About RUPRI Center for Rural Entrepreneurship

rupri Center for RURAL ENTREPRENEURSHIP

The RUPRI Center for Rural Entrepreneurship was created in 2001, with initial support from the Ewing Marion Kauffman Foundation and RUPRI, as an outgrowth of the Rural Entrepreneurship Initiative (REI) of the Kauffman Foundation, the National Rural Development Partnership, Partners for Rural America, and the Nebraska Community Foundation. The Center's primary goal is to be the focal point for efforts to stimulate and support private and public entrepreneurship development in communities throughout rural America. It was founded in the belief that entrepreneurship development is an effective, and often the only route to building prosperous, dynamic, and sustainable economies across rural America.

Collaboration is the founding principle of the Center – the Center works with rural economic development practitioners and researchers across the country to conduct applied research and evaluation to gain insights into model practices and approaches. This learning is then widely shared with practitioners and policymakers to foster new and more effective approaches to rural economic development.

The Center has discovered a rich and growing field of entrepreneurship development practice throughout rural America and is actively engaged in a number of communities, regions, and states through evaluation and documentation, technical assistance, strategic planning and training support. The Center's book, *Energizing Entrepreneurs: Charting a Course for Rural Communities*, completed in partnership with the Heartland Center for Leadership Development, and the e² Energizing Entrepreneurship training program for economic development practitioners, community and state leaders are products in support of the Center's strong commitment to bringing the best learning about and model practices of entrepreneurship to rural communities across the country.

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Cases from the Northwest Region

Innovative Approaches to Entrepreneurial Development

rupri Center for Rural Entrepreneurship

by **Deborah Markley**
Karen Dabson

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This publication would not have been possible without the contributions of economic development practitioners, community leaders, entrepreneurs, educators and others in the region who shared their insights and experiences with the authors. We appreciate their time and willingness to reflect on their work, both the challenges and opportunities. The lessons learned shared through these case studies have been developed by the authors and do not necessarily reflect the views of the Northwest Area Foundation. We hope these stories of innovative entrepreneurship development practice are useful to you as you work to create entrepreneurial communities throughout rural America.

Preface

In 2004, something wonderful happened with rural entrepreneurship across the United States. Spurred by the Kellogg Foundation's request for proposals to build Entrepreneurship Development Systems (EDS), rural communities gathered their partners and their resources and made the decision to transform historic and sometimes jaded practices into strategies that could truly make a difference. The central modus operandi was "connecting the dots" and behaving as a system of assets, culture, and resources that would support entrepreneurs in every way possible. Of course, it was not possible for all communities to win the Kellogg money, but the outstanding result for a host of unfunded communities is that they proceeded none-the-less to create and enhance valuable, relevant, and innovative entrepreneurship practices that are worthy of our attention. This publication documents the genuine entrepreneurial community successes that are being achieved in Northwest America and points the way for other rural communities to follow.

Background on the Project

In March 2005, the RUPRI Center for Rural Entrepreneurship (Center), with support from the Northwest Area Foundation (NWAF), initiated a project to identify and assess innovative entrepreneurship development approaches in the Northwest region of the United States. The objective was to provide independent and unbiased information to policymakers and practitioners about options that are available to them in pursuing entrepreneurship strategies. The genesis of this project sprang from the strong response to the Kellogg Foundation's Entrepreneurship Development Systems (EDS) for Rural America request for proposals in late 2004. In particular, in the region served by the NWAF, there were 41 proposals out of a national total of 182 that either originated from or included districts and communities within the eight NWAF states. Two projects, Connecting Oregon for Rural Entrepreneurship (CORE) and the Oweesta Collaborative, received funding from the Kellogg Foundation and are being evaluated as part of the program

requirements. However, the Center believes it is also important to understand and assess the innovative entrepreneurship development activities reflected in the other proposals.

Starting with the lead organizations associated with the Kellogg proposals, the Center compiled the beginning of an inventory of entrepreneurship development in the region. Through this process, a number of examples of exemplary practice were identified. Four initiatives demonstrated significant commitment to building an entrepreneurship development system and became the subject of our systems approach case studies. Each has a unique story to tell about entrepreneurship development in their respective regions. Two of the initiatives, North Iowa Area Community College's Entrepreneurship Initiative and the University of Northern Iowa's MyEntreNet program, were part of the same proposed Kellogg project, a collaborative linking the Pappajohn Entrepreneurship Centers located at three universities and one community college in Iowa. However, each has chosen to focus on building the components of a system in a different way. Another initiative, Northland Entrepreneurship Development System, has built on an historic, strong collaborative spirit among economic development organizations in the region and rededicated the collaboration's efforts toward helping entrepreneurs, particularly those with limited resources. Finally, the Dickinson State University entrepreneurship project demonstrates the role a strong partnership between a regional university and private entrepreneurs can play in creating a regional entrepreneurial economy.

In addition to the four systems approach case studies, five mini-case studies of inventive approaches were completed to show the range of innovative practice in the Northwest and to demonstrate that entrepreneurship development is occurring in some form across the NWAF region. In extremely rural eastern Washington State, impoverished, yet entrepreneurial artists are accessing markets through Stone Soup's "Virtual Frontier," a social enterprise with a membership website dedicated to enhancing sales opportunities for local, talented entrepreneurs. On the other side of the state, CHOICE Regional Health Network is demonstrating the power of civic entrepreneurship in a unique, joint outreach program that means accessible health care for thousands. The Montana Fund is providing critical venture capital to growth entrepreneurs and, taking that a step further, the Enterprise Institute's Enterprise Angels of South Dakota are successfully investing risk capital in start up businesses. In total keeping with rural and local culture, ONABEN's Indianpreneurship curriculum is making headway like never before in reaching and training Native American entrepreneurs by placing value on their culture and teaching through the Native American experience. These examples of creative practice are detailed in the shaded boxes dotted throughout this publication.

Case Studies

These case studies are based on interviews conducted from March to October 2006 with collaborative partners, other economic development organizations, entrepreneurs and civic leaders in each rural region. They are not intended to be evaluation case studies, describing the outcomes of the entrepreneurship development activities in the region. Indeed, many of the activities described here are still in the early or start up stage. Rather, the purpose is to tell the stories of innovative entrepreneurship development activities occurring in this region and to share these experiences with others working to build entrepreneurial communities throughout rural America. These stories could not be told without the thoughtful insights provided by the entrepreneurs and economic development practitioners in each region. Their time and contribution are greatly appreciated.

CASE STUDY #1

Building an Entrepreneurship Development System in Northeast Minnesota's Arrowhead Region

Building on an historically strong collaborative spirit among economic development practitioners, the Northland Entrepreneurship Development System is focused on creating a culture of entrepreneurship in the Iron Range region of Minnesota and connecting the service provider silos so that they no longer graduate "entrepreneurs into oblivion". The Northland EDS story demonstrates the importance of building on your assets – designing a system that incorporates existing strong service provider infrastructure and fills the gaps that remain.

Background on the Region

Northeast Minnesota's Arrowhead Region is rural by most definitions. The economy is historically rooted in the mineral resources that lie beneath the rugged landscape and these resources continue to play an important role in the region's economy. However, the 1980s brought significant downsizing within this sector, reducing well-paying mining jobs by more than 75%. Partly in response to this dramatic change, an impressive array of economic development organizations, many in the non-profit sector, began working collaboratively to respond to the economic challenges the region faced and to provide the leadership to develop alternative strategies for creating a sustainable regional economy. The primary challenge was to find new sources of competitive advantage that can create wealth for the people of northeastern Minnesota. Many of these same partners are continuing to address this challenge today by building an entrepreneurship development system for the region.

The focus on entrepreneurship development is not new to this region. A number of economic development organizations have a long track record of providing resources and services to support all types of entrepreneurs and existing business owners in the region as they start and grow their businesses. Since its creation in 1989, the Northeast Entrepreneur Fund has provided business training, technical assistance and capital resources to economically disadvantaged entrepreneurs starting, stabilizing and expanding businesses in the region. The Northland Foundation has been providing development finance resources to entrepreneurs starting new or expanding existing businesses in the region since 1988. Iron Range Resources provides financial support to existing businesses as they seek to expand in the region. The University of Minnesota-Duluth's (UMD) Center for Economic Development offers business counseling, workshops and loans to entrepreneurs starting and operating their businesses in the region. The Natural Resources Research Institute, part of UMD, provides applied research and business services to entrepreneurs to improve the competitiveness of their businesses and to test their business ideas. In addition, other organizations, both public and private, have been actively working to address the needs of new and existing businesses.

While other rural regions across the country have effective economic development organizations, what is unique to northeastern Minnesota is the level of coordination and even collaboration among the region's economic development practitioners. For many years, economic development practitioners have been meeting regularly as part of a facilitated network, The Arrowhead Growth Alliance. Many of these same organizations are also actively involved in the Regional Economic Development Group that includes representatives of organizations that work throughout the state to serve rural communities. Iron Range Economic Development Alliance pro-

CASE STUDY #1

(continued)

vides an opportunity for economic developers in the region to come together and discuss issues of interest to the region. As described by one participant, this collaboration was born of necessity in the later 1980s in response to the economic dislocation in the region and the need to come together to explore new economic development options. To an outside observer, this organizational networking is a striking feature of the economic development landscape in northeast Minnesota.

In spite of its rich development assets, the region faces some challenges in building a more entrepreneurial economy. Primary among these challenges is the lack of an entrepreneurial culture. The people in the region were described as "tough" and "self-reliant" but also as feeling that things are good enough the way they are and that they do not deserve any better. The successful resource-based economy provided well-paying, unionized jobs that helped past generations build a prosperous life. However, this "taking a job" mentality works less well in the current environment and constrains residents, particularly young people, in terms of the possibilities they may envision for the future. As a result, one observer described the region as having a "low regional entrepreneurial IQ."

Background on the Northland Entrepreneurship Development System

Given this history of coordination and collaboration to address existing and emerging economic development issues, it was natural for organizations in the region to propose the creation of the Northland Entrepreneurship Development System (formerly the Arrowhead EDS) in response to the W. K. Kellogg Foundation's 2004 request for proposals to support their Entrepreneurship Development Systems for Rural America project. Mary Mathews, President of the Northeast Entrepreneur Fund, provided the overall leadership for this effort, supported by most of the key economic development players in the northeastern Minnesota region.[1] While the proposal was selected as one of the twelve finalists for the project, the region was not among the six collaboratives that were ultimately funded by the foundation. However, the process of collaborating on the proposal was instrumental in helping these economic development leaders embrace the concept of a coordinated system of support for entrepreneurs as opposed to the loosely networked "silos" of entrepreneurial support that were present in the region.

A key difference between the economic and entrepreneurship development activities in northeast Minnesota in the past and those in the present is that the Northland Entrepreneurship Development System (EDS) collaborative is being intentional about creating an entrepreneurial environment in the

1 Partners to the proposed collaborative included the Northeast Entrepreneur Fund, Northland Foundation, Minnesota Power, the University of Minnesota-Duluth's Center for Economic Development and the Natural Resources Research Institute, The Development Association of Northwest Wisconsin, the Superior Business Improvement District, the Superior Business Center, the Minnesota Small Business Development Center, Iron Range Resources, Northspan Group, Northland Institute, Duluth LISC, the Northeast Higher Education District, Lake Superior College, Fond du Lac Tribal and Community College, Area Partnership for Economic Expansion, the Bridge Syndicate and Northeast Ventures.

region by taking a systems approach. This intentionality means considering collaborative goals along with individual organizational goals and using entrepreneurship development as a tool for transforming the region.

Unlike most collaboratives that came together to respond to the Kellogg request for proposals, Northland EDS has made progress toward building an entrepreneurship support system in the region. Energized by the Kellogg proposal process, members of the collaborative secured funding to move forward in two areas. To address some of the issues related to youth entrepreneurship, the Northland EDS launched the Entrepreneurial Campus Initiative. The Center for Rural Policy and Development, jointly with the Northland Foundation and the Northeast Entrepreneur Fund, did a study of students in seven community and technical colleges across the northeastern Minnesota region.[2] The results were "astounding." A relatively large percent (12.2%) of students had previously owned a business. As expected, the percent increased with student age – 37% of students older than 41 had owned their own business. A surprisingly large percent of students (54%) had family members who owned a business. And, most importantly for the collaborative, 52% of students said they were considering owning their own business after graduation.

