NEW FUNDAMENTALS IN PLANNING FOR LOCAL ECONOMIC DEVELOPMENT:
ENTREPRENEURIAL COMMUNITIES

Georgia Institute of Technology
City and Regional Planning Program
Planning Local Economic Development, 2006

Ellen Anderson
Jason Chernock
Melissa Mailloux

Nancey Green Leigh, PhD, Professor
Joy Wilkins, CEcD, Co-Advisor
Lincoln Bates, Editor

Copyright 2006 Georgia Institute of Technology
## Contents

### PART I: Developing the Theme .............................................................................5

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>5</td>
</tr>
<tr>
<td>Who Are Entrepreneurs? (Methods of Classification)</td>
<td>6</td>
</tr>
<tr>
<td>(1) Demographic Approach</td>
<td>6</td>
</tr>
<tr>
<td>(2) Needs &amp; Motivations Approach</td>
<td>7</td>
</tr>
<tr>
<td>(3) Skills Approach</td>
<td>7</td>
</tr>
<tr>
<td>A Note on Classification</td>
<td>8</td>
</tr>
<tr>
<td>What Are Entrepreneurial Communities?</td>
<td>9</td>
</tr>
<tr>
<td>Characteristics</td>
<td>9</td>
</tr>
<tr>
<td>Methods of Fostering Entrepreneurship</td>
<td>10</td>
</tr>
<tr>
<td>Why Choose Entrepreneurship as a Local Economic Development Strategy?</td>
<td>11</td>
</tr>
<tr>
<td>Cost-Effectiveness</td>
<td>11</td>
</tr>
<tr>
<td>Estimated Incentive Packages by State Available for a Single Manufacturing Plant</td>
<td>12</td>
</tr>
<tr>
<td>Sustainability</td>
<td>14</td>
</tr>
<tr>
<td>Building Social Capital</td>
<td>15</td>
</tr>
<tr>
<td>Implications of the Global Economy</td>
<td>15</td>
</tr>
<tr>
<td>Advice for Local Economic Developers</td>
<td>16</td>
</tr>
<tr>
<td>Fostering Entrepreneurship: Delivery Methods</td>
<td>16</td>
</tr>
<tr>
<td>Implementation</td>
<td>27</td>
</tr>
<tr>
<td>Benefits of this Approach</td>
<td>29</td>
</tr>
</tbody>
</table>

### Entrepreneurship in Action: A Snapshot of Model Communities ............31

- Littleton, Colorado: Growing an Economic Garden ..................................31
- Fairfield, Iowa: A “Sili-Corn” Valley Success Story ............................32
- University of Kentucky: Home of the Entrepreneurial Coaches Institute  .33
- Georgia’s Tri-County Regional Entrepreneurial Support Team: Toombs, Montgomery, and Tattnall Counties ..........................................................33

### PART II: Case Studies .......................................................................................35

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>35</td>
</tr>
</tbody>
</table>
The New Economy Project and Economic Gardening ............................... 36

How Did this Strategy Evolve? .......................................................... 36

Programs and Implementation ...................................................... 38
   Competitive Intelligence ......................................................... 39
   Business Services ................................................................. 39
   Trainings and Seminars .......................................................... 40
   Physical infrastructure ........................................................... 40
   Quality-of-life infrastructure ................................................. 40
   Intellectual infrastructure ...................................................... 41

Outcomes and Results .................................................................... 43

Lessons Learned and Conclusions ................................................ 44

Ord and Valley County, Nebraska: The Hometown Competitiveness Program ................................................................. 46

How Did this Strategy Evolve? ....................................................... 47

Programs and Implementation ...................................................... 48

Outcomes and Results .................................................................... 49

Lessons Learned and Conclusions ................................................ 52
   For More Information ........................................................... 52

The Appalachian Economic Network ............................................. 53

   ACEnet’s Mission Statement: .................................................. 53

How Did this Strategy Evolve? ....................................................... 53

Programs and Implementation ...................................................... 55

Outcomes and Results .................................................................... 60

Lessons Learned and Conclusions ................................................ 62

Georgia’s Tri-County Regional Support Team ................................. 64

How Did this Strategy Evolve? ....................................................... 65

Programs and Implementation ...................................................... 66
PART I: Developing the Theme

Introduction

Many people are familiar with the traits associated with entrepreneurs as individuals: a “go-getter” spirit, the tendency to innovate, willingness to take risks, and possessing a strong and unwavering vision. And, most everyone is familiar with some of the most successful entrepreneurs of our time: Bill Gates, Oprah Winfrey, Ted Turner, and Steve Jobs. However, people may be less familiar with entrepreneurial communities: Littleton, Colorado; Fairfield, Iowa; and Tupelo, Mississippi. *Why is this so?*

Although the notion of entrepreneurship is widely known, the successes enjoyed by entrepreneurs seem uncommon or haphazard because most small businesses do, in fact, fail. According to the United States Small Business Administration, 44 percent of small businesses fail in the first four years.¹ This makes it difficult to imagine a community with an entire network of successful entrepreneurs. Despite this, entrepreneurship and small-business development is a viable component of any local economic development strategy because, after all, some entrepreneurs succeed and they create jobs.

It is a particularly appropriate strategy for rural areas that are less competitive in terms of business recruitment. Growing local enterprises through entrepreneurship can add jobs to the local economy from within. Its bottom-up approach means that entrepreneurship development capitalizes on the talent and drive of residents as a means of adding jobs to the local economy.

But all forms of entrepreneurship support are not created equal. Merely setting up a “one-stop” business resource shop is not sufficient. Communities must create an atmosphere in which entrepreneurship can thrive. How a community fosters entrepreneurship and responds to the needs of local entrepreneurs are contributing factors of a start-up business’ success or failure. Entrepreneurial communities are towns that have found successful and sustainable strategies for cultivating and supporting local entrepreneurs.

Who Are Entrepreneurs? (Methods of Classification)

Of every 100 adults in the United States 6.2 are trying to start a business at any given time. Who are they?

Understanding the entrepreneur is vital to the delivery of effective support services that help to build entrepreneurial communities. A current literature review on the subject suggests three approaches to classifying and understanding entrepreneurs. The first approach, put forth by the Ewing Marion Foundation, classifies entrepreneurs according to demographic characteristics. The second approach, presented in a recent Economic Development America article, classifies entrepreneurs according to their differing needs and motivations. Finally, entrepreneurship theorists Gregg Lichtenstein and Thomas Lyons assert that entrepreneurs should be classified and understood according to their skill levels.

Local economic developers who identify entrepreneurship as a part of the community’s development strategy must determine common traits that classify existing and potential entrepreneurs. How the target audience for entrepreneurship support services is defined will affect how the program(s) is structured, appropriate outreach and marketing techniques, and perhaps even its effectiveness.

(1) Demographic Approach

According to the Ewing Marion Foundation, a national nonprofit organization devoted to understanding and fostering entrepreneurship, 6.2 of every 100 adults in the United States is trying to start a new business at any given time. This translates into 10.1 million entrepreneurs, of which half will work in teams to start new firms. According to the foundation’s research, specific adult cohorts are more likely to become entrepreneurs. These include:

- Young men ages 25 to 35,
- African-Americans,
- People who have graduated from college and earned graduate degrees, and
- People with higher-than-average incomes.

Under this paradigm, support services should be established and marketed to community members who fit parts of this profile. However, using demographic profiling to target entrepreneurship services can raise up issues of equity in terms of reaching women, other minority groups, and those with high school degrees within the community who add to the local pool of human capital.

Furthermore, many rural communities lack diversity and high-income residents, have lower educational attainment levels, and have seen younger community members move away. So, although this approach seeks to narrow the focus of entrepreneurship assistance, it does not seem applicable or appropriate for all communities.

(2) Needs & Motivations Approach

The needs and motivations approach steps outside the realm of statistics to examine qualitative characteristics of entrepreneurs. Put forth by Patricia Clark in a recent edition of Economic Development America, this approach classifies rural entrepreneurs by their differing needs and motivations. Clark suggests that entrepreneurs can be classified in five ways. These categories include:

1. **Lifestyle entrepreneurs** are people who live in rural areas and want to contribute to the vitality and economic health of their local community.
2. **Growth entrepreneurs** are existing business owners who contribute to local economic growth by expanding their operations.
3. **Immigrant entrepreneurs** are second- and third-generation immigrants who wish to start their own business as a way of earning a living.
4. **Transitional entrepreneurs** are agricultural producers who are becoming more value-added business and manufacturing employees due to layoffs caused by outsourcing or downsizing.
5. Finally, **youth entrepreneurs** are young adults who want to start their own business.³

While more encompassing than the demographic approach, this method classifies entrepreneurs according to their place in life and motivations. These are important factors to consider, especially for marketing enterprise development programs and services.

(3) Skills Approach

Lichtenstein and Lyons assert that entrepreneurs are made, not born. Therefore, classifying entrepreneurs based on the type of business, demographics, size of company, background, or geographic location “falsely suggest differences where none exist and lead policy makers to fail to perceive the real distinctions (and

needs) that exist among entrepreneurs within these categories.”  

This third approach classifies entrepreneurs according to their skill level, specifically those needed for business creation and operation.

These skills include:

- **Technical skills**: the ability to execute key business operations,
- **Managerial skills**: the ability to organize, delegate, and complete tasks,
- **Entrepreneurial skills**: the ability to identify opportunities, problems, and solutions, and
- **Personal maturity**: including creativity, reliability, and self-awareness.

They argue that effective entrepreneurship development programs should be structured around building skill levels and that local economic developers should focus on serving community members based on their existing and desired skill levels.

**A Note on Classification**

Perhaps the best approach to identifying existing and potential entrepreneurs would be a hybrid of all three approaches. The demographic approach can be backed up with hard data, which is difficult to dispute. However, its applicability to rural areas and its associated equity issues mean this approach cannot stand alone. The needs and motivations approach adds a human or qualitative side to entrepreneurship classification by identifying and grouping community members based on their place in life and their hopes. These two methods seem to answer the “who” question associated with identifying a target audience for entrepreneurship support services, whereas the skills approach answers the “how” and “what” questions. When combined, these approaches become more robust. Local economic developers should examine all of these angles when launching entrepreneurship development initiatives.

---

What Are Entrepreneurial Communities?

They are those that have a critical mass of entrepreneurs, strong support networks, and are willing to take risks, innovate, and change. How can a community create critical mass?

According to Lichtenstein and Lyons, an entrepreneur’s goal is to “create or capitalize on new economic opportunities through innovation – by finding new solutions to existing problems, or by connecting existing solutions to unmet needs or new opportunities.” Entrepreneurial communities, therefore, are those that cultivate and develop entrepreneurs and those that successfully facilitate goal realization. But, how do communities accomplish this and what do these communities look like?

Characteristics

Lichtenstein and Lyons suggest three main characteristics of entrepreneurial communities.

- First, the community must have a critical mass of active entrepreneurs who make significant contributions to the local economy.
- Second, entrepreneurs must be networked in a way that they are recognized as a cohesive and connected group within the larger community.
- Third, the community as a whole must embrace characteristics that entrepreneurs embody. These include a willingness to take risks, to invest in new ideas, and to be open to change.

These are laudable characteristics, but how would a rural community interested in investing in entrepreneurship as an economic development strategy get from here to there? Research suggests that there are six key methods of fostering local entrepreneurship. These focus on developing human capital and adjusting local policies to create a more entrepreneur-friendly business environment. When used together, these methods help create an entrepreneurial community.

---

Methods of Fostering Entrepreneurship

The Edward Lowe Foundation, a nonprofit devoted to developing entrepreneurship, suggests five key factors in local entrepreneurship development.7

1. **Diverse sources of capital**: Successful entrepreneurial communities have local venture capital firms, organized networks of angel investors, and public or private seed capital funds.

2. **An enabling community culture**: This culture is diverse and is founded on the entrepreneurs’ common vision for the community’s future, their commitment to giving time and money back to the community, and their willingness to share ideas and information.

3. **Networking**: The Foundation’s *Building Entrepreneurial Communities* report notes that,

   *Entrepreneurs are classically depicted as rugged individuals who single-handedly build great communities. In reality, consummate entrepreneurs are networkers who thrive in communities. Networks are essential because they link entrepreneurs to potential sources of capital, new employees, strategic alliances, and service providers such as lawyers, accountants, and consultants.*8

4. **Supportive infrastructure**: Perhaps most significant is the presence of a local college or university because of its role in education, research and development, and fostering an open-minded, risk-taking local culture. However, more traditional infrastructure such as transportation and high-speed Internet access are highly important, as well.

5. **Entrepreneur-friendly government**: Local governments that streamline processes work in the spirit of entrepreneurship instead of bureaucracy, making doing business easier for local entrepreneurs.

