

**Part 2**  
**EDS Case Studies:**  
**Context Strategy, Accomplishments**  
**and Lessons**

# Advantage Valley Entrepreneurship Development System, Appalachian Region

The Advantage Valley Entrepreneurial Development System is located in the Upper Appalachian tri-state area which includes 12 counties in West Virginia, Kentucky, and Southeast Ohio. While most of the area is rural, the region also includes the Charleston-Huntington W.Va., Ashton, Ky. and Ironton, Ohio metro areas. The Advantage Valley EDS brought together a number of regional organizations and initiatives working in this tri-state area to grow and develop entrepreneurs in the region, and statewide organizations and initiatives promoting entrepreneurship across the state of West Virginia.

## Context

Historically the economy of this region has been industrial, rather than agricultural, which remains true today. In 2004, the most important industry clusters in terms of employment and reasonably good wages were energy (including coal), metals manufacturing, forestry and paper products, chemicals, and heavy construction. All of these industries had been in employment decline since the 1980's.

Various state scorecards on economic development policy and performance routinely rank West Virginia last, or among the last, in their indices. For instance, in the 2007 State New Economy Index, released by the Ewing Marion Kauffman Foundation and the Information Technology and Innovation Foundation<sup>42</sup>, West Virginia is last in its overall state rankings. (Among the specific indicators in that report, West Virginia ranked 50<sup>th</sup> in "gazelle" jobs, and 49<sup>th</sup> in entrepreneurial activity.) CFED's Development Report Card for States gave West Virginia an "F" for economic performance and business vitality.

The area has seen a significant loss of its young working age population over the years, and West Virginia now has the highest median age in the nation. One EDS leader, in order to illustrate the personal effects of the economic decline, asked at a local meeting of the EDS, "How many here had their children leave the area in search of work?" Most everyone in the room raised their hand.

A number of key institutions and initiatives formed prior to this grant. In the mid-1990s, business leaders in the tri-state area formed a new regional economic development organization, Advantage Valley, Inc. (AVI). Initially this new regional organization focused on regional promotion and recruitment. In 1999, AVI commissioned a study from the Southern Growth Policy Board to suggest strategies to make the area more attractive to "new economy" businesses. The study identified a number of areas for action, including transportation, education, quality of life and entrepreneurship. The study also found that the rate of business formation in the state was considerably below the national average.

That study put the Advantage Valley organization on the path to promoting entrepreneurship. In addition, in 2000 the Rural Entrepreneurship Initiative, sponsored by the Kauffman Foundation, named West Virginia one of the four Rural Entrepreneur Discovery States. The initiative brought to the area a number of ideas and resources around entrepreneurship.

At around the same time Advantage Valley was being formed, the West Virginia Economic Development Council contracted with Market Street Services for a study including recommendations for a plan to improve the state's economic status. In 2000 the council released the report, "A Vision Shared." The plan introduced a number of

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<sup>42</sup> Firms with annual sales that have grown 20% or more per year for 4 straight years

progressive economic development strategies, including actions to reform education, government and civic institutions, improve infrastructure, and encourage innovation. Promoting entrepreneurship was one element of the “new economy” goals included in the study. As soon as the report was released, the governor appointed two people, one from labor and one from business, to lead efforts of citizens from around the state, organized into committees and task forces to begin addressing steps towards implementation of the recommendations. In 2007 these committees were formalized into a newly incorporated entity called A Vision Shared, Inc.

In 2004, shortly before the start of the Kellogg grant, the Claude Worthington Benedum Foundation provided seed money for an Entrepreneurship Education Coordinator at the West Virginia Department of Education. The position would eventually become a line item in the department’s annual budget.

Also in 2004, and again with support from the Claude Worthington Benedum Foundation, Advantage Valley, Inc. contracted with Collaborative Strategies, LLC to implement the Entrepreneurial League System® (ELS) in the Advantage Valley region. This would be the first full implementation of the Entrepreneurial League System® developed by Gregg A. Lichtenstein and Thomas S. Lyons, although components of the model had been implemented in other areas.

## Structure and Strategy

The Advantage Valley EDS was housed in two of the key mainstream economic development organizations of the region. Advantage Valley, Inc. was the lead partner, and the Charleston Alliance was the fiscal agent. Another economic development organization from the region, the Ashland Area Innovation Center, also has participated as a member of the collaborative.

The Advantage Valley EDS utilized a two-tiered structure. It included a series of regional initiatives that served the tri-state area of West Virginia, Kentucky, and Ohio, and a series of statewide initiatives that were exclusive to West Virginia. The regional initiatives were primarily focused on raising the skills of a critical mass of entrepreneurs through coaching and networking (the Entrepreneurial League System®); coordinating entrepreneurial and business development services providers to work as a system and to be responsive to the needs of entrepreneurs (the Entrepreneur Support Network, or ESN); and developing adult education programs in the regional community colleges. State-level work consisted largely of the development and implementation of two newly forming statewide institutions involved in economic development policy (A Vision Shared) and K-12 education (the Entrepreneurship Education Coordinator within the West Virginia Department of Education).

The Advantage Valley EDS brought together the various regional and state partners and initiatives through a collaborative organization. State partners included A Vision Shared (policy), the Entrepreneurship Education Coordinator (education), the Small Business Development Center (SBDC) (public entrepreneur support services), and the Center for Economic Options (a nonprofit service provider to microentrepreneurs). Regional partners included the local regional economic development agencies (Advantage Valley, Inc. and the Charleston Alliance), the Advantage Valley Community and Technical College Network, and the Ashland Area Innovation Center/Tri-State Capital Club. The Entrepreneurial League System® was represented on the collaborative by Advantage Valley, Inc., although representatives of the ELS® and Collaborative Strategies (its partner) attended meetings of the collaborative. The entrepreneurs and service providers organized by the ELS® did not have a direct voice in the collaborative, although some members of the collaborative were considered service providers and did attend the Entrepreneur Service Network at least once.

Working with Yellow Wood Associates, the local evaluator for the Advantage Valley EDS, members of the Advantage Valley EDS defined the six goals they hoped to achieve over the course of the grant. Ultimately:

- a Service Provider Network would exist and effectively meet the needs of a full range of entrepreneurs;

- peer networks and coaching would contribute to entrepreneurial success for rural entrepreneurs;
- students of all ages would participate in entrepreneurial education;
- entrepreneurs would meet their capital needs with regional resources;
- entrepreneurial experiences would be used to frame policy; and
- a system for entrepreneurial development would exist and include education, recruitment, coaching, service provision, capital matchmaking, consumer support and policy.

The regional strategy was designed and implemented mainly by Advantage Valley, Inc. using the Entrepreneurial League System® developed by Thomas S. Lyons (Zicklin School of Business, Baruch College, CUNY) and Gregg Lichtenstein (President, Collaborative Strategies, LLC). A for-profit company, Collaborative Strategies, LLC developed a joint venture with Advantage Valley, Inc. to provide proprietary strategies and tools, and guidance to implement the ELS®. The ELS® brought to the region a strong expertise in entrepreneurial development, and a specific theory of how an EDS should function.

The Entrepreneurial League System® is an innovative approach for transforming local and regional economies by developing entrepreneurs' skills, creating successful companies and building entrepreneurial communities. Modeled after the farm system in baseball, the Entrepreneurial League System® is designed to help entrepreneurs grow their businesses by developing their skills.

ELS® programs recognize that regions contain segmented markets of entrepreneurs with different skills and goals, at different stages of development, and at varying levels of performance. They also own businesses in different markets. Advantage Valley leadership chose to work broadly, engaging entrepreneurs of all skill levels and business types. They did not limit their work to specific industrial sectors, nor did they choose to work only with firms poised for immediate substantive growth. They did, however, choose to work only with those entrepreneurs who wanted to grow and create wealth. Their goal was to increase the movement of entrepreneurs along this "pipeline" of higher levels of skill.

In the ELS® entrepreneurs work intensively with "performance coaches" who are themselves skilled entrepreneurs, in weekly one-on-one sessions, monthly team meetings with their peers, and tri-annual large group sessions among entrepreneurs from other teams and at other skill levels. The various settings provide opportunities to learn from peers as well as from more experienced individuals about how to get to the next level of skill and performance. The coaching program is tailored to the unique needs of entrepreneurs. All of these activities promote the core value of "entrepreneurs helping entrepreneurs."<sup>43</sup>

The ELS® also works to organize a region's diverse set of service providers into a coherent system, so that entrepreneurs can get the right technical and financial assistance at the right time and right price. Initially the Advantage Valley EDS envisioned a fairly sophisticated "system of entrepreneurial support services" that went beyond service providers making referrals to one another and jointly marketing their services. Instead, the EDS saw service providers as specialized entities with services appropriate to specific entrepreneur skills and needs. Conceptually, the EDS' view of an entrepreneurial development system was analogous to the medical system, where entrepreneur needs would be effectively diagnosed by any service provider, and then referrals would be made to specialized service providers based upon that diagnosis.

The Advantage Valley EDS collaborative brought together the regionally focused ELS® program with additional state and regional entities engaged in entrepreneurship. The collaborative provided an opportunity for sharing knowledge and experiences, coordinating activities at both the regional and state levels, and raising the profile of

<sup>43</sup> The ELS also recognized the role of entrepreneurs wanting to give back to the community, and encouraged their

contributions.

entrepreneurship. The collaborative tended to include representatives of the major players at the state and regional levels. It did not include representatives of the local entrepreneurs participating in the ELS®, nor did it include representatives of the regional service providers being organized in the Entrepreneur Support Network (ESN) although some members of the collaborative were considered service providers and did attend the ESN at least once. The SBDC was a regular member of the ESN.

The strategies of both the collaborative and the ELS® evolved over time. The collaborative was slow to develop, especially early in the project. The collaborative structure was not familiar to many in the region, and the skills necessary to organize and maintain an entity of this type needed to be developed. Leadership in the Advantage Valley EDS worked through these issues, resulting in a number of important initiatives that are described below.

As previously mentioned, the Advantage Valley region has a very low rate of entrepreneurial activity, and this presented some challenges to the ELS®. A strategy of “entrepreneurs helping entrepreneurs” was very difficult to implement in a culture where entrepreneurs were few and far between, and where entrepreneurs rarely talked with one another about their business. This had implications for ELS® in recruitment, in its ability to build a critical mass of mutual support among entrepreneurs, and in the ability to have entrepreneurs in civic positions where they could help influence the policies and supports designed to help them.

In order for the Advantage Valley EDS to be “of entrepreneurs, by entrepreneurs, and for entrepreneurs” the ELS® needed to focus first on getting more entrepreneurs with the skills and culture of peer support. Entrepreneurs did not have existing leadership positions in policy or service provision, and there were too few entrepreneurs ready to assume those positions when they became available. While ELS® leadership may have originally planned to work on policy and advocacy alongside other activities, it quickly became clear that the initial emphasis had to be on organizing a critical mass of entrepreneurs and building a culture among that group that promoted entrepreneurial skills, peer support and leadership development. From there, it was believed, would come future leadership for more systemic changes in service delivery and policy, and sustainable development of entrepreneurs.

The role of entrepreneurs in public policy was a learning process for other members of the EDS. Most seemed to agree, in principle, that entrepreneurs should drive the policies that affected them. However they were very naive about what they needed to put that principle in practice. The few entrepreneurs enlisted into policy efforts were not policy experts, and the policy process often frustrated participating entrepreneurs. Some members of the collaborative considered it a given that “entrepreneurs need to be represented by others” when it came to policy matters.

The development of a sophisticated system of support also ran into some early challenges. The service providers participating in the Entrepreneur Support Network included a broad variety of public and non-profit entities, including SBDC, SCORE, university-based outreach programs, and chambers of commerce. Many were simply not in a position to develop diagnostic procedures and specialized roles that were independent from their parent organizations. While newly forming programs found participation in the support network extremely helpful, others were much more measured in their support. Like a good entrepreneur, the network changed what it was doing when things were not working. In the final year, the network piloted an innovative approach to supporting entrepreneurs that was very different from its initial vision, but that better fit what could be accomplished.

## Accomplishments

### *Building the Pipeline*

Because of the relatively low rate of entrepreneurship in the Advantage Valley region, there was special emphasis on building the pipeline of entrepreneurs. This work included youth and adult education initiatives that increased the pool of entrepreneurs. It also included the peer networking and coaching of the ELS® that were designed to move entrepreneurs to higher skill levels. Some accomplishments in this area include:

The Entrepreneurship Education Coordinator position was established in the West Virginia Department of Education.

- Since 2005, 735 students have participated in the Dreamquest business plan competition.
- Since 2005, 1,143 teachers have received entrepreneurship training.
- Entrepreneurship is now included in West Virginia's mandatory curriculum on financial literacy by West Virginia's 21<sup>st</sup> Century Partnership.

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Students in Advantage Valley Community and Technical Colleges have access to entrepreneurship courses.

- A business plan competition for college students, "Open for Business," was started.
- Four colleges in the Advantage Valley area developed an entrepreneurship education curriculum, and offer it cafeteria-style with courses such as graphic design, nursing, gerontology, criminal justice, health, medical transcription, and medical coding.
- Two community colleges have established certificate and associate degree programs in entrepreneurship.
- In 2008, with a grant from the Benedum Foundation, the entrepreneurship education curriculum is being taken statewide to 10 schools in the West Virginia community college system.

The Entrepreneurial League System<sup>®</sup> has been successfully implemented, and has developed the beginnings of a critical mass of entrepreneurs supporting one another with peer and coaching support.

- In the ELS<sup>®</sup>, entrepreneurs are categorized according to skill level, in a manner similar to the ratings used in major league baseball, from rookie, to A, to AA, to AAA.
- As of December 2007, 116 entrepreneurs had participated in ELS<sup>®</sup>, with 66 active participants on nine teams; 12 percent were rookies, 80 percent single As, and 8 percent AA's.
- Seventeen entrepreneurs moved up in skill level.
- Businesses owned by the participating entrepreneurs showed growth. More than half of the firms doubled in revenues.
- Job growth was relatively modest, with 49 new jobs created.

### ***Building a System of Support***

The Entrepreneur Support Network struggled early, but in the last year of the grant the network tested an innovative approach. Participating organizations developed a "makeover" process that was piloted with one business owner. The participating service providers worked with the entrepreneur, assessed the issues facing the small business, and made recommendations for a plan of action. Once approved, the entrepreneur was then linked to the appropriate service providers. The work of the service providers is credited with addressing a systemic cash-flow problem, and putting the business on the path to growth.

The participants in the network are hoping to develop a fee-for-service structure that will allow them to continue this makeover approach.

The EDS stimulated new thinking among its participants. The Tri-State Capital Club and Advantage Valley EDS brought a coalition of business and policy leaders from West Virginia to Kentucky to benchmark an innovative process of financing growing businesses. The West Virginia SBDC is looking at modifying its approach such that the emphasis is on a more long-term developmental relationship with the business owner.

### ***Community and Policy Change***

One of the roles of the collaborative was to raise the profile of entrepreneurship and the work of its members in both the Advantage Valley region and the state of West Virginia. Key accomplishments include:

- A series of activities that introduced the EDS and its goals and methods to the community. These included meetings with community leaders and media coverage. The Entrepreneurial League System<sup>®</sup> also generated local and national press coverage.

- The participation of the collaborative in a series of events tied to Entrepreneurship Week. Key activities included the 30000 Job Initiative (in which the governor announced that if all small businesses in West Virginia added one job, a total of 30,000 new jobs would be created), and the Lemonade Stand project, an initiative that engaged teams of elementary schools students in entrepreneurship.
- The institutionalization of A Vision Shared as an advocate for progressive economic development policy in West Virginia. A Vision Shared incorporated as a nonprofit and established entrepreneurship as a priority area. In its role as the EDS lead in policy development, A Vision Shared published in 2007 its Entrepreneurship Team Policy Document with 10 policy priorities. One of these, an administrative change that allows flexibility in using state economic development funding for entrepreneurship is likely to be enacted 2008. This flexibility is considered to be very important for mountainous rural counties, where there are few flat sites available for industrial recruitment efforts. In addition, A Vision Shared has been working to develop a statewide database of service providers that is expected to be operational by the end of 2008.

## Sustainability

The Advantage Valley EDS has involved a complex, multi-layered set of players and relationships. It is not surprising, therefore, that the set of activities and relationships that will survive the completion of the Kellogg-funded initiative is also multi-dimensional. Members of the collaborative were planning to continue meeting on a voluntary basis. Membership in the collaborative may change, although specific predictions for membership have not been offered.

