

**T**HIS is the story of how partnerships are formed, strong personalities emerge, and the economics come together. Because of strong local leadership that spurred a feisty revitalization group led by the former high school basketball coach, an emphasis on entrepreneurial vigor by a Center for the Study of Rural America, and an investment from a Minnesota foundation committed to reduce poverty, Miner County, South Dakota, and the community of Howard (the county seat) are forging new ground.

“With farm jobs disappearing at a rapid clip, almost every small town on the American prairie dreams of getting bigger. Some wait for Wal-Marts. Others push for new factories and jobs. Still others lobby for new roads, new highway exit ramps or new airports.” That’s how the March 25, 2005 issue of *The Wall Street Journal* begins an article datelined Howard, South Dakota and its “different plan.”

The differences show up on the edges of town. On the east, an old slaughterhouse that had been vacant for 30 years now thrives, as it has become a source of organic beef. Two wind turbines tower over the western end, while a small turbine repair shop below is staffed by former farmers and tractor repairmen. The new economic strategy for Miner County is to let some of the dying pieces slip away while focusing on niches in which small firms can compete.

“We don’t need to be big,” stresses Randy Parry, a former basketball coach and high school teacher who is executive director of Miner County Community Revitalization (MCCR), now in its fifth year. MCCR is aggressive in pursuit of entrepreneurs, and proud of its industrial leaders who are reaching national and international markets. The organization is always ready to share its approach to industry, Main Street retail, agrotourism, etc. Adds Teresa Poppen, finance and loan officer: “We’re here to make things possible, to offer financing that fills the gap between what a lending institution is able to loan, and what the business actually needs. We’re able to be creative in order to make a project work.” (See sidebar for descriptions of some of the region’s innovative industries). Adds ex-coach Parry: “We’re the guinea pigs,” when it comes to keeping Rural America from slipping away. The population of Howard is about 1,000.

# Building An “Ecoengine” In A South Dakota County

*Niche companies team up with foundations and lots of local energy to stimulate new life and economic improvement in rural regions.*

## STUDYING RURAL AMERICA AND EMPHASIZING ENTREPRENEURS

In the eyes of Stephan Weiler, an economist at the Center for the Study of Rural America, based at the Federal Reserve Bank of Kansas City, the main challenge is “to help communities (and scholars) think more broadly about economic development possibilities going forward by highlighting potential local assets beyond cheap land and labor.” Many communities still have a relatively strong supply of skilled workers. The big question is how to keep them. “People need to ask: ‘What do we have and what can we do that the market will value?’”

In its latest annual report, published in its *Main Street Economist*, the Center for the Study of Rural America explains that since its founding five years ago, globalization is driving profound changes in the fabric of the rural economy forcing new economic engines to be built. Regions must play to their distinct strengths, growing a new generation of entrepreneurs and forging partnerships among community leaders. The era of one-size-fits-all development policy has passed.

As explained by Nancy Novack of the

Center staff, the new opportunities are in niche markets with a product focus that enable businesses to operate on a smaller scale because competitive advantage is not always gained by being the lowest-cost producer. To succeed, firms must know what products consumers want — and deliver the quality they expect. Whatever the product, producers must have a closer tie with consumers. Writes Novack: “The key to navigating (the new road) will be investments in new technologies, new worker skills, and perhaps most important, a new willingness to take the road less traveled.”

Regional partnering can often overcome the challenges of being too small in the market — a challenge that rural communities cannot surmount by themselves. The first step is to think regionally. For many small communities, focusing on *interdependence* rather than *independence* can make the difference between languishing and prospering. But thinking regionally requires a paradigm shift for communities, as well as their leaders.

Over the past five years, the Center for the Study of Rural America has identified a number of regions in rural America that have embraced the idea of part-

nering. For example, in Morgan County, Colorado, business and community leaders recognized that infrastructure was holding back economic progress. They had access to interstate highways and the new Denver International Airport, but not to the high-speed Internet. Four key partners — the community college, their economic development corporation, local chambers of commerce and county officials — all worked with schools, towns, healthcare providers and the private sector to gain support for broadband Internet service for businesses and residents.

Regions seeking new ways to prosper have also discovered they are best served by fostering an entrepreneurial climate to encourage local business start-ups. Entrepreneurs are innovative by nature and may ultimately be the most adept at recognizing a region's strengths. Entrepreneurs use the strongest assets to create profitable businesses, which in turn create local jobs and new opportunities for local investments.

### REGIONAL COMPETITIVE ADVANTAGE

Regions need new “maps” to navigate in today's innovation-oriented economy. Reflecting the growing need for measures to guide regions, the Center for the Study of Rural America began a major project aimed at measuring regional assets critical to new economic engines.

Five types of measures will help regions assess their competitive advantages so they can reach higher-value niche markets. *Workforce* and *Finance* indicators will help identify potentially overlooked labor and financial market opportunities. *Lifestyle* and *Innovation* indicators will measure a region's quality-of-life amenities and innovative activities. *Information* indicators will estimate information flow about the local economy, such as business activity and consumer demographics. The scarcity of such data hinders business development and suggests a productive role for policymakers.

