

Entrepreneurial Community of the Month

South Wood County/Heart of Wisconsin

Location:	central Wisconsin
Population:	approximately 75,000
Featured Organizations:	Community Foundation of South Wood County Heart of Wisconsin Business and Economic Alliance

Life after Globalization: Rural Region Counters Downturns with Entrepreneurship and Community Development

In 1894, prominent citizens who owned water rights along the Wisconsin River in central Wisconsin combined their resources to create a water power company. In 1904, they started making paper. Named Consolidated Papers, Inc., in 1962, the company grew to become the largest producer of coated fine papers and supercalendered printing papers in North America.

Citizens of the area, known as the “Heart of Wisconsin,” relied on their locally grown big business to sustain them for more than 100 years. Then, in 2000, everything changed. The multinational corporation Stora Enso bought Consolidated Papers, ushering in a new era for this region of rural Wisconsin.

“What had been a local company, supporting well-paying jobs with a community orientation, shifted to foreign ownership,” said Connie Loden, executive director of the Heart of Wisconsin Business and Economic Alliance. “It was a very substantial change.”

Downsizing after the paper company sale resulted in the loss of 5,200 jobs throughout the community since the year 2000 – this in a rural area with total employment of nearly 12,000 represents a 40 percent reduction in employment.

“The presence of Consolidated Papers created a significant amount of benevolence – particularly on the part of the founding family. However, the presence also created a paternal culture, one of a strong sense of entitlement to good jobs and a healthy community,” said Kelly Lucas, President and CEO of the Community Foundation of South Wood County. “When the business was sold, it was a major culture shock.”

But the Community Foundation and Heart of Wisconsin, partnering with many local leaders and organizations, saw the economic blow as a call to action. They set their sights on entrepreneurship, cultivating local leaders and creative community economic development strategies to prove that rural communities can survive and thrive.

Paper Company Sale Spurs Community Action

This area of Wisconsin includes the cities of Wisconsin Rapids, Nekoosa and Pittsville, as well as a number of other small villages and townships. Total population in 2000 was about 75,000, with town populations ranging from 900 in the Village of Biron to about 18,000 in Wisconsin Rapids. Average income in Wood County was about \$42,000 in the year 2000. Major employers still, by far, are Stora Enso and another paper company, Domtar Industries.

A Fortune 500 company, Consolidated Papers was a pillar in central Wisconsin before being bought by Stora Enso for \$4.9 billion.

Owners of Consolidated Papers were respected philanthropists. And, as Loden said, local residents were secure in knowing they could step right out of high school into a well-paying job at the local paper mill. Paper company executives served in leadership positions for many of the local organizations and civic groups. And new businesses and ideas were not always welcome, since the paper company was leery of sharing their workforce. Communities were in good health. (Demographics Daily, a newsletter that focuses on demographics and economic statistics, designated 141 U.S. communities as "Dream Towns". Wisconsin Rapids was one of them.) But they lacked self-reliance.

"There was a feeling of not only entitlement and dependency," Loden said. "But also there was not a lot of business diversity promoted."

With the void left by Consolidated Papers' sale, several organizations stepped up to fill the leadership vacuum and introduce new ideas that included entrepreneurship and community development.

An alliance between the area chamber of commerce and the economic development agencies, the Heart of Wisconsin Business and Economic Development Alliance formed in 2002. New as director at the time, Connie Loden had two goals in mind: getting the organization in a strong position after the merger and strategic planning to improve community participation.

Another key player is the Community Foundation of South Wood County. Foundation President and CEO Kelly Lucas said the sale of Consolidated Papers brought her organization front and center of a movement to change community culture.

"For us, the sale was a call to action and to assuming a role in the community that was unlike anything we had done previously," she said. "We had been doing asset development and grant-making, but we had not done leadership development."

Loden coordinated a community development forum, attended by Lucas and other business leaders in the area, featuring prominent speakers and looking at the intersection of community and economic development.

