepreneurs' autonomy and self-direction, rather than dependence.
- *Coaches bring expertise but avoid being the experts:* Coaches are expected to draw on some business experience to help guide the entrepreneurs. As an HTC staffer said, a coach is "someone who knows the game, played it and can teach it." However, this doesn't mean that the coach is expected to provide the answers to the challenges that the client faces. As contrasted with the expert model, the assumption is that there are multiple pathways to success, and the role of the coach is to help the business person find the right answer.
- *Coaches are high value brokers:* Coaches are expected to connect clients with technical, training and financial resources as needed. In the HTC model, area resource team members can advise clients on specific issues. In addition, business coaches are expected to build relationships with a broad array of resources beyond the community to provide assistance. In Advantage Valley, the ELS coaches diagnose needs and make referrals to specialized service

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<sup>21</sup> In Advantage Valley's Entrepreneurial League System®, the general manager or specially-hired recruiters, rather than the coaches, were charged with "scouting out" entrepreneurs with potential for growth.

<sup>22</sup> Don Macke of RUPRI's Center for Rural Entrepreneurship, interview, March 19, 2008.

providers. And in Oweesta, the coaches were expected to connect entrepreneurs with mentors who could provide specialized business expertise. For some Systems, this role proved challenging. In Advantage Valley, some service providers had difficulty accepting the ELS' interpretation of service providers having specialized roles or providing services appropriate to an entrepreneur's skill level. In Oweesta, it was challenging to find sufficient expertise on the reservations, and outside resources were sometimes too sophisticated or too "foreign" to connect easily with the Native entrepreneurs (although the Collaborative continues to work to expand and improve its work with mentors). Nevertheless, this networking and brokering role is an essential piece of the work.

Advantage Valley adopted a proprietary coaching model for its work. The other two developed their own models, adapting them from their own and outside experience. HTC reports that its approach has drawn on elements from the Sirolli Institute, economic gardening, Network Kansas, and others.<sup>23</sup> Oweesta's Wawokiye Business Institute integrates a Native American cultural understanding with more traditional coaching strategies. Those interested in building their own EDS do not need to reinvent the wheel, but can draw on the experiences of others.

***Although coaching offers benefits, it is a challenging model to implement.***

The above discussion described the challenges that two Systems faced in developing good working connections with external resources. At least one System, the Oweesta Collaborative, has struggled to find and retain coaches. Finding individuals with business skills and experience is part of the problem; however, the EDS also sought individuals with personal qualities that enabled them to cope with the significant personal challenges that many Native entrepreneurs face. It is also important to acknowledge that in areas with low rates of entrepreneurship, finding entrepreneurs to participate can be as hard as finding coaches. Although the Advantage Valley EDS had the goal of assisting 300 entrepreneurs through the ELS, as of December 2007 it had served 116. While coaching is a way to compensate for what might be more naturally occurring relationships in more entrepreneur-rich areas (helping build mutual support where it is less available), the lower starting point slows the process.

***Support systems are as important for the coaches as they are for the entrepreneurs.*** The Oweesta Collaborative, in particular, has recognized the challenges its coaches face in addressing the particular challenges and needs of entrepreneurs who live in deep, longstanding poverty. The Collaborative has created the position of "coaches' coach" to work with the coaches to identify resources to help clients who need specialized expertise, and serve as intermediary between the coach and entrepreneur and the source of outside

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<sup>23</sup> The Sirolli Institute promotes an enterprise facilitation model in which coaches help entrepreneurs develop quality resource teams to support their business growth. See: <http://www.sirolli.com/>. Economic gardening is a strategy created by the City of Littleton, Colo. that uses a number of tools to support home-grown businesses. See: <http://www.littletongov.org/bia/economicgardening/>. Network Kansas is a portal designed to connect "entrepreneurs and small business owners with the right resource; expertise, education, and/or economic, at the right time." See: <http://www.networkkansas.com/>.

expertise. The “coaches’ coach” also organizes quarterly retreats for the coaches to develop their skills and management capacity, and to increase solidarity among them, creating a support system that will bolster them through the hard parts of their jobs. HTC offers coaching to the HTC-community business coaches especially in the early stages of their work. The EDS also recommends that site coaches participate in an HTC Academy and the Energizing Entrepreneurship training. Core team members also provide mentoring to coaches for about a year, and strongly recommend that a coach participates in a peer group for at least a year. Coaches who choose to participate in peer groups are “networked” into coaching groups that are not run by HTC, but known to HTC staff, with the aim of offering them exposure to other interesting models. These groups meet monthly by phone. In addition, HTC may identify other professional development opportunities for coaches, such as participating in training in Main Street revitalization. HTC also attempts to get the community to set aside some “robust money” to support professional training opportunities for the coaches.<sup>24</sup> Similarly, in Advantage Valley’s ELS, coaches, who are all successful entrepreneurs, are first screened for skills and compatibility, and then are trained in ELS techniques. Coaches participate in regular networking and learning sessions with the other coaches.

***Peer support and networking may take many forms.*** One of the five identified key EDS components is access to networks. Systems have identified a variety of ways to support networking – for a variety of purposes:

- *To connect to new customers, investors, ideas and markets.* Based on research that documents networks’ utility in catalyzing economic growth,<sup>25</sup> the North Carolina EDS developed a guide to networks for entrepreneurs, emphasizing their bottom line impact: “Firms that are embedded in active networks introduced more products, have more success in finding investors and customers, have a more diversified customer base, and are more profitable.”<sup>26</sup> The EDS also provided financial support for a High Country Business Network in northwest North Carolina, and sponsored training in network development for 140 participants across the state.
- *For peer learning and shared problem solving.* The Advantage Valley EDS also has fostered an entrepreneurial network which is a closed, long-standing facilitated group whose members participate in the ELS coaching program. Coached entrepreneurs are organized in small peer groups, structured by

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<sup>24</sup> Don Macke of RUPRI’s Center for Rural Entrepreneurship has noted: “A critical component is that we try to convince the community that professional development and networking is important. This is hard because sometimes the coaches are making more money than the banker.” While some communities budget for weekly meetings between HTC staff and their coaches especially in the first year, this doesn’t always happen. His assessment is that a reluctance to fund this support signals challenges ahead. Interview, March 19, 2008.

<sup>25</sup> See Erik Pages, *Building Entrepreneurial Networks* (Washington, D.C.: National Commission on Entrepreneurship, December 2001), accessed 10 August 2007; available from [http://www.entreworks.net/library/reports/Networks\\_Report.pdf](http://www.entreworks.net/library/reports/Networks_Report.pdf); Internet.

<sup>26</sup> Erik Pages with Robert Albright and Rural EDS Partners, *Hello, My Business Name is...: A GUIDE to Building Entrepreneurial Networks in North Carolina* (North Carolina: Building Entrepreneurial Networks in North Carolina (North Carolina: Council for Entrepreneurial Development, August 2006), 9, accessed 2 November 2008; available from [http://www.cednc.org/resources/reports\\_and\\_surveys/networks\\_guide.pdf](http://www.cednc.org/resources/reports_and_surveys/networks_guide.pdf); Internet.

business skill and stage level, that meet regularly. There are also events that bring all the peer groups together in a larger network that provides an opportunity for extended learning and business development.

- *To create a more supportive environment for entrepreneurship:* HTC promotes the formation of entrepreneurial task forces at the community level to foster initiatives that increase the profile of local entrepreneurs and generate support for greater entrepreneurial development. Task forces are composed of entrepreneurs and other civic leaders who support the community's coaching program, organize business plan and other entrepreneurial training for community members, and sponsor networking events and other activities designed to break down the isolation of entrepreneurs. In this model, the task forces play a leading role in efforts to transform local culture with respect to entrepreneurship.

***Broadening entrepreneurship opportunity to traditionally underserved groups requires conscious strategy and resources.*** Inclusion is one of the principles of an EDS construction, yet some of the Systems have worked at it more consciously than others. Because of that, accomplishments have varied. Strategies and tactics also have varied, adapting themselves to local contexts. Experience to date suggests value in:

- *A sole focus on Native American reservations by Native American institutions:* By working exclusively with Native-focused organizations, the Oweesta Collaborative eliminated the need to educate other partners on the particular circumstances faced by Native entrepreneurs, or to continually advocate for attention to their specific needs. All of the partners came to the table with a clear commitment and set of experiences in working with Native entrepreneurs, and to building tools and institutions that worked for that population.<sup>27</sup>
- *Leadership development and new structures.* Both CORE (through its coordinator Rural Development Initiatives) and HTC (through the Heartland Center for Leadership Development) train a broad range of community members in leadership skills, encouraging new voices to take roles in economic development and community betterment. CORE's work in leadership development has long been supported by the Ford Family Foundation, which recognizes the connection between leadership development and broad-based entrepreneurship. In HTC, youth task forces provide vehicles for young people to explore entrepreneurship while participating in community betterment projects and on community institutions. Women have commonly taken on HTC roles as community coordinators and business coaches.
- *Diversity training within entrepreneurial development programs:* The North Carolina EDS incorporated an appreciative inquiry into their Energizing Entrepreneurship training for communities, which was designed to help participants view their diversity as an asset for entrepreneurial development,

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<sup>27</sup> This is not to say that Native-focused entrepreneurship development efforts should work in isolation from broader state or regional economic development efforts – and in fact, the Oweesta Collaborative's policy work includes efforts to actively connect with state and private economic development programs and initiatives, and to market its efforts to "outside" communities and markets. Additionally, Oweesta Collaborative members shared information, tools and techniques with the other collaboratives working with Native populations or partners.

just as they view other resources and sectoral opportunities as part of their competitive edge. The EDS extended this awareness-building work by creating a video, *In Their Own Words*, which aims to: celebrate minority entrepreneurship, recruit more minority entrepreneurs for services, and educate service providers on the unique issues that minorities face.

- *Scholarship opportunities:* The North Carolina EDS also provided scholarships to Native American representatives and entrepreneurs to participate in its statewide policy summits.
- *Engaging organizations with a specific focus on underserved groups:* Several of the EDS sites developed partnerships with organizations – typically nonprofits – that had a specific focus on traditionally underserved populations. The North Carolina EDS supported the North Carolina Indian Economic Development Initiative’s regular participation in the EDS management committee; the EDS coordinator served on the Initiative’s board, and provided other training support to increase the capacity to support asset development and entrepreneurship among Native American communities. CORE’s Warm Springs target area works with the Confederated Tribes of Warm Springs. In Southwest Oregon the Umpqua CDC’s, MEDAL (Microenterprise Development and Learning) Program helps developmentally disabled and special needs people get assistance with business planning and financing. CORE’s statewide partners include ONABEN (Oregon Native American Business Enterprise Network) and ATNI (Affiliated Tribes of the Northwest Indian).

While these mechanisms have borne some fruit in broadening inclusion, it is important to note that EDS track records, overall, are varied. Several of the sites have acknowledged that promoting inclusion has been challenging, in part because minorities are such a small part of their local populations. Some look at inclusion more broadly. HTC staff, for example, has acknowledged that inclusion needs to address not only race and ethnicity but gender, economic class and generational differences. Each requires its own strategies, and requires local communities, as well as institutions, to embrace the issue, and find new ways to deal with it.

To promote and achieve inclusion effectively, Systems need metrics to monitor their progress, and few were able to successfully develop and implement such metrics during the EDS demonstration. The local evaluators of the North Carolina EDS did collect demographic data on a sample of clients served by the EDS partners; this data suggested that service providers served minority entrepreneurs at rates much higher than their prevalence in the general population.<sup>28</sup> The ELS in Advantage Valley also kept detailed demographic records of the coaching participants, and also found women and minorities served at a

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<sup>28</sup> The North Carolina evaluators surveyed clients three times over the course of the demonstration: “All three surveys indicated that the client base had a significant minority component as compared to the state’s minority population (approximately 7 percent of total state population): almost 17 percent at the baseline, 30 percent at the midpoint, and 12 percent at the time of the final survey.”(See pg. 15) Note that these surveys are snapshot, and not longitudinal, and therefore, should not be taken to imply growth and decline in the number of minority entrepreneurs served. Rather, the data should be understood as potentially suggestive of the penetration of North Carolina service providers into minority markets.

higher percentage than their incidence of business ownership in the general population. However, most sites simply did not have mechanisms to determine the demographic profile of the entrepreneurs being served, and how this profile compared to the population in their region. Systems concerned with inclusion need to develop data collection strategies that can help them monitor this component of their work.

**TABLE II: YOUTH PIPELINE ACTIVITIES**

MIDDLE SCHOOL	HIGH SCHOOL
<b>Advantage Valley</b>	
<b>Integrated within the formal system</b>	
Coordinator for Entrepreneurship Programs at West Virginia Department of Education	
Lemonade stand project for middle school students in 8 schools, guided teachers and students in developing and implementing business plan for a lemonade stand and selling at the state capitol	Business plan competition: WV Dreamquest Program
	ELS staff coached high school entrepreneurship class
	Training in REAL for after-school program; adopted by schools in four counties
	Training of 55 career technical education teachers in school-based enterprises, now being implemented at the schools
Teacher training in entrepreneurship curricula as part of statewide conference on Civic, Economics and Entrepreneurship	
<b>CORE (Connecting Oregon for Rural Entrepreneurship)</b>	
<b>Integrated within the formal system</b>	
	Teacher training in NFTE and REAL curricula in Lincoln County and northeast Oregon
Making Cents curriculum to foster savings introduced to southwest Oregon Schools	
<b>Other Youth Activities</b>	
	Lincoln County financial support to the Kayak Shack, an entrepreneurial training business for youth
	4-H youth entrepreneurship group sponsored by Northeast Economic Development District
	EDS members sponsor high school students through Young Entrepreneurs Business Week, an intensive week of business planning at Portland State University
<b>Empowering Business Spirit</b>	
<b>Integrated within the formal system</b>	
	Teacher and administrators trained on YoungBiz curriculum and provision of textbooks, resource materials
<b>Other Youth Activities</b>	
The EBS and ENLACE developed a list of youth enterprise “access points” that included a variety of organizations – 4H, local community youth directors, local business organizations that engage in youth programming – in addition to contacts at local middle and high schools.	
	ENLACE summer youth entrepreneur camps Governor’s Youth Business Plan competition
<b>HomeTown Competitiveness Initiative</b>	
<b>Integrated within the formal system</b>	
	Some community-level youth task forces advocate for and achieve entrepreneurship classes in the high school curriculum
<b>Other Youth Activities</b>	
Development of ESI (EntrepreneurShip Investigation), 4-H curriculum to support entrepreneurship exploration by middle school students	HTC work with community-level youth task forces uses a model of Engage (promotes youth involvement in community betterment activities), Equip (entrepreneurship education and career development), and Support (providing adult mentors and business apprenticeships)

**TABLE II: YOUTH PIPELINE ACTIVITIES Continued**

MIDDLE SCHOOL	HIGH SCHOOL
<b>North Carolina EDS</b>	
<b>Integrated within the formal system</b>	
Task force on youth entrepreneurship, including NC REAL, 4-H and Junior Achievement, worked with the Department of Public Instruction to determine rural places that were receptive to including entrepreneurship in K-12 curriculum or student activities, and to expand offerings in those areas.	
	Hop On the Bus business plan competition held statewide three times, with Department of Public Instruction committed to continuing it
REAL curriculum for grades 5-8 created and piloted in some schools	REAL high school curriculum implemented in some schools
Junior Achievement curriculum developed; programs expanded into Pitt County; seeking buy-in in other counties	
Teacher orientation to educational materials at statewide pre-Entrepreneurship Summit event	
<b>Other Youth Activities</b>	
4-hour training for faculty, agents and volunteers on new entrepreneurship curriculum; teaching teens to use curriculum to reach youth	
<b>Oweesta Collaborative</b>	
<b>Integrated within the formal system</b>	
Education for interested K-8 teachers on integrating entrepreneurship and personal finance themes in their curricula on Cheyenne River Reservation	High school personal finance course taught on Cheyenne River Reservation
	Entrepreneurship class taught in alternative school for challenged youth
	Survey of student attitudes toward financial literacy and entrepreneurship (Pine Ridge); course in planning
Pine Ridge Chamber of Commerce survey of 1,000 children in grades 3-5 on financial literacy, as prelude to pilot course for this age group	Pine Ridge Chamber of Commerce participation in high school career fairs
	90-minute "How to Start a Business" workshops at Arapahoe Charter High School (Wind River Reservation)
<b>Other Youth Activities</b>	
	Paid business internship program (with part of earnings placed in educational IDA with a 3:1 match) (Cheyenne)
	Financial literacy and entrepreneurship training integrated into TANF's youth summer jobs program (Wind River Reservation)
	Business planning/guidance for student-run catering business at Annual Business Expo

**TABLE III: ADULT PIPELINE STRATEGIES**

System	Focus of "Pipeline"	Techniques for Engaging/Supporting Adult Entrepreneurs	Rationale for Adult Pipeline Techniques
<p><b>Advantage Valley EDS</b></p>	<p>Growth-oriented entrepreneurs from Rookie to AAA (can start out at any skill level or business status) are assisted by the Entrepreneurial League System® (ELS). Other entrepreneurs not interested in coaching are referred to appropriate technical assistance providers</p>	<p>Entrepreneurial League System® provides a system for identifying growth-oriented entrepreneurs, and providing them with coaching, networking services and access to expertise and capital that can move them to higher levels of expertise and business growth.</p> <p>Certificate programs and courses at community and technical colleges—and an option to permit adults to attend shorter “modules” rather than a semester’s course—increases educational opportunity for adults.</p>	<p>Study of Advantage Valley in 1999 found extremely low rates of business formation. In response, the organization experimented with a range of efforts aimed at supporting entrepreneurs, eventually selecting the ELS model as the most promising approach to both detecting and growing entrepreneurs.</p>
<p><b>Connecting Oregon for Rural Entrepreneurship (CORE)</b></p>	<p>Five regional sites with most targeting early stage or pre-venture entrepreneurs</p>	<p>CORE offers access to networking through Oregon Entrepreneurs Forum; Sirolli-coaching method used at one site to engage and support development of entrepreneurs.</p> <p>CORE partners pursuing first associate degree in entrepreneurship with two local community colleges.</p>	<p>High rates of self-employment, limited local markets, and difficulty delivering services due to sparse population and rugged terrain requires introduction of networking services from outside.</p>
<p><b>Empowering Business Spirit</b></p>	<p>Business owners; focus on all levels and size of business.</p>	<p>Partners include a range of organizations with a history of serving women and minorities.</p>	<p>The EBS’ proposal and work plan do not articulate a specific approach to the issue of pipeline. The region is highly ethnically diverse and has a large low-income population. As a result there is a well-established set of providers that have focused on these individuals.</p> <p>Entrepreneurs in the region have identified a lack of access to skilled workers as a key challenge; thus the EBS’ adult education work has focused not on entrepreneurship education but on increasing the availability of basic workforce training in the region.</p>

**TABLE III: ADULT PIPELINE STRATEGIES Continued**

System	Focus of "Pipeline"	Techniques for Engaging/Supporting Adult Entrepreneurs	Rationale for Adult Pipeline Techniques
<b>HomeTown Competitiveness</b>	Businesses at all levels. Particular focus on women, new immigrants, Native Americans and "survival" entrepreneurs	Community-based entrepreneurship task forces  Tools for business succession  Business coaches are affiliated with some entrepreneurship task forces	Businesses of all types and sizes contribute to the health and dynamism of local communities. There is a need to create more "churn" on the bottom to create greater dynamism and potential for growth. Coaching can be a tool for assisting those businesses that are ready to grow, or ready to be transitioned to new owners. Business succession is a particular issue given demographic trends of out-migration and the aging of the population in rural Nebraska communities.
<b>North Carolina Rural Outreach Collaborative</b>	Entrepreneurs and businesses at all levels; with a particular focus on emerging businesses (which were found to lack services) and specific minority groups (African Americans and Native Americans).	Energizing Entrepreneurs (E2) training program for communities  Creating a guide to creating entrepreneurial networks called " <i>Hello, My Business Name is ...</i> "; and conducting six regional workshops on how to establish entrepreneur networks  Fostering regional networks of entrepreneurs and service providers  Creating North Carolina Consortium of Entrepreneurship Education as a support network for teachers of entrepreneurship at all educational levels	Research commissioned by the Rural Center prior to the creation of the EDS found an insufficient supply of services for emerging/start-up firms and a need to develop more easy-access points for all entrepreneurs to gain entry to knowledge and networks. The success of North Carolina's Research Triangle, driven in part through the creation of successful entrepreneur networks under the Council for Entrepreneurial Development, served as a model for the potential of rural networks.
<b>Oweesta Collaborative</b>	Native American entrepreneurs; the goal is to build a model that can be replicated on reservations across the U.S.	Training/coursework at the CDFIs and partners with localized focus, adaptations  Wawokiye Business Institute coaching (technical assistance) model	This initiative focuses on one specific group of entrepreneurs – Native Americans – who face unique issues and challenges in pursuing entrepreneurship. The WBI model was developed out of the EDS leaders' history of experience in seeking to promote private enterprise on reservations.

## Building a System of Financial and Technical Support

The EDS request for proposals identified the implementation of a *system of financial and technical support* for entrepreneurs as the second core goal for the Kellogg demonstration projects. And as CFED emphasizes in *Mapping Rural Entrepreneurship*, "Systems thinking is required to align the plethora of training, technical assistance, and financing programs to meet the variety of needs of entrepreneurs and their different levels of education, skills and maturity."<sup>29</sup> Alignment makes sense for several reasons:

- To clarify where there are gaps in service, for which entrepreneurs, and how to fill them;
- To ensure that entrepreneurs get the right services for their stage of development and business needs; and
- To increase the transparency of the "system" of services to entrepreneurs so that they can more easily understand the available services and how to access them.

In the parlance of the EDS programs, these efforts to improve supply have been characterized as "creating seamless systems" of services for entrepreneurs, and developing "no wrong door" methodologies that reduce entrepreneur frustrations as they look for assistance.

In addition, the EDS theory articulated by CFED and Kellogg describes a system that not only is comprehensive and integrated, but also continuously improving. Achieving this requires a focus on the performance and quality of the service providers in the system. And for the sites, this is not just a theoretical imperative. As they have worked to create effective systems of service delivery – ones in which providers seek to refer clients to the most appropriate provider – the issue of quality eventually raises its head: How can an organization refer clients to a program that does not respond in a timely manner? Or whose advice or services are not of high quality?

This chapter will consider the experience of the six Systems in creating, extending and coordinating supply, and in improving the quality of services offered.

### Creating, Extending and Coordinating Supply

As the Systems have worked on the task of better aligning their training, technical assistance and financing services with client needs, their work has been conditioned by the entrepreneurial profile and needs of their regions, as well as the availability and capacity of regional institutions. These factors have driven the extent to which the Systems have chosen to create new supply, extend supply from

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<sup>29</sup> Brian Dabson and others, *Mapping Rural Entrepreneurship* (Washington, D.C.: CFED, August 2003), 5.

outside the region, or coordinate supply among existing providers. Across the sites, there are also different perspectives on the desired degree of coordination among providers, and the most effective strategies for making systems more client-driven. Table IV provides a summary of their approaches to this issue, and includes a rationale for the approach taken.

### ***Creating and extending supply:***

Several Systems have identified gaps in services that need to be filled. They've addressed these needs in one of two ways: either by creating new entities or programs, or by inviting organizations that provide those services somewhere outside the area to extend their efforts into the EDS region. These initiatives, which are summarized in Table IV, cover the range of business and development services, including new sources of capital, expanded availability of training, technical assistance and coaching, specialized business resources (marketing information, Web site development, enhanced Farmers Markets), and even assistance with developing new sources of funding for local community development activities.

### ***Coordinating Supply:***

In regions that were more resource-rich – and in those EDSs that had a statewide as well as a local focus – a strong emphasis was placed on coordinating supply among the varying service providers. In fact, for EDSs that focused primarily on a “big tent” or “supply side” approach to system development, efforts to coordinate supply were at the core of their work.

These efforts emerged in part because the message from entrepreneurs was that it was challenging to find the right services for their business. In addition, many if not all of the sites understood coordinating supply to be a key aspect of the collaboration called for in the original RFP. To address this issue, Systems focused on strengthening the connections between service providers, and increasing the visibility and transparency of the “system.” Their approaches included developing networks of service providers, launching joint marketing efforts, developing or strengthening providers' knowledge of one another's services and mechanisms for referrals, developing Web and written resources to support both client and service provider knowledge of available resources, and connecting private sources of capital to assisted entrepreneurs.

These efforts to create, enhance and coordinate business development services and access to capital have generated some positive results. They also have experienced a number of challenges, as the following findings indicate.

***Although the goal is comprehensive services, the reality is that it has proved challenging to develop a full continuum of services.*** Most of the EDS sites found that services for early-stage and emerging businesses were more prevalent than those for more-established, growth oriented businesses. This was partly a function of demand: in several of the rural regions, most enterprises are quite small, and capacity had emerged to fill that demand. It was also a function of supply: Most of the sites had an existing infrastructure of service providers that typically included Small Business Development Centers and/or microenterprise organizations. And in cases where services didn't exist in the region, they were

### **Practices of Promise – Coordinating Supply**

- ⇒ Develop market research/needs assessment methods to better understand demand.
- ⇒ Map the current continuum of services to increase transparency and identify gaps.
- ⇒ Create tools and build capacity to help entrepreneurs become better consumers of services:
  - Guides and directories,
  - Coaching and technical assistance in contracting with providers.

often able to provide funding or other mechanisms to encourage microenterprise providers to expand services in their region.

Most sites found it more challenging to expand or create services targeted to later-stage and growth-oriented firms.<sup>30</sup> This is partly because often more advanced levels of assistance are provided by the private sector, rather than through nonprofit organizations. And depending on the size and existing economic circumstances of the region, those types of private-sector services may not exist. The Oweesta Collaborative, for example, tried to meet this need through its Wawokiye Business Institute model, which includes a mentor network intended to provide advanced knowledge and skills to entrepreneurs. However, at least initially, efforts to build this network were limited by the availability of these experienced resources in the region's Native communities.<sup>31</sup> Initially the EBS Initiative in New Mexico used a diagram that mapped the "continuum" of business assistance services, and highlighted the gaps for later-stage businesses, as a tool to communicate with policy makers and other funders regarding how to fill these gaps. The network facilitation efforts that EBS is now sponsoring also seek to match entrepreneurs with local sources – both public and private – of targeted expertise.

***As the Systems worked to match supply and demand, they have had to work on both sides of the equation. Some emphasized one side more than the other.*** Aligning supply and demand requires an understanding of the demand for services. The EDS sites took a variety of approaches to assessing demand, including:

- Conducting focus group research with entrepreneurs across the state to identify their needs, issues, and gaps in service (North Carolina, EBS)

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<sup>30</sup> The exception is North Carolina, where resource mapping identified that the state's system was more fully developed for existing small businesses with growth goals. This was due to the extensive Small Business Technology and Development Centers based on university campuses. To fill the gap for emerging businesses, the EDS focused on clarifying where such services might currently be found (through its *Where to Go for What* guide and Business Resources Directory), and promoting the formation of regional entrepreneurial networks and service provider networks that can consider how these and other local needs might be met.

<sup>31</sup> The WBI model envisions that coaches are generalists in business development. Their role is to provide some technical assistance to clients, but also to connect clients with mentors who can provide higher-level or more industry-specific guidance to clients. It was envisioned that the network would grow organically, as individual coaches used their informal networks to develop and activate mentors, and coaches referred mentors to one another based on clients needs.

One of the challenges of developing the network has been a lack of expertise on any given reservation. Often there are relatively few, or perhaps no, individuals on a reservation with a particular business experience (lawyers and accountants with private-sector experience with contracts, etc. are generally hard to find). Or, if such individuals can be found, they often are reluctant to offer their services at a reduced cost that would be affordable to nascent entrepreneurs. In addition, prospective mentors are sometimes concerned about educating entrepreneurs who might prove to be competitors. Recognizing the challenges it has faced in building the network, the Oweesta Collaborative members recently decided to hire a mentor network manager (housed at the Oweesta Corporation) who will be responsible for identifying and cultivating mentors across the three reservations, thereby expanding the set of resources beyond what is available on any one reservation.