A recent report by the W.K. Kellogg Foundation suggests that in order for communities to develop local entrepreneurship they must provide access to capital, foster networks, and create an entrepreneur-friendly culture. These findings correlate with suggestions put forth by the Edward Lowe Foundation. However, the W.K. Kellogg Foundation also suggests one additional method:

---

8 Edward Lowe Foundation. (2002). (p. 3).
6. **Fostering entrepreneurship education**: This should be done in primary and secondary schools and should be offered through continuing adult education. Linking entrepreneurship with education develops human capital and makes this method of economic development more sustainable.\(^9\)

**Why Choose Entrepreneurship as a Local Economic Development Strategy?**

*City governments spend between $7 and $16 per capita directly on economic development. Tax incentives for economic development can reach $40 per capita\(^9\).*

**Cost-Effectiveness**

Entrepreneurial communities almost universally rely on the creation of social and professional networks. As discussed elsewhere in this paper, networks connect business owners with service providers as well as grant access to resources, materials, labor, financing, and new markets. Mentoring, another critical aspect of entrepreneurial communities occurs on a voluntary basis. The cost for both networks and mentoring programs are incurred solely on the logistical and organizational end.

Entrepreneurial communities and programs vary tremendously in size and scope. Therefore, it is difficult to compare their budgets to one another.

However, the following table lists what several Southern States offered by way of tax incentives in 1996 for a single manufacturing plant in a rural area. The total amount of potential incentives ranged from $2.35 million to $12.475 million. Compare this to the total budgets for three entrepreneurial communities: Littleton, Colorado; ACEnet; and The Tri-County Regional Entrepreneurial Support Team, which range from $50,000 to $1.2 million, at least half that of the lowest amount spent on a single manufacturing plant by a state in the mid-1990s.

---

*Estimated Incentive Packages by State Available for a Single Manufacturing Plant*¹¹

<table>
<thead>
<tr>
<th>General Incentive Category</th>
<th>Alabama</th>
<th>Georgia</th>
<th>North Carolina</th>
<th>Ohio</th>
<th>South Carolina</th>
<th>Tennessee</th>
<th>Virginia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs Tax Credit</td>
<td>$0</td>
<td>$11,250,000</td>
<td>$2,100,000</td>
<td>$6,180,000</td>
<td>$3,750,000</td>
<td>$2,250,000</td>
<td>$700,000</td>
</tr>
<tr>
<td>Enterprise Zone Credits</td>
<td>$1,875,000</td>
<td>$0</td>
<td>$0</td>
<td>$750,000</td>
<td>$0</td>
<td>$0</td>
<td>$4,154,764</td>
</tr>
<tr>
<td>Site Preparation Grant</td>
<td>$400,000</td>
<td>$200,000</td>
<td>$250,000</td>
<td>$0</td>
<td>$0</td>
<td>$1,000,000</td>
<td>$300,000</td>
</tr>
<tr>
<td>CDBG Grants</td>
<td>$200,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$700,000</td>
</tr>
<tr>
<td>Investment Tax Credit</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Other</td>
<td>$10,000,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$600,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$12,475,000</strong></td>
<td><strong>$11,450,000</strong></td>
<td><strong>$2,350,000</strong></td>
<td><strong>$6,930,000</strong></td>
<td><strong>$4,350,000</strong></td>
<td><strong>$3,250,000</strong></td>
<td><strong>$5,854,764</strong></td>
</tr>
</tbody>
</table>

**Total Operational Budget**

<table>
<thead>
<tr>
<th>Location</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Littleton, Colorado</td>
<td>$600,000</td>
</tr>
<tr>
<td>The Appalachian Center Economic Networks (ACEnet)</td>
<td>$1,200,000</td>
</tr>
<tr>
<td>Toombs, Montgomery &amp; Tattnall Counties, Georgia (Tri-County Support Team)</td>
<td>$50,000 to $55,000 (over two years)</td>
</tr>
</tbody>
</table>

Timothy Bartik, a senior economist with The W.E. Upjohn Institute for Employment Research, also listed some comparisons between the cost of recruiting a business and supporting the development of a homegrown company. The following table summarizes his findings.12:

<table>
<thead>
<tr>
<th>Approach</th>
<th>Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Attraction and Incentives</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>The ratio of American communities that compete for the 15,000 average annual branch expansions and relocations is 10:1.</td>
</tr>
<tr>
<td>2</td>
<td>Tax incentives in enterprise zones range from $218 to $1,566 in annual wages per worker.</td>
</tr>
<tr>
<td>3</td>
<td>High administration costs associated with marketing.</td>
</tr>
<tr>
<td>4</td>
<td>Dropping state and local business taxes by 10 percent increases employment (in the long run) by only 2 to 3 percent. Each new job costs the state and local government $7000/year in lost tax returns.</td>
</tr>
<tr>
<td>5</td>
<td>Localities should use performance measures and clawbacks and should use incentives more selectively to increase the cost-effectiveness of incentives.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New Business Development</th>
<th>Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Studies have shown that training in self-employment leads to future self-employment.</td>
</tr>
<tr>
<td></td>
<td>The federal government gives about $44 million per year to local business assistance centers around the country. One out of four persons assisted hopes to start a business.</td>
</tr>
<tr>
<td>2</td>
<td>About 950 incubators existed in the United States in 2002, 85 percent were considered nonprofit. Two-thirds of their clients list the incubator as important or very important to their business success.</td>
</tr>
<tr>
<td>3</td>
<td>Revolving loan funds, which foster local business ownership, have default rates of 5-15 percent, higher than the market average, which suggests these loans are made to riskier borrowers.</td>
</tr>
<tr>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

In addition, he noted that:

- Local governments devote an average of 2 to 3.5 staff persons per 1,000 population on economic development.
- Local governments spend a total of $2 to 4 billion annually on direct economic development programs and more than $10 billion in tax incentives.
- City governments spend between $7 and $16 per capita directly on economic development. Tax incentives for economic development can reach $40 per capita.

---

The most striking difference is in the origin of funding for each approach. Attraction and incentives are entirely state-funded while new business development derives funding and infrastructure support from the federal government, nonprofit organizations, and community development financial institutions that are willing to assume higher levels of risk.

**Sustainability**

According to the United Nation’s World Commission on Environment and Development, sustainable development is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” The three components of sustainability are economic growth, environmental protection, and social equity.\(^\text{13}\)

Conventional economic development strategies all too often concentrate on the recruitment and retention of businesses from outside the local area. Although this practice has been widely accepted by economic development practitioners, it is becoming increasingly clear that the risks inherent in such activities can be both burdensome and ineffectual. Rural areas have, long competed on cheap labor costs. However, in the global economy they can no longer compete with developing countries. Because companies have become increasingly mobile, the so-called “smokestack chasing” approach to local economic development has become increasingly questionable.

Communities are moving toward “bottom-up” approaches to development that capitalize on their strengths, diversify the local economy, and are more sustainable. Specifically, entrepreneurial communities promote sustainability through:

- Economic Growth – Entrepreneurial communities focus on small business development to create local economic growth rather than spending public funds to attract outside companies.
- Environmental Protection – Entrepreneurs care about their communities because they live there.
- Social Equity – Entrepreneurial communities increase social equity by giving opportunities to the under- and unemployed population.

As Barrios and Barrios assert, entrepreneurial communities…“fit much more closely than traditional strategies into the long-term, community-oriented

---

outlook…of sustainable development.”¹⁴ In addition, the traditional practice of recruiting outside businesses often hinders the sustainability of community economic development. There are many examples of communities that have successfully attracted outside businesses, only to suffer adverse consequences. In such instances, the firms desert the community for a better offer, thereby leaving it with the problems of unemployment the community originally sought to correct.

**Building Social Capital**

Entrepreneurial communities build social capital from the skills and knowledge of local residents. Social capital facilitation, according to Robert Putnam, “…fosters trust, lowers transaction costs, and speeds information and innovation.”¹⁵ By developing a diverse entrepreneurial local economic base, communities have greater flexibility, which leads to greater economic stability.

**Implications of the Global Economy**

International competition has radically altered the environment in which economic development takes place. According to Robert Atkinson, “Another new economy began to emerge in the early 1990s…[i]his New Economy represents a fundamental change from the national corporate mass production economy…[i]nstead it is a global, entrepreneurial and knowledge-based economy…”¹⁶ Globalization’s impact on the American economy has been far-reaching and is directly related to the types of economic development strategies available within a locality. Most important, it is obvious that communities can no longer compete based solely on their ability to minimize labor and production costs. Particularly in rural communities where much of the current entrepreneurial-friendly development initiatives are being cultivated, the marketing of low-cost land and labor is no longer competitive marketing. Also, the decline in older industries such as manufacturing and farming, as well as the offshoring of skilled employment, has highlighted the need for community building that utilizes the locality’s various strengths.

---

Advice for Local Economic Developers

An entrepreneurial community approaches local economic development planning from a different perspective than a traditional community. The local government would have to learn how to give up some of its control over the planning process and be more inclusive of its various community members. Cities and towns would not focus on a strategy of industry recruitment, but rather, would begin to look at their own assets. If the goal of an entrepreneur is to create new solutions to existing problems through innovation\textsuperscript{17}, an entrepreneurial community’s planning process is part motivation, part organization, and part supporting agent in this activity.

Fostering Entrepreneurship: Delivery Methods

The Edward Lowe Foundation and the W.K. Kellogg Foundation identify six methods for fostering entrepreneurship. These methods, which local economic developers can look to for implementation strategies, are outlined below:

1. Diverse sources of capital

Access to capital has long been a barrier to effective entrepreneurship in rural areas. Financing institutions often find the risk of investment too large to bear in rural locales. Communities that partake in entrepreneurial economic development are tasked with creating supportive infrastructure that facilitates the enhancement of capital resources. There is no one type of funding that will benefit every entrepreneur equally. Rather, effective entrepreneurial investment capital acknowledges that businesses need different types of capital based on such factors as size, maturity, and location. For these reasons, it is imperative that entrepreneurial communities provide access to various sources of capital.

\textsuperscript{17} Liethenstein, Gregg A., Lyons, Thomas S. & Kutzhanova, N. (2004). (p. 6).
Awareness of financing alternatives is vital to entrepreneurial cultivation. Such financing can be categorized by two groups: debt financing, which consists of long-term loans, and, equity capital, the money invested in a business by owners, stockholders, or others who share in its profits. Debt financing may be beneficial to younger and smaller firms, while equity capital can assist in the growth of mature firms. Within these broad types of financing, there are several other avenues of development financing that firms should be able to access. Such financing availability can include micro-enterprises and micro-loans, Angel financing, development venture capital, and small business investment companies (SBICs). Access to diverse sources of capital such as these will foster more effective entrepreneurial development.

- **Micro-enterprises and Micro-loans.** Micro-enterprises are small businesses that contain fewer than five employees. Often, these firms have difficulty obtaining capital, particularly in rural environments where micro-enterprises are often more pronounced. For one thing, micro-enterprises are too small to qualify for many commercial banking loans. They are often run by first-time entrepreneurs who lack the skills and expertise to locate appropriate financing. Furthermore, micro-enterprise operators often lack personal finances for their businesses. This includes lacking credit history as well as personal assets. Micro-loans and micro-credit help fund micro-enterprises. In fact, since 1992 the United States
Small Business Administration has given more than $80 million to micro-loan programs.\textsuperscript{19}

- **Angel Financing.** Entrepreneurs who require middle-range funding, or between $50,000 and $1 million in financing, also face difficulties. Firms at this stage often find mainstream financial institutions unwilling to finance expansion and improvements. Given this funding gap, firms often look to angel investors, wealthy individuals without previous ties to the firm who are willing to take on the risk of investment.\textsuperscript{20} One such example in rural America is the Minnesota Regional Angel Investor Network (RAIN) fund. RAIN promotes not only the creation of Angel funds, but also the creation of angel networks. By connecting angels that are dispersed across the country, angel networks “...offer an important resource for rural areas bypassed by traditional venture capital firms.”\textsuperscript{21} These investors are willing to take the risks on investment that enable entrepreneurial success.\textsuperscript{22}

- **Small-Business Investment Corporations (SBICs).** Mature firms that require financing in the range of $250,000 to $5 million will benefit from SBICs, which are privately funded but receive credit enhancement through the Small Business Administration. For a firm to obtain this level of financing, it must prove that it has the management and entrepreneurial skills necessary.\textsuperscript{23} SBIC funding benefits rural communities because it provides capital and also a high level of business expertise that is essential to any entrepreneurial community’s success.

- **Development Venture Capital.** Development venture capital is unique in that investors are not only interested in enabling firms to profit, they are also interested in increasing the quality of life for communities. Development venture capital is more befitting of rural entrepreneurial economic development because of this so-called, “double bottom line.”\textsuperscript{24}

Entrepreneurial communities need to provide the infrastructure, resources, and networking opportunities that enable entrepreneurs to access the capital that best fits their circumstances and those noted above are not the only sources. Rural communities are learning that diversity in their economies can provide for more stability in the future. The same applies to capital sources, the more capital

\textsuperscript{19} Ibid.
\textsuperscript{21} Ibid.
\textsuperscript{22} Ibid.
\textsuperscript{23} Ibid.
\textsuperscript{24} Ibid.
sources available, the more likely that an entrepreneur will endure market changes.