Together, the Foundation and Heart of Wisconsin embarked on a bold program to create vibrant communities and prosperous local economics. The Community Progress Initiative started in April 2004 to create a more vibrant, entrepreneurial business culture, foster civic leadership, and encourage residents to get more involved in civic affairs.

Communities Rally and Diversify Development Options

"The message in creating the Progress Initiative was that we really do have responsibility to drive the change after the sale of the paper company," Loden said. "We really needed to step up as leaders in the community."

Even leaders outside of the community stepped up. Gilbert and Jaylee Mead, residents of Washington, D.C., and Ruth and Hartley Barker, residents of Scottsdale, Ariz., returned in 2000 to attend an annual meeting of Consolidated Papers, the company founded by Gilbert and Ruth's grandfather in 1894. Subsequently, the two couples established the Barker Mead Fund which contributed an initial \$3 million to increase the capacity of the Community Foundation and support community development through the Progress Initiative.

With the influence and assistance of Australian David Beurle's innovative leadership program for rural communities, Heart of Wisconsin Alliance joined forces with the Community Foundation to develop the Community Progress Initiative. The Progress Initiative kicked off with community rallies, visioning sessions and an integrated, comprehensive suite of programming

designed to address the whole of the community and shift the culture from dependency and depression to positive self-reliance and entrepreneurship, leading to economic prosperity.

“We let everyone know that this was something every man, woman and child could get involved in,” Loden said. “The timing was right, and people were ready and just needed guidance.”

Guidance came in the form of two tracks of programming: one to help create more of an entrepreneurial culture and the other to help build positive communities.

Entrepreneurial boot camps served to provide better technological support to local and aspiring business leaders. The boot camp gives participants the opportunity to gain knowledge on all aspects of starting or expanding a business. Local business owners and professional service providers share their experiences with the entrepreneurs and build a support network to make the businesses successful. The participants are able to present their business idea to a panel of experts that evaluates the feasibility of the business and outlines the next steps.

Loden said 113 people have gone through the classes and nearly half of them started or expanded their business.

The Progress Initiative also includes a speaker series, study tours to look at new ideas in other communities and local Progress Teams. The primary role of Progress Teams is to promote their community's vision by collaborating with key community groups, officials and leaders and to give all residents a chance to get involved in community improvement projects and issues.

For example, the Pittsville Progress Team, led by a local fire fighter, focuses on educating their community about local businesses and organization to help entrepreneurs. They've also created a community resource guide for community members, visitors, potential residents and new business interests.

In addition to Progress Teams, the Progress Initiative features seven Industry Clusters to identify opportunities, find ways to remove impediments to growth, and work together to help strengthen its industry and community. Clusters are formed around arts and heritage, the cranberry industry, downtown revitalization, new technology, small businesses, manufacturing, tourism and workforce training and education.

The technology cluster created a concept called the Ideas Incubator, a tool used to match entrepreneurs and investors to build the Heart of Wisconsin area.

The Community Foundation has also created seven community endowment funds to support development opportunities as identified by residents. Each area has a volunteer Progress Fund Committee, comprised of local citizens serving three-year terms. The committee members are responsible for fundraising and making grants to improve their own community.

In January 2007, the Progress Initiative was awarded a second grant from the Ford Foundation to continue plowing new ground in community development. The first grant was received in 2006, and total support from Ford thus far is \$740,000.

“There's a sense in our communities that people want to be a part of making the change, Loden said. “We have community leaders standing up to give reports at boards or council meetings, and often they make reference to the Community Progress Initiative. This is something people are proud of and want to be associated with.”

Transfer of Wealth Analysis added to Development Toolbox

In 2000, the year of the paper company sale, the Community Foundation received \$9 million in gifts, largely due to local investors interested in charitable giving and tax breaks from stock sales.

Area leaders were engaging in anecdotal conversations about wealth retention and its impact on the future growth of the region. Lucas saw value in quantifying the wealth transfer opportunity for the region, thereby elevating the topic to a community-wide conversation.