The ELS<sup>®</sup> is following its own path toward sustainability. The ELS<sup>®</sup> had an unusual structure (it was an unincorporated project of Advantage Valley, Inc., and included a for-profit partner in Collaborative Strategies, LLC), and because of proprietary issues there was a lot of uncertainty about control of the intellectual property going forward. Having the ELS<sup>®</sup> housed in a regional economic development organization brought a lot of initial clout to its efforts. However, as a matter of policy, ELS<sup>®</sup> leadership prefers an organizational structure dominated by the kind of entrepreneurs that they were trying to promote. Going forward the ELS<sup>®</sup> will separate from Advantage Valley, Inc., incorporating both a for-profit and nonprofit venture. The for-profit will license the intellectual property from Collaborative Strategies, LLC, and the nonprofit will solicit public and charitable subsidies.

The ELS<sup>®</sup> team also is moving to a fee-for-service business model, with fees set at \$600 per month, or roughly half of the estimated costs of delivery. As of August 2008 half of the ELS<sup>®</sup> entrepreneurs have signed on for this fee-for-service relationship. ELS<sup>®</sup> leadership believes there will be an initial drop in membership, but that membership will build over time. The ELS<sup>®</sup> staff recognizes that the early stage entrepreneurs will have little ability to pay for services and are soliciting grant funds. Advantage Valley, Inc. plans to serve these early stage entrepreneurs in an effort separate from the ELS<sup>®</sup>.

The education components are expected to be sustained. There is broad support for entrepreneurship education from the governor's office. The Entrepreneurship Education Coordinator position has been funded by the West Virginia Department of Education. The community college work seems to be taken up by faculty, and the links with workforce development potentially connect it to ongoing public funding. It also is expanding statewide.

The future of the Entrepreneurial Support Network is unknown. A core group of service providers like the new makeover concept of service delivery and want to continue it. The ELS<sup>®</sup> staff member managing the effort at the end of the grant period is investigating business models to see if the makeover services can be continued as a fee-for-service activity.

Finally, A Vision Shared will likely continue as a policy advocate. It has a strong volunteer base and is recognized by state leadership. Funding from the collaborative raised the profile of entrepreneurship on the organization's agenda, and it will be interesting to see if this continues without ongoing financial support.

## Summary

Prior to the EDS, civic leaders in the Advantage Valley had made a number of very important and strategic decisions to develop the economy of the area for the 21<sup>st</sup> Century. Advantage Valley, Inc. was formed as a progressive regional economic development organization that crossed state, as well as municipal, jurisdictions. The organization chose to pursue an entrepreneurial development agenda as part of a larger “new economy” approach, with a strategy that looked at entrepreneurship broadly, rather than narrowly confined to specific sectors or stages of growth. Recognizing that new ideas were necessary to move this agenda, regional economic development leaders brought in expertise from outside the region to facilitate a fairly significant cultural change.

On the state level, new institutions in support of entrepreneurship, particularly around education and economic development policy, were forming as well. The Advantage Valley EDS brought together these state and regional efforts, with a goal of mutual benefit to all involved.

Some lessons for practitioners include:

- Working in an area with a very low historic rate of entrepreneurship had its challenges. The emphasis of the ELS<sup>®</sup> on developing a critical mass of entrepreneurs through coaching and networking appears to be a good fit. Data from this three-year program demonstrates that there were entrepreneurs who could benefit from peer support and coaching, and that the methodology supports their entrepreneurial growth. The historic low rates of entrepreneurship, however, have meant that it took longer to reach the goals of the EDS.
- The collaborative structure brought together state and regional efforts in ways that benefited all involved. There were a number of entrepreneurship initiatives underway in the Advantage Valley region and at the state level prior to the EDS. The collaborative was a tool to bring these initiatives together and it fulfilled its role as a forum for these initiatives to learn from and support one another. It also provided a much larger public voice for their mutual agenda. The education and policy initiatives, in particular, benefited significantly from the collaborative.
- The emphasis on systems change can lead to some conflicting concerns among service providers. There were genuine concerns among members about how the competition for resources might change, their role in an evolving system, and whether they had the flexibility to take on new roles and responsibilities, given their funding and public mandates. Better organization upfront may have helped to diminish some of these concerns, although it is difficult to speculate if they could have been eliminated. There also was an evolving understanding of the need to engage private sector providers, but the project ended before this could be fleshed out.
- The order in which the EDS components roll out matters. The EDS brought significant resources to new and existing regional and statewide efforts to develop entrepreneurs and promote entrepreneurship. However, the comprehensive requirements of the EDS also created a number of challenges. It was simply not possible to do everything at the same time, and the organizing methods used and leadership at the table influenced what could be reasonably accomplished. The EDS did not have the political backing to move an agenda of radical system reform among the service providers, and the ELS<sup>®</sup> had not created a critical mass of entrepreneurs to have the leadership necessary to drive entrepreneur-led reform in economic development policy and support. If this entrepreneurial leadership function were the predominate goal, than allowing the ELS<sup>®</sup> to first organize a critical mass of entrepreneurs ready for leadership would have been a better first, rather than concurrent, step. Even when developing comprehensive systems, the order of developing the components matters.

# Connecting Oregon for Rural Entrepreneurship (CORE), Rural Oregon

Connecting Oregon for Rural Entrepreneurship (CORE) was designed to assist five distressed regions (target areas) in rural Oregon through the development of an entrepreneurial development system (EDS). CORE facilitated the work in these target areas with financial and technical resources, a framework for planning and implementing their strategies, and opportunities for sharing and learning across the sites. CORE also engaged and coordinated a set of statewide resources that supported work at the local level. The target areas were located in northeast Oregon, Lincoln County, southwest Oregon, Lake County, and the Warm Springs Indian Reservation. By design, CORE intends to expand the system developed in the five target areas statewide.

## Context

Oregon is a study in contrasts. It has a relatively strong tradition of self-employment and small business activity, especially in some urban centers. The population in the state is growing, even in many of the rural areas. However, the growth in rural areas is much slower than the urban growth, and not all areas are growing. Rural areas have seen the number of good paying jobs decrease, primarily as a result of declines in extractive industries. Most of the jobs being created in rural areas are relatively low-paying jobs in the service, retail and tourism sectors.

The five target areas are located in very different parts of the state, and each has unique opportunities and challenges. All of the sites are in areas that are below state averages for population growth, education and income, and above state averages for the proportion of their population that are elderly or living in poverty. Oregon has some very beautiful and rugged country, with a wealth of natural resources and amenities. Some areas have been attractive to retirees and others looking at second/vacation homes. Other sites are extremely isolated and are among the most lightly populated in the United States. Distance, population density, infrastructure, and access all have a significant affect on both the level of economic activity and the provision of entrepreneurial services.

All of the sites traced their economic distress to the after-effects of the decline in the timber industry. Environmental concerns (including the habitat of the endangered Spotted Owl) and competition caused the timber industry in Oregon to collapse about 15 years ago. Tom Gallagher of the Ford Family Foundation said that if rural Oregon had been a foreign country the collapse of the economy and corresponding out-migration of working age population would have been seen as a global tragedy. His view was that at this point "the dust had settled" – the population and economy had settled into equilibrium. Many rural communities now see stewardship of natural resources, rather than extraction, as the path to their economic revival.

In 2008, rural communities in Oregon experienced a number of new challenges to their ability to restructure their economies. One of the most significant was the loss of Rural Timber Payments to rural counties. These payments were federal funds provided to local governments to limit the impact of the timber industry's decline. The government transfers were a large source of support to local rural governments, and these transfers stopped unexpectedly in 2008, forcing cutbacks in rural road construction and maintenance, and the closure or cutback of fire and police service, libraries and schools.<sup>44</sup>

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<sup>44</sup> In the federal financial bailout legislation that became law in October 2008, the Rural Timber Payments (formally part of the Secure Rural Schools and Community Self-Determination Act) were reinstated. At this time, few details are known about the effect this will have on rural counties in Oregon.

A number of important state departments and initiatives also are changing. Earlier in 2008 the state de-funded both the Governor's Office of Rural Policy and the regional Rural Investment Boards. The latter were a key source of flexible economic development funds. The state also is reorganizing the Oregon Economic and Community Development Department (OECDD), the principal department responsible for economic development policy and funding in the state.

## Structure and Strategy

CORE emerged from five local community-based initiatives that expanded their scope through EDS resources, and were supported by statewide institutions and initiatives. When the Kellogg RFP was announced, Rural Development Initiatives (RDI), a nonprofit working in rural communities across Oregon, convened a meeting that brought together a number of community-based organizations from across the state. RDI had been supporting rural communities since the early 1990s, helping them develop strategies to weather the economic transition brought on because of the decline in the timber industry. Many of the community organizations also knew RDI through its role as the chief technical assistance provider for the Ford Family Foundation's Institute for Community Building. At the meeting participants developed target area selection criteria that would produce lessons applicable statewide. The five Target areas were chosen based upon these criteria, which included readiness and local commitment. Training was available in each target area through the Institute for Community Building's leadership program.

CORE works on both the state and local levels. At the local level, each target area has a lead, usually a community-based organization engaged in business or entrepreneurial support services. Additional local stakeholders are organized through Entrepreneurial Advisory Boards. These local collaboratives were required for participation in CORE, and they represented new institutions at the local level. They were envisioned as a forum for engaging entrepreneurs in the design and management of the target area strategies. CORE put few requirements on the membership of the Entrepreneurial Advisory Boards, other than they had to include entrepreneurs. The target areas were required to perform a needs assessment, and to develop local strategies and work plans. Target area leads also were responsible for implementing the work plans. In some target areas, the advisory boards continued to meet and provide guidance through the implementation process, while in others they became less active.

At the state level, the CORE collaborative is organized to get as many voices and perspectives as possible. In addition to representatives from each of the five target areas, the collaborative has more than 20 statewide partners, including: the Oregon Microenterprise Network (OMEN); ONABEN (a Native American Business Enterprise); the Oregon Economic and Community Development Department (OECDD); the Oregon Small Business Development Center Network; the Oregon Entrepreneur Network (OEN); and Lane MicroBusiness. They are proud of their "big tent" approach, which is consistent with the Rural Development Initiative's organizing philosophy. In general, only the target area leads, and not members of the local Entrepreneurial Advisory Boards, have gotten together for statewide activities.

The mission of CORE is "to build an entrepreneurship development system in select rural target areas, and from the experience and relationships developed, to promote programs and policies at a statewide level to replicate and sustain the system throughout rural Oregon."

The five major goals of CORE were:

1. To create and implement an action plan for strengthening the entrepreneurship development system in each target area, which integrates best practice and brings in regional and statewide capacity as needed.
2. To establish sustainable collaborative approaches at a statewide level to fill shared gaps in the entrepreneurship development systems of each target area.

3. To use program resources to leverage sustainable local investment in increasing the volume and success rate of entrepreneurs.
4. To increase support for rural entrepreneurship in statewide economic policies, planning and programming, in a way that represents a systems approach.
5. To use ongoing evaluation to track progress in establishing the entrepreneurship development system, track the impact on entrepreneurs, develop new best practice, and inform strategy for sustainability along the way.

Oregon did not have an organized entrepreneurship development initiative prior to the Kellogg grant, and early program descriptions focused largely on service provision. The original purpose of CORE was “to create a positive climate for entrepreneurs to ensure access to comprehensive, high quality, and well integrated services that meet the needs of all types of business owners and all aspects of an enterprise development system so that small businesses can grow and increase entrepreneurial behavior and success by individuals, businesses, and communities.” These services needed to be seen “through the eyes of entrepreneurs,” and there would be “no wrong door” to their entry into the service provision system.

CORE required each target area to form an Entrepreneurial Advisory Board and develop a plan to guide work during the grant period. Each site was given great flexibility in developing its work plan, within certain guidelines. CORE supported the local planning efforts with training in the Energizing Entrepreneurship (E2) curriculum, and technical assistance to develop the logic models for each strategy. CORE supported the implementation of these strategies directly with financial resources and a volunteer from RARE (Resource Assistance for Rural Environments, an AmeriCorps program run through the University of Oregon’s Community Service Learning Center).

The target areas tended to integrate entrepreneurship into community development strategies. For instance, in southwest Oregon, part of the strategy involved developing the market for the goods and services of local entrepreneurs, especially those involved in community Main Streets, food production, and local “green” products. Initiatives in Lincoln County included development of a local farmers market, the establishment of a museum for a famous classical music composer, and seed money to convert waste into bait for the local fishing industry. At the Warm Springs Indian Reservation initial efforts focused on developing a delicatessen and coffee shop to establish both a physical presence in the community and to provide a gathering place for the youth they wanted to engage. In Lake County, efforts included providing access for local entrepreneurs to develop renewable energy industries.

Local ownership, market development, and technical innovation were seen as the path to an economic restructuring that would be sustainable and in character with the goals of the community. Entrepreneurship was seen as a way to make local industries, especially those seen as central to the identity of the community, more robust and lucrative. In those industries dominated by low-paying jobs (such as tourism or retail), business ownership provided an opportunity for a higher rate of return to residents than would be achievable working for someone else. Local ownership also kept more money in the community, rather than being exported to nationally owned conglomerates. Community-based efforts were designed to improve the markets for these industries. “Regional Flavor” and “Buy Local” strategies were particularly popular across all of the sites.

The EDS required the target areas to deliver a comprehensive set of entrepreneurship development services in their communities. Each target area had strengths in some areas, such as youth entrepreneurship, financial literacy, business development training, or social enterprises. CORE facilitated the sharing of these skills across the target areas.

CORE also supported the target areas with access to statewide resources important to their strategies. CORE engaged more than 20 statewide partners, including service providers, regional foundations, and policy organizations. One of the statewide partners, OMEN, developed a market information service and a

microenterprise loan fund available to all of the target areas. Another expanded a Portland-based entrepreneur support network to rural areas of the state. Other partners worked to link local entrepreneurs with new technologies in areas such as food innovation and renewable energy. Collectively, all of the partners participated in efforts designed to increase the visibility of entrepreneurship in the state, and improve statewide policies in support of entrepreneurship.

For most target areas, work concentrated at the microenterprise level. Few connections were made with larger businesses or their sources of support, partly because this was the market that many of the target area leads served prior to the EDS. In addition, CORE members believe this niche of very small and pre-venture entrepreneurs often is ignored in traditional economic development strategies.

## Accomplishments

### *Building the Pipeline*

CORE generally has used the EDS definition of a pipeline, with its focus on youth and adult education, and entrepreneur networking. Some key accomplishments include:

- Incorporating nationally distributed training or curricula to local schools; 682 youth received training in entrepreneurship or financial literacy;
- Incorporating entrepreneurship into existing programs such as Job Corps, Boys and Girls Clubs, and 4H;
- Facilitating school-based enterprises;
- Securing scholarships for rural youth to attend Portland University's Young Entrepreneurs Business Week;
- Developed a two-year accredited entrepreneurship program that will utilize a distance-learning model with a Salem-based community college; this will be the first associate degree in Entrepreneurship offered in Oregon;
- Expansion of Pub Talks, a program of the Oregon Entrepreneurs Network, into rural Oregon; 939 rural entrepreneurs have participated in networking activities.

### *Building a System of Support*

The Oregon EDS did not implement a "coordinated system of financial and technical support" at either the state or the target area level. Instead, it focused its efforts on improving service quality and availability, rather than coordination. The EDS realized early on that "there is a real silo mentality among the service providers that is hard to break down". It also discovered that "creation of a ladder of services to meet the needs of entrepreneurs at each business stage is not possible as there are not enough service delivery organizations in rural regions." Access to services, rather than coordination of services, was the biggest priority, and this became apparent in the implementation. With some progress made on that front, CORE believes that it has laid the groundwork for greater service coordination and system development. CORE now has a foundation of relationships with service providers and policy makers from which to work. Still, the partners estimate that it would take at least another three years to get a coordinated system of services at the state level off the ground.

Some accomplishments include:

- Creation of two new entrepreneur support services available statewide from OMEN. These are CapitalLink, a statewide microenterprise loan fund, and MarketLink, a centralized source of market data that can be accessed by entrepreneurs and programs across the state.
- Expansion of existing services, such as Oregon Entrepreneurs Network and Lane Microbusiness, to new rural areas of the state.
- Expanded use of existing curricula, such as Indianpreneurship and Made at the Kitchen Table, across the target areas.
- Speakers, technical assistance, and shared expertise in certain industries and initiatives of common interest including "Buy Local" campaigns, food and agriculture, tourism, and renewable energy.

