

# From the Ground Up



**Growing Entrepreneurship  
in the North Central Region**

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# FROM THE GROUND UP

## Growing Entrepreneurship in the North Central Region

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# Executive Summary

More than 300 people in the North Central region added their voices to a discussion on the importance of entrepreneurship to rural community viability, often traveling long distances to attend one of 11 listening sessions held throughout the region. The sessions provided an opportunity to learn about the many successful efforts currently in place, as well as to glean ideas on how to improve efforts to support and generate entrepreneurship across the region. In several states, the listening sessions also played a part in new entrepreneurial efforts.

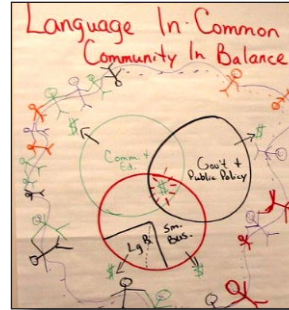
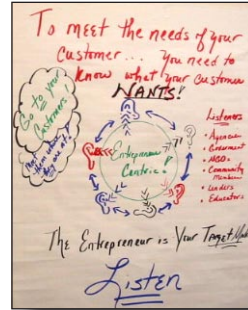
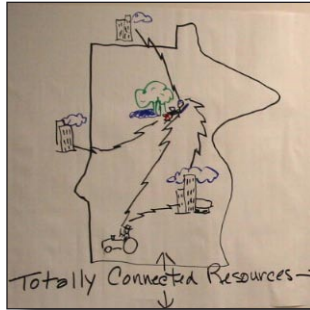


## **What's working to support and generate entrepreneurship in the North Central Region?**

In every location people mentioned the importance of collaboration across agencies and communities. Each session also featured stories about how communities are working to encourage young people to look at entrepreneurship as a viable career choice. We also heard about a number of unique programs such as access to second-stage equity capital in Michigan, business clubs in Wisconsin, virtual one-stop centers for entrepreneurs in Minnesota, and state grant programs to support collaborative community-based entrepreneurship development in Nebraska. In every state people are involved in trying out new strategies to encourage entrepreneurship as a way to create jobs and cultivate community vitality.

## **How can it work better?**

It is in the dreams for the future that we found the most commonality across groups. Every listening session created a vision of networks linking existing silos so that community leaders and entrepreneurs encounter no wrong doors. Other views of the ideal future included robust and dense



networks across communities and groups, and vertical two-way connections that link local communities, schools, governments and entrepreneurs to regional, state and national agencies and initiatives to share information and resources. All sessions also focused on the importance of bringing young people into the conversations about growing local jobs and businesses. Participants saw a vital role for young people in revitalizing local communities and in generating entrepreneurial ventures. Finally, each session included discussion on community-supported entrepreneurship as a driver for revitalizing local and regional economies.

### Policy Implications

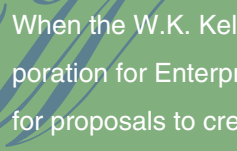
Listening session participants voiced a wide range of ideas about how policy initiatives at the federal level can support their efforts to revitalize rural areas through entrepreneurship.

- Lack of access to affordable healthcare insurance is the greatest brake on entrepreneurial activities, and participants often cited examples of people having to give up their business in order to get access to healthcare.

- USDA needs to move from a primary focus on agriculture and commodities to one that encompasses the diversity of rural development potential in rural America.
- Resources are needed to increase access to capital and technical assistance and to provide help for communities to expand their entrepreneurial base.
- Participants also wanted to see more and easier access to best practices and success stories, and they strongly supported the notion of some sort of national voice to advocate for entrepreneurial approaches to rural revitalization.
- Issues with rural infrastructure, particularly access to broadband, impact the potential for entrepreneurial growth.

Participants also suggested a number of local and state policy changes that they felt could impact the growth of entrepreneurship.