- Conducting needs assessments with “on the ground” Entrepreneur Advisory Boards and matching those needs with appropriate service providers (CORE).
- Engaging in local needs assessments and strategic planning with community task forces (HTC).
- Guiding individual entrepreneurs through a precise diagnostic process to identify needs, goals, and required skills development (Advantage Valley Entrepreneurial League System®).

Each approach was intended to help the EDS define where it needed to create additional resources, or whether the challenge was to make existing services more transparent and accessible to entrepreneurs.

In working to match identified demand with supply, some systems also created tools, mechanisms or strategies that focused on the demand side, aiming to help entrepreneurs and communities understand available resources and how to choose among them. For example, HTC emphasizes enabling communities to think more systemically about what it takes to support entrepreneurial development, and to learn how to connect to state and federal level resources that meet their needs. HTC’s goal is to change the system by helping community leaders become “better consumers of these services,” breaking cycles of dependency that have left them more on the receiving side of whatever is mandated from the state, rather than actively deciding what they need and searching for it. North Carolina’s *Where to Go for What* publication and Business Resources Directory, as well as the EBS Initiative’s Web site exemplify other tools designed to increase entrepreneurs’ awareness of available services, and to enable them to make more informed choices in selecting service providers.

Another set of approaches focused on the supply side; typically through the creation of referral mechanisms among providers of entrepreneurship services. The underlying concept was that providers would do some type of intake process with clients. Those making referrals also would need to understand the technical knowledge and capacities of the various service providers, and then function as a broker, offering the client a match that would serve his or her needs most efficiently and effectively. In some Systems, it was envisioned that all providers would do intake and engage in cross-referrals; in others, a coach or network facilitator was responsible for diagnosis and referral. In North Carolina there is now a toll-free number for all business inquiries to the state, and staff at the call center refers calls to the other state-funded service providers; the collaborations behind that infrastructure were established in large part by the EDS team.

***Both demand- and supply-driven approaches have inherent challenges.***

HTC’s community organizational model offers an in-depth approach to building a community’s awareness, and ultimately its capacity to select resources that best meet the needs of its entrepreneurs. The HTC approach offers the possibility of great payoffs in transforming how entrepreneurs engage with the system of service providers. However, it also requires considerable investment in capacity building and time for community members to gain experience in identifying, recruiting and selecting service providers to meet their entrepreneurial development needs. In addition, HTC leaders assert that for their demand-driven approach to work, resource providers also need to deliver their services in a different way. They need

**Useful Tools Developed by EDS Sites**

- ⇒ *North Carolina Business Resources Directory.*  
[http://www.ncruralcenter.org/pubs/resource\\_guide.pdf](http://www.ncruralcenter.org/pubs/resource_guide.pdf)
- ⇒ *Navigating Business Services in North Carolina: Your “Where to Go for What” Guide.*  
[http://www.ncruralcenter.org/entrepreneurship/07summit\\_pubs/wherforwhat.pdf](http://www.ncruralcenter.org/entrepreneurship/07summit_pubs/wherforwhat.pdf)
- ⇒ Regional portals to Resource Navigator Web tool:  
[www.highcountrybiz.com](http://www.highcountrybiz.com)
- ⇒ *Bizport*, EBS’ Web portal for entrepreneurs and partners:  
[www.bizport.org](http://www.bizport.org)
- ⇒ *Oweesta Collaborative* Web site:  
<http://www.oweesta.org/oc/overview>

to “break out of the expert model” and “change the psychology;” yet HTC leadership has found it hard for providers to change their approach. HTC leaders expect that change will happen as communities pay for some of the services they receive, and therefore begin to demand certain results. HTC communities already are doing this, to some degree, both by having to raise money for HTC services, and for particular training and technical assistance services.

In Advantage Valley, the Entrepreneurial League System® used a diagnostic process in its coaching model. ELS staff believes that many entrepreneurs, particularly inexperienced ones, need help identifying their needs. Service providers responding to requests for services from entrepreneurs may not be addressing the real problem, and not all service providers have the skills and resources to perform an in-depth analysis. The diagnostics and coaching process of the ELS is designed to help entrepreneurs seek and access what they truly need, and to identify gaps in current offerings. However, entrepreneurs not in the ELS must still rely on the current variety of assessment practices offered in the field, and few resources have been devoted to remedying the situation. The North Carolina EDS leadership sought to resolve this issue by advocating for the development of a common assessment process used by all service providers, but this was never implemented. Instead the North Carolina Department of Commerce through its Business ServiCenter now acts as the lead agency for all business inquiries by phone and conducts a brief interview with each caller to determine apparent needs, and refers the person to in-person local resources. Then, the small business service providers assess the entrepreneur’s skills and needs in more detail as part of their initial counseling session.

Several systems have sought to use Web and printed directories or inventories to help guide entrepreneurs; the challenge is whether they can be made clear and precise enough to ensure that the entrepreneur enters the correct door. The Advantage Valley EDS partners struggled with the issue of what information is sufficient to help the entrepreneur make a clear and informed choice. Because of the way the ELS model differentiated and categorized entrepreneurs and enterprises, its leadership sought a level of precision in the inventory that service providers have not traditionally recognized. Agreement among partners was made more difficult by differences with respect to the underlying assumption behind the inventory that specialization is essential (see discussion below). In the end, the task of developing a Web-based directory was taken up by a state partner using a less ambitious approach. The directory was not in operation by the end of the project.

In a different approach, the North Carolina System’s *Where to Go for What* guide focuses on the types of information entrepreneurs might need at different stages of business development, but does not define the precise content offered by each and every service provider, nor the target market to which the service is directed. This leaves the user to discern these attributes at a later stage in the process. An evaluation of whether the guide achieves its intended goal of reduced entrepreneur frustration, or whether more information is required (as the ELS perspective suggests), would be an extremely valuable contribution toward understanding the level of information that is required to help entrepreneurs select the assistance they need.

On the other hand, as was noted in the discussion of key lessons, in supplier-driven approaches, the challenge has been to overcome resistance to making referrals. Looking across the experiences of various Systems, the factors that have slowed referrals among providers include:

- *Differences in operational models:* Some organizations that provide intensive or long-term assistance to clients have reservations about referring clients to providers that tend to offer more limited, ad hoc counseling.
- *Lack of pre-existing relationships:* Lack of familiarity with another organization tends to slow referrals; there appears to be more success in making referrals among organizations with established relationships.
- *Differing opinions regarding resource allocation:* Where partners have had diverging opinions with respect to the types of entrepreneurs that should be targeted for priority attention, there has been less willingness to cooperate on offering services.
- *Quality concerns:* In the absence of objective methods of ensuring quality, and in some cases after having negative experiences with an organization, some partners have been hesitant to refer to others whose value they cannot guarantee.
- *Institutional imperatives:* Especially when organizations are evaluated by numbers-driven performance targets for services, the tendency is to “keep” clients rather than refer them to others.

Where there have been improvements in these referring relationships, it has come as the EDSs have invested resources in breaking down some of these barriers through professional development initiatives that will be discussed below. However, it is important to recognize that, while these efforts have improved provider coordination, no System has reached the goal of a “seamless” system of service delivery.

***Systems have wrestled with the concept of specialization among service providers; it is yet unclear whether or how specialization matters.*** Although not explicit in the EDS goals and the underlying principles of the EDS theory, the focus on collaboration and coordination of supply has led some Systems to the issue of specialization among service providers. In rural, resource-scarce environments, it seems illogical to some that multiple partners appear to be offering the same services, while other services are lacking. Furthermore, some participants in several Systems believed that organizations could not be all things to all entrepreneurs, and that if providers focused on their strengths, the System’s efficiency and effectiveness would increase. While other partners often agreed in principle that specialization made sense, the Systems found it challenging to operationalize that concept. Factors such as the desire to maximize client service numbers, organizational inertia, talent limitations, competition, a lack of awareness of clients’ needs, and distrust, were all cited as potential reasons for difficulties in determining specialties. But must service providers specialize? And if so, to what degree? To what extent is specialization something that can be negotiated within a larger group of service providers? Researchers responsible for the demand analysis that preceded the formation of the North Carolina EDS discussed the issue of overspecialization from another perspective:

"The current NC support system is based on market niches. For example, SBTDCs [Small Business Technology Development Centers] focus on growth businesses, the cooperative extension service focuses on agriculture, and SBCs provide more general support to entrepreneurs. While there are efficiencies that arise from this specialized approach, the system's specialization often gets lost in translation to the entrepreneur. What is needed is an entry-level package of services that entrepreneurs receive no matter where they enter the system. The system would be defined by the concept of "no wrong door." Every part of the state's small business support network should provide an initial assessment of the entrepreneur's skills and needs and identification of the best place for the entrepreneur to receive services to address those support services from the entrepreneur to the system itself."<sup>32</sup>

Although this perspective does not contradict the need for specialization, it does suggest that specialization alone may not be the answer – that service providers need to be able to offer at least some intake and needs assessment, and know enough about other providers to make a handoff that supports the entrepreneur. The North Carolina System did not make progress on enhancing client entry in the way this report recommends; the Advantage Valley EDS sought to implement a common diagnostic process but encountered challenges in doing so. This issue of specialization remains one that the EDS demonstrations were unable to resolve through supply-driven efforts. In fact, many have moved to entrepreneur-focused approaches (such as coaching and enterprise facilitation) in which the coach's role is to identify and secure the appropriate form and level of assistance.

### Practices of Promise – Improving Quality of Service Delivery

- ⇒ Develop common metrics and evaluative tools that will provide information on service quality.
- ⇒ Include mechanisms that allow entrepreneurs to provide feedback regarding service quality.
- ⇒ Create systems that are entrepreneur- rather than service-provider driven.
- ⇒ Develop and reinforce common skills and values around customer service and satisfaction.

### Quality of Service Delivery

As Systems began the process of working collaboratively to serve clients, the issue of the quality of service delivery also emerged. The EDS theory also prompted work on this issue: one of the guiding principles of an EDS was that it be continuously improving. Although many of the Systems invested significant effort to create tools and processes for assessing and improving quality, this area of worked proved to be highly challenging, and no clearly effective approaches have emerged from their efforts. The following lessons may prove instructive, however, for others seeking to address the issue of quality:

***Creating metrics and evaluative tools that provide information on service quality is an important but highly challenging process.*** Several Systems created tools and systems that sought to collect data and provide feedback on service quality:

The EBS Initiative developed a "BizBucks" voucher system, through which EBS clients, entered into the System's common database, received a quarterly survey

<sup>32</sup> Erik R. Pages and Deborah M. Markley, *Understanding the Environment for Entrepreneurship In Rural North Carolina* (Lincoln, Neb.: RUPRI Center for Rural Entrepreneurship, January 2004), 13, accessed 8 August 2007; available from [http://www.energizingentrepreneurs.org/content/chapter\\_2/stories/1\\_000127.pdf](http://www.energizingentrepreneurs.org/content/chapter_2/stories/1_000127.pdf); Internet.

asking them to assign a dollar value to the services they received (based on a total dollar amount estimated to be the value of all services received). EBS partners were then to receive additional financial payments from EBS, based on the “BizBucks” awarded by their clients. EBS also launched a 1-800 Number that clients could use to provide feedback on the services they receive. These calls and the information were to go directly to EBS’ local evaluator. EBS eventually chose to discontinue both of these efforts, finding them to be largely ineffective. Few calls were made to the 1-800 Number. And the effectiveness of the “BizBucks” system was limited by the fact that relatively few clients were entered into the common data-base, limiting the numbers of surveys that could be sent out. Now that EBS has moved to the network facilitation model, it is looking to create a data-collection system that is centered on the clients engaging in the facilitation process and the network facilitators who work with them. It may be that moving to a smaller set of entrepreneurs, and a single point of data collection, will enable EBS to develop a more effective system.

The Oweesta Collaborative worked to build a common data-collection system that could incorporate data on service quality. Each of the Native Community Development Financial Institutions that is part of the Collaborative has acquired a common client and loan data-management system (The Exceptional Assistant), and has worked with the local evaluator to develop both performance and outcomes measures that it believes will reflect on the quality and impact of its work. Data on these measures will be reported to the evaluator. Although Collaborative members have found the process of building and implementing common systems to be valuable, the process has taken longer than expected (in part due to issues relating to the software provider), and the Collaborative has yet to use the data that has been collected to generate and reflect collectively on service-quality data.

Of course, once data on quality is available, the next challenge would be how to use that information to motivate improvement in quality. No System has progressed to that point.

***Developing and reinforcing common skills and values around customer service and satisfaction.*** Systems have found it easier to use joint professional development as a tool for promoting service-delivery quality, especially when it is general in focus. Both the EBS Initiative and two partners in the North Carolina System, the Small Business Centers and Small Business Technology and Development Centers, have used it in that way.<sup>33</sup>

However, the EBS Initiative also used its “Best Practices” committee to address the issue of service quality. In its early stages, it presented cases related to quality for discussion at partner meetings. For example, in one discussion that turned out to be somewhat controversial, the committee presented the case of a partner that at the last minute backed out of a training that had been sponsored and marketed by

<sup>33</sup> The Small Business Centers are located on community college campuses and generally serve early-stage entrepreneurs. The Small Business Technology and Development Centers are located on University of North Carolina campuses and generally serve larger and more experienced small businesses. These two statewide agencies conducted their first joint professional development seminar in October 2007.

### Useful Tools Developed by EDS Sites – Improving Quality of Service Delivery

EBS: EBS Common intake form:

<http://www.bizport.org/LinkClick.aspx?fileticket=D6CqLMFOVAw%3d&tabid=94&mid=589>

EBS Values and Behaviors:

<http://www.bizport.org/LinkClick.aspx?fileticket=MdTX4%2f8XVs8%3d&tabid=95&mid=590>

another partner. The committee then focused on the development of an EBS brand that was to be based on standards and practices for quality of service delivery. Neither of these approaches succeeded. With the arrival of new EBS leadership, and as a result of individual discussions with partners, EBS staff has decided to re-focus on professional development. A calendar of learning sessions has been developed that will focus on building partner knowledge of key growth sectors in northern New Mexico. While these professional development opportunities are a positive step, this re-focus demonstrates how challenging it is for Systems to address the issue of quality. It is unclear how pervasive a change they will create in the absence of broader institutional incentives.

***For Systems taking a demand-driven approach, it would seem that one critical issue lies in how to ensure that entrepreneurs have access to information regarding provider quality.*** The coaching models – and to some extent the Sirolli-based enterprise facilitation programs that exist within some of the Systems<sup>34</sup> – also support quality improvements. Rather than leaving entrepreneurs to merely react to existing products and services offered by providers, coaching empowers them to be more proactive in determining the services they need. They also are expected to be more able to make judgments about the quality of services offered or received, rather than leaving it to the service providers to, in a sense, police or make judgments about themselves and their peers, which is arguably a more difficult process.

However, markets work better when consumers are well informed, and thus, one of the keys of a demand-driven model would seem to lie in creating mechanisms to ensure that entrepreneurs have good information on the quality of providers. While the directories created by some Systems provide basic information, they are not “consumer reports” on institutional quality. In the coaching/enterprise facilitation approaches, presumably the role of the “coach” is to understand the strengths and capacities of various providers, and to make referrals and recommendations accordingly. In the community-based approach used in the HTC model, it is less clear where or how community task forces get access to this information.

***For Systems that emphasize service provider collaboration and integration, efforts to improve quality are perhaps best taken up later in the process of developing the EDS.*** The collective experience suggests that monitoring and improving quality is challenging. Any effort to assess performance will invariably point out institutional weaknesses as well as strengths. And dealing explicitly with weaknesses, while critical from the perspective of the entrepreneurs, is hard to address when trying to build a system of service providers who can “play well together.” This issue of quality and continuous improvement is one where ongoing investment in common tools and systems may later yield benefits in terms of the overall development and refinement of the EDS concept. The reality is that the Systems are still far away from having models that solve this challenge.

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<sup>34</sup> Both the City of Taos, which is part of the EBS Initiative, and two counties in northeast Oregon that are part of the CORE Collaborative, have used the Sirolli model.

**TABLE IV: SUPPLY-SIDE CHARACTERISTICS OF EDS PROGRAMS**

<b>System</b>	<b>Vision for Supply-Side Work</b>	<b>Creating Supply</b>	<b>Extending Supply</b>	<b>Coordinating Supply</b>
<b>Advantage Valley EDS</b>	A system where demand and supply are aligned, the supply of services meets the current needs of entrepreneurs at all levels, and changing needs are anticipated	WVU State University Extension Service created pre-venture programming	Connecting entrepreneurs to capital through the Tri-State Capital Club	Organizing an Entrepreneur Services Network that includes nonprofit and public providers
<b>CORE, Oregon</b>	Increasing the availability of services at the local sites by enhancing local efforts and providing new or expanded statewide services	Creation of MarketLink by CORE partner, OMEN, to provide market information to entrepreneurs, and a statewide loan fund	Extending Oregon Entrepreneurs Forum and OSU's Food Innovation Network	Engaging local and state service providers in EDS gatherings to foster increased cooperation and fill identified gaps
<b>Empowering Business Spirit, NM</b>	Increased access to entrepreneurial services in northern New Mexico through extending services of statewide organizations to the region, integrating them with regional organizations into a "seamless" continuum of services		Extending statewide service providers focus on the region	Organizing service providers network to collectively address gaps, cross-training and common database to support cross-referrals, and Web site to increase transparency of services to clients and providers
<b>HomeTown Competitiveness, Nebraska</b>	Creation of informed consumers who can identify and solicit services appropriate to their needs	Assistance to communities to develop community endowments; working to create a Women's Economic Empowerment Fund to invest in women's businesses	Assistance to community leaders to build connections to external resource providers that fit their needs; supported Nebraska Microenterprise Partnership Fund's legislative request that doubled resources for microenterprise program services to \$1 million	

**TABLE IV: SUPPLY-SIDE CHARACTERISTICS OF EDS PROGRAMS continued**

System	Vision for Supply-Side Work	Creating Supply	Extending Supply	Coordinating Supply
<p><b>North Carolina Rural Outreach Collaborative</b></p>	<p>Coordination of state and regional resources, and gap-filling in areas of capital access and services for emerging entrepreneurs</p>	<p>Creation of Rural Venture Fund and researching other capital gaps</p>		<p>Organizing statewide network of service providers (and supporting some regional networks) to foster increased collaboration; development of guide and directory to increase transparency of services to clients and providers; referrals offered through N.C. Department of Commerce toll-free number</p>
<p><b>Oweesta Collaborative</b></p>	<p>Provision of long-term, client-centered coaching and technical assistance as critical to successful development of Native entrepreneurs</p>	<p>Development of common coaching and technical-assistance practice (building on Wawokiye Business Institute model) through local Native CDFIs and their various partners; formation of new national CDFI to deliver higher levels of capital for large-scale and growth-oriented businesses; formation of mentor network</p>		<p>Coordination of nine partners to deliver credit, coaching, training, higher-level technical assistance, and loan-packaging services</p>

# Fostering a Supportive Policy and Community Environment

The third goal of an EDS is to foster a supportive policy and cultural environment of entrepreneurship within the public, private and nonprofit sectors. Within the six Kellogg-funded Systems, work to foster such an environment has focused on two areas: creating policy that enhances public sector support for entrepreneurship and entrepreneurs, and creating change at the community level in attitudes and support for entrepreneurship.

## Creating Policy Change

As CFED notes, an EDS is “linked to policy, informing economic development policy (both local and state) through the demonstration of entrepreneurship in communities and regions.”<sup>35</sup> Each of the EDS sites funded through the Kellogg initiative has developed and implemented a policy agenda.

Their policy strategies fall into three broad categories:

- *Public awareness and educational efforts* aimed at helping (largely state and local) policy makers better understand the role and value of entrepreneurship in rural communities, and the range of services and activities that exist to support entrepreneurship. These efforts generally have involved large-scale meetings, conference and summits about entrepreneurship, as well as testimony before legislative committees. Examples include North Carolina’s Entrepreneurship Summits (see [www.ncentresummit.org](http://www.ncentresummit.org)), the South Dakota Indian Business Conference spearheaded by the Oweesta Collaborative, the Advantage Valley System’s initiatives around Entrepreneurship Week), and the EBS Initiative’s successful support for the selection of entrepreneurship as the theme for the New Mexico Governor’s annual Economic Development Conference. CORE also developed a proclamation to support small businesses presented to legislators on Rural Oregon Day.
- *Efforts to increase funding* for EDS efforts and entrepreneurship education and services. In this area, Systems have engaged in advocacy – either directly or in partnership with other organizations – in support of entrepreneurship programs and the work of the EDS itself. Key successes to date have included increased appropriations in Nebraska for several initiatives related to the HTC work and model, and the continuation of EDS work in two rural regions in North Carolina (“Rural EDS II”) through the North Carolina General Assembly’s support to the North Carolina Rural Center’s Institute for Rural Entrepreneurship.
- *Efforts to create a more supportive policy structure for entrepreneurship and business development.* This work, as distinct from advocacy for funding to support entrepreneurship programming, seeks to influence legal and regulatory

<sup>35</sup> Kim Pate, *Accomplishments, Challenges, and Refinements Moving Forward: Lessons from the First Year of the W.K. Kellogg Entrepreneurship Development Systems in Rural America Project* (Washington, D.C.: CFED), 3; available from [http://www.cfed.org/imageManager/documents/eds/eds\\_report\\_111907.pdf](http://www.cfed.org/imageManager/documents/eds/eds_report_111907.pdf); Internet.

## Practices of Promise – Creating Policy Change

- ⇒ Include partners with a history of engagement in policy advocacy, and established policy capacity and expertise.
- ⇒ Designate a lead organization to spearhead implementation of the policy agenda.
- ⇒ Develop policy recommendations that advance entrepreneurship comprehensively. Look at tax and regulatory change, education policy, funding for service provision and community-led initiatives. Work at state and local levels.
- ⇒ Go for large-scale awareness-raising events to set the stage for specific policy initiatives.

policy at the state and local levels, as well as investments in areas such as infrastructure and health care that are seen as critical to entrepreneurs. It also includes efforts to create new policy structures – such as new agency positions or legislative committees – that support entrepreneurship. Key examples of this work among the Systems include: the Oweesta Collaborative’s and Warm Spring’s efforts to create Uniform Commercial Codes on area reservations; the North Carolina System’s advocacy in support of the creation of new standing committees on Commerce, Small Business and Entrepreneurship in the state House and Senate; and the efforts of the Advantage Valley System’s partner, A Vision Shared, to advocate for increased flexibility in spending for the state’s Local Economic Development Grants program.

- *Efforts to organize grassroots support for entrepreneurship and community involvement in community economic change strategies.* This was seen by some of the Initiatives as central to sustaining, guiding, and grounding state and local policy efforts. These organizing efforts developed institutions at the local level, trained community leaders in economic development planning and implementation, and supported entrepreneurs in becoming more involved in civic efforts. In Oregon, Entrepreneur Advisory Boards brought together various local civic leaders, including local public officials and community development organizations, around community strategies. In Nebraska, the HTC process is designed to foster a sense of activism at the local level, and to provide tools and support for local leaders. E2 training was used in multiple sites to support and develop grassroots leadership. One of the goals of the Advantage Valley ELS coaching was to help entrepreneurs free up time from their day-to-day business operations in order to give back to the community, including being involved in the policy processes designed to assist entrepreneurs like themselves.

As the chapter on EDS accomplishments highlighted, the Systems have achieved policy wins in some states, and laid the groundwork for future gains in others. The most important wins include a variety of policy approaches:

- ***Funding streams*** that support entrepreneurship services have been created or increased in North Carolina and Nebraska. These include:
  - \$6.8 million for a Rural Venture Fund in North Carolina. Funded with state and philanthropic dollars, this fund invests in growth-oriented, job-creating enterprises.
  - \$600,000 in North Carolina to support both statewide training and engagement of rural leaders as well as regional EDS activities including coordinator positions in two regions of the state.
  - \$1.6 million for Project GATE (Growing America Through Entrepreneurship), which will help dislocated workers pursue self-employment and entrepreneurship in eight rural sites. This program is a partnership between the North Carolina Rural Center, the North Carolina Department of Commerce Division of Workforce Development, the North Carolina Community College System, and NC REAL Enterprises.
  - \$1 million for the Nebraska Enterprise Fund. Doubled this year and last over previous allocations, these funds provide lending capital and technical assistance dollars to microenterprise development organizations.

- \$ 500,000 for the Building Entrepreneurial Communities Act in Nebraska. These funds can be accessed by local communities to pay for staff and other expenses engaged in HTC-like and people-recruitment initiatives.
- **Tax credits** to support microentrepreneurs and community foundations have been won in Nebraska. The first tax credit is designed to reward investments in entrepreneurial growth; the second rewards contributions to community foundation endowments in an effort to build the local capital base for long-term community improvements.
- The Pine Ridge and Warm Springs reservations' adoption of a **Uniform Commercial Code** that will facilitate business formation on the reservation; and both the Pine Ridge and Wind River reservations have voted to extend and overlap the terms of tribal council members.

As the demonstrations have come to a close, other sites continue to promote initiatives that could provide dollars to sustain EDS activities (CORE and the EBS Initiative), and to fund entrepreneurial development with economic development dollars (Advantage Valley). The case studies at the close of this document discuss these and other policy education initiatives that the sites have undertaken and/or continue to pursue. The lessons that have emerged from the policy work of the six Systems are:

***Creating policy change is a long-term process that requires education and stage setting.*** High-profile events such as entrepreneurship summits, Indian business conferences, Business Expos, and so forth play a key role in exposing and educating policy makers and the voting public to the importance and role of entrepreneurship. Often these events have been critical first steps to the end goal of changing policy – whether that policy goal is to increase state appropriations for entrepreneurship programs, or create a tribal Uniform Commercial Code, or change how state economic development funds are allocated or spent at the local level.

***Experience and institutional expertise have been key in the significant successes achieved by some Systems.*** Several Systems include partners with a history of policy experience and impact. One of the clear factors in the policy achievements of the Nebraska and North Carolina Systems is that their work on entrepreneurship policy preceded the creation of the EDS. Both Systems included partner organizations that had been working on rural entrepreneurship for many years (the Center for Rural Affairs in Nebraska and the Rural Center in North Carolina), and in some cases their policy initiatives preceded the start of the EDS. For example, the Kellogg funded-expansion of HTC provided additional resources – money, partners, and success stories – which supported advocacy that led to increased appropriations for several key EDS-related initiatives. However, the authorizing legislation for these programs was passed prior to the Kellogg initiative. The Oweesta Collaborative also included an experienced policy partner, the Oweesta Corporation, which engages in national policy analysis and advocacy.

These organizations have knowledge of the policy process and contacts that serve them well in their policy efforts. In other cases, the Systems were developing their expertise over the three-year period. A Vision Shared in West Virginia, for example, had policy expertise but its knowledge of rural entrepreneurship grew along with

## Useful Tools Developed by EDS Sites

### *Blueprint For*

### *Entrepreneurship:*

### *Entrepreneurship as a*

### *Strategy for Economic*

### *Development and*

### *Community Renewal in*

### *West Virginia, DRAFT,*

### *Vision Shared Committee*

### *on Entrepreneurship:*

[http://www.visionshared.com/pdfs/whitepapers/WV\\_Blueprint\\_for\\_Entrepreneurship\\_DRAFT.pdf](http://www.visionshared.com/pdfs/whitepapers/WV_Blueprint_for_Entrepreneurship_DRAFT.pdf)

[http://www.visionshared.com/pdfs/whitepapers/WV\\_Blueprint\\_for\\_Entrepreneurship\\_DRAFT.pdf](http://www.visionshared.com/pdfs/whitepapers/WV_Blueprint_for_Entrepreneurship_DRAFT.pdf)

### *EBS Memorial Legislation:*

<http://www.bizport.org/LinkClick.aspx?fileticket=xzhx0L589PY%3d&tabid=95&mid=590>

the EDS. And Systems that lacked expertise in the policy development process, or that lost individuals with those skills made less progress in the legislative arena.

