



# **Growing and Retaining Wealth in Rural America**

Connecting Individual Asset-  
Building Strategies with  
Entrepreneur-Focused Economic  
Development to Create Rooted  
Wealth in Rural Communities

*By CFED*

A report for the Wealth Creation in  
Rural Communities initiative of the Ford  
Foundation.

May 2011



**Wealth Creation in  
Rural Communities**

## Wealth Creation in Rural America

This report is part of the Wealth Creation in Rural America initiative, funded by the Ford Foundation. The aim of the initiative is to help low-wealth rural areas overcome their isolation and integrate into regional economies in ways that increase their ownership and influence over various kinds of wealth. Previous papers produced by the initiative can be found at <http://www.yellowwood.org/wealthcreation.aspx>. The goal of this report is to advance the initiative's broad aim of creating a comprehensive framework of community ownership and wealth control models that enhance the social, ecological, and economic well-being of rural areas.

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## Introduction

The *Growing and Retaining Wealth in Rural America* project aimed to study and better understand the benefits rural communities may derive from bringing together individual/family asset building, entrepreneur-focused economic development and community development philanthropy. This report represents the final phase of a three-step research project. In phase one, CFED consulted with noted leaders in rural development philanthropy to identify organizations and leaders with deep experience in the three key rural wealth creation areas: asset building, entrepreneur-focused economic development, and community philanthropy. In phase two, CFED conducted a series of interviews to document the unique linkages behind rural wealth creation. Finally, in phase three, CFED synthesized the lessons learned from 10 informal case studies and produced this report, highlighting the critical role community foundations play in retaining rural wealth and the incentives different types of organizations have to collaborate in these three key areas. This report also serves to share key insights with the 10 organizations that contributed to this research. Brief profiles of each organization appear at the end of this report.

The Project Team was led at CFED by Nancy Stark, Director of Enterprise and Economic Development, with assistance from Lisa Buckley, Program Associate. Deborah Markley, PhD, Managing Director and Director of Research at the RUPRI Center for Rural Entrepreneurship, was also instrumental in designing and advising the research effort.

## Background

This research was prompted largely by a September 2010 concept paper by Dr. Markley that outlined a case for connecting the seemingly unrelated strategies of individual/family asset building, entrepreneur-focused economic development and community development philanthropy. Markley suggested that bridging these three strategies could offer great promise for creating and keeping wealth in rural communities, for use by individuals and for community betterment. She further suggested that connections among the strategies can be seen most clearly by moving from community development philanthropy to individual asset building. This proposition draws from research conducted by the RUPRI Center and others that identifies a considerable and impending Transfer of Wealth opportunity from one generation to the next, especially in rural communities with a significant older population. Markley concluded her paper with a call for background research, provided for in this paper, to identify effective models for connecting asset building, entrepreneur-focused economic development, and community philanthropy.

CFED based its research project on two key suppositions from Markley's concept paper. The first supposition is that growing and retaining wealth in persistently poor rural communities and regions requires focused efforts to:

- build the assets of individuals and families;
- support the entrepreneurial aspirations of rural people, particularly those entrepreneurs who launch businesses with growth potential; and,
- establish institutionalized structures for capturing some component of this rooted wealth either now or when it transfers across generations.

The second supposition is that building connections among these seemingly unrelated strategies will help rural communities to grow and retain rooted wealth.

Building individual and family assets creates wealth at the mouth of the pipeline by facilitating investments in education, home ownership and business ownership/entrepreneurship. Entrepreneur-focused economic development, in conjunction with asset building, provides the infrastructure that encourages innovation and helps some entrepreneurs mature from micro to Stage 1 and 2 businesses, thereby generating both individual and community wealth. And, community foundations provide one means of capturing and institutionalizing a portion of this wealth for family and community betterment. In this way, a *virtuous cycle of wealth creation* is possible even in the most economically distressed rural regions.