This study provided the impetus for discussions among college presidents and provosts about how to use the college system to encourage entrepreneurial behavior. Only 35% of students responding to the survey indicated that they had taken a class that would be useful in starting or owning a business. As a result, the initiative was piloted on two campuses in 2005. While many of the campuses in the region offered entrepreneurial courses and some provided CORE FOUR® training,[3] this initiative focused on the creation of entrepreneur clubs and support for entrepreneurship through career advising and centers, in addition to entrepreneurship courses.

To address a capital gap in the region, the Northeast Entrepreneur Fund (NEF) is creating a micro equity program with initial funding from the Northwest Area Foundation. NEF is working to demonstrate a low cost way of doing small equity investments to low income micro entrepreneurs who have the potential to grow, i.e., double income within three years. This program would address a perceived capital gap in the region by meeting the growth capital needs of small entrepreneurs.

2 The Entrepreneurial Campus Initiative: Understanding the entrepreneurial orientation of students, Center for Rural Policy and Development, St. Peter, Minnesota, October 2005, www.ruralmn.org.

3 CORE FOUR® is a business planning course developed and marketed in Minnesota and nationally by the Northeast Entrepreneur Fund.

CASE STUDY #1

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Even with these innovations, however, the services in the region remained transactional rather than transformational. According to Lyons, transactional services are those that are provided at arms-length, simply offering a particular product or service to an entrepreneur. Transformational services are provided by a system that links "disparate elements into a macro-scale, synergistic engine for continuous development."[4] Recognizing the need to build a transformative system in the region, the Northland collaborative came together around the concept of the Entrepreneurial League System® (ELS).

Framework for the Northland Entrepreneurship Development System

One of the key challenges in the region was described as "graduating people into oblivion." While there were good services to help people get started in business, particularly micro entrepreneurs, there was no system in place to help entrepreneurs build the skills needed to expand and grow their businesses to achieve their business and personal goals.

While the Kellogg proposal process provided some of the impetus for creating the Northland Entrepreneurship Development System, the Entrepreneurial League System® (ELS) developed by Lichtenstein and Lyons provided the framework for building the system. One of the key challenges in the region was described as "graduating people into oblivion." While there were good services to help people get started in business, particularly micro entrepreneurs, there was no system in place to help entrepreneurs build the skills needed to expand and grow their businesses to achieve their business and personal goals. One participant commented that, after hearing the presentation on ELS, he felt it provided the "most compelling framework...for how you can help entrepreneurs move forward and develop."

ELS is based on two assumptions: that entrepreneurship requires a set of skills and that each entrepreneur brings a different and often incomplete or undeveloped set of skills to this process. Drawing their design inspiration from professional baseball leagues, Lichtenstein and Lyons created a structure for diagnosing the skills of entrepreneurs, placing them in a league level consistent with those skills and providing a clear path for building the skills needed to move to another league level. At the same time that the entrepreneurs are organized into levels, service providers in the region are organized into a system that matches their services with the entrepreneurs who most need them.[5]

Another key piece of ELS is the coaching component – each league level is assigned a coach who works individually and in a group with entrepreneurs of a similar skill level. These coaches help entrepreneurs recognize where their skills are lacking and provide a path to enhancing those skills. As in baseball, it remains the entrepreneur's responsibility to do the hard work of building their skills and ultimately their business.

Partners in the collaborative saw ELS addressing two key issues in the region – graduating entrepreneurs into oblivion and the transactional nature

4 Thomas S. Lyons, The Entrepreneurial League System®: Transforming Your Community's Economy Through Enterprise Development, The Appalachian Regional Commission, Washington, DC, March 2002.

5 A more complete description of ELS can be found in Gregg A. Lichtenstein and Thomas S. Lyons, "The Entrepreneurial Development System: Transforming business talent and community economies," *Economic Development Quarterly*, Volume 15, Number 1, 2001.

of support services provided in the region. ELS provided a means of "building the supply of entrepreneurs" not just providing services to existing entrepreneurs. This aspect of ELS was perceived as being particularly important in the region since most participants did not describe the region as being supportive of entrepreneurs or having a strong entrepreneurial culture. ELS was described as offering a way to take entrepreneurs with modest skills and help them develop to another level. One observer noted that this approach was similar to what the Northeast Entrepreneur Fund has been doing with its micro entrepreneur customers – building business and personal skills through intense and longer term engagement with low income entrepreneurs – taken to another level in the region. ELS was also viewed as a way to connect the service provider "silos" and allow them to more effectively address the needs of entrepreneurs with different skill levels.

ELS provided a means of "building the supply of entrepreneurs" not just providing services to existing entrepreneurs.

A turning point in the decision to take the first step toward bringing ELS to northeast Minnesota for a number of partners to the collaborative was a visit to West Virginia to see ELS in action. During this trip, the Minnesota team met with entrepreneurs participating in the West Virginia ELS. As one participant described the visit, he saw "the fire in the eyes" of the entrepreneurs as they talked about the coaching they received as part of ELS. He also reported what one entrepreneur told him about his past business start up experience as compared to his current experience with ELS – the entrepreneur had "been to the dance alone before. This time he was taking a date." The commitment and enthusiasm of the entrepreneurs for ELS and the skill building, coaching and support the system provides made a strong and positive impression on the Minnesota partners.

With support from the Blandin Foundation, the Northland Foundation and John S. and James L. Knight Foundation, the collaborative has moved forward with the regional articulation component of ELS. The articulation involves identifying and assessing how the service providers in the region work together as a group by identifying what individual service providers do, who their clients are (and what their skill levels are), and the gaps in service provision. Based on the outcome of the assessment, the collaborative will make a determination about moving forward with implementing ELS and beginning the process of raising the funds to do so.

Challenges to Building an Entrepreneurial Development System

While the Northland EDS collaborative continues to move forward with the ideas catalyzed by the Kellogg proposal process and articulated in the ELS framework, a number of challenges or concerns were raised by those interviewed for this case study. These challenges fall into four areas related to (1) engaging the entrepreneurs, (2) implementing the ELS model, (3) getting service provider buy in, and (4) changing the culture in the region.

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Engaging the Entrepreneurs

Getting entrepreneurs to actively engage in ELS is a key challenge for the regional collaborative. A number of important points were raised during the interviews about encouraging this engagement. It was noted that while the service providers collaborate regionally, it is not clear that entrepreneurs will actively engage in a regional effort. Another concern raised was whether entrepreneurs would allow themselves the time to actively participate in ELS, given that often time is their most scarce resource. A final issue was the challenge of identifying the rookie league entrepreneurs, the "scared guys" as one observer described them, for whom ELS offers great opportunities but who may not have the experiential base to accurately assess the value of participating in ELS.

The key to engaging entrepreneurs, as described by one entrepreneur, is "making the value case" – effectively identifying the benefits and opportunities from participating in ELS. Just as the trip to West Virginia and the visit with ELS entrepreneurs was instrumental in changing the hearts and minds of collaborative partners, a similar value case articulated by entrepreneurs, for entrepreneurs was mentioned as being important to successful implementation of ELS in the region. The first step in doing this, according to a number of participants, is to engage more entrepreneurs directly in the collaborative leadership of the project.

Implementing the ELS Model

Most people interviewed for this case study recognized that ELS is a model that needs to be tried and tested in the region. Two key issues were often raised regarding the successful implementation of the ELS model: finding the right long-term "home" for ELS and finding the right coaches for the system. In order to be sustainable, ELS needs to have an organizational home that can provide the right leadership and support for the system over the long term. Primary leadership for the collaborative is coming from Mary Mathews and the Northeast Entrepreneur Fund (NEF) at the present time. If and how ELS becomes institutionalized in the region is viewed as an important issue that must be resolved in order for ELS to be successful and sustainable.

It is clear to most observers that the quality of the ELS coaches is fundamental to the success of entrepreneurs in building their skills and, ultimately, to the success of the model in transforming the region's economy. However, concerns were expressed about identifying a pool of coaching prospects, particularly for the rookie level entrepreneurs. These coaches need to be able to address both the business and personal development needs of entrepreneurs who may be exploring or embarking on business creation for the first time. One question raised was whether or not the coaches need to be drawn from the region and, if so, whether there are enough qualified coaching prospects to fully implement the system. Recruiting and training coaches, along with engaging entrepreneurs, was identified as a key concern regarding the ability to successfully implement ELS.

Getting Service Provider Buy In

Northeast Minnesota, like many communities, is grappling with the question of how to get service providers to actively work together. While observers noted the high degree of collaboration at the upper management level among service providers, it was also observed that there is less collaboration at the staff level. Building trust among service providers was identified as a clear challenge for creating a true system of support in the region. However, the ELS articulation process is one tool for building that trust by identifying how service providers fit into a system where the whole is truly greater than the sum of its parts.

Changing the Culture in the Region

A recurring challenge articulated in the interviews for this case study was how ELS would be used as an instrument for changing the culture in the region. A number of observers noted the importance of creating a story that would change minds in the region, including those of policy makers and local elected officials. One person noted that "as there's more success in the region, it will be easier to make this case." Others noted that the culture would begin to change as the number of successful entrepreneurs increased. These comments suggest the need to proactively celebrate the achievements of ELS in developing successful entrepreneurs and the success of other regional efforts such as the Entrepreneurial Campus Initiative and the micro equity fund.

Lessons Learned from Northeast Minnesota

A primary purpose of sharing the story of entrepreneurship development in the northeastern Minnesota region is to provide insights for community leaders and economic development practitioners and policy makers who are working to create a more entrepreneurial culture in their rural places. There are several key lessons from the experience on the Minnesota Iron Range.

The Importance of Collaboration

The story of entrepreneurial development activities in northeast Minnesota demonstrates the importance of collaboration to address economic development challenges and opportunities. The long history of collaboration among regional economic development organizations, both public and private, created a level of trust and comfort that made it possible to respond to the Kellogg proposal and, most importantly, to move forward with their innovative ideas even when Kellogg support was not forthcoming. **It is important to note that this collaborative spirit did not develop overnight, suggesting to other communities that taking steps now to encourage dialogue, coordination and ultimately collaboration among community-based and regional development organizations should be viewed as laying the groundwork for future innovative activities.**

CASE STUDY #1

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Viewed from outside the region, northeastern Minnesota appears to have many of the key assets needed to create a supportive environment for entrepreneurs. However, observers within the region asked the question "why are we not doing better?"

The Need for a Systems Approach

Viewed from outside the region, northeastern Minnesota appears to have many of the key assets needed to create a supportive environment for entrepreneurs. However, observers within the region asked the question "why are we not doing better?" The answer was rooted in the failure to take a systems approach to developing and supporting entrepreneurs and changing the culture of the region to one that actively promotes and embraces entrepreneurship. Once the need for this systems approach was recognized, the regional collaborative actively moved forward to build this system using the ELS framework and connecting to other assets and initiatives in the region such as the Entrepreneurial Campus Initiative. The regional partners recognized the potential of this systems approach to be, in the words of Lichtenstein and Lyons, "transformational" for the region. **The lesson for other communities is that entrepreneurship development is less about adding another program or creating another institution than it is about building the community and regional assets into a system that develops entrepreneurs and actively works to bring about cultural change.**

The Power of an Individual

Entrepreneurship development in northeast Minnesota also demonstrates the power of an individual and the key role that a single spark can play in encouraging innovative thinking and action in a rural region. Mary Mathews, President of the Northeast Entrepreneur Fund, provided that spark. She was clearly viewed as an honest broker, a trusted collaborator, and a very passionate, astute leader and proponent for entrepreneurship development generally and ELS specifically in northeast Minnesota. Her ability to bring people to the table and marshal the resources needed to continually move entrepreneurship development efforts forward has been a key to the success of the Northland Entrepreneurship Development collaborative. **Learning from northern Minnesota, communities would do well to identify local and regional champions who will keep the work moving forward.**

Addendum to Northeast Minnesota Case Study

After the interviews for this case study, Lichtenstein began work on the articulation for the Entrepreneurial League System® (ELS) in northeast Minnesota. Part of the articulation involved identifying the roles of and entrepreneurs served by the service providers operating in the region, and describing any gaps that exist in the support infrastructure. One outcome of this articulation for the collaborating partners in the region was recognition that implementation of ELS in northeast Minnesota would recreate some pieces of the support infrastructure that already exist. The partners felt that ELS needed to be modified to reflect the assets and needs of the region. The entrepreneurial support infrastructure, as viewed by the partners, was too far advanced and rooted in the region to rebuild some parts from scratch. At the

same time, Lichtenstein and Lyons felt they needed to implement the model in total since ELS is still being tested as a framework for entrepreneurship development. As a result, the collaborative, in consultation with Lichtenstein, decided to move forward on entrepreneurship development without using ELS as the framework.

