

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*.¹ 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.² 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.

¹ 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.

² 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.