In 2005 the Foundation commissioned the Center for Rural Entrepreneurship to complete a Transfer of Wealth analysis for the Heart of Wisconsin area. Don Macke, a director at the Center, based the analysis on a national wealth transfer study done at Boston College. That nationally noted report projected that a wealth transfer of at least \$41 trillion will take place in the United States by the year 2052.

In the Wisconsin report, Macke found that during the next 50 years, South Wood County will experience between \$6.5 and \$7.5 billion in intergenerational wealth transfer. On average, Macke reported that each year South Wood County will see \$140 million transferring from the current generation to the next.

Perhaps most significantly, the peak transfer of wealth in South Wood County is happening now. Wood County has dividend, interest and rent (DIR) income that is significantly higher than both the U.S. and Wisconsin averages. Part of this is explained by Wood County's older population – the number of households with members age 65 and older exceeds the U.S. average by 25 percent. But the sale of Consolidated Papers may also explain the higher DIR numbers.

“In 2000, with the sale of CPI to Stora Enso, \$4.4 billion was exchanged, \$2.2 billion was transferred in cash and \$2.2 billion was transferred in stock,” Macke's report states.

No one really knows how much of the sale value remained local -- some estimates suggest that possibly one-third or \$1.5 billion of the sale. This unique event could explain the higher DIR numbers and present a significant opportunity to the community with regard to endowment creation.

The report projected that if 5 five percent of the wealth being transferred over the next decade were pledged to community-based endowments, a cumulative endowment of \$77 million could be created. At this rate, South Wood County's communities would have approximately \$3 million annually in grants for betterment projects.

The Transfer of Wealth analysis information is used to promote philanthropy, build endowments and expand civic engagement in Wisconsin.

“What the research has done is given us a tool to initiate conversations within our communities,” Lucas said.

Lucas added that the challenge of the report is to make it accessible to the broader community. Sharing the information with professional advisors and nonprofit organizations is different than getting the average citizen to understand the potential impact of intergenerational wealth transfer.

Self-reliance key to change of culture

For 100 years, many residents in central Wisconsin relied on large companies for most of their livelihoods. After the sale of Consolidated Papers, citizens have a better appreciation for independence and creative thinking, thanks in large part to the efforts of the Community Foundation and Heart of Wisconsin.

Citizens learned that leadership can be more important than a large amount of money. Communities have taken ownership of their own futures, rather than watch their rural area fall to ruin. In the process of self-starting their development, community members have forged lasting relationships and new networks facilitating collaboration across traditional boundaries.

A part of the Community Progress Initiative, the Barker Mead Fund issued a fund-raising challenge to seven communities in 2006. If the community could raise \$20,000 for endowment by the end of the year, the families would match that sum.

Six communities met the target, largely through grassroots fund-raising.

Vesper, population 540, used a letter-writing campaign, a plant sale, rummage sales, and an outdoor party. A steak dinner on New Year's Eve — volunteer firefighters grilled outside in the frosty Wisconsin night — finally put Vesper over the \$20,000 mark.

In Nekoosa, community leaders took on a community wide challenge for each household to contribute \$10.

“This small amount of money really prompted a high level of civic engagement,” Lucas said. “It’s become about far more than the money.”

*-By Lisa Bauer, April 2007
Center for Rural Entrepreneurship*

For more information on...

- ... the Center for Rural Entrepreneurship, go to www.energizingentrepreneurs.org
- ... the Heart of Wisconsin Business and Economic Alliance, go to www.heartofwi.com
- ... the Community Foundation of South Wood County, go to www.cfswc.org
- ... the Community Progress Initiative, go to www.progressinitiative.com
- ... Innovative Leadership Australia (led by David Beurle), go to www.ila.net.au
- ... the Boston College Wealth Transfer Report, go to www.bc.edu/research/swri/features/wealth