While some might view the time and effort devoted to understanding and articulating ELS as a framework for entrepreneurship development in northeast Minnesota as wasted, this is far from the view of the partners. They view the process of crafting a strategy for entrepreneurship development as "business planning." The partners found the ELS framework useful in helping them articulate and understand their goals for the region and to think through what entrepreneurs in the region need to succeed. The ELS articulation "informed" this process and was therefore a very useful part of the collaborative's planning activities. The collaborative has looked once again at their goals for the region and has begun the process of considering a framework for entrepreneurship development. The collaborative partners were able to make the decision to change course in part because of the trust they have in Mary Mathews' leadership and knowing that what they have learned from considering ELS in the region will inform their efforts and contribute positively to any future success.

Concluding Thoughts

A final, critical lesson from the experience of the Northland Entrepreneurship Development System collaborative is for rural communities and regions to realize the importance of creating an entrepreneurship development strategy that builds on existing assets and is responsive to the needs of local entrepreneurial talent. A fundamental corollary to this is that what works well in one particular rural landscape may not be well suited for another place. The collaborative partners in northeast Minnesota are working hard to build a system that, while different ultimately from ELS, employs its current assets to better meet the needs of entrepreneurs and, through their enterprises, builds a sustainable economy in the region. In addition, by constructing a framework that incorporates existing resources – particularly the support providers who share a long history of collaboration – the partners are creating a platform for sustainability of their efforts in the region.

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MINI-CASE STUDY #1:
Boosting Montana's Economy with Patient Investments

"Essentially, our investments allow the entrepreneur the breathing room to grow his business, ultimately boosting local economies."

Rosalie Cates

Through careful study and analysis, capital experts in Montana made an important discovery six years ago. A thorough review of public and private capital available for Montana businesses revealed that the missing ingredient was equity for fast growing companies that could no longer leverage debt in order to grow. Something akin to venture capital was needed, though few deals required outstandingly large investments.

The Montana Fund was formed to fill the niche with a near-equity product that is working well to stimulate growth for companies around the state. In its early stages, the fund has made investments of $250,000 each to three Montana-based businesses that are showing real promise in terms of job development and increased wealth for Montanan communities. The companies are solid, with high levels of sales, a forecast for 10-20% growth each year, proven profit margins, strong management, and a substantiated, written growth strategy. The deals are structured advantageously for entrepreneur and investor alike, a key element according to Executive Director Rosalie Cates. Frequently, the Fund's share is joined with other investments to ensure adequate capitalization for the growth company.

Basically the investments act like deeply subordinated debt with two corollaries—collateral is not taken and a percentage of sales is paid out to the Montana Fund each quarter. Cates says it's "all about the relationship" that Fund staff and advisors build with the potential borrower, and while they don't take an ownership piece of the companies, management control is gently exerted through seats on the companies' boards or regular contact. Business success means Fund success, so it is in everyone's best interest to provide substantive and relevant advice.

A plan like this does not happen overnight. Once the decision was made to build the Montana Fund, three years of careful policy development, and exchange between program crafters and investors took place. Other community venture capital models around the country were studied, and the current Fund was devised. Investments are generally extended for seven years at 6% interest, plus the sales percentage. The exit strategy for the Montana Fund is the amortization of the loan. Initial commitments by the CDFI Fund, Wells Fargo Bank, Citibank, First Interstate Bank, and First Security Bank of Missoula were matched by the Northwest Area Foundation, and the Montana Fund LLC was launched in 2003. W.K. Kellogg Foundation participated with vital operational support.

"Essentially, our investments allow the entrepreneur the breathing room to grow his business, ultimately boosting local economies," says Cates. She shares a few important lessons the Montana Fund has learned in its opening years:

Realize that the design of your near-equity fund must address the needs of both investors and entrepreneurs. Find the "sweet spot" between them and the goals and capacity of your CDFI when you design your product.

To truly serve your growth companies well, make sure that you have staff with the same level of expertise or better than the companies' CFOs.

Finally, write your plan for what best benefits your community, and not what a funding resource may want. Investment will follow a sound plan.

For more information about the Montana Fund, contact the Montana Community Development Corporation at (406) 728-9234 or www.mtcdc.org.

CASE #2 STUDY

Dickinson State University's Entrepreneurship Initiative–Asking "Why Not?"

Homegrown private-turned-civic entrepreneurs and the strong, visionary leadership of a regional university have come together in western North Dakota to support entrepreneurial development as a way of creating "quality of place" in the region. These entrepreneurial leaders are working together to change the culture to one that recognizes that the future of the region lies in encouraging entrepreneurs rather than recruiting outside business.

Background on Dickinson State University (DSU) and the Region

Southwestern North Dakota, the Badlands region of the state, is starkly beautiful and sparsely populated. The region's economy has moved with the boom and bust cycle of the energy sector, declining rapidly toward the end of the 1990s and rebounding somewhat during the past five years. Dickinson (population 16,000) is the market center of the region and its population has mirrored its economic changes – rising to over 19,000 in 1980 and declining to 16,000 in 2000. But, Dickinson is also home to important assets that make it distinctive from other rural towns across the Great Plains – Dickinson State University, a four-year regional university that is part of the state's public higher education system, and a group of homegrown manufacturers with deep roots in the area who provide both private and civic entrepreneurial leadership in the community. Through the leadership of DSU and these entrepreneurs, the community is embracing the notion that the future lies in encouraging entrepreneurship rather than in recruiting outside industry. They are moving the region forward by asking a simple question – "Why not?"

The community is embracing the notion that the future lies in encouraging entrepreneurship rather than in recruiting outside industry. They are moving the region forward by asking a simple question – "Why not?"

Part of the leadership and support for entrepreneurship development in this region comes from the group of manufacturers that calls Dickinson "home". These manufacturers realized the benefits of networking long before it became an economic development buzzword. Recognizing the value of cooperation over competition, they formed the Manufacturers Roundtable – an informal gathering where the executives of these firms could talk about

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issues they faced, such as attracting talented people or the need for particular training programs. It became a place for "deep sharing" among these entrepreneurs. It also became a venue for bringing in the leaders of other organizations, like DSU, to help address the issues raised. Over time, the Manufacturers Roundtable has grown to become a leadership roundtable, including many of the key city and regional leaders who have a vested interest in the development of the region. And, over time, the focus of discussions within this group has shifted from addressing issues related to improving the performance of these private sector businesses to issues related to improving "quality of place." As one member of this group stated, "Economic development happens where people want to live." The challenge this group has taken on is how to make Dickinson a place where people want to live.

Dickinson State is a central player in that effort. DSU has grown from a former normal school to part of the state's higher education system of 11 institutions including North Dakota State University and the University of North Dakota. DSU's leadership in entrepreneurship in the region originated from two activities – the legislative roundtable on higher education and population conferences organized in 2001. The legislative roundtable, including DSU's president, Dr. Lee Vickers, was charged with looking at the future role for higher education in the state. One of its conclusions was that North Dakota institutions of higher education needed to be entrepreneurial and, through their actions, serve as role models for other institutions. In essence, this roundtable provided justification and even pressure for all institutions to identify and to engage with communities to encourage economic development. The population conferences led to two important conclusions for rural places in North Dakota – communities needed to be entrepreneurial in order to survive and they needed to focus on regional cooperation and collaboration to accomplish this goal. These two separate activities provided the impetus for DSU to take on the role of facilitating an initiative to create a more supportive environment for entrepreneurs in the region.

Elements of the DSU Entrepreneurial Initiative

The Center for Entrepreneurship and Rural Revitalization (CERR) was created at DSU in 2006. The Center provides the institutional structure that organizes a number of complementary activities at DSU, both new and existing. It grew out of the legislature's decision to support Centers of Excellence at higher education institutions across the state, in partnership with the private sector. While the legislature sought proposals to create sector-specific centers (e.g., information technology, tourism), DSU's private sector partners wanted to create a center with a mission to "promote economic development using an entrepreneurship based strategy" (Center of Excellence proposal). This strategy would build on the existing assets in the region, particularly the homegrown entrepreneurs. Although DSU was not successful in securing funding for the complete center proposal, the legislature agreed to invest in

one component – a project to work with Killdeer Mountain Manufacturing (KMM) on a distributed manufacturing model "to enable their [KMM's] expansion into new rural production facilities through advanced manufacturing technology" (Center of Excellence proposal).

Based on observations shared by the people interviewed for this case study, a number of gaps or needs exist in the region's capacity to support entrepreneurs. While there are resources in the region to support entrepreneurs, a "one stop shop" or central clearinghouse for these resources did not exist. There was also no mechanism for connecting entrepreneurs to resources so the results were mixed – well networked entrepreneurs identified the resources they needed while other entrepreneurs struggled to make the right contacts. In addition, while manufacturers were well-connected to each other and to service providers, the same was not said of smaller service sector entrepreneurs and micro entrepreneurs of all kinds. It was these types of gaps that those interviewed looked to DSU's entrepreneurship activities to address.

In addition to the activities associated with the Center of Excellence, CERR has a number of other related components.

Entrepreneurial Education and Leadership

DSU currently has a number of programs designed to encourage the next generation of entrepreneurs and entrepreneurial leaders. The university offers:

- entrepreneurial minors for business and non-business students
- an adult certificate program in entrepreneurship offered in three places in the region
- the Business Challenge program for high school youth[1]
- a Business Club for students and
- the annual Strom Entrepreneurial Conference targeted to students (university and high school), entrepreneurs and other regional and university leaders.

Planned activities include the further development of the E Scholars program, created by the University of Portland and being implemented at DSU in a sister-institution relationship, creation of internship and mentoring opportunities for DSU students, and expansion of entrepreneurship education programs into the middle and high schools.

Enterprise Counseling

Through their partnership with the Southwest Region Small Business Development Center (SBDC), CERR provides business counseling, both one-on-one and group, to new and existing entrepreneurs. The plan is to focus on building longer term relationships with entrepreneurs and to expand services more widely throughout the region, including into New Town on the Three Affiliated Tribes (Hidatsa, Arikara, and Mandan) reservation.

1 Business Challenge is a week long summer program offered since 1978. The program teams high school students with successful business leaders to create and run a simulated business during the program. A similar program is also run for K-12 educators who want to learn more about the business world to take back to their classrooms. In 2005, 169 students and educators participated in Business Challenge.

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Issue Identification and Customized Solutions

In addition to the specific entrepreneurship activities and programs described above, the CERR focuses on broader issues related to regional and community development that can impact entrepreneurs and their communities. For example, CERR is working with one community in the development of a community center and is providing grant writing assistance to an art cooperative. Planned activities include sponsored seminars to discuss region-wide issues such as employee shortages and heritage tourism.

When viewed as a whole, CERR has brought together some key pieces of an entrepreneurship development system (EDS), particularly in the areas of entrepreneurship education, technical assistance and policy or culture change. One key feature of these efforts is the regional nature of the partnership – the focus extends beyond Dickinson to the wider southwest North Dakota region. In addition, the initiative has strong connections to the private sector. By partnering with the Manufacturers Roundtable, the networking activities of the private sector have been connected to the system. Finally, those driving this initiative in both the public and private sectors recognize that the success of DSU and Dickinson's homegrown manufacturers is linked to "quality of place" in the region. Building a region where people want to live and entrepreneurs want to start and grow their businesses is vital to the success of these efforts.

The critical missing pieces of an EDS that may impinge upon the success of this entrepreneurship initiative are access to capital resources and community engagement in regard to creating more supportive environments for entrepreneurs. Explicit attention to expanding or creating capital resources in the region and engaging communities to become more entrepreneurial are needed. CERR is working to address this latter issue by seeking USDA and Bush Foundation support for implementing the HomeTown Competitiveness[2] model in communities throughout the region.

Through the creation of CERR, DSU has codified its prominent leadership role in entrepreneurship development for the region. This role includes three important components. One, DSU has embraced an outreach role in addition to its core function of educating undergraduates, a rarity in small, regional universities. In fact, the outreach role is viewed as central to achieving its educational mission. Two, DSU has facilitated partnerships with other organizations, such as Business Challenge, the SBDC and regional development organizations. In its role as neutral facilitator, DSU is able to bring together a number of partners whose collective work contributes to building an entrepreneurship development system. Three, an overarching role for DSU is challenging its faculty to do things differently – to engage with CERR and to build outreach into their own programs at every level.

2 HomeTown Competitiveness is one of the six EDS models funded by the Kellogg Foundation. With beginnings in Nebraska, it is a framework for entrepreneurial communities with four central pillars: leadership, entrepreneurship, youth engagement, and charitable giving.