## About the Listening Sessions



When the W.K. Kellogg Foundation and the Corporation for Enterprise Development put out a call for proposals to create Rural Entrepreneurship Development Systems, the response from organizations, agencies and communities was staggering—182 collaborations representing more than 2,000 organizations and agencies applied for this grant opportunity. Entrepreneurship was also identified as a high priority among Extension educators in the North Central region at the 2005 conference of the National Association of Community Development Extension Professionals.

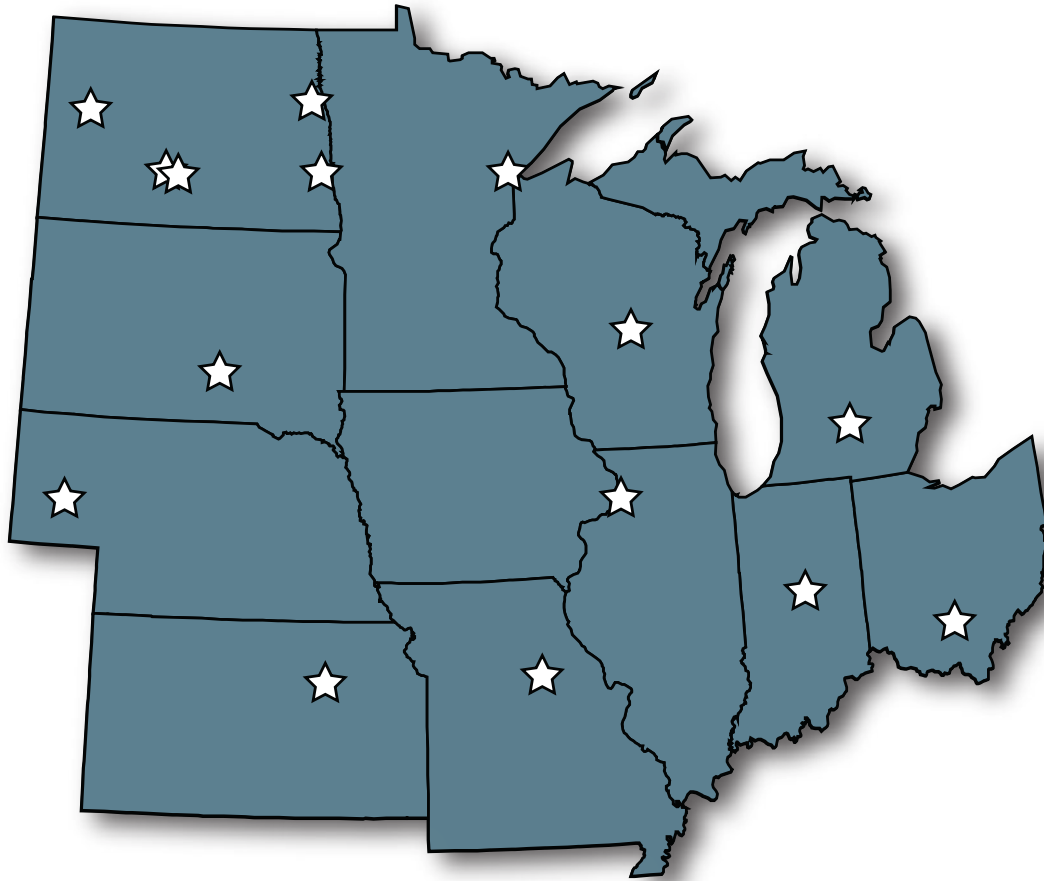
In an effort to provide a support system for entrepreneurship, the four Regional Rural Development Centers and James Zuiches, then project director at Washington State University Extension and now vice chancellor for the Office of Extension at North Carolina State University, worked with the Kellogg Foundation to initiate a plan to map this mobilization and harness the momentum to initiate a national effort.

The Regional Rural Development Centers then organized listening sessions across the country with the collaboratives that applied for the initial Kellogg grant and other groups and organizations interested in rural entrepreneurship. We wanted to learn about what is working well to generate and support entrepreneurship in rural America and how it might work better.

The NCRCRD facilitated 10 state-focused listening sessions and one Indian Country listening session in the North Central region. In addition to this, the University of Missouri used their annual focus group assessment process to focus on entrepreneurship, and the Center for Community Vitality at Iowa State University conducted a statewide assessment on entrepreneurship.