***Although committee structures may be valuable, it is important to have one organization that serves as the clear policy lead.*** The Systems have used different organizational approaches to pursue policy change:

- Some designated a single organization as the lead in advocating for and implementing the policy agenda. Other partners or organizations may have provided input on strategic direction, met with legislators or other policy makers, or assisted with the planning for or participated in key events – but there was one entity clearly charged with leading the policy work. The Advantage Valley system (A Vision Shared) and HTC (Center for Rural Affairs) use this approach.
- Other Systems, such as the EBS Initiative, used a team approach, creating policy committees that developed and implemented the policy agenda.
- The remaining Systems used a hybrid of the two approaches in which a committee created the policy agenda, but one or two organizations played key roles in policy work. For example, the North Carolina System had policy committees, but the Rural Center provided leadership in the policy work. Similarly, in the Oweesta Collaborative key policy decisions are decided collectively by the partners; however, the Oweesta Corporation dedicated staff to planning the South Dakota Indian Business Conference activities, and the Pine Ridge Area Chamber of Commerce provided leadership in the work on the development of Uniform Commercial Codes, as well as other efforts to create more supportive policy at the tribal level.

The track record suggests that the Systems that have relied solely on committees made less progress in advancing their policy agendas. Their dependence on a committee structure may be due to the lack of a clear policy lead within their Systems, or to other causes, but the experience here suggests how important a policy lead is in moving a policy agenda in a short timeframe.

***The process of engaging entrepreneurs in the policy process remains challenging.*** One of the tenets of an EDS is that it should seek to engage entrepreneurs in the policy development and advocacy process, rather than have service providers and other partners create and implement the policy agenda on their own. Yet this has proved challenging: entrepreneurs often lack the time or money to participate substantially. For the most part, entrepreneurs participated in awareness-raising efforts, sharing their experiences with policy makers. However, some Systems have demonstrated how entrepreneurs' voices can be strengthened:

- *A survey of entrepreneurs* by EBS Initiative leaders prior to writing the proposal to Kellogg identified specific policy needs that the EDS could work on.
- *Testimony by entrepreneurs* in Nebraska and New Mexico supported legislative initiatives important to them. The organizations engaged in HTC have a long history of using entrepreneurs to testify and to contact state legislators around funding for the Nebraska Enterprise Fund,<sup>36</sup> which supports

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<sup>36</sup> Formerly the Nebraska Microenterprise Partnership Fund

microenterprise lending, and training and technical assistance, and entrepreneurs have continued to be part of the process as the HTC activities have expanded. The EBS Initiative included entrepreneurs in its testimony before an interim legislative committee; the youth entrepreneur they included particularly impressed legislators.

- *The fostering of chambers of commerce on Native American reservations* by the Oweesta Collaborative was a deliberate effort to promote the engagement of entrepreneurs within its region. Perhaps due to the dearth of Indian-owned businesses on these reservations, chambers have generally not existed. The Pine Ridge Area Chamber of Commerce was conceived several years ago by entrepreneurs who were leading board members of The Lakota Fund. As the capacity and growth plans of Indian-owned businesses on Pine Ridge grew – so that they needed more and/or improved land, buildings and infrastructure – these entrepreneurs saw the need for an entity that could put the views and needs of business owners before the tribal councils. Thus the Pine Ridge chamber was born; the Oweesta Collaborative has focused some of its efforts and resources on nurturing the chamber and helping it transfer its experience to the other reservations participating in the Collaborative. Through the efforts of Four Bands Community Fund and the Oweesta Collaborative a chamber of commerce was created and is active now on the Cheyenne River Reservation, and chamber development is in the planning stages at the Wind River Reservation as well.

Even in these cases, however, entrepreneurs' involvement has been advisory or episodic, rather than substantial and sustained. This challenge is not unique to these Systems; microenterprise organizations and associations throughout the U.S. have long sought to engage entrepreneurs more deeply in the policy process, but have found it difficult to find ways to involve them in an ongoing and intensive way. This stems in part from the fact that, particularly in the early stages of their business, entrepreneurs typically lack the time and ability to engage in civic efforts. The Advantage Valley ELS had a goal of moving entrepreneurs to the point at which they can have more time for civic involvement.

### Creating Community Change

The fifth key component of an EDS is entrepreneurial culture, defined as "culture, social and civic engagement that encourages, nurtures and raises the profile of entrepreneurs."<sup>37</sup> Many rural economies are now transitioning away from dependence on externally owned extractive and manufacturing industries, or from traditional agriculture, and need to recognize that fostering innovation and growth from within will be critical to their future health. Community support for locally owned enterprises can play a critical role in creating or bringing in needed technical and financial resources, and local public policies that support entrepreneurship. Thus, EDSs are "... about creating entrepreneurial communities, about changing the culture of rural places and people so that they celebrate and embrace the potential of entrepreneurship ..."<sup>38</sup>

<sup>37</sup> Brian Dabson, *Fostering Entrepreneurship Development Systems in Rural America*, 3.

<sup>38</sup> Pate, 3.

### Practices of Promise – Creating Community Change

- ⇒ Create models and market success.
- ⇒ Connect entrepreneurs to traditional values.
- ⇒ Use educational/strategic planning workshops to spark local leadership.
- ⇒ Identify and support civic entrepreneurs.
- ⇒ Find funds for community-based staff.
- ⇒ Commit to long-term engagement with local processes.
- ⇒ Consider enterprise facilitation models.

The Systems have taken up the challenge of creating entrepreneurial communities in a variety of ways. They have:

***Created models and marketed success:*** Almost all Systems regard their work with entrepreneurs as a demonstration to others that entrepreneurship is an effective path to economic development for their regions and communities. The Entrepreneurial League System® within the Advantage Valley System for example, expects that its intense work with about 150 entrepreneurs will have spillover effects as these entrepreneurs achieve success and visibility. At the same time, ELS staff expects that this community spillover will take a long time. So it and other sites also make efforts to accelerate natural demonstration effects through a variety of initiatives to increase the visibility of these models to others – through System Web sites, written materials and public events. The Oweesta Collaborative has created a template for posting success stories on its Web site, and partners are required to regularly send stories. The HTC team organizes site visits and HTC “Field Days” for interested communities to observe HTC communities that have advanced in the process and show demonstrable change. And CORE implemented an extensive public relations campaign that resulted in more than 200 articles celebrating the success of entrepreneurs being published across its five target areas. In addition, the EDS developed educational videos with the message that “small business is big business.”

***Connected entrepreneurship to traditional values:*** The youth enterprise work in New Mexico of EBS partner ENLACE takes this approach, as does CORE’s work, which seeks to connect entrepreneurship to emerging values like stewardship of natural resources. The Oweesta Collaborative’s members believe that the first step in changing perceptions toward entrepreneurship lies precisely in educating residents that individual entrepreneurship is both possible and necessary on reservations, and that it is consistent with traditional Native values. The Lakota Fund, part of the Oweesta Collaborative, uses its radio show to communicate this message, and other Collaborative leaders deliver this message in a variety of forums. Already, it is beginning to take hold in Pine Ridge, where interviewed entrepreneurs uniformly stated that attitudes within the community are changing as residents see what some businesses are able to do. Again, as at least one commenter has noted, change will be slow as a result of both the past history of failed development efforts, as well as the culture of learned helplessness that emerged due to the historic relationship between the U.S. government and Indian tribes.

***Stimulated community stakeholder interest in entrepreneurship as an economic development strategy and provided tools to organize for change:*** In North Carolina, the System sponsored a series of Energizing Entrepreneurship trainings in different regions of the state, with a view to catalyzing interest in entrepreneurship among a broad range of community stakeholders. Using a three-day training course developed by the RUPRI (Rural Policy Research Institute) Center for Rural Entrepreneurship and the Heartland Center for Leadership Development (and described as adapted “to a southern and diverse context”), the System trained more than 200 community representatives to both increase their understanding of entrepreneurs and entrepreneurship development systems, and help participants develop plans to support and grow local entrepreneurs. Teams of

four to five individuals, who represented the diversity of the community and had the interest and capacity to implement a plan, were encouraged to participate. The System sponsored several iterations of the basic course along with a “booster course” for previously trained members. As the EDS demonstration has come to a close, the Rural Center will help further the work with funding for community-based coordinators and operational expenses to enable more sustained implementation of regional plans in two regions.

In Nebraska’s HTC System, community engagement is the centerpiece of the model, and represents the most intensive strategy in use by EDS programs to create entrepreneurial communities. The model demands that local communities commit to a process of organization, leadership training, and strategic planning using the four pillars (leadership, youth engagement, entrepreneurship and community asset building) as their organizing principle. The expectation is that changes in community structures and processes – with a focus on entrepreneurship as one part of a broader revitalization agenda – will lead to both more entrepreneurship and other community benefits (committed youth, increased local assets). In turn, increased entrepreneurship will further attract both people and other economic investment, creating a virtuous circle where community change and entrepreneurship continue to feed on each other.

CORE in Oregon, and the EBS Initiative more recently, also supported enterprise facilitation methodologies in some communities. CORE also has supported the efforts of target area teams to use “Buy Local” and “Regional Flavor” strategies to build markets for their communities and entrepreneurs in such areas as foods, tourism and renewable energy.

***Enhancing civic as well as business entrepreneurship:*** Both the HTC approach and the Energizing Entrepreneurship trainings used in North Carolina focused on the importance of civic entrepreneurs in revitalizing rural communities. The work of these civic leaders focuses not on starting or growing businesses (although some may be business entrepreneurs), but on creating community initiatives that enhance local quality of life. In Nebraska, this civic entrepreneurship is manifested in the development of new, more inclusive leadership within the HTC structure of steering committees and task forces on youth, entrepreneurship, leadership development and charitable giving. This leadership is encouraged and given the tools to think more boldly and comprehensively about how to create a better roadmap for community development. The result is a wide range of initiatives designed to spark community revitalization and reverse rural decline. In the small community of Atkinson, for example, the Charitable Giving Task Force that is charged with developing and stewarding the assets of a local community foundation, has invested in downtown improvements, including tree planting and landscaping, a new community message board, scholarships for youth, and free Internet service. When coupled with other recent community-led initiatives sparked by new political leadership in the community (including investments in a new library, motel and other businesses), these investments generate more momentum for transformation. As one member of the task force indicated, “What has HTC done? I think it is a vehicle that shows that we can empower ourselves to make positive changes.”

## Useful Tools – Developed by EDS Sites

Energizing Entrepreneurs (E<sup>2</sup>) Institute:  
<http://www.energizingentrepreneurs.org/content/cr.php?id=8&sel=1>

*Energizing Entrepreneurs: Charting a Course for Rural Communities:*  
<http://www.heartlandcenter.info/publications.htm>

*Small Business is Big Business and Entrepreneurs Find Success* videos by CORE:

CORE in Oregon also has supported social entrepreneurship. In Lincoln County, social entrepreneurs have invested in innovations in Farmers Markets, the creation of a living museum to a world-renown composer, in new forums for the arts, and toward an invention to turn surf waste into a business that supports the local fishing industry. Other Oregon target areas also have supported entrepreneurs that enhance the quality of place, or support the development of industries that promote such values as local ownership, stewardship of natural resources, and regional equity.

What can be said about the effectiveness of these strategies? Two evaluations addressed this question.

- The North Carolina EDS evaluators attempted to compare the perceptions of leaders in four communities in North Carolina with four “control” communities in neighboring states, using a survey methodology. One significant difference was found between the two groups of counties: control county respondents felt their counties did not have effective business service-provider networks, while the North Carolina respondents reported that they did. The evaluators admitted that the difference might be due to EDS work but also acknowledged that it could be due to the pre-existent extensive network of Small Business Centers at North Carolina community colleges and of Small Business and Technology Development Centers at North Carolina universities.” (p. 8)
- The HTC evaluator in Nebraska used a qualitative research design that involved extensive stakeholder interviews (individual and focus group) within three communities that represented different stages of experience with HTC. The research used an analytic framework that documented community stakeholder perceptions with respect to “seven community capitals” (natural, cultural, human, social, political, financial and built), describing what had changed with respect to each of these and how the actions of the HTC-inspired task forces contributed to this change. “The approach contends that when communities utilize assets from multiple capitals to support change efforts in ways that build assets across the capitals, the resulting community initiatives will be more sustainable than those initiatives that concentrate in one or two capitals and that use up assets rather than grow them. The CCF mapping process provided evidence of increased assets across the capitals [in the communities studied].”<sup>39</sup>These increased assets have, in turn, unleashed a set of activities that have made them more supportive of entrepreneurial development and other transformations. The study also documented that the model has spurred community change by:
  - Replacing the “expert model” with one that fosters autonomy in learning and decisionmaking;
  - Creating “nested learning communities” where the interlocking task forces share experiences and lessons, and where community leaders, local business coaches and others also learn through connections with HTC team members and other HTC communities;
  - Focusing on strategic directions and systems change rather than discrete, time-limited projects and programs;

<sup>39</sup> Mary Emery, *HomeTown Competitiveness Evaluation: Year 3 Report* (North Central Regional Center for Rural Development, January 16, 2008), 43.

- Identifying and supporting champions whose “introduction of new ideas and call to action begins a chain reaction changing the cultural capital of the community,” and “sparkplugs” who are “passionate about the work and able to mobilize energy.”<sup>40</sup>

These evaluations and observations of the work at each site suggest a number of findings and recommendations.

***While these community engagement efforts are about drawing out community and business entrepreneurs on a voluntary basis, they progress much faster if there is staff and/or organizational support for their work.*** In both North Carolina and Nebraska, the pace and depth of activities is greater in communities that have secured resources for a local coordinator (either hired as staff or provided by a local organization). In places where that resource has not been identified, the pace seems clearly slower.

***Resources are also important for community initiatives, and the larger policy environment can help or hinder that process.*** The Advantage Valley EDS has faced challenges in gaining flexibility in the use of local economic development funds to support community entrepreneurship efforts. In Nebraska, HTC has been able to help some of its communities generate resources by creating “interlocal agreements” that support the levying and application of local taxes to these initiatives, and through successful efforts to develop state-level funding through the Building Entrepreneurial Communities Act. And as mentioned above, both the Rural Center in North Carolina and HTC in Nebraska have been able to generate state funding to finance some community staff and initiatives.

***Community change will advance more substantively where the change process is longer-term and more intensive.*** The HTC model offers communities the opportunity to launch a multiyear process with defined agendas for three stages of development. While the success of the effort clearly depends on the vision and energies of local residents, their access to training and consulting services, peer learning and other resources over a three- to five-year period provides both technical tools and an added boost to local initiatives. Similarly, the Oweesta Collaborative’s client methodology is long-term and intensive. Because empowered entrepreneurs are intended to be forces for community change, investing time and resources in this group is expected to yield larger community benefits. North Carolina’s Institute for Rural Entrepreneurship has used the Energizing Entrepreneurship curriculum mainly to launch new community-level activities, but has not had the staff resources to follow up with hands-on coaching for community leaders.

***Enterprise facilitation models both strengthen the power of coaching and engage communities substantially in the success of their entrepreneurs.*** Some CORE target areas and the EBS Initiative have used variations of the Sirolli enterprise facilitation model that connects entrepreneurs to resources within local

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<sup>40</sup> Emery, 45-46.

communities. The HTC model also incorporates enterprise facilitation through the use of advisory teams that support business coaches in their work with entrepreneurs. The benefits for the entrepreneurs are obvious. These strategies have the second benefit of engaging community members in understanding the entrepreneurial aspirations of others in their community, and enlarging their own visions of the opportunities and challenges within their environment.

***Regional change requires communities to embrace a regional vision and have tools to support joint economic development work.*** Many communities have a “rugged individualist” mentality, and rivalries between communities can be long-standing. Overcoming these differences depend on educational efforts and the power of emulation (the Nebraska evaluation notes the importance of the example provided by communities willing to take the leap). But there are other tools that support joint work. In Nebraska, the tool of the “interlocal” agreement has proved valuable in encouraging collaboration. Based in Nebraska law, this instrument allows communities to develop a joint taxing authority for joint services, and has been used in HTC counties to finance coordinators and business coaches for entrepreneurial development.

***Consistent leadership is a key.*** HTC leadership has observed that those communities that have made the most progress are those with consistent leadership who have developed and followed a game plan. As with most things in life, hard work and consistency pay off in untold ways.

## What Have We Learned About the EDS Model?

The previous sections examined the efforts and experiences of the six Systems with respect to the three goals of an EDS, and the lessons they present for those seeking to replicate or adapt this approach. This concluding section summarizes what the work of these six sites suggests with respect to the EDS model overall.

It is important to underscore that this review is based largely upon a qualitative assessment of the record, in the absence of full and consistent quantitative data from the sites. The demonstration provided funding to each site for a local evaluation. As discussed earlier, these evaluations have provided good value to the Systems in a number of ways. However, two caveats are important. First, because a common set of data points and evaluative measures was not developed at the launch of these initiatives, the ability to aggregate quantitative data across the sites is extremely limited. In addition, most sites did not collect baseline data nor did they collect metrics consistently across the grant period. Data in the section on accomplishments presented the few metrics on which aggregation was possible.<sup>41</sup> Future efforts to build EDSs – either on the part of these sites, or others – should yield more conclusive findings if consistent and long-term data-collection efforts are put into place. Second, these efforts to develop full-fledged Systems are by design long-term endeavors. While the three-year demonstration funding from Kellogg has ended, the sites are still in the process of determining how they will continue these initiatives, and most of them continue to evolve. For these reasons the results at this point remain preliminary.

With these caveats in mind, our perspective on what site experiences indicate about the goals and principles of the EDS model follows.

### The Three Key Goals

**Goal 1:** To create a pipeline of entrepreneurs by nurturing entrepreneurial aspirations in youth, identifying and supporting potential entrepreneurs, and fostering an entrepreneur-friendly environment that attracts entrepreneurs.

Youth entrepreneurship education and youth enterprise are the elements of the pipeline that have received the greatest attention from all the Systems. This component has resonated not only within the Systems but also with external constituencies as well, and the integration of youth organizations with traditional business development service providers represents a signal achievement in broadening and deepening the “system” of service provision in rural communities.

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<sup>41</sup> While it had been hoped that this national study could have unified some numeric indicators across the sites, the timing did not make this possible. By the time the national study was funded, local evaluators already had launched and implemented independent data-collection plans that were not amenable to change. Future demonstrations of this type would benefit from requiring uniform data collection on key indicators.

In addition, the sites have created tools and materials that will be great contributions to others.

There has been some work on developing entrepreneur-friendly environments – through implementing Energizing Entrepreneurship training within target regions (North Carolina EDS and CORE); through developing local chambers of commerce in the Oweesta Collaborative target regions; through network and enterprise facilitation models that engage community members in volunteer networks (the EBS Initiative and one of the CORE sites), and in Nebraska through the integration of entrepreneurship in the four pillars work at the community level.

Entrepreneurship education for adults, on the other hand, has received somewhat less attention, although there have been some notable advances. Because of EDS initiatives, five colleges in West Virginia and South Dakota have added offerings; eight other institutions are in discussions regarding adopting programs. In North Carolina, the UNC Tomorrow initiative of the system president's office is engaging all 16 public university campuses in articulating their plans for outreach in economic development and entrepreneurship in their regions. Meanwhile the community college system recently approved "two plus two" entrepreneurship programs, whereby a student completes an associate's degree in entrepreneurship at the NC community college and then can finish the last two years of a bachelor's degree in entrepreneurship at the UNC campus. The EBS Initiative's recently-emerging efforts to create a partnership that will promote a continuum of entrepreneurship education offerings, including those for youth, may also yield fruit here.

Although entrepreneur networks were envisioned by CFED and others as a key component of the pipeline, they also have received varying emphasis and support in the six sites. The North Carolina EDS has supported a network in western North Carolina, created a guide to network development for entrepreneurs to encourage additional network development, and offered training reaching more than 100 participants in several regions of the state. CORE has worked to extend Pub Talks, a Portland-based networking program, to its target regions, and networking occurs within the ELS in the Advantage Valley System, but it has not been broadened beyond the Entrepreneurial League System® participants to other entrepreneurs. On the other hand, some EDS leaders question the value of adult entrepreneurship education and networking components – one noting that "no entrepreneur ever got a degree in entrepreneurship," and others questioning the content and effectiveness of most networking activities. These elements appear less compelling to those Systems than youth entrepreneurship.

The extent of progress in reaching groups of entrepreneurs from traditionally underserved groups also has varied. Clearly, the sites' youth work has opened the doors of opportunity to a group that largely had gone unaddressed by mainstream service providers, and leadership efforts in other Systems have focused on building women leaders. The Oweesta Collaborative and two of the CORE sites are clearly notable for their focus on Native Americans. HTC, through REAP, has reported increased outreach to Hispanics. And data collected in both North Carolina (through its EDS evaluators) and the Advantage Valley ELS suggests that both have reached people of color and ethnic minorities in greater numbers than their

representation in their region. However, it is important to note that lack of detailed data from most Systems makes it difficult to assess the extent to which these Systems, overall, have increased penetration to women, minorities and the disadvantaged beyond what existed prior to these efforts.

Importantly, the Systems have made a unique contribution to the original EDS model advanced by CFED and Kellogg by broadening the concept of pipeline to focus not only on creating a pool of entrepreneurs, but also on differentiating among the various types of entrepreneurs, and on creating processes for moving them through the stages of entrepreneurial skill and business development. This expanded concept of pipeline can be seen in the ELS model in the Advantage Valley System, in the coaching models implemented by HTC and the Oweesta Collaborative, and to some extent in the network facilitation approached used by the EBS Initiative. Learning from these experiences will greatly aid others engaged in EDS development.

Why the Systems have focused so much on youth entrepreneurship as compared to adult education or other aspects of this goal is hard to determine. Youth enterprise is a relatively new area of focus nationally, and clearly each System identified gaps in youth efforts that needed to be filled. In addition, the outmigration of youth was a critical demographic trend in many sites; for this reason a focus on youth generated widespread interest and energy. Finally, several sites (CORE, HTC, and the Oweesta Collaborative) also noted that their regions didn't suffer from a dearth of early-stage businesses; rather the challenge lay in the lack of adequate technical assistance and financing to support development of existing small enterprises. These more immediate concerns may have conditioned how the Systems chose to use their resources – causing them to focus initially on youth enterprise and the second goal, below, of creating a stronger system of technical and financial support.

**Goal 2:** To implement a system of financial and technical support for all types of entrepreneurs of varying motivations and skill levels.

The Systems have invested their resources in pursuit of this goal in several key ways. As previously indicated, many have addressed gaps in services by creating new resources and/or supporting the extension of existing services to their target regions. Several sites have placed a strong emphasis on collaboration among service providers as a means of building a "system," creating educational tools, sponsoring knowledge-sharing events and developing tools to support referrals. Some worked on the issue of transparency, seeking to make available services better known and clearer to the end-user.

Much of the terminology and language around the EDS concept – particularly as articulated by CFED on its Web site – seems to focus on collaboration among service providers as the means to achieve a "system." The work of the six sites reveals that this language only partially describes what a system is about, and that assessing demand for services, and creating more explicit links between demand and supply, are also central to the notion of "system." Collaboration alone may not lead to the provision of a full spectrum of services, nor to the provision of services that meet actual, specific entrepreneur needs.

A few of the Systems have taken steps to assess demand among entrepreneurs. For example, the North Carolina Rural Center conducted an assessment prior to developing the EDS proposal with its partners; HTC facilitated community-level demand analysis as part of its process; and several sites invested in analyses of capital gaps in their regions (although this has been challenging work). In addition, the coaching models implemented by several sites are demand-driven approaches that seek to make a more explicit link between supply and demand. There were some sites, however, that did not take steps to assess demand for specific services. This is challenging work, but is essential to creating coherence and clarity in systems design.

**Goal 3:** To foster a supportive policy and cultural environment of entrepreneurship within the public, private and nonprofit sectors.

As the text has indicated, the process of creating both community and policy change is long term, and the sites that had pre-existing efforts in these areas achieved some significant accomplishments. Other sites that lacked past experience and existing capacity needed to first focus on laying the groundwork for change through public awareness and education efforts. The advantages of having policy expertise within the System cannot be gainsaid, nor can the advantage of having a pre-existing policy agenda that captures the goals to which the EDS aspires. It should also be recognized that the policy context makes a difference, slowing or facilitating the pace at which change can happen, and influencing the priorities for action on the part of EDS advocates.

The experience of the sites suggests the importance of a comprehensive policy agenda that addresses structural, regulatory and tax issues, intellectual property, educational policy and funding for services. This does not mean that all items can or should be pushed simultaneously, or that it will be feasible to achieve them all. But changing the environment for entrepreneurship involves more than simply securing funding for resource providers. And for entrepreneurs, other policy elements may actually provide more immediate, substantive benefit. Experience also suggests that policy change may depend on having a statewide rather than just a rural perspective. The North Carolina, Nebraska, and West Virginia policy agendas are supported by statewide coalitions of organizations, and in most instances, seek to bring benefits to urban and rural entrepreneurs and areas. CORE in Oregon also has incorporated statewide institutions that can push a broader entrepreneurship agenda.

This goal also contemplates cultural change among the public, private and nonprofit sectors, with the aim of fostering greater support for entrepreneurship and a more entrepreneurial mindset. The abovementioned efforts based on the Energizing Entrepreneurship curriculum are certainly a piece of this process. In addition, the North Carolina EDS has funded training for local officials, and the HTC methodology is designed to build a set of community members who can drive a change agenda that includes entrepreneurship as one of its core elements.

Most Systems likely would suggest that the local culture of entrepreneurship will change as their efforts to create and serve entrepreneurs gain increasing traction and demonstrate results. But it is not clear that this has happened yet in many

places. As the HomeTown Competitiveness case demonstrates, its earliest site has seen its efforts blossom into visible gains in the number of businesses, and their growth and contribution to the economic well-being of the county. In other sites, HTC leaders and their evaluator have documented evidence of transforming attitudes, and some initial steps to support entrepreneurship. But HTC leaders have noted that changing traditional ways of doing business to more entrepreneur-driven approaches is slow going. The North Carolina System leaders also reported some difficulty getting local officials to attend to its message about entrepreneurship. This work to change the local culture may require more resources – and more data demonstrating the value of these investments – than most of the Systems have mobilized to date.

## Nine Guiding Principles

CFED and Kellogg also identified nine *principles* that were expected to guide the creation and implementation of an EDS. Some of these principles are embedded in the expression of the goals, while others present additional values that the EDS is expected to incorporate. The Systems' experience offers insight into each:

*Entrepreneur focused – driven by the true needs of entrepreneurs.*

Systems have addressed this most notably through coaching initiatives, which aim to help entrepreneurs gain both a clearer understanding of their needs, and support in accessing assistance. Local (or regional) entrepreneurship coordinators or enterprise facilitators also serve as advocates for entrepreneur needs, in some cases in tandem with entrepreneur networks. Other approaches include the transparency approach (which seeks to inform consumers so they can find the right services to meet their needs), and the demand-analysis approach (which researches demand among entrepreneurs and then seeks to have providers align their services to this identified demand). Each approach has its own challenges: finding and retaining skilled coaches is hard; entrepreneurs often are challenged to find time for advocacy; increasing transparency may be insufficient if entrepreneurs do not truly understand what their needs are; and doing a good demand analysis is hard, plus there is the difficulty of getting providers to “align” with the uncovered demand. Yet each of these efforts is valuable in unpacking what an entrepreneur-driven System might look like.

It is important to note that the investment of resources around this principle varied greatly, as some sites focused much more heavily on coordinating supply than working to understand or facilitate demand. But this principle should be the touchstone for the creation of an effective System, and more efforts to increase entrepreneurs' influence over the System should be encouraged.