Challenges for the System

Dickinson State University faces a number of challenges as the initiative moves forward, according to input from those interviewed for this case study. In general, these challenges are recognized by the system's leaders.

Institutionalizing the Initiative

To create a long-term, sustainable initiative, DSU must institutionalize its entrepreneurship efforts so that they become a key part of the mission and effectiveness of the university. To do this requires that faculty see the value-added of participating in the activities of CERR and not just "one more thing that's been added to their plates." Interviewees caution that CERR should be viewed as a "start up" and that, like any new business, the next couple of years will be very important. They see the initiative beginning to become part of the fabric of the university as evidenced by the creation and staffing of CERR. And, there appears to be significant support from university administrators and recognition that this approach is the right thing for the university to be doing. As one noted, "Not to try would be worse than trying and failing."

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Pace of Change

One of the key features of the DSU entrepreneurship initiative is the university's partnership with the private sector – the manufacturers who established the roundtable and continue to build their businesses and contribute to the community. However, the pace of change in a university environment is very different from that in a manufacturing enterprise. Manufacturers need to adapt to changing circumstances rapidly in order to maintain or improve their competitive advantage. Often, it is the CEO who decides on the direction and path to change. In contrast, universities move more slowly and decision making is often vested in a broader group of individuals across the university and its governing board. Change is frequently measured in months and years rather than in weeks. The potential for these two cultures to clash as the entrepreneurship initiative moves forward is very real. A number of the private sector individuals interviewed noted that the pace of change was slower than they would like to see and that they wanted to see measurable progress toward achieving the goals of the initiative. However, these individuals also noted that the staffing of CERR was sending a welcome message of progress to those outside the university.

Another issue related to the pace of change relates to a short-term goal articulated by the state for the Centers of Excellence – the creation of jobs. Most of those interviewed recognized the inherent mismatch between the long-term objectives of an entrepreneurship development strategy – regional transformation – and the short timeframe provided by the legislature to measure and achieve results from Center of Excellence activities. A challenge for the DSU leadership is to manage the expectations associated with the university's entrepreneurship development activities and to maintain long-term support for this initiative.

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Building Capacity and Sustainability

As a start up enterprise, CERR faces the challenge of building its capacity to provide services and achieve its intended outcomes. The first step in this process was the hiring of CERR's first director, Dr. Doug Woodard, who brought experience as an entrepreneur to his leadership of CERR. Entrepreneurial leadership will continue to be key to the future success of CERR. Additional staff capacity will be needed to fully implement the vision of CERR. In addition, CERR must be concerned with long-term sustainability if it is to continue to be a facilitator of regional transformation. Two strategies have been identified as key to building this sustainability. One, CERR will need to create revenue streams that can support its ongoing activities and build enhanced capacity as needed. Revenues may come from providing services, particularly to growth manufacturers in the region. Two, by achieving impact in the region, CERR hopes to attract further external resources that build on its success. This outcome-oriented vision of sustainability is in keeping with DSU's approach to CERR as a start up enterprise. The emphasis on broadening the initiative's sources of support, such as foundation funding, is a key step in meeting the challenge of sustainability.

Partnering with Tribal Communities

One goal of the DSU initiative is to partner with the leadership of the Three Affiliated Tribes (Hidatsa, Mandan and Arikara) to support entrepreneurship development on the reservation. This partnership represents a significant challenge. CERR needs broader buy-in from the tribal communities and needs to cultivate a more diverse and substantial group of champions. Initially, CERR partnered with one key champion, the chairman of the tribes. However, when he was not re-elected, CERR's ability to partner with the tribes was set back and new relationships must now be cultivated.

Spreading the Word – Extending the Reach

DSU has done an impressive job of building a diverse set of partners for CERR. However, other obstacles remain. One relates to marketing the services and activities of CERR more broadly throughout the region. While the initiative has regional partners, it is not clear that entrepreneurs from across the region understand its value to them and their business success. Since supporting entrepreneurs is the key focus of DSU's work, this marketing effort is a vital piece of spreading the word.

Another hurdle relates to bringing other types of entrepreneurial talent into the initiative. Now the focus is primarily targeted on the manufacturers who have been a core part of the region's economic base. However, a number of interviewees recognized that other types of entrepreneurs, e.g., artisans, service sector entrepreneurs, Main Street business owners, may not view this initiative as offering value to them. While targeting initial activities to the manufacturers makes sense in terms of the focus of the Center of Excellence,

it is clear that other types of entrepreneurs can benefit from inclusion in the initiative. Reaching out to other types of entrepreneurial talent is an important next step for CERR.

Finally, while the focus of the Center of Excellence is on one manufacturer in particular, Killdeer Mountain Manufacturing, other manufacturers see the potential value to them from the work of the Center. To connect with these manufacturing entrepreneurs, CERR will have to intentionally extend Center of Excellence activities to them and others to continuously build support for its broader entrepreneurship work.

Lessons Learned for Other Regions

There are a number of key lessons that may be drawn from the DSU initiative for other rural regions, whether they have regional higher education institutions or not.

It Takes an Entrepreneur to Build an Entrepreneurial Organization

Building a start up business takes a set of entrepreneurial skills – creativity, innovation, ability to recognize opportunities and manage risk, and capacity to marshal resources for growth. The entrepreneur is the one who does the difficult work of implementation that ultimately leads to realization of the dream of business ownership. CERR, as a start up venture, required that same entrepreneurial leadership to translate the vision for the Center into reality. DSU's president and the first director of CERR had the skill set needed to build the Center and to lay the foundation for the Center's long-term success. Just as business success depends on the skills of the entrepreneur, the success of CERR will depend in large part on the capacity of its staff to apply their entrepreneurial skills to the opportunities and challenges that lie ahead. **The key lesson for other communities and organizations is the need to seek entrepreneurial leadership of entrepreneurship development activities. The same skills that make entrepreneurs successful should be sought in those who are charged with getting a start up entrepreneurship initiative off the ground. As with many economic development activities, the people who build an initiative really do matter.**

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Value of Civic Entrepreneurs

Dickinson, North Dakota is endowed with a group of homegrown manufacturing entrepreneurs who, over time, have become engaged civic entrepreneurs. It is unusual to find such a concentration of growth manufacturers in a rural place and even more unusual to find a group of private sector entrepreneurs who recognize the value of and are committed to building "quality of place" in their region. These entrepreneurs have invested their time and financial resources into building a place where people want to live, work and play. As a result, they have become a force for change in the region and are vital to the long-term success of DSU's entrepreneurship initiative. It is their vision and leadership as much as DSU's that is driving the transformation of the region. **The importance of cultivating and engaging these civic entrepreneurs is a key lesson for other regions that are trying to build a broad base of public and private support for entrepreneurship development.**

Importance of Leadership from a Regional Educational Institution

The leadership and vision of DSU's president, Dr. Lee Vickers, has been important to articulating a new economic development role for the university and a new vision for the region. As president, he has chosen to do what is "right rather than what is safe." He has helped convince the DSU leadership that continuing to do business as usual is not an alternative. He recognizes that the future of the university and the region are linked and that future depends on the region's ability to engage and retain citizens, particularly entrepreneurs. His vision departs from that of other regional universities whose mission is narrowly defined as educating students rather than facilitating economic development and regional transformation.

The president's leadership is matched by that of the manufacturers in the region. The relationship between these business leaders and Dr. Vickers is unique. As one interviewee noted, he has "created a vision and a level of trust among the manufacturers so that they will follow him." And, the manufacturers recognize that "if DSU flourishes, the region will flourish." **The public-private partnership that has been built in the region, between a higher education institution and a group of manufacturers, is a model for other rural regions to follow.**

Focus on Quality of Place

The recognition on the part of both the university and the manufacturing entrepreneurs that the region's economic future is tied to their ability to build "quality of place" is a unique feature of the entrepreneurship development activities in the region. This focus on building an environment that nurtures people and entrepreneurs is part of the foundation for success that is being built in the region. While providing support services to entrepreneurs is an important component of an entrepreneurship development system, creating a regional environment that supports entrepreneurs and attracts new residents

The recognition on the part of both the university and the manufacturing entrepreneurs that the region's economic future is tied to their ability to build "quality of place" is a unique feature of the entrepreneurship development activities in the region.

is a necessary ingredient. **The fact that the university and the entrepreneurs recognize the importance of an entrepreneurial environment and investing in quality of place creates a powerful partnership for change in the region and offers an approach to entrepreneurship development that other regions might want to explore.**

Concluding Thought About Vision

In interviews with DSU administrators and faculty, regional economic development leaders and entrepreneurs, a common vision for the region emerged. This vision was articulated in different ways but had a central theme – creating an entrepreneurial region that nurtures existing entrepreneurs and serves as a magnet drawing both entrepreneurs and students (potential entrepreneurs) into the region. A DSU faculty member articulated the region's vision with this tagline – "Southwest North Dakota: A Destination Place for Entrepreneurs." An administrator defined success as driving throughout the region in five years and pointing to community after community that had been touched by DSU's entrepreneurship initiative. An entrepreneur described the attitude among entrepreneurs in the region as "come here and we'll help you be successful." This common and clearly articulated vision is a principal first step to building an entrepreneurial environment. While the leadership of certain individuals – Dr. Vickers and the manufacturing entrepreneurs – has been key to building this vision, it was clear through these interviews that the vision is becoming more deeply rooted in the region. These roots have become the foundation on which the DSU entrepreneurship initiative is being built.

For More Information on DSU's Entrepreneurship Initiative:

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MINI-CASE STUDY #2:
Another Path for Ferry County Artists

What do you do for a struggling economy when you live in a county that has no major roads, is about two hours from a major city, and has only four persons per square mile? You take the virtual highway.

What do you do for a struggling economy when you live in a county that has no major roads, is about two hours from a major city, and has only four persons per square mile? You take the virtual highway. That is the route chosen by Stone Soup's Virtual Frontier, a website that focuses on representing artists in rural Ferry County and similar places in eastern Washington State.

Betty Buckley, co-founder and executive director of Stone Soup, has a mission to help economically disadvantaged communities with a spotlight on empowering women and youth through entrepreneurship. Stone Soup was successfully conducting business start up classes when they realized that graduate participants, many of whom are artists, had little or no market access due to their geographic isolation.

Building a website seemed the obvious answer, and a survey of participants confirmed this. Funding sources thought so, too, and with help from the Ferry County Commissioners, the Gates Foundation, USDA's Rural Business Opportunity Grant, and other small contributors, the Virtual Frontier was born. Design of the site was bid, and formally shaped by Earth and Sky Web Design, another area small business. The site operates as a membership, and has a juried process for the acceptance of work to maintain consistently high quality in their product offerings.

For a $225 fee plus 30% of sales paid to Stone Soup, artists' products are featured in crisp, clean, colorful layouts on the site. In addition, artists each have two pages to feature their individual works and background information. Stone Soup provides promotion, website management, and distribution of product. Site visitors can easily link to the website of any artist they choose. "While we established the Virtual Frontier as a social enterprise" explains Buckley, "our first intention is to maximize the sales of the artists and aid in the growth of their businesses."

Like any start up, first year sales have been less than predicted, but membership is increasing from the original 43 artists. Groups of artists are now able to join, and Stone Soup predicts increasing depth and range in its selection of products in upcoming months, with a corresponding increase in sales. Interest has been vigorous, however, and 200,000 "visits"

For more information about the other services at Stone Soup or to reach the Virtual Frontier, visit www.nwstonesoup.org or www.shopthefrontier.com or call (360) 705-2961.

were made to the Virtual Frontier accounting for about 1.7 million hits and resultant sales of nearly $20,000 in its start up year.

The attractive looking website is a work in progress, as the group learns more about how to package wares, display them for sale-ability, and make them easy to purchase. "We've been learning a lot as we go along," Buckley smiles. "The art of business is a departure for many of our artists, and working through the details of marketing and accounting can be challenging for both the artists and Stone Soup staff." One look at the Virtual Frontier, though, and you have to believe that they are finding a way to work things out. Future plans include reaching out to yet more groups of artists, and figuring out ways to share distribution responsibilities. In the true spirit of pioneers, the Virtual Frontier will plow ahead with its vision to enhance local economies through growing small businesses. It will simply take place without leaving home.

"The art of business is a departure for many of our artists, and working through the details of marketing and accounting can be challenging for both the artists and Stone Soup staff."