- In total, the five target areas provided business training and technical assistance to 2,037 individuals and served 1,467 businesses. They documented 50 new businesses and 55 new jobs created, but this was considered only a portion of the total activities, many of which were undocumented.

### *Community and Policy Change*

CORE set up a Policy Committee that included members with an interest in state policy. Key accomplishments include:

- Introduction of the Targeted Small Business Opportunity Act of 2007. This piece of legislation would have expanded state funding for microenterprise development in rural and distressed regions from \$1.6 million to \$2.6 million, building on legislation spearheaded by OMEN prior to the formation of CORE. The bill did not move forward and CORE will not have the opportunity to reintroduce the bill until the state legislature convenes again in 2009. However, CORE members believe the effort laid important groundwork for future policy work, as that they are now much better connected and more knowledgeable of the legislative process.
- Convened a meeting with the Oregon Economic and Community Development Department (OECDD), the Business Development Officers and Targeted Service Providers (including many CORE statewide partners) to discuss statewide economic development policy to support entrepreneurship and small business. As a result of the convening work by CORE, leaders from the Rural Development Initiative and OMEN have been formally invited to participate in the reorganization of OECDD.

CORE is now looking at a new institutional structure for policy work. At the June 2008 meeting, the CORE Policy Committee presented a potential model for its own reorganization. The model is designed to help build bridges between urban and rural areas, and to bring more cultural diversity to the mix of partners involved. The members believe that these larger connections will improve opportunities for rural entrepreneurs and create a broader political base that will expand opportunities for policy change.

In its efforts to promote community and culture change, CORE coordinated a major marketing campaign for entrepreneurship with the target area leads. Led by the Latimer group, a professional rural-based public relations firm, key achievements included:

- Latimer provided volunteer assistance to train community volunteers in marketing entrepreneurship development efforts and the contributions of small businesses in the community.
- Over 200 articles were published over the course of the EDS.
- Some of the volunteers trained are now doing public relations work professionally.
- Latimer assisted CORE to develop a two-part promotional and educational DVD: *Small Business is Big Business*, and *Entrepreneurs Find Success*.

In addition, CORE provided a vehicle for some unique social entrepreneurs. In Lincoln County, CORE resources were used as seed capital for a number of civic ventures, including a school-based enterprise, a “living museum” dedicated to a classical music composer, and the development of a process to turn fish waste into bait for the local fishing industry. In Warm Springs, CORE resources were used to start initial business planning for a tribal telecommunications company. If feasible, this company not only will provide needed services on the reservation, it also will provide jobs and additional entrepreneurial opportunities from spin-off businesses for members of the reservation. CORE’s ability to be flexible gave the target areas freedom to build on local assets and empower local skills. This, in turn, engaged a broad set of tools in support of entrepreneurs.

### **Sustainability**

From the beginning CORE participants were clear that this was not a three-year project. In many ways they have only begun laying the foundation of relationships and institutions that will support future work.

CORE's initial sustainability strategy was to secure state support for local efforts, and then augment those funds with contributions from foundations and other public entities. Attempts to increase its state allocation in 2007 failed, and because the Oregon state legislature meets every other year, the bill cannot be reintroduced until 2009.

Fund-raising from other sources has been difficult. Most funders approached to date have wanted to expand services and create new programs rather than fund existing activities and efforts. For instance, CORE was successful in raising a USDA Rural Community Development Initiative grant to expand the EDS to new contiguous geographic areas. This has caused some concern among the target areas as they see their traditional funding drying up. Without sufficient funds to do the work on the ground and other funding stalled as the state economic development department reorganizes, expansion into new areas is seen as a transfer of support from the work already started.

The Rural Development Initiative has aggressively pursued funding opportunities, and the target areas and statewide partners have been working for solutions. Yet while CORE has turned out to be the right institution to begin these discussions, the timing has been extremely difficult.

## Summary

CORE was one of the sites that implemented an EDS without a pre-existing EDS effort or methodology in place. The partners utilized a grassroots planning methodology that led to a distinctive approach to increasing entrepreneurship in each target area. In addition, while all of the target areas were working through an economic restructuring as a result of declines in the timber industry, many of the target areas were observing a growing interest in local amenities and natural resources among new and existing residents. As a result, CORE put considerable emphasis on sustainable development and stewardship of local assets, keeping money in the community and allocating it equitably, and developing the uniqueness and livability of places. Partners implemented these strategies with a broad set of tools such as market development, organizing, social entrepreneurship, and access to evolving technologies, along with financial literacy, teaching management skills, and access to business support services.

Most of the efforts to date have focused on pre-venture and early stage entrepreneurs. The target area leads have traditionally worked with this market, and believe this niche of entrepreneurs is often neglected by traditional economic development strategies. As the work of the target areas develops, the need for more advanced entrepreneurial skills will become of greater strategic importance. The infrastructure of service providers and methods of service provision will need to grow more sophisticated to meet the expanding needs of a larger group of entrepreneurs.

Some lessons for other practitioners include:

- Flexibility in the EDS approach provided an opportunity for the target areas to adapt entrepreneurship development concepts to the strengths and opportunities at the local level. Rather than implement a common methodology across all of the sites, CORE provided considerable flexibility for a ground-up strategy to emerge. CORE then focused on providing statewide supports, joint learning opportunities, and a collective policy and advocacy voice. While this flexibility has allowed CORE to opportunistically pursue a number of unique strategies, it has made describing its approach more difficult, and assuring a consistent level of quality across sites more challenging.
- Coordination of services is not always the best choice for a first step. In Oregon, the CORE participants found that expanding the services available in rural areas, and strengthening the voice of entrepreneurship advocates within the state, was a more appropriate priority in the early stages of their EDS. CORE also found that making urban-rural connections increased access to services and strengthened the EDS' voice in state politics.

- The collaborative organizing structure can be an effective tool in bringing together various entities working to promote entrepreneurship. Oregon laid the groundwork for an EDS initiative through the development of a number of institutions and initiatives, including the Ford Family Foundation's Institute for Community Building; intermediaries such as RDI, OMEN, and ONABEN; institutions such as OSU's Food Innovation Network; and an infrastructure of innovative community-based organizations. Some of these institutions were poised for growth. The CORE collaborative brought them together, provided some seed capital and a framework for thinking about entrepreneurship, and gave everyone the flexibility to respond in unique ways. As a result, local entrepreneurship development initiatives had access to a broader array of resources and ideas than they would have had otherwise. In many instances the relationships and access initiated by CORE will likely continue well past the grant period. This convening and organizing function also positioned CORE to take a leadership role in the reorganization of the Oregon Community and Economic Development Department.
- The three-year timeframe for the EDS was insufficient to establish a stable source of funding, especially for a new initiative. CORE has been very effective in leveraging the Kellogg investment, bringing nearly \$3 million in leveraged investments in support of rural entrepreneurs. However, the partners have been challenged to develop new funding for the initiative. Much of the early work of the EDS focused on organizing and developing the collaborative. With declining funding for rural areas overall, the task of finding sustainable funding for new programs and initiatives has become even more difficult. However the bonds created across the five CORE target areas remain strong, and these connections create a foundation for the systemic approach to planning and supporting a statewide EDS.

# Empowering Business Spirit Initiative, Northern New Mexico

The Empowering Business Spirit (EBS) Initiative operates in four counties in northern New Mexico: San Miguel, Rio Arriba, Mora and Taos. The region is ethnically diverse and has a rich cultural history, encompassing the Pueblos who were its indigenous residents, descendants of the Spanish explorers who settled the region over 400 years ago, as well as Anglos and other ethnic and racial groups that have come to the region more recently.

## Context

The key factors driving the EBS Initiative and its goals are the incidence of poverty and unemployment that affect the region: 22 percent of the region's population lives below the poverty line, and unemployment rates consistently are 20 to 100 percent above the state average. High school dropout rates are also high; between 50 and 70 percent. Demographically, compared to the U.S., the region is predominantly minority: 70 percent of the population is Hispanic and 7 percent is Native American.

Two economic facts are critical to understanding the local context. First, the region's economy is highly dependent on two key employers: the Los Alamos National Lab (30 percent of transactions relate to its operations), and government (employs 28 percent of workers compared to 14 percent nationally). Second, due to the region's geography and resource base, the control and availability of water is a critical issue that determines how, where, and what type of growth can take place.

Within this demographic and economic context, EBS was seen as a tool for stimulating economic activity (with enterprise development/entrepreneurship seen as a more likely tool than attracting industry), and for keeping youth (especially those with more education) in their communities. There are strong cultural traditions and family roots within the region; the hope is that if youth are able to stay in the community rather than being forced to leave in search of economic opportunities, the community can continue to nurture and pass on its traditions and culture.

## Structure and Strategy

EBS came together for the first time in response to the Kellogg Request for Proposals. In other words, although many of the partners knew each other and some had worked together in the past, there was no pre-existing set of activities or methodological approaches upon which EBS was built. Rather, the partners came together to build an EDS as defined by the Kellogg Foundation and CFED RFP. At inception, EBS' primary focus was the second of the three EDS goals – articulated in the Initiative's mission as "to create a seamless, integrated partnership and continuum of service providers within the region." As such, EBS focused much of its early activity on partner cross-training and education, and creating tools and relationships to support communication and referrals.

Leading this effort was the Regional Development Corporation (RDC), a nonprofit organization that supports economic development initiatives in northern New Mexico. The RDC was a natural choice for this role in many respects: it had a regional focus on northern New Mexico, a clear mission to support economic development and diversification, and often worked in partnership with local governments, educational institutions and other organizations. Interestingly, aside from its role in administering the Space Alliance Technology Outreach Program (also a partner in EBS) the RDC had not until that time been involved in delivering entrepreneurship services – which may have facilitated its efforts to rationalize and improve the quality of service delivery among other parties.

At its creation, the Initiative consisted of 22 partners including the RDC and the Space Alliance Technology Outreach Program. About seven of the partners were organizations headquartered outside of the region that through the EBS effort have been encouraged and supported to extend or expand their services in northern New

Mexico. The remaining partners were local organizations, primarily economic development departments and corporations, community colleges, and other nonprofit organizations engaged in service delivery, sometimes to specific sectors such as Native Americans or fiber artists. The Initiative's priorities and work plans were developed largely through working groups consisting of partners interested and/or engaged in a particular topic, such as policy, capital access or best practices. The partners also met monthly, and held annual retreats and periodic training opportunities.

As noted above, EBS' original strategy focused on building a comprehensive, integrated continuum of services for entrepreneurs. The concept was that an entrepreneur who entered the EBS "system" would have access to all of the resources in the continuum of services. The various service providers would refer these entrepreneurs to the EBS partners who could best meet their needs. The Initiative also sought to build awareness of entrepreneurship and the continuum of service providers through a coordinated marketing and outreach campaign that involved a central EBS Web site, a marketing coordinator housed at EBS who was responsible for promoting the Initiative and its partners, and a series of Community Representatives (CRs). The CRs were well-networked, regional residents, who were to receive a bonus for referring entrepreneurs to the EBS system.

In addition to coordinating supply among the existing service providers in the region, EBS also sought to increase the range of available resources. To that end, it recruited service providers located in Albuquerque, hoping to expand their offerings and activity in the region. It also supported the efforts of ENLACE, an organization focused on dropout prevention among youth (and which had some previous experience in youth entrepreneurship) to lead the Initiative's youth programming. The youth activities included providing teacher training to school teachers and administrators around the YoungBiz curriculum,<sup>45</sup> as well as conducting business plan competitions and entrepreneurship summer camps.

EBS also pursued a policy agenda. Although its policy efforts included some work to educate and engage local political and community leaders, in part because of New Mexico's unique tax structure, much of the effort was focused on state policy makers (both legislators and state agency staff).

As it moved into its third year of implementation,<sup>46</sup> EBS experienced a leadership transition which in turn led to a substantial change in strategy. As noted above, EBS' initial strategy included a set of Community Representatives whose role was to identify and market its services to entrepreneurs in the community. Once the entrepreneur connected to the EBS "system," the idea was that the partners would engage in referrals to ensure that the entrepreneur received the services that best met their needs. In this sense, they were using a supply-driven model for the creation/operation of the "system."

There were issues with both approaches. On the one hand, the process of recruiting and training the CRs did not go smoothly. No formal training program was developed for the CRs. There were also staffing transitions involving the marketing representative position (which was responsible for recruiting and training the CRs), which led to interruptions in the recruitment and training process. In addition, the compensation and reimbursement process for the CRs was flawed in several respects. First, because CRs were compensated for making a referral, there was an incentive to refer anyone who expressed the desire to start a business, rather than those who were actively interested in pursuing one. To receive compensation, a partner had to enter the recruited entrepreneur into the EBS centralized database. But for the most part this system went unused by the partners; thus often the CRs were not paid. Furthermore, it was an administrative challenge for the small staff of EBS to process small payments to a number of CRs on a monthly basis. In the end, EBS staff determined that the Community Representative was very cost-ineffective for the return it produced.

<sup>45</sup> YoungBiz is a commercially-developed curriculum that is available in the U.S. and several other countries.

<sup>46</sup> The implementation timeline of the EBS has been slower than for the other EDS sites, as a result EBS will continue its work with remaining Kellogg Foundation funds through the end of 2010.

There were flaws as well in the supply-driven model in which service providers were to refer clients among themselves to the most appropriate providers. Several of the service providers (most notably the Small Business Development Centers) were reluctant to acknowledge that they could not meet all business needs, and therefore to refer clients to other providers. Others did not pick up referrals that were in the database. There were also other factors that limited referrals.

While the CR process was struggling, the city of Taos was having success piloting enterprise facilitation using the Sirolli model, through an effort called the Taos Entrepreneur Network (TEN). This initiative was undertaken and funded separately from EBS. However, the enterprise facilitator in Taos connected to and worked with EBS and its partners, and eventually TEN became a full EBS partner. Although it no longer is paying for and using the Sirolli process, TEN is continuing to use the underlying model, which it now calls “network facilitation.”

The network facilitation model uses a trained individual – the facilitator – to identify entrepreneurs within the community and help them access resources to grow and support their business. These resources may be service providers, but they also may be private sector resources, including volunteers from the local business community. The facilitator does not typically provide any direct assistance to the entrepreneurs, but functions like a broker, connecting the entrepreneur to resources and expertise. The facilitator also works to identify resources and supporters, and therefore to generally create an environment that is more supportive of entrepreneurship. Thus, for example, the TEN facilitator did media events such as radio shows and newspaper articles that profiled entrepreneurs and their work with TEN. The TEN facilitator also is responsible for working with the committee that sponsors TEN. The committee, consisting largely of private-sector leaders, works to secure resources for the effort; they also meet monthly with aspiring entrepreneurs to hear about their business and recommend strategies and resources for growing/strengthening the business. In the Taos case, the Chamber of Commerce plays a key role in TEN (housing the program). The sustainability strategy for the network facilitation work is for local government resources to fund it after the initial period (after its value as a successful component of economic development has been demonstrated). TEN already has secured public dollars in Taos.

Witnessing the success of TEN, the failures/limitations of the CR and provider-driven referral model, and the concerns of the existing partners, the new leadership of EBS chose to go in another direction. They are now helping to fund replication of the network facilitation model in Rio Arriba and San Miguel counties. EBS staff saw several benefits to expanding TEN’s network facilitation model. First, it offered a single point of contact in each community, rather than multiple contacts; it also offered a clear training model for the facilitator. Second, it would eliminate confusion created by competing models for entrepreneurial development in the region. Third, network facilitation was based on a locally sustainable funding model. The network facilitation model also incorporates volunteer entrepreneurship boards that provide referrals and client advice for free. And finally, it was envisioned that additional elements of a “system” could be built around network facilitation, by adding a core training program, program standards and unified tracking around the facilitation efforts.

The original facilitator in Taos is now working to replicate the model in Rio Arriba and San Miguel counties, and a new facilitator has been hired for TEN. Los Alamos National Lab also is providing funding support for this replication work, and the City of Las Vegas has committed funds in support of the network facilitator in San Miguel County. Thus, the model is that EBS will provide the seed money to launch these efforts, which can then be sustained by local funding.

## Accomplishments

### *Building the Pipeline*

EBS’ initial efforts to build the pipeline centered on its youth development activities and building the pool of potential entrepreneurs. There has been relatively little work around adult entrepreneurship education. However, as EBS has supported replication of network facilitation, it has (in fact, if not explicitly) adopted a broader definition

of pipeline, to include efforts focused on helping adult entrepreneurs move through the business development process. In addition, a new working group comprised of three partners -- ENLACE, Northern New Mexico College, and New Mexico Highlands University -- is working to design a "continuum" of entrepreneurship education that will include an entrepreneurship certificate program for adults, as well as to ensure continued support for the youth work.

