

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 Foundation⁴², West Virginia is last in its overall state rankings. (Among the specific indicators in that report, West Virginia ranked 50th in "gazelle" jobs, and 49th 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

⁴² 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."⁴³

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

⁴³ 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 naive 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 21st 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[®] 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[®], 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[®], 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[®] 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 21st 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.