*Inclusive – of all types of entrepreneurial talent, of underrepresented populations and communities; of all types of organizational leadership.*

While the Systems have generally expressed the goal of making the option of entrepreneurship available broadly across their regions, there are some real differences in opinion among and even within the six sites regarding the implementation of this principle. In at least one site, efforts have focused primarily on growth-oriented entrepreneurs. The Oweesta Collaborative is not inclusive in the sense of including all racial or ethnic groups, because it believes that a singular

focus on Native American communities is critical to successfully addressing their very specific issues and needs. On the other hand, other sites embraced all kinds of entrepreneurs: growth, survival, lifestyle, etc. And two sites focused expressly on civic entrepreneurship, but not all shared that focus.

Second, several sites would not agree that the EDS should include all types of organizational leadership. These Systems have taken a much more limited view of who should be in the EDS: first identifying a common goal, then identifying partners who shared that goal. Those who did not embrace that shared goal – or whose resources and capacities were not seen to add value – were not included.

All sites clearly embraced the need to include underrepresented populations and communities, but, as noted above, it is difficult to assess the full extent to which they succeeded, given the limited amount of quantitative data.

*Asset based – building on the region's assets.*

There has been limited work implementing this principle. Among those that did take this on, CORE's regional teams were notable in clearly linking their work to their regions' natural resources, as was at least one regional team in North Carolina. However, most Systems focused on developing services for all types of entrepreneurs, and did not make specific connections to sectors or industries in their strategies.

*Collaborative – (1) leadership across private, public and nonprofit sectors and (2) engagement of service providers.*

As all the Systems include multiple partners, all have addressed the issue of collaboration to some degree. But as discussed previously in this report, there are significant differences of opinion about how widespread or all-inclusive collaboration must be in order to create an effective EDS. And in fact, the experience suggests that it may be best to start with a relatively small number of partners, and add new partners as the Systems' core goals, approaches and effectiveness become more clear.

*Comprehensive and integrated – addresses all elements of an EDS and integrates entrepreneurship into other aspects of the regional economy.*

The Systems clearly have worked to be comprehensive (addressing all elements of an EDS), but given the scale and complexity of the concept, all have focused on some elements more than others. For at least two of the Systems, comprehensiveness was a long-term goal rather than an immediate working principle. The collective experience of the six sites also suggests that the resource demands of comprehensiveness may lead to a dilution of effort across too many fronts, and that a more strategic, sequential investment of energies might yield more impact in the long run.

*Community-based but regionally focused – rooted in communities but connected to the resources of a region.*

Like the previous principle, most sites found it challenging to be both community-based and regionally focused. If HTC provides a model of community-based efforts, these require intensive engagement on the part of both community leaders and EDS partners. In some cases, that work leads to cross-community

collaboration and countywide planning as communities see both the limits of what they can achieve on their own, and the potential that a regional strategy might offer. The Oweesta Collaborative also invests in specific communities across its three target reservations, and its regional focus may best be represented by the programmatic collaboration between the Pine Ridge and Cheyenne River reservations on tourism. North Carolina is using E2 training to help some communities create local entrepreneurship strategies, and grant opportunities to encourage regionalism in service-delivery networks. Other Systems appear to have focused resources on larger geographic (i.e., multicounty) regions, but have not focused on specific communities for in-depth work. In fact, very few sites have attempted to juggle efforts at both the community and regional levels.

*Linked to policy – informing economic development policy (local and state) through the demonstration of entrepreneurship in communities and regions.*

All of the sites have focused on policy, and they have done more than try to “inform” policy; they have advocated and worked to influence it in a variety of ways, with the successes discussed earlier. Some EDS leaders have noted that long-term policy success will depend on their ability to demonstrate outcomes and economic change. This underscores, again, the need for the type of data that few sites are currently collecting. Success on the policy front may well be the primary factor in the sustainability of these Systems over time (see the following principle), further raising the stakes for effective work linked to this principle.

*Sustainable over time – if entrepreneurship development is a long-term strategy, the Systems must be sustainable over time as well.*

The challenge of sustainability is a significant one, and as the Kellogg-funded work draws to a close, it is difficult to tell to what extent these efforts will be sustained over the long term. There are at least two dimensions to sustainability – organizational and financial. With respect to the first, a few Systems had an organizational base that preceded the EDS demonstration. In HTC’s case, the core group that existed before and during the demonstration will continue the work afterward. In North Carolina’s case, the Rural Center’s Institute for Rural Entrepreneurship is applying the EDS goals and principles in its investments in two distressed regions, and it continues quarterly meetings of its statewide service-provider network, the Business Resource Alliance (which pre-dated the EDS). At least one System – the Oweesta Collaborative – is committed to continuing and perhaps even expanding its work, largely through the organizational structure created for the demonstration. But the others – the EBS Initiative, CORE and Advantage Valley – expect to institutionalize parts of their Systems either through some pre-existing partners or through new partnerships and consortia.

From a financial perspective, most of the Systems have looked to traditional sources – namely state and philanthropic funds – to sustain this work. Some are better positioned with respect to this than others. The North Carolina Rural Economic Development Center (which led that EDS effort), for example, has secured financing through state funds for continued EDS work at the regional level, and additional state and foundation resources to support a rural venture fund. The Oweesta Collaborative has the advantage of including partners with national reputations and expertise, who are well positioned to attract philanthropic resources. HTC continues to draw financial support for its work from a variety of

sources and has helped achieve state support for initiatives that invest in microenterprise development and support communities to engage in HTC-like processes. Both CORE and the Oweesta Collaborative are looking to philanthropic sources to carry them, at least through the initial continuation of some of their work, and in CORE's case, to the next legislative session.

Two of the sites have taken more innovative approaches, looking beyond public and philanthropic dollars. The EBS Initiative has turned to the network facilitation process in part because it includes a sustainability model that relies on local funding; it already has seen some success in securing resources from local sources. And the Entrepreneurial League System® in Advantage Valley plans to charge fees to the entrepreneurs participating in its coaching program (although staff recognizes that their "rookie" entrepreneurs will lack the capacity to pay the full cost of services, and are trying to generate supplementary philanthropic resources). Although these represent interesting approaches, it is not yet clear whether, and which of, these financing strategies will be successful in providing the resources needed by sites to continue the EDS work they found valuable.

*Continuous improvement – articulating and measuring outcomes that reflect the goals of EDS, and being flexible enough to revamp, retool and rethink the practice as you move forward.*

This section began with reference to the data-collection challenges that Systems have faced and it will end with it. Some, but not all, of the sites have taken on the task of identifying client outcomes, and put systems in place to track them. This makes it almost impossible to answer some of the demonstration's key questions: Has the number of entrepreneurs grown? What outcomes do entrepreneurs experience? It is precisely these questions that should form the basis for a process of continuous improvement. Ultimately this is a challenge that Systems must address if they are to reflect this principle, and one has to say that the development at the start of at least some common measures, if not tools and approaches, would greatly have benefited these Systems.

In the absence of comprehensive data, local evaluators provided qualitative and some quantitative data, and participated with the EDS leaders in reflections on their work. This aspect of the EDS demonstration is an extremely important one. It would be hard to envision how an EDS could function without this type of formalized, objective feedback on the progress and impact of its work.

The principle of continuous improvement also connects directly to the issue of quality in service delivery. Although the EDS model as articulated by CFED does not speak directly to this issue, it emerged in sites as some partners questioned the quality of various service providers in their regions. While several sites worked to address the issue, and some interesting concepts were piloted, overall little progress was made in addressing this challenging topic.

### **Final Thoughts**

After three years of work, the Kellogg demonstration has conveyed rich insight into the practice of developing and implementing an entrepreneurship development system. In their wide variety, these demonstration sites have created ongoing

capacity and benefits in their communities; in their struggles, they have illuminated the challenges and made the path easier for those who follow. It is hoped that this study does justice to both the successes and the travails of these EDS pioneers, and that the findings here will prove helpful to others that have launched or will launch their own initiatives focused on entrepreneurial transformation and regional revitalization.

To practitioners interested in developing initiatives like this, these cases demonstrate that it is possible to conceive and implement new ways of supporting entrepreneurial development that have the potential of great impact.

To funders interested in supporting transformative change, the experience argues for long-term, substantial, flexible financial support and organizational development assistance.

To policy makers interested in finding better pathways to rural economic development, the power of entrepreneurship as an organizing force for change is clear, as is the need for initiatives that support service providers and also facilitate communities and entrepreneurs to envision new ways of moving forward together.

And finally, to entrepreneurs and their communities, this work demonstrates the commitment of many partners to the work of rural revitalization, and that there are models to build on as they seek to develop a better future for themselves and their regions.

**Part 2**  
**EDS Case Studies:**  
**Context Strategy, Accomplishments**  
**and Lessons**

# Advantage Valley Entrepreneurship Development System, Appalachian Region

The Advantage Valley Entrepreneurial Development System is located in the Upper Appalachian tri-state area which includes 12 counties in West Virginia, Kentucky, and Southeast Ohio. While most of the area is rural, the region also includes the Charleston-Huntington W.Va., Ashton, Ky. and Ironton, Ohio metro areas. The Advantage Valley EDS brought together a number of regional organizations and initiatives working in this tri-state area to grow and develop entrepreneurs in the region, and statewide organizations and initiatives promoting entrepreneurship across the state of West Virginia.

## Context

Historically the economy of this region has been industrial, rather than agricultural, which remains true today. In 2004, the most important industry clusters in terms of employment and reasonably good wages were energy (including coal), metals manufacturing, forestry and paper products, chemicals, and heavy construction. All of these industries had been in employment decline since the 1980's.

Various state scorecards on economic development policy and performance routinely rank West Virginia last, or among the last, in their indices. For instance, in the 2007 State New Economy Index, released by the Ewing Marion Kauffman Foundation and the Information Technology and Innovation Foundation<sup>42</sup>, West Virginia is last in its overall state rankings. (Among the specific indicators in that report, West Virginia ranked 50<sup>th</sup> in "gazelle" jobs, and 49<sup>th</sup> in entrepreneurial activity.) CFED's Development Report Card for States gave West Virginia an "F" for economic performance and business vitality.

The area has seen a significant loss of its young working age population over the years, and West Virginia now has the highest median age in the nation. One EDS leader, in order to illustrate the personal effects of the economic decline, asked at a local meeting of the EDS, "How many here had their children leave the area in search of work?" Most everyone in the room raised their hand.

A number of key institutions and initiatives formed prior to this grant. In the mid-1990s, business leaders in the tri-state area formed a new regional economic development organization, Advantage Valley, Inc. (AVI). Initially this new regional organization focused on regional promotion and recruitment. In 1999, AVI commissioned a study from the Southern Growth Policy Board to suggest strategies to make the area more attractive to "new economy" businesses. The study identified a number of areas for action, including transportation, education, quality of life and entrepreneurship. The study also found that the rate of business formation in the state was considerably below the national average.

That study put the Advantage Valley organization on the path to promoting entrepreneurship. In addition, in 2000 the Rural Entrepreneurship Initiative, sponsored by the Kauffman Foundation, named West Virginia one of the four Rural Entrepreneur Discovery States. The initiative brought to the area a number of ideas and resources around entrepreneurship.

At around the same time Advantage Valley was being formed, the West Virginia Economic Development Council contracted with Market Street Services for a study including recommendations for a plan to improve the state's economic status. In 2000 the council released the report, "A Vision Shared." The plan introduced a number of

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<sup>42</sup> Firms with annual sales that have grown 20% or more per year for 4 straight years

progressive economic development strategies, including actions to reform education, government and civic institutions, improve infrastructure, and encourage innovation. Promoting entrepreneurship was one element of the “new economy” goals included in the study. As soon as the report was released, the governor appointed two people, one from labor and one from business, to lead efforts of citizens from around the state, organized into committees and task forces to begin addressing steps towards implementation of the recommendations. In 2007 these committees were formalized into a newly incorporated entity called A Vision Shared, Inc.

In 2004, shortly before the start of the Kellogg grant, the Claude Worthington Benedum Foundation provided seed money for an Entrepreneurship Education Coordinator at the West Virginia Department of Education. The position would eventually become a line item in the department’s annual budget.

Also in 2004, and again with support from the Claude Worthington Benedum Foundation, Advantage Valley, Inc. contracted with Collaborative Strategies, LLC to implement the Entrepreneurial League System® (ELS) in the Advantage Valley region. This would be the first full implementation of the Entrepreneurial League System® developed by Gregg A. Lichtenstein and Thomas S. Lyons, although components of the model had been implemented in other areas.

## Structure and Strategy

The Advantage Valley EDS was housed in two of the key mainstream economic development organizations of the region. Advantage Valley, Inc. was the lead partner, and the Charleston Alliance was the fiscal agent. Another economic development organization from the region, the Ashland Area Innovation Center, also has participated as a member of the collaborative.

The Advantage Valley EDS utilized a two-tiered structure. It included a series of regional initiatives that served the tri-state area of West Virginia, Kentucky, and Ohio, and a series of statewide initiatives that were exclusive to West Virginia. The regional initiatives were primarily focused on raising the skills of a critical mass of entrepreneurs through coaching and networking (the Entrepreneurial League System®); coordinating entrepreneurial and business development services providers to work as a system and to be responsive to the needs of entrepreneurs (the Entrepreneur Support Network, or ESN); and developing adult education programs in the regional community colleges. State-level work consisted largely of the development and implementation of two newly forming statewide institutions involved in economic development policy (A Vision Shared) and K-12 education (the Entrepreneurship Education Coordinator within the West Virginia Department of Education).

The Advantage Valley EDS brought together the various regional and state partners and initiatives through a collaborative organization. State partners included A Vision Shared (policy), the Entrepreneurship Education Coordinator (education), the Small Business Development Center (SBDC) (public entrepreneur support services), and the Center for Economic Options (a nonprofit service provider to microentrepreneurs). Regional partners included the local regional economic development agencies (Advantage Valley, Inc. and the Charleston Alliance), the Advantage Valley Community and Technical College Network, and the Ashland Area Innovation Center/Tri-State Capital Club. The Entrepreneurial League System® was represented on the collaborative by Advantage Valley, Inc., although representatives of the ELS® and Collaborative Strategies (its partner) attended meetings of the collaborative. The entrepreneurs and service providers organized by the ELS® did not have a direct voice in the collaborative, although some members of the collaborative were considered service providers and did attend the Entrepreneur Service Network at least once.

Working with Yellow Wood Associates, the local evaluator for the Advantage Valley EDS, members of the Advantage Valley EDS defined the six goals they hoped to achieve over the course of the grant. Ultimately:

- a Service Provider Network would exist and effectively meet the needs of a full range of entrepreneurs;

- peer networks and coaching would contribute to entrepreneurial success for rural entrepreneurs;
- students of all ages would participate in entrepreneurial education;
- entrepreneurs would meet their capital needs with regional resources;
- entrepreneurial experiences would be used to frame policy; and
- a system for entrepreneurial development would exist and include education, recruitment, coaching, service provision, capital matchmaking, consumer support and policy.

The regional strategy was designed and implemented mainly by Advantage Valley, Inc. using the Entrepreneurial League System® developed by Thomas S. Lyons (Zicklin School of Business, Baruch College, CUNY) and Gregg Lichtenstein (President, Collaborative Strategies, LLC). A for-profit company, Collaborative Strategies, LLC developed a joint venture with Advantage Valley, Inc. to provide proprietary strategies and tools, and guidance to implement the ELS®. The ELS® brought to the region a strong expertise in entrepreneurial development, and a specific theory of how an EDS should function.

The Entrepreneurial League System® is an innovative approach for transforming local and regional economies by developing entrepreneurs' skills, creating successful companies and building entrepreneurial communities. Modeled after the farm system in baseball, the Entrepreneurial League System® is designed to help entrepreneurs grow their businesses by developing their skills.

ELS® programs recognize that regions contain segmented markets of entrepreneurs with different skills and goals, at different stages of development, and at varying levels of performance. They also own businesses in different markets. Advantage Valley leadership chose to work broadly, engaging entrepreneurs of all skill levels and business types. They did not limit their work to specific industrial sectors, nor did they choose to work only with firms poised for immediate substantive growth. They did, however, choose to work only with those entrepreneurs who wanted to grow and create wealth. Their goal was to increase the movement of entrepreneurs along this "pipeline" of higher levels of skill.

In the ELS® entrepreneurs work intensively with "performance coaches" who are themselves skilled entrepreneurs, in weekly one-on-one sessions, monthly team meetings with their peers, and tri-annual large group sessions among entrepreneurs from other teams and at other skill levels. The various settings provide opportunities to learn from peers as well as from more experienced individuals about how to get to the next level of skill and performance. The coaching program is tailored to the unique needs of entrepreneurs. All of these activities promote the core value of "entrepreneurs helping entrepreneurs."<sup>43</sup>

The ELS® also works to organize a region's diverse set of service providers into a coherent system, so that entrepreneurs can get the right technical and financial assistance at the right time and right price. Initially the Advantage Valley EDS envisioned a fairly sophisticated "system of entrepreneurial support services" that went beyond service providers making referrals to one another and jointly marketing their services. Instead, the EDS saw service providers as specialized entities with services appropriate to specific entrepreneur skills and needs. Conceptually, the EDS' view of an entrepreneurial development system was analogous to the medical system, where entrepreneur needs would be effectively diagnosed by any service provider, and then referrals would be made to specialized service providers based upon that diagnosis.

The Advantage Valley EDS collaborative brought together the regionally focused ELS® program with additional state and regional entities engaged in entrepreneurship. The collaborative provided an opportunity for sharing knowledge and experiences, coordinating activities at both the regional and state levels, and raising the profile of

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<sup>43</sup> The ELS also recognized the role of entrepreneurs wanting to give back to the community, and encouraged their

contributions.

entrepreneurship. The collaborative tended to include representatives of the major players at the state and regional levels. It did not include representatives of the local entrepreneurs participating in the ELS®, nor did it include representatives of the regional service providers being organized in the Entrepreneur Support Network (ESN) although some members of the collaborative were considered service providers and did attend the ESN at least once. The SBDC was a regular member of the ESN.

The strategies of both the collaborative and the ELS® evolved over time. The collaborative was slow to develop, especially early in the project. The collaborative structure was not familiar to many in the region, and the skills necessary to organize and maintain an entity of this type needed to be developed. Leadership in the Advantage Valley EDS worked through these issues, resulting in a number of important initiatives that are described below.

As previously mentioned, the Advantage Valley region has a very low rate of entrepreneurial activity, and this presented some challenges to the ELS®. A strategy of “entrepreneurs helping entrepreneurs” was very difficult to implement in a culture where entrepreneurs were few and far between, and where entrepreneurs rarely talked with one another about their business. This had implications for ELS® in recruitment, in its ability to build a critical mass of mutual support among entrepreneurs, and in the ability to have entrepreneurs in civic positions where they could help influence the policies and supports designed to help them.

In order for the Advantage Valley EDS to be “of entrepreneurs, by entrepreneurs, and for entrepreneurs” the ELS® needed to focus first on getting more entrepreneurs with the skills and culture of peer support. Entrepreneurs did not have existing leadership positions in policy or service provision, and there were too few entrepreneurs ready to assume those positions when they became available. While ELS® leadership may have originally planned to work on policy and advocacy alongside other activities, it quickly became clear that the initial emphasis had to be on organizing a critical mass of entrepreneurs and building a culture among that group that promoted entrepreneurial skills, peer support and leadership development. From there, it was believed, would come future leadership for more systemic changes in service delivery and policy, and sustainable development of entrepreneurs.

The role of entrepreneurs in public policy was a learning process for other members of the EDS. Most seemed to agree, in principle, that entrepreneurs should drive the policies that affected them. However they were very naïve about what they needed to put that principle in practice. The few entrepreneurs enlisted into policy efforts were not policy experts, and the policy process often frustrated participating entrepreneurs. Some members of the collaborative considered it a given that “entrepreneurs need to be represented by others” when it came to policy matters.

The development of a sophisticated system of support also ran into some early challenges. The service providers participating in the Entrepreneur Support Network included a broad variety of public and non-profit entities, including SBDC, SCORE, university-based outreach programs, and chambers of commerce. Many were simply not in a position to develop diagnostic procedures and specialized roles that were independent from their parent organizations. While newly forming programs found participation in the support network extremely helpful, others were much more measured in their support. Like a good entrepreneur, the network changed what it was doing when things were not working. In the final year, the network piloted an innovative approach to supporting entrepreneurs that was very different from its initial vision, but that better fit what could be accomplished.

## Accomplishments

### *Building the Pipeline*

Because of the relatively low rate of entrepreneurship in the Advantage Valley region, there was special emphasis on building the pipeline of entrepreneurs. This work included youth and adult education initiatives that increased the pool of entrepreneurs. It also included the peer networking and coaching of the ELS® that were designed to move entrepreneurs to higher skill levels. Some accomplishments in this area include:

The Entrepreneurship Education Coordinator position was established in the West Virginia Department of Education.

- Since 2005, 735 students have participated in the Dreamquest business plan competition.
- Since 2005, 1,143 teachers have received entrepreneurship training.
- Entrepreneurship is now included in West Virginia's mandatory curriculum on financial literacy by West Virginia's 21<sup>st</sup> Century Partnership.

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Students in Advantage Valley Community and Technical Colleges have access to entrepreneurship courses.

- A business plan competition for college students, "Open for Business," was started.
- Four colleges in the Advantage Valley area developed an entrepreneurship education curriculum, and offer it cafeteria-style with courses such as graphic design, nursing, gerontology, criminal justice, health, medical transcription, and medical coding.
- Two community colleges have established certificate and associate degree programs in entrepreneurship.
- In 2008, with a grant from the Benedum Foundation, the entrepreneurship education curriculum is being taken statewide to 10 schools in the West Virginia community college system.

The Entrepreneurial League System<sup>®</sup> has been successfully implemented, and has developed the beginnings of a critical mass of entrepreneurs supporting one another with peer and coaching support.

- In the ELS<sup>®</sup>, entrepreneurs are categorized according to skill level, in a manner similar to the ratings used in major league baseball, from rookie, to A, to AA, to AAA.
- As of December 2007, 116 entrepreneurs had participated in ELS<sup>®</sup>, with 66 active participants on nine teams; 12 percent were rookies, 80 percent single As, and 8 percent AA's.
- Seventeen entrepreneurs moved up in skill level.
- Businesses owned by the participating entrepreneurs showed growth. More than half of the firms doubled in revenues.
- Job growth was relatively modest, with 49 new jobs created.

### ***Building a System of Support***

The Entrepreneur Support Network struggled early, but in the last year of the grant the network tested an innovative approach. Participating organizations developed a "makeover" process that was piloted with one business owner. The participating service providers worked with the entrepreneur, assessed the issues facing the small business, and made recommendations for a plan of action. Once approved, the entrepreneur was then linked to the appropriate service providers. The work of the service providers is credited with addressing a systemic cash-flow problem, and putting the business on the path to growth.

The participants in the network are hoping to develop a fee-for-service structure that will allow them to continue this makeover approach.

The EDS stimulated new thinking among its participants. The Tri-State Capital Club and Advantage Valley EDS brought a coalition of business and policy leaders from West Virginia to Kentucky to benchmark an innovative process of financing growing businesses. The West Virginia SBDC is looking at modifying its approach such that the emphasis is on a more long-term developmental relationship with the business owner.

### ***Community and Policy Change***

One of the roles of the collaborative was to raise the profile of entrepreneurship and the work of its members in both the Advantage Valley region and the state of West Virginia. Key accomplishments include:

- A series of activities that introduced the EDS and its goals and methods to the community. These included meetings with community leaders and media coverage. The Entrepreneurial League System<sup>®</sup> also generated local and national press coverage.

- The participation of the collaborative in a series of events tied to Entrepreneurship Week. Key activities included the 30000 Job Initiative (in which the governor announced that if all small businesses in West Virginia added one job, a total of 30,000 new jobs would be created), and the Lemonade Stand project, an initiative that engaged teams of elementary schools students in entrepreneurship.
- The institutionalization of A Vision Shared as an advocate for progressive economic development policy in West Virginia. A Vision Shared incorporated as a nonprofit and established entrepreneurship as a priority area. In its role as the EDS lead in policy development, A Vision Shared published in 2007 its Entrepreneurship Team Policy Document with 10 policy priorities. One of these, an administrative change that allows flexibility in using state economic development funding for entrepreneurship is likely to be enacted 2008. This flexibility is considered to be very important for mountainous rural counties, where there are few flat sites available for industrial recruitment efforts. In addition, A Vision Shared has been working to develop a statewide database of service providers that is expected to be operational by the end of 2008.

## Sustainability

The Advantage Valley EDS has involved a complex, multi-layered set of players and relationships. It is not surprising, therefore, that the set of activities and relationships that will survive the completion of the Kellogg-funded initiative is also multi-dimensional. Members of the collaborative were planning to continue meeting on a voluntary basis. Membership in the collaborative may change, although specific predictions for membership have not been offered.

The ELS® is following its own path toward sustainability. The ELS® had an unusual structure (it was an unincorporated project of Advantage Valley, Inc., and included a for-profit partner in Collaborative Strategies, LLC), and because of proprietary issues there was a lot of uncertainty about control of the intellectual property going forward. Having the ELS® housed in a regional economic development organization brought a lot of initial clout to its efforts. However, as a matter of policy, ELS® leadership prefers an organizational structure dominated by the kind of entrepreneurs that they were trying to promote. Going forward the ELS® will separate from Advantage Valley, Inc., incorporating both a for-profit and nonprofit venture. The for-profit will license the intellectual property from Collaborative Strategies, LLC, and the nonprofit will solicit public and charitable subsidies.

The ELS® team also is moving to a fee-for-service business model, with fees set at \$600 per month, or roughly half of the estimated costs of delivery. As of August 2008 half of the ELS® entrepreneurs have signed on for this fee-for-service relationship. ELS® leadership believes there will be an initial drop in membership, but that membership will build over time. The ELS® staff recognizes that the early stage entrepreneurs will have little ability to pay for services and are soliciting grant funds. Advantage Valley, Inc. plans to serve these early stage entrepreneurs in an effort separate from the ELS®.

The education components are expected to be sustained. There is broad support for entrepreneurship education from the governor's office. The Entrepreneurship Education Coordinator position has been funded by the West Virginia Department of Education. The community college work seems to be taken up by faculty, and the links with workforce development potentially connect it to ongoing public funding. It also is expanding statewide.

The future of the Entrepreneurial Support Network is unknown. A core group of service providers like the new makeover concept of service delivery and want to continue it. The ELS® staff member managing the effort at the end of the grant period is investigating business models to see if the makeover services can be continued as a fee-for-service activity.

Finally, A Vision Shared will likely continue as a policy advocate. It has a strong volunteer base and is recognized by state leadership. Funding from the collaborative raised the profile of entrepreneurship on the organization's agenda, and it will be interesting to see if this continues without ongoing financial support.

## Summary

Prior to the EDS, civic leaders in the Advantage Valley had made a number of very important and strategic decisions to develop the economy of the area for the 21<sup>st</sup> Century. Advantage Valley, Inc. was formed as a progressive regional economic development organization that crossed state, as well as municipal, jurisdictions. The organization chose to pursue an entrepreneurial development agenda as part of a larger “new economy” approach, with a strategy that looked at entrepreneurship broadly, rather than narrowly confined to specific sectors or stages of growth. Recognizing that new ideas were necessary to move this agenda, regional economic development leaders brought in expertise from outside the region to facilitate a fairly significant cultural change.

On the state level, new institutions in support of entrepreneurship, particularly around education and economic development policy, were forming as well. The Advantage Valley EDS brought together these state and regional efforts, with a goal of mutual benefit to all involved.