The key EBS accomplishments in building the pipeline of entrepreneurs include:

- Introduction of youth enterprise classes in 11 area schools. Approximately 90 teachers or administrators have been trained to deliver the "YoungBiz" curriculum over three years.
- School-based enterprises have also been established at Espanola Valley High School (the Hot Spot Store), Taos High School (bakery), and numerous Web-based businesses have been created at Taos Charter School. Finally, the YoungBiz curriculum has been integrated into the business class at EVHS.
- For the past three years, EBS held an annual 2020 Youth Entrepreneurship Conference. A total of 350 students have participated, along with 30 teachers.
- A youth business plan competition was the opening event at the 2007 Governor's Summit. Twenty-two middle and high school students from Taos, Espanola, Las Vegas, and Albuquerque participated in the competition, which has been established as an annual event for future summits.
- Altogether, ENLACE has worked with 530 students over the three years in such activities as the 2020 Conference, Youth Entrepreneurship camps, business plan competitions, and summer internships.
- The youth enterprise initiatives tied to the Governor's Summit led to establishment of the statewide New Mexico Youth Entrepreneurship Network (NMYEN), a group of 42 organizations collaborating to expand access and quality of entrepreneurial education in New Mexico. NMYEN is preparing a legislative initiative that will provide support for youth entrepreneurship for the 2009 session. EBS is providing seed funding to support the development of NMYEN.
- As noted above, EBS has provided funding to help seed network facilitation efforts in Rio Arriba and San Miguel counties.

### ***Building a System of Support***

As noted above, the initial EBS approach was to create a continuum of service providers who would engage in cross-referrals to ensure that entrepreneurs received the most appropriate available services. The Initiative also sought to expand the northern New Mexico activities of several key enterprise support organizations headquartered in Albuquerque. Its efforts to market available services and to expand supply have generally been more successful than those to coordinate it. To date, EBS has:

- Developed and recently upgraded the EBS Web site, a central portal for information about entrepreneurship services and activities in the region.
- Created an expanding set of partners. Originally the EBS Initiative consisted of 22 partners. Each partner received funds through EBS to cover time spent in Initiative meetings and for fulfilling certain administrative duties related to EBS. Only a few partners (primarily ENLACE and WESST Corp) were funded to engage in service delivery. More recently, EBS has opened membership to any organization that is committed to contributing to entrepreneurship in the region. Partners are no longer paid to attend meetings or fulfill other administrative tasks.
- Expanded the offerings of WESST Corp's MARKETLINK program within northern New Mexico. EBS has provided funding to WESST to offer this training; since inception of the Initiative WESST has trained 112 entrepreneurs in the region.
- Made the Jump Start Web site development program available to 39 entrepreneurs. This is a program in which EBS provides funding to technology consultants who build Web sites for entrepreneurs.
- Provided services to entrepreneurs in the region. Among the partners that provided data on their 2007 activities, the aggregate achievements were as follows:
  - Served 833 clients, 212 of them were new clients in that year.

- Made 10 new loans in the region totaling \$103,931; also continued to administer 77 existing loans totaling just under \$2 million in the region.
- Held 97 adult business trainings for 1,151 individuals.
- Helped to create 136 new jobs and recruited 14 businesses.
- Stimulated the creation of a joint marketing and financial education effort among EBS lending partners. The primary nonprofit providers of small business credit are all based in Albuquerque. As they came together under EBS to examine the issue of capital access in the region, it became clear that the supply of available capital was not the issue, but rather, (a) whether prospective entrepreneurs had strong enough credit histories to qualify for loans from these alternative lenders, and (b) how the micro and small business lenders could support the growing costs of marketing to the rural North (particularly given increases in gas prices). Out of these realizations came two strategies. First, the lenders have teamed with Money Management International to offer financial literacy seminars for entrepreneurs in the region, as well as to provide access to additional counseling services. Second, the lenders have committed to engaging in joint marketing efforts in which one lender will travel to the region and participate in an event that can showcase the services of all of the lenders.
- Committed funding to support "Finance New Mexico," a statewide project that aims to provide "resources (information about funding and knowledge) to start or grow your business in New Mexico." The project highlights service providers (not banks) across the state, including EBS lenders, through such venues as the electronic dissemination of newsletters with articles written by providers and others, including EBS providers such as ACCION New Mexico, the Loan Fund, and WESST Corp. EBS is one of 10 partners displayed at the site, and a link is provided to access BizPort. To date, 37 articles have been published and disseminated in such publications as *Albuquerque Journal*, *Farmington Daily Times*, *Las Cruces Sun-News*, *Las Vegas Optic*, *Los Alamos Monitor*, *Rio Rancho Observer* and *Santa Fe New Mexican*.

The goal of coordinating supply among providers located in the region has proved more elusive. EBS has dedicated a good deal of effort in support of this goal: holding a "Cross-Training Olympics" that increased partner knowledge about each other's services; building a database to track client referrals, and developing a set of core values around customer service and the delivery of services. However, although some of these efforts received strong reviews from participants, overall EBS has found it difficult to overcome the partners' need to protect their perceived territory and their institutional imperatives, as well as concerns about the quality of the service provided by some parties. With the move to the network facilitation model, EBS is moving to a systems approach that is more client-driven; this approach may prove more effective in getting entrepreneurs the most appropriate assistance.

### ***Community and Policy Change***

State and local economic development efforts in New Mexico historically have not focused on entrepreneurship, and as such EBS focused much of its effort, initially, on educating local and state leaders about its potential. Key accomplishments in this area include:

- Testifying before the New Mexico legislature's Economic and Rural Development and Telecommunications Committee in November of 2006. The EBS coordinator, key partners and one of its youth entrepreneurs testified about EBS and its work. The hearing drew strong interest, particularly in the youth entrepreneurship work.
- Providing key staffing to the Governor's 2007 Economic Development Summit. EBS was successful in getting the governor to select entrepreneurship as the theme for this annual event. The EBS coordinator served as the program chair. In taking on this role, EBS was able to establish itself as a familiar name among the Lieutenant Governor's staff as well as NMEDD's top leadership. Perhaps more importantly, entrepreneurship (including youth) was successfully promoted and accepted as an essential element for the state's economic health.
- Leading the formation of the New Mexico Youth Entrepreneurship Network (NMYEN). The business plan competition held during the Summit, as well as several content sessions during the event drew strong interest from participants. As a result, the policy implementation list that emerged from the Summit placed youth

entrepreneurship at the top of the list. This positioning and these events contributed to the formation of the NM Youth Entrepreneurship Network, which the EBS director facilitates and is supported by EBS funding. Currently, NMYEN's focus is on promoting a policy of youth entrepreneur education statewide, as an economic development component.

- Introducing legislation promoting statewide youth entrepreneurship education. The legislation was introduced in early 2008; it did not pass but EBS already has retained a highly regarded policy advocate who has begun efforts to build support for passage of the legislation in the 2009 session.
- Spurring greater interest in entrepreneurship and network facilitation in several counties. Taos clearly has seen growth in both community and government support for entrepreneurship, through the success of TEN. As this initiative was largely separate from EBS, it cannot be claimed as an accomplishment. However, as EBS has moved to support replication of the network facilitation in two other counties in the region, it has engaged the interest of local leaders, who are supporting these efforts, both through funding and participation in the entrepreneurship boards.

## Sustainability

The EBS Initiative's approach to sustainability has changed over time. Initially, Kellogg funds, for the most part, were not going to be used to fund core service delivery. Rather, they would be used to build "infrastructure" for the Initiative that could last past the original three-year demonstration period: items such as the Web site, a common database and referral system, and a marketing effort that would raise awareness about EBS and its partners. It was presumed that this infrastructure could be maintained at fairly low cost after the initial grant period. Partners were funded to participate in the meetings that would be used to build the partnership; it was presumed that by the end of the three-year period if the Initiative had shown its value the partners would be willing to participate without compensation.

With new leadership has come a new approach to sustainability. In the new director's view, the EDS concept is at its heart about culture change. Specifically, the EDS approach seeks to change the culture around entrepreneurship in these rural communities; to help leaders and residents understand that it is a strategy that must be supported. With the time and resources remaining under the Kellogg project, the focus will be on building models, structures and initiatives that support this culture change. In the current leadership's view, if they succeed in changing the culture, and local leaders and residents believe in entrepreneurship, they will find a way to sustain them over time. And in fact, the network facilitation model has at its core, the building of local community/business support for entrepreneurship, and of mutual support among entrepreneurs (not just new or growing ones, but also among established businesses). As that support is built, and the model generates results, then the belief is that local leaders will continue to fund it.

EBS staff believes that this approach to sustainability holds true both at the local level – with support for network facilitation – and at the regional/EBS level as well: If the Regional Development Corporation is built into an organization that is known for playing a strong leadership role in this area, and that role is valued because of the outputs it yields, then they should be able to sustain this work. Staff is beginning to see some signs that communities and regional organizations are willing to support the network facilitation piece: Los Alamos National Lab is providing some funding in one community. In San Miguel County, the City of Las Vegas has committed funding to support network facilitation, and New Mexico Highlands University is also providing in-kind support. In addition, with EBS support, Northern New Mexico College has requested \$600,000 in funding to support network facilitation in the region.

EBS staff also believes that partners should not be paid to participate in meetings; that again they will collaborate if they see that it yields sufficient value. At this point, there seems to be a lot of energy around continued collaboration: most of the original partners continue to participate, and new partners have been attracted. Some members have indicated that while they do not need to be paid to attend meetings and participate, they do believe

that the central facilitation role that the RDC has played is essential. EBS has sufficient remaining funds from the Kellogg grant to continue work for the next 12 to 18 months, and it is putting in place structures that will support continued implementation and collaboration around its work. For example, the RDC is currently working to transition leadership of network facilitation to New Mexico Community Capital, which is developing a “going forward” plan and is convening weekly conference calls with the regional facilitators. In addition, it is working to sustain its youth entrepreneurship work by creating a partnership between ENLACE, New Mexico Highlands University, and Northern New Mexico College that aims to create and sustain a continuum of youth entrepreneurship education. While no clear leader has yet emerged, staff believes that the partnership building efforts are going well. And if the ongoing advocacy efforts of NMYEN are successful, then there may be state dollars to support the work with youth.

While the above efforts to ensure sustainability are taking root, it is unclear how some of the other direct service delivery that EBS has funded with the Kellogg dollars – the Jump Start work and WESST Corp’s MARKETLINK classes – will continue when those dollars are no longer available.

## Summary

The EBS Initiative started with a largely supply-driven model that focused on bringing service providers together to provide a comprehensive continuum of services. The goal was that entrepreneurs in the region could enter through any partner – or through a locally based community marketing representative – and be referred to the most appropriate services. Although EBS had some success through this approach, particularly in bringing new sources and increased levels of service delivery to the region, it also found some key flaws.

More recently EBS has shifted its model to a more entrepreneur-driven approach called network facilitation. In this model, a locally based facilitator works both to build community-level interest in and support for entrepreneurship, working largely with the local private sector and economic development organizations, and to identify entrepreneurs, assess their needs, and match them with the most appropriate services. This model has achieved some success in Taos (largely separate from the EBS work); EBS is now helping to support replication of that model in two of the region’s three other counties.

As EBS has worked through the process of implementing its initial and its refined model, it has learned the following lessons:

- It is much easier to get entrepreneurship service providers to collaborate around professional development than to get them to cross-refer clients. Institutional imperatives and differing values and missions are some of the factors that impede referrals.
- The youth entrepreneurship agenda has generated strong interest among policy makers. In addition, it is another topic around which service providers can engage jointly.
- EBS used a centralized approach to its youth entrepreneurship work – selecting a single partner to lead this work, a core curriculum to offer to all teachers in the region, and creating additional activities (the summer camp and business plan competition) that for the most part served youth from the entire region. This approach allowed EBS to make more rapid progress than many of the other EDS sites in implementing its youth agenda. However, like many of the other sites, EBS is finding that teachers who are not teaching business classes find it challenging to integrate the curriculum into their work.
- EBS found it exceedingly challenging to implement a common database. This in part may be due to the fact that the database was developed primarily as a tool to enable and track referrals, which as noted above were not forthcoming. In addition, however, the EBS database was secondary to the existing management information systems that were already used by the partners. Most did not see sufficient value in entering data into a redundant system.

- As in most if not all of the other sites, EBS has found that education must precede policy action. They have experienced a good deal of success in policy education, particularly with their role in the Governor's Summit on Economic Development. It is hoped that this groundwork will yield policy success in next year's legislative session.
- Policy advocacy expertise is also important to policy success. EBS has found that its policy efforts have lagged at points as partners with that expertise have had to step back (due to workload issues or staff transition). Currently, EBS has retained a skilled policy consultant whom they believe can be instrumental in next year's efforts with the New Mexico legislature.

## HomeTown Competitiveness, Nebraska

The HomeTown Competitiveness EDS is built on the work of three Nebraskan nonprofits – the Heartland Center for Leadership Development, the RUPRI Center for Rural Entrepreneurship, and the Nebraska Community Foundation -- that have developed a model for comprehensive community economic development. Its essence is a broad and deep community process focused on four pillars – leadership development, youth engagement, charitable asset development, and entrepreneurship – that first, seeks to nurture an attitude of activism within communities, and second, provides an organizing process and set of tools to support economic success. HTC has used the Kellogg program to expand its work into many more rural communities, work with new partners, and deepen its policy involvement.

### Context

HomeTown Competitiveness (HTC) targets rural counties and communities in geographically isolated areas of Nebraska that have defined their most critical indicator of distress as “de-population,” because the loss of young, entrepreneurial, or educated people is eroding every aspect of current and future capacity. Located not in one region but in counties across the state, these communities have lost between 10 and 37 percent of their population over the last 50 years. And their higher rates of seniors and dependent youth (under 18) – between 42 to 50 percent compared to 38 percent across the U.S. – provides evidence that missing are those in the middle, the young working adults that are a community’s lifeblood. Most although not all communities have poverty rates that match or exceed the national average (from 8.1 to 25.6 percent). And as important as the numbers are, more important is the trend driving these numbers -- changes in traditional agriculture and the lack of other industrial options, that are perpetuating the low wages and limited career choices that incentivize young people to seek their fortunes elsewhere. As a consequence, self-employment is strong in rural Nebraska but the majority of businesses are microenterprises, with five or fewer employees. Fewer than one percent can be defined as entrepreneurial growth companies, much lower than the four to five percent found countrywide, further reducing the prospects for greater job creation.

As the leaders of HTC comment, “With out-migration, school closings and business vacancies, there has been a disintegration of social networking within communities, and bridging between communities continues to be underdeveloped. Above all, our target communities struggle to find hope. Whether they are successful, failing, disadvantaged, young or old, social and venture entrepreneurs in our target areas live among people who have lost faith in the future of their communities.”<sup>47</sup>

These communities also are characterized by: a general lack of awareness of available services and public/private resources; low levels of capital literacy, especially among new immigrants; a lack of technical assistance providers to serve remote entrepreneurs; and a lack of entrepreneurship education opportunities for both young people and adults. The culture of traditional rural banking is largely focused on commodity agriculture lending, with limited expertise and interest in other venture financing. The capital picture is made more complex by a shortage of mid-range loans to bridge microenterprise into growth ventures, while many community revolving loan monies lie dormant. And a lack of “bankable deals” is ascribed to the limited capacity of many business owners to develop the necessary business plans.

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<sup>47</sup> HomeTown Competitiveness, 2004 Proposal to the Kellogg Foundation and CFED, 7

## Structure and Strategy

In this context, three experienced Nebraskan nonprofits – the Nebraska Community Foundation, the Heartland Center for Leadership Development, and the RUPRI Center for Rural Entrepreneurship -- began working together in 1999 and 2000 to develop a framework for the comprehensive rural economic development strategy that forms the core of the Kellogg Foundation-funded EDS. Under the EDS, HTC has sought to: expand the number of communities assisted; add resource partners to fill gaps in tools and services; develop a policy agenda focused on increasing resources to entrepreneurs, and entrepreneurial support programs at the community, state and federal levels; and evaluate and document impacts of the HTC strategy.