2. An enabling community culture
Entrepreneurs do not find success in a vacuum. Rather, the culture of a community greatly influences the success of entrepreneurial development. A community receptive to change will inevitably cultivate successful entrepreneurship.

The community climate in which entrepreneurial activities take place must support such endeavors. Communities provide the stage for all economic activities. More important, entrepreneurship is meant to serve community needs. Communities must cultivate an encouraging and inspiring environment to foster entrepreneurship. According to the Center for Rural Entrepreneurship, there are five key elements that will foster entrepreneurial activity and subsequent entrepreneurial economic development:

- **Entrepreneurial Awareness.** Community leaders and residents must recognize the entrepreneurs as the critical assets they are. It must be widely understood that entrepreneurship benefits society as a whole and the community in particular.

- **Recognition.** Not only should entrepreneurs be acknowledged as important to a community, they should be honored. Public recognition of the efforts of entrepreneurs enhances the climate for entrepreneurship.

- **Culture.** Entrepreneurial communities must be willing to change and adapt. The success and failure of ventures can unsettle the homogeneity of a rural community. It is important that citizens and leaders develop an attitude that fosters positive coping skills.

- **Anonymity.** Entrepreneurs need an environment that encourages creativity. In rural communities, it is often difficult to remain anonymous, yet still the community membership can “...learn to give entrepreneurs the space they need to be creative.”

- **Quality of Life.** Like most people, entrepreneurs need quality-of-life amenities to remain content in their environment. Furthermore, larger entrepreneurs who may be interested in bringing workers to their communities can benefit from the unique amenities that are provided in a community. It is important that economic development organizations

---

address quality-of-life issues when attempting to cultivate an entrepreneurial community.\textsuperscript{26}

In essence, communities that maintain a supportive, adaptive, and positive climate will benefit themselves and their entrepreneurs. Community leadership, in both the public and private sectors, must support entrepreneurs in their efforts to realize their worth and leverage their talent. Through cooperation and encouragement, communities will find greater economic and social successes which will advance entrepreneurial attainment.

3. Networking
For small-business owners, one of the most important resources is the local network of individuals and institutions that provide informational, financial, and moral support. As local economic developer Chris Gibbons (practicing in Littleton, Colorado) explains, business connections tend to raise a company’s level of innovation by creating a synergy through which new ideas reach the company and stimulate change.\textsuperscript{27} In addition to creating innovation and opportunities for growth, networks often provide connections to the capital that allows small-business owners to begin or expand their companies. At a more basic level, network contacts may provide what may make the difference between a new company’s success or failure – a mentor relationship in which an experienced entrepreneur guides a new business owner through business development and the first few crucial years.

Methods for creating networks in entrepreneurial communities run a gamut of options. Some locations tailor their entrepreneurship program around a mentoring scheme while others include it only in conjunction with a variety of other entrepreneurial strategies. In other locations, networking is effectively fostered by the local economic development agency. Local businesses then get information from outside sources via the economic development agency, and it is up to them to determine how best to use the information. However, this is not a substitute for the network of formal or casual contacts small-business owners make on their own. To increase personal contacts, entrepreneurs may join large, established networks such as the Association for Small Business and Entrepreneurship, and the American Association of Entrepreneurs or attend events hosted by the United States Small Business Administration.\textsuperscript{28}

\textsuperscript{26} Ibid.
The following specifically examines two strategies for fostering networks and provides examples of how this method of creating entrepreneurial communities works locally.

- In rural Kentucky, the University of Kentucky Entrepreneurial Coaches Institute is based on the notion of mentoring and its importance to growing businesses. The Coaches Institute trains community leaders to act as mentors to businesses starting up across a 19-county area in northeastern Kentucky. Coaches offer the psychological and community support small-business owners need by helping them strengthen peer relationships and social networks. Coaches also assist local entrepreneurs in accessing private, state, or university support and funding in specific as needed. Thus, coaches both take part in a small-business owners’ network and facilitate its growth by recommending additional resources and contacts.  

- Mentoring also makes up a crucial part of entrepreneurial programs in the south Georgia Tri-County Regional Support Center and in Fairfield, Colorado. Both areas include a program that matches new or potentially new small-business owners with established entrepreneurs in the area. Although they may provide information about possible funding sources, these mentors mostly provide general guidance and emotional support to new entrepreneurs as they lead their companies through the first rough years of business.

Overall, networking is an activity that occurs on an individual basis when a single entrepreneur joins a national business association or makes contacts within his or her community. However, networking is also built into entrepreneurial economic development strategies when communities establish mentoring programs or create local business associations. Regardless of the form they take, networks are vital for innovation and growth in existing businesses and often open up a range of financial and moral support options for new or potential companies.

4. Supportive infrastructure
Supportive infrastructure takes on different meanings based on the location and scope of need and the nature of each business. However, there are some basic requirements for all businesses. These include “buildings and space, industrial parks, roads and bridges, gas, water, and sewer, electricity and railroads.”

---

are also two pieces of infrastructure that have become essential in rural entrepreneurial development — reliable telecommunications and a business incubator.

Rural areas have traditionally been at a disadvantage in receiving telecommunication support structures like personal home computers and Internet access (see map). In 2001, the South generally had the lowest percentage of rural households with personal computers. The Georgia Rural Economic Development Center at East Georgia College currently lists telecommunication projects and studies as one of its top research priorities. Businesses need reliable phone and Internet access to compete in local, national, and global economies.

Percent of Rural Households with Computers, 2001

Lichtenstein and Lyons state that the mission of a business incubator is to “assist entrepreneurs in the formation and development of new enterprises so that those enterprises can survive and succeed.” Developing incubators is not a scientific

process, and much of the local support for them will be based on the answers to questions that a community must ask of itself. Among these are what kind of businesses do we want to incubate, and how much should we do for them? While incubators vary in size and cost, they can be too expensive for some small rural areas. However, the National Business Incubator Association (NBIA) lists some of the positive impacts resulting from incubator use over the last two to three decades:

- The NBIA estimates that North American incubator client and graduate companies have created about half a million jobs since 1980.
- Every 50 jobs created by an incubator client generates approximately 25 more jobs in the same community.
- In 2001 alone, North American incubators assisted more than 35,000 start-up companies that provided full-time employment for nearly 82,000 workers and generated annual revenue of more than $7 billion.
- Business incubators reduce the risk of small business failures. Historically, NBIA member incubators have reported that 87 percent of all firms that have graduated from their incubators are still in business.33

Providing supportive infrastructure to entrepreneurs is one of the most direct ways that a local government can create a positive economic impact.

5. Entrepreneur-friendly government

One of the most important things an entrepreneurial community can do is cut red tape and alleviate bureaucratic hurdles for small businesses. This can take the form of local tax relief and dedicated service providers assigned to small-business owners.

The state of Georgia has taken some innovative approaches to helping entrepreneurs succeed. The Georgia Department of Economic Development’s (GDEcD) Entrepreneur and Small Business Office has broken the state into 12 regions to more effectively assist new business start-ups. Each region has three dedicated staff people: A regional project manager for industry expansion and recruitment, a regional project manager for entrepreneur and small businesses, and an international trade representative. Staff are based within the region they serve, providing direct customer support on issues ranging from funding sources to

international markets. The 12 regional staffing centers are run through the state’s Community-Based Entrepreneur-Friendly Program.\(^34\)

This program is innovative in the number of responsibilities that the state assumes and in the breadth of services it will provide to potential small-business owners. Their program goals include:

- Identifying the local leadership group and champion who will lead the community in its entrepreneur and small business development strategy; form the committee that will support the initiative.
- Increasing community awareness of and support for strategies, needs, and resources; educate the community about the benefits of “homegrown” business development and fast-growth companies.
- Enhancing relationships with state and federal resource providers, including the Small Business Development Center and others, in educational sessions that help local leadership learn how they can support entrepreneurs.
- Mapping local assets that include:
  - Identifying all local entrepreneurs (potential, existing, growth)
  - Identifying all appropriate local resources (develop a start-up kit, other tools/attributes to share)
- Visiting and interviewing local entrepreneurs; reviewing and compiling results of the interviews to determine appropriate strategies.\(^35\)

The regional project manager for entrepreneurs and small business is designated as the community’s point of contact and acts as an advisor to entrepreneurs.

In sum, the state government is removing hurdles by implementing programs where they have a direct involvement on the ground and in the planning stages.

### 6. Fostering entrepreneurship education:

For entrepreneurial communities to be sustainable, new generations of entrepreneurs must be cultivated to continue the entrepreneurial synergy initially created through local small-business development efforts. The idea is to link entrepreneurship, business skills, and economic literacy with lessons learned in the classroom. And is essential to begin early. According to the United States Small Business Administration, “25 percent of children entering kindergarten

\(^{34}\) State of Georgia Community-Based Entrepreneur Friendly Program. [http://www.georgia.org/Business/SmallBusiness/programs.htm](http://www.georgia.org/Business/SmallBusiness/programs.htm)

possess entrepreneurial spirit. However, this figure falls to only 3 percent by the
time they graduate from high school.”

Many nonprofit organizations have begun to link primary and secondary schools,
universities, the local business community, and small-business support services
together in an effort to encourage entrepreneurship in children and young adults.
One such organization is the National Council on Economic Education (NCEE).
Established in 1949, the NCEE’s mission is to foster economic education by
bridging the gap between what students are being taught in schools and what the
real world requires them to know. The NCEE is a nationwide network of state
councils and 275 university centers that provides economic education to more
than 100,000 teachers and millions of students every year.

Partnerships between universities can help provide educators with more advanced
training needed to teach business skills. The University of Delaware’s Center for
Economic Education provides training to educators so they can introduce
entrepreneurship into their classrooms. The university’s programs have graduated
primary and secondary educators whose classroom entrepreneurship programs in
the classroom have won National Federation of Independent Business (NFIB)
awards for education. These include:

- EcoM&Msics: Primary school students count the number of each color of
  M&Ms candy in a bag and analyze why Mars Corporation chose these
  colors. Then they suggest new colors for M&Ms and new M&M-related
  products. Teachers help them determine if their ideas would be profitable
  by doing class supply and demand exercises.
- Tiger Mart: A Minnesota high school class received community support
  to purchase and run a defunct local grocery store. “Tiger Mart was once a
  bankrupt local grocery store. Tiger, Inc., a corporation comprised of junior
  and senior students from Rothsay High School, took on the challenge of
  regenerating the operation. With the legal assistance of an attorney, the
  students cleaned and staffed the store, successfully applied for and

36 Classification of the “entrepreneurial spirit” is based on nine decision making and analytical
concepts associated with economic literacy: scarcity, cost-benefit analysis, production,
specialization, consumption, distribution, exchange, market survey, and present versus deferred
gratification. Teachers ran basic exercises with students to assess their understanding of these
concepts.
Tomorrow’s Workforce. Small Business Success Series - Vol. 6. Accessed online on November
received grants for inventory, stocked the shelves and reopened the business.”38

The Illinois Institute for Entrepreneurship Education (IIEE) is a nonprofit organization created by the Illinois General Assembly in 1988. The General Assembly recognized the contribution that entrepreneurs make to the Illinois economy and sought a way to both teach entrepreneurship and to encourage younger generations to consider entrepreneurship as a viable career path.39 IIEE sponsors entrepreneurship camps and workshops, school-based entrepreneurship training, young-entrepreneurs clubs, and conferences and contests for school-aged children, young adults, and educators.

According to Dr. E. Edward Harris, former IIEE director, all students in a successful entrepreneurship program should be able to:

- Relate how entrepreneurship and small business contribute to the nation’s economy.
- Identify skills necessary for entrepreneurship and know how to make good business decisions.
- Recognize the need for lifelong learning.

More specifically, graduating high school students who were involved in entrepreneurship programs should be able to:

- Use goal-setting to identify personal strengths and weaknesses.
- Identify potential business opportunities based on community needs.
- Develop a business plan that details financial and marketing needs and strategies.
- Identify a range of private and public small-business support services.
- Implement effective management strategies.40

Entrepreneurial communities can lobby on the state level for mandatory entrepreneurship education, such as what occurred in Illinois. These communities also can contact the National Council on Economic Education to learn what opportunities are available through local colleges and universities. If none exists, the NCEE can help this community start new programs to develop entrepreneurship and business skills.