## Systems Approach to Wealth Creation

This research was done in the context and with the support of the Ford Foundation’s investments in a systems approach to wealth creation. Started in 2008, the Ford Initiative *Expanding Livelihood Opportunities for Poor Households* provides a framework for creating wealth that is rooted in rural regions, including those of persistent poverty, by using a systems approach to intentionally connect people, resources, and market; to make investments that create multiple forms of wealth; and to develop new models of local ownership. One of the four critical components of this Initiative is *value chain* development, defined as a business model in which independent producers, buyers, and other players in the chain work together to create value and share risk and reward. Value chain participants consider how to create economic, social, and environmental benefits, and such a focus forms a basis for positive reciprocal relationships among participants. The questions CFED posed to interviewees clarified the role of value chains in their work, if any.

The systems approach also applies to a second critical component of the Ford Initiative: *a place-based focus on regions*. While earlier work by Ford and others focused on specific problems related to poverty and their targeted solutions, Ford and others are now looking first to communities with persistent poverty and addressing multiple challenges as they relate to the particular region. The *Wealth Creation in Rural Communities* Initiative identified three regions of pervasive rural poverty with the objective of applying sufficient resources in each place to achieve a measurable

impact on regional wealth. The Foundation began by making investments in Central Appalachia, and will apply lessons learned from this region to the Delta Region and the Lower Rio Grande Valley.

## Conversations with Community Leaders

From December 2010 through February of 2011, CFED conducted interviews with principals of 10 high-performing organizations in the Central Appalachia, Delta and Lower Rio Grande Valley Regions. Leaders at these organizations generously agreed to an interview.

*From Central Appalachia:*

Community Foundation of Hazard and Perry County  
East Tennessee Foundation  
People, Inc.  
Rural Action

*From Texas:*

Texas Rural Innovators

*From the Delta Region:*

CREATE Foundation  
Southern Good Faith Fund  
Southern Rural Black Women's Initiative

*From the Lower Rio Grande Valley:*

Border Philanthropy Partnership  
United Way Southern Cameron County

CFED presented the interviewees with a common list of questions to focus attention on the possible value accrued from connecting asset building, entrepreneurship, and community philanthropy. Below is an abridged list of questions.

### PRIMARY QUESTIONS ASKED OF COMMUNITY LEADERS

How central to your mission is the work of asset building, entrepreneurship development, and/or community philanthropy?

Please provide a brief description of one or two programs that best represent the work your organization is doing in these three areas.

Are you building and sustaining connections across these three areas within your organization – for example, between asset building and entrepreneurship development programs? Also, are you making connections outside your organization – for example, by connecting your small business development program with a financial literacy project operated by another entity serving the region?

- Are these connections intentional or somewhat inadvertent?
- What value or benefits, if any, accrue from building and sustaining connections across these three areas?
- Who is pushing you to make these connections? What incentives, if any, are being used to encourage you to build and sustain internal and external connections?
- What are the barriers?
- What do you think of our theory? What additional questions or issues does the theory raise in your mind?

## Key Insights and Lessons Learned from Interviews

Interviews with the organizations revealed a strong motivation among rural leaders to empower their communities and address the root causes of poverty in a lasting manner. The remainder of this report elaborates on five key insights:

- Many organizations aim to connect some parts of the strategic triad, but very few connect all three. Connections between asset building and entrepreneur-focused economic development are the least well developed.
- True value chain models are rare, limited in scope and best represented by the increasing number of farmer's markets in rural regions. Many leaders see the growing importance of food security, and the opportunity to link local and often small-scale agricultural producers to consumers.
- Community foundations play a critical role in garnering community resources, and increasingly add value as a regional convener.
- A fourth element – community empowerment – should be added to the “secret sauce” of individual/family asset building, entrepreneur-focused economic development and community development philanthropy.

### CONNECTING THE TRIAD: ASSET BUILDING, ENTREPRENEUR-FOCUSED ECONOMIC DEVELOPMENT, AND COMMUNITY PHILANTHROPY

In response to our first question—how central to your mission is the work of asset building, entrepreneurship development, and/or community philanthropy?—organizations provided detail on Individual Development Account (IDA) programs, small business development, community services for senior citizens and young children, housing assistance, and the like. We anticipated these answers in part because these hallmark programs of household financial security and community economic development were what drew CFED to the organizations in the first place. When we further probed for examples of how organizations are *connecting* these programs, however, we found fewer examples. Terry Holley at the **East Tennessee Foundation** explained how ETF's engagement in the Coker Creek area of Monroe County spurred business development around eco-tourist and natural resource enterprises. Here the many benefits of connecting community philanthropy with entrepreneur-focused economic development included job creation and increased demand for local tourist amenities. These early successes also provided the Foundation with financial support for related projects, including trail building and opening a bed and breakfast.