Specifically, the HTC EDS has focused on the broad range of entrepreneurs in targeted HTC communities, social entrepreneurs (who are expected to lead community change efforts), and youth. And priority attention has been given to increasing educational resources for youth, and offering training, technical assistance and coaching for adult entrepreneurs, and linking them to external capital, and other resources.

HTC is led by an executive committee of the three principal partners, with the executive director of the Heartland Center serving as the lead.<sup>48</sup> A management team incorporating several additional partners, provides advisory support to the HTC team, identifies opportunities for it, advocates for it, and networks on its behalf. Members of the management team include HTC's executive committee, plus resource partners from higher education and the private sector. In addition, other resource partners have participated in research and product development, service provision, and policy work. HTC's partners number 28 organizations, including the community groups with which HTC works. Many of these resource partners have played limited roles, however, and over the course of three years, the HTC core organizations have forged closer relationships with some more so than with others. The listed resource partners include:

- Institutions that offer microenterprise finance and business development services;
- University and state college institutions that helped with 4-H entrepreneurship curriculum development, and lend Extension staff in specific communities to play key HTC roles as community coordinators and coaches, and provide other services;
- The Center for Rural Affairs, which supports policy development and advocacy as well as microenterprise services through its Rural Entrepreneurial Assistance Program (REAP);
- Institutions with specific constituencies that provide entrée and support to target communities, such as the Ho-Chunk Community Development Corporation; and
- Telecommunications companies such as Consolidated Companies and Great Plains Communications that have strong interests in specific local communities.

As the three-year demonstration has come to a close, the HTC core organizations have concentrated their energies on deepening their partnerships with the university and college systems, as these institutions are making staff and other resources available that extend the capacity of HTC. They also have shed much of the coordinating activities that they attempted early in the project. There are no meetings of the resource team and infrequent meetings of the management team. The HTC staff draws upon management team members on an as-needed basis.

At the community level, the HTC structure includes a steering committee, a set of task forces focused on what are called the four pillars of the HTC strategy – leadership, charitable assets, youth and entrepreneurship – and where possible an on-site HTC coordinator and business coach paid for by the communities. The local structure is

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<sup>48</sup> The Center for Rural Affairs was invited into the executive committee under the EDS, but left the committee due to differences in strategy. The Center for Rural Affairs continues to cooperate with the EDS on policy and on service provision through its microenterprise program, the Rural Entrepreneurial Assistance Program (REAP).

supported by an external coach (usually HTC staff or consultant) and other HTC staff who offer technical assistance in their specific areas of focus. HTC's strategy has three phases:

- Phase 1, the assessment phase, focuses on data collection and analysis at the community level that gauges the strengths and weaknesses, and opportunities for transformation that exist with respect to the four pillars. While HTC staff originally implemented the assessment directly through surveys, focus groups, and individual interviews, they are now moving to include community leadership in these tasks. Phase 1 also includes a facilitated reflection with the community on the results of the assessment and on suggested directions for change.
- Phase 2 focuses on implementation of the plan that emerges from the assessment phase. During this period, which is expected to last about three years, the community organizes its steering committee (which oversees the whole process) and task forces (responsible for each of the pillars) and conducts a set of activities related to each. This will involve leadership training courses to nurture new leaders spanning age, gender and ethnicity; youth-initiated activities for community improvement and entrepreneurial development; fund-raising for the local community foundation and grantmaking that supports the overall community revitalization plan; and a business development strategy that aims to sustain and grow entrepreneurial talent through coaching and connections to technical and financial resources. In many instances, a hired community coordinator promotes and facilitates the overall plan, and a business coach works with a portfolio of entrepreneurs, supported and guided by an advisory group. The portfolio approach is designed to assure that time is appropriately dedicated to the combination of emerging, ongoing and growth-oriented businesses that makes the most sense for the community.

During Phase 2, the communities contract with HTC for services: coaching for the community coordinator and business coach, leadership development training, planning, and evaluation assistance. HTC also connects community leaders, coordinators and coaches with external resources from its resource partners list and other sources. As an example, communities have accessed EDGE and REAP for business plan training, and REAP for microfinance. HTC has helped the Valley County business coach develop a roster of contacts for governmental and nonprofit sources that provides a rich resource pool to draw on as needed by individual entrepreneurs. The emphasis of the EDS is on rationalization of service providers "from the bottom up" rather than attempting to rationalize services at the service provider level. The expectation is that an informed community leadership – with defined entrepreneurial development goals – can better select the services needed, and as more communities engage in the HTC process, these demand "signals" will condition and transform service providers. This changed mode of interaction between communities and services will be further strengthened as local groups become more able and willing to pay for services received.

The further expectation is that over the course of this phase, local communities will join with neighbors extending and deepening the HTC process, and strengthening its potential impact with a regional vision and regional resources. In Holt County, for example a process that started in two small communities, Stuart and Atkinson, grew to include O'Neill as that larger community observed the process in the first two. These communities now have a county-wide development authority, and an interlocal agreement comprising nine communities to finance HTC-like activities. Working as a region, these localities are expected to define and develop their own regional competitive advantage which, as one HTC leader commented, will be based less on sectors and more on "the strength of relationships and connection to a place."

- Phase 3 represents a continued implementation by a mature community structure, with more limited and targeted technical assistance services from the HTC team. By Phase 3, a community will be demonstrating "systemic impacts" that can be measured in substantial changes in businesses, jobs, private investment, income and population. Valley County, HTC's earliest community, is the best example of a Phase 3 community.

HTC communities locally finance community coordinators and business coaches (some with the assistance of funds acquired under a state funding program – Building Entrepreneurial Communities – that was developed and funded due to the advocacy of HTC; and others through the mechanism of interlocal agreements that enables communities to join together to raise taxes for joint initiatives). HTC communities also partially cover the costs of HTC team services, with matching funding from the Kellogg EDS grant.

## Accomplishments

Over the course of three years, HTC has demonstrated notable accomplishments.

### *Building the Pipeline*

The youth-oriented work has had a transformative effect on many of the communities as HTC's survey work has demonstrated repeatedly young people's interest both in returning to their rural communities after education and work experience, and in entrepreneurship as a career path. Surveys consistently find that about half say they are interested in returning home, and between 41 and 51 percent say they are interested in owning their own businesses. While the actual return rate to communities has been 2 to 10 percent, an HTC-created tool has demonstrated that, in most cases, the percentage needed to sustain communities' population size ranges from five to 19 percent, something that surprises residents because of its reasonableness. These numbers have become a "call to action" for some counties.

A recent master's degree thesis also has documented how the HTC process of catalyzing latent youth leadership works. Most interestingly, the study notes the importance of having adult leaders making "the ask" of high potential youth to get involved. Other key factors are asking multiple youth to engage, providing the structure of a task force, but allowing participants to create their own agenda, and offering opportunities beyond the task force for participation as well. The results have become manifest in:

- the introduction of entrepreneurship classes in the high school curricula in several communities,
- experiments in group and individual business activities, and
- the implementation of a range of community betterment activities, including physical improvements and advocacy for community centers, and podcasts on local businesses

In addition to its support of youth task forces, HTC funding supported the development of a 4-H curriculum, ESI: Entrepreneurship Education, that has filled a gap in entrepreneurial education materials for young people. Designed for ages 10 to 19, it already has been used by 419 students in 28 community pilots. A third-party evaluation found the curriculum rated 4.5 out of 5 by its student users. Curriculum use is continuing to grow.

HTC's adult pipeline work has supported communities both to increase the number of entrepreneurs and assist entrepreneurs to progress along the pipeline from start-up through growth. Its principal accomplishments have been:

- The establishment of entrepreneurial task forces in each of the HTC communities, each with its own "game plan" for developing entrepreneurial talent,
- The acquisition of financial resources to support this work at the county levels in a number of these communities, and
- The leveraging of business development resources as the communities have sought services – from REAP, EDGE and elsewhere to provide technical and financial support. Specific communities have organized business plan training, business succession workshops, and e-marketing training. Loans have been accessed from REAP and other sources.

In most instances, this work is emergent and quantitative results document numbers trained (87 in three counties

as an example) more than outcomes. However, in Valley County, HTC's first and longest-standing community, the outcomes have been notable and include:

- 73 new businesses
- 10 business expansions
- 21 business transitions
- 332 net new full-time jobs
- More than \$100 million in new private investment
- Retail sales up 20 percent versus 18 percent statewide
- An improving retail pull factor
- Per capita income up 22 percent versus 9 percent statewide
- Population gain 3 percent (first in 70 years)
- Doubling of the commercial real estate valuation, and a
- Three-fold increase in sales tax receipts.

### ***Building a System of Support***

HTC's model has built *local* systems of support for entrepreneurs that did not exist before: entrepreneurial task forces offer a place to develop local strategies that improve the environment for entrepreneurship. Community-based business coaches are also new elements of the system offering strategic assistance and connections to external resources. HTC only expended limited energy attempting to organize service providers at the state level, and abandoned this strategy early in favor of a more demand-driven, organic approach grown from the community level up.

### ***Community and Policy Change***

On the policy side, HTC and its allies have succeeded in winning approval of four key pieces of legislation. The Building Entrepreneurial Communities Act, which has been increased from \$250,000 to \$500,000 a year, makes grants available to local communities for HTC-like activities and "people attraction strategies." The Endow Nebraska legislation provides a tax credit for charitable gifts to endowments. Improvements from its original passage now mean that credits are available up to a \$10,000 maximum in gifts per individual, for up to \$3.5 million in credits yearly, through 2016. This means credits could facilitate the donation of up to \$14 million a year to community foundations for the next eight years. The Nebraska Enterprise Fund (formerly Nebraska Microenterprise Partnership Fund) received an increase in state funding from \$500,000 to \$1 million. And the Microenterprise Tax Credit provides a refundable individual income tax credit for small business owners based on demonstrated growth of their business over a two-year period. Nebraska has had long-standing policy work and experienced advocates with a track record for gaining legislative support. What HTC has added is new proposals for funding that derive from their research and community-level work, and these have been supported by other partners all motivated by the same goals of channeling more resources to rural needs.

With respect to community change, HTC is now in 30 communities, double the number projected in the original proposal to the Kellogg Foundation. While each of these communities is at a different stage of its development, most that have completed the assessment phase have made a commitment to an entrepreneurship agenda, and most have functioning task forces in one or more pillars, each with its own "game plan." More than 200 people are reported trained in leadership development, with these individuals taking positions in the various HTC task forces and other community institutions.

HTC has also helped some individual communities come together to create *locally-driven regional approaches to economic development*. There are several examples of HTC communities that have merged their efforts with neighboring communities to build regional economic development plans with paid staff who can support HTC task force work and business coaching. Four counties are reported to have created interlocal agreements to support economic development activities. Fifteen HTC communities have also garnered Building Entrepreneurial

Community Act (BECA) grants as well, and one has reported a grant from the U.S. Economic Development Administration to support the development of an incubator.

HTC's wealth-building initiatives also have borne results in growing contributions to community endowments, which range from \$10,000 at the low end to more than \$100,000 at the high end in the most recent year. Garden County reports \$1 million in assets; Valley County reports nearly \$7 million in gifts and pledges. Other counties report increasing numbers of community members joining founders' groups making gifts and pledges.

HTC does not have a comprehensive system for documenting the full effects of its interventions in communities. However, it does use a framework developed by the Heartland Center (the "Hierarchy of Community Impacts") for assessing the transformative nature of its work. At level 1, the community engages in activities; at level 2, it generates outputs from these activities; at level 3, it develops commitments by a greater number of residents to community betterment activities; at level 4, it produces outcomes and at level 5, indicators of systemic change are apparent. Using this framework, HTC assessed the counties in which it worked on their entrepreneurial development and found, as of March 2008, that six were at level 1; two at level 2; one at level 3; three somewhere between levels 3 and 4; two between levels 4 and 5, and one at level 5, Valley County which has been working with HTC since 2002 and whose outcomes, listed above, are considered by HTC as evidence of systemic change. Other counties beyond the assessment stage have also documented other types of gains such as the procurement of redevelopment financing for converting an historic hotel into a business incubator (McCook), the development of an integrated development authority with full-time staff (Butler and Holt), the formation of task forces and sustained local entrepreneurial training programs (Mullen and Columbus).

Finally, HTC has also succeeded *in replicating the model into other states*: HTC provided support to Brookfield, Missouri, to develop its HTC strategy, and is developing a support program for statewide HTC initiatives in Indiana and Kansas. RUPRI's Center for Rural Entrepreneurship has offered Energizing Entrepreneurship Institutes to key staff at other EDS sites and elsewhere communicating the key principles of community-based entrepreneurship broadly. The model is providing others with rich examples of how community-centric entrepreneurial development can be promoted, supported and sustained.

## Sustainability

There are at least two aspects to the issue of sustainability in this initiative: 1) how the HTC team and strategy is sustained over time, and 2) how communities sustain their engagement in the work. Both of these are related, since HTC sees its sustainability, in growing measure, dependent upon the capacity of communities to pay for services.

Currently, the core HTC team expects to sustain its work through:

- Other grant sources to cover basic operations and provide matching funds for community work;
- Contracts to support the development of HTC-like work in other states;
- The "off-loading" of some staffing costs to University of Nebraska Extension, which as discussed above, is offering staff support for HTC functions in a number of communities;
- Reducing costs by further shedding formal collaboration activities (meetings, etc.) with resource providers;
- Helping local communities acquire resources to pay for their services: as described above, BECA is one of those mechanisms as is helping local communities develop interlocal agreements that incorporate tax initiatives to fund community work. Also long term, HTC expects local endowments will be a source of funding for this work.

Under the Kellogg grant, HTC has been able to cost-share expenses with local communities for Phase 1 and 2 services, which are estimated at \$15,000 for the assessment phase, and a varying sum for the second phase

depending on which services are requested. Local communities already have demonstrated the willingness to contribute substantially towards these costs, providing half the funding for the first stage, and up to \$50,000 for Phase 2 work. Local communities also have their own expenses – salary, benefits and administrative costs for one to two staff, and other investment funds for specific projects. HTC estimates that communities should be investing 1 percent of the value of their economy, with the expectation that these investments will generate 10 percent or more return every year. In the case of Butler County, the economic development budget has grown from \$30,000 to more than \$100,000, and may reach \$250,000 when city and county initiatives are combined.

## Summary

HTC has developed a model of an entrepreneurship development system that places a transformative community empowerment process at the core of the system. In this model, entrepreneurial development is enhanced as a consequence of changes in community attitudes that give priority to entrepreneurship, and new structures that expand leadership, grow financial assets for community investment, and build a portfolio of businesses keyed to community needs and opportunities. The community process is then linked to external support structures (the HTC team and tools and other resources) through coaches who serve as strategic advisors and connectors to service providers. In addition, the system is designed to grow organically from community to region as local communities seize opportunities to pool resources and talent to spur even greater economic development.

At this stage, the benefits of this strategy are most apparent in HTC's earliest site, Valley County. As described above, most of the other communities are at earlier stages of the change process, and it will be important for HTC to develop a more consistent and detailed methodology to document results as they unfold in each of these new centers of work. In addition, as HTC's local site evaluator noted, the model needs to evolve a less intensive strategy for smaller, lower-capacity communities, and increase its efforts to ensure inclusion of women, people of color and lower-income individuals in communities. HTC has had its greatest successes in eliciting leadership among young people and gaining adult acceptance and support for civic engagement. Women also have taken on new roles, including as community coordinators and business coaches. The challenge is to continue to build on these successes and expand the leadership circles even further. And there is further work to do to get the cost-sharing with communities right.

Nevertheless the promise of the system is clear. HTC's work already has created a set of lessons for others interested in EDS strategies. Again, as their local evaluator noted, this experience demonstrates:

- The importance of a place-based approach that can accommodate uniqueness.
- The importance of a clear entrepreneur-focused theory of change that guides the work of local communities and offers a vehicle for a more rational application of external resources.
- The importance of coaching as a strategy that replaces the expert approach.
- The importance of creating community systems and structures (rather than projects) that establish strategic directions and a plan designed to create systemic change.
- The importance of "nested" learning communities that are built at the community level. Task forces provide opportunities for individuals to participate and learn from their experiences, and these also are shared within the HTC community level steering committee, and across groups.
- The potential of the process to "unleash individuals' passion regarding the place in which they live."
- The need for local champions to drive this, paid staff to support the day-to-day work (at the community and business level) and the value of an active community foundation to generate resources to develop ongoing financial support.<sup>49</sup>

<sup>49</sup> Mary Emery, *HomeTown Competitiveness Evaluation: Year 3 Report* (Ames, Iowa: North Central Regional Center for Rural Development, January 16, 2008), 33-46.

t In addition, the model offers a powerful example of how to organize and elicit youth engagement in community betterment activities, leadership development and the testing of entrepreneurial initiatives. And the policy initiatives that have been passed demonstrate how funding and tax credits can be designed to enable communities to hire staff, to support microenterprise and microentrepreneurs, and build long-term assets. Nebraska may have some unique characteristics in terms of local financing (communities can come together and create “interlocal agreements” that include the levying of small, additional sales taxes to support economic development activities), but this tool has sparked communities to cooperate, and has provided funding for staff that has enabled these local processes to thrive.