Implementation

Implementing an entrepreneurial approach to economic development will always require adaptation to reflect the local conditions that planners, government officials, and businesses face. Erik Pages and Shari Gamise list a 10-step process that local governments can follow in an effort to create an entrepreneurial community. Because any community will have to blend these items into its distinctive culture, the steps are broad enough to be adaptive, but specific enough to outline a plan of action. There is no particular order that must be followed and no one methodology for implementing each step of the process. They depend on the size of the community and its corresponding financial and human resources. Pages and Gamise begin with the concept of networks, which is what they consider to be the foundation of any entrepreneurial economic development process.

These steps are:

(1) Mapping the terrain

Involves discovering what kind of networks already exist within a community. There can be formal and informal groups of which government officials are unaware. Knowing about these relationships can help establish future networking plans.

(2) Sketching a plan

Includes questions on the issue of beginning new initiatives or building on pre-existing ones. All communities, at one point, will have to determine what kind of role they will play in developing a new program.

(3) Identifying and approaching leadership

Diverse and committed leadership is essential to maintain consistency and longevity within programs. This is especially true if the entrepreneurial approach is new for the community. Initial program leadership is often voluntary, and the program will require many volunteers with limited amounts of time as opposed to a single full-time staff person.

(4) Launching pilot efforts

With leadership in place, new programs can be started. A community implementing this strategy for the first time is advised to have patience. All new programs take time to learn and with new economic development strategies will inevitably
come some cultural changes.

(5) Extending outreach to businesses
A marketing strategy is crucial for success. Once pilot programs have been created, the leadership team must make a concerted effort to inform existing businesses, and potential new business owners, about the available services.

(6) Seeding and replicating efforts
Once the first network is created, it is time to think about starting others. Learn from past mistakes and begin the process again. It is quite possible that with a little external help a new network can form out of the original one.

(7) Building strategic alliances
This can involve helping to form networks in other parts of the state or approaching existing service providers who can fill void within the program. It is especially important to build alliances with sources of capital and industry knowledge.

(8) Having patience in the process
As discussed above, success does not typically come quickly with new endeavors. Setting realistic expectations from the beginning of the process can help diffuse tension by preparing stakeholders ahead of time.

(9) Letting go
Letting go of a network when the time is right shows that it has matured from a pilot stage to a self-sufficiency stage and is contributing to the economic health of the area. Those involved from the beginning of the process must prepare to hand the reins over to new leadership. This ensures a more sustainable process.

(10) Telling your story
Continuing to the market the program’s success is vital to its future. Be creative and learn what members of the news media should be contacted to promote a story.
**Benefits of this Approach**

Why should cities, towns, and counties go through the extensive effort to revamp their economic development planning programs? What kind of initial and long-term outcomes should they expect?

Immediately, more community residents would have a say in the economic development process, creating a stronger sense of belonging. If these efforts prove successful, a long-term consequence for the community would be less reliance on outside forces and industries. The issue of equity would be addressed as more people become managers and business owners. Furthermore, the income gap between the wealthier and poorer residents should narrow.

Pages and Garmise identify six direct benefits from the entrepreneurial planning process. They are:

- **Brokering** – Because new business owners generally have few professional contacts, the networking processes allows them easier access to locating capital, materials, advice, and customers.
- **Creating common perspectives** – Like all interest groups the more people who agree with one another, the more successful they will be in promoting policies that support their interests.
- **Fostering cultural change** – Once new people come in contact with one another and find that they share much in common, they open themselves up to new ideas and have a more neutral respect.
- **Creating civic leadership** – It is hoped that communities will receive the benefits of their entrepreneurial system through philanthropic giving and a continued cycle of civic-minded business owners.
- **Branding** – By working together, business leaders can craft an identity for their town, city, or region.
- **Regional competitiveness** – Initial successes could lead to larger ones, and the region as a whole would benefit from increased employment opportunities.

Lichtenstein and Lyons also see direct benefits for the entrepreneurs, their service providers, and the general community. Among the most essential for entrepreneurs are increased access to affordable and timely resources, emotional support, and skill development. For the service providers, Lichtenstein and Lyons state that it will be easier to provide support to start up companies if it can be predicted what kind of needs they will have. With a systemized approach to

---

entrepreneurship, communities should have an easier time understanding their needs. Lastly, they see the community benefiting from “efficiency in creating results, equitability of focus on different types of entrepreneurs, ability to build a continuous stream of new companies and business leaders and operate at a scale to transform the economy.”

Finally there is the sense that an entrepreneurial approach to local economic development can change people’s lives. It can offer more opportunity, and consequently more hope, to countless communities that struggle to find jobs for their citizens. In the end, communities small and large can undergo a profound social change.

---

Entrepreneurship in Action: A Snapshot of Model Communities

With an understanding of what defines an entrepreneurial community and what entrepreneurial practices offer local economic development, we now turn to specific examples of areas leading the way in small business development. Entrepreneurial communities exist throughout the United States – in large cities, suburban counties, and rural areas. The primary focus here is on the entrepreneurial efforts of rural communities, specifically, those that have excelled in using small-business growth to promote local economic development. Although specific strategies vary depending on the locality, themes that appear in most programs include education, networking, infrastructure improvements, financial assistance, and fostering a culture conducive to small-business start-ups and expansions.

Littleton, Colorado: Growing an Economic Garden

In 1987, the City Council of Littleton, Colorado, asked newly hired Director of Business and Industry Affairs Christian Gibbons to “work with local businesses to develop good jobs.” What the council wanted was to grow jobs by fostering entrepreneurship within the community rather than by recruiting companies to relocate to or expand in the area. What came of Gibbons’ two-year study of the process of growing local companies was a series of insights into the character of successful small businesses from which grew the concept of “economic gardening.” Littleton bases its economic gardening programs on the ideas that business success comes from: (1) an ability to adapt to changes while retaining an identity; (2) a sense of self-organization that encourages action on the individual level over top-heavy organizational structures; and (3) a local culture that favors risk-taking, innovation, and diversity.

From these principles, Gibbons devised Littleton’s economic gardening program, which consists of three core activities: (1) providing tactical and strategic information to existing or potential local businesses; (2) Ensuring necessary infrastructure improvements are made; and (3) creating connections between the Littleton business community and outside organizations. The latter include trade associations, research and development firms, think tanks, and academic institutions such as the University of Colorado and Denver University. In terms of infrastructure, Littleton pursues not only physical improvements, but also ways to enhance quality of life and intellectual framework, such as providing enjoyable

---

43 Gibbons, Chris.
44 Ibid.
open space and sponsoring community events and offering courses and training sessions to promote competitive business practices. Finally, what composes the bulk of the program’s time is collecting and providing the strategic information to local Littleton businesses that is usually available only to large companies. This includes developing marketability studies tracking new products, doing legal research, and answering specific business questions as needed. The Littleton Department of Business and Industry Affairs annually assists 200 to 300 businesses with this aspect of its program.45

**Fairfield, Iowa: A “Sili-Corn” Valley Success Story**

Like Littleton, Colorado, Fairfield, Iowa, faced potential economic stagnation in the mid- to late 1980s, when the city experienced significant job loss as its manufacturing sector shrank due to plant closings. To replace lost jobs, Fairfield initiated programs designed to develop and support local businesses rather than focus solely on attracting outside companies. To that end, the city established the Fairfield Entrepreneurs Association (FEA) in 1989, which developed strategies to increase business growth that relied on the area’s creative culture and utilized available venture capital funds. The FEA promoted monthly First Friday art walks, which attracted thousands each month and reinforced the city’s image as an art and music leader in the rural Midwest. One driving force behind a community’s entrepreneurial ability is the presence of a culture that values innovation and diversity. The creative culture already existing in Fairfield served as a fitting environment for small-business growth, which the FEA stimulated by offering seminars, instituting mentoring programs, and eventually attracting conferences focused on rural entrepreneurship. Monthly or semi-monthly workshops brought in an average of 40 attendees and were broadcast on public-access television. Fairfield also established a peer-to-peer mentoring system for local entrepreneurs and CEOs, along with providing information about how to access venture capital investors. Together, these efforts translated into some 2,000 new jobs, 50 new business start-ups, and a tripling of the areas per capita income.46

---

University of Kentucky: Home of the Entrepreneurial Coaches Institute

The University of Kentucky’s College of Agriculture is responsible for the Entrepreneurial Coaches Institute. This program was established in 2003 by the Kentucky Agricultural Development Board, founded three years earlier to address needed economic diversification as revenue from tobacco production declined throughout the state. Serving 19 northeastern Kentucky counties, the Institute’s goal is to “identify and train community citizens from across the region who are willing to work with current and potential entrepreneurs to encourage the development of new business ideas and ventures.” Unlike some business development programs that involve solely technical support, the institute uses business counselors who are trained to offer the psychological and community support small-business owners need by helping them strengthen peer relationships and social networks. Coaches also assist local entrepreneurs in accessing private, state, or university support and funding in specific areas as needed.

A relatively young program, the Coaches Institute is currently looking for its second class of volunteer entrepreneurial coaches. The inaugural class consisted of 30 professionals who each attended nine 2- to 3-day seminars, with one an international seminar focused on the best practices of the host country. Volunteers received an $18,000 fellowship to cover seminar and travel expenses and committed to spending a minimum of 50 hours per year for two years working with current or potential small-business owners to stimulate entrepreneurial activity.

Georgia’s Tri-County Regional Entrepreneurial Support Team: Toombs, Montgomery, and Tattnall Counties

Like prominent entrepreneurial communities in other parts of the country, Georgia’s local business development programs focus heavily on increasing networking opportunities and community support for business owners and operators. The Tri-County Regional Entrepreneurial Support Team, for example, describes its mission as supporting and promoting entrepreneurial development opportunities in Toombs, Montgomery and Tattnall counties. Composed of local business professionals, the Tri-County Support Team offers activities that include providing guidance on a range of issues, from preparing a business plan to assisting in the selection of appropriate sites for offices, plants or other buildings. It also participates in a mentoring program where new business operators and owners are matched with successful entrepreneurs willing to help them chart their

47 Kentucky Entrepreneurial Coaches Institute.
48 Ibid.
courses as they launch their companies. Further, the Toombs-Montgomery Chamber of Commerce works in conjunction with the Tri-County Support Team to provide educational resources and programs to local businesses. The list of topics the Support Team advises entrepreneurs is rather exhaustive, but this program offers little in the way of direct financial subsidy for new companies.

Nurturing Small Businesses: Rural Georgia’s Business Incubators

Described by the National Business Incubation Association as organizations that provide small businesses with resources specifically targeted to meet their needs, business incubators offer management guidance, reduced-cost rental space, flexible leases, and facilities such as conference rooms, photocopiers, fax machines and high-speed Internet access. Georgia is home to at least 11 business incubators located in Atlanta, Athens, Albany, Augusta, College Park, Norcross, Warner Robins, Savannah, and Vienna. The Augusta-Richmond County Small Business Incubator provides office space at subsidized rental rates, with access to a kitchen, lounge, copy room, and multimedia conference room included. Further, it offers tenants networking and seminar opportunities. The Southwest Georgia Business Development Center in Vienna offers office and manufacturing space and similar amenities at reduced rates, but provides additional services to tenants and to the area’s potential entrepreneurs. These include business training for low-income persons; information about financing opportunities provided by local banks, universities, and the regional development center, and priority in applying for money from the Dooly County Revolving Loan Fund and Fort Valley State University Intermediary Relending Program. Like these two incubators, the South DeKalb Business Incubator provides office space and amenities at reduced costs, but also offers a program called Incubator Without Walls designed to meet the needs of home businesses. For a small monthly cost, entrepreneurs who work at home gain access to the office common area and facilities, such as copiers and fax machines and conference and mail rooms. Business counseling is available for these home-based businesses, as it is for with incubator tenants.

PART II: Case Studies

Introduction

Entrepreneurial communities are townships, counties, and regions that have collaborated to capitalize on their local assets and human capital to build better lives for their residents. The idea of entrepreneurship as a tool for enhancing quality of life is not a new one. However, business recruitment and competitiveness based on low labor and business costs have long been employed as predominant local economic development strategies over other strategies such as entrepreneurship. This may change according to a report released by the United States Economic Development Administration (EDA) earlier this year. The EDA is exploring putting entrepreneurship at the forefront of its agenda, noting that recruitment is a strategy that rural communities increasingly cannot use to compete in the global economy.