Betty Buckley

Building Entrepreneurship Development Systems in Northern Iowa – Two Approaches

CASE STUDIES #3 & #4

Common Roots, Different Approaches – Background on the John Pappajohn Entrepreneurial Centers (JPEC) in Iowa

John Pappajohn's roots are in northern Iowa, having grown up in Mason City, and he has gone on to become a serial entrepreneur with many successful business ventures as part of his portfolio. For other entrepreneurs in Iowa, however, his civic entrepreneurship has been even more important. In the late 1990s, the Pappajohns donated money to create a network of entrepreneurial centers across the state. These five centers (at Iowa State University, the University of Iowa, the University of Northern Iowa, North Iowa Area Community College and Drake University) have a common purpose – to enhance the effectiveness of Iowa's entrepreneurs. Notably, each has developed a unique mission consistent with the talents and opportunities within its educational institution and in respect to the particular needs of entrepreneurs in the geographic region or sectors each school serves.

While the centers have found opportunities to collaborate in the past, the W. K. Kellogg Foundation's 2004 request for proposals to support their Entrepreneurship Development Systems for Rural America project provided an opportunity for the centers to connect in a deliberate way to make the breadth and depth of their expertise available to all entrepreneurs in the state. It also provided an opportunity to address an important gap in services – help-

ing communities develop strategies to support entrepreneurs. The centers' proposal was not funded, but the work of the individual centers continues. Not surprisingly, efforts to build this broader collaborative have been diminished by the lack of funding.

On the bright side, two of the institutions that were part of the Kellogg collaborative are moving ahead with innovative initiatives that take a more systemic approach to entrepreneurship development, particularly in rural communities. These efforts, while different from each other, spring from the same seed of innovation planted by Pappajohn in the late 1990s.

CASE STUDY #3

Entrepreneurship Development Innovation – The Role and Leadership of North Iowa Area Community College

Recognizing that workforce and economic development are linked, the leadership at North Iowa Area Community College is working to create an entrepreneurship development system in the region that addresses both issues. These efforts began by building on the "seed capital" invested in entrepreneurship development by John Pappajohn, but have grown to include a range of private and public sector partners that are crucial to transforming the support system and environment for entrepreneurship in the region.

Background on the Region

North Iowa Area Community College (NIACC) serves all or parts of nine counties in the north central part of the state. NIACC is located in the population hub of the region, Mason City (population 30,000), but covers territory with a total population of 130,000. Like many rural regions, all but one of the counties experienced population loss over the 1990-2000 period. Confronted with this reality, Dr. Michael Morrison, President of NIACC, is often quoted as saying that "demography is destiny – unless we do something

about it." To that end, most of NIACC's entrepreneurship development efforts are part of a larger strategy recognizing that workforce and economic development issues are linked. It is agreed that the success of the region depends on articulating a collective vision that addresses the problems and opportunities related to both issues rather than each one separately.

NIACC was established in 1918 as Mason City Junior College, making it the first public two-year educational institution in Iowa. The college has grown into a position of educational leadership in the region, serving about 3,200 students each year through one- and two-year degree programs and continuing education courses for non-traditional students in the region. What is special about NIACC is its purposeful assumption of a regional leadership role in economic development and insistence that entrepreneurship must be part of that regional economic development strategy. Building on the capacity of the John Pappajohn Entrepreneurial Center (JPEC), NIACC and its partners in the region are working to craft an entrepreneurship development system.

"Demography is destiny – unless we do something about it."

Dr. Michael Morrison

The Elements of a System

According to Jamie Zanios, Director of NIACC's JPEC, one of the reasons for applying for the Kellogg Foundation's Entrepreneurship Development Systems grant was to provide resources that would drive the integration of the many pieces of support for entrepreneurship within the region and better engage communities in these activities. Even without the Kellogg funds, NIACC, through the leadership of the Pappajohn Center, has continued to build a comprehensive system of support for entrepreneurs in the region by identifying gaps in the support infrastructure and figuring out how to fill those gaps.

JPEC is creating a system that serves a wide range of entrepreneurial talent in the region. They have a full complement of business services to address the needs of youth (high school academy, Summer Youth Entrepreneurial Academy, and elementary school Entrepreneur for a day on campus), potential entrepreneurs (SBDC, FastTrac® training and the recent addition of a business incubator), entrepreneurial existing business owners (business accelerator) and growth entrepreneurs (venture capital and angel investment capital).

The elements of this system include a number of related organizations and/or programs.

The John Pappajohn Entrepreneurial Center (JPEC)

JPEC was established at NIACC in 1997, establishing the college's efforts to encourage and support entrepreneurs in the region. The mission statement says that JPEC "seeks to enhance quality of life through entrepreneurship education (teaching skills to maximize the likelihood of entrepreneurial success), entrepreneur and business support (helping businesses launch and thrive in a dynamic environment), and partnerships to stimulate entrepreneurship (work with others to leverage resources and maximize impact.)" JPEC is achieving

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this mission by:

- Offering seminars and workshops to entrepreneurs, including Smart Start, a short workshop to help potential entrepreneurs decide if starting a business is right for them, and FastTrac®, offered as part of the Iowa Entrepreneurial Consortium that includes the University of Iowa's Pappajohn Center. Over time, 650 businesses have been started by FastTrac® graduates, including 198 in north Iowa.
- Providing degree and certificate programs in entrepreneurship to NIACC students. NIACC offers an Associate in Science (Business) Entrepreneurship degree program that requires 60 credit hours including courses in entrepreneurship and entrepreneurial management along with other business courses. The Pappajohn Entrepreneurial Certificate Program, requiring 18 credit hours, is offered to any student interested in learning the fundamentals of starting his or her own business. Students in these two programs have opportunities to interact with entrepreneurs through related programs such as the Pappajohn New Venture Business Plan Competition and the Collegiate Entrepreneurs of Iowa Conference. In addition, emerging cross-curriculum work, supported by the Coleman Foundation, will integrate entrepreneurship into communications courses at the college with the eventual goal of embedding entrepreneurship in the arts, math, science and other programs.
- Creating the Collegiate Entrepreneur Organization Club and hosting the Collegiate Entrepreneurs of Iowa Conference to bring together students with an interest in entrepreneurship.
- Offering the Youth Entrepreneurial Academy weeklong summer entrepreneurship experience for high school juniors and seniors who are interested in learning about starting their own business and where students actually create a business plan; offering Entrepreneur for a Day events on campus for 5th grade students and teachers to interact with entrepreneurs and learn more about developing and marketing a product and creating a business.
- Creating the Entrepreneurs' Exchange to provide opportunities for FastTrac® graduates and other entrepreneurs to meet together and learn from one another.
- Hosting an Elected Officials Symposium in 2006 in the region to help set a course for regional entrepreneurial and economic development activities.

Small Business Development Center (SBDC)

In keeping with JPEC's mission to partner with organizations to better serve entrepreneurs, the SBDC is co-located with JPEC on the NIACC campus. The SBDC offers a range of one-on-one counseling services to entrepreneurs and business owners as well as seminars on specific business topics. These services complement those offered through JPEC and the co-

location creates the opportunity for synergy – trading programs, achieving some economies of scale, and creating a one stop shop for entrepreneurs. Reduction in funding for many SBDC offices has made this type of partnership an important strategy for maintaining the SBDC presence in regions across the state.

North Iowa Area Business Accelerator

In early 2006, NIACC received funding to create one of five business accelerators supported by the Iowa Department of Economic Development. Business accelerators are designed to support new and existing businesses that are poised to grow. This additional piece of support infrastructure leverages existing programs offered through JPEC and the SBDC while providing the resources to better serve a different type of entrepreneurial talent – one that could have an important impact on the regional economy.

Equity Capital Programs

Access to capital for rural entrepreneurs, particularly equity capital, is often limited. The NIACC JPEC has been able to bring two sources of equity capital to businesses in the region. The North Iowa Venture Capital Fund, LLC was established by JPEC to encourage angel investors to support regional businesses. The fund was capitalized ($1.7 million) by 61 accredited angel investors from 14 north Iowa communities. These investors consider funding requests of $50,000-250,000 from start up and expansion businesses in the region, bringing not only their capital but also their business expertise to the entrepreneur. To date, nine businesses, five in the NIACC service area, have received more than $1.4 million in investments from the fund and leveraged additional external equity capital for their businesses. As part of the network of Pappajohn centers in the state, NIACC's JPEC participates in the Wellmark Venture Capital Fund. The centers identify deals, conduct due diligence and make funding recommendations for regional entrepreneurs to the managing partner of Wellmark. These investments typically range from $10,000-100,000 and provide an entree into the world of more formal equity investing for many entrepreneurs. Most recently, a revolving loan fund for small, private, start up businesses in the region has been created as a result of a partnership between NIACC, NIACC's JPEC, the SBDC and USDA Rural Development, filling another capital access gap for entrepreneurs in the region.

North Iowa Incubator and Business Center

NIACC received funding to create a business incubator on campus that is scheduled to open in January 2007. The incubator will provide space to new businesses, particularly those that might benefit from access to the educational and infrastructure resources of NIACC, as well as provide access to services and support.

The Pappajohn Center at NIACC has created a comprehensive array of

CASE # STUDY 3

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programs and services in one organization that provides students, youth, entrepreneurs and existing business owners with the resources to be successful. In addition to the partner organizations and programs described above, the Iowa Workforce Development Partnership regional office moved into the JPEC on NIACC's campus in 2005-2006. This move further strengthened the commitment to link workforce and economic development in the region and has facilitated the completion of a labor shed study and a cluster analysis for the region. To provide a more complete range of services, the JPEC director noted that co-locating regional Small Business Administration, USDA Rural Development, and Iowa Department of Economic Development staff in JPEC would provide benefits to both staff and entrepreneurs in the region.

Considering only the impacts of JPEC activities, their FastTrac® clients have started 198 businesses, creating 477 new jobs in the region since 1997. To date, there is a 78% success rate among FastTrac® graduates who have started a business. Over 6,000 people have participated in JPEC programs, bringing exposure to and support for entrepreneurship to many in the region. Equally important, however, has been JPEC's leadership in bringing the elements of a support system together at NIACC that will better serve the needs of entrepreneurs and contribute to creating a culture of entrepreneurship in the region.

Regional Leadership – The Role of NIACC

Community colleges, more so than other educational institutions, are dependent upon the economic vitality in a specific geographic region – enrollment and demand for programs by both traditional and non-traditional students is driven by what is happening in the regional economy. A new business may increase the demand for specific training programs offered by the college while a plant closure may generate increased demand for retraining, basic education and entrepreneurship education. Given this dependence, an active role in regional economic development leadership for community colleges makes strategic sense. However, not all community colleges choose to assume this leadership role.

For NIACC, this role is described in the college's mission statement – "promote a strong economy by engaging in activities which develop and maintain a skilled and educated workforce and which promote and support entrepreneurial activity." In addition to the core workforce and entrepreneurial development support activities described above, the college has used its presence as a regional institution to facilitate discussion and action about the future of the regional economy. Through the elected officials' symposium, the completion of the labor shed and cluster analyses, and the creation of programs that serve the region (e.g., the North Iowa Venture Capital Fund), NIACC is able to bring economic developers from throughout the region together to recognize their shared challenges and opportunities. As President Morrison pointed out in May 2006, "we are working to bring our counties and

"We are working to bring our counties and cities and their economic development entities together to begin the process of deciding how we might envision our economic future and identify initial steps toward regional economic development."

Dr. Michael Morrison

cities and their economic development entities together to begin the process of deciding how we might envision our economic future and identify initial steps toward regional economic development."

While the community college leadership recognizes that they have a major role to play in promoting a regional approach to economic development, it was not taken as a given that county and city economic developers accepted such a role for the college. As a result, NIACC's leadership has, for the most part, been in partnership with other organizations within the region. For example, NIACC has partnered with the North Iowa Council of Governments. The college partnered with the regional Workforce Development Partnership and local economic developers on both the labor shed and cluster analyses. And, they are partnering with the economic development commissions in seven counties in the region on a marketing alliance to promote new business growth. These activities have been important for building trust in NIACC as a regional partner and not the sole driver of the vision for the regional economy. Based on the interviews for this case study, it appears that the college has avoided being viewed as the "800 pound gorilla" at the regional economic development table.

While NIACC has been instrumental in bringing regional partners together to address the future of the region's economy, the discussion to date has focused on relatively traditional economic development activities within a regional context – labor shed analysis, regional marketing alliance. It is not clear that the economic development partners have accepted the importance of entrepreneurial development for the future of the region. The ability to change the attitudes and approaches of the economic development partners in the region may very well depend on the continued success and demonstration effect of the entrepreneurship development system that is being built by NIACC and the ability of the college and JPEC to communicate this success throughout the region.

