

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

# Defining Entrepreneurship Development Systems

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

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

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

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

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

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

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

---

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

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

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

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

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

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

---

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

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

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

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

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

## The Six Entrepreneurship Development Systems

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

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

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

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

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

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

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

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

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

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

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

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

---

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

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

**TABLE I: EDS STRUCTURE**

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

**TABLE I: EDS STRUCTURE-Continued**

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

## EDS Accomplishments

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

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

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

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

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

### Illustrative Accomplishments:

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

### Illustrative Accomplishments:

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

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

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

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

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

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

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

<sup>9</sup> The Energizing Entrepreneurs (E<sup>2</sup>) curriculum is a product of the RUPRI Center for Rural Entrepreneurship. See:

<http://www.energizingentrepreneurs.org/content/cr.php?id=8&sel=1>

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

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

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

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

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

### Illustrative Accomplishments:

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

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

### Illustrative Accomplishments:

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

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

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

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

Policy achievements have included:

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

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

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

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

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

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

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

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

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

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

### Lessons On Structure and Strategy

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

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

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

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

### Practices of Promise – Constructing an EDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

---

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

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

One EDS leader summed up the challenges well:

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

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

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

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

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

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

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

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

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

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

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

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

## Practices of Promise— Collaboration

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

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

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

## Lessons Regarding Collaboration

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

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

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

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

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

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

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

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

### Useful Tools Developed by EDS Sites

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

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

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

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

## Creating and Nurturing the Pipeline of Entrepreneurs

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

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

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

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

### Creating and Nurturing the Youth Pipeline

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

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

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

### Practices of Promise – Youth Entrepreneurship

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

### Useful Tools Developed by EDS Sites

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

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

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

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

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

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

---

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

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

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

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

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

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

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

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

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

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

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

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

---

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

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

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

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

### Creating and Nurturing the Adult Pipeline

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

## Practices of Promise – Building the Adult Pipeline

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

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

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

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

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

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

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

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

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

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

Evidence on the success of these strategies is fairly limited:

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

What lessons and practices do these experiences offer others?

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

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

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

### Useful Tools Developed by EDS Sites

OCEDS:

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

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

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

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

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

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

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

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

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

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

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

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

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

---

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

---

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

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

**TABLE II: YOUTH PIPELINE ACTIVITIES**

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

**TABLE II: YOUTH PIPELINE ACTIVITIES Continued**

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

**TABLE III: ADULT PIPELINE STRATEGIES**

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

**TABLE III: ADULT PIPELINE STRATEGIES Continued**

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

## Building a System of Financial and Technical Support

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

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

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

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

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

### Creating, Extending and Coordinating Supply

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

---

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

---

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

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

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

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

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

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

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

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

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

**Useful Tools Developed by EDS Sites**

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

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

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

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

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

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

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

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

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

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

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

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

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

### Quality of Service Delivery

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

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

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

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

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

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

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

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

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

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

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

EBS: EBS Common intake form:

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

EBS Values and Behaviors:

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

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

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

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

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

---

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

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

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

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

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

## Fostering a Supportive Policy and Community Environment

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

### Creating Policy Change

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

Their policy strategies fall into three broad categories:

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

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

### Practices of Promise – Creating Policy Change

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

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

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

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

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

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

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

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

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

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

## Useful Tools Developed by EDS Sites

*Blueprint For Entrepreneurship: Entrepreneurship as a Strategy for Economic Development and Community Renewal in West Virginia*, DRAFT, Vision Shared Committee on Entrepreneurship:  
[http://www.visionshared.com/pdfs/whitepapers/WV\\_Blueprint\\_for\\_Entrepreneurship\\_DRAFT.pdf](http://www.visionshared.com/pdfs/whitepapers/WV_Blueprint_for_Entrepreneurship_DRAFT.pdf)  
 EBS Memorial Legislation:  
<http://www.bizport.org/LinkClick.aspx?fileticket=xzhxol589PY%3d&tabid=95&mid=590>  
 Nebraska, Small Business Rural Microenterprise Tax Credit:  
[http://www.cfed.org/imageManager/EDS/NE\\_small\\_business\\_tax\\_credit\\_bill\\_INTRO\\_LB309.pdf](http://www.cfed.org/imageManager/EDS/NE_small_business_tax_credit_bill_INTRO_LB309.pdf)  
 Nebraska Microenterprise Development Act:  
[http://www.cfed.org/imageManager/EDS/NebMicroDevelopment\\_act\\_statute\\_LB327.pdf](http://www.cfed.org/imageManager/EDS/NebMicroDevelopment_act_statute_LB327.pdf)  
*North Carolina: The Entrepreneurial State: A Framework for Moving Forward.*  
[http://www.ncruralcenter.org/entrepreneurship/07summit\\_pubs/07summit\\_announcement\\_pkg.pdf](http://www.ncruralcenter.org/entrepreneurship/07summit_pubs/07summit_announcement_pkg.pdf)

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

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

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

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

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

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

---

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

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

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

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

### Creating Community Change

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

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

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

### Practices of Promise – Creating Community Change

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

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

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

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

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

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

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

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

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

## Useful Tools – Developed by EDS Sites

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

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

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

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

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

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

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

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

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

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

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

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

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

---

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

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

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

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

## What Have We Learned About the EDS Model?

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

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

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

### The Three Key Goals

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

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

---

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Nine Guiding Principles

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Final Thoughts**

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

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

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

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

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

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