Following are four case studies of entrepreneurial communities. We profile one community and one region that used entrepreneurship to grow their local economies for more than a decade. We also profile one community and one region that recently put resources into developing local entrepreneurship and have already seen successes. For each community, we discuss the six key methods of fostering entrepreneurship described by the Edward Lowe and WK Kellogg Foundations. They are: (1) introducing entrepreneurship in education, (2) offering diverse sources of capital, (3) engaging successful entrepreneurs to help build an enabling community culture, (4) enabling network growth, (5) providing supportive infrastructure, and (6) cutting red tape in local governments. We rank each community’s programs according to how well they employ each method to encourage business development and growth.
The New Economy Project and Economic Gardening

In Littleton, Colorado, we believe that gardening is a healthier approach to economic development than recruiting. Littleton does not recruit nor provide incentives. We do not have a marketing budget nor do we travel to other cities trawling for companies. Since 1987, we have focused on building a nurturing environment for local growth companies.54

― Christian Gibbons, Business and Industry Affairs Director, Littleton, CO

In the Denver suburb of Littleton, Colorado, economic development takes an uncommon form: instead of using funds to provide incentives for firms to relocate or expand here, the city finances the Department of Business/Industry Affairs (BIA), which assists current and potential local businesses. Known as “economic gardening,” this focus on small business-development was the key strategy of the New Economy Project that resulted from the city’s efforts to revamp its economic development program. By providing access to information, improving infrastructure, and creating networking opportunities, economic gardening aims to give local businesses the support they need to succeed and grow.

How Did this Strategy Evolve?

In 1989, the Littleton BIA launched its New Economy Project, which had the concept of economic gardening at its heart. Although an innovative approach for the Littleton economic development department, economic gardening was hardly a new concept in 1989. In fact, the seeds for the program were planted in the mind of newly hired economic development Director Chris Gibbons in 1982, and he and Deputy City Manager Jim Woods began developing the idea for Littleton in 1987. For Littleton officials, the need for a new program was apparent when the community’s largest employer, Lockheed Martin, began significant layoffs in the late 1980s. Indeed, during the late ‘80s and early ‘90s, the company, which at one time had as many as 14,000 employees in Littleton, laid off more than 7,000 people.55 More than 1 million square feet of vacant retail space, stalled office projects, and residential vacancies edging toward 30 percent, Littleton community leaders and officials sought something new. They wanted to shift the focus of economic development efforts toward local businesses to create opportunities

other than low-wage service jobs. The task for Gibbons and Woods, therefore, was to “build Littleton’s economy using its local entrepreneurs.”

Throughout the two years when Gibbons and Woods developed the concept of economic gardening, they relied on support from the Center for the New West, a Denver think tank, for research on the best ways to grow local businesses. In addition to work done by New West, much of their initial plans was based on work done by MIT researcher David Birch, who claimed that while major business recruitment deals tended to make the headlines, small local businesses provided a sizable share of new jobs.

**Founding Theories:** During their research period, Gibbons and Woods identified seven key themes that laid a base for the type of programs developed under the New Economy Project.

(1) They began by identifying what was driving gains in employment. Rather than small businesses in general, it became clear that the businesses creating the most employment were nimble small companies that were quickly growing into large companies. They realized that what was creating employment was the rate of growth of small businesses.

(2) Closely tied to a business’ rate of growth is its level of innovation. Rapidly growing companies also tended to be thriving on new ideas, products, and processes.

(3) New ideas are not the only things driving a company’s growth. The temperament of its CEO or owner also plays a role. According to the Center for Application of Psychological Type, about three-fourths of the nation’s 500-fastest growing companies are headed by CEOs whose temperaments are described as either sensing-thinking-judging or intuitive-thinking-judging on a Myers-Briggs scale.

(4) Businesses are must respond to change. Further, they are largely dependent on relationships between owners, employees, and the community. Thus, two businesses to a give situation are unlikely to be identical. It follows that their needs, as well as their responses to programs implemented to spur business development, will differ.

56 Ibid, pg. 2.
58 Ibid. Note: The list of founding theories that follows is derived from the BIA’s “Economic Gardening” article referenced above.
In the business world, there is a line between stability and chaos, termed the edge of chaos in Gibbons’ writing, at which innovation occurs. Stable companies are unlikely to take risks and make changes, thus limiting their innovation and growth. Companies existing on the “edge of chaos” are those that frequently change and experiment, making little but recoverable mistakes in the process. To increase innovation and thus growth, a successful business support program would push businesses to exist at this “edge of chaos” – to innovate without making mistakes that irrevocably harm the company.

High-growth companies require employees to have a certain degree of self-organization. This means that as companies grow it becomes increasingly inefficient to operate using a command-and-control structure where tasks are ordered by a CEO and carried out by employees. This model typically wastes time and resources because requests are communicated from the top down. In contrast, a self-organized structure gives employees greater autonomy and reduces what Gibbons terms “organizational drag.”

Finally, Gibbons and Woods cited the work of economist Brian Arthur regarding increasing returns as crucial to small business growth. This basic idea behind this concept is that a successful, growing business is likely to attract a larger customer base simply because it is a successful, growing business, which works to further fuel its growth.

With an understanding of the factors they believed influenced business growth rate, and thus job creation, Gibbons and Woods undertook the task of developing programs that would best support local entrepreneurs and result in new employment for Littleton. The remainder of this case study presents programs used by the BIA, along with the associated outcomes of these programs. Further, resources for communities interested in learning more or developing their own economic gardening program are included.

**Programs and Implementation**

The Littleton BIA New Economy Project focuses on three elements to support existing and potential local businesses: (1) Information, (2) Infrastructure, and (3) Connections.

**Information:** Provision of information constitutes the core of Littleton’s economic gardening strategy. In brief, this means that the BIA office gathers and disseminates to local small businesses a variety of information typically available only to larger companies financially capable of subscribing to expensive data sources.
Competitive Intelligence

At the cornerstone of Littleton’s strategy is the idea of competitive intelligence. The Society of Competitive Intelligence Professionals defines competitive intelligence (CI) as “a systematic and ethical program for gathering, analyzing and managing external information that can affect your company’s plans, decisions and operations.” CI services offered by the BIA include creation of consumer marketing lists, tracking of industry trends, and analysis of competitors using the 100,000-plus online publications to which the office subscribes. The BIA also employs a full-time GIS analyst who evaluates demographic trends, consumer expenditures, lifestyle data, and competition to create market studies for businesses with local markets. Interested current or potential small-business owners in Littleton can access prepared information online or contact the BIA office with a specific question. Analysts generally can provide answers to research requests within a few hours.

Business Services

In addition to providing in-depth research assistance, BIA staff also offer current and potential business owners various business development services. First and foremost, assistance in developing a business plan, both in terms of format and content, is available. In addition, BIA staff direct budding entrepreneurs to possible sources of capital. These include several Littleton-based financial institutions, the United States Small Business Administration, and the Colorado Housing and Finance Authority. The BIA itself, however, does not operate any loan fund. As Gibbons explains, “What makes us strong is our technological capabilities. My experience is that with a small budget such as ours, (small loans are) just a drop in the bucket for most businesses.” Instead, economic gardening focuses on connecting entrepreneurs with resources that allow them to make the most of their capital. In doing so, they seek to cut the red tape that entrepreneurs often face when dealing with local governments. BIA staff work extensively with Littleton regulatory departments, including planning, building inspections, zoning enforcement, and sign enforcement to create a streamlined permitting process for local businesses. The BIA office also updates a list of available space and vacant

properties throughout the city and assists companies in locating buildings and sites.  

**Trainings and Seminars**

Along with providing data analysis and assistance with the administrative aspects of starting a small business, Littleton’s economic gardening project originally included an element aimed at increasing innovation, and thus growth, through a series of seminars. The BIA ran a 13-part series that sought to convey cutting-edge business techniques to local entrepreneurs during the first four years of its New Economy Project. What the department discovered, however, was that introducing innovative practices to local businesses did not transform them into high-growth companies. Concluding that much of a company’s ability to stay on a technological forefront depended on the owner is or CEO’s personality, the BIA revamped its approach. Instead of such an extensive series, the department now offers regular workshops that focus on a single topic of probable interest to area business owners. For example, in January 2005, the BIA sponsored a training session on optimizing Web marketing.

**Infrastructure:** The second element of Littleton’s New Economy Project is an emphasis on creating supportive infrastructure to foster small-business development. The BIA identifies three types of infrastructure:

**Physical infrastructure**

Physical infrastructure refers to investment in projects such as interchanges, light rail stations and street and sidewalk rehabilitation. Although the most basic type of infrastructure, it is crucial to creating an environment where entrepreneurs feel encouraged to open and continue to operate businesses.

**Quality-of-life infrastructure**

Quality-of-life projects include parks, open space, trails, and public events. Among the public events partially sponsored by the BIA office are the annual Western Welcome Week festival and the holiday Candlelight Walk in December. Because it is a city organization, the BIA invests in physical and quality-of-life infrastructure projects developed by other branches of city government. In turn,  

---

63 “Economic Gardening – An Entrepreneurial Approach to Economic Development.”  
65 “Economic Gardening – An Entrepreneurial Approach to Economic Development.”
the department makes recommendations for projects to be funded and implemented by other branches or city agencies.66

**Intellectual infrastructure**

While the BIA works with other city agencies to improve physical and quality of life infrastructure, it partners with area educational institutions to develop the city’s intellectual infrastructure. Intellectual infrastructure refers to continued-learning courses established to keep companies competitive. Two of the most prominent continuing education programs devised by the BIA include:

(1) A telecommunications curriculum at Arapahoe Community College designed to support Littleton’s growing telecom industry. By 2000, that industry overtook Lockheed Martin as the city’s largest employer, with many of the leading companies homegrown.

(2) Creation of the Colorado Center for Information Technologies (CCIT), which is a joint venture between Arapahoe Community College and The University of Colorado (UC) at Boulder. CCIT enables Littleton citizens to obtain a master of engineering degree from CU by attending university courses broadcast live to the Littleton library.67

**Connections:** The last leg of Littleton’s economic gardening strategy involves creating connections between local businesses, the BIA, and trade associations, think tanks, research and development firms, academic institutions, and other firms. Several of these connections occur through other programs developed by the BIA. Others are established as Littleton economic developers continue to search for ways to improve their programs and to share what they have learned in the past 16 years of running the New Economy Project.68

**Implementation and Financing:** As shown through the discussion of Littleton’s economic gardening strategies, most programs are implemented by the Department of Business/Industry Affairs. Those that are not either are implemented by other branches of city government or by area educational institutions.

The Business/Industry Affairs Department began with a budget of $70,000 in 1989, but in 2005 this figure reached $600,000 and was provided through the city’s general fund. Governments typically spend between $7 and $16 per capita

---

66 Ibid.
67 Ibid.
68 Ibid.
on economic development. With a 2005 population of 43,543, Littleton spent about $13.78 per capita on economic development, which is at the higher end of the typical funding range.\(^6^9\)

The BIA office has five full-time employees. They are director Chris Gibbons and four staff members, including a GIS analyst, an economic intelligence specialist, an economic development specialist and a research analyst. Because programs are funded with general revenue collected from taxes, most of the information provided is free. For more expensive requests, each company receives an annual allotment of $150 to access information.\(^7^0\)

**Measuring up:** One of the aspects Gibbons identifies as crucial to Littleton’s success is the city’s enabling community culture. He claims that for an economic garden to be successful, an underlying appreciation for risk, innovation, diversity, and newness must be present in the community. Another positive for Littleton is its entrepreneur-friendly government. Foremost, the BIA is a government agency, so the programs administered as part of the New Economy Project are directly supported by the government. Furthermore, BIA staff members work with other government sectors to provide as smooth a process as possible for opening a new business.

One delivery method that Littleton does not focus on, however, is the provision of diverse sources of capital. While BIA offers information to business owners as to where to look for funding, the office itself makes no loans.

<table>
<thead>
<tr>
<th>Entrepreneurial Community for Littleton Scorecard:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Diverse sources of capital:</td>
</tr>
<tr>
<td>2. An enabling community culture:</td>
</tr>
<tr>
<td>3. Networking:</td>
</tr>
<tr>
<td>4. Supportive infrastructure:</td>
</tr>
<tr>
<td>5. Entrepreneur-friendly government:</td>
</tr>
<tr>
<td>6. Fostering entrepreneurship education:</td>
</tr>
</tbody>
</table>

SCALE: 0- Not applicable, 1- Poor, 2- Fair, 3- Excellent

NOTE: Scores based on research conducted about Littleton BIA Programs.

\(^6^9\) Bauer, Lisa.
Outcomes and Results

In the 14 years prior to Littleton’s adoption of economic gardening in 1989, business recruitment strategies attracted a total of 4,000 jobs to the city. From 1989 to 2004, employment grew from 15,000 to 29,000, for a total increase of 14,000 jobs. During this period no money was spent on attracting outside industries.\textsuperscript{71} Thus, the number of employees grew by 93 percent, while population increased by only 30 percent from 1989 to 2004. Using business retention strategies, an annual average of 278 jobs were created. With economic gardening, employment grew by an annual average of 1,000 jobs. Obviously, job creation was an intended result of the New Economy Project. Proliferation of small businesses was another intended outcome. Currently, more than 2,000 companies are located in Littleton, the majority of which are small businesses. Each year, BIA staff assist anywhere from 200 to 300 of these businesses.