Some lessons for practitioners include:

- Working in an area with a very low historic rate of entrepreneurship had its challenges. The emphasis of the ELS® on developing a critical mass of entrepreneurs through coaching and networking appears to be a good fit. Data from this three-year program demonstrates that there were entrepreneurs who could benefit from peer support and coaching, and that the methodology supports their entrepreneurial growth. The historic low rates of entrepreneurship, however, have meant that it took longer to reach the goals of the EDS.
- The collaborative structure brought together state and regional efforts in ways that benefited all involved. There were a number of entrepreneurship initiatives underway in the Advantage Valley region and at the state level prior to the EDS. The collaborative was a tool to bring these initiatives together and it fulfilled its role as a forum for these initiatives to learn from and support one another. It also provided a much larger public voice for their mutual agenda. The education and policy initiatives, in particular, benefited significantly from the collaborative.
- The emphasis on systems change can lead to some conflicting concerns among service providers. There were genuine concerns among members about how the competition for resources might change, their role in an evolving system, and whether they had the flexibility to take on new roles and responsibilities, given their funding and public mandates. Better organization upfront may have helped to diminish some of these concerns, although it is difficult to speculate if they could have been eliminated. There also was an evolving understanding of the need to engage private sector providers, but the project ended before this could be fleshed out.
- The order in which the EDS components roll out matters. The EDS brought significant resources to new and existing regional and statewide efforts to develop entrepreneurs and promote entrepreneurship. However, the comprehensive requirements of the EDS also created a number of challenges. It was simply not possible to do everything at the same time, and the organizing methods used and leadership at the table influenced what could be reasonably accomplished. The EDS did not have the political backing to move an agenda of radical system reform among the service providers, and the ELS® had not created a critical mass of entrepreneurs to have the leadership necessary to drive entrepreneur-led reform in economic development policy and support. If this entrepreneurial leadership function were the predominate goal, than allowing the ELS® to first organize a critical mass of entrepreneurs ready for leadership would have been a better first, rather than concurrent, step. Even when developing comprehensive systems, the order of developing the components matters.

# Connecting Oregon for Rural Entrepreneurship (CORE), Rural Oregon

Connecting Oregon for Rural Entrepreneurship (CORE) was designed to assist five distressed regions (target areas) in rural Oregon through the development an entrepreneurial development system (EDS). CORE facilitated the work in these target areas with financial and technical resources, a framework for planning and implementing their strategies, and opportunities for sharing and learning across the sites. CORE also engaged and coordinated a set of statewide resources that supported work at the local level. The target areas were located in northeast Oregon, Lincoln County, southwest Oregon, Lake County, and the Warm Springs Indian Reservation. By design, CORE intends to expand the system developed in the five target areas statewide.

## Context

Oregon is a study in contrasts. It has a relatively strong tradition of self-employment and small business activity, especially in some urban centers. The population in the state is growing, even in many of the rural areas. However, the growth in rural areas is much slower than the urban growth, and not all areas are growing. Rural areas have seen the number of good paying jobs decrease, primarily as a result of declines in extractive industries. Most of the jobs being created in rural areas are relatively low-paying jobs in the service, retail and tourism sectors.

The five target areas are located in very different parts of the state, and each has unique opportunities and challenges. All of the sites are in areas that are below state averages for population growth, education and income, and above state averages for the proportion of their population that are elderly or living in poverty. Oregon has some very beautiful and rugged country, with a wealth of natural resources and amenities. Some areas have been attractive to retirees and others looking at second/vacation homes. Other sites are extremely isolated and are among the most lightly populated in the United States. Distance, population density, infrastructure, and access all have a significant affect on both the level of economic activity and the provision of entrepreneurial services.

All of the sites traced their economic distress to the after-effects of the decline in the timber industry. Environmental concerns (including the habitat of the endangered Spotted Owl) and competition caused the timber industry in Oregon to collapse about 15 years ago. Tom Gallagher of the Ford Family Foundation said that if rural Oregon had been a foreign country the collapse of the economy and corresponding out-migration of working age population would have been seen as a global tragedy. His view was that at this point “the dust had settled” – the population and economy had settled into equilibrium. Many rural communities now see stewardship of natural resources, rather than extraction, as the path to their economic revival.

In 2008, rural communities in Oregon experienced a number of new challenges to their ability to restructure their economies. One of the most significant was the loss of Rural Timber Payments to rural counties. These payments were federal funds provided to local governments to limit the impact of the timber industry's decline. The government transfers were a large source of support to local rural governments, and these transfers stopped unexpectedly in 2008, forcing cutbacks in rural road construction and maintenance, and the closure or cutback of fire and police service, libraries and schools.<sup>44</sup>

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<sup>44</sup> In the federal financial bailout legislation that became law in October 2008, the Rural Timber Payments (formally part of the Secure Rural Schools and Community Self-Determination Act) were reinstated. At this time, few details are known about the effect this will have on rural counties in Oregon.

A number of important state departments and initiatives also are changing. Earlier in 2008 the state de-funded both the Governor's Office of Rural Policy and the regional Rural Investment Boards. The latter were a key source of flexible economic development funds. The state also is reorganizing the Oregon Economic and Community Development Department (OECDD), the principal department responsible for economic development policy and funding in the state.

## Structure and Strategy

CORE emerged from five local community-based initiatives that expanded their scope through EDS resources, and were supported by statewide institutions and initiatives. When the Kellogg RFP was announced, Rural Development Initiatives (RDI), a nonprofit working in rural communities across Oregon, convened a meeting that brought together a number of community-based organizations from across the state. RDI had been supporting rural communities since the early 1990s, helping them develop strategies to weather the economic transition brought on because of the decline in the timber industry. Many of the community organizations also knew RDI through its role as the chief technical assistance provider for the Ford Family Foundation's Institute for Community Building. At the meeting participants developed target area selection criteria that would produce lessons applicable statewide. The five Target areas were chosen based upon these criteria, which included readiness and local commitment. Training was available in each target area through the Institute for Community Building's leadership program.

CORE works on both the state and local levels. At the local level, each target area has a lead, usually a community-based organization engaged in business or entrepreneurial support services. Additional local stakeholders are organized through Entrepreneurial Advisory Boards. These local collaboratives were required for participation in CORE, and they represented new institutions at the local level. They were envisioned as a forum for engaging entrepreneurs in the design and management of the target area strategies. CORE put few requirements on the membership of the Entrepreneurial Advisory Boards, other than they had to include entrepreneurs. The target areas were required to perform a needs assessment, and to develop local strategies and work plans. Target area leads also were responsible for implementing the work plans. In some target areas, the advisory boards continued to meet and provide guidance through the implementation process, while in others they became less active.

At the state level, the CORE collaborative is organized to get as many voices and perspectives as possible. In addition to representatives from each of the five target areas, the collaborative has more than 20 statewide partners, including: the Oregon Microenterprise Network (OMEN); ONABEN (a Native American Business Enterprise); the Oregon Economic and Community Development Department (OECDD); the Oregon Small Business Development Center Network; the Oregon Entrepreneur Network (OEN); and Lane MicroBusiness. They are proud of their "big tent" approach, which is consistent with the Rural Development Initiative's organizing philosophy. In general, only the target area leads, and not members of the local Entrepreneurial Advisory Boards, have gotten together for statewide activities.

The mission of CORE is "to build an entrepreneurship development system in select rural target areas, and from the experience and relationships developed, to promote programs and policies at a statewide level to replicate and sustain the system throughout rural Oregon."

The five major goals of CORE were:

1. To create and implement an action plan for strengthening the entrepreneurship development system in each target area, which integrates best practice and brings in regional and statewide capacity as needed.
2. To establish sustainable collaborative approaches at a statewide level to fill shared gaps in the entrepreneurship development systems of each target area.

3. To use program resources to leverage sustainable local investment in increasing the volume and success rate of entrepreneurs.
4. To increase support for rural entrepreneurship in statewide economic policies, planning and programming, in a way that represents a systems approach.
5. To use ongoing evaluation to track progress in establishing the entrepreneurship development system, track the impact on entrepreneurs, develop new best practice, and inform strategy for sustainability along the way.

Oregon did not have an organized entrepreneurship development initiative prior to the Kellogg grant, and early program descriptions focused largely on service provision. The original purpose of CORE was “to create a positive climate for entrepreneurs to ensure access to comprehensive, high quality, and well integrated services that meet the needs of all types of business owners and all aspects of an enterprise development system so that small businesses can grow and increase entrepreneurial behavior and success by individuals, businesses, and communities.” These services needed to be seen “through the eyes of entrepreneurs,” and there would be “no wrong door” to their entry into the service provision system.

CORE required each target area to form an Entrepreneurial Advisory Board and develop a plan to guide work during the grant period. Each site was given great flexibility in developing its work plan, within certain guidelines. CORE supported the local planning efforts with training in the Energizing Entrepreneurship (E2) curriculum, and technical assistance to develop the logic models for each strategy. CORE supported the implementation of these strategies directly with financial resources and a volunteer from RARE (Resource Assistance for Rural Environments, an AmeriCorps program run through the University of Oregon’s Community Service Learning Center).

The target areas tended to integrate entrepreneurship into community development strategies. For instance, in southwest Oregon, part of the strategy involved developing the market for the goods and services of local entrepreneurs, especially those involved in community Main Streets, food production, and local “green” products. Initiatives in Lincoln County included development of a local farmers market, the establishment of a museum for a famous classical music composer, and seed money to convert waste into bait for the local fishing industry. At the Warm Springs Indian Reservation initial efforts focused on developing a delicatessen and coffee shop to establish both a physical presence in the community and to provide a gathering place for the youth they wanted to engage. In Lake County, efforts included providing access for local entrepreneurs to develop renewable energy industries.

Local ownership, market development, and technical innovation were seen as the path to an economic restructuring that would be sustainable and in character with the goals of the community. Entrepreneurship was seen as a way to make local industries, especially those seen as central to the identity of the community, more robust and lucrative. In those industries dominated by low-paying jobs (such as tourism or retail), business ownership provided an opportunity for a higher rate of return to residents than would be achievable working for someone else. Local ownership also kept more money in the community, rather than being exported to nationally owned conglomerates. Community-based efforts were designed to improve the markets for these industries. “Regional Flavor” and “Buy Local” strategies were particularly popular across all of the sites.

The EDS required the target areas to deliver a comprehensive set of entrepreneurship development services in their communities. Each target area had strengths in some areas, such as youth entrepreneurship, financial literacy, business development training, or social enterprises. CORE facilitated the sharing of these skills across the target areas.

CORE also supported the target areas with access to statewide resources important to their strategies. CORE engaged more than 20 statewide partners, including service providers, regional foundations, and policy organizations. One of the statewide partners, OMEN, developed a market information service and a

microenterprise loan fund available to all of the target areas. Another expanded a Portland-based entrepreneur support network to rural areas of the state. Other partners worked to link local entrepreneurs with new technologies in areas such as food innovation and renewable energy. Collectively, all of the partners participated in efforts designed to increase the visibility of entrepreneurship in the state, and improve statewide policies in support of entrepreneurship.

For most target areas, work concentrated at the microenterprise level. Few connections were made with larger businesses or their sources of support, partly because this was the market that many of the target area leads served prior to the EDS. In addition, CORE members believe this niche of very small and pre-venture entrepreneurs often is ignored in traditional economic development strategies.

## Accomplishments

### *Building the Pipeline*

CORE generally has used the EDS definition of a pipeline, with its focus on youth and adult education, and entrepreneur networking. Some key accomplishments include:

- Incorporating nationally distributed training or curricula to local schools; 682 youth received training in entrepreneurship or financial literacy;
- Incorporating entrepreneurship into existing programs such as Job Corps, Boys and Girls Clubs, and 4H;
- Facilitating school-based enterprises;
- Securing scholarships for rural youth to attend Portland University's Young Entrepreneurs Business Week;
- Developed a two-year accredited entrepreneurship program that will utilize a distance-learning model with a Salem-based community college; this will be the first associate degree in Entrepreneurship offered in Oregon;
- Expansion of Pub Talks, a program of the Oregon Entrepreneurs Network, into rural Oregon; 939 rural entrepreneurs have participated in networking activities.

### *Building a System of Support*

The Oregon EDS did not implement a "coordinated system of financial and technical support" at either the state or the target area level. Instead, it focused its efforts on improving service quality and availability, rather than coordination. The EDS realized early on that "there is a real silo mentality among the service providers that is hard to break down". It also discovered that "creation of a ladder of services to meet the needs of entrepreneurs at each business stage is not possible as there are not enough service delivery organizations in rural regions." Access to services, rather than coordination of services, was the biggest priority, and this became apparent in the implementation. With some progress made on that front, CORE believes that it has laid the groundwork for greater service coordination and system development. CORE now has a foundation of relationships with service providers and policy makers from which to work. Still, the partners estimate that it would take at least another three years to get a coordinated system of services at the state level off the ground.

Some accomplishments include:

- Creation of two new entrepreneur support services available statewide from OMEN. These are CapitalLink, a statewide microenterprise loan fund, and MarketLink, a centralized source of market data that can be accessed by entrepreneurs and programs across the state.
- Expansion of existing services, such as Oregon Entrepreneurs Network and Lane Microbusiness, to new rural areas of the state.
- Expanded use of existing curricula, such as Indianpreneurship and Made at the Kitchen Table, across the target areas.
- Speakers, technical assistance, and shared expertise in certain industries and initiatives of common interest including "Buy Local" campaigns, food and agriculture, tourism, and renewable energy.

- In total, the five target areas provided business training and technical assistance to 2,037 individuals and served 1,467 businesses. They documented 50 new businesses and 55 new jobs created, but this was considered only a portion of the total activities, many of which were undocumented.

### ***Community and Policy Change***

CORE set up a Policy Committee that included members with an interest in state policy. Key accomplishments include:

- Introduction of the Targeted Small Business Opportunity Act of 2007. This piece of legislation would have expanded state funding for microenterprise development in rural and distressed regions from \$1.6 million to \$2.6 million, building on legislation spearheaded by OMEN prior to the formation of CORE. The bill did not move forward and CORE will not have the opportunity to reintroduce the bill until the state legislature convenes again in 2009. However, CORE members believe the effort laid important groundwork for future policy work, as that they are now much better connected and more knowledgeable of the legislative process.
- Convened a meeting with the Oregon Economic and Community Development Department (OECDD), the Business Development Officers and Targeted Service Providers (including many CORE statewide partners) to discuss statewide economic development policy to support entrepreneurship and small business. As a result of the convening work by CORE, leaders from the Rural Development Initiative and OMEN have been formally invited to participate in the reorganization of OECDD.

CORE is now looking at a new institutional structure for policy work. At the June 2008 meeting, the CORE Policy Committee presented a potential model for its own reorganization. The model is designed to help build bridges between urban and rural areas, and to bring more cultural diversity to the mix of partners involved. The members believe that these larger connections will improve opportunities for rural entrepreneurs and create a broader political base that will expand opportunities for policy change.

In its efforts to promote community and culture change, CORE coordinated a major marketing campaign for entrepreneurship with the target area leads. Led by the Latimer group, a professional rural-based public relations firm, key achievements included:

- Latimer provided volunteer assistance to train community volunteers in marketing entrepreneurship development efforts and the contributions of small businesses in the community.
- Over 200 articles were published over the course of the EDS.
- Some of the volunteers trained are now doing public relations work professionally.
- Latimer assisted CORE to develop a two-part promotional and educational DVD: *Small Business is Big Business*, and *Entrepreneurs Find Success*.

In addition, CORE provided a vehicle for some unique social entrepreneurs. In Lincoln County, CORE resources were used as seed capital for a number of civic ventures, including a school-based enterprise, a “living museum” dedicated to a classical music composer, and the development of a process to turn fish waste into bait for the local fishing industry. In Warm Springs, CORE resources were used to start initial business planning for a tribal telecommunications company. If feasible, this company not only will provide needed services on the reservation, it also will provide jobs and additional entrepreneurial opportunities from spin-off businesses for members of the reservation. CORE’s ability to be flexible gave the target areas freedom to build on local assets and empower local skills. This, in turn, engaged a broad set of tools in support of entrepreneurs.

### **Sustainability**

From the beginning CORE participants were clear that this was not a three-year project. In many ways they have only begun laying the foundation of relationships and institutions that will support future work.

CORE's initial sustainability strategy was to secure state support for local efforts, and then augment those funds with contributions from foundations and other public entities. Attempts to increase its state allocation in 2007 failed, and because the Oregon state legislature meets every other year, the bill cannot be reintroduced until 2009.

Fund-raising from other sources has been difficult. Most funders approached to date have wanted to expand services and create new programs rather than fund existing activities and efforts. For instance, CORE was successful in raising a USDA Rural Community Development Initiative grant to expand the EDS to new contiguous geographic areas. This has caused some concern among the target areas as they see their traditional funding drying up. Without sufficient funds to do the work on the ground and other funding stalled as the state economic development department reorganizes, expansion into new areas is seen as a transfer of support from the work already started.

The Rural Development Initiative has aggressively pursued funding opportunities, and the target areas and statewide partners have been working for solutions. Yet while CORE has turned out to be the right institution to begin these discussions, the timing has been extremely difficult.

## Summary

CORE was one of the sites that implemented an EDS without a pre-existing EDS effort or methodology in place. The partners utilized a grassroots planning methodology that led to a distinctive approach to increasing entrepreneurship in each target area. In addition, while all of the target areas were working through an economic restructuring as a result of declines in the timber industry, many of the target areas were observing a growing interest in local amenities and natural resources among new and existing residents. As a result, CORE put considerable emphasis on sustainable development and stewardship of local assets, keeping money in the community and allocating it equitably, and developing the uniqueness and livability of places. Partners implemented these strategies with a broad set of tools such as market development, organizing, social entrepreneurship, and access to evolving technologies, along with financial literacy, teaching management skills, and access to business support services.

Most of the efforts to date have focused on pre-venture and early stage entrepreneurs. The target area leads have traditionally worked with this market, and believe this niche of entrepreneurs is often neglected by traditional economic development strategies. As the work of the target areas develops, the need for more advanced entrepreneurial skills will become of greater strategic importance. The infrastructure of service providers and methods of service provision will need to grow more sophisticated to meet the expanding needs of a larger group of entrepreneurs.

Some lessons for other practitioners include:

- Flexibility in the EDS approach provided an opportunity for the target areas to adapt entrepreneurship development concepts to the strengths and opportunities at the local level. Rather than implement a common methodology across all of the sites, CORE provided considerable flexibility for a ground-up strategy to emerge. CORE then focused on providing statewide supports, joint learning opportunities, and a collective policy and advocacy voice. While this flexibility has allowed CORE to opportunistically pursue a number of unique strategies, it has made describing its approach more difficult, and assuring a consistent level of quality across sites more challenging.
- Coordination of services is not always the best choice for a first step. In Oregon, the CORE participants found that expanding the services available in rural areas, and strengthening the voice of entrepreneurship advocates within the state, was a more appropriate priority in the early stages of their EDS. CORE also found that making urban-rural connections increased access to services and strengthened the EDS' voice in state politics.

- The collaborative organizing structure can be an effective tool in bringing together various entities working to promote entrepreneurship. Oregon laid the groundwork for an EDS initiative through the development of a number of institutions and initiatives, including the Ford Family Foundation's Institute for Community Building; intermediaries such as RDI, OMEN, and ONABEN; institutions such as OSU's Food Innovation Network; and an infrastructure of innovative community-based organizations. Some of these institutions were poised for growth. The CORE collaborative brought them together, provided some seed capital and a framework for thinking about entrepreneurship, and gave everyone the flexibility to respond in unique ways. As a result, local entrepreneurship development initiatives had access to a broader array of resources and ideas than they would have had otherwise. In many instances the relationships and access initiated by CORE will likely continue well past the grant period. This convening and organizing function also positioned CORE to take a leadership role in the reorganization of the Oregon Community and Economic Development Department.
- The three-year timeframe for the EDS was insufficient to establish a stable source of funding, especially for a new initiative. CORE has been very effective in leveraging the Kellogg investment, bringing nearly \$3 million in leveraged investments in support of rural entrepreneurs. However, the partners have been challenged to develop new funding for the initiative. Much of the early work of the EDS focused on organizing and developing the collaborative. With declining funding for rural areas overall, the task of finding sustainable funding for new programs and initiatives has become even more difficult. However the bonds created across the five CORE target areas remain strong, and these connections create a foundation for the systemic approach to planning and supporting a statewide EDS.

# Empowering Business Spirit Initiative, Northern New Mexico

The Empowering Business Spirit (EBS) Initiative operates in four counties in northern New Mexico: San Miguel, Rio Arriba, Mora and Taos. The region is ethnically diverse and has a rich cultural history, encompassing the Pueblos who were its indigenous residents, descendants of the Spanish explorers who settled the region over 400 years ago, as well as Anglos and other ethnic and racial groups that have come to the region more recently.

## Context

The key factors driving the EBS Initiative and its goals are the incidence of poverty and unemployment that affect the region: 22 percent of the region's population lives below the poverty line, and unemployment rates consistently are 20 to 100 percent above the state average. High school dropout rates are also high; between 50 and 70 percent. Demographically, compared to the U.S., the region is predominantly minority: 70 percent of the population is Hispanic and 7 percent is Native American.

Two economic facts are critical to understanding the local context. First, the region's economy is highly dependent on two key employers: the Los Alamos National Lab (30 percent of transactions relate to its operations), and government (employs 28 percent of workers compared to 14 percent nationally). Second, due to the region's geography and resource base, the control and availability of water is a critical issue that determines how, where, and what type of growth can take place.

Within this demographic and economic context, EBS was seen as a tool for stimulating economic activity (with enterprise development/entrepreneurship seen as a more likely tool than attracting industry), and for keeping youth (especially those with more education) in their communities. There are strong cultural traditions and family roots within the region; the hope is that if youth are able to stay in the community rather than being forced to leave in search of economic opportunities, the community can continue to nurture and pass on its traditions and culture.

## Structure and Strategy

EBS came together for the first time in response to the Kellogg Request for Proposals. In other words, although many of the partners knew each other and some had worked together in the past, there was no pre-existing set of activities or methodological approaches upon which EBS was built. Rather, the partners came together to build an EDS as defined by the Kellogg Foundation and CFED RFP. At inception, EBS' primary focus was the second of the three EDS goals – articulated in the Initiative's mission as "to create a seamless, integrated partnership and continuum of service providers within the region." As such, EBS focused much of its early activity on partner cross-training and education, and creating tools and relationships to support communication and referrals.

Leading this effort was the Regional Development Corporation (RDC), a nonprofit organization that supports economic development initiatives in northern New Mexico. The RDC was a natural choice for this role in many respects: it had a regional focus on northern New Mexico, a clear mission to support economic development and diversification, and often worked in partnership with local governments, educational institutions and other organizations. Interestingly, aside from its role in administering the Space Alliance Technology Outreach Program (also a partner in EBS) the RDC had not until that time been involved in delivering entrepreneurship services – which may have facilitated its efforts to rationalize and improve the quality of service delivery among other parties.

At its creation, the Initiative consisted of 22 partners including the RDC and the Space Alliance Technology Outreach Program. About seven of the partners were organizations headquartered outside of the region that through the EBS effort have been encouraged and supported to extend or expand their services in northern New

Mexico. The remaining partners were local organizations, primarily economic development departments and corporations, community colleges, and other nonprofit organizations engaged in service delivery, sometimes to specific sectors such as Native Americans or fiber artists. The Initiative's priorities and work plans were developed largely through working groups consisting of partners interested and/or engaged in a particular topic, such as policy, capital access or best practices. The partners also met monthly, and held annual retreats and periodic training opportunities.

As noted above, EBS' original strategy focused on building a comprehensive, integrated continuum of services for entrepreneurs. The concept was that an entrepreneur who entered the EBS "system" would have access to all of the resources in the continuum of services. The various service providers would refer these entrepreneurs to the EBS partners who could best meet their needs. The Initiative also sought to build awareness of entrepreneurship and the continuum of service providers through a coordinated marketing and outreach campaign that involved a central EBS Web site, a marketing coordinator housed at EBS who was responsible for promoting the Initiative and its partners, and a series of Community Representatives (CRs). The CRs were well-networked, regional residents, who were to receive a bonus for referring entrepreneurs to the EBS system.

In addition to coordinating supply among the existing service providers in the region, EBS also sought to increase the range of available resources. To that end, it recruited service providers located in Albuquerque, hoping to expand their offerings and activity in the region. It also supported the efforts of ENLACE, an organization focused on dropout prevention among youth (and which had some previous experience in youth entrepreneurship) to lead the Initiative's youth programming. The youth activities included providing teacher training to school teachers and administrators around the YoungBiz curriculum,<sup>45</sup> as well as conducting business plan competitions and entrepreneurship summer camps.

EBS also pursued a policy agenda. Although its policy efforts included some work to educate and engage local political and community leaders, in part because of New Mexico's unique tax structure, much of the effort was focused on state policy makers (both legislators and state agency staff).

As it moved into its third year of implementation,<sup>46</sup> EBS experienced a leadership transition which in turn led to a substantial change in strategy. As noted above, EBS' initial strategy included a set of Community Representatives whose role was to identify and market its services to entrepreneurs in the community. Once the entrepreneur connected to the EBS "system," the idea was that the partners would engage in referrals to ensure that the entrepreneur received the services that best met their needs. In this sense, they were using a supply-driven model for the creation/operation of the "system."

There were issues with both approaches. On the one hand, the process of recruiting and training the CRs did not go smoothly. No formal training program was developed for the CRs. There were also staffing transitions involving the marketing representative position (which was responsible for recruiting and training the CRs), which led to interruptions in the recruitment and training process. In addition, the compensation and reimbursement process for the CRs was flawed in several respects. First, because CRs were compensated for making a referral, there was an incentive to refer anyone who expressed the desire to start a business, rather than those who were actively interested in pursuing one. To receive compensation, a partner had to enter the recruited entrepreneur into the EBS centralized database. But for the most part this system went unused by the partners; thus often the CRs were not paid. Furthermore, it was an administrative challenge for the small staff of EBS to process small payments to a number of CRs on a monthly basis. In the end, EBS staff determined that the Community Representative was very cost-ineffective for the return it produced.

<sup>45</sup> YoungBiz is a commercially-developed curriculum that is available in the U.S. and several other countries.

<sup>46</sup> The implementation timeline of the EBS has been slower than for the other EDS sites, as a result EBS will continue its work with remaining Kellogg Foundation funds through the end of 2010.

There were flaws as well in the supply-driven model in which service providers were to refer clients among themselves to the most appropriate providers. Several of the service providers (most notably the Small Business Development Centers) were reluctant to acknowledge that they could not meet all business needs, and therefore to refer clients to other providers. Others did not pick up referrals that were in the database. There were also other factors that limited referrals.

While the CR process was struggling, the city of Taos was having success piloting enterprise facilitation using the Sirolli model, through an effort called the Taos Entrepreneur Network (TEN). This initiative was undertaken and funded separately from EBS. However, the enterprise facilitator in Taos connected to and worked with EBS and its partners, and eventually TEN became a full EBS partner. Although it no longer is paying for and using the Sirolli process, TEN is continuing to use the underlying model, which it now calls “network facilitation.”

The network facilitation model uses a trained individual – the facilitator – to identify entrepreneurs within the community and help them access resources to grow and support their business. These resources may be service providers, but they also may be private sector resources, including volunteers from the local business community. The facilitator does not typically provide any direct assistance to the entrepreneurs, but functions like a broker, connecting the entrepreneur to resources and expertise. The facilitator also works to identify resources and supporters, and therefore to generally create an environment that is more supportive of entrepreneurship. Thus, for example, the TEN facilitator did media events such as radio shows and newspaper articles that profiled entrepreneurs and their work with TEN. The TEN facilitator also is responsible for working with the committee that sponsors TEN. The committee, consisting largely of private-sector leaders, works to secure resources for the effort; they also meet monthly with aspiring entrepreneurs to hear about their business and recommend strategies and resources for growing/strengthening the business. In the Taos case, the Chamber of Commerce plays a key role in TEN (housing the program). The sustainability strategy for the network facilitation work is for local government resources to fund it after the initial period (after its value as a successful component of economic development has been demonstrated). TEN already has secured public dollars in Taos.