Entrepreneurs are a critical asset for building new economic engines, especially in low-density rural economies. The stars of new urban and rural economic success stories are fast-growing small, nimble, niche firms, which are based almost universally on entrepreneurship and characterized by their continual innovation. Nonmetro areas have greater entrepreneurial *breadth* than metro areas, suggesting the seedbed for such small firms in rural America is fertile.

Exploiting competitive advantages requires coordinating a region's public and private institutions. Public investments in infrastructure make private investment more effective. Furthermore, public investments enrich the seedbeds that are so vital for entrepreneurial innovation to thrive. Entrepreneurs constantly probe fresh possibilities with new mixes of a region's assets, helping the region compete in high-value markets. Such dynamism matters not only for the region itself. A nation's economic well-being directly reflects the innovation and growth of its regional economies.

### TURNING THINGS AROUND

In 1995, students at Howard High School surveyed Miner County voters and found that about half of all respondents were shopping in larger towns outside the county. Students calculated that if residents spent 10 percent more of their disposable income at local businesses, they would add more than \$7 million to the local economy.

At the time, Randy Parry — 56 years old — was coaching basketball, worked as the school's business teacher, and ran a popular ice cream shop called Coach's Corner, according to the *Wall Street*

## PROFILES OF MINER COUNTY ECOENTREPRENEURS



**Creating a business that helped a “21st century power source” to grow faster made sense to Joe Kolbach whose firm maintains commercial wind energy projects.**

### Energy Maintenance Service

In 1998 a former Howard High School student, Joe Kolbach, sensed he was tapping into a key 21st century power source when he founded Energy Maintenance Service. The company designs, builds, operates, and maintains commercial wind energy projects. EMS annually works on thousands of wind turbines across the United States and Canada, and as far south as Costa Rica. It has long-term contracts with commercial systems producing 70 megawatts, and employs 40 workers in Miner County and the Gary, South Dakota areas — plus out-of-state employees. Steve Scott, EMS partner and vice president for business development, says the company likes hiring Miner County people, “because mechanical skills that are valued and developed in rural places translate well to our work.”

### PBM Packaging

In September, 2004, North Carolina based PBM Packaging purchased a 52,000 square foot plant it had leased

for six years in Miner County. That signaled a long-term commitment to the area — welcome news to 110 workers who use computerized and robotic machinery to cut, trim, collate and package collectible trading cards and game cards. Many of the cards are instantly recognizable because they're displayed at retail outlets worldwide. Plant manager Greg Simpson says his outstanding crew was central to PBM's decision to buy the building. “The ownership knows the workforce can't be replicated,” he states. “These workers have never missed a production deadline.” And production is big, averaging ten million card packages monthly.

*Dakota Beef Company:* “I did research on the fastest growing segment of the American food industry,” recalls Scott Lively. “It was organic foods, growing about 30 percent a year. Meanwhile, the fastest growing segment of agriculture was beef, so I decided to bring those segments together.” Lively's hunch proved smart. Operations began in August, 2004, and already Dakota Beef is the nation's



**Though his company is less than a year old, Scott Lively's hunch to start a mail-order organic beef enterprise in an old slaughterhouse is working out well.**

*Journal* article. Parry began to think of the community as he thought of his basketball squads. Once a team started winning, players practiced and played harder, crowds got bigger, and momentum was achieved. Using a \$20,000 grant presented to the high school, Parry formed the Rural Resource Center, bringing students and adults together to discuss ideas for improving the community. Focus groups were developed on housing, employment, health care and education.

Enter the Northwest Area Foundation (NAF), based in St. Paul, Min-

nesota. This foundation happened to be interested in helping a rural community in innovative ways, and in 1997, was ready to offer a small town financial, as well as other kinds of assistance over a 10 year period, giving the community the ability to determine how to spend the money. In November of 1998, the foundation gave a half-million dollars in seed money to assist Miner County in developing a long-term strategy. Parry decided to commit himself to community-building work, and left his school job. Upon talking to fellow residents, he determined that

the goal was to not grow the community in terms of population, but make the town feel like it did in the past.

Local communities spearheaded projects creating community spirit, and demonstrated to the NAF that Miner County residents were prepared to work. County leaders prepared a plan that addressed building a child care center, creating affordable housing, organizing business-assistance programs, and helping farmers position themselves for niche markets — their goal was to involve the entire community and use the assets on hand more effectively. In 2001, the Northwest Area Foundation awarded Miner County approximately \$3.8 million; South Dakota Community Foundation gave the County an additional \$2 million.

And the entrepreneurial spirit caught on. A former Howard High School student built the area's first wind turbine, serviced by a repair shop that used to fix tractor engines. Notes the *Wall Street Journal*: "Two turbines — one purchased by the town of Howard, the other by Parry's group — earned the town energy credits from one of the local power companies, reducing bills for everyone. This also served as a sign that things were changing."

Another start-up in the town, launched in an old slaughterhouse, now has 20 full-time employees, and their business, Dakota Beef — an organic mail-order beef business — is expanding. One farmer currently feeds cattle for Dakota Beef, and two other farmers are interested in obtaining organic certification for their farms to qualify.