# North Carolina Rural Outreach Collaborative

The North Carolina Rural Outreach Collaborative was developed in response to the Kellogg RFP, emerging from a statewide association of business resource providers with the intention of creating an entrepreneurship development system to serve all 85 rural counties in the state. Led by the North Carolina Rural Economic Development Center, the initiative was designed to build on and strengthen pre-existing relationships in order to make a richer, more transparent and more coordinated set of resources available to rural entrepreneurs, as well as gain more supportive policies supporting entrepreneurship development. With the conclusion of the three-year program, the Rural Outreach Collaborative has ended its work, and the EDS agenda is continuing under the leadership of several structures and institutions in the state.

## Context

The North Carolina Rural Outreach Collaborative targeted the 85 rural counties that are home to half the state's eight million people, who are challenged by economic restructuring due to losses in both the traditional manufacturing and agriculture sectors. From 2000 to 2003, more than 60,000 rural North Carolinians were laid off from textile, furniture and other manufacturing jobs. Farm employment also declined, with tobacco receipts reported down by more than half since 1997. In this context, it is not surprising that per capita rural income is \$17,579, only 80 percent of the U.S. average. But this figure masks the sharp differences in income experienced by the rural Hispanic, African American and Native American residents who make up 27 percent of the population, and whose income ranges from \$9,500 to \$11,000. Rural minority poverty rates are 22 to 28 percent versus 10 percent for rural whites. In the 17 eastern counties with high minority populations, the child poverty rate is more than 25 percent.

If entrepreneurship is to serve as an instrument for transformation in this context, the leadership of the Rural Outreach Collaborative noted in the original proposal to Kellogg: "The regions where our most needy families live are not well-served by the state's current EDS. Though North Carolina has a community college within a 30-mile drive for all citizens, the resources and expertise at many of their Small Business Centers need to be expanded to serve local needs. Many rural local governments put very low percentages of their economic development budgets into their community colleges while still developing sites for the chance at a rare manufacturing project. Our nationally regarded Small Business and Technology Development Center has offices on 16 University of North Carolina campuses, but its primary focus is on existing small businesses, not the aspiring or survival entrepreneur. Many minority and low-income citizens are over an hour from the closest university office and are too intimidated to visit there anyway." While North Carolina also has a set of nonprofit service providers that focus on minority and distressed communities, they also are underfinanced. To adequately serve what has been seen as a "the pent-up and growing demand for small business assistance," it has been estimated that an annual \$20 million budget would be required.<sup>50</sup>

More specifically, North Carolina's rural regions have been found to suffer from: insufficient entrepreneurship educational initiatives for youth and adults; inadequate technical assistance for aspiring and survival entrepreneurs; insufficient financial literacy to create bankable businesses and sources of equity capital for growth entrepreneurs; few local support networks for entrepreneurs; and limited understanding of entrepreneurship on the part of rural elected boards and local workers. These findings emerged from research commissioned by the North Carolina Rural Economic Development Center in 2003 and led to the creation of the Business Resource Alliance, a statewide network of business development service providers that organized to consider how they could more

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<sup>50</sup> North Carolina Rural Outreach Collaborative, 2004 proposal to the Kellogg Foundation and CFED, 4-5.

effectively respond to these challenges. It is from this group that the North Carolina Rural Outreach Collaborative emerged to develop a more fully effective EDS for rural North Carolina.

## Structure and Strategy

Given the breadth of the group and the scope of its analysis, the EDS' goals have been to:

- integrate the state's entrepreneurship resources into a more transparent set of options for rural entrepreneurs at various stages,
- create a more supportive state and local policy environment, and
- give rural community leaders who want to nurture homegrown job creation access to training, models and tools that would help them be effective.

In doing this, the EDS emphasized creating new materials and opportunities for youth, new tools to publicize and make adult services more transparent, and greater coordination among service providers for better service delivery and advocacy. The intent also was to promote six regional efforts to create more supportive environments for entrepreneurship, develop local networks of entrepreneurs and/or service providers, and implement regionally appropriate programs.

The EDS was led by the North Carolina Rural Economic Development Center and included 25 members, each of which was represented on the management team, which met quarterly to be updated on progress and consider key issues. These members included organizations from the government sector, university system and nonprofit sector. The two largest business service providers in the state – the state Small Business and Technology Development Centers, based in the university system, and the Small Business Centers, based in the community colleges – were represented in the EDS by their directors and participated at regional levels as well. This engagement was unique among the six EDSs funded under this initiative. Among government members were representatives of the departments of agriculture and commerce; among higher education were representatives of the UNC system; and among nonprofits were leaders such as the Self-Help Credit Union, Good Work, NC REAL and Junior Achievement.

The bulk of members' participation was through work groups, which were organized to study and develop initiatives in entrepreneurship education, capital, policy, minority outreach and technical assistance. Some were stronger than others. Most developed work plans that resulted in the creation of written products directed to entrepreneurs, but also included other initiatives such as implementing an entrepreneurship policy summit, and supporting an expansion of youth entrepreneurship activities. Executives of member organizations also participated on two occasions in an executive policy team that was expected to help advance policy goals, and an entrepreneur advisory team also met periodically to give input to the EDS.

In addition, the state was divided into six regions where it was hoped that community advisory teams would develop and implement entrepreneurship activities in their areas. In fact, while the EDS provided some support to each of these regions, especially in the form of training and some consulting services – directly and through its partner Good Work -- development of entrepreneurship activities was very uneven. Only two regions -- Upper Coastal Plains in the east (led by the Council of Governments), and High Country, a seven-county area in the northwest (led by the Appalachian Rural Development Institute at Appalachian State University) received specific funding from the EDS to implement networking activities, and participated in the EDS quarterly meetings held in Raleigh. Both regions had well-established leadership and less need for state-level technical assistance.

## Accomplishments

More than anything else, the EDS has further developed a "big tent" for entrepreneurship in North Carolina. The program has increased working relationships among the major public and private service providers in the state,

relationships that emerged under the Business Resource Alliance, but which were given a strong boost through engagement in the many projects implemented over the last three years. In addition, the EDS succeeded in developing or encouraging a set of important follow-up activities that will continue to promote some EDS values. These include: the work of the North Carolina Consortium on Entrepreneurship Education, the regional-focused systems development that the North Carolina Rural Economic Development Center will lead; the Rural Venture Fund -- a financing vehicle that is a collaboration between the Rural Center and the SBTCs; and the biannual policy Summit. More will be said about these below.

### ***Building the Pipeline***

With respect to youth entrepreneurship, the EDS and its members implemented activities that engaged substantial numbers of students and teachers, and developed products with long-lasting usefulness. In particular, the EDS:

- Created Hop on the Bus, a business plan competition for high school students. In the first year, 205 students participated and in the second, 253 students in 130 teams were involved, an increase of 23 percent. Launched by the EDS, this competition likely will be taken over by the Department of Public Instruction.
- Created "Beyond the Lemonade Stand", a guide for communities interested in supporting youth entrepreneurship.
- Provided resources to help Junior Achievement, NC REAL and 4-H expand their work into more rural communities. With respect to this, the local site evaluation reports that: "Over the course of the project, these service providers have expanded the geographic scope and the number of events to raise awareness about entrepreneurship education. In total, the service providers had almost 200 teacher training events, about 1,100 courses for K-12 students reaching over 15,000 participants."<sup>51</sup> While not all of this can be attributed to the EDS, youth entrepreneurship partners reported that the EDS resources enabled them to expand their reach beyond what they would have accomplished before.

Also emerging from the encouragement of the EDS is the North Carolina Consortium on Entrepreneurship Education, a coalition of public and private higher education representatives along with the state's Department of Public Instruction, all interested in learning about, developing or strengthening educational resources for entrepreneurship education. Fairly incipient in its activities, the consortium is now focused on peer exchange and resource sharing. While this can become an important focal point for all the entrepreneurship educational activities underway in the state, and a wedge for greater financial support and attention, it is not yet clear how the consortium will fare. As the EDS has ended and the Rural Center has turned its focus to a specific set of rural initiatives, where the leadership for this effort will come from, or whether it will ever be staffed, is uncertain. The North Carolina EDS leadership believes that it should be drawn from agencies with a statewide service area.

EDS work in expanding the adult pipeline of entrepreneurs had two focuses:

- Given its perception that North Carolina was weakest in resources for emerging entrepreneurs, it promoted the use of networks as the best entrée for newcomers to resources, technical assistance and contacts. It created a guide for entrepreneurs about the value of networks, "*Hello, my business name is ...*" and held six workshops, reaching 140 people around the state on entrepreneurial networks and networking, based on the guide's content. In addition, the EDS implemented Energizing Entrepreneurship workshops in the six target regions, with the aim of providing a framework and tools for community leaders interested in increasing entrepreneurial development in their communities.
- It encouraged the inclusion of entrepreneurs from a broad array of ethnic communities through: training (the EDS developed an appreciative inquiry exercise within the Energizing Entrepreneurship (E2) curriculum to help participants view their diversity as an asset for entrepreneurial development); development of a video, "*In Their Own Words*," (designed to celebrate the minority entrepreneur, educate service providers regarding the

<sup>51</sup> RTI International, Evaluation of the Entrepreneurship Development System for Rural North Carolina – Final Report (Raleigh, N.C.: RTI International, June 6, 2008), 11.

unique issues that minorities face, and provoke thinking about how they deliver services); and assistance to the North Carolina Indian Economic Development Institute (scholarships for Summit attendance, E2 training, and board participation), which has increased its engagement in asset development and entrepreneurial activities over the course of the program. This work is continuing with Rural Center staff support for an Hispanic entrepreneurs' network that is just re-emerging in eastern North Carolina with hopes to put on a first-ever Latino entrepreneur conference in the future.

The effects of these efforts in spawning more entrepreneurs, and/or more ethnically diverse entrepreneurs, or in linking more emergent entrepreneurs to appropriate resources, cannot be said. While EDS' local site evaluators have some data suggesting that large numbers of emerging entrepreneurs are connecting to services (40 percent in their final entrepreneur survey were seeking assistance in starting a business), and that the service provider structure in North Carolina serves more minority entrepreneurs than found across the general population,<sup>52</sup> the small numbers and lack of solid longitudinal data make this data suggestive rather than definitive.

### ***Building a System of Support***

The EDS goal in this area was to increase the transparency of services to entrepreneurs, and to achieve it, the EDS developed and widely distributed a set of products designed to help entrepreneurs assess their own needs and seek out appropriate services and capital. These products included *Fueling Your Business*, a simple guide to capital access. In addition, the EDS sought to enhance cooperation between the major service providers in the state by helping increase communication among them through the EDS and Business Resource Alliance meetings, and at regional sessions. Over the course of the initiative, the SBTDCs and the SBCs engaged in their first joint professional development training, and the SBCs adopted the management information system used by the SBTDCs to track client services and outcomes. In addition, representatives of both institutions, and other service providers, participated in the regional service provider networks developed in Upper Coastal Plain and the High Country, and in planning emerging initiatives in the northeast and southeast regions. The work toward transparency is continuing with the development of Resource Navigator, an on-line directory of services being tested in two regions, and spearheaded by the Rural Center with the Business Resource Alliance. The Department of Commerce also has expanded the Business Servi-Center (toll-free phone line primarily for start-ups) and the work of the Small Business Ombudsman's office.

Perhaps most importantly, building on EDS collaborations, the state Department of Commerce is preparing to launch in December 2008 a statewide marketing campaign and branding initiative for all of the statewide business service providers. Senior management from the Rural Center, SBTDC, SBC Network, and others has been involved in this initiative throughout 2008.

Through surveys of service providers, entrepreneurs and informed (but external to the EDS) economic development professionals, the local evaluators attempted to track the results of these efforts. Acknowledging that the EDS process was focused on long-term culture change, nevertheless the evaluators sought to document quantitative results that would emerge as signposts of these changes. The scope of the proposed data collection was daunting because it aimed to measure all the service activity of the major institutions across the 85 rural counties quarterly, as well as measure changes in service provider and entrepreneur attitudes annually. Incomplete and inconsistent data collection hampered the effort, but the evaluators reported that the findings did demonstrate that "service providers' awareness of and interaction with EDS member organizations increased," and

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<sup>52</sup> In their final report, the evaluators state: "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." The widely varying numbers have less to do with changes in service provision and more to do with who completed the surveys at each wave. See RTI International's final report, pg. 15

“entrepreneurs’ satisfaction with the EDS increased.”<sup>53</sup> Activity reports also showed that “partners are increasing business-to-business networking, community outreach dissemination, and referrals.”<sup>54</sup> In addition, economic development professional surveys documented that these informed observers also saw progress. Most “felt that the EDS had improved the awareness of available services” and that the quality of services had improved, rating it as “good or adequate.” However, they still rated the “availability of the right service at the right time” the lowest of all, indicating the challenges that still exist in delivering appropriate services.<sup>55</sup>

These reports document an array of efforts – some very deep, some less so – but all of which would contribute to the sense that there is a “system” and that it is more visible to entrepreneurs in at least some communities. While the motto has been “no wrong door,” the work really has been more about illuminating where the doors are, and what decisions and choices an entrepreneur has to think through as s/he seeks the door most appropriate to his/her needs.

### ***Community and Policy Change***

The EDS increased visibility and support for entrepreneurship through:

- An annual summit that convened hundreds of practitioners, policy makers, educational professionals, and entrepreneurs to explore ways to increase entrepreneurial development in the state. These summits also became vehicles to announce new commitments and initiatives on behalf of entrepreneurship statewide.
- The Hop on the Bus business plan competition for high school students. As described above, participation has grown each year, and announcing the award winners at the annual summit has raised public awareness of the event
- Training for community level policy makers: the UNC School of Government and the RUPRI Center for Rural Entrepreneurship delivered workshops in the eastern and western parts of the state for local government officials.

The effects of that increased visibility are found in such initiatives as:

- the embedding of the name entrepreneurship in two committees of the state legislature (the Commerce, Small Business and Entrepreneurship Committee in both houses),
- the formation of a North Carolina Consortium on Entrepreneurship Education bringing the major educational institutions of the state together. Related to this are a set of educational initiatives aimed at increasing the availability of entrepreneurship education to university students, and business extension resources to broader populations (NC State and UNC)
- the creation of the Rural Venture Fund, which has \$6.8 million from the state legislature, the North Carolina Rural Economic Development Center and the Golden Leaf Foundation, designed to target existing businesses with growth potential in economically distressed counties. Investments between \$50,000 and \$350,000 are available, and the first six investments, totaling \$2.1 million, are expected to generate 400 new jobs by 2013.
- A \$600,000 state allocation to support regional EDSs (described below.)

What’s important to note is that the EDS’ efforts in this regard both spurred, and were spurred by, broader trends in an institution-rich state. As the local site evaluators reported, while many unaffiliated economic development professionals gave the EDS credit for making the case for entrepreneurship (45 percent), respondents felt that the

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<sup>53</sup> The evaluators reported that “nearly 88 percent of the service provider agents felt that their organization belonged to a local system of service providers to support entrepreneurs, up from 75 percent at the baseline.” Of entrepreneurs surveyed in the last round, 67 percent felt there was an “effective business resource system in place,” up from 50 percent at baseline. In addition, 60 percent thought referrals to other service providers were effective, compared to 50 percent in the first survey. These findings are not longitudinal, however. They are snapshots of differing groups of respondents at each time period. See RTI International’s final report, pgs. 17-18, 23.

<sup>54</sup> RTI International, 7-8.

<sup>55</sup> RTI International, Executive Summary, 3

greatest factor contributing to increased support was the North Carolina economy itself.<sup>56</sup>

With respect to community change, the EDS attempted to launch regional systems in six parts of the state, with varying degrees of success. These will be further supported in follow-up activities that are the legacy of this program in the state.