We found few examples, however, of programs connecting asset building and economic development. In some cases, we heard that entrepreneurship was included as a component of asset building programs, and in other instances, the opposite held true. At **People, Inc.**, for instance, IDAs are considered a part of their Community and Economic Development portfolio. **Southern Good Faith Fund** also operates IDA programs and supports Volunteer Income Tax Assistance (VITA) sites. In both organizations, the asset building and economic development programs operate mostly independently. At the same time, many of the representatives we spoke with saw value in making connections across these strategies. Bobby Gierisch at **Texas**

**Rural Innovators** notably remarked that the economic developers he works with affirm that asset building related work “makes perfect sense,” despite the fact that their primary work often falls into a very different spectrum. The big challenge, as we see it, is for organizations to take steps toward implementing these connections. Southern Good Faith Fund recently underwent an extraordinary strategic planning process with its affiliates, in order to expand its strategies for assisting low-income residents by leveraging their various programs and achieving exponential impacts. Director Karama Neal shared that the planning process was difficult, but the implementation is even more challenging.

## CULTIVATING VALUE CHAINS

The two best-fit cases we gathered on connecting the strategic areas apply to local food security initiatives. Although term *value chain* was not often used in our conversations, it illustrates the intentional, beneficial connections made between vendors and customers at local farmer’s markets. Staff at **United Way in Southern Cameron County Texas**, for instance, discussed a resource gap for small farmers who have difficulty meeting technical requirements to sell to larger grocers. United Way provides tax preparation and financial education counseling to the community and convenes the community around critical issues related to health, financial stability and education. The local farmer’s market avails numerous benefits for suppliers and consumers along this *value chain* as an opportunity for increased revenue for farmers and an important means to satisfy the nutritional needs of residents. The Farmer’s Market has further elevated a regional health initiative to improve diabetes and reduce obesity by facilitating the distribution of food vouchers accepted at this local market to qualifying low-income residents.

**Rural Action** in southeastern Ohio has had success with a different approach to promoting food security along a *value chain*: a produce auction. The auction is similar to a farmer’s market in many aspects, including the fact that suppliers sell direct to the consumer. It differs though in that buyers typically purchase in large quantities, and are less likely to be individuals. The produce auction originates from Amish and Mennonite farmers who deliver produce within a limited region accessible by horse and buggy. The Chesterhill Produce Auction began in 2005 and earned almost \$100,000 last season, returning eighty percent profit back to producers. Rural Action attributes success of this venture in part to giving consideration to Amish farming practices and cultural norms from the outset, as well as the tremendous financial support and sustained leadership from Jean and Marvin Konkle, a retired couple who saw promise in the early Amish produce auction models. Rural Action provided the staffing resources and connections to other support networks including the Ohio State University extension office and Ohio Small Business Development Center. Unfortunately, the Chesterhill Produce Auction has not yet been profitable in its more than five years of operation, noting that increased sales volume is needed to yield a sustained profit. Yet, both buyers and sellers in the value chain report that the auction has been financially beneficial. Sellers have an efficient marketplace to distribute a large volume of goods, and buyers report satisfaction with the unique quality and quantity of produce. Community members laud the increased opportunities for networking, socializing, and new business ventures generated from the gathering

space the auction created. A case study of the Chesterhill Auction aptly sums up the challenge of this business venture as such: “the development of a produce auction is a marathon, not a sprint.”

Staff at both United Way Southern Cameron County and Rural Action attested that if they limited their focus to one aspect of the triad, they would neglect broader community demands. In the words of Bobby Gierisch of **Texas Rural Innovators**, “we need all kinds of groups if we’re going to make a difference in the Border Region.” By creating these intentional connections, leaders can build the capacity to identify, develop, and scale up value chains across regions.