The 11 listening sessions in the North Central region were supported by the W.K. Kellogg Foundation; the Northwest Area Foundation; the Farm Foundation; Cooperative State Research, Education and Extension Service; and numerous local and regional funders, entrepreneurial service organizations and state Extension programs. The North Central Regional Center for Rural Development organized and facilitated the listening sessions.

Those attending the listening sessions often used their own resources to support their participation and that of others because of their belief in the vital role entrepreneurship plays in reshaping local and regional economies. The listening session participants not only provided excellent input for the national policy agenda, they also made concrete suggestions for organizational efforts at the state, regional and national levels. Most importantly, the listening sessions have facilitated on-going activities, plus stimulated new actions at the state level.



## Listening Session Locations in the North Central Region

Quincy, Illinois

Indianapolis, Indiana

Manhattan, Kansas

Lansing, Michigan

Cloquet, Minnesota

Columbia, Missouri

Bridgeport, Nebraska

United Tribes Technical College, Bismarck, North Dakota

Bismarck, Fargo, Grand Forks and Watford City, North Dakota

Piketon, Ohio

Chamberlain, South Dakota

Wisconsin Rapids, Wisconsin

## Why Focus on Entrepreneurship

Across the globe, we see mounting interest in entrepreneurship from community and business leaders, policy makers and academics. Communities that have broadened their economic development strategies to support entrepreneurship are fostering business development and job creation, as well as civic and social innovation. This momentum, however, emerges not just from a focus on creating jobs, but also from a desire to remake rural communities in an increasingly flat world.

“Creating culture, cultivating collaboration, keeping communications, celebrating connections...”

Rural leaders are searching for strategies to create vital, diverse communities that support the values and vision of those that live in them, and that increase the quality of their lives and those of their children in sustainable ways. From Scotland with the Entrepreneurship from Cradle to Grave initiative, to entrepreneurial coaching programs in tobacco country, to the Entrepreneurs’ Boot Camp in Wisconsin, numerous countries, states, regions and communities have focused attention and resources on “growing their own.”

This focus on entrepreneurship has emerged as communities juggle resources and strategies in efforts to create good jobs and improve overall quality of life. As a result, more and more rural communities recognize that economic development—as usual—will not turn around long-term trends in declining population and declining per capita income. In many cases these trends have been exacerbated by regional economic development strategies that focused on bringing big boxes to the area.

In addition, the acute decline in the number of young people in many rural places has encouraged community leaders to discard traditional attraction strategies and seek approaches that offer opportunities for young people to stay in, or return to, their community of origin. Finally, the graying of Main Street USA could lead to the demise of remaining downtown retail stores in communities where transition efforts are not in place. Seeing this transition as an opportunity for entrepreneurial development has led rural communities to create new kinds of collaboratives, to provide concrete opportunities for young people, and to find ways to enhance the viability of Main Street businesses.

The interest in entrepreneurship as an economic development strategy comes from a recognition of how jobs are created. According to a monograph from the Center for Rural Entrepreneurship, new data show that less than 1 percent of new job creation comes from business relocations. The other 99 percent comes from the expansion of existing businesses (55%) and new start-ups (44%) (Cen-



ter for Rural Entrepreneurship, “The Case for Entrepreneurship” Monograph 2, June 2003). An international study by the Global Entrepreneurship Monitor<sup>1</sup> found that the direct correlation between the level of entrepreneurial activity and economic growth is greater than 70 percent. The Center for Rural Vitality reports that 10.5 percent of the U.S. population is engaged in some type of entrepreneurial activity.<sup>2</sup> Other data indicate that more people would like to start their own business.

Emerging regional economic development strategies that feature entrepreneurship often revolve around approaches that center on how to foster a creative economy by linking innovation and entrepreneurship. In recent years a large number of regional economic development plans outline strategies to increase innovation and enhance systems to support entrepreneurial efforts. Rural residents reviewing these plans more often than not see a focus on the metro environment with rural as a residual category providing workforce and second homes.