Although anecdotal evidence of economic gardening’s success on an individual business level abounds, the BIA staff is currently working on collecting data from these companies to better quantify results. Table 1 identifies four examples in which BIA staff assisted specific area companies, including a brief description of what was provided to each.

Table 1: Assistance Provided to Littleton Businesses

<table>
<thead>
<tr>
<th>Business</th>
<th>Description</th>
<th>Assistance Provided</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hydronomics</strong></td>
<td>Water resource consulting firm</td>
<td>Identified new markets and clients using GIS overlay of water districts in Colorado; provided information about recycled water market.</td>
</tr>
<tr>
<td><strong>Market Development</strong></td>
<td>Coupon magazine franchise</td>
<td>Provided information about competitors’ rates and profile of coupon users.</td>
</tr>
<tr>
<td><strong>Tony’s Meats</strong></td>
<td>High-end grocery store and deli</td>
<td>Researched industry trends and held two focus groups to determine strength of take-out deli market.</td>
</tr>
<tr>
<td><strong>Artistic Edventures</strong></td>
<td>Art instructor</td>
<td>Supplied intern from community college for help with brochure; Identified market areas and strategies.</td>
</tr>
</tbody>
</table>

Although it is clear that employment grew more rapidly during the New Economy Project period than in the 14 years prior, this increase is not attributable solely to small business-growth. Population growth clearly had a hand in the employment increase. Further, although no money was spent directly on business recruitment,

infrastructure and quality-of-life improvements made as part of economic gardening strategies may have influenced companies’ decisions to locate in Littleton, even without incentives. In addition to increases in the number of jobs and companies in Littleton, the city also saw the indirect outcome of an increase in annual sales tax since launching the New Economy Project. In 1989, the annual sales tax base was $6 million. By 2004, it grew to $19 million, which represents an increase of more than 200 percent since 1989.72 Thus, Littleton saw tangible results in terms of job growth, number of local businesses and tax revenue.

Lessons Learned and Conclusions

After 16 years of economic gardening, BIA Director Chris Gibbons identifies targeted assistance to individuals with high energy and good ideas as the crux of Littleton’s program.73 While initial strategies focused on developing seminars designed to spur innovation, lackluster results convinced Littleton economic developers to focus on other options. The methodology that Littleton found works best is high-tech research capabilities tailored to the needs of local businesses. Infrastructure improvements, networking opportunities, and informational workshops augment the daily services of the Department of Business/Industry Affairs.

In an interview with the Center for Rural Entrepreneurship’s Lisa Bauer, Chris Gibbons identified the following as necessary seeds for growing a successful economic garden:

- Increase connections and the flow of information.
- Try to help people with unmet potential for growth and job creation.
- Get clients (i.e., local businesses) to think about their core strategy and go beyond the simple business plan.
- Employ a staff that is passionate about new ideas and willing to push the envelope.

Finally, Gibbons claims that,

- The success of economic gardening depends largely on the culture of the community and whether entrepreneurial activity is acceptable in the area.

72 Bauer, Lisa.
73 Ibid.
When a rural community is willing to take risks and make changes, “economic gardening absolutely can work in rural areas.”\textsuperscript{74}

More information regarding economic gardening in Littleton is available at www.littletongov.org/bia or by contacting Chris Gibbons, Littleton BIA Director at (303) 795-3749. Information about economic gardening in general is available at www.littletongov.org/bia/images/LowCostResources.pdf. Also, the cities of Santa Fe, N.M., Steamboat Springs, Colo., and San Bernadino, Calif. also have economic gardening programs, as does Lancaster County, Pa. and the State of Wyoming.

\textsuperscript{74} Ibid.
Ord and Valley County, Nebraska: The Hometown Competitiveness Program

Located in central Nebraska, two hours from the nearest interstate, lies the small rural community of Valley County. The county seat, Ord, is sited 220 miles from Omaha, Nebraska. This rural community contains a population of 4,767 (see Figure 1). However, this town’s small size can be deceiving. Valley County is a small area with big dreams for the future. In particular, this community is conquering decline through its employment of entrepreneurial economic development.

Figure 1: Socioeconomic Statistics for Valley County

<table>
<thead>
<tr>
<th>Location</th>
<th>Valley County</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>4,647</td>
<td>298,727,898</td>
</tr>
<tr>
<td>Per Capita Income</td>
<td>$14,996</td>
<td>$26,228</td>
</tr>
<tr>
<td>Homeownership Rate</td>
<td>75.7%</td>
<td>68.1%</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>2.1%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Major Industries</td>
<td>Agriculture, retail trade, government, education, health and social services</td>
<td></td>
</tr>
</tbody>
</table>

Ord, like many rural areas across America, is economically rooted in the agricultural industry. Although this industry has experienced rapid decline over the past few decades, it still accounted for upwards of 20 percent of all industrial employment in the county in 2000. Non-farm employment in Valley County is focused in a few economic sectors, the most prominent of which include retail trade, educational, social, and health services, as well as governmental enterprises. The reality is that Ord, Valley County, and many other rural communities are losing their traditional manufacturing industries. Interestingly, in 2000 Valley County has an unemployment rate of just 2.1 percent, yet still, the community’s per capita income was only $14,996. This fact highlights the problem of underemployment within the community.

Moreover, rural communities are losing their residents. In fact, Ord, Valley County, lost 10 percent of their population in the 1980s. Rural communities are

finding it increasingly difficult to retain their young adult populations. The smallest population cohort in Valley County is that of the 15 to 24 year olds. Not surprisingly, this cohort also contains the highest out-migration rate. In 2000 Valley County lost 62.5 percent of its 1990 total 15 to 24 age-group cohort.\textsuperscript{79} That this rural community is steadily losing its youth population is alarming, giving rise to the need for an economic development program that is tailored to fit this community. The community had to find ways to bring those youth who leave for college back, for this generation is Valley County’s future.

Ord, Valley County is the quintessential rural community. The problems it has sought to address are the problems that rural communities in America have endured for generations. Members of this community realized they must tackle economic decline, poverty, and underemployment. They found that investing in their community through philanthropy and entrepreneurial development was a feasible avenue for economic development.

**How Did this Strategy Evolve?**

In 1999, the Valley County community was deteriorating. Community confidence in the future was dimming as the population decreased. However, there was still hope in the minds of community leadership and two individuals. Former residents, John and Alyce Wozab, believed in their community and they bequeathed $1.2 million to Valley County. This one philanthropic act led to a new strategy for entrepreneurial economic development, one that combines philanthropy, entrepreneurship, and institutional collaboration to create hometown competitiveness.

The Valley County Community Foundation was created with the Wozab grant. In 2000, the funding was utilized to create the Valley County Economic Development Council. This council was charged with developing economic development strategies benefiting the community at large. Local leaders understood that it was necessary to capture leakage of wealth experienced by the community. Led by attorney Bob Stowell, the community initially chose an asset-based economic development strategy. However, it became apparent that the small rural community lacked the capacity to create asset-based economic development on its own. Rather, the community needed to collaborate with state, national, and private institutions to develop the best strategy for its economic development.

Programs and Implementation

In 2002, the Valley County Economic Development Council partnered with the Center for Rural Entrepreneurship, the Nebraska Community Foundation and the Heartland Center for Leadership Development to create what is now known as the Hometown Competitiveness Program. Each of these institutions brought valuable expertise and information to Valley County.

- The nonprofit Nebraska Community Foundation, for example, provides assistance to communities that want to create or protect endowments. This institution was instrumental in the development of the Valley County Community Foundation.

- The Heartland Center for Leadership Development, another nonprofit agency, is concerned with cultivating future leadership in rural Nebraska. This organization stresses the need for local leadership to develop the capacity for sustainable communities. The center focuses on community planning, evaluation, and citizen participation to develop a workable community plan. The Heartland Center also provides leadership training for local economic developers interested in utilizing entrepreneurship as an economic development strategy.

- The Center for Rural Entrepreneurship was the key institution that enabled the vision of hometown competitiveness to reach fruition. The Center for Rural Entrepreneurship utilized its extensive entrepreneurial resources to assist Valley County in developing an appropriate economic development plan and facilitated implementation of an entrepreneurial systems approach in Valley County.80

This group developed a game plan for entrepreneurial economic development that centered around three fundamental elements:

1. Empowering local entrepreneurs to build new community-based wealth
2. Building new and expanded leadership and community capacity
3. Local wealth retention through building community-based endowments.81

---


Entrepreneurship. The council targeted the intergenerational (i.e., parent to children) transfer of small business as well as companies with the capacity for larger markets and break-through appeal. These two targets were developed through a survey of local firms. Narrowing down to two calculated endeavors, the community could balance its capacity for development with its need for sustainability. This was accomplished through implementation of the grants to business funded through the original endowment. The services of the Nebraska EDGE (Enhancing, Developing and Growing Entrepreneurs) facilitated entrepreneurial training and workshops. The Center for Rural Entrepreneurship also provides ongoing assistance to local entrepreneurs to foster the transfer of these businesses to future generations.

Wealth Transfer. The VCEDC set guidelines to capture 5 percent of the total community wealth transfer over 10 years. This endowment enabled the county to finance its long-term economic development strategy. Furthermore, the community established a Founder’s Club in which members made gifts of $1,000 to assist in the wealth retention of the community. This program was so successful that it captured $37,000 in just two weeks. According to Nancy Glaubke, Business Development Director of Valley County, former residents from around the country are also investing in the Founder’s Club. The community’s current endowment has surpassed $7 million.

Leadership. In August 2002, the VCEDC created leadership training for Valley County that focused on inclusion. According to Nancy Glaubke, the Leadership Quest program was implemented to foster adult and youth leadership. This program creates networking opportunities for community members while also cultivating avenues for effective community development and entrepreneurial networking. This nine-month program, funded through the Economic Development Office of Valley County teaches “…participants…about themselves and their community, [to] develop and practice new skills, and [to] recommit to work to build a better community.”

Outcomes and Results

The Hometown Competitiveness program in Ord and Valley County, Nebraska illustrates a promising approach for rural entrepreneurial economic development. According to personal interviews with both Don Macke, director of the Center for Rural Entrepreneurship, and Nancy Glaubke of the Business Development Office, the community has seen positive changes.

Measuring up: As can be seen in the Entrepreneurial Community Scorecard (see below), the community has achieved beneficial results in the short five years since the Hometown Competitiveness program was adopted. According to the interviewees, the community has developed a supportive infrastructure for its entrepreneurs. This is evidenced by the many training and investment workshops provided through the VCEDC. Also, the community has convinced the local school district to teach entrepreneurship as a fundamental part of it’s curriculum. This has contributed to the growth of an enabling community culture in Valley County for entrepreneurship. However, the community still needs to work on its networking capabilities as well as governmental receptiveness to entrepreneurship. Nancy Glaubke noted that the local government is “ultra conservative,” and this fear of change and lack of risk-taking has hampered attempts at a holistic entrepreneurially friendly community.

Valley County has tried to address diversity within its leadership and community, realizing that it needs to include a diverse citizenry (age, gender, income) to advance economic development because they all could have potential to become entrepreneurs. Consequently, the leadership has participated in diversity training seminars. This effort has already benefited the community. In fact, the first woman was elected as County Commission supervisor this year. Also, the purposeful inclusion of youth has convinced 20 college students to return home during the summer to work as opposed to remaining at their respective campuses. These students have found summer employment opportunities that were not available to them previously.\(^84\) It is evident that the intentional inclusion of underrepresented groups in this community has benefited and will continue to benefit the economic development outcomes of Valley County and the city of Ord.

Although the community knew that its local economic development efforts were succeeding it was unaware that these efforts would be widely recognized. As a matter of fact, the community was recently profiled in a *New York Times* article about the future of rural America. The article highlighted that Ord has been able

<table>
<thead>
<tr>
<th>Entrepreneurial Community Scorecard:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Diverse sources of capital:</td>
</tr>
<tr>
<td>2. An enabling community culture:</td>
</tr>
<tr>
<td>3. Networking:</td>
</tr>
<tr>
<td>4. Supportive infrastructure:</td>
</tr>
<tr>
<td>5. Entrepreneur-friendly government:</td>
</tr>
<tr>
<td>6. Fostering entrepreneurship education:</td>
</tr>
<tr>
<td>SCALE: 0- Not applicable, 1- Poor, 2- Fair, 3- Excellent</td>
</tr>
<tr>
<td>NOTE: Scores provided by community members through personal interviews</td>
</tr>
</tbody>
</table>

\(^{84}\) Nancy Glaubke, Personal Interview.
to entice young professional in-migration because of its development program. Furthermore, this publicity has caused greater investment by outside professionals.