Witnessing the success of TEN, the failures/limitations of the CR and provider-driven referral model, and the concerns of the existing partners, the new leadership of EBS chose to go in another direction. They are now helping to fund replication of the network facilitation model in Rio Arriba and San Miguel counties. EBS staff saw several benefits to expanding TEN's network facilitation model. First, it offered a single point of contact in each community, rather than multiple contacts; it also offered a clear training model for the facilitator. Second, it would eliminate confusion created by competing models for entrepreneurial development in the region. Third, network facilitation was based on a locally sustainable funding model. The network facilitation model also incorporates volunteer entrepreneurship boards that provide referrals and client advice for free. And finally, it was envisioned that additional elements of a “system” could be built around network facilitation, by adding a core training program, program standards and unified tracking around the facilitation efforts.

The original facilitator in Taos is now working to replicate the model in Rio Arriba and San Miguel counties, and a new facilitator has been hired for TEN. Los Alamos National Lab also is providing funding support for this replication work, and the City of Las Vegas has committed funds in support of the network facilitator in San Miguel County. Thus, the model is that EBS will provide the seed money to launch these efforts, which can then be sustained by local funding.

## Accomplishments

### *Building the Pipeline*

EBS' initial efforts to build the pipeline centered on its youth development activities and building the pool of potential entrepreneurs. There has been relatively little work around adult entrepreneurship education. However, as EBS has supported replication of network facilitation, it has (in fact, if not explicitly) adopted a broader definition

of pipeline, to include efforts focused on helping adult entrepreneurs move through the business development process. In addition, a new working group comprised of three partners -- ENLACE, Northern New Mexico College, and New Mexico Highlands University – is working to design a “continuum” of entrepreneurship education that will include an entrepreneurship certificate program for adults, as well as to ensure continued support for the youth work.

The key EBS accomplishments in building the pipeline of entrepreneurs include:

- Introduction of youth enterprise classes in 11 area schools. Approximately 90 teachers or administrators have been trained to deliver the “YoungBiz” curriculum over three years.
- School-based enterprises have also been established at Espanola Valley High School (the Hot Spot Store), Taos High School (bakery), and numerous Web-based businesses have been created at Taos Charter School. Finally, the YoungBiz curriculum has been integrated into the business class at EVHS.
- For the past three years, EBS held an annual 2020 Youth Entrepreneurship Conference. A total of 350 students have participated, along with 30 teachers.
- A youth business plan competition was the opening event at the 2007 Governor’s Summit. Twenty-two middle and high school students from Taos, Espanola, Las Vegas, and Albuquerque participated in the competition, which has been established as an annual event for future summits.
- Altogether, ENLACE has worked with 530 students over the three years in such activities as the 2020 Conference, Youth Entrepreneurship camps, business plan competitions, and summer internships.
- The youth enterprise initiatives tied to the Governor’s Summit led to establishment of the statewide New Mexico Youth Entrepreneurship Network (NMYEN), a group of 42 organizations collaborating to expand access and quality of entrepreneurial education in New Mexico. NMYEN is preparing a legislative initiative that will provide support for youth entrepreneurship for the 2009 session. EBS is providing seed funding to support the development of NMYEN.
- As noted above, EBS has provided funding to help seed network facilitation efforts in Rio Arriba and San Miguel counties.

### ***Building a System of Support***

As noted above, the initial EBS approach was to create a continuum of service providers who would engage in cross-referrals to ensure that entrepreneurs received the most appropriate available services. The Initiative also sought to expand the northern New Mexico activities of several key enterprise support organizations headquartered in Albuquerque. Its efforts to market available services and to expand supply have generally been more successful than those to coordinate it. To date, EBS has:

- Developed and recently upgraded the EBS Web site, a central portal for information about entrepreneurship services and activities in the region.
- Created an expanding set of partners. Originally the EBS Initiative consisted of 22 partners. Each partner received funds through EBS to cover time spent in Initiative meetings and for fulfilling certain administrative duties related to EBS. Only a few partners (primarily ENLACE and WESST Corp) were funded to engage in service delivery. More recently, EBS has opened membership to any organization that is committed to contributing to entrepreneurship in the region. Partners are no longer paid to attend meetings or fulfill other administrative tasks.
- Expanded the offerings of WESST Corp’s MARKETLINK program within northern New Mexico. EBS has provided funding to WESST to offer this training; since inception of the Initiative WESST has trained 112 entrepreneurs in the region.
- Made the Jump Start Web site development program available to 39 entrepreneurs. This is a program in which EBS provides funding to technology consultants who build Web sites for entrepreneurs.
- Provided services to entrepreneurs in the region. Among the partners that provided data on their 2007 activities, the aggregate achievements were as follows:
  - Served 833 clients, 212 of them were new clients in that year.

- Made 10 new loans in the region totaling \$103,931; also continued to administer 77 existing loans totaling just under \$2 million in the region.
- Held 97 adult business trainings for 1,151 individuals.
- Helped to create 136 new jobs and recruited 14 businesses.
- Stimulated the creation of a joint marketing and financial education effort among EBS lending partners. The primary nonprofit providers of small business credit are all based in Albuquerque. As they came together under EBS to examine the issue of capital access in the region, it became clear that the supply of available capital was not the issue, but rather, (a) whether prospective entrepreneurs had strong enough credit histories to qualify for loans from these alternative lenders, and (b) how the micro and small business lenders could support the growing costs of marketing to the rural North (particularly given increases in gas prices). Out of these realizations came two strategies. First, the lenders have teamed with Money Management International to offer financial literacy seminars for entrepreneurs in the region, as well as to provide access to additional counseling services. Second, the lenders have committed to engaging in joint marketing efforts in which one lender will travel to the region and participate in an event that can showcase the services of all of the lenders.
- Committed funding to support “Finance New Mexico,” a statewide project that aims to provide “resources (information about funding and knowledge) to start or grow your business in New Mexico.” The project highlights service providers (not banks) across the state, including EBS lenders, through such venues as the electronic dissemination of newsletters with articles written by providers and others, including EBS providers such as ACCION New Mexico, the Loan Fund, and WESST Corp. EBS is one of 10 partners displayed at the site, and a link is provided to access BizPort. To date, 37 articles have been published and disseminated in such publications as *Albuquerque Journal*, *Farmington Daily Times*, *Las Cruces Sun-News*, *Las Vegas Optic*, *Los Alamos Monitor*, *Rio Rancho Observer* and *Santa Fe New Mexican*.

The goal of coordinating supply among providers located in the region has proved more elusive. EBS has dedicated a good deal of effort in support of this goal: holding a “Cross-Training Olympics that increased partner knowledge about each other’s services; building a database to track client referrals, and developing a set of core values around customer service and the delivery of services. However, although some these efforts received strong reviews from participants, overall EBS has found it difficult to overcome the partners’ need to protect their perceived territory and their institutional imperatives, as well as concerns about the quality of the service provided by some parties. With the move to the network facilitation model, EBS is moving to a systems approach that is more client-driven; this approach may prove more effective in getting entrepreneurs the most appropriate assistance.

### ***Community and Policy Change***

State and local economic development efforts in New Mexico historically have not focused on entrepreneurship, and as such EBS focused much of its effort, initially, on educating local and state leaders about its potential. Key accomplishments in this area include:

- Testifying before the New Mexico legislature’s Economic and Rural Development and Telecommunications Committee in November of 2006. The EBS coordinator, key partners and one of its youth entrepreneurs testified about EBS and its work. The hearing drew strong interest, particularly in the youth entrepreneurship work.
- Providing key staffing to the Governor’s 2007 Economic Development Summit. EBS was successful in getting the governor to select entrepreneurship as the theme for this annual event. The EBS coordinator served as the program chair. In taking on this role, EBS was able to establish itself as a familiar name among the Lieutenant Governor’s staff as well as NMEDD’s top leadership. Perhaps more importantly, entrepreneurship (including youth) was successfully promoted and accepted as an essential element for the state’s economic health.
- Leading the formation of the New Mexico Youth Entrepreneurship Network (NMYEN). The business plan competition held during the Summit, as well as several content sessions during the event drew strong interest from participants. As a result, the policy implementation list that emerged from the Summit place youth

entrepreneurship at the top of the list. This positioning and these events contributed to the formation of the NM Youth Entrepreneurship Network, which the EBS director facilitates and is supported by EBS funding. Currently, NMYEN's focus is on promoting a policy of youth entrepreneur education statewide, as an economic development component.

- Introducing legislation promoting statewide youth entrepreneurship education. The legislation was introduced in early 2008; it did not pass but EBS already has retained a highly regarded policy advocate who has begun efforts to build support for passage of the legislation in the 2009 session.
- Spurring greater interest in entrepreneurship and network facilitation in several counties. Taos clearly has seen growth in both community and government support for entrepreneurship, through the success of TEN. As this initiative was largely separate from EBS, it cannot be claimed as an accomplishment. However, as EBS has moved to support replication of the network facilitation in two other counties in the region, it has engaged the interest of local leaders, who are supporting these efforts, both through funding and participation in the entrepreneurship boards.

## Sustainability

The EBS Initiative's approach to sustainability has changed over time. Initially, Kellogg funds, for the most part, were not going to be used to fund core service delivery. Rather, they would be used to build "infrastructure" for the Initiative that could last past the original three-year demonstration period: items such as the Web site, a common database and referral system, and a marketing effort that would raise awareness about EBS and its partners. It was presumed that this infrastructure could be maintained at fairly low cost after the initial grant period. Partners were funded to participate in the meetings that would be used to build the partnership; it was presumed that by the end of the three-year period if the Initiative had shown its value the partners would be willing to participate without compensation.

With new leadership has come a new approach to sustainability. In the new director's view, the EDS concept is at its heart about culture change. Specifically, the EDS approach seeks to change the culture around entrepreneurship in these rural communities; to help leaders and residents understand that it is a strategy that must be supported. With the time and resources remaining under the Kellogg project, the focus will be on building models, structures and initiatives that support this culture change. In the current leadership's view, if they succeed in changing the culture, and local leaders and residents believe in entrepreneurship, they will find a way to sustain them over time. And in fact, the network facilitation model has at its core, the building of local community/business support for entrepreneurship, and of mutual support among entrepreneurs (not just new or growing ones, but also among established businesses). As that support is built, and the model generates results, then the belief is that local leaders will continue to fund it.

EBS staff believes that this approach to sustainability holds true both at the local level – with support for network facilitation – and at the regional/EBS level as well: If the Regional Development Corporation is built into an organization that is known for playing a strong leadership role in this area, and that role is valued because of the outputs it yields, then they should be able to sustain this work. Staff is beginning to see some signs that communities and regional organizations are willing to support the network facilitation piece: Los Alamos National Lab is providing some funding in one community. In San Miguel County, the City of Las Vegas has committed funding to support network facilitation, and New Mexico Highlands University is also providing in-kind support. In addition, with EBS support, Northern New Mexico College has requested \$600,000 in funding to support network facilitation in the region.

EBS staff also believes that partners should not be paid to participate in meetings; that again they will collaborate if they see that it yields sufficient value. At this point, there seems to be a lot of energy around continued collaboration: most of the original partners continue to participate, and new partners have been attracted. Some members have indicated that while they do not need to be paid to attend meetings and participate, they do believe

that the central facilitation role that the RDC has played is essential. EBS has sufficient remaining funds from the Kellogg grant to continue work for the next 12 to 18 months, and it is putting in place structures that will support continued implementation and collaboration around its work. For example, the RDC is currently working to transition leadership of network facilitation to New Mexico Community Capital, which is developing a “going forward” plan and is convening weekly conference calls with the regional facilitators. In addition, it is working to sustain its youth entrepreneurship work by creating a partnership between ENLACE, New Mexico Highlands University, and Northern New Mexico College that aims to create and sustain a continuum of youth entrepreneurship education. While no clear leader has yet emerged, staff believes that the partnership building efforts are going well. And if the ongoing advocacy efforts of NMYEN are successful, then there may be state dollars to support the work with youth.

While the above efforts to ensure sustainability are taking root, it is unclear how some of the other direct service delivery that EBS has funded with the Kellogg dollars – the Jump Start work and WESST Corp’s MARKETLINK classes – will continue when those dollars are no longer available.

## Summary

The EBS Initiative started with a largely supply-driven model that focused on bringing service providers together to provide a comprehensive continuum of services. The goal was that entrepreneurs in the region could enter through any partner – or through a locally based community marketing representative – and be referred to the most appropriate services. Although EBS had some success through this approach, particularly in bringing new sources and increased levels of service delivery to the region, it also found some key flaws.

More recently EBS has shifted its model to a more entrepreneur-driven approach called network facilitation. In this model, a locally based facilitator works both to build community-level interest in and support for entrepreneurship, working largely with the local private sector and economic development organizations, and to identify entrepreneurs, assess their needs, and match them with the most appropriate services. This model has achieved some success in Taos (largely separate from the EBS work); EBS is now helping to support replication of that model in two of the region’s three other counties.

As EBS has worked through the process of implementing its initial and its refined model, it has learned the following lessons:

- It is much easier to get entrepreneurship service providers to collaborate around professional development than to get them to cross-refer clients. Institutional imperatives and differing values and missions are some of the factors that impede referrals.
- The youth entrepreneurship agenda has generated strong interest among policy makers. In addition, it is another topic around which service providers can engage jointly.
- EBS used a centralized approach to its youth entrepreneurship work – selecting a single partner to lead this work, a core curriculum to offer to all teachers in the region, and creating additional activities (the summer camp and business plan competition) that for the most part served youth from the entire region. This approach allowed EBS to make more rapid progress than many of the other EDS sites in implementing its youth agenda. However, like many of the other sites, EBS is finding that teachers who are not teaching business classes find it challenging to integrate the curriculum into their work.
- EBS found it exceedingly challenging to implement a common database. This in part may be due to the fact that the database was developed primarily as a tool to enable and track referrals, which as noted above were not forthcoming. In addition, however, the EBS database was secondary to the existing management information systems that were already used by the partners. Most did not see sufficient value in entering data into a redundant system.

- As in most if not all of the other sites, EBS has found that education must precede policy action. They have experienced a good deal of success in policy education, particularly with their role in the Governor's Summit on Economic Development. It is hoped that this groundwork will yield policy success in next year's legislative session.
- Policy advocacy expertise is also important to policy success. EBS has found that its policy efforts have lagged at points as partners with that expertise have had to step back (due to workload issues or staff transition). Currently, EBS has retained a skilled policy consultant whom they believe can be instrumental in next year's efforts with the New Mexico legislature.

## HomeTown Competitiveness, Nebraska

The HomeTown Competitiveness EDS is built on the work of three Nebraskan nonprofits – the Heartland Center for Leadership Development, the RUPRI Center for Rural Entrepreneurship, and the Nebraska Community Foundation -- that have developed a model for comprehensive community economic development. Its essence is a broad and deep community process focused on four pillars – leadership development, youth engagement, charitable asset development, and entrepreneurship – that first, seeks to nurture an attitude of activism within communities, and second, provides an organizing process and set of tools to support economic success. HTC has used the Kellogg program to expand its work into many more rural communities, work with new partners, and deepen its policy involvement.

### Context

HomeTown Competitiveness (HTC) targets rural counties and communities in geographically isolated areas of Nebraska that have defined their most critical indicator of distress as “de-population,” because the loss of young, entrepreneurial, or educated people is eroding every aspect of current and future capacity. Located not in one region but in counties across the state, these communities have lost between 10 and 37 percent of their population over the last 50 years. And their higher rates of seniors and dependent youth (under 18) – between 42 to 50 percent compared to 38 percent across the U.S. – provides evidence that missing are those in the middle, the young working adults that are a community’s lifeblood. Most although not all communities have poverty rates that match or exceed the national average (from 8.1 to 25.6 percent). And as important as the numbers are, more important is the trend driving these numbers -- changes in traditional agriculture and the lack of other industrial options, that are perpetuating the low wages and limited career choices that incentivize young people to seek their fortunes elsewhere. As a consequence, self-employment is strong in rural Nebraska but the majority of businesses are microenterprises, with five or fewer employees. Fewer than one percent can be defined as entrepreneurial growth companies, much lower than the four to five percent found countrywide, further reducing the prospects for greater job creation.

As the leaders of HTC comment, “With out-migration, school closings and business vacancies, there has been a disintegration of social networking within communities, and bridging between communities continues to be underdeveloped. Above all, our target communities struggle to find hope. Whether they are successful, failing, disadvantaged, young or old, social and venture entrepreneurs in our target areas live among people who have lost faith in the future of their communities.”<sup>47</sup>

These communities also are characterized by: a general lack of awareness of available services and public/private resources; low levels of capital literacy, especially among new immigrants; a lack of technical assistance providers to serve remote entrepreneurs; and a lack of entrepreneurship education opportunities for both young people and adults. The culture of traditional rural banking is largely focused on commodity agriculture lending, with limited expertise and interest in other venture financing. The capital picture is made more complex by a shortage of mid-range loans to bridge microenterprise into growth ventures, while many community revolving loan monies lie dormant. And a lack of “bankable deals” is ascribed to the limited capacity of many business owners to develop the necessary business plans.

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<sup>47</sup> HomeTown Competitiveness, 2004 Proposal to the Kellogg Foundation and CFED, 7

## Structure and Strategy

In this context, three experienced Nebraskan nonprofits – the Nebraska Community Foundation, the Heartland Center for Leadership Development, and the RUPRI Center for Rural Entrepreneurship -- began working together in 1999 and 2000 to develop a framework for the comprehensive rural economic development strategy that forms the core of the Kellogg Foundation-funded EDS. Under the EDS, HTC has sought to: expand the number of communities assisted; add resource partners to fill gaps in tools and services; develop a policy agenda focused on increasing resources to entrepreneurs, and entrepreneurial support programs at the community, state and federal levels; and evaluate and document impacts of the HTC strategy.

Specifically, the HTC EDS has focused on the broad range of entrepreneurs in targeted HTC communities, social entrepreneurs (who are expected to lead community change efforts), and youth. And priority attention has been given to increasing educational resources for youth, and offering training, technical assistance and coaching for adult entrepreneurs, and linking them to external capital, and other resources.

HTC is led by an executive committee of the three principal partners, with the executive director of the Heartland Center serving as the lead.<sup>48</sup> A management team incorporating several additional partners, provides advisory support to the HTC team, identifies opportunities for it, advocates for it, and networks on its behalf. Members of the management team include HTC's executive committee, plus resource partners from higher education and the private sector. In addition, other resource partners have participated in research and product development, service provision, and policy work. HTC's partners number 28 organizations, including the community groups with which HTC works. Many of these resource partners have played limited roles, however, and over the course of three years, the HTC core organizations have forged closer relationships with some more so than with others. The listed resource partners include:

- Institutions that offer microenterprise finance and business development services;
- University and state college institutions that helped with 4-H entrepreneurship curriculum development, and lend Extension staff in specific communities to play key HTC roles as community coordinators and coaches, and provide other services;
- The Center for Rural Affairs, which supports policy development and advocacy as well as microenterprise services through its Rural Entrepreneurial Assistance Program (REAP);
- Institutions with specific constituencies that provide entrée and support to target communities, such as the Ho-Chunk Community Development Corporation; and
- Telecommunications companies such as Consolidated Companies and Great Plains Communications that have strong interests in specific local communities.

As the three-year demonstration has come to a close, the HTC core organizations have concentrated their energies on deepening their partnerships with the university and college systems, as these institutions are making staff and other resources available that extend the capacity of HTC. They also have shed much of the coordinating activities that they attempted early in the project. There are no meetings of the resource team and infrequent meetings of the management team. The HTC staff draws upon management team members on an as-needed basis.

At the community level, the HTC structure includes a steering committee, a set of task forces focused on what are called the four pillars of the HTC strategy – leadership, charitable assets, youth and entrepreneurship – and where possible an on-site HTC coordinator and business coach paid for by the communities. The local structure is

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<sup>48</sup> The Center for Rural Affairs was invited into the executive committee under the EDS, but left the committee due to differences in strategy. The Center for Rural Affairs continues to cooperate with the EDS on policy and on service provision through its microenterprise program, the Rural Entrepreneurial Assistance Program (REAP).

supported by an external coach (usually HTC staff or consultant) and other HTC staff who offer technical assistance in their specific areas of focus. HTC's strategy has three phases:

- Phase 1, the assessment phase, focuses on data collection and analysis at the community level that gauges the strengths and weaknesses, and opportunities for transformation that exist with respect to the four pillars. While HTC staff originally implemented the assessment directly through surveys, focus groups, and individual interviews, they are now moving to include community leadership in these tasks. Phase 1 also includes a facilitated reflection with the community on the results of the assessment and on suggested directions for change.
- Phase 2 focuses on implementation of the plan that emerges from the assessment phase. During this period, which is expected to last about three years, the community organizes its steering committee (which oversees the whole process) and task forces (responsible for each of the pillars) and conducts a set of activities related to each. This will involve leadership training courses to nurture new leaders spanning age, gender and ethnicity; youth-initiated activities for community improvement and entrepreneurial development; fund-raising for the local community foundation and grantmaking that supports the overall community revitalization plan; and a business development strategy that aims to sustain and grow entrepreneurial talent through coaching and connections to technical and financial resources. In many instances, a hired community coordinator promotes and facilitates the overall plan, and a business coach works with a portfolio of entrepreneurs, supported and guided by an advisory group. The portfolio approach is designed to assure that time is appropriately dedicated to the combination of emerging, ongoing and growth-oriented businesses that makes the most sense for the community.

During Phase 2, the communities contract with HTC for services: coaching for the community coordinator and business coach, leadership development training, planning, and evaluation assistance. HTC also connects community leaders, coordinators and coaches with external resources from its resource partners list and other sources. As an example, communities have accessed EDGE and REAP for business plan training, and REAP for microfinance. HTC has helped the Valley County business coach develop a roster of contacts for governmental and nonprofit sources that provides a rich resource pool to draw on as needed by individual entrepreneurs. The emphasis of the EDS is on rationalization of service providers "from the bottom up" rather than attempting to rationalize services at the service provider level. The expectation is that an informed community leadership – with defined entrepreneurial development goals – can better select the services needed, and as more communities engage in the HTC process, these demand "signals" will condition and transform service providers. This changed mode of interaction between communities and services will be further strengthened as local groups become more able and willing to pay for services received.

The further expectation is that over the course of this phase, local communities will join with neighbors extending and deepening the HTC process, and strengthening its potential impact with a regional vision and regional resources. In Holt County, for example a process that started in two small communities, Stuart and Atkinson, grew to include O'Neill as that larger community observed the process in the first two. These communities now have a county-wide development authority, and an interlocal agreement comprising nine communities to finance HTC-like activities. Working as a region, these localities are expected to define and develop their own regional competitive advantage which, as one HTC leader commented, will be based less on sectors and more on "the strength of relationships and connection to a place."

- Phase 3 represents a continued implementation by a mature community structure, with more limited and targeted technical assistance services from the HTC team. By Phase 3, a community will be demonstrating "systemic impacts" that can be measured in substantial changes in businesses, jobs, private investment, income and population. Valley County, HTC's earliest community, is the best example of a Phase 3 community.

HTC communities locally finance community coordinators and business coaches (some with the assistance of funds acquired under a state funding program – Building Entrepreneurial Communities – that was developed and funded due to the advocacy of HTC; and others through the mechanism of interlocal agreements that enables communities to join together to raise taxes for joint initiatives). HTC communities also partially cover the costs of HTC team services, with matching funding from the Kellogg EDS grant.

## Accomplishments

Over the course of three years, HTC has demonstrated notable accomplishments.

### *Building the Pipeline*

The youth-oriented work has had a transformative effect on many of the communities as HTC's survey work has demonstrated repeatedly young people's interest both in returning to their rural communities after education and work experience, and in entrepreneurship as a career path. Surveys consistently find that about half say they are interested in returning home, and between 41 and 51 percent say they are interested in owning their own businesses. While the actual return rate to communities has been 2 to 10 percent, an HTC-created tool has demonstrated that, in most cases, the percentage needed to sustain communities' population size ranges from five to 19 percent, something that surprises residents because of its reasonableness. These numbers have become a "call to action" for some counties.

A recent master's degree thesis also has documented how the HTC process of catalyzing latent youth leadership works. Most interestingly, the study notes the importance of having adult leaders making "the ask" of high potential youth to get involved. Other key factors are asking multiple youth to engage, providing the structure of a task force, but allowing participants to create their own agenda, and offering opportunities beyond the task force for participation as well. The results have become manifest in:

- the introduction of entrepreneurship classes in the high school curricula in several communities,
- experiments in group and individual business activities, and
- the implementation of a range of community betterment activities, including physical improvements and advocacy for community centers, and podcasts on local businesses

In addition to its support of youth task forces, HTC funding supported the development of a 4-H curriculum, ESI: Entrepreneurship Education, that has filled a gap in entrepreneurial education materials for young people. Designed for ages 10 to 19, it already has been used by 419 students in 28 community pilots. A third-party evaluation found the curriculum rated 4.5 out of 5 by its student users. Curriculum use is continuing to grow.

HTC's adult pipeline work has supported communities both to increase the number of entrepreneurs and assist entrepreneurs to progress along the pipeline from start-up through growth. Its principal accomplishments have been:

- The establishment of entrepreneurial task forces in each of the HTC communities, each with its own "game plan" for developing entrepreneurial talent,
- The acquisition of financial resources to support this work at the county levels in a number of these communities, and
- The leveraging of business development resources as the communities have sought services – from REAP, EDGE and elsewhere to provide technical and financial support. Specific communities have organized business plan training, business succession workshops, and e-marketing training. Loans have been accessed from REAP and other sources.

In most instances, this work is emergent and quantitative results document numbers trained (87 in three counties

as an example) more than outcomes. However, in Valley County, HTC's first and longest-standing community, the outcomes have been notable and include:

- 73 new businesses
- 10 business expansions
- 21 business transitions
- 332 net new full-time jobs
- More than \$100 million in new private investment
- Retail sales up 20 percent versus 18 percent statewide
- An improving retail pull factor
- Per capita income up 22 percent versus 9 percent statewide
- Population gain 3 percent (first in 70 years)
- Doubling of the commercial real estate valuation, and a
- Three-fold increase in sales tax receipts.

### ***Building a System of Support***

HTC's model has built *local* systems of support for entrepreneurs that did not exist before: entrepreneurial task forces offer a place to develop local strategies that improve the environment for entrepreneurship. Community-based business coaches are also new elements of the system offering strategic assistance and connections to external resources. HTC only expended limited energy attempting to organize service providers at the state level, and abandoned this strategy early in favor of a more demand-driven, organic approach grown from the community level up.

### ***Community and Policy Change***

On the policy side, HTC and its allies have succeeded in winning approval of four key pieces of legislation. The Building Entrepreneurial Communities Act, which has been increased from \$250,000 to \$500,000 a year, makes grants available to local communities for HTC-like activities and "people attraction strategies." The Endow Nebraska legislation provides a tax credit for charitable gifts to endowments. Improvements from its original passage now mean that credits are available up to a \$10,000 maximum in gifts per individual, for up to \$3.5 million in credits yearly, through 2016. This means credits could facilitate the donation of up to \$14 million a year to community foundations for the next eight years. The Nebraska Enterprise Fund (formerly Nebraska Microenterprise Partnership Fund) received an increase in state funding from \$500,000 to \$1 million. And the Microenterprise Tax Credit provides a refundable individual income tax credit for small business owners based on demonstrated growth of their business over a two-year period. Nebraska has had long-standing policy work and experienced advocates with a track record for gaining legislative support. What HTC has added is new proposals for funding that derive from their research and community-level work, and these have been supported by other partners all motivated by the same goals of channeling more resources to rural needs.