This dismissal of rural as solely a source of second homes and labor rather than of innovation and/or entrepreneurship has motivated rural leaders and community members to mine local talents and business opportunities and connect them to entrepreneurial efforts on their own. For many more remote and isolated communities, the focus on entrepreneurship has become the primary vehicle for rural revitalization efforts that can sustain the community into the future.

<sup>1</sup> <http://www.gemconsortium.org/>

<sup>2</sup> <http://www.cvcia.org/content/projects/2.community.entrepreneurship/E-ship%20Stakeholder%20Lunch%20Presentation.ppt#267,3>

## Listening Sessions Mobilized People to Action

The listening sessions not only provided valuable information and insight into the state of entrepreneurship in our region, they also catalyzed action in many states. For example, in Michigan, listening session participants engaged in a strategy session to bring entrepreneurship training to interested communities and to engage community leaders and policy makers in discussion on the value of entrepreneurship as a business development and job creation strategy. As a result, Extension at Michigan State University has engaged a number of communities in a year-long process to grow local entrepreneurs. Indiana participants made plans to address state policy and have worked with the Center for Rural Entrepreneurship to provide opportunities for communities interested in an entrepreneurial future. Similar efforts are underway in North Dakota. Minnesota participants also focused on creating opportunities to impact state policy.

## The Listening Sessions: A Process to Listen, Share, Understand and Take Action

In 2005–2006, as part of the national initiative on entrepreneurship in rural America, the North Central Regional Center for Rural Development conducted 11 listening sessions inviting local leaders, service providers, entrepreneurs, and educators to share their ideas about supporting and generating entrepreneurship in their state or region with more than 300 people attending.

The NCRCRD designed the listening sessions using an Appreciative Inquiry 4 D framework—Discover what is working, Dream how it could work even better, Design for the future, and Deliver on that future. Thus, we designed the sessions to listen to:

- What people thought was working well.
- What they envisioned it would look like if we were even better at supporting and generating entrepreneurship.
- What needs to be done to move forward toward this positive future?

In each session people paired up with someone they didn't know well and interviewed one another, generating a great deal of enthusiasm as people shared their passion for entrepreneurship and their stories of success.

The interplay of small group conversation and large group discussions allowed participants to engage in in-depth discussion on *discovering the positive core* of what is working well in the North Central region to support, generate and develop entrepreneurship.

The listening sessions then focused on the dream stage—what would it look like if there were even more support for generating and developing entrepreneurship. In order to expand the conversation around what is possible and what it could look like, we invited participants to create posters or pictures of that future. Conversations around what should be on the poster focused participants on the key themes that underlie the quest for positive change.

The final set of activities involved designing strategies related to federal policy, national action, and state or regional action. Thus, we asked participants to consider what their ideas for moving forward might look like if they could somehow be addressed in the new Farm Bill or by other Federal agencies. Groups also strategized about what the National Coalition could do to support efforts to expand entrepreneurship in rural America. And, finally, participants shared ideas about what could be done in the region or the state to facilitate additional support for entrepreneurship. In some states, this process was modified to meet the local needs, but generally each listening session used the same framework. Despite the similarity in process, each listening session was unique in concerns and focus.



## What We Learned about Existing Efforts to Support and Generate Entrepreneurship

While people interested in entrepreneurship often focus on training, technical assistance and access to capital, listening session participants focused on collaboration, networking and cultural shifts as important factors in supporting and generating entrepreneurship. In the stories people told of successful efforts to support and generate entrepreneurship, they often described efforts to develop joint approaches across agencies, within communities and regions, and with agencies and community organizations. Participants saw success emerging from collaboration across both the vertical and horizontal axis. They also mentioned educational opportunities for leaders and entrepreneurs, and strategies to engage young people. Many people addressed the change they see in how people think: about entrepreneurship as an economic development strategy, on the need for communities to build on their assets to grow their own, in regard to agencies working together with communities, and that it takes a village to create a successful business.

As people shared stories of success and reflected on the factors contributing to those successes, they focused primarily on *social capital*, how people and agencies are working together to develop and support entrepreneurs.