## REDUCING POVERTY FOR THE LONG-TERM

As explained by Sylvia Burgos Toftness of NAF, the Foundation has committed itself to work on reducing poverty for the long term. Its major emphasis is on having communities come together in a single plan that would bring in different segments. Staff work with communities to bring all groups "to the table" so that no view is left out and all participants feel wanted. The communities are based in eight states — Minnesota, Iowa, North Dakota, South Dakota, Montana, Idaho, Washington and Oregon.

Miner County was the first community selected by the Foundation to set up a 10-year partnership. In February 2001, MCCR led by Parry began", implementing its plan with technical assistance and partial funding from NAF. An essential

largest mail-order organic beef company, dealing directly with restaurants and retailers as an e-commerce business. Theirs is the only beef found in the prestigious, widely circulated Williams-Sonoma catalog of San Francisco. Lively, originally from Phoenix, credits Miner County Community Revitalization for sharing his vision and jumping into action to secure an appropriate building. "They were so progressive," he says. "I never saw anything like it. They said they would buy the building, would negotiate the purchase with the previous owner as locals. Knowing the local people, the local situations, they could do better than I could. Then I bought the building from them." Currently the company employs a dozen folks in Miner County, but rapid expansion will triple or quadruple that figure in 2005. Lively has no worries about staffing — he boasts a stack of applications from Miner County residents hoping to join Dakota Beef. Lively's Dakota Beef has one farmer providing feed for his organic cattle, and two others who are interested in having their farms certified organic.

### Clarke Machine

"Innovation for today's agriculture," reads the promotional literature for Clarke Machine. A visit to the plant confirms the claim. Fifteen employees build corn heads for all brands of combines. The products go to every state that grows corn and to sites as distant as the Ukraine. Dave Clarke began with a repair shop and, after recognizing a market for customized heads, transitioned successfully into manufacturing five years ago. He's happy with projections for the future — a promising ethanol industry will mean a good corn economy. "I like dealing with farmers," Clarke says. "They're honest people to work with. When you grow up with ag, you never want to leave it because of the people." The reliability of farm community residents



**"I like dealing with farmers," says Dave Clarke, whose company makes products that go to every state that grows corn. "When you grow up with ag, you never want to leave it."**

is reflected in his staff, too. "I enjoy the class of workers I get," he says. "If someone's not able to come in because they're sick, they'll always call. I never have to wonder."

### Energy Dynamics

"We're proof you can run a big business from a small town," says Energy Dynamics president Lyle Darnell. "Why would you want to? Because everyone here feels like extended family." This multimillion dollar enterprise, started in 1995, markets and provides 24-hour technical support for the Hydron Module ground source heat pump, manufactured at a nearby Hutterite colony. Energy Dynamics has dealers in thirty-four states and five Canadian provinces. Three business partners — Darnell, his son Brandon Darnell and Larry Barrick — run the operation from a comfortably converted church building, along with applications engineer Mike Hunt. "People tell us they like working with us first because we've got product quality, and also because we're honest," says Darnell. "Now, the honesty thing may sound corny, but when someone calls us here, they don't get some high-powered pitch man. We conduct business differently here, and people say it's like a breath of fresh air."



element is retaining and attracting young families and seniors, and providing critical social assets. For example, MCCR helped to create a Rural Learning center that brokers expertise in community development such as telemedicine. The Children's Care Corner, that included a Head Start center, opened in December 2002. That was followed by the opening of the Greenleaf Assisted Living Center that broadened the array of affordable housing for seniors — including independent living apartments, a nursing home and subsidized housing units that host senior meals.

NAF uses three different strategies or programs when working with communities. In Miner County, the *Ventures* approach with a 10-year commitment is used. According to Karl Stauber, president of the Northwest Area Foundation, this is a different

kind of philanthropy. It begins with our investment in an 18-to-24 month exploration phase during which we clearly state that we are not committing to future long-term funding. We understand that our approach might not suit every community.”

The *Connections*, the second initiative, helps local communities locate, or develop, resources they need to reduce poverty. One recent *Connections* strategy brought experienced rural leaders together to share insights while serving as resources to one another, such as in cooperative housing.

The third initiative, *Horizons*, was launched in May 2003, mainly to help small, rural communities build leadership and strengthen their capability to reverse economic decline, while fulfilling a commitment to stay in the community.

Some updates on NAF partnerships formed in the last few years include the following: *Central Oregon* — Three counties and one Indian reservation are developing resources to reduce poverty; Indian Land Tenure Foundation in southern Oregon — is reclaiming almost 700,000 acres of forest once part of their ancestral homeland; and the NorthWay Community Trust in Minneapolis where a partnership was set up in January 2003 to ensure organizational stability. — J.G. □

*Websites that provide additional data on the organizations mentioned in this article include: Miner County Revitalization – [www.mccr.net](http://www.mccr.net); Federal Reserve Bank of Kansas City – [www.kc.frb.org](http://www.kc.frb.org); Northwest Area foundation – [www.nwaf.org](http://www.nwaf.org).*

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