

# 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.

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<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 of 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 placed 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.