“Our communities are places of great assets and great strengths.”

Second, they mentioned existing programs that help people develop the *human capital* they need to successfully start or expand a business. Third, they mentioned changes in *cultural capital* as more people, leaders and agencies see entrepreneurship as a viable strategy for revitalizing rural areas of the North Central region. Nearly 10 percent of the comments reflected *financial capital*; however, many people agreed that “if the deal was good, then money can be found.” *Political capital* was mentioned in regard to how current governments and leaders are beginning to support entrepreneurship and make resources available. Finally, more than 5 percent mentioned assets in *natural capital*, particularly in relation to value of local landscapes, and just over 4 percent mentioned *built capital* in regard to how roads, transportation and access to the internet aid local businesses.

A total of 1,129 responses were coded for 11 states. (The Iowa material could not be easily integrated into the data from the listening sessions; the Missouri data is included although much of it summarized specific responses.) The resulting pie charts help us understand which capitals are important in mobilizing resources to support entrepreneurship and which capitals were mentioned at different levels of policy making.

### Forms of Capital

 Built capital	 Social capital
 Natural capital	 Political capital
 Human capital	 Financial capital
 Cultural capital	

Use this legend for the pie charts on the following four pages.

# Ideas for Expanding Support for Entrepreneurship

The listening sessions generated lots of excitement around the question of how we could be even more successful in supporting and generating entrepreneurship. Participants want agencies, organizations and communities to work together more often and with better results. They want a support system that has a “No Wrong Door” approach. They also want to see more educational programming focused on entrepreneurship and young people, so youth have the opportu-

nity to develop skills and knowledge related to entrepreneurship from a young age on (*human capital*).

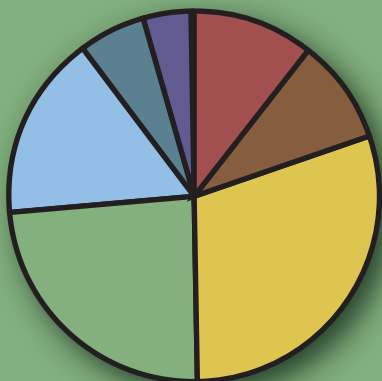
In addition, participants want to see more resources targeted for this work and more programs through which entrepreneurs can access *financial capital*. Again, more than 10 percent of the responses focused on *cultural capital* and on changing the mind set around entrepreneurship as a viable economic development strategy. *Built capital* responses primarily addressed the need for additional cell phone towers and high speed internet access.

## Strategies for Increasing Support for Entrepreneurship

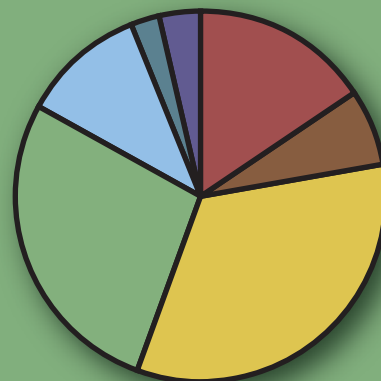
Listening groups grappled with strategies to better support and generate entrepreneurship. Nearly half the responses focused on *human capital* and *social capital*, addressing the need for more and better educational and technical assistance opportunities and the necessity of people and agencies working together to make that happen. Almost 19 percent of the responses focused on *built capital* as participants discussed the need for totally



Responses to What is Working by Community Capital



Responses On How to Better Support and Generate Entrepreneurship by Community Capital



networked communities that can support globally competitive businesses. They also saw a role for business incubators in a variety of formats to support start up.

Participants discussed *financial capital*, envisioning a future where aspiring entrepreneurs of all types would have access to funding. They wanted programs that communities could access for funds to develop initiatives that a) can change the local culture in regard to the importance of community support for entrepreneurship and b) expand opportunities related to entrepreneurship. Participants at the listening session on entrepreneurship in Indian Country also mentioned financial capital in relation to improving infrastructure and education.