According to Don Macke, the culture of the community has gone from one of “panic” to what he terms as a fulfillment of the “hope equation” in which the community has found its worth and hope for the future. He asserts that the community has become more sophisticated and proactive. This can be seen in the community’s securing of an ethanol plant. This plant is significant for many reasons. First, it is partially owned by a Valley County-based firm. Second, it has enabled secondary businesses to relocate to Valley County. Third, it will add 35 jobs and enable spin-off business development. The plant will utilize the community agricultural industry, thereby creating an additional avenue for business for local entrepreneurs. All in all, Mr. Macke found the activities in Valley County to be the result of an “impressive rally” that signifies the “emergent capacity” of this rural community.

Valley County utilized its philanthropic and entrepreneurial strength to achieve many successful outcomes. These tangible outcomes include, but are not limited to:

- Community philanthropy goal reached at 103 percent of the wealth transfer retention goal
- Entrepreneur and leadership training for youth and adults
- Business transfer strategies
- 80 new jobs
- In-migration of young professionals
- Per capita income increase
- 2005 Nebraska Governor’s Showcase Community Award

Although significant change has occurred due to implementation of the Hometown Competitiveness Program, Valley County still has work to do. Essentially, this program has no end, because it requires continued support and maintenance by the locale. Furthermore, the community has learned that the entrepreneurial development strategy requires more of a regional focus than first envisioned. The county has realized that its efforts will be more successful if surrounding counties are also thriving. Yes, the community has achieved a great revival, but Don Macke concedes that its leadership should not become overly confident. In other words, the community needs to find a

87 Ibid.
88 gathered from Valley County Economic Development Web site: www.ordneusa.com
sustainable “balance between its capacity for development and ultimate strategic objective.”

Lessons Learned and Conclusions

Since implementation of the Hometown Competitiveness pilot project, this model has been modified and exported to other Nebraska communities. The Center for Rural Entrepreneurship has redeveloped the plan to be based on key pillars for success. These pillars are derived from the original “three-pronged approach,” but have been reformatted to improve accessibility and comprehension for local economic development planners. The pillars include (1) attention to entrepreneurship, (2) youth attraction, and (3) wealth transfer retention. This new framework for rural entrepreneurial economic development has the ability to be adapted by rural communities across the United States. By focusing on asset-based economic development with special attention to entrepreneurship, rural communities can find renewed hope for the future.

“This project offers hope for communities being swept away by change. By targeting leadership and community capacity building with focused entrepreneurship efforts, and encouraging local philanthropy to support ongoing economic and community capacity building, communities can escape being swept away and build for themselves a successful future.”

For More Information

Communities interested in this approach to local economic development will find the following Web sites helpful:

Center for Rural Entrepreneurship:  Heartland Center for Leadership Development:
www.ruraleship.org  www.heartlandcenter.info
www.energizingentrepreneurs.org

Nebraska Community Foundation:  Ord and Valley County
www.nebcommfound.org  www.ordneusa.com

*Special thanks to Don Macke, director of the Center for Rural Entrepreneurship, and to Nancy Glaubke, business development director for the Valley County Economic Development Office. Their insights proved highly valuable in the completion of this case study.

---

89 Don Macke, Personal Interview.
The Appalachian Economic Network

Remove territorial boundaries and become collaborators – not competitors. Nothing happens until you make it happen.

*June Holley, ACEnet CEO and Founder, 2004*

**ACEnet’s Mission Statement:**

ACEnet uses a sectoral network strategy, currently focusing on the food and technology sectors of the economy. In each sector, ACEnet staff provides basic services that businesses need to start, expand, and create quality jobs. At the same time, staff encourages entrepreneurs to network with each other, sharing information and generating joint ventures (such as buying supplies together) that enable them to enjoy economies of scale typical of much larger businesses.92

**How Did this Strategy Evolve?**

In 1985, June Holley founded the Appalachian Center for Economic Networks (ACEnet) as a nonprofit community and economic development organization to address high unemployment in southeastern Ohio (see figure 1). Remote rural areas had little hope of attracting outside employers to fill the void left by the mining industry’s decline in the late 1970s. Something had to be done on the grassroots level if the local quality of life was to improve.

**Figure 1: Area Unemployment rates**

<table>
<thead>
<tr>
<th>Area</th>
<th>1985</th>
<th>2004</th>
<th>Change 1985-2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Athens County</td>
<td>8.7</td>
<td>6.2</td>
<td>-2.5</td>
</tr>
<tr>
<td>Hocking County</td>
<td>13.9</td>
<td>7.7</td>
<td>-6.2</td>
</tr>
<tr>
<td>Meigs County</td>
<td>13.3</td>
<td>10.8</td>
<td>-2.5</td>
</tr>
<tr>
<td>Morgan County</td>
<td>12.9</td>
<td>10.4</td>
<td>-2.5</td>
</tr>
<tr>
<td>Noble County</td>
<td>14.3</td>
<td>8.5</td>
<td>-5.8</td>
</tr>
<tr>
<td>Perry County</td>
<td>16</td>
<td>8.8</td>
<td>-7.2</td>
</tr>
<tr>
<td>Vinton County</td>
<td>16.7</td>
<td>8.6</td>
<td>-8.1</td>
</tr>
<tr>
<td>Washington County</td>
<td>11.5</td>
<td>6.3</td>
<td>-5.2</td>
</tr>
<tr>
<td>ACEnet Service Area</td>
<td>12.3</td>
<td>7.6</td>
<td>-4.7</td>
</tr>
<tr>
<td>Ohio</td>
<td>8.9</td>
<td>6.1</td>
<td>-2.8</td>
</tr>
<tr>
<td>U.S.</td>
<td>7.2</td>
<td>5.5</td>
<td>-1.7</td>
</tr>
</tbody>
</table>

Ms. Holley was a community member in Athens, Ohio who initiated a series of community dialogues in 1984 to discuss what residents could do locally to improve the quality of life in Appalachian Ohio. The Worker Owned Network (later known as ACEnet) was formed after community members spent a year studying successful worker-owned cooperatives, including Spain’s Mondragon region. It established an eight-county regional service area including Athens, Hocking, Meigs, Morgan, Noble, Perry, Vinton, and Washington counties in Ohio. Its aim was to help low-income individuals start worker-owned businesses. Holley worked for a year without pay until she received funding from government and nonprofit partners. Although supporting agencies have changed throughout the years, ACEnet has been funded by a combination of public and private sources including the Ohio Department of Development, the Appalachian Regional Commission, the United States Departments of Commerce and Agriculture, the Kaufman Foundation, the Institute of Local Government and Rural Development, and Ohio University, which is located in Athens.

By 1989, ACEnet had helped start 10 worker-owned cooperatives. This was a start, but staff looked to other economic development strategies that would help generate new businesses in greater numbers. ACEnet staff learned about how the Emilia-Romagna region of northern Italy utilized flexible manufacturing networks (FMNs) as a means to develop micro-enterprises, or small businesses of one to five workers. Under this approach, businesses are clustered into cooperative networks so they may collaborate. Resources can be shared and collaboration can be facilitated to tackle problems common to business owners.93 ACEnet adopted this approach to economic development and began focusing on developing a specialty food industry cluster. It would later develop a technology cluster as well.

Today, ACEnet has grown into the driving force behind community development in Appalachian Ohio. In 2005, ACEnet had an operating budget of $1.2 million and a staff of 13. In 2004, total population for ACEnet’s eight-county service area was 255,242, with an average population by county of about 32,000. In 2004 alone, ACEnet created 140 jobs, assisted 301 entrepreneurs, facilitated 63 startup businesses, and increased client sales 67 percent over 2003.94 June Holley still serves as the organization’s CEO.

What makes the ACEnet approach to local economic development innovative is its sectoral network focus, which links entrepreneurs to resources in targeted industries. Under this model, success is defined not only by the number of jobs created, but also by the number of partnerships and relationships formed. ACEnet is a technical advisor and a broker, linking business owners together so they may pool their resources to reduce costs.

As shown in Figure 2, the Appalachian Regional Commission (a federal and state government partnership devoted to raising the standard of living in Appalachia) classified three counties in the ACEnet service area as “distressed” based on per capita income and unemployment and poverty rates.

Clearly, more work needs to be done. At the same time, the region has seen great economic improvement given its limited resources. This case study will explore how ACEnet’s strategies and programs are working to foster local entrepreneurship to improve Appalachian Ohio’s regional economy. Program outcomes and lessons learned will also be discussed.

**Programs and Implementation**

Structurally, ACEnet is organized into three endeavors: (1) Food Ventures, (2) Technology Ventures, and (3) ACEnet Ventures (financing).

---

**NOTE:** The increase in sales was largely due to local food businesses landing contracts with national chain supermarkets.
Food Ventures: According to the United States Department of Agriculture, the organic and natural food industry grew at an annual rate of at least 5 percent between 1990 and 2000. The industry boasts annual sales of more than $50 billion per year in the United States. In particular, the Midwest is one of the fastest growing markets for natural foods. Because of the area’s farming activity, ACEnet’s staff identified this as an industry compatible with the region’s existing assets. Furthermore, there are fewer barriers to entry into the natural and organic foods market than mainstream or mass produced foods market. Less start up capital is required and the products rely on their quality and packaging rather than expensive advertising campaigns. Large-scale food producers exert less control over the natural and specialty food market, lowering the barriers of entry into the market for smaller firms.

ACEnet’s food ventures help local entrepreneurs capitalize on the high growth of specialty and natural food sectors through technical assistance. Local entrepreneurs starting food production businesses face many challenges, including identifying industry trends and potential markets, navigating through food regulations, obtaining UPC labels, qualifying for organic certification, and learning general marketing and business skills. ACEnet mitigates these challenges to growing local micro-enterprises through training, networking, and technical assistance. The following table outlines how ACEnet assisted two local businesses: The Polly Baker and Toad Ranch Salsa.

Table 1: ACEnet's Assistance to Two Entrepreneurs (2000)

<table>
<thead>
<tr>
<th>Business</th>
<th>Prior Business Status</th>
<th>ACEnet Assistance</th>
<th>Current Business Status</th>
</tr>
</thead>
</table>
| Toad Ranch Salsa | - Employees: Two part time  
- Sales: Couldn't sell the first batch of pickled peppers  
- Markets: Flea markets, local stores, a catalogue | - Startup loan  
- Technical assistance on financial management  
- Collaborated on local pepper festival  
- Provided mentoring, training, and supplies to other clients | - Employees: Six part time, and self full time  
- Sales: $326,000 in 1999  
- Markets: Regional Kroger |

96 Ibid. (page 46).
In 1996, ACEnet Food Ventures opened a kitchen incubator. This fully licensed food processing facility provides entrepreneurs with access to equipment and space at a low cost. The facility has 8,700 square feet of incubator space plus 3,200 square feet of warehouse in Athens. The incubator contains shared kitchen space, 10 offices, two loading docks for shipping and receiving, conference and training rooms, retail space, food storage (including frozen, refrigerated, and dry), resource library, and a computer center. By 1998, it had an estimated annual income of $78,000 from rents ranging from $7 to $20 per hour.

The incubator costs $1,063,400 to construct. Funding was obtained from various sources including the United States Department of Agriculture, the Charles Stewart Mott Foundation, the Ohio Department of Development, Community Development Finance Fund, Hocking Valley Bank, and Ohio Department of Agriculture, and through equipment donations and local contributions.97

To support entrepreneurs using the kitchen incubator ACEnet provides assistance with product development, access to capital, business planning, and marketing and distribution through networking, workshops, mentoring, and one-on-one counseling.

---

**Technology Ventures:** In the fall of 1997, ACEnet developed the Student Entrepreneur Training (SET) Program to foster computer, business, and entrepreneurship skills in high school students. Local students gain computing skills by (1) using word processing and spreadsheet programs, (2) learning Web design, and understanding database management. SET offers four types of courses in the community. The first, SET Standard, is a one year in-school course that teaches students entrepreneurship by having them set up their own mock businesses. The second, SET Pro, is a two-year course that builds on the first year of SET Standard. In the second year, students receive mentoring and specialized assistance to further develop their mock businesses. Their work can be applied after graduation to start these businesses in the real world. The third, SET Best, offers courses for existing businesses that need technical assistance. And the fourth, SET Office, assists the region’s teachers implement the SET curriculum in their classrooms. SET advisors observe training in classrooms, provide feedback, and help with lesson plans. Each participating school also receives equipment for a computer lab that can accommodate 15 students. In the 2003-04 academic year, 15 high schools participated in the Student Entrepreneur Training Program in five counties. In 2002, the Appalachian Regional Commission awarded the SET program an *Appalachian Youth Entrepreneurship Education Springboard Award* for outstanding support of youth entrepreneurship.

ACEnet also runs the William T. Wood Community Technology Center in Athens County, which offers free computer and Internet access to regional residents. Inexpensive workshops are offered to develop computing skills in Appalachian Ohio’s residents. The lab is equipped with printers, fax machines, scanners, and 12 desktop computers. It is part of a network of Community Technology Centers found throughout the region in local high schools and libraries.