Challenges to Building the System

While NIACC and its partners have put in place some key elements of an entrepreneurial development system, those interviewed for this case study identified some challenges that may impact the long-term success of the system. These challenges are not unique to northern Iowa but can be found in other rural regions that are experimenting with a systemic approach to entrepreneurship development. Four major issues are (1) spreading the word to entrepreneurs and others in the region about the resources embodied in this system and the importance of entrepreneurship development, (2) engaging communities throughout the region as partners in the system, (3) building a true regional identity and support for entrepreneurship development, and (4) viewing entrepreneurs as partners in the system.

CASE # STUDY 3

(continued)

Spreading the Word

A recurring theme among entrepreneurs and others interviewed for this case study was that more entrepreneurs, economic developers, elected officials and community leaders need to know about the efforts of NIACC and others to build an entrepreneurship support system. There are two components to spreading the word. First is the need to inform entrepreneurs in all parts of the region about the support services offered by JPEC and its partners. The value of tapping into the support system needs to be understood by entrepreneurs so that they are willing to devote the time to take a class, attend a networking meeting, or serve as a mentor to a young or start up entrepreneur. While partnerships with local economic development organizations are effective in marketing support services, one entrepreneur suggested that the JPEC staff needs to do more "road shows," getting staff out into smaller communities to spread the word.

Second is the need to make the case for entrepreneurship as a core part of the region's economic development strategy. As one interviewee said, how do we really change the culture in the region? While some communities in the region, such as Charles City, appear to be embracing this concept, it is not yet universal. The key question is "how do we get the passion for it [entrepreneurship] growing amongst the local leaders?" Activities that bring together community leaders, such as the elected officials' symposium, are clearly essential tools to build support for entrepreneurship development in the region.

Engaging Communities

It was noted by one interviewee that it takes a community to get behind entrepreneurship, to create a culture where trying and failing at a new enterprise is celebrated and embraced, not fodder for local coffee shop gossip.

Related to spreading the word is the need to engage communities in the entrepreneurship development system. It was noted by one interviewee that it takes a community to get behind entrepreneurship, to create a culture where trying and failing at a new enterprise is celebrated and embraced, not fodder for local coffee shop gossip. Given constraints of time and money, it is not possible (or even efficient) for JPEC staff to be present in all communities throughout the region. Community leaders, however, can serve as coaches or facilitators linking entrepreneurs with resource providers that are part of the system. These local leaders are in the best position to understand the entrepreneurial talent in their communities, identify the resource and support needs of these entrepreneurs, and connect them with service providers at JPEC or elsewhere in the region. How to most effectively engage communities continues to perplex JPEC and its partners.

Building Regional Identity and Support

The vision of NIACC's president, Michael Morrison, is of a region that comes together for "a democratic discussion of what the vision of north Iowa should be...Where are we at now? Where do we want to be and how do we close the gap?" Getting to this shared regional vision, however, is necessarily a slow process. During the interviews for this case study, it was clear that there

is not yet broad buy-in from economic developers in the region about the need to support entrepreneurs or to develop a common regional approach to economic development. There is progress and forward movement, but there is not yet a commitment to building a regional institutional structure that joins NIACC's resources with others in the region.

Viewing Entrepreneurs as Partners in the System

One final missing element was evidenced in many of the interviews for this case study, and that was the limited role of entrepreneurs in developing the system. For the most part, the partners in the effort have been organizations – economic development organizations, service providers, community organizations. Entrepreneurs were most often involved as clients rather than as partners to the system. It is plain that the ability to address some of the other obstacles identified, such as spreading the word or building a regional identity, could benefit from involving entrepreneurs. The concept of a regional economy often resonates with entrepreneurs, many of whom serve regional or larger markets, and they could help verbalize a regional identity or vision. And, who better than entrepreneurs to convey to their peers the value of an entrepreneurship development system and to share their successes and failures in a way that begins to change the community's understanding of entrepreneurs and what they contribute to the region.

In spite of these challenges, it is clear that an entrepreneur who finds her way to NIACC's JPEC – whether she is just thinking about starting a business or is interested in growing her established enterprise, whether she needs help with a specific business challenge or is trying to develop entrepreneurial skills – will have access to a range of support services to meet her needs. And, community leaders that engage with JPEC will find resources that can help them more effectively support local entrepreneurs and begin to change the culture in their community.

Lessons Learned From NIACC's Pappajohn Center

A primary purpose of sharing the story of NIACC's entrepreneurship development efforts in north Iowa is to provide insights for community leaders and economic development practitioners and policy makers who are working to create a more entrepreneurial culture in their rural places. There are several key lessons from this experience.

Importance of "Seed Capital"

Building an entrepreneurship development system is like building a business – the entrepreneurial team needs a source of "seed capital" to support the strategic thinking, collaborative structuring, and capacity building activities that are part of any such effort. The John Pappajohn Center at NIACC provided this "seed capital." JPEC supplied the initial infrastructure upon which a broader system of entrepreneurship development could be built. The center

CASE # STUDY 3

(continued)

was not just an umbrella organization for a number of programs but was the incubator of a systems approach to entrepreneurship development. While the financial support of the Pappajohns was central to building a center at NIACC, the "seed capital" that the JPEC brought to the table was much broader than financial – it includes the talents and commitment of the staff, their leadership and passion, and the capacity to leverage JPEC work in support of an extensive entrepreneurship development system in the region. **While other rural communities and regions may not have a self-supporting entrepreneurship center that can serve as the foundation of an entrepreneurship development system, it is important to find the institutional "seed capital" in some other organization(s) or individual(s).**

Importance of Organizing Services and Engaging Communities

An elemental step in building an entrepreneurship development system is the organization of support services to effectively meet the needs of all types of entrepreneurial talent within a region. NIACC's JPEC has assembled a wide range of services and partners that can address the needs of entrepreneurs at any level. However, organizing services is not all that is needed to build an effective system. Communities need to be engaged so that entrepreneurs can be linked to support services and so that the culture of rural places begins to change as the benefits to the region's economic future of supporting entrepreneurs becomes more apparent. **The passion of support providers, in this case the JPEC and its partners, must be matched by the passion and commitment of engaged community partners in order for the system to reach its potential.**

Community College Role in Economic Development

North Iowa Area Community College, through its leadership in both entrepreneurship and regional economic development, powerfully demonstrates the role for community colleges in economic development. The college is imparting more than educational resources to the region – it is bringing the leadership and passion discussed earlier to enlist others in forging a vision for the regional economy; and it is offering resources to help encourage entrepreneurship development as a key part of that vision. NIACC has demonstrated a capacity for leveraging resources, using the JPEC as a foundation for entrepreneurship development, and adding new capacity to fill gaps in the support infrastructure for entrepreneurs in the region. **NIACC is a potential model for other rural community colleges that are interested in becoming key partners and facilitators of entrepreneurship development specifically and economic development more generally in their regions.**

Importance of Leadership

Margaret Mead's quote, "Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has," applies again and again in case studies of rural entrepreneurship

development. In the case of NIACC, the visionary leadership of the college president and the John Pappajohn Entrepreneurial Center staff are critical factors in the success of building an entrepreneurship development system in north Iowa. While one leader, NIACC's president, is focused on encouraging a regional vision and approach to economic development, JPEC's staff has built a support system with capacity to serve the needs of entrepreneurs and to begin the difficult and often slow process of changing the regional culture. Just as passion drives an entrepreneur to build a business, the passion of these leaders is driving entrepreneurship development in the region. **Identifying these champions of regional entrepreneurship development is a first step for any rural region interested in becoming more entrepreneurial.**

Concluding Thoughts

There is no silver bullet for turning around the economic fortunes of rural regions in the U.S. There is no single approach to entrepreneurship development that will work in all rural places. In north Iowa, the regional leadership of the community college combined with the "seed capital" of the JPEC has produced an emerging entrepreneurship development system that can serve as a model for other rural places. The lessons learned from the work of the North Iowa Area Community College and its John Pappajohn Entrepreneurial Center can help to inform other rural development practitioners as they consider the approaches, partners and institutional arrangements that are most strategic to their local efforts to encourage entrepreneurship.

For More Information about NIACC's JPEC Entrepreneurship Development Activities:

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MINI-CASE STUDY #3:
An Entrepreneurial Approach to Regional Health Care

In an unusual display of public stewardship and open collaboration, seven public and nonprofit hospitals in five counties of rural Southwest Washington State united to form CHOICE Regional Health Network. They decided to join forces in 1995 to more effectively advance community health in the region. The result has been a growing social enterprise that was only possible because of broad-based regional support from the private and public sectors.

Founders looked for "win-win" actions to improve the public's health while also keeping the hospitals financially sustainable in their communities. An early business challenge was how to improve access to medical care while reducing the uncompensated care that hospitals were providing. CHOICE answered the dual purposes by implementing community-based outreach health care enrollment to help low-to-moderate income people successfully register for publicly subsidized health programs.

The results have been no less than astounding, with 28,000 residents enrolled in the ten years since efforts began. Approximately 98% of the applications submitted by CHOICE on behalf of clients are classified as eligible by the responsible state agencies, compared to a much lower percentage for clients who attempt to enroll without help. Clients assisted by CHOICE also are urged to return for additional help if they have trouble maintaining coverage or dealing with urgent health care needs. While CHOICE staff is unable to track every client that comes for enrollment, there is a credible assumption that more people are getting the health care they need.

Originally a membership organization, CHOICE converted to a community-based nonprofit 501(c)3 in 2003. Hospital administrators, public health departments and other health care leaders serve on CHOICE's board today. The founding hospitals, as well as other partner organizations, are investors in CHOICE, and their documented returns on investment substantiate increased access to health care and the value of continued financial support. Investors are generally promised a two-to-one return on monies that they put into the operations, but some investors have received returns as high as $30 for every dollar invested. The conclusion is that it is possible to increase the numbers of people receiving medical services while achieving vigorous growth of health care businesses that ultimately contribute to the good of the regional economy.

CHOICE leaders realized that what the organization is good at is opening doors to health care quickly and well, so there has been a conscious "choice" to expand the organization's reach in terms of both direct services and strategic community development. Expanded services include such elements as coaching on the effective use of health care,

"Never get involved in fights over who gets credit for success. Everyone involved in an initiative understands the real contributions that are made, and celebrating as a community is the most positive, effective way to continue to grow and achieve results."

Dan Rubin

enrollment for Food Stamps, advice for Medicare recipients on supplemental insurance and Medicare Part D (prescriptions), breast and cervical health care information, and skilled referral for the many social services that improve health. A strong cadre of volunteers helps cover the large region, and services are offered in Spanish as well as English.

Dan Rubin, Deputy Director of CHOICE, reports that they have also played a key role in several community development initiatives that will have area-wide impact, and once again improve access to health care. In recent years CHOICE has devoted staff time to the development or success of new community clinics and indigent care services spanning medical, dental and mental health needs. CHOICE has also devoted substantial resources to leadership in developing more integrated client services among community service agencies that have many common clients. This work includes development of shared goals, priorities, coordination methods and technical tools. CHOICE has worked especially closely with the agency that staffs the new regional 211 call service that residents can dial toll-free to learn about available services. "We're working on local implementation of 211 to give people a 'warm hand-off'," Dan explains. People will be able to get most of the answers they seek within one or two calls, instead of being routed to a long list of different sources. The goal is to be more efficient, and more effective.

Rubin adds that CHOICE is frequently invited, as a recognized, established nonprofit, to provide a strategy framework or start up and administrative help for community initiatives. For others that would pattern a flexible health care network, he shares the following thoughts.

- Try to establish a true investment model, with enough members and predictable investment to (1) achieve community buy-in, and (2) acquire monies that can provide a stable base for operations, and be used flexibly.
- On behalf of investors, ensure that you offer a solid nonprofit management plan and expertise; and be sure that everyone concurs on the broad vision and mission that will drive the effort. "We benefited from having a strong and eclectic mix of stakeholders at our planning table—community residents with varying income levels, health care practitioners and administrators, state health officials, locally elected officials, leaders from human services, business entrepreneurs, and others."
- Maintain excellent communications with your investment and community partners. Developing shared strategies is essential, and regular reports about results and finances are a must. Also, be honest about what is needed for administration.
- In sum, try to present your case as an entrepreneurial risk worth taking.

The model seems to have worked for CHOICE, and elements have been shared with other community groups to activate their organizations, in both rural and urban settings. But help can mean a lot of things, and CHOICE has often played at organizational matchmaking through a "no walls" incubator approach to small start up social programs, frequently providing administrative oversight, funding, staff, and synergy until an organization achieves scale.