**Strategies to Support and Generate Entrepreneurship Related to the Farm Bill**

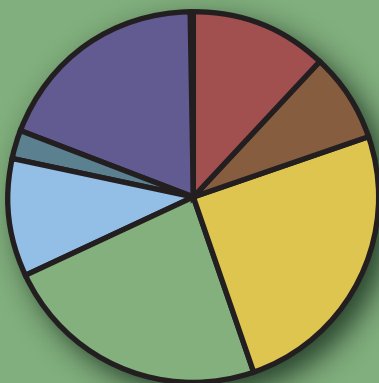
In contrast to other discussions that featured the importance of social and cultural capital, suggested strategies related to financial and built capital led in discussion on the Farm Bill as participants saw a role for USDA in addressing infrastructure, funding improved systems, expanding educational opportunities for all ages, increasing access to capital, and improving business support systems. *Built capital* was the dominant theme among Farm Bill policy recommendations, particularly



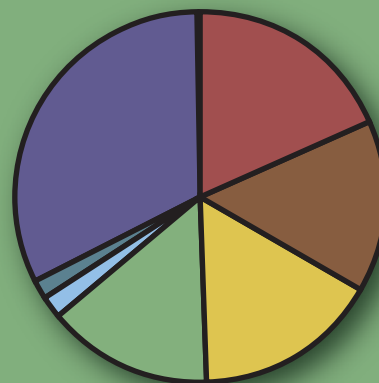
in regard to supporting high speed telecommunications and cell towers. Participants also mentioned alternative energy and improving transportation systems.

They were interested in *financial capital* to support infrastructure needs as well as to expand existing loan programs and to develop alternative financing. Tax incentives to support small business development were also mentioned in many sessions.

**Responses to Designing the Future by Community Capital**



**Farm Policy Recommendations by Community Capital**





In regard to *social capital*, participants wanted to see a stronger emphasis on requiring evidence of collaboration in proposals and projects. Again, *human capital* responses centered on creating and supporting additional educational and technical assistance programs while *political capital* responses often centered on restructuring USDA with a focus on rural rather than on agriculture.

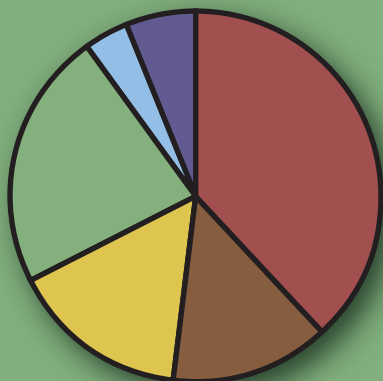
**Strategies to Support and Generate Entrepreneurship Related to Other Federal Policies**

Recommendations related to other federal policies are skewed toward *financial capital*, in part as a result of the discussion on Entrepreneurship in Indian Country where issues with Bureau of Indian Affairs funding and

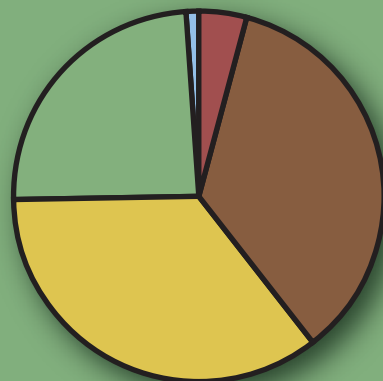
other agencies were brought up, as well as issues related to land tenure (*natural capital*). Listening sessions across the region also focused on No Child Left Behind and their perception that this legislation needs modification to address the *human capital* needs of rural communities.

The focus on collaboration, both among agencies and levels of government and as precondition for funding, dominated the *social capital* responses. *Political capital* recommendations relate to the definitions of rural and small business, the need for tax policies that support entrepreneurial approaches to economic development, rural revitalization and access to insurance. *Cultural capital* responses focused on ways of doing business.