Finally, ACEnet has a Technology Ventures Business Incubation Center that provides inexpensive office space to the region’s entrepreneurs. High-speed Internet, technical assistance, copiers, phones, and fax machines are made available to tenants. The 11,400-square-foot Tech Ventures incubator was opened in 1991, and has graduated 31 businesses and currently has eight tenants.

**ACEnet Ventures:** Established in 2000, this lending subsidiary of ACEnet provides capital to small-business owners and entrepreneurs in 27 counties in Appalachian Ohio, Kentucky, and West Virginia. According to the Community Development Venture Capital Alliance, the fund received $711,607 at the end of

---

88 Appalachian Economic Network. (2005). Accessed online at: [www.acenetworks.org](http://www.acenetworks.org) on December 1, 2005

2001, with the goal of capitalizing $5 million by 2004. Loans ranging from $2,000 to $100,000 have been made to local businesses that (1) will create jobs, (2) are within the 27 county region, and (3) can meet the outlined repayment terms.\textsuperscript{100}

Partners for the Common Good, a capital firm investing in ACEnet, notes that ACEnet’s lending is expected to generate jobs for the region. ACEnet’s flexibility and willingness to take on higher-risk borrowers give local entrepreneurs many choices for financial assistance.

\textit{During the next five years, ACEnet expects the fund to make 180 investments that are projected to create more than 1,500 high-quality jobs in Central Appalachia...ACEnet offers a wide variety of capital products and services that are informed by the fund’s specialized understanding of the food and technology sectors. ACEnet invests where risk is too high for banks and other traditional lenders. Additionally, its loans can be structured as venture capital to support expansion when additional debt payments are prohibitive to sound small business growth. ACEnet also offers delayed payments of principle and/or participation fees to increase flexibility of loan repayment.}\textsuperscript{101}

Technical assistance is also provided by ACEnet Ventures. Services provided to borrowers include developing business and marketing plans, developing new product lines, employee training, accounting assistance, and developing personnel policies.

\textsuperscript{100} Appalachian Economic Network. (2005). Accessed online at: www.acenetworks.org on December 10, 2005
Measuring up: The Appalachian Center for Economic Networks’ Entrepreneurial Community Scorecard is very strong. All six methods received excellent marks from Chica Salerno, ACEnet’s Food Ventures Administrator. Capital sources, networking, supportive infrastructure, and entrepreneurship in education have all been discussed. Clearly, ACEnet is strong in these areas. Ms. Salerno stated that ACEnet’s biggest impact on creating an “entrepreneur-friendly” government is assisting entrepreneurs to navigate through federal Food and Drug Administration guidelines and regulations. Furthermore, she stated that ACEnet’s achievements over the past 20 years are a testament to the fact that local residents are willing to take risks and are open to change. Ms. Salerno noted that the area is infused with the entrepreneurial spirit and ACEnet’s networking and technical assistance bolster success.\textsuperscript{102}

Outcomes and Results

In the 2004, ACEnet had an operating budget of $1.2 million and a staff of 13. During 2004, the nonprofit created 140 jobs, assisted 301 entrepreneurs, facilitated 63 startup businesses, and increased client sales 67 percent over 2003. As shown in Figure 1, between 1985 and 2004, the eight-county ACEnet service area’s average unemployment rate declined 4.7 points from 12.3 percent in 1985 to 7.6 percent in 2004. This figure still exceeds unemployment rates for Ohio (6.1 percent) and the nation (5.5 percent), but the gap is closing. Although the region’s poverty rates remain high as well, there have been positive results from ACEnet’s micro-enterprise development.

Food Ventures: According to the Appalachian Regional Commission (ARC), the kitchen incubator has had four graduates since 1996. Although this graduation rate is relatively low, the incubator continues to provide inexpensive processing, preparation, and storage space for regional food entrepreneurs. Between 1995 and

\begin{table}
\centering
\begin{tabular}{|l|c|}
\hline
\textbf{Entrepreneurial Community Scorecard} & \\
\hline
1. Diverse sources of capital: & 3 \\
\hline
2. An enabling community culture: & 3 \\
\hline
3. Networking: & 3 \\
\hline
4. Supportive infrastructure: & 3 \\
\hline
5. Entrepreneur-friendly government: & 3 \\
\hline
6. Fostering entrepreneurship education: & 3 \\
\hline
\end{tabular}
\end{table}

\textsuperscript{102} Salerno, Chica (2005). Food Ventures Administrator for ACEnet. Personal Interview December 1, 2005
2001, ACEnet’s Food Ventures helped more than 100 businesses get started, bringing some 300 jobs to the region. While no formal evaluation of this effort has been conducted since 2000, ACEnet’s food venture continues to be the backbone of the organization. At any given time, the kitchen incubator serves about 80 active clients, half of which the staff describes as “growth oriented.”

It also introduced local specialty food products into grocery stores (e.g., Kroger and Wild Oats) under the Food We Love brand.

**Technology Ventures:** According to a 1999-2000 evaluation of Student Entrepreneur Training (SET) Program performed by the ARC (which provided a $50,000 grant for the program), 26 students graduated from the SET program from two area schools. Of these students, two went on to start computing consulting businesses, eight are now employed in the information technology sector and 14 attended college.

In 2001, ARC awarded the Appalachian Youth Entrepreneurship Education Springboard Award for outstanding support of youth entrepreneurship. Between 1997 and 2001, the SET program has served over 230 students in 14 schools. No formal evaluation has been performed since then, the program has continued to expand and grow.

**ACEnet Ventures:** According to ACEnet Ventures, its lending program has been successful. Over the next five years, ACEnet hopes to make 180 investments, “enabling 50 firms to move from a half million to $5 million in sales, and another 50 to grow substantially but less rapidly. This growth will create more than 1,500 new, high-quality jobs in our region. The fund staff will work closely with the businesses to ensure that the jobs created include benefits and career advancement opportunities through training for low-income community members.”

Furthermore, the fund has enjoyed a relatively low default rate, allowing it to continue to offer flexible financing to higher-risk borrowers.

---

103 McVay, Mary and Hirschland, Madi. (page 44).
Lessons Learned and Conclusions

ACENet has had powerful impacts on Appalachian Ohio, both directly through job creation and indirectly through community building and bolstering pride and empowerment in local residents. The successes of ACENet have been illustrated here, but these successes did not come without lessons learned.

Food Ventures Lessons: The kitchen incubator has been a learning experience for ACENet. This expensive development cost nearly $1 million build. ACENet has learned that the storage and the office space components of the incubator are very marketable. They also provide a steadier stream of income than does the rentable kitchen space. ACENet staff has also learned that, in general, an incubator is more effective when developed along with an overall economic development strategy. ACENet has done this well by developing its specialty food cluster through its sectoral network strategy. ACENet has learned that the kitchen incubator acts as a networking hub and has complemented and strengthened its overall economic development strategy.108

Technology Ventures Lessons: ACENet has learned that many local residents want to learn basic computing and business skills. Its workshops are well-attended and its computing center is used frequently. Prior to ACENet’s Technology Ventures, many residents simply lacked access to resources that would allow them to learn such skills. Although this cluster is less developed and has seen less immediate successes than ACENet Food Ventures, the effects of its entrepreneurship in education program will take time to realize. Preliminary evaluations have indicated that graduates of the SET program are using their entrepreneurial skills to find jobs and start businesses of their own.

ACENet Ventures Lessons: Many lessons have been learned at ACENet Ventures. According to a 2000 Aspen Institute report on the Appalachian Center for Economic Networks, some of these lessons include:

- View the loan fund as a venture capital fund. Be willing to take risks and expect some failures and some higher returns.
- Use due diligence when reviewing borrower applications including credit checks and risk assessments.
- If royalty agreements are used, make them for at least five years. Investments usually cannot be recouped in less time than that.
- Require clients to submit financial statements.

• Provide technical assistance more characteristic of a venture fund than a loan fund.109

Finally, ACEnet has published several guides to help other communities and regions develop a specialty food cluster. In particular, the 1998 ACEnet Replication Manual is a thorough guide and is available through ACEnet’s Food Ventures for $25. Other publications and resources are listed on ACEnet’s Web site at www.acenetworks.org.

109 McVay, Mary and Hirschland, Madi. (page 31).
Georgia’s Tri-County Regional Support Team

Toombs, Tattnall, and Montgomery counties occupy a contiguous area of 1,096 square miles in south Georgia. It is a sparse area, with a total population of 58,739 in 2004. Each county’s economy is unique in relation to the other two, but they all share some common characteristics as well. In 2002, the largest industry in Montgomery and Toombs was the service industry, while government filled that role in Tattnall. In that same year Tattnall County was the only one within the Tri-County Region that had agriculture listed as one of the top three active industries. What the Tri-County Region shares as a common dilemma is the decline of its manufacturing base. Table 1 shows the decline in manufacturing jobs that the Tri-County Region suffered between 1998 and 2002. Montgomery was the only one that showed slight gains, while Tattnall suffered dramatic decreases in the percentage of its population engaged in manufacturing.

Table 1

<table>
<thead>
<tr>
<th>Pct. of Employment in Manufacturing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toombs</td>
</tr>
<tr>
<td>23.9 percent</td>
</tr>
<tr>
<td>20.8 percent</td>
</tr>
<tr>
<td>19.2 percent</td>
</tr>
<tr>
<td>Montgomery</td>
</tr>
<tr>
<td>15.5 percent</td>
</tr>
<tr>
<td>17.2 percent</td>
</tr>
<tr>
<td>16.8 percent</td>
</tr>
<tr>
<td>Tattnall</td>
</tr>
<tr>
<td>18.5 percent</td>
</tr>
<tr>
<td>2.2 percent</td>
</tr>
<tr>
<td>1.8 percent</td>
</tr>
<tr>
<td>Georgia</td>
</tr>
<tr>
<td>16.7 percent</td>
</tr>
<tr>
<td>14.1 percent</td>
</tr>
<tr>
<td>13.3 percent</td>
</tr>
</tbody>
</table>

Like many rural areas facing the loss of an industry, on which the residents relied for quality jobs and income, the Tri-County Region began a strategy of finding new manufacturing plants to replace the old ones. Their recruitment efforts were not producing results that they hoped for, leading directly to a process of looking inward and rethinking their economic development strategy.

The case study presented below comes primarily from an interview with David Yarbrough, the Tri-County Region Enterprise Facilitator. He has been involved with the process of creating a viable entrepreneurial community in Tattnall, Toombs, and Montgomery since the initiative began in January 2002.

112 State of Georgia Department of Community Affairs: Georgia Snapshots, Community Profiles; Montgomery, Tattnall and Toombs County.
113 DataPlace by Knowledgplex.
How Did this Strategy Evolve?

In the late 1990s, the economic conditions in the Tri-County Region were bleak. Toombs and Montgomery counties had an especially high unemployment rate at 9.7 percent and 8.6 percent, respectively. All three counties shared a poverty rate exceeding 20 percent (see Table 2).

Table 2

<table>
<thead>
<tr>
<th>Percent Pop. living below Federal Poverty Level for</th>
<th>Montgomery, Toombs and Tattnall Counties, 1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>Montgomery</td>
</tr>
<tr>
<td></td>
<td>23.3 %</td>
</tr>
</tbody>
</table>

As a response to these and other factors, Toombs and Montgomery began a collaborative effort to promote entrepreneurship as a parallel economic development strategy to industrial recruitment. Concerns about this new strategy were allayed by the fact that two-thirds of their current businesses had been started by local entrepreneurs. Too, many of these businesses had begun several years ago, but they were still operational and committed to hiring local employees.

The parallel aspect is important because the cultural mindset was still wrapped around recruiting industry to the area. That’s the approach people were comfortable with. They had grown up with industry and understood its value. They had a hard time understanding that an entrepreneurial support system could be just as valuable in the long run and quite possibly more sustainable.

The original actors involved were the development authorities of Toombs and Montgomery counties, Southeastern Technical College, Georgia Tech’s Economic Development Institute, the Regional Chamber of Commerce, Georgia Rural Economic Development Center (GREDC) at East Georgia College, the Small Business Development Center, and local entrepreneurs.

David Yarbrough singled out Allen Rice, president of Savannah Luggage, as being instrumental in instigating this process. The latter is a local entrepreneur who currently serves in a leadership role as President of the Support Team’s Executive Committee. Southeastern Technical College had multiple reasons for

---

114 Georgia Department of Community Affairs. State of the State’s Regional Housing Report.
115 State of Georgia Department of Community Affairs: Georgia Snapshots, Community Profiles; Montgomery, Tattnall and Toombs County.
joining the coalition. In addition to having an interest in community outreach, 25 percent of the school’s graduating class went on to start their own businesses, and the college wanted to provide more services to them in the future. The stage was now set for more concrete action.

**Programs and Implementation**

Some of Toombs’ and Montgomery’s initial motivation came