One secret to successful collaboration, according to Rubin, is: "Never get involved in fights over who gets credit for success. Everyone involved in an initiative understands the real contributions that are made, and celebrating as a community is the most positive, effective way to continue to grow and achieve results."

For more information about CHOICE, please visit www.crhn.org or call 1(800) 981-2123.

CASE STUDY #4

MyEntreNet – Entrepreneurship Development and the University of Northern Iowa (UNI)

Needing a new business model to support entrepreneurs in the rural reaches of their service area, UNI's Regional Business Center created MyEntreNet – a community-based support network for entrepreneurs using technology. However, MyEntreNet provides more than a technological bridge for entrepreneurs. It is focused on building community capacity to support entrepreneurs both in person and online.

Background on Entrepreneurship Development at UNI

The University of Northern Iowa is one of Iowa's three state universities, located in the Cedar Falls/Waterloo metropolitan area. Like most public educational institutions, service to the community is an important part of UNI's mission and the Business and Community Services (BCS) division takes the lead in reaching out to business and community leaders throughout northeast Iowa and the state. While a number of centers and institutes comprise BCS, the important organization from the perspective of entrepreneurship development is the Regional Business Center (RBC).

The RBC serves entrepreneurs in an eight county region of northeast Iowa by bringing four main agencies together in a one stop shop – the John Pappajohn Entrepreneurial Center, UNI's Small Business Development Center, SCORE (Service Corps of Retired Executives), and the US Small Business Administration. Like many organizations located in an urban center but serving a wider rural region, the RBC faced the challenge of supporting entrepreneurs throughout their eight county region. As one local economic developer said, there are all sorts of services available if you are willing to drive to Cedar Rapids, Iowa City or Des Moines. But, it is not always feasible for an entrepreneur to make a two-hour roundtrip for services. UNI had what was self-described as a "failed business support strategy" – UNI staff would get into a car and go out into the region, often for a meeting with one entrepreneur. They were spending more time traveling than supporting entrepreneurs. A budget cut of 60% forced a strategic decision to adopt a different business support model to help them reach rural entrepreneurs.

Entrepreneurship development is more than a catchphrase for the staff at UNI. Their programs are driven by a strong belief that "entrepreneurship can stabilize regional economies, localize decision-making, and generate rural wealth."[1] However, to support entrepreneurship, UNI needed a sustainable model that could connect geographically isolated entrepreneurs to services and people so that they could become competitive in a global economy. At the same time, UNI staff recognized that they were very good at providing services to entrepreneurs but that community support for entrepreneurs was often absent. A successful system would be needed to change the mindset in rural communities, and to begin to develop a culture that embraced and supported entrepreneurship development. The need for this comprehensive approach, in line with the concepts embodied in the Kellogg entrepreneurship development systems grant program, resulted in the creation of MyEntreNet.

Entrepreneurship development is more than a catchphrase for the staff at UNI. Their programs are driven by a strong belief that "entrepreneurship can stabilize regional economies, localize decision-making, and generate rural wealth."

MyEntreNet – Innovative Entrepreneurship Development

Beginning with a beta test in 2001, UNI developed MyEntreNet – a "rural based business accelerator program which creates community-based support networks for entrepreneurship, provides start up and existing companies with advanced technical assistance and training, and connects entrepreneurs and resources in rural regions nationwide through technology."[2] An important component of the MyEntreNet program is www.MyEntre.net, a web application that furnishes resources and networking opportunities to entrepreneurs and communities where they live and that can be customized to meet individual needs. What is different in the design of MyEntreNet as compared to other web-based applications, such as BizPathways in Minnesota,[3] is the explicit focus on building community capacity and support for using and helping entrepreneurs connect to the resource through the four components of MyEntreNet:

- Community Empowerment – providing community leaders with the skills they need to support local entrepreneurs and to develop a plan for moving the community forward.
- Business Empowerment – providing entrepreneurs with the tools they need to develop their skills and be successful.
- Capitalization – helping entrepreneurs identify and access the capital they need to build their businesses.
- Networking – working with communities and their entrepreneurs for up to two years and linking them with the resources they need to continue their work.

1 http://www.uni.edu/rbc/services/newrural.html, November 7, 2006.
2 http://www.uni.edu/rbc/services/newrural.html, November 7, 2006.
3 Deborah Markley, Don Macke and Rae Montgomery, BizPathways – Minnesota's Virtual Entrepreneur Network: Ongoing Evaluation of Effective Practice, Evaluation Case Studies Series Number 1, RUPRI Center for Rural Entrepreneurship, 2005.

CASE # STUDY 4

(continued)

The beta test focused on rural communities near Waterloo and, while the test generated some beneficial outputs, it also provided some lessons that were used to refine the program. One, UNI worked primarily through economic developers to engage entrepreneurs in the services and resources of MyEntreNet. However, this single point of access to entrepreneurs meant that if the priorities of the economic developer changed, interest in and capacity for promoting MyEntreNet would change as well. This lesson suggested the need to get broader community buy in and support for MyEntreNet. Two, the beta test confirmed the need for MyEntreNet to be "in person, then online." To take full advantage of the technology, entrepreneurs needed to first be connected personally with service providers and other entrepreneurs as mentors and peers. Once that personal connection was made, the Internet connection would follow more readily. UNI found though, that getting entrepreneurs to use the technology in new ways, such as blogs and chat rooms, was often difficult. Three, during the beta test, it became clear that some communities really "got it" and were ready to move forward and make changes to become more supportive of local entrepreneurs. Since MyEntreNet was still in its innovation stage, targeting these types of communities was crucial in order to demonstrate the potential of the model to other communities in the region.

Drawing on the lessons learned from the beta test, MyEntreNet was launched through a Request for Proposals process. Originally, the program was designed to be supported financially by communities. However, UNI received a grant from the Iowa Values Fund to launch MyEntreNet in four regions in 2006. The regions selected demonstrated a readiness for entrepreneurship development and a commitment of local resources to support the process – they showed that they were "prepared for change." The four regions were Carroll County, Decatur County, the Red Rock Area (Marion County) and Poweshiek County. Each region selected had less than 55,000 in total combined population. In 2007, two additional regions will be selected to participate in MyEntreNet. The ultimate goal is to bring 30 communities into MyEntreNet over the next 10 years, forming a network of communities that can connect with and support one another.

At the time of the interviews for this case study, two regions (Carroll County and Poweshiek County) were in the early stages of launching MyEntreNet. The other two regions were brought online after the fieldwork for this case study. The implementation of MyEntreNet in these rural regions was in its early stages and the observations shared here are, therefore, preliminary insights into what MyEntreNet can bring to rural communities. However, these interviews identified some challenges and some important lessons learned for others who are considering how best to connect rural communities and entrepreneurs with the resources they need to meet the challenges of the global economy.

Challenges for MyEntreNet

The challenges identified by those interviewed for this case study can be broadly defined as implementation issues as opposed to fundamental flaws in program design. Five general challenges identified were effectively using technology, getting the word out to entrepreneurs, finding local partners and champions, maintaining momentum, and building strong cross-institutional partnerships to deliver MyEntreNet.

Effectively Using Technology

Most of those interviewed felt comfortable with the online component of MyEntreNet and believed that the use of technology was not a hurdle for most entrepreneurs. Notably, there was strong agreement that technology alone was not sufficient to engage entrepreneurs and to build a supportive environment. A frequent comment was that online was great, but it was not a replacement for one-on-one interaction. Those interviewed noted the importance of the monthly networking meetings to reinforce connections that could then be developed further online. Experimentally, creating enough opportunities for personal interaction, both among entrepreneurs and between entrepreneurs and service providers, while still realizing the benefits of using technology to reach isolated rural business owners could prove tricky. Another barrier related to technology was that of access – Internet access is still limited in some rural places in the region and requires remediation in order for the full benefits of MyEntreNet to be realized.

Getting the Word Out

One of the keys to the success of MyEntreNet is widespread use of the technology by entrepreneurs so that a broad online network of rural entrepreneurs is created. Recognizing that it was still early in the implementation process, those interviewed expressed concern about the need to inform more entrepreneurs of what MyEntreNet had to offer and what the benefits of participation might be. As one interviewee described it, there need to be more "push angels" in the region – entrepreneurs who have used MyEntreNet with some success and can offer testimonials to other entrepreneurs. Another suggestion was broadcasting more visible outputs from MyEntreNet in order to encourage participation, such as holding classes about it in the region. While community leaders involved with economic development in the region have a good understanding of MyEntreNet, it will be important to involve

CASE # STUDY 4

(continued)

Success will depend on finding local development organizations that can partner to bring MyEntreNet to more rural regions and, perhaps more importantly, identify the local champions who will passionately advocate for this system and the culture change it embodies.

more entrepreneurs in using MyEntreNet and sharing the value of the experience with their peers. Some of this sharing may happen organically through networking events; however, UNI may need to encourage communities to be more direct about engaging their customers, the entrepreneurs, in getting the word out in the region.

Finding Local Partners and Champions

MyEntreNet is designed to render services and resources to entrepreneurs at the same time that it is encouraging culture change in rural communities – creating more nurturing environments for entrepreneurs. Success on both fronts will depend on finding local development organizations that can partner to bring MyEntreNet to more rural regions and, perhaps more importantly, identify the local champions who will passionately advocate for this system and the culture change it embodies. It was pointed out during the interviews that some of the smaller communities in the region may not have local champions – there may be no one with the passion for entrepreneurship that successful implementation of MyEntreNet requires. The test will be to identify strategies that attract those smaller communities to the table in a meaningful way. Finding larger communities that can serve as mentors or "adopt" smaller towns will aid in creating an integrated approach to entrepreneurship development. As more communities take up MyEntreNet, the successful outcomes they experience will likely have a demonstration effect on other communities, helping to create the next set of local champions.

Maintaining Momentum

As one can see in the description of MyEntreNet above, implementation is a relatively complex process. There are certain milestones that the communities must achieve – organizing an entrepreneurship task force, developing a region-wide strategic plan, inventorying assets and capital resources – and there is support for this process that comes from UNI. A common theme among community leaders interviewed for the case study was the need to move more quickly on implementation, particularly in terms of bringing UNI resources into the region. The most frequently mentioned issue was the development of a customized website for the regions.

Again, these interviews occurred early in the process of implementation so this concern must be viewed within that context. However, a challenge that is likely to persist relates to differential expectations between regions and UNI about the pace of implementation. If the regions move quickly to achieve their milestones and staff capacity at UNI constrains or limits this forward momentum, frustration with the process may arise. On the other hand, if the regions have difficulty achieving the organizational milestones because of capacity limitations, UNI resources may be underutilized. Special effort will be required to match local and UNI expectations for the pace of progress and change

Building Strong Cross-Institutional Partnerships

To be effective, MyEntreNet needs to draw on the capacity that exists in other institutions throughout the region and state – community colleges, other Pappajohn Centers, state economic development agencies, and others – and connect those institutional resources with rural communities and entrepreneurs. While UNI's Regional Business Center proffers a wide range of resources and services to MyEntreNet, the contribution that MyEntreNet can make to rural communities will only be enhanced through strategic partnerships. Interviews suggest that some additional attention needs to be given to building stronger cross-institutional partnerships and overcoming any issues of turf among service providers and educational institutions. In addition, partnerships with private sector service providers must be continually developed.

Starting up an entrepreneurship development effort such as MyEntreNet is like starting up an entrepreneurial venture. There will always be implementation challenges and fully realizing the vision for the enterprise takes time. In spite of the beta test, MyEntreNet should still be considered in the innovation or experimentation stage, with continuous improvement of the model based on real world implementation challenges and experiences. In spite of these challenges, there is a great deal of support from the initial regions for this model and there are some important lessons to be learned for other communities experimenting with entrepreneurship development.

Lessons Learned from MyEntreNet

Some initial lessons from the experience with MyEntreNet offer insights for other service providers who are trying to create a system of support for rural entrepreneurs and communities. The long-term impact and sustainability of MyEntreNet will become evident in the years ahead. Three early lessons learned were identified through this case study process.