## Sustainability

The North Carolina Rural Outreach Collaborative has formally ended with the conclusion of the Kellogg grant, but what remains are a number of legacies and follow-on initiatives that will continue under a variety of leadership:

- The NC Entrepreneurship Summit will continue on a bi-annual basis, rotating around the state. A process has been established to continue running this event. A toolkit lays out how to organize the summit; a kitty of money, raised through the last summit, is available to pass onto the next organizer, and a review committee has selected the next host to be UNC-Wilmington and partners in the southeast region of the state.
- The North Carolina Consortium for Entrepreneurship Education, also discussed above, will act as a venue for peer learning and exchange.
- The Business Resource Alliance, which existed before the Kellogg grant, will continue as a statewide venue for networking and advocacy among public and private institutions engaged in entrepreneurial development.
- All the products will remain after the project and will be used by the members of the EDS. They already have been distributed to every Small Business Center and Chamber of Commerce in the state, and feedback is reported to be strongly positive.
- The North Carolina Rural Economic Development Center will continue to focus directly on the rural, as opposed to statewide, agenda through the administration of the Rural Venture Fund, and through implementing the Rural Entrepreneurship Development Systems II project, funded by the Rural Center with \$600,000 from the General Assembly. This is designed as a three-year project to help two regions build on the initial awareness building and organizing work done as a consequence of participation in E2 trainings. As the Rural Center recognized that deep progress at the regional levels requires staffing, technical assistance, and opportunities for peer learning, this program will provide: grants to pay for a regional coordinator on a declining basis for three years; coaching and a “common approach” through the Rural Center and contractors; and support to build regional alliances among the grantees and other interested regions.
- The Rural Center is now engaging rural chambers of commerce in strategic discussions about rural economic and business development. The chambers do not have an active statewide association but are frequent partners with the Rural Center in local initiatives.
- The Rural Center’s Institute for Rural Entrepreneurship is partnering with the North Carolina Department of Commerce Division of Workforce Development, the North Carolina Community College System, and NC REAL to implement a \$1.6 million project funded by the Department of Labor’s Employment and Training Administration. Project GATE, Growing America Through Entrepreneurship, will help dislocated workers pursue self-employment and entrepreneurship by offering services at eight rural sites and from a statewide virtual site. GATE is a 3-year project started in September 2008.

## Summary

The North Carolina Rural Outreach Collaborative created an EDS model that had at its core a collaborative of largely statewide institutions engaged in business development, using the program to focus their work more intentionally on rural counties. Bringing together leaders in public and private service provision and education, the program unleashed considerable energy to make entrepreneurial development a key strategy for economic

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<sup>56</sup>RTI International, Executive Summary, 5

development. The EDS accelerated recognition among many institutions that previous strategies would provide limited promise given current economic conditions, and offered concepts and tools that could support transformation at community levels, and could increase the effectiveness of the current system of services to meet entrepreneurs' needs. It was strongly successful in developing resources to make services more transparent to entrepreneurs, and in getting the largest providers to collaborate in new ways. Its work at regional levels sparked new thinking and new coalitions of leaders, and in a couple of instances supported networks that serve as doors to contacts and services.

But its regional work served more as a launching pad for concepts and initial organizing than sustained and deep work that could translate into documented outcomes in the form of business starts, growth, job creation and other metrics. As an illustration, its own evaluation made no attempt to track such changes, instead focusing on perceptions with respect to service quality and integration. In this respect, the new regional EDS program started by the Rural Center is expected to take the steps required to move from concepts to transformation at the local level, building on what has gone before.<sup>57</sup>

The EDS does offer some real lessons for other practitioners. They include:

- The importance of a well-recognized statewide leader seen as effective and credible to all parties.
- The value of using collaborative task forces not only to produce products, but to develop habits of collaboration that build the trust required for increased coordination at the field level.
- The value of the Energizing Entrepreneurship training program for consciousness-raising and launching new processes at community levels; the North Carolina experience also demonstrates how important it is to have a longer-term technical assistance strategy and resources to convert ideas into both plans and a sustained change agenda.
- Experience developing a strategy dedicated to publicizing available resources, and making them easier to use by a wide range of entrepreneurs. While EDS language has consistently used the term "no wrong door," this EDS' work really has been more about illuminating where the doors are, and what decisions and choices an entrepreneur has to think through as s/he seeks the door most appropriate to his/her needs. The effort is to put the entrepreneurs in the driver's seat, rather than depend on the capacity of service providers to refer and integrate their activities.
- The importance of working both at the leadership levels and the regional levels. Getting the messages down to the front-line workers from the top is insufficient. Effort must be expended to support increased communication among service providers in the regions themselves.
- Recognition that high-visibility activities can grow and sustain momentum for an entrepreneurship agenda.

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<sup>57</sup> The decision not to collect business outcomes data was also due to the EDS' recognition that it did not have the resources to develop a rigorous comparison study to detect what outcomes were directly attributable to the EDS initiative and not the normal operations of its partners. The Rural Center's new Rural EDS II project is still exploring approaches to gathering business outcome data in the two regions assisted by the effort that will be comprehensive, eliminate double-counting, and in some way, reflect the value-add that the new regional efforts stimulate.

## Oweesta (SAGE)<sup>58</sup> Collaborative, Great Plains Reservations

The Oweesta Collaborative Entrepreneurship Development System is a nine-member collaborative that is focused specifically 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. Pine Ridge and Cheyenne River, collectively, are home to five of the seven bands of the Lakota (Sioux) nation, while Wind River is home to members of the Eastern Shoshone and Northern Arapahoe tribes.

### Context

The work of the Oweesta Collaborative takes place within the context of extreme and longstanding poverty, and social and economic disenfranchisement that exists on the three reservations. The reservations lack almost all the infrastructure required for enterprise and economic development: basic physical infrastructure, private banking institutions,<sup>59</sup> laws and codes that support private investment, economic development organizations, and government resources. In the latter case, tribal governments do exist, of course, but they were created and historically have functioned largely as a means for distributing government benefits and resources, not to support development. As tribal governments have moved to support enterprise, their approach typically has been to operate tribal businesses, not to create an environment that supports individual private enterprise. Furthermore, the U.S. government's treatment of these tribes – stripping away their land and other resources, providing grants and service to support subsistence which has created a culture of dependency, forbidding the practice of their traditional religion and the use of their language for many years – again has fostered a sense of helplessness and alienation. As a result, the rates of poverty, teenage pregnancy, and teen suicide in several of the counties on these reservations are among the highest in the nation. Further, while the Lakota and other Plains tribes have a strong history of entrepreneurship prior to reservation formation, and although many residents of the reservations engage in informal economic activity to generate income, within the current economic context there is a dearth of formal Native-owned businesses.

These three reservations are among the largest in the United States in terms of land area: Wind River with over 4,200 square miles is the fourth-largest in the country; Cheyenne River and Pine Ridge, each at around 3,500 square miles are the seventh- and eighth-largest respectively. The populations of the reservations are also relatively small; ranging from approximately 28,000 on Pine Ridge to around 9,600 on Cheyenne River.<sup>60</sup> As a result, population densities are quite low; in most cases below 3 people per square mile. Although poverty and unemployment are significant challenges on the reservations, out-migration is not an issue – and in fact, Shannon County, where the Pine Ridge reservation is primarily located, is one of the fastest-growing counties in South Dakota.

### Structure and Strategy

The Oweesta Collaborative model took a very specific approach to supporting entrepreneurship on Native reservations that sought to:

<sup>58</sup> At the end of the grant period, the Oweesta Collaborative changed its name to the SAGE (Starting and Growing Entrepreneurs) Collaborative.

<sup>59</sup> For example, there are no banks on the Pine Ridge Reservation. A mobile bank visits one afternoon a week; otherwise residents drive 90 miles to Rapid City, or to other border communities, to do their banking.

<sup>60</sup> Population figures for Pine Ridge Reservation from [http://villageearth.org/pages/Projects/Pine\\_Ridge/pineridgeblog/2005/07/hud-accepts-new-census-numbers.html#figures](http://villageearth.org/pages/Projects/Pine_Ridge/pineridgeblog/2005/07/hud-accepts-new-census-numbers.html#figures); for Cheyenne River from <http://www.crchamber.org/commprof.html>.

- Support entrepreneurship through the circle of community, recognizing that entrepreneurs are not separate from the families, communities and cultures in which they live, and that their businesses are integral to the vitality of the larger community.
- Support efforts to create Native community development financial institutions (CDFIs)
- Identify and cultivate a significant number of entrepreneurs who can create quality companies and jobs. This identification and cultivation process involves the provision of long-term, client-centered technical assistance.
- Create and connect multiple organizations and service providers to create a comprehensive, flexible and integrated system for entrepreneurship development.

The goal of this approach was to help build entrepreneurs from the inside out, and economies from the bottom up, not from the top down. This bottom-up, client-centered approach centered around the implementation of the Wawokiye Business Institute model, created by The Lakota Fund, in which business “success” coaches provide long-term technical assistance to Native entrepreneurs.

Around this core model of technical assistance, the Oweesta Collaborative also undertook initiatives to build broader community support for entrepreneurship. Its two major efforts in this area involved convening the first South Dakota Indian Business Conference, which brought together tribal, state and federal elected officials and agency staff to discuss and learn about issues related to Native entrepreneurship, and the creation and continued development of chambers of commerce on the three reservations.

The core model and strategy of the Oweesta Collaborative was built upon the experience of The Lakota Fund (TLF), a Native CDFI on the Pine Ridge Reservation. At 20 years of age, TLF is the oldest Native CDFI in the country. Just prior to the creation of the Oweesta Collaborative, TLF was struggling with a lack of capacity and poor loan performance. Its leadership brought in two nationally known organizations with expertise in Native entrepreneurship: the Oweesta Corporation and Rural Community Innovations (RCI). It was by working through TLF’s challenges and experiences that the Wawokiye Business Model was born. When the Kellogg Foundation EDS RFP was released, these three partners saw an opportunity to create a model for Native-focused entrepreneurship development efforts that they hoped could be replicated on other reservations.

Seeking to test this approach, and to build models and tools that could be used in and adapted to other Native communities, the Oweesta Collaborative incorporated partners with strong capacity and a history of earlier collaboration. In addition to the Oweesta Corporation, Rural Community Innovations and the Lakota Fund, the partners include two other local Native CDFIs (Wind River Development Fund and Four Bands Community Fund), the Pine Ridge Area Chamber of Commerce, Oglala Lakota College (the tribal college on the Pine Ridge Reservation), the First Peoples Fund (which works with Native artists across the Great Plains region), and the Wawokiye Business Institute (a program of TLF that houses its coaching and technical assistance activities). The responsibilities of these partners are as follows:

- Rural Community Innovations: Developed the Wawokiye Business Institute coaching manual and trains new success coaches. Provides administrative reporting and grant management functions. RCI also now houses the newly-created position of Collaborative coordinator and coaches’ coach.
- Oweesta Corporation: A national Native CDFI intermediary that provides expertise to Native CDFIs. Maintained the key communication vehicles for the Collaborative (VPN, Web site, listserv). Played a key role in organizing the South Dakota Indian Business Center.
- The Lakota Fund: Native CDFI providing microlending and matched savings services to residents of Pine Ridge. Home of the Wawokiye Business Institute.
- Four Bands Community Fund: Native CDFI operating on the Cheyenne River reservation. Services include microloans, business training, coaching (based on Wawokiye Business Institute model), matched savings and youth entrepreneurship activities.
- Wind River Development Fund: Native CDFI operating on the Wind River reservation. Services include microloans, coaching (based on Wawokiye Business Institute model),

- Oglala Lakota College: Tribal college located on the Pine Ridge Reservation. Provides training to Native entrepreneurs using the Core Four entrepreneurial curriculum. Is also working to expand the college's involvement in economic and entrepreneurship development.
- Pine Ridge Area Chamber of Commerce: Provides a voice for businesses on the Pine Ridge Reservation. Has provided assistance to other reservations in their efforts to form local chambers of commerce and implement Uniform Commercial and Secured Transactions codes. Also works with Four Bands Community Fund to create and operate the Native Discovery tourism promotion efforts on Pine Ridge, Cheyenne River and Rosebud reservations.
- First Peoples Fund: Works with Native artists across the Great Plains region. Has provided specialized assistance and training to coaches in working with Native artists.

The original structure of the Oweesta Collaborative was very flat and democratic. Initially, there was no formal organizational home, although some members played key administrative and organizational roles. A committee structure was created for work on specific issues; however, this was somewhat ineffective. Recently, although decision-making remains decentralized with the members seeking to achieve consensus on key issues, the Collaborative has added some new roles. There is now a formal coordinator for the Collaborative. In addition, after finding it challenging to find and retain skilled coaches, the Collaborative has added the role of the coaches' coach (both the coordinator and coaches' coach positions are currently filled by a single individual who works for RC1). The Collaborative is also exploring whether to create another new position of youth entrepreneurship coordinator. This individual would be available to support the development and expansion of youth entrepreneurship activities across the three reservations.

At the end of the Kellogg grant period, the Collaborative changed its name to the SAGE (Starting and Growing Entrepreneurs) Collaborative. The goal was to select a name that had meaning and resonance within traditional Native cultures, yet was less specific to a particular organization.

## Accomplishments

### *Building the Pipeline*

Because their reservations include significant numbers of Native Americans who engage in informal business activity, but very few larger, formal Native-owned enterprises, the Oweesta Collaborative's definition of pipeline focused on the process of moving entrepreneurs through the business development process (as well as increasing the pool of potential entrepreneurs). Over the three-year period, its key accomplishments were:

- Implemented the Wawokiye Business Institute success coaching model on all three reservations. Collectively the Collaborative has provided almost 3,500 hours of coaching to 711 Native entrepreneurs. Working with First Peoples Fund, the coaches also have provided long-term technical assistance to 36 experienced artist entrepreneurs.
- Provided training to 1,583 adult entrepreneurs.
- Increased entrepreneurship offerings/activities at Oglala Lakota College, including offering of the Core Four entrepreneurship training course. The college also is looking into creating an American Indian Business Leaders chapter, and is assisting other Collaborative members in their efforts to partner more closely with the tribal colleges on their reservations.
- Four Bands Community Fund has worked with South Dakota State University to develop a youth entrepreneurship toolkit for local teachers. Rather than creating a whole curriculum or class, which teachers often resist, tools have been provided to integrate relevant topics or activities into their teaching. The fund currently is working with four schools, and hopes to expand.
- Four Bands also has developed a summer internship and IDA program for youth.
- While youth entrepreneurship activities on the other reservations have been less formalized, there have been outreach and training activities to youth. In total, the Collaborative provided training to 999 youth.

### ***Building a System of Support***

Due to the dearth of entrepreneurship and economic development services on the reservations, the Oweesta Collaborative's primary focus in building a system of support was on expanding the capacity of existing players. Its key accomplishments were:

- Raised/leveraged \$8.2 million in lending and equity capital for Native enterprises (its goal was to raise \$10 million). Some of this capital went to the Native CDFIs located on the three reservations; some was used to capitalize a new capital fund (the Native American Investment Group) designed to make mid-stage financing available to Native-owned enterprises across the country.
- Created a network that includes 22 professional service providers, 19 capital sources and 36 volunteer business networks.
- Provided ongoing training and skill-building opportunities to the success coaches.
- Strengthened the Pine Ridge Area Chamber of Commerce (expanding its budget and activities), and supporting the continued development of chambers on the other reservations.
- As noted above, strengthened Oglala Lakota College's involvement in entrepreneurship and economic development.
- Strengthened support for arts and tourism entrepreneurs through collaborative efforts among the partners (Native Discovery Web site and other tools; trainings and other collaborative efforts with First Peoples Fund).

### ***Community and Policy Change***

At the core of the Collaborative's work in this area are efforts to create a new understanding and vision of enterprise development on reservations: one that recognizes that entrepreneurship is both feasible and culturally appropriate. The Collaborative achieved the following in support of that desired change:

- Convened the first South Dakota Indian Business Conference, and created the South Dakota Indian Business Alliance.
- Succeeded in passing a Uniform Commercial Code for the Pine Ridge Reservation; work on Wind River reservation to pass a Secured Transactions Code is ongoing.
- The tribal governments on both Pine Ridge and Wind River voted to extend and overlap the terms of tribal council members.
- The state of South Dakota created an Individual Development Account program.
- The Congressional delegations from Wyoming and South Dakota have increased their support for the CDFI Fund and its Native set-aside program.
- Increased contact and collaboration with key state agencies in each state.
- Highlighted success stories of Native entrepreneurs on both the Collaborative's and individual partner's Web sites. This provides the community with clear examples that entrepreneurship can work on the reservation.
- Increased awareness in the community (particularly on the Pine Ridge Reservation), through outreach at powwows and gatherings, systematic stories about programs and client businesses in the regional newspaper, and use of The Lakota Fund's weekly hour on the reservation's local radio station.
- The Lakota Fund developed a slideshow, based on its Wawokiye Business Institute framework, which shows how entrepreneurship is culturally appropriate and imperative, and depicts how entrepreneurship can support the economic sovereignty of the tribe and how asset-building programs can be used to rebuild assets that were stripped from the tribe.