## CRITICAL ROLES FOR COMMUNITY FOUNDATIONS

All of the organizations we spoke with play an important role in garnering community resources. Community foundations, in particular, stand out because they typically represent the “community philanthropy” strategy of the triad. The rural nature of these communities means that the foundations must serve a wide area. The **East Tennessee Foundation**, for example, serves as a key regional convener for 25 rural Appalachian communities. The **CREATE Foundation** likewise serves 16 counties in northeast Mississippi. Community foundations also play an important role as a *neutral* convener, often bringing disparate groups to the table to identify common interests. Leaders we interviewed often earned great respect from their constituents because of the length of time they had lived and served in the region. In some cases, the community foundation provided the only opportunity for rural leaders to convene, offering the necessary meeting space, transportation, and perhaps most important, facilitation expertise. These non-monetary resources are becoming increasingly more important to the sustainability of community programs, too.

For some community foundations, such as **The Community Foundation of Hazard and Perry County**, Kentucky, their *primary role* is that of convener. This community foundation was created in 2007 and focuses on five key areas identified by the community: education, assets, culture and recreation, environment, health and well being. Executive Director Gerry Roll explained that the community foundation aims to take a long-term look at supporting the rural region, move beyond planning from just one grant to the next, and help the community find common ground between related, but sometimes conflicting interest areas. In this sense, the community foundation serves as the institution that can *turn individual wealth into community wealth* by giving voice to more than one strategy of the triad. For many years, Ms. Roll has touted the value in linking the areas of asset building, entrepreneur-driven economic development, and community philanthropy.

We also heard how many community foundations are expanding their missions and operating strategy by encompassing broad-based, collaborative work in part to increase their regional impact. The **CREATE Foundation** in Tupelo, Mississippi employed a collaborative approach by spearheading a Commission on the Future of Northeast Mississippi. In addition to “providing an inclusive process” and “promoting regional unity and cooperation,” the Foundation invests in research through this Commission to identify key socioeconomic trends in its 16-county service area. This



emerging research then focuses the Foundation and its partners' investment on high-impact issues. In turn, the CREATE Foundation *builds capacity around the highest-value value chains* in the region.

### MISSING INGREDIENT: COMMUNITY EMPOWERMENT

Some organizations are providing a service that is not well represented by our three strategies: community empowerment. The **Southern Rural Black Women's Initiative**, for instance, hosts a Leadership Institute, a five-day workshop held to educate young women on the history of their ancestors and to help them develop leadership skills. SRBWI started this program in 2005 and has since served over 500 young women. This Institute is an important means to engaging young people from particularly underserved parts of their service area. SRBWI recognizes that emotional challenges associated with poverty, including depression and isolation, require attention sometimes before other economic development initiatives can be initiated or sustained.

An obvious benefit accrued from connecting these three strategies is that organizations themselves increase their own financial sustainability. More than one organization explained that while their aim at the outset was to increase the impact of their work in their service area, they also were able to diversify their funding, and thus improve their organizational longevity. This shift has been particularly important during the economic downturn of the last few years when funding from private foundations has dwindled and non-profits have turned more to the public sector and relied on partnerships to share non-financial resources.

Finally, the notion of "assumed" collaboration as a negative aspect was also raised several times without prompting. While all of the organizations we spoke with make collaboration a high priority, they also must meet financial obligations and sometimes find that collaboration is assumed at their potential expense. In other words, because organizations work in similar areas, a partnership should not be assumed. We also learned that focusing on entrepreneur-driven economic development, rather than business incentives, enables some organizations to stay clear of competition between communities. Andy Carey at the **Border Philanthropy Partnership** shared that many of the residents he works with are skeptical of establishing relationships with large, impersonal institutions; they prefer economic independence over welfare. Thus, cultural norms also influence collaboration both between organizations and between organizations and clients.

### ADDITIONAL FEEDBACK

The interviewees raised a few concerns about our theory of connecting asset building, entrepreneur-focused economic development, and community philanthropy. For one, they challenged our assumption of "wealth captured and regenerated" from area residents. They objected that people served by the foundation or non-profit should later be encouraged to return wealth to the community by donating to the foundation. In contrast, one organization we interviewed shared that they focused on raising money from sponsors outside of the service area. Several interviewees had a related comment, stating that they recognized a need for an infusion of funding and

resources (including wireless service), which often are concentrated in urban areas at the expense of rural regions.