**Responses to Other Federal Policy Recommendations by Community Capital**



**Recommendations for a National Coalition by Community Capitals**



## Recommendations

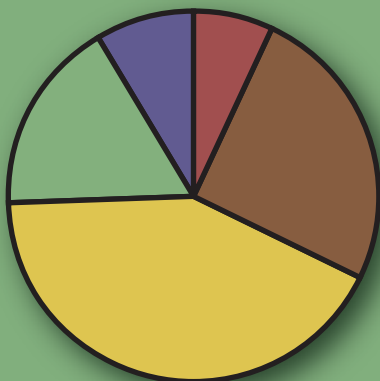
In terms of state and local initiatives, *social capital* policy recommendations encouraging agencies and people working together and supporting collaborative efforts were common across the listening sessions. *Political capital* recommendations focused on states supporting entrepreneurship through funding programs and addressing tax policies. Participants recommended that state agencies and local school boards address the lack of entrepreneurial education in the K-12 system so that *human capital* assets related to entrepreneurship are increased and children learn early that entrepreneurship is a viable option for them. Recommendations at the state and local level were also targeted at telecommunications (*built capital*) and increased access to *financial capital*.

In terms of recommendations to support and generate entrepreneurship related to a national coalition, *social capital* and *political capital* dominate these responses. Participants thought a national organization would be a strong advocate for entrepreneurship across all levels of government. At the same time it could create learning networks for sharing programs, strategies, challenges and opportunities to learn across landscapes. A national coalition could also provide training, information and other resources to strengthen *human capital*.

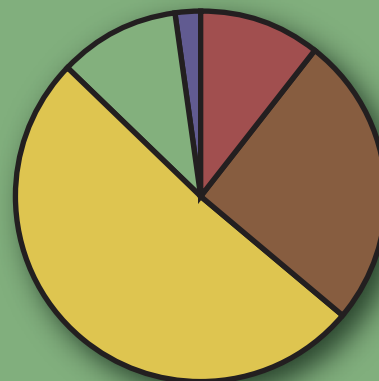
“Serve as advocates for thinking beyond the way we do things to more progressive collaboration.”



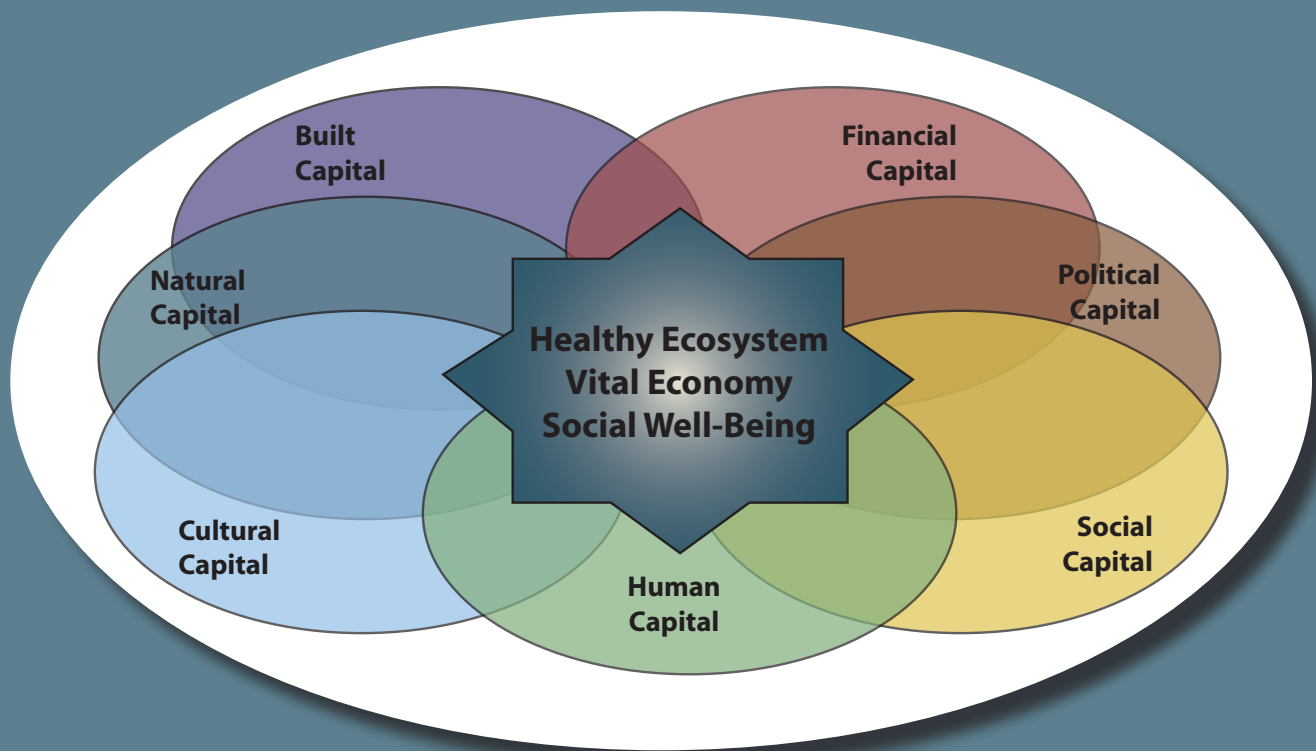
State and Local Policy Recommendations  
by Community Capital