With respect to community change, HTC is now in 30 communities, double the number projected in the original proposal to the Kellogg Foundation. While each of these communities is at a different stage of its development, most that have completed the assessment phase have made a commitment to an entrepreneurship agenda, and most have functioning task forces in one or more pillars, each with its own "game plan." More than 200 people are reported trained in leadership development, with these individuals taking positions in the various HTC task forces and other community institutions.

HTC has also helped some individual communities come together to create *locally-driven regional approaches to economic development*. There are several examples of HTC communities that have merged their efforts with neighboring communities to build regional economic development plans with paid staff who can support HTC task force work and business coaching. Four counties are reported to have created interlocal agreements to support economic development activities. Fifteen HTC communities have also garnered Building Entrepreneurial

Community Act (BECA) grants as well, and one has reported a grant from the U.S. Economic Development Administration to support the development of an incubator.

HTC's wealth-building initiatives also have borne results in growing contributions to community endowments, which range from \$10,000 at the low end to more than \$100,000 at the high end in the most recent year. Garden County reports \$1 million in assets; Valley County reports nearly \$7 million in gifts and pledges. Other counties report increasing numbers of community members joining founders' groups making gifts and pledges.

HTC does not have a comprehensive system for documenting the full effects of its interventions in communities. However, it does use a framework developed by the Heartland Center (the "Hierarchy of Community Impacts") for assessing the transformative nature of its work. At level 1, the community engages in activities; at level 2, it generates outputs from these activities; at level 3, it develops commitments by a greater number of residents to community betterment activities; at level 4, it produces outcomes and at level 5, indicators of systemic change are apparent. Using this framework, HTC assessed the counties in which it worked on their entrepreneurial development and found, as of March 2008, that six were at level 1; two at level 2; one at level 3; three somewhere between levels 3 and 4; two between levels 4 and 5, and one at level 5, Valley County which has been working with HTC since 2002 and whose outcomes, listed above, are considered by HTC as evidence of systemic change. Other counties beyond the assessment stage have also documented other types of gains such as the procurement of redevelopment financing for converting an historic hotel into a business incubator (McCook), the development of an integrated development authority with full-time staff (Butler and Holt), the formation of task forces and sustained local entrepreneurial training programs (Mullen and Columbus).

Finally, HTC has also succeeded *in replicating the model into other states*: HTC provided support to Brookfield, Missouri, to develop its HTC strategy, and is developing a support program for statewide HTC initiatives in Indiana and Kansas. RUPRI's Center for Rural Entrepreneurship has offered Energizing Entrepreneurship Institutes to key staff at other EDS sites and elsewhere communicating the key principles of community-based entrepreneurship broadly. The model is providing others with rich examples of how community-centric entrepreneurial development can be promoted, supported and sustained.

## Sustainability

There are at least two aspects to the issue of sustainability in this initiative: 1) how the HTC team and strategy is sustained over time, and 2) how communities sustain their engagement in the work. Both of these are related, since HTC sees its sustainability, in growing measure, dependent upon the capacity of communities to pay for services.

Currently, the core HTC team expects to sustain its work through:

- Other grant sources to cover basic operations and provide matching funds for community work;
- Contracts to support the development of HTC-like work in other states;
- The "off-loading" of some staffing costs to University of Nebraska Extension, which as discussed above, is offering staff support for HTC functions in a number of communities;
- Reducing costs by further shedding formal collaboration activities (meetings, etc.) with resource providers;
- Helping local communities acquire resources to pay for their services: as described above, BECA is one of those mechanisms as is helping local communities develop interlocal agreements that incorporate tax initiatives to fund community work. Also long term, HTC expects local endowments will be a source of funding for this work.

Under the Kellogg grant, HTC has been able to cost-share expenses with local communities for Phase 1 and 2 services, which are estimated at \$15,000 for the assessment phase, and a varying sum for the second phase

depending on which services are requested. Local communities already have demonstrated the willingness to contribute substantially towards these costs, providing half the funding for the first stage, and up to \$50,000 for Phase 2 work. Local communities also have their own expenses – salary, benefits and administrative costs for one to two staff, and other investment funds for specific projects. HTC estimates that communities should be investing 1 percent of the value of their economy, with the expectation that these investments will generate 10 percent or more return every year. In the case of Butler County, the economic development budget has grown from \$30,000 to more than \$100,000, and may reach \$250,000 when city and county initiatives are combined.

## Summary

HTC has developed a model of an entrepreneurship development system that places a transformative community empowerment process at the core of the system. In this model, entrepreneurial development is enhanced as a consequence of changes in community attitudes that give priority to entrepreneurship, and new structures that expand leadership, grow financial assets for community investment, and build a portfolio of businesses keyed to community needs and opportunities. The community process is then linked to external support structures (the HTC team and tools and other resources) through coaches who serve as strategic advisors and connectors to service providers. In addition, the system is designed to grow organically from community to region as local communities seize opportunities to pool resources and talent to spur even greater economic development.

At this stage, the benefits of this strategy are most apparent in HTC's earliest site, Valley County. As described above, most of the other communities are at earlier stages of the change process, and it will be important for HTC to develop a more consistent and detailed methodology to document results as they unfold in each of these new centers of work. In addition, as HTC's local site evaluator noted, the model needs to evolve a less intensive strategy for smaller, lower-capacity communities, and increase its efforts to ensure inclusion of women, people of color and lower-income individuals in communities. HTC has had its greatest successes in eliciting leadership among young people and gaining adult acceptance and support for civic engagement. Women also have taken on new roles, including as community coordinators and business coaches. The challenge is to continue to build on these successes and expand the leadership circles even further. And there is further work to do to get the cost-sharing with communities right.

Nevertheless the promise of the system is clear. HTC's work already has created a set of lessons for others interested in EDS strategies. Again, as their local evaluator noted, this experience demonstrates:

- The importance of a place-based approach that can accommodate uniqueness.
- The importance of a clear entrepreneur-focused theory of change that guides the work of local communities and offers a vehicle for a more rational application of external resources.
- The importance of coaching as a strategy that replaces the expert approach.
- The importance of creating community systems and structures (rather than projects) that establish strategic directions and a plan designed to create systemic change.
- The importance of "nested" learning communities that are built at the community level. Task forces provide opportunities for individuals to participate and learn from their experiences, and these also are shared within the HTC community level steering committee, and across groups.
- The potential of the process to "unleash individuals' passion regarding the place in which they live."
- The need for local champions to drive this, paid staff to support the day-to-day work (at the community and business level) and the value of an active community foundation to generate resources to develop ongoing financial support.<sup>49</sup>

<sup>49</sup> Mary Emery, *HomeTown Competitiveness Evaluation: Year 3 Report* (Ames, Iowa: North Central Regional Center for Rural Development, January 16, 2008), 33-46.

t In addition, the model offers a powerful example of how to organize and elicit youth engagement in community betterment activities, leadership development and the testing of entrepreneurial initiatives. And the policy initiatives that have been passed demonstrate how funding and tax credits can be designed to enable communities to hire staff, to support microenterprise and microentrepreneurs, and build long-term assets. Nebraska may have some unique characteristics in terms of local financing (communities can come together and create “interlocal agreements” that include the levying of small, additional sales taxes to support economic development activities), but this tool has sparked communities to cooperate, and has provided funding for staff that has enabled these local processes to thrive.

## North Carolina Rural Outreach Collaborative

The North Carolina Rural Outreach Collaborative was developed in response to the Kellogg RFP, emerging from a statewide association of business resource providers with the intention of creating an entrepreneurship development system to serve all 85 rural counties in the state. Led by the North Carolina Rural Economic Development Center, the initiative was designed to build on and strengthen pre-existing relationships in order to make a richer, more transparent and more coordinated set of resources available to rural entrepreneurs, as well as gain more supportive policies supporting entrepreneurship development. With the conclusion of the three-year program, the Rural Outreach Collaborative has ended its work, and the EDS agenda is continuing under the leadership of several structures and institutions in the state.

### Context

The North Carolina Rural Outreach Collaborative targeted the 85 rural counties that are home to half the state's eight million people, who are challenged by economic restructuring due to losses in both the traditional manufacturing and agriculture sectors. From 2000 to 2003, more than 60,000 rural North Carolinians were laid off from textile, furniture and other manufacturing jobs. Farm employment also declined, with tobacco receipts reported down by more than half since 1997. In this context, it is not surprising that per capita rural income is \$17,579, only 80 percent of the U.S. average. But this figure masks the sharp differences in income experienced by the rural Hispanic, African American and Native American residents who make up 27 percent of the population, and whose income ranges from \$9,500 to \$11,000. Rural minority poverty rates are 22 to 28 percent versus 10 percent for rural whites. In the 17 eastern counties with high minority populations, the child poverty rate is more than 25 percent.

If entrepreneurship is to serve as an instrument for transformation in this context, the leadership of the Rural Outreach Collaborative noted in the original proposal to Kellogg: "The regions where our most needy families live are not well-served by the state's current EDS. Though North Carolina has a community college within a 30-mile drive for all citizens, the resources and expertise at many of their Small Business Centers need to be expanded to serve local needs. Many rural local governments put very low percentages of their economic development budgets into their community colleges while still developing sites for the chance at a rare manufacturing project. Our nationally regarded Small Business and Technology Development Center has offices on 16 University of North Carolina campuses, but its primary focus is on existing small businesses, not the aspiring or survival entrepreneur. Many minority and low-income citizens are over an hour from the closest university office and are too intimidated to visit there anyway." While North Carolina also has a set of nonprofit service providers that focus on minority and distressed communities, they also are underfinanced. To adequately serve what has been seen as a "the pent-up and growing demand for small business assistance," it has been estimated that an annual \$20 million budget would be required.<sup>50</sup>

More specifically, North Carolina's rural regions have been found to suffer from: insufficient entrepreneurship educational initiatives for youth and adults; inadequate technical assistance for aspiring and survival entrepreneurs; insufficient financial literacy to create bankable businesses and sources of equity capital for growth entrepreneurs; few local support networks for entrepreneurs; and limited understanding of entrepreneurship on the part of rural elected boards and local workers. These findings emerged from research commissioned by the North Carolina Rural Economic Development Center in 2003 and led to the creation of the Business Resource Alliance, a statewide network of business development service providers that organized to consider how they could more

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<sup>50</sup> North Carolina Rural Outreach Collaborative, 2004 proposal to the Kellogg Foundation and CFED, 4-5.

effectively respond to these challenges. It is from this group that the North Carolina Rural Outreach Collaborative emerged to develop a more fully effective EDS for rural North Carolina.

## Structure and Strategy

Given the breadth of the group and the scope of its analysis, the EDS' goals have been to:

- integrate the state's entrepreneurship resources into a more transparent set of options for rural entrepreneurs at various stages,
- create a more supportive state and local policy environment, and
- give rural community leaders who want to nurture homegrown job creation access to training, models and tools that would help them be effective.

In doing this, the EDS emphasized creating new materials and opportunities for youth, new tools to publicize and make adult services more transparent, and greater coordination among service providers for better service delivery and advocacy. The intent also was to promote six regional efforts to create more supportive environments for entrepreneurship, develop local networks of entrepreneurs and/or service providers, and implement regionally appropriate programs.

The EDS was led by the North Carolina Rural Economic Development Center and included 25 members, each of which was represented on the management team, which met quarterly to be updated on progress and consider key issues. These members included organizations from the government sector, university system and nonprofit sector. The two largest business service providers in the state – the state Small Business and Technology Development Centers, based in the university system, and the Small Business Centers, based in the community colleges – were represented in the EDS by their directors and participated at regional levels as well. This engagement was unique among the six EDSs funded under this initiative. Among government members were representatives of the departments of agriculture and commerce; among higher education were representatives of the UNC system; and among nonprofits were leaders such as the Self-Help Credit Union, Good Work, NC REAL and Junior Achievement.

The bulk of members' participation was through work groups, which were organized to study and develop initiatives in entrepreneurship education, capital, policy, minority outreach and technical assistance. Some were stronger than others. Most developed work plans that resulted in the creation of written products directed to entrepreneurs, but also included other initiatives such as implementing an entrepreneurship policy summit, and supporting an expansion of youth entrepreneurship activities. Executives of member organizations also participated on two occasions in an executive policy team that was expected to help advance policy goals, and an entrepreneur advisory team also met periodically to give input to the EDS.

In addition, the state was divided into six regions where it was hoped that community advisory teams would develop and implement entrepreneurship activities in their areas. In fact, while the EDS provided some support to each of these regions, especially in the form of training and some consulting services – directly and through its partner Good Work -- development of entrepreneurship activities was very uneven. Only two regions -- Upper Coastal Plains in the east (led by the Council of Governments), and High Country, a seven-county area in the northwest (led by the Appalachian Rural Development Institute at Appalachian State University) received specific funding from the EDS to implement networking activities, and participated in the EDS quarterly meetings held in Raleigh. Both regions had well-established leadership and less need for state-level technical assistance.

## Accomplishments

More than anything else, the EDS has further developed a "big tent" for entrepreneurship in North Carolina. The program has increased working relationships among the major public and private service providers in the state,

relationships that emerged under the Business Resource Alliance, but which were given a strong boost through engagement in the many projects implemented over the last three years. In addition, the EDS succeeded in developing or encouraging a set of important follow-up activities that will continue to promote some EDS values. These include: the work of the North Carolina Consortium on Entrepreneurship Education, the regional-focused systems development that the North Carolina Rural Economic Development Center will lead; the Rural Venture Fund -- a financing vehicle that is a collaboration between the Rural Center and the SBTDCs; and the biannual policy Summit. More will be said about these below.

### ***Building the Pipeline***

With respect to youth entrepreneurship, the EDS and its members implemented activities that engaged substantial numbers of students and teachers, and developed products with long-lasting usefulness. In particular, the EDS:

- Created Hop on the Bus, a business plan competition for high school students. In the first year, 205 students participated and in the second, 253 students in 130 teams were involved, an increase of 23 percent. Launched by the EDS, this competition likely will be taken over by the Department of Public Instruction.
- Created "Beyond the Lemonade Stand", a guide for communities interested in supporting youth entrepreneurship.
- Provided resources to help Junior Achievement, NC REAL and 4-H expand their work into more rural communities. With respect to this, the local site evaluation reports that: "Over the course of the project, these service providers have expanded the geographic scope and the number of events to raise awareness about entrepreneurship education. In total, the service providers had almost 200 teacher training events, about 1,100 courses for K-12 students reaching over 15,000 participants."<sup>51</sup> While not all of this can be attributed to the EDS, youth entrepreneurship partners reported that the EDS resources enabled them to expand their reach beyond what they would have accomplished before.

Also emerging from the encouragement of the EDS is the North Carolina Consortium on Entrepreneurship Education, a coalition of public and private higher education representatives along with the state's Department of Public Instruction, all interested in learning about, developing or strengthening educational resources for entrepreneurship education. Fairly incipient in its activities, the consortium is now focused on peer exchange and resource sharing. While this can become an important focal point for all the entrepreneurship educational activities underway in the state, and a wedge for greater financial support and attention, it is not yet clear how the consortium will fare. As the EDS has ended and the Rural Center has turned its focus to a specific set of rural initiatives, where the leadership for this effort will come from, or whether it will ever be staffed, is uncertain. The North Carolina EDS leadership believes that it should be drawn from agencies with a statewide service area.

EDS work in expanding the adult pipeline of entrepreneurs had two focuses:

- Given its perception that North Carolina was weakest in resources for emerging entrepreneurs, it promoted the use of networks as the best entrée for newcomers to resources, technical assistance and contacts. It created a guide for entrepreneurs about the value of networks, "*Hello, my business name is ...*" and held six workshops, reaching 140 people around the state on entrepreneurial networks and networking, based on the guide's content. In addition, the EDS implemented Energizing Entrepreneurship workshops in the six target regions, with the aim of providing a framework and tools for community leaders interested in increasing entrepreneurial development in their communities.
- It encouraged the inclusion of entrepreneurs from a broad array of ethnic communities through: training (the EDS developed an appreciative inquiry exercise within the Energizing Entrepreneurship (E2) curriculum to help participants view their diversity as an asset for entrepreneurial development); development of a video, "*In Their Own Words*," (designed to celebrate the minority entrepreneur, educate service providers regarding the

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<sup>51</sup> RTI International, Evaluation of the Entrepreneurship Development System for Rural North Carolina – Final Report (Raleigh, N.C.: RTI International, June 6, 2008), 11.

unique issues that minorities face, and provoke thinking about how they deliver services); and assistance to the North Carolina Indian Economic Development Institute (scholarships for Summit attendance, E2 training, and board participation), which has increased its engagement in asset development and entrepreneurial activities over the course of the program. This work is continuing with Rural Center staff support for an Hispanic entrepreneurs' network that is just re-emerging in eastern North Carolina with hopes to put on a first-ever Latino entrepreneur conference in the future.

The effects of these efforts in spawning more entrepreneurs, and/or more ethnically diverse entrepreneurs, or in linking more emergent entrepreneurs to appropriate resources, cannot be said. While EDS' local site evaluators have some data suggesting that large numbers of emerging entrepreneurs are connecting to services (40 percent in their final entrepreneur survey were seeking assistance in starting a business), and that the service provider structure in North Carolina serves more minority entrepreneurs than found across the general population,<sup>52</sup> the small numbers and lack of solid longitudinal data make this data suggestive rather than definitive.

### ***Building a System of Support***

The EDS goal in this area was to increase the transparency of services to entrepreneurs, and to achieve it, the EDS developed and widely distributed a set of products designed to help entrepreneurs assess their own needs and seek out appropriate services and capital. These products included *Fueling Your Business*, a simple guide to capital access. In addition, the EDS sought to enhance cooperation between the major service providers in the state by helping increase communication among them through the EDS and Business Resource Alliance meetings, and at regional sessions. Over the course of the initiative, the SBTDCs and the SBCs engaged in their first joint professional development training, and the SBCs adopted the management information system used by the SBTDCs to track client services and outcomes. In addition, representatives of both institutions, and other service providers, participated in the regional service provider networks developed in Upper Coastal Plain and the High Country, and in planning emerging initiatives in the northeast and southeast regions. The work toward transparency is continuing with the development of Resource Navigator, an on-line directory of services being tested in two regions, and spearheaded by the Rural Center with the Business Resource Alliance. The Department of Commerce also has expanded the Business Servi-Center (toll-free phone line primarily for start-ups) and the work of the Small Business Ombudsman's office.

Perhaps most importantly, building on EDS collaborations, the state Department of Commerce is preparing to launch in December 2008 a statewide marketing campaign and branding initiative for all of the statewide business service providers. Senior management from the Rural Center, SBTDC, SBC Network, and others has been involved in this initiative throughout 2008.

Through surveys of service providers, entrepreneurs and informed (but external to the EDS) economic development professionals, the local evaluators attempted to track the results of these efforts. Acknowledging that the EDS process was focused on long-term culture change, nevertheless the evaluators sought to document quantitative results that would emerge as signposts of these changes. The scope of the proposed data collection was daunting because it aimed to measure all the service activity of the major institutions across the 85 rural counties quarterly, as well as measure changes in service provider and entrepreneur attitudes annually. Incomplete and inconsistent data collection hampered the effort, but the evaluators reported that the findings did demonstrate that "service providers' awareness of and interaction with EDS member organizations increased," and

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<sup>52</sup> In their final report, the evaluators state: "All three surveys indicated that the client base had a significant minority component as compared to the state's minority population (approximately 7 percent of total state population): almost 17 percent at the baseline, 30 percent at the midpoint, and 12 percent at the time of the final survey." The widely varying numbers have less to do with changes in service provision and more to do with who completed the surveys at each wave. See RTI International's final report, pg. 15

“entrepreneurs’ satisfaction with the EDS increased.”<sup>53</sup> Activity reports also showed that “partners are increasing business-to-business networking, community outreach dissemination, and referrals.”<sup>54</sup> In addition, economic development professional surveys documented that these informed observers also saw progress. Most “felt that the EDS had improved the awareness of available services” and that the quality of services had improved, rating it as “good or adequate.” However, they still rated the “availability of the right service at the right time” the lowest of all, indicating the challenges that still exist in delivering appropriate services.<sup>55</sup>

These reports document an array of efforts – some very deep, some less so – but all of which would contribute to the sense that there is a “system” and that it is more visible to entrepreneurs in at least some communities. While the motto has been “no wrong door,” the work really has been more about illuminating where the doors are, and what decisions and choices an entrepreneur has to think through as s/he seeks the door most appropriate to his/her needs.

### ***Community and Policy Change***

The EDS increased visibility and support for entrepreneurship through:

- An annual summit that convened hundreds of practitioners, policy makers, educational professionals, and entrepreneurs to explore ways to increase entrepreneurial development in the state. These summits also became vehicles to announce new commitments and initiatives on behalf of entrepreneurship statewide.
- The Hop on the Bus business plan competition for high school students. As described above, participation has grown each year, and announcing the award winners at the annual summit has raised public awareness of the event
- Training for community level policy makers: the UNC School of Government and the RUPRI Center for Rural Entrepreneurship delivered workshops in the eastern and western parts of the state for local government officials.

The effects of that increased visibility are found in such initiatives as:

- the embedding of the name entrepreneurship in two committees of the state legislature (the Commerce, Small Business and Entrepreneurship Committee in both houses),
- the formation of a North Carolina Consortium on Entrepreneurship Education bringing the major educational institutions of the state together. Related to this are a set of educational initiatives aimed at increasing the availability of entrepreneurship education to university students, and business extension resources to broader populations (NC State and UNC)
- the creation of the Rural Venture Fund, which has \$6.8 million from the state legislature, the North Carolina Rural Economic Development Center and the Golden Leaf Foundation, designed to target existing businesses with growth potential in economically distressed counties. Investments between \$50,000 and \$350,000 are available, and the first six investments, totaling \$2.1 million, are expected to generate 400 new jobs by 2013.
- A \$600,000 state allocation to support regional EDSs (described below.)

What’s important to note is that the EDS’ efforts in this regard both spurred, and were spurred by, broader trends in an institution-rich state. As the local site evaluators reported, while many unaffiliated economic development professionals gave the EDS credit for making the case for entrepreneurship (45 percent), respondents felt that the

<sup>53</sup> The evaluators reported that “nearly 88 percent of the service provider agents felt that their organization belonged to a local system of service providers to support entrepreneurs, up from 75 percent at the baseline.” Of entrepreneurs surveyed in the last round, 67 percent felt there was an “effective business resource system in place,” up from 50 percent at baseline. In addition, 60 percent thought referrals to other service providers were effective, compared to 50 percent in the first survey. These findings are not longitudinal, however. They are snapshots of differing groups of respondents at each time period. See RTI International’s final report, pgs. 17-18, 23.

<sup>54</sup> RTI International, 7-8.

<sup>55</sup> RTI International, Executive Summary, 3

greatest factor contributing to increased support was the North Carolina economy itself.<sup>56</sup>

With respect to community change, the EDS attempted to launch regional systems in six parts of the state, with varying degrees of success. These will be further supported in follow-up activities that are the legacy of this program in the state.

## Sustainability

The North Carolina Rural Outreach Collaborative has formally ended with the conclusion of the Kellogg grant, but what remains are a number of legacies and follow-on initiatives that will continue under a variety of leadership:

- The NC Entrepreneurship Summit will continue on a bi-annual basis, rotating around the state. A process has been established to continue running this event. A toolkit lays out how to organize the summit; a kitty of money, raised through the last summit, is available to pass onto the next organizer, and a review committee has selected the next host to be UNC-Wilmington and partners in the southeast region of the state.
- The North Carolina Consortium for Entrepreneurship Education, also discussed above, will act as a venue for peer learning and exchange.
- The Business Resource Alliance, which existed before the Kellogg grant, will continue as a statewide venue for networking and advocacy among public and private institutions engaged in entrepreneurial development.
- All the products will remain after the project and will be used by the members of the EDS. They already have been distributed to every Small Business Center and Chamber of Commerce in the state, and feedback is reported to be strongly positive.
- The North Carolina Rural Economic Development Center will continue to focus directly on the rural, as opposed to statewide, agenda through the administration of the Rural Venture Fund, and through implementing the Rural Entrepreneurship Development Systems II project, funded by the Rural Center with \$600,000 from the General Assembly. This is designed as a three-year project to help two regions build on the initial awareness building and organizing work done as a consequence of participation in E2 trainings. As the Rural Center recognized that deep progress at the regional levels requires staffing, technical assistance, and opportunities for peer learning, this program will provide: grants to pay for a regional coordinator on a declining basis for three years; coaching and a “common approach” through the Rural Center and contractors; and support to build regional alliances among the grantees and other interested regions.
- The Rural Center is now engaging rural chambers of commerce in strategic discussions about rural economic and business development. The chambers do not have an active statewide association but are frequent partners with the Rural Center in local initiatives.
- The Rural Center's Institute for Rural Entrepreneurship is partnering with the North Carolina Department of Commerce Division of Workforce Development, the North Carolina Community College System, and NC REAL to implement a \$1.6 million project funded by the Department of Labor's Employment and Training Administration. Project GATE, Growing America Through Entrepreneurship, will help dislocated workers pursue self-employment and entrepreneurship by offering services at eight rural sites and from a statewide virtual site. GATE is a 3-year project started in September 2008.

## Summary

The North Carolina Rural Outreach Collaborative created an EDS model that had at its core a collaborative of largely statewide institutions engaged in business development, using the program to focus their work more intentionally on rural counties. Bringing together leaders in public and private service provision and education, the program unleashed considerable energy to make entrepreneurial development a key strategy for economic

<sup>56</sup>RTI International, Executive Summary, 5

development. The EDS accelerated recognition among many institutions that previous strategies would provide limited promise given current economic conditions, and offered concepts and tools that could support transformation at community levels, and could increase the effectiveness of the current system of services to meet entrepreneurs' needs. It was strongly successful in developing resources to make services more transparent to entrepreneurs, and in getting the largest providers to collaborate in new ways. Its work at regional levels sparked new thinking and new coalitions of leaders, and in a couple of instances supported networks that serve as doors to contacts and services.

But its regional work served more as a launching pad for concepts and initial organizing than sustained and deep work that could translate into documented outcomes in the form of business starts, growth, job creation and other metrics. As an illustration, its own evaluation made no attempt to track such changes, instead focusing on perceptions with respect to service quality and integration. In this respect, the new regional EDS program started by the Rural Center is expected to take the steps required to move from concepts to transformation at the local level, building on what has gone before.<sup>57</sup>

The EDS does offer some real lessons for other practitioners. They include:

- The importance of a well-recognized statewide leader seen as effective and credible to all parties.
- The value of using collaborative task forces not only to produce products, but to develop habits of collaboration that build the trust required for increased coordination at the field level.
- The value of the Energizing Entrepreneurship training program for consciousness-raising and launching new processes at community levels; the North Carolina experience also demonstrates how important it is to have a longer-term technical assistance strategy and resources to convert ideas into both plans and a sustained change agenda.
- Experience developing a strategy dedicated to publicizing available resources, and making them easier to use by a wide range of entrepreneurs. While EDS language has consistently used the term "no wrong door," this EDS' work really has been more about illuminating where the doors are, and what decisions and choices an entrepreneur has to think through as s/he seeks the door most appropriate to his/her needs. The effort is to put the entrepreneurs in the driver's seat, rather than depend on the capacity of service providers to refer and integrate their activities.
- The importance of working both at the leadership levels and the regional levels. Getting the messages down to the front-line workers from the top is insufficient. Effort must be expended to support increased communication among service providers in the regions themselves.
- Recognition that high-visibility activities can grow and sustain momentum for an entrepreneurship agenda.

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<sup>57</sup> The decision not to collect business outcomes data was also due to the EDS' recognition that it did not have the resources to develop a rigorous comparison study to detect what outcomes were directly attributable to the EDS initiative and not the normal operations of its partners. The Rural Center's new Rural EDS II project is still exploring approaches to gathering business outcome data in the two regions assisted by the effort that will be comprehensive, eliminate double-counting, and in some way, reflect the value-add that the new regional efforts stimulate.