## Conclusion

It was a privilege to talk with so many dedicated community leaders, learn about their work and generate new ideas for growing and retaining rural wealth. In fact, insights and lessons learned through this research informed a proposal for an expanded Ford Foundation-supported rural livelihoods demonstration project in Central Appalachia, the Delta Region and the Rio Grande Valley. The ***Building Value Chains that Improve Rural Livelihoods*** demonstration will use the tools developed as part of the Foundation's overall wealth creation initiative to stimulate collaborative behavior on the part of institutions in rural places and further support and develop the value chain work of Ford's place-based grantees. In addition, lessons learned through this on-the-ground experience will be translated into useful tools and resource materials for rural practitioners. CFED hopes to learn more about this demonstration and possibly participate in the work going forward.

## BRIEF PROFILES OF PARTICIPATING ORGANIZATIONS

### Border Philanthropy Partnership

**Service Area** US-Mexico Border

**Mission** To strengthen and grow community philanthropy in the US-Mexico border region

**Key Programs** The BPP launched a *Quality of Life Indicators Project* to address the need for comprehensive, bi-national data that can effectively tell the border's real story and advocate for its needs. The project will collect, synthesize, interpret and present data as a tool for better understanding the current and future trends in the region's quality of life as a whole.

**Executive Director and Interviewee** Andy Carey

**Web site** <http://www.borderpartnership.org/index.html>

### Community Foundation of Hazard and Perry County, Kentucky

**Service Area** Hazard (city) and Perry County, KY; some programs are housed in Perry County and may serve people in neighboring counties as well.

**Mission** To support collaborative work in our community around a common vision that enhances the lives of all of our citizens and to create a permanent endowment to serve as a catalyst and resource to respond to changing community priorities.

**Key Programs** Primary work is to make grants to community groups working in education, civic engagement, youth programs, the environment, housing, and health initiatives. The Community Foundation was first established in 2007.

**Executive Director and Interviewee** Gerry Roll

**Web site** <http://www.commfoundation.org/index.html>

### CREATE Foundation

**Service Area** 16 counties in Northeast Mississippi

**Mission** CREATE Foundation is committed to improving the quality of life for the people of Northeast Mississippi through building permanent community endowment assets; encouraging and managing charitable funds contributed by individuals, families, organizations, and corporations; strengthening regional community development capacity; providing leadership on key community issues; addressing community opportunities through gifts and targeted grant-making.

**Key Programs** CREATE Foundation is a non-profit, charitable corporation which serves as a community foundation to stimulate private giving for projects in the fields of education, community development, human development, and leadership development.

**President and Interviewee** Mike Clayborne

**Web site** <http://www.createfoundation.com/index.cfm>

## East Tennessee Foundation

**Service Area** 25 counties in eastern Tennessee

**Mission** East Tennessee Foundation (ETF) is a public, nonprofit, community foundation created for the purpose of building charitable resources to make communities stronger and lives better through thoughtful giving.

**Key Programs** ETF supports a variety of organizations and causes to foster educational achievement, affordable housing, neighborhood stability, the arts, and other regional needs.

**President and CEO** Michael McClamroch

**Interviewee** Terry Holley, Senior Vice President for Programs and Development

**Web site** <http://www.easttennesseefoundation.org/index.html>

## People, Inc.

**Service Area** People, Inc.'s primary service area includes four counties and one city in Southwest Virginia. It also serves 10 surrounding counties.

**Mission** People Inc. provides opportunities for low income people to improve their lives, their families, and their communities. People, Inc. is a private non-profit corporation chartered in 1964 as the Commonwealth of Virginia's first Community Action Agency.

**Key Programs** Child and Family Services (Day Care, Early Head Start), Community and Economic Development Programs (IDAs, Small Business Development, and more), Community Services (Reading for Jobs, Senior Services), Housing (Rehabilitation, Affordable Rental Housing), Workforce Development.