Other Recommendations  
by Community Capital



# Community Capitals Framework



At the North Central Regional Center for Rural Development we use the Community Capitals Framework to help us analyze and understand data. Cornelia Flora and Jan Flora (2008) developed the Community Capitals Framework as an approach to analyze how communities work. Based on their research to uncover characteristics of entrepreneurial and sustainable communities, they found that the communities most successful in supporting healthy sustainable community and economic development paid attention to all seven types of capital: natural, cultural, human, social,

political, financial and built. The Community Capitals Framework also provides a means of looking at the system properties that engage or can be engaged to support and generate successful entrepreneurship. The seven capitals include assets related to entrepreneurship such as:

**Natural capital** refers to those assets that abide in a location, including resources, amenities and natural beauty. Listening session participants mentioned trails, landscape, tourism, land use policies, native land trust issues and agriculture.



**Cultural capital** reflects the way people “know the world” and how to act within it. Cultural capital includes the dynamics of who we know and feel comfortable with, what heritages are valued, collaboration across races, ethnicities and generations, etc. Cultural capital influences what voices are heard and listened to, which voices have influence in what areas, and how creativity, innovation and influence emerge and are nurtured. Ways of thinking and doing in regard to economic development was a dominant theme across listening sessions.

**Human capital** includes the skills and abilities of people, as well as the ability to access outside resources and bodies of knowledge in order to increase understanding and to identify promising practices. Human capital also addresses leadership’s ability to “lead across differences,” to focus on assets, to be inclusive and participatory, and to be proactive in shaping the future of the community or group. Listening sessions focused on the need for educational opportunities related to entrepreneurship.

**Social capital** reflects the connections among people and organizations or the social glue to make things happen. *Bonding social capital* refers to those close ties that build community cohesion. *Bridging social capital* involves weak ties that create and maintain bridges among organizations and communities. Listening session participants strongly emphasized the need for collaboration.

**Political capital** reflects access to power and power brokers, such as access to a local office of a member of Congress, access to local, county,

state or tribal government officials, or leverage with a regional company. Session participants want to see changes in the definition of rural and small business and in tax policy for example.

**Financial capital** refers to the financial resources available to invest in community capacity building, to underwrite businesses development, to support civic and social entrepreneurship, and to accumulate wealth for future community development. Access to loans and equity financing is a need across rural America.

**Built capital** refers to the infrastructure that supports the community such as telecommunications, industrial parks, main streets, water and sewer systems, roads, etc. People in Nebraska felt that the telephone companies had made it possible for more people to run their business from home regardless of where their customers are. Communications technology was most often listed as a key to future success in rural communities. The session in Indian Country also mentioned accommodations. Participants voiced the need for upgraded infrastructure and expanded transportation systems as subjects for national and state policy.

“We need universal access to broad band. Tel Co’s are cooperating for high speed access. Broadband access and redundancy need to be available across the state.” The Minnesota group also thought that web-based and other virtual technology support for entrepreneurship needs to be designed with Generations X and Y in mind.



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