### **Sustainability**

The Oweesta Collaborative and its members remain committed to their joint work in the future. Toward that end, they have raised (and will continue to solicit) funding to support ongoing activities. The extent and depth of collaboration will depend on the level of resources secured. It is likely that some level of peer exchange and support will continue regardless of funding levels. However, the goal of the Collaborative is to have a centralized place that can provide support to the members – in the form of the coaches' coach, ongoing training for success

coaches, maintenance of the mentor network, and establishment of the youth entrepreneurship coordinator. Obviously the existence and depth of those activities will depend on the level of resources that are secured.

The Native CDFIs similarly appear committed to the Wawokiye Business Institute success coaching model, despite challenges in finding and retaining skilled staff to fill the coaching position.<sup>61</sup> The Collaborative is responding to these challenges through several means: increasing the level of training offered to coaches, creating the coaches' coach position, and expanding the tools available through its "coaches toolkit." These supports, of course, will require some ongoing resources.

## Summary

The Oweesta Collaborative is built around a culturally relevant model of long-term technical assistance to Native entrepreneurs. This model is built on the Native CDFIs located on the three reservations, as well as other key partners, including a tribal college, a reservation-based Chamber of Commerce, and three national or regional organizations with expertise in various aspects of Native entrepreneurship. Through this approach, the members of the Collaborative, in fact, are seeking to create market economies – and the institutions and structures that support them – that have never emerged on these reservations, while doing so in a way that supports rather than undermines traditional values and customs.

The model has seen some success, as evidenced by new business starts and growing levels of lending among the Native CDFIs. There have been a number of important policy successes, in terms of changes in tribal laws and the creation of new commercial and secured transactions codes. While there have been some frictions along the way, for the most part the Collaborative members have functioned with a high level of trust and openness, and articulate great value in working together, as they have found ways to leverage and grow their institutional expertise.

At the same time, however, implementation of the model has been challenging. Resources are always scarce on reservations, due to their extreme poverty. And the absence of a market economy has meant that business expertise is hard to find and maintain. Furthermore, as the work has progressed new issues and challenges – such as the importance of financial literacy – have emerged; these in turn demand a response which requires additional resources. As such, while the partners remain committed to working together, they must continue to seek external resources needed to support additional capacity within the Collaborative.

The key strengths and lessons learned from the Oweesta Collaborative experience are as follows:

- The Collaborative was able to achieve significant progress because of the strong experience and capacity of partner organizations, which included national Native support organizations. From the beginning, the strategy was not simply to include any organization with the capacity to affect entrepreneurship on the reservations, but rather those deemed to have strong capacity and to share a set of core values. The relatively small number of partners and their previous history of collaboration also supported progress
- A single focus on Native entrepreneurs allows for a targeted and culturally appropriate approach that focused specifically on the issues and needs facing those on the reservation. The partners believe strongly that collaborative efforts that seek to include Native and non-Native communities often get bogged down as Native-focused organizations seek to explain the very different realities, circumstances and needs of their communities.

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<sup>61</sup> This has been the case on two of the reservations. Four Bands Community Fund has had stability in its coaching staff throughout the course of the demonstration project.

- The Wawokiye Business Institute methodology for coaching and technical assistance has provided a methodology for engaging and assisting entrepreneurs that builds on traditional values and culture. It appears to be showing some progress in moving entrepreneurs to higher levels of business success. However, two of the partners have found it challenging to implement the model because of the skill sets required by coaches. The central supports for coaches that the Collaborative is now developing (the coaches' coach; ongoing training for coaches) will likely be important to the long-term feasibility and success of the model.
- Clear numeric goals for the Collaborative helped to set the stage for clear work plans, and helped the partners and the Collaborative as a whole measure and demonstrate progress.
- As other collaboratives have found, creating policy and community change requires changing attitudes about the feasibility and promise of entrepreneurship. The Collaborative has engaged in a range of activities to promote and share its vision of entrepreneurship.
- One of the clear lessons of the Collaborative's engagement with youth (and adults) has been the importance of reaching youth with financial literacy programs. In exploring with youth their goals and aspirations, Collaborative members found that typically students – and their parents – lacked knowledge and experience in how to save (for college, for a business, for a house), and how to manage their money to ensure future credit worthiness. The members now believe that financial literacy must be a key part of their work going forward; the hoped-for youth entrepreneurship coordinator is envisioned to support that work.
- The partners in the Collaborative noted that they found great value in collaborating with individuals from like institutions in different geographic regions. For example, they found a much different dynamic in partnering with other Native CDFIs, than in trying to partner with banks that might be active in their own region. Some of that value came in joint service delivery and capacity-building efforts (e.g., training and support for the success coaches and the Native Discovery work), and some came from the value of peer exchange (sharing lessons around the creation of a chamber of commerce, and issues around Uniform Commercial and Secured Transactions codes).

# Appendix: Kellogg EDS National Research Design

## Introduction

The W.K. Kellogg Foundation commissioned the Aspen Institute's FIELD program to undertake a national study of the Kellogg Entrepreneurship Development Systems Demonstration. The demonstration was implemented in six sites across the United States. Each site was evaluated by a local evaluator contracted by the EDS site management. In addition, data was collected by the EDS sites for their own management purposes, and CFED, providing management services to the Kellogg Foundation, also collected a range of qualitative data on the programs. The research design for the national study was based upon extensive review of the documentation available at the start of the contract, the design of the local evaluations, conversations with the local evaluators and with CFED, and consideration of where the sites were in the process of implementing their EDS efforts. Within this context, the national research was designed with the following principles in mind:

- The design must address the most critical questions that the funder, the Kellogg Foundation, wants to address. At the same time, the design must be practical and recognize that for some questions, only partial answers or findings that are suggestive rather than definitive might be available.
- The research should recognize the exploratory nature of the initiatives. The work of the local evaluators is formative. While the national study should lead to some summative findings regarding the demonstration, the nature of these findings will reflect the fact that development of the theory and practice of EDS is an evolving body of work. The intent should be to uncover and deepen learning about EDSs across an array of contexts. Given this, for many of the critical questions, the answers will be qualitative rather than quantitative, and the tools will need to be designed to capture extensive, qualitative information.
- The design should recognize that because the national research started after site-level implementation and research had begun, it would not be possible to unify data points, data definitions, methods and periods of data collection across the sites. At the point that the national study was launched, individual sites had invested too much in developing data collection and management information systems to request revisions. As such, it was decided that data would be used in an illustrative way.
- The research tools needed to accommodate the information-gathering opportunities presented by the existing work plans of the sites and their evaluators. In this respect, Aspen/FIELD staff would seek to coordinate site visits with activities occurring in the sites, such as planned visits of the local evaluators or Collaborative meetings.

These principles guided the plans for the research as indicated below:

## Component 1: Entrepreneur Level Issues

The Kellogg Foundation originally requested that FIELD address the following questions:

- To what extent has the pipeline of aspiring entrepreneurs seeking services increased?
- To what extent has the number of entrepreneurs increased?
- What outcomes do assisted entrepreneurs (participants) experience?
- What changes do assisted entrepreneurs (any participant, including youth) express with respect to their attitudes about and capacity for entrepreneurship?

### *Reflection on the Questions*

These questions asked for both quantitative and qualitative information, and sought to understand how the EDS collaboratives developed a strategy that first, drew in new people to explore entrepreneurship – both young people and adults – and second, led to an increased number of entrepreneurs in the targeted regions. In addition, the

questions sought to understand the changes that assisted entrepreneurs experienced after receiving program services. These changes would include changes in business outcomes, such as increases in revenues and employment, as well as more personal changes with respect to individual attitudes toward entrepreneurship, toward their own capacity to succeed as entrepreneurs, and with respect to skills.

One of the challenges in addressing these questions was that there was no uniform baseline across the EDS sites, so answering even the simple question – has the number of assisted entrepreneurs increased – was not possible. Some sites did not have a common database of clients. Other sites had developed a common database, but selective criteria or experiences affected which entrepreneurs were entered into it. Not everyone served was registered. Finally, there were differences with respect to how sites defined and used the word entrepreneur (with some using it to mean anyone in business, and at least one using it to mean only those business owners or aspiring owners with growth goals).

Given this context, the national research focused on:

- Understanding the different approaches to building a “pipeline” that the individual EDS’ had taken, and the lessons that could be documented with respect to developing and nurturing interest in and exploration of entrepreneurial careers.
- Capturing a range of supporting data illustrative of the types of activities and results that a more robust pipeline may result in (youth entrepreneurship activities and courses, academic and non-academic classes, recruitment and marketing activities, an increase in the number of participants served), and on the characteristics of individuals receiving services, particularly with respect to gender, ethnicity and income as markers of disadvantage, as possible.
- Collecting other evidence of increases in the number of entrepreneurs as reported by the EDS sites. In most instances, this was data that reported the number of entrepreneurs assisted by the EDS partners.
- Exploring the outcomes (business, attitudinal, capacity) experienced by participants receiving services from EDS partners by compiling the evidence each site was documenting, and further probing these questions through a small number of focus group interviews. In some instances, this data was to be based on regular monitoring and tracking of outcomes in the EDS’ databases; in others, it was expected to be illustrative rather than representative.

### *Research Tools and Methods*

To capture this information, FIELD engaged in the following activities:

- **Quantitative data aggregation and analysis.** FIELD requested and reviewed quantitative data related to the key areas outlined above, based on the data systems that had been constructed by the individual sites.
- **Document review.** FIELD reviewed sample materials related to marketing and recruitment, as well as curricula, that described how the “pipeline” functioned and illustrated the training approaches that the partners took to encourage the exploration of entrepreneurship, as well as to teach skills.
- **Qualitative interviews.** FIELD conducted interviews with the EDS coordinator and selected partners engaged in youth entrepreneurship, and in building the adult pipeline.
- **Focus group interviews.** FIELD conducted focus groups with selected entrepreneurs to capture their perceptions of the outcomes experienced.

## **Component 2: Entrepreneurship Development Systems**

In this area, FIELD was asked to address the following questions:

- What are the core functions, components and drivers of a successful EDS?
- What are the key lessons with respect to developing and maintaining a successful EDS?

### ***Reflection on the Questions***

These questions implied that during the three-year period of the Kellogg grants it would be possible to see success, identify which EDS sites were more successful, and detect the factors that had made them so. As outlined above, it was clear at the onset of the research that the lack of common baseline and comparative data made that challenging. In addition and more importantly, the research team recognized that Entrepreneurship Development Systems represented an emerging strategy in rural development. Three years would be a relatively short time to develop and achieve documented changes in the areas described as the expected long-term outcomes of these initiatives, namely:

- increased numbers of successful entrepreneurs,
- sustainable, systemic improvements in the quality and coordination of services for the full array of entrepreneurs,
- greater civic support and a favorable policy environment for entrepreneurship,
- poverty reduction and greater economic progress.

Rather, the FIELD team saw the demonstration as providing an opportunity to test and work out the EDS theory in a set of concrete and different contexts, and to understand how they evolved, what appeared to work, and what seemed to be the preliminary results of these efforts.

Thus, the national study was best understood as a cross-site learning assessment, rather than an evaluation of impact or success. With this in mind, the research design could contribute most by:

- Developing a comparative understanding of what the EDS initiatives actually “looked like” in practice, and how they compared in terms of functions and components to the original conception of an EDS.
- Exploring the factors that contributed to differences among the EDS sites (context, vision, leadership, prior experience, economic policy, etc.).
- Documenting the process that led to the development of the EDS collaboratives and the results that they had produced to date.
- Detecting lessons emerging from this experiences that would help others interested in supporting rural entrepreneurship.
- Determining which characteristics or “drivers” appeared to support an EDS’ positive functioning and results. (This may include leadership, the management and decision-making structure, the skills of the partners, the budget choices made, the size of the collaborative, the scale of the area being covered, the strategic decisions made, etc.)
- Documenting the approach that each EDS took to building a sustainable system, and the type and levels of support that the systems generated from policy makers and other funders.

### ***Research Tools and Methods***

To capture this information, FIELD focused on the following:

- ***Document review.*** FIELD reviewed EDS reports and those of the local site evaluators that describe and discuss the formation, evolution, challenges and progress of the initiatives.
- ***Observation.*** FIELD participated opportunistically in meetings of the EDS partners at select sites. We also participated in Kellogg-sponsored meetings of all the EDS sites to capture findings and lessons emerging from those discussions.
- ***Qualitative interviews.*** FIELD conducted interviews with the EDS coordinator and selected partners to capture their understanding of their “theory of change” and how the EDS has evolved in practice to achieve its goals.
- ***Focus group interviews.*** FIELD designed and led discussion sessions at two Kellogg-sponsored convenings to elicit the site partners’ reactions to draft findings regarding the evolution and development of the collaboratives, as well as their reflections on some key themes related to this and the other two components of the evaluation.

### Component 3: Community and Policy Level Issues

FIELD was originally asked to address the question:

- To what extent did the EDS initiatives contribute to poverty reduction, economic progress and policy change in the six target regions?

#### *Reflection on the Question*

This question was very broad, seeking to explore and document links between the work of the EDS and three substantial areas of potential impact. Poverty reduction implied looking at the household income status of program clients, and potentially at that of whole communities to assess change. Economic progress implied understanding not only entrepreneurial development but also its consequences in terms of job creation, greater regional production, and other measures. It also can imply trying to capture changes in the attitudes of local communities toward entrepreneurship and its role in promoting economic progress. Policy change implied looking at an array of initiatives from the local to, in some instances, federal level aiming to support a pro-entrepreneur agenda, and may include policies that support entrepreneurial development, facilitate business, and provide resources to entrepreneurial support organizations.

Based on the review of program documentation and discussions with local site evaluators, the national study research focused on two areas:

- Documenting the EDS initiatives and their ability to effect policy change. Policy development had heightened importance in each of the EDS sites, and was the focus of much activity where results might be observed. The research attempted to document the defined policy targets and how they varied from site to site; the selected policy strategies and the extent to which they were perceived to be successful; and the breadth of participation in pushing the policy agenda, and in particular, how entrepreneurs were engaged in policy development and advocacy.
- Capturing changed perceptions toward entrepreneurship at the community level. This was a secondary focus and the level and nature of exploration varied from site to site, depending on both the emphases that the initiatives placed on concentrating resources in specific communities, and on the local site evaluation designs themselves. (Some sites placed more research focus on this than others.) Areas that were explored include the local leaders' awareness of EDS activities and resources, their assessment of these efforts, and their overall attitudes toward and knowledge of entrepreneurial activity in their communities.

The assumption was that changes in policy, and in community attitudes and support, were pre-conditions for more substantive changes in poverty reduction and economic progress that would follow.

#### *Research Tools and Methods*

To capture this information, FIELD engaged in the following:

*To document the policy work:*

- **Document review.** FIELD reviewed EDS documents that summarized policy targets and strategies, and reported on progress, as well as reviewed reports of the local evaluators that addressed these issues. FIELD also reviewed marketing/promotional or advocacy materials that the sites developed to support their efforts at awareness building, education and policy change.
- **Qualitative interviews.** FIELD interviewed the EDS coordinator and key partners engaged in advocacy. FIELD also interviewed selected EDS-targeted policy makers to understand their perspective on entrepreneurship.
- **Focus group interviews.** As part of focus group interviews with selected entrepreneurs, FIELD sought to understand their awareness of and participation in any policy development and advocacy work, where this may have been relevant.

*To document the community work:*

- **Document review:** FIELD reviewed local evaluator reports on their observations of community effects. In some instances, this was a significant component of the local evaluators' work and in others less so.
- **Qualitative interviews:** FIELD interviewed the EDS coordinator to capture the initiative's perspective on its community strategy and the results expected during the grant period. FIELD also interviewed other partners engaged in community-level work and selected community leaders.

Finally, in addition to these specific research strategies, FIELD also exchanged findings and perspectives periodically with the local site evaluators. The aim was to build on their work, in the belief that the most solid learning emerges from strong analysis that builds on a shared review of findings.