**President, CEO, and Interviewee** Robert Goldsmith

**Second Interviewee** Bryan Phipps, Vice President of Development

**Web site** <http://peopleinc.net/index.html>

## Rural Action

**Service Area** Although chartered for all 29 counties in the Appalachian Ohio region, Rural Action's home office is based in northern Athens County. Its members and projects are concentrated in Athens and the six counties surrounding it: Meigs, Vinton, Washington, Hocking, Morgan, and Perry.

**Mission** Rural Action fosters social, economic, and environmental justice in Appalachian Ohio. Together, we envision a region of clean streams, healthy forests, thriving family farms, meaningful jobs for everyone, lively towns that remember local history and celebrate their stories, music, arts, and crafts, and people working together to make this vision a reality.

**Key Programs** Sustainable Forestry, Sustainable Agriculture, Energy Committee, Watershed Restoration. Rural Action builds model sustainable development projects and encourages a broad civic conversation around Appalachian Ohio's assets in order to create sustainable development paths for the region.

**Executive Director and Interviewee** Michelle Decker

**Second Interviewee** Carol Kuhre, former President of Athens Foundation

**Web site** <http://www.ruralaction.org/index.html>

## Southern Good Faith Fund

**Service Area** South and East Arkansas and the Mississippi Delta

**Mission** To increase the incomes and assets of low-income and low-skilled residents of the Delta in Arkansas and Mississippi.

**Key Programs** Aspiring Scholars Project, Individual Development Accounts (IDAs), Volunteer Income Tax Assistance (VITA), Financial Education, and more. Additionally, the Public Policy program conducts research and applies the knowledge and experience of other Southern Good Faith Fund programs to develop and advocate for systemic change. Southern Good Faith Fund is a non-profit affiliate of Southern Bancorp, Inc.

**Interim Director and Interviewee** Kamara Neal

**Web site** <http://southerngff.org/>

## Southern Rural Black Women's Initiative, sponsored by the Children's Defense Fund

**Service Area** 77 counties across the Black Belt regions of Alabama, Southwest Georgia, and the Delta in Mississippi

**Mission** The Southern Rural Black Women's Initiative for Economic and Social Justice (SRBWI) aims to nourish the internal capacity of women to take responsibility for their own lives, personally and externally; to engage women in advocacy and policy initiatives that redirect local, state, and federal resources to help ensure women's full participation and access to economic and social justice; to engage women in an economic and community development agenda that includes workforce development; to develop organizational capacity within the region to sustain this work; and to build linkages with women's groups committed to economic and social justice. SRBWI grew out of a meeting convened by the Ford Foundation in New York, in late 2000.

**Key Programs** SRBWI's approach to lifting women out of poverty focuses on human development, skill building, and homegrown industry as well as cooperative business development in sectors with demonstrated growth potential. These business development ventures include Southern Journeys, a worker owned, limited liability sewing company, and Southern Alternatives, a worker-owned pecan processing cooperative in Georgia.

**Director and Interviewee** Oleta Fitzgerald, Southern Regional Director, CDF

**Second Interviewee** Sarah Bobrow Williams, Asset Finance Development Officer, CDF

**Web site** <http://www.srbwi.org/>

## Texas Rural Innovators

**Service Area** Texas

**Mission** TRI is a volunteer network of rural advocates created to promote high-quality learning opportunities for leaders of Texas small cities, towns and rural regions. We conduct educational conferences and forums that bring the nation's most successful practitioners and practical thinkers face-to-face with rural leaders. We promote discussion of important rural issues, and we bring rural leaders together to learn from and inspire one another.

**Key Programs** TRI supports conference and workshop activities related to economic development and entrepreneurship.

**Executive Director and Interviewee** Bobby Gierisch

**Web site** <http://www.ruraltx.org/>

## United Way Southern Cameron County, Texas

**Service Area** Southern Cameron County, Texas and region

**Mission** Our work is about improving lives in measurable ways, making our community a better place to live, work and play. We work on the root causes of our most serious community problems and, together with our partners, develop strategies to produce measurable change - not just for individuals, but for the community as a whole.

**Key Programs** Education – Helping Children and Youth Achieve Their Potential; Income – Promoting Financial Stability and Independence; Health – Improving People's Health

**President and CEO** Traci Wickett

**Interviewee** Wendy Hanson, Community Impact Director

**Web site** <http://www.unitedwayrgv.org/>