MyEntreNet as Tool and Catalyst

It was clear from the interviews that MyEntreNet was viewed as a tool for getting resources into the hands of entrepreneurs in rural places. As well, MyEntreNet expanded the toolkit of local economic developers, allowing them to be more proactive and even innovative in terms of economic development. As important for the community, however, was the recognition that MyEntreNet was a catalyst for entrepreneurship and community-building. MyEntreNet provided the catalyst for completing a systematic review of the assets and needs in these counties, allowing even the smallest communities to participate in this process. It provided the organizing framework for bringing people together to think strategically about encouraging entrepreneurship. By getting many people working together, the process of organizing to implement MyEntreNet became a community-building process. This renewed

CASE # STUDY 4

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Technology can be used effectively as a bridge to connect rural entrepreneurs with the resources they need to be successful and to connect communities with the resources they need to better support entrepreneurs. MyEntreNet's mantra, "in person, then online," suggests that technology may be a necessary condition but alone it is not sufficient to create an effective system.

community pride and sense of accomplishment was viewed as a potential catalyst for other community activities. **The important lesson for other rural communities is that embracing entrepreneurship development can be a catalyst for enhancing community capacity to meet a broader set of community goals.**

Technology as a Bridge for Rural Entrepreneurs and Communities

Based on initial insights from community partners, technology can be used effectively as a bridge to connect rural entrepreneurs with the resources they need to be successful and to connect communities with the resources they need to better support entrepreneurs. MyEntreNet's mantra, "in person, then online," suggests that technology may be a necessary condition but alone it is not sufficient to create an effective system. However, very few of those interviewed for this case study felt that using the Internet to deliver services or to link entrepreneurs with mentors or peers for networking was an obstacle for entrepreneurs. The only limitation that was raised was the need to assure access to the Internet for all rural entrepreneurs. **The experience to date with MyEntreNet suggests the need to have a dual focus in using technology to build an entrepreneurship development system – creating the technology bridge to connect rural entrepreneurs to resources and each other, while at the same time creating community support and capacity to help connect entrepreneurs to that bridge.**

Importance of Leadership

Most entrepreneurship development systems result from the passionate leadership of an individual or team. The importance of identifying local champions for MyEntreNet was identified as an issue for the future. The leadership of Maureen Collins-Williams, Director of the Regional Business Center, and her staff has been critical to the development of MyEntreNet. State support for MyEntreNet has provided the seed capital for communities to get involved with the program and Collins-Williams has been an important advocate with state legislators. As important, however, is the role that Collins-Williams plays in the communities. She was described as "the motivator" and the importance of her presence in communities, particularly the smaller communities, was stressed. The need to have UNI staff in the regions, and in the communities, was also emphasized. These UNI leaders bring their passion for MyEntreNet to communities and help to energize (or re-energize) local leaders as they struggle to embrace the change that MyEntreNet entails. **While the importance of visionary leadership is not unique to MyEntreNet, it serves to once again confirm the importance of individuals as innovators of entrepreneurship development systems.**

MyEntreNet faces difficulties similar to those in any start up enterprise. However, the model resonates with community partners and with the entrepreneurs interviewed for this case study. The long run outcome for

MyEntreNet is to be a catalyst for regional transformation – to change the environment in rural communities. When asked to define "success" for MyEntreNet, UNI staff described rural regions with:

- More programs for entrepreneurs.
- A new attitude of support for entrepreneurs among economic developers.
- A new attitude toward investing in infrastructure that can support entrepreneurs.
- More business churning.
- More encouragement for the generational transfer of businesses.
- More micro businesses.
- More networks for entrepreneurs.

With this long-term vision of success, the experience of UNI's MyEntreNet program is worth watching as implementation moves forward.

For More Information about MyEntreNet:

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MINI-CASE STUDY #4:

Enterprise Angels – Doing Well and Doing Good A Tale of Start Up Businesses and Venture Capital

It seems like money is always the problem for start up businesses. Having enough capital to get an innovative invention off the ground doubles the difficulty. Financial institutions and private venture capitalists find it impossible to finance these specialty businesses whose only asset is intellectual property. A group of twelve entrepreneurs associated with South Dakota State University in Brookings, South Dakota proactively searched for answers, believing that if money was found, a number of good things could result. They pooled their efforts, and today, the Enterprise Institute manages a unique technical assistance group that provides services to the enterprise owners as much as to the investors.

MINI-CASE STUDY #4: *(continued)*

Called Enterprise Angels, the association's members want to do well in terms of returns for the deals they support, and to ensure the public good. Their long-term vision is a South Dakota that retains its young talent through entrepreneurial support activities such as networks for entrepreneurs and resources, coaching, education for local officials, and capital for inventors as well as other métiers. An investment product was selected as the best mechanism to supply the long-term, patient capital commonly required in this double risk environment of start up companies and unknown inventions.

The twelve founders put between $10,000 and $100,000 each into the project, and since then, there's been no looking back. Marcia Hendrickson, Executive Director of the Enterprise Institute, says the group has been entrepreneurial from the get-go, and that they have grown rapidly in reflection of that attitude. In the Fund's first five years, nearly 800 inventors and other entrepreneurs have received Enterprise services—combinations of investments, business coaching, patent research, licensing agreements, and plan development. Over 80% of them could use capital.

Business investees are conducting trade throughout the world, doing well at it, and enhancing the potential return—proof that venture capital can succeed with start up businesses if the process is carefully constructed and directed.

The Enterprise Institute is a critical connector between the investors and the business owners, although Hendrickson is quick to point out that investors frequently interact one-on-one with entrepreneurs, providing invaluable mentorship. Benefits for the investors are that the Institute "filters" business plans for top notch opportunities, and creates access to deals that investors would never have learned about otherwise. Spin-off plusses for the investors are that business relationships are cultivated with both inventors and other investors; and networks of investors broaden the range of investment possibilities and distribute risk across the group.

Finally, the Enterprise Institute tailored its customized coaching program for entrepreneurs in ways that best suit their Enterprise Angels. A wide variety of disciplines are represented in the coaching group so that expertise is available for everything from branding to medical device technology to market viability. As an added dose, Enterprise staff, as well as some high caliber graduate students from South Dakota State University, are being trained in competitive intelligence in order to gauge the best possible business opportunities for their investors. All identifiable resources are directed toward making the inventor's idea fundable.

Enterprise Angels is a flexible, but effective capital group, loosely constructed to match individual investors' styles. They can act individually, in groups of two, or in slightly larger clusters. Meetings are held four times a year, but are not mandatory. The dues structure slightly favors groups of investors, as shared risk can be essential, but all forms of investment

are encouraged. Most of the investments are structured as venture capital, though some deeply subordinated or convertible debt is utilized. The fund is relatively young, but so far, the majority of investments are performing above expected levels, and at the top of the range, one may produce as much as a 37x return. Business investees are conducting trade throughout the world (Australia, Europe, and Africa are often times more accepting of new inventions than the U.S. – see inset), doing well at it, and enhancing the potential return—proof that venture capital can succeed with start up businesses if the process is carefully constructed and directed.

Local people are to thank for this innovation. Enterprise Angels developed due to the drive of local champions and the development of important partnerships with South Dakota State University and a diverse group willing to invest, to serve on the board, and to advise. They include entrepreneurs, professors, engineers, and ranch, construction and vineyard owner/operators, among others. The fund was devised after researching numerous models around the country, and receiving "angel training" from Steve Mercil of RAIN Source Capital in Minnesota and Bill Payne of the Kauffman Foundation. It should be noted that the Enterprise Institute also manages RAIN funds (Mercil's model for community venture capital) throughout the state of South Dakota. This connection has been incredibly helpful in managing the fund and mitigating risk.

Marcia Hendrickson outlined some starting steps for those interested in creating a similar entity.

- Find a few champions of economic development (read "growth entrepreneurs") who truly have the community's best interests at heart.
- Ask them to seed the fund with their own capital.
- Realize that each investor will have his/her own motives and preferences, and that due to these personal perspectives, and the broad array of investment opportunities, a large number of investors will be required to make the fund viable.
- Enlist qualified staff who are willing to grow, and
- Be deliberate and conscientious in developing working relationships and collaborations with existing venture capital and entrepreneurial support organizations. That way, you will be maximizing effort and minimizing competition, creating shared success for everyone.

International Innovation

Enterprise Angels invested in the brainchild of one inventor whose GameBoy glucose meter is making a big hit with children around the world who suffer from juvenile diabetes. Inspired by his son's constant attention to the handheld game, the invention is a GameBoy add-on that measures sugar levels in the body, and provides rewards (extra points, advanced levels) for the player who takes his readings at the correct intervals.

Find a few champions of economic development (read "growth entrepreneurs") who truly have the community's best interests at heart. Ask them to seed the fund with their own capital.

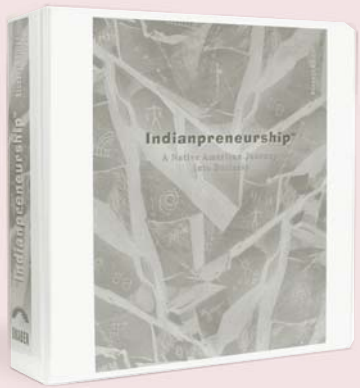
Starting points from Marcia Hendrickson

For more information, please contact the Enterprise Institute at www.sdei.org or (605) 697-5015.

MINI-CASE STUDY #5:

Indianpreneurship—Cultural Relevance and Entrepreneurship

The word "curriculum" tends to make eyes glaze over, but when you begin to turn the pages of this manual, you can hardly take your eyes off of it. Beautiful images borrowed from Native American petroglyphs and pictographs guide you through the development of a small business in the landmark publication, ***Indianpreneurship™: a Native American Journey into Business***. Stories and photographs of Native American entrepreneurs are the central means for communicating small business design and practice to class participants. The book is the first of its kind—a culturally relevant course of study integrally linked to the values, beliefs and traditions of American tribal life.



This book is the first of its kind—a culturally relevant course of study integrally linked to the values, beliefs and traditions of American tribal life.

Indianpreneurship is the culmination of a three-year effort by ONABEN (Oregon Native American Business and Entrepreneurial Network) and its funding and resource partners to provide a more effective way for Native American entrepreneurs to emerge. ONABEN had offered small business training for a number of years, but it just wasn't achieving the desired results. As Tim Otani, of partner bank Washington Mutual explained, for Native Americans living or working on reservations, "there is very little experience working, managing, or owning businesses." Member tribes that govern ONABEN decided it was time to make a difference for economically-strapped reservation communities through a smarter approach to enterprise development, and so the work began.

For several years, ONABEN had been using an assortment of training tools, but nothing seemed to resonate well with the Native American learners. "We lacked a comprehensive curriculum that met the needs and reflected the experiences of our Native students," Tom Hampson, Executive Director of ONABEN recounted, "so we decided to create it." From there, the evolution of Indianpreneurship was an iterative process, and is still ongoing as the curriculum launched just one year ago at ONABEN's fourth annual Trading at the River conference. Work began with help from Portland State University on what culturally appropriate meant. How could the group portray business development without sacrificing Native American values?

In the end, a broadly representative curriculum team developed twelve chapters that incorporate the storytelling, as well as exercises that assist would-be entrepreneurs in identifying who they are, and how well they do or do not fit with business ownership. The guide is woven with examples of dilemmas that Native American entrepreneurs have faced, required business plan components, exercises, and illustrations. The graphics were purposely selected from ancient designs to cross the bounds between the hundreds of tribes

that could make use of the curriculum. The text is written at the eighth grade level—one delighted customer said that the book practically teaches itself!

The course was then beta-tested in several tribal communities over a two year period, and great reviews were received from classes and instructors alike. Hampson attributes some of the success to having a significant amount of expertise on the curriculum team, like the NxLeveL creators, and to the creative license allowed by funding sources, such as First Nations Development Institute. Tribal councils and leadership have also been incredibly supportive, and the project, though a long time coming, encountered few challenges to its completion.

Early results from distribution of Indianpreneurship have been good. The course is being offered in 20 tribe locations, including ONABEN's members, and so far, people involved seem enthusiastic about starting or growing their Native American businesses. Word-of-mouth about Indianpreneurship is spreading like wildfire, and requests for "training the trainer" are coming in from as far away as Alaska and eastern Cherokee tribes. An unexpected outcome is that ONABEN has been able to realize earned income from the sale of the teaching and student manuals. In effect, Indianpreneurship is starting to change ONABEN's business model, and making the organization itself more entrepreneurial.

What's next for Indianpreneurship? Tom Hampson would like to get the curriculum out to every tribe possible, and encourage more Native Americans to get involved in entrepreneurship. He also sees this as the beginning of a "hit" series of culturally relevant training resources that will address Native entrepreneurs at all levels, including youth. "This is the perfect time to broaden our reach," he relates, "when there is significant interest in what we are doing, and while people are excited about entrepreneurship and how it can help them develop their own economic future." The best part is that they can embrace their heritage, and learn from it at the same time.

Stories and photographs of Native American entrepreneurs are the central means for communicating small business design and practice to class participants.

For more information about Indianpreneurship or ONABEN, please visit www.onaben.org or call (503) 968-1500.

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