## Oweesta (SAGE)<sup>58</sup> Collaborative, Great Plains Reservations

The Oweesta Collaborative Entrepreneurship Development System is a nine-member collaborative that is focused specifically on three Indian reservations in the Great Plains: the Pine Ridge and Cheyenne River reservations in South Dakota, and the Wind River Reservation in Wyoming. Pine Ridge and Cheyenne River, collectively, are home to five of the seven bands of the Lakota (Sioux) nation, while Wind River is home to members of the Eastern Shoshone and Northern Arapahoe tribes.

### Context

The work of the Oweesta Collaborative takes place within the context of extreme and longstanding poverty, and social and economic disenfranchisement that exists on the three reservations. The reservations lack almost all the infrastructure required for enterprise and economic development: basic physical infrastructure, private banking institutions,<sup>59</sup> laws and codes that support private investment, economic development organizations, and government resources. In the latter case, tribal governments do exist, of course, but they were created and historically have functioned largely as a means for distributing government benefits and resources, not to support development. As tribal governments have moved to support enterprise, their approach typically has been to operate tribal businesses, not to create an environment that supports individual private enterprise. Furthermore, the U.S. government's treatment of these tribes – stripping away their land and other resources, providing grants and service to support subsistence which has created a culture of dependency, forbidding the practice of their traditional religion and the use of their language for many years – again has fostered a sense of helplessness and alienation. As a result, the rates of poverty, teenage pregnancy, and teen suicide in several of the counties on these reservations are among the highest in the nation. Further, while the Lakota and other Plains tribes have a strong history of entrepreneurship prior to reservation formation, and although many residents of the reservations engage in informal economic activity to generate income, within the current economic context there is a dearth of formal Native-owned businesses.

These three reservations are among the largest in the United States in terms of land area: Wind River with over 4,200 square miles is the fourth-largest in the country; Cheyenne River and Pine Ridge, each at around 3,500 square miles are the seventh- and eighth-largest respectively. The populations of the reservations are also relatively small; ranging from approximately 28,000 on Pine Ridge to around 9,600 on Cheyenne River.<sup>60</sup> As a result, population densities are quite low; in most cases below 3 people per square mile. Although poverty and unemployment are significant challenges on the reservations, out-migration is not an issue – and in fact, Shannon County, where the Pine Ridge reservation is primarily located, is one of the fastest-growing counties in South Dakota.

### Structure and Strategy

The Oweesta Collaborative model took a very specific approach to supporting entrepreneurship on Native reservations that sought to:

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<sup>58</sup> At the end of the grant period, the Oweesta Collaborative changed its name to the SAGE (Starting and Growing Entrepreneurs) Collaborative.

<sup>59</sup> For example, there are no banks on the Pine Ridge Reservation. A mobile bank visits one afternoon a week; otherwise residents drive 90 miles to Rapid City, or to other border communities, to do their banking.

<sup>60</sup> Population figures for Pine Ridge Reservation from [http://villageearth.org/pages/Projects/Pine\\_Ridge/pineridgeblog/2005/07/hud-accepts-new-census-numbers.html;figures](http://villageearth.org/pages/Projects/Pine_Ridge/pineridgeblog/2005/07/hud-accepts-new-census-numbers.html;figures); for Cheyenne River from <http://www.crchamber.org/commprof.html>.

- Support entrepreneurship through the circle of community, recognizing that entrepreneurs are not separate from the families, communities and cultures in which they live, and that their businesses are integral to the vitality of the larger community.
- Support efforts to create Native community development financial institutions (CDFIs)
- Identify and cultivate a significant number of entrepreneurs who can create quality companies and jobs. This identification and cultivation process involves the provision of long-term, client-centered technical assistance.
- Create and connect multiple organizations and service providers to create a comprehensive, flexible and integrated system for entrepreneurship development.

The goal of this approach was to help build entrepreneurs from the inside out, and economies from the bottom up, not from the top down. This bottom-up, client-centered approach centered around the implementation of the Wawokiye Business Institute model, created by The Lakota Fund, in which business “success” coaches provide long-term technical assistance to Native entrepreneurs.

Around this core model of technical assistance, the Oweesta Collaborative also undertook initiatives to build broader community support for entrepreneurship. Its two major efforts in this area involved convening the first South Dakota Indian Business Conference, which brought together tribal, state and federal elected officials and agency staff to discuss and learn about issues related to Native entrepreneurship, and the creation and continued development of chambers of commerce on the three reservations.

The core model and strategy of the Oweesta Collaborative was built upon the experience of The Lakota Fund (TLF), a Native CDFI on the Pine Ridge Reservation. At 20 years of age, TLF is the oldest Native CDFI in the country. Just prior to the creation of the Oweesta Collaborative, TLF was struggling with a lack of capacity and poor loan performance. Its leadership brought in two nationally known organizations with expertise in Native entrepreneurship: the Oweesta Corporation and Rural Community Innovations (RCI). It was by working through TLF’s challenges and experiences that the Wawokiye Business Model was born. When the Kellogg Foundation EDS RFP was released, these three partners saw an opportunity to create a model for Native-focused entrepreneurship development efforts that they hoped could be replicated on other reservations.

Seeking to test this approach, and to build models and tools that could be used in and adapted to other Native communities, the Oweesta Collaborative incorporated partners with strong capacity and a history of earlier collaboration. In addition to the Oweesta Corporation, Rural Community Innovations and the Lakota Fund, the partners include two other local Native CDFIs (Wind River Development Fund and Four Bands Community Fund), the Pine Ridge Area Chamber of Commerce, Oglala Lakota College (the tribal college on the Pine Ridge Reservation), the First Peoples Fund (which works with Native artists across the Great Plains region), and the Wawokiye Business Institute (a program of TLF that houses its coaching and technical assistance activities). The responsibilities of these partners are as follows:

- Rural Community Innovations: Developed the Wawokiye Business Institute coaching manual and trains new success coaches. Provides administrative reporting and grant management functions. RCI also now houses the newly-created position of Collaborative coordinator and coaches’ coach.
- Oweesta Corporation: A national Native CDFI intermediary that provides expertise to Native CDFIs. Maintained the key communication vehicles for the Collaborative (VPN, Web site, listserv). Played a key role in organizing the South Dakota Indian Business Center.
- The Lakota Fund: Native CDFI providing microlending and matched savings services to residents of Pine Ridge. Home of the Wawokiye Business Institute.
- Four Bands Community Fund: Native CDFI operating on the Cheyenne River reservation. Services include microloans, business training, coaching (based on Wawokiye Business Institute model), matched savings and youth entrepreneurship activities.
- Wind River Development Fund: Native CDFI operating on the Wind River reservation. Services include microloans, coaching (based on Wawokiye Business Institute model),

- Oglala Lakota College: Tribal college located on the Pine Ridge Reservation. Provides training to Native entrepreneurs using the Core Four entrepreneurial curriculum. Is also working to expand the college's involvement in economic and entrepreneurship development.
- Pine Ridge Area Chamber of Commerce: Provides a voice for businesses on the Pine Ridge Reservation. Has provided assistance to other reservations in their efforts to form local chambers of commerce and implement Uniform Commercial and Secured Transactions codes. Also works with Four Bands Community Fund to create and operate the Native Discovery tourism promotion efforts on Pine Ridge, Cheyenne River and Rosebud reservations.
- First Peoples Fund: Works with Native artists across the Great Plains region. Has provided specialized assistance and training to coaches in working with Native artists.

The original structure of the Oweesta Collaborative was very flat and democratic. Initially, there was no formal organizational home, although some members played key administrative and organizational roles. A committee structure was created for work on specific issues; however, this was somewhat ineffective. Recently, although decision-making remains decentralized with the members seeking to achieve consensus on key issues, the Collaborative has added some new roles. There is now a formal coordinator for the Collaborative. In addition, after finding it challenging to find and retain skilled coaches, the Collaborative has added the role of the coaches' coach (both the coordinator and coaches' coach positions are currently filled by a single individual who works for RCI). The Collaborative is also exploring whether to create another new position of youth entrepreneurship coordinator. This individual would be available to support the development and expansion of youth entrepreneurship activities across the three reservations.

At the end of the Kellogg grant period, the Collaborative changed its name to the SAGE (Starting and Growing Entrepreneurs) Collaborative. The goal was to select a name that had meaning and resonance within traditional Native cultures, yet was less specific to a particular organization.

## Accomplishments

### *Building the Pipeline*

Because their reservations include significant numbers of Native Americans who engage in informal business activity, but very few larger, formal Native-owned enterprises, the Oweesta Collaborative's definition of pipeline focused on the process of moving entrepreneurs through the business development process (as well as increasing the pool of potential entrepreneurs). Over the three-year period, its key accomplishments were:

- Implemented the Wawokiye Business Institute success coaching model on all three reservations. Collectively the Collaborative has provided almost 3,500 hours of coaching to 711 Native entrepreneurs. Working with First Peoples Fund, the coaches also have provided long-term technical assistance to 36 experienced artist entrepreneurs.
- Provided training to 1,583 adult entrepreneurs.
- Increased entrepreneurship offerings/activities at Oglala Lakota College, including offering of the Core Four entrepreneurship training course. The college also is looking into creating an American Indian Business Leaders chapter, and is assisting other Collaborative members in their efforts to partner more closely with the tribal colleges on their reservations.
- Four Bands Community Fund has worked with South Dakota State University to develop a youth entrepreneurship toolkit for local teachers. Rather than creating a whole curriculum or class, which teachers often resist, tools have been provided to integrate relevant topics or activities into their teaching. The fund currently is working with four schools, and hopes to expand.
- Four Bands also has developed a summer internship and IDA program for youth.
- While youth entrepreneurship activities on the other reservations have been less formalized, there have been outreach and training activities to youth. In total, the Collaborative provided training to 999 youth.

### ***Building a System of Support***

Due to the dearth of entrepreneurship and economic development services on the reservations, the Oweesta Collaborative's primary focus in building a system of support was on expanding the capacity of existing players. Its key accomplishments were:

- Raised/leveraged \$8.2 million in lending and equity capital for Native enterprises (its goal was to raise \$10 million). Some of this capital went to the Native CDFIs located on the three reservations; some was used to capitalize a new capital fund (the Native American Investment Group) designed to make mid-stage financing available to Native-owned enterprises across the country.
- Created a network that includes 22 professional service providers, 19 capital sources and 36 volunteer business networks.
- Provided ongoing training and skill-building opportunities to the success coaches.
- Strengthened the Pine Ridge Area Chamber of Commerce (expanding its budget and activities), and supporting the continued development of chambers on the other reservations.
- As noted above, strengthened Oglala Lakota College's involvement in entrepreneurship and economic development.
- Strengthened support for arts and tourism entrepreneurs through collaborative efforts among the partners (Native Discovery Web site and other tools; trainings and other collaborative efforts with First Peoples Fund).

### ***Community and Policy Change***

At the core of the Collaborative's work in this area are efforts to create a new understanding and vision of enterprise development on reservations: one that recognizes that entrepreneurship is both feasible and culturally appropriate. The Collaborative achieved the following in support of that desired change:

- Convened the first South Dakota Indian Business Conference, and created the South Dakota Indian Business Alliance.
- Succeeded in passing a Uniform Commercial Code for the Pine Ridge Reservation; work on Wind River reservation to pass a Secured Transactions Code is ongoing.
- The tribal governments on both Pine Ridge and Wind River voted to extend and overlap the terms of tribal council members.
- The state of South Dakota created an Individual Development Account program.
- The Congressional delegations from Wyoming and South Dakota have increased their support for the CDFI Fund and its Native set-aside program.
- Increased contact and collaboration with key state agencies in each state.
- Highlighted success stories of Native entrepreneurs on both the Collaborative's and individual partner's Web sites. This provides the community with clear examples that entrepreneurship can work on the reservation.
- Increased awareness in the community (particularly on the Pine Ridge Reservation), through outreach at powwows and gatherings, systematic stories about programs and client businesses in the regional newspaper, and use of The Lakota Fund's weekly hour on the reservation's local radio station.
- The Lakota Fund developed a slideshow, based on its Wawokiye Business Institute framework, which shows how entrepreneurship is culturally appropriate and imperative, and depicts how entrepreneurship can support the economic sovereignty of the tribe and how asset-building programs can be used to rebuild assets that were stripped from the tribe.

### **Sustainability**

The Oweesta Collaborative and its members remain committed to their joint work in the future. Toward that end, they have raised (and will continue to solicit) funding to support ongoing activities. The extent and depth of collaboration will depend on the level of resources secured. It is likely that some level of peer exchange and support will continue regardless of funding levels. However, the goal of the Collaborative is to have a centralized place that can provide support to the members – in the form of the coaches' coach, ongoing training for success

coaches, maintenance of the mentor network, and establishment of the youth entrepreneurship coordinator. Obviously the existence and depth of those activities will depend on the level of resources that are secured.

The Native CDFIs similarly appear committed to the Wawokiye Business Institute success coaching model, despite challenges in finding and retaining skilled staff to fill the coaching position.<sup>61</sup> The Collaborative is responding to these challenges through several means: increasing the level of training offered to coaches, creating the coaches' coach position, and expanding the tools available through its "coaches toolkit." These supports, of course, will require some ongoing resources.

## Summary

The Oweesta Collaborative is built around a culturally relevant model of long-term technical assistance to Native entrepreneurs. This model is built on the Native CDFIs located on the three reservations, as well as other key partners, including a tribal college, a reservation-based Chamber of Commerce, and three national or regional organizations with expertise in various aspects of Native entrepreneurship. Through this approach, the members of the Collaborative, in fact, are seeking to create market economies – and the institutions and structures that support them – that have never emerged on these reservations, while doing so in a way that supports rather than undermines traditional values and customs.

The model has seen some success, as evidenced by new business starts and growing levels of lending among the Native CDFIs. There have been a number of important policy successes, in terms of changes in tribal laws and the creation of new commercial and secured transactions codes. While there have been some frictions along the way, for the most part the Collaborative members have functioned with a high level of trust and openness, and articulate great value in working together, as they have found ways to leverage and grow their institutional expertise.

At the same time, however, implementation of the model has been challenging. Resources are always scarce on reservations, due to their extreme poverty. And the absence of a market economy has meant that business expertise is hard to find and maintain. Furthermore, as the work has progressed new issues and challenges – such as the importance of financial literacy – have emerged; these in turn demand a response which requires additional resources. As such, while the partners remain committed to working together, they must continue to seek external resources needed to support additional capacity within the Collaborative.

The key strengths and lessons learned from the Oweesta Collaborative experience are as follows:

- The Collaborative was able to achieve significant progress because of the strong experience and capacity of partner organizations, which included national Native support organizations. From the beginning, the strategy was not simply to include any organization with the capacity to affect entrepreneurship on the reservations, but rather those deemed to have strong capacity and to share a set of core values. The relatively small number of partners and their previous history of collaboration also supported progress
- A single focus on Native entrepreneurs allows for a targeted and culturally appropriate approach that focused specifically on the issues and needs facing those on the reservation. The partners believe strongly that collaborative efforts that seek to include Native and non-Native communities often get bogged down as Native-focused organizations seek to explain the very different realities, circumstances and needs of their communities.

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<sup>61</sup> This has been the case on two of the reservations. Four Bands Community Fund has had stability in its coaching staff throughout the course of the demonstration project.

- The Wawokiye Business Institute methodology for coaching and technical assistance has provided a methodology for engaging and assisting entrepreneurs that builds on traditional values and culture. It appears to be showing some progress in moving entrepreneurs to higher levels of business success. However, two of the partners have found it challenging to implement the model because of the skill sets required by coaches. The central supports for coaches that the Collaborative is now developing (the coaches' coach; ongoing training for coaches) will likely be important to the long-term feasibility and success of the model.
- Clear numeric goals for the Collaborative helped to set the stage for clear work plans, and helped the partners and the Collaborative as a whole measure and demonstrate progress.
- As other collaboratives have found, creating policy and community change requires changing attitudes about the feasibility and promise of entrepreneurship. The Collaborative has engaged in a range of activities to promote and share its vision of entrepreneurship.
- One of the clear lessons of the Collaborative's engagement with youth (and adults) has been the importance of reaching youth with financial literacy programs. In exploring with youth their goals and aspirations, Collaborative members found that typically students – and their parents – lacked knowledge and experience in how to save (for college, for a business, for a house), and how to manage their money to ensure future credit worthiness. The members now believe that financial literacy must be a key part of their work going forward; the hoped-for youth entrepreneurship coordinator is envisioned to support that work.
- The partners in the Collaborative noted that they found great value in collaborating with individuals from like institutions in different geographic regions. For example, they found a much different dynamic in partnering with other Native CDFIs, than in trying to partner with banks that might be active in their own region. Some of that value came in joint service delivery and capacity-building efforts (e.g., training and support for the success coaches and the Native Discovery work), and some came from the value of peer exchange (sharing lessons around the creation of a chamber of commerce, and issues around Uniform Commercial and Secured Transactions codes).

# Appendix: Kellogg EDS National Research Design

## Introduction

The W.K. Kellogg Foundation commissioned the Aspen Institute's FIELD program to undertake a national study of the Kellogg Entrepreneurship Development Systems Demonstration. The demonstration was implemented in six sites across the United States. Each site was evaluated by a local evaluator contracted by the EDS site management. In addition, data was collected by the EDS sites for their own management purposes, and CFED, providing management services to the Kellogg Foundation, also collected a range of qualitative data on the programs. The research design for the national study was based upon extensive review of the documentation available at the start of the contract, the design of the local evaluations, conversations with the local evaluators and with CFED, and consideration of where the sites were in the process of implementing their EDS efforts. Within this context, the national research was designed with the following principles in mind:

- The design must address the most critical questions that the funder, the Kellogg Foundation, wants to address. At the same time, the design must be practical and recognize that for some questions, only partial answers or findings that are suggestive rather than definitive might be available.
- The research should recognize the exploratory nature of the initiatives. The work of the local evaluators is formative. While the national study should lead to some summative findings regarding the demonstration, the nature of these findings will reflect the fact that development of the theory and practice of EDS is an evolving body of work. The intent should be to uncover and deepen learning about EDSs across an array of contexts. Given this, for many of the critical questions, the answers will be qualitative rather than quantitative, and the tools will need to be designed to capture extensive, qualitative information.
- The design should recognize that because the national research started after site-level implementation and research had begun, it would not be possible to unify data points, data definitions, methods and periods of data collection across the sites. At the point that the national study was launched, individual sites had invested too much in developing data collection and management information systems to request revisions. As such, it was decided that data would be used in an illustrative way.
- The research tools needed to accommodate the information-gathering opportunities presented by the existing work plans of the sites and their evaluators. In this respect, Aspen/FIELD staff would seek to coordinate site visits with activities occurring in the sites, such as planned visits of the local evaluators or Collaborative meetings.

These principles guided the plans for the research as indicated below:

## Component 1: Entrepreneur Level Issues

The Kellogg Foundation originally requested that FIELD address the following questions:

- To what extent has the pipeline of aspiring entrepreneurs seeking services increased?
- To what extent has the number of entrepreneurs increased?
- What outcomes do assisted entrepreneurs (participants) experience?
- What changes do assisted entrepreneurs (any participant, including youth) express with respect to their attitudes about and capacity for entrepreneurship?

### *Reflection on the Questions*

These questions asked for both quantitative and qualitative information, and sought to understand how the EDS collaboratives developed a strategy that first, drew in new people to explore entrepreneurship – both young people and adults – and second, led to an increased number of entrepreneurs in the targeted regions. In addition, the

questions sought to understand the changes that assisted entrepreneurs experienced after receiving program services. These changes would include changes in business outcomes, such as increases in revenues and employment, as well as more personal changes with respect to individual attitudes toward entrepreneurship, toward their own capacity to succeed as entrepreneurs, and with respect to skills.

One of the challenges in addressing these questions was that there was no uniform baseline across the EDS sites, so answering even the simple question – has the number of assisted entrepreneurs increased – was not possible. Some sites did not have a common database of clients. Other sites had developed a common database, but selective criteria or experiences affected which entrepreneurs were entered into it. Not everyone served was registered. Finally, there were differences with respect to how sites defined and used the word entrepreneur (with some using it to mean anyone in business, and at least one using it to mean only those business owners or aspiring owners with growth goals).

Given this context, the national research focused on:

- Understanding the different approaches to building a “pipeline” that the individual EDS’ had taken, and the lessons that could be documented with respect to developing and nurturing interest in and exploration of entrepreneurial careers.
- Capturing a range of supporting data illustrative of the types of activities and results that a more robust pipeline may result in (youth entrepreneurship activities and courses, academic and non-academic classes, recruitment and marketing activities, an increase in the number of participants served), and on the characteristics of individuals receiving services, particularly with respect to gender, ethnicity and income as markers of disadvantage, as possible.
- Collecting other evidence of increases in the number of entrepreneurs as reported by the EDS sites. In most instances, this was data that reported the number of entrepreneurs assisted by the EDS partners.
- Exploring the outcomes (business, attitudinal, capacity) experienced by participants receiving services from EDS partners by compiling the evidence each site was documenting, and further probing these questions through a small number of focus group interviews. In some instances, this data was to be based on regular monitoring and tracking of outcomes in the EDS’ databases; in others, it was expected to be illustrative rather than representative.

### ***Research Tools and Methods***

To capture this information, FIELD engaged in the following activities:

- ***Quantitative data aggregation and analysis:*** FIELD requested and reviewed quantitative data related to the key areas outlined above, based on the data systems that had been constructed by the individual sites.
- ***Document review:*** FIELD reviewed sample materials related to marketing and recruitment, as well as curricula, that described how the “pipeline” functioned and illustrated the training approaches that the partners took to encourage the exploration of entrepreneurship, as well as to teach skills.
- ***Qualitative interviews:*** FIELD conducted interviews with the EDS coordinator and selected partners engaged in youth entrepreneurship, and in building the adult pipeline.
- ***Focus group interviews:*** FIELD conducted focus groups with selected entrepreneurs to capture their perceptions of the outcomes experienced.

## **Component 2: Entrepreneurship Development Systems**

In this area, FIELD was asked to address the following questions:

- What are the core functions, components and drivers of a successful EDS?
- What are the key lessons with respect to developing and maintaining a successful EDS?

### ***Reflection on the Questions***

These questions implied that during the three-year period of the Kellogg grants it would be possible to see success, identify which EDS sites were more successful, and detect the factors that had made them so. As outlined above, it was clear at the onset of the research that the lack of common baseline and comparative data made that challenging. In addition and more importantly, the research team recognized that Entrepreneurship Development Systems represented an emerging strategy in rural development. Three years would be a relatively short time to develop and achieve documented changes in the areas described as the expected long-term outcomes of these initiatives, namely:

- increased numbers of successful entrepreneurs,
- sustainable, systemic improvements in the quality and coordination of services for the full array of entrepreneurs,
- greater civic support and a favorable policy environment for entrepreneurship,
- poverty reduction and greater economic progress.

Rather, the FIELD team saw the demonstration as providing an opportunity to test and work out the EDS theory in a set of concrete and different contexts, and to understand how they evolved, what appeared to work, and what seemed to be the preliminary results of these efforts.

Thus, the national study was best understood as a cross-site learning assessment, rather than an evaluation of impact or success. With this in mind, the research design could contribute most by:

- Developing a comparative understanding of what the EDS initiatives actually “looked like” in practice, and how they compared in terms of functions and components to the original conception of an EDS.
- Exploring the factors that contributed to differences among the EDS sites (context, vision, leadership, prior experience, economic policy, etc.).
- Documenting the process that led to the development of the EDS collaboratives and the results that they had produced to date.
- Detecting lessons emerging from this experiences that would help others interested in supporting rural entrepreneurship.
- Determining which characteristics or “drivers” appeared to support an EDS’ positive functioning and results. (This may include leadership, the management and decision-making structure, the skills of the partners, the budget choices made, the size of the collaborative, the scale of the area being covered, the strategic decisions made, etc.)
- Documenting the approach that each EDS took to building a sustainable system, and the type and levels of support that the systems generated from policy makers and other funders.

### ***Research Tools and Methods***

To capture this information, FIELD focused on the following:

- ***Document review.*** FIELD reviewed EDS reports and those of the local site evaluators that describe and discuss the formation, evolution, challenges and progress of the initiatives.
- ***Observation.*** FIELD participated opportunistically in meetings of the EDS partners at select sites. We also participated in Kellogg-sponsored meetings of all the EDS sites to capture findings and lessons emerging from those discussions.
- ***Qualitative interviews.*** FIELD conducted interviews with the EDS coordinator and selected partners to capture their understanding of their “theory of change” and how the EDS has evolved in practice to achieve its goals.
- ***Focus group interviews.*** FIELD designed and led discussion sessions at two Kellogg-sponsored convenings to elicit the site partners’ reactions to draft findings regarding the evolution and development of the collaboratives, as well as their reflections on some key themes related to this and the other two components of the evaluation.

## Component 3: Community and Policy Level Issues

FIELD was originally asked to address the question:

- To what extent did the EDS initiatives contribute to poverty reduction, economic progress and policy change in the six target regions?

### *Reflection on the Question*

This question was very broad, seeking to explore and document links between the work of the EDS and three substantial areas of potential impact. Poverty reduction implied looking at the household income status of program clients, and potentially at that of whole communities to assess change. Economic progress implied understanding not only entrepreneurial development but also its consequences in terms of job creation, greater regional production, and other measures. It also can imply trying to capture changes in the attitudes of local communities toward entrepreneurship and its role in promoting economic progress. Policy change implied looking at an array of initiatives from the local to, in some instances, federal level aiming to support a pro-entrepreneur agenda, and may include policies that support entrepreneurial development, facilitate business, and provide resources to entrepreneurial support organizations.

Based on the review of program documentation and discussions with local site evaluators, the national study research focused on two areas:

- Documenting the EDS initiatives and their ability to effect policy change. Policy development had heightened importance in each of the EDS sites, and was the focus of much activity where results might be observed. The research attempted to document the defined policy targets and how they varied from site to site; the selected policy strategies and the extent to which they were perceived to be successful; and the breadth of participation in pushing the policy agenda, and in particular, how entrepreneurs were engaged in policy development and advocacy.
- Capturing changed perceptions toward entrepreneurship at the community level. This was a secondary focus and the level and nature of exploration varied from site to site, depending on both the emphases that the initiatives placed on concentrating resources in specific communities, and on the local site evaluation designs themselves. (Some sites placed more research focus on this than others.) Areas that were explored include the local leaders' awareness of EDS activities and resources, their assessment of these efforts, and their overall attitudes toward and knowledge of entrepreneurial activity in their communities.

The assumption was that changes in policy, and in community attitudes and support, were pre-conditions for more substantive changes in poverty reduction and economic progress that would follow.

### *Research Tools and Methods*

To capture this information, FIELD engaged in the following:

*To document the policy work:*

- **Document review:** FIELD reviewed EDS documents that summarized policy targets and strategies, and reported on progress, as well as reviewed reports of the local evaluators that addressed these issues. FIELD also reviewed marketing/promotional or advocacy materials that the sites developed to support their efforts at awareness building, education and policy change.
- **Qualitative interviews:** FIELD interviewed the EDS coordinator and key partners engaged in advocacy. FIELD also interviewed selected EDS-targeted policy makers to understand their perspective on entrepreneurship.
- **Focus group interviews:** As part of focus group interviews with selected entrepreneurs, FIELD sought to understand their awareness of and participation in any policy development and advocacy work, where this may have been relevant.

*To document the community work:*

- **Document review:** FIELD reviewed local evaluator reports on their observations of community effects. In some instances, this was a significant component of the local evaluators' work and in others less so.
- **Qualitative interviews:** FIELD interviewed the EDS coordinator to capture the initiative's perspective on its community strategy and the results expected during the grant period. FIELD also interviewed other partners engaged in community-level work and selected community leaders.

Finally, in addition to these specific research strategies, FIELD also exchanged findings and perspectives periodically with the local site evaluators. The aim was to build on their work, in the belief that the most solid learning emerges from strong analysis that builds on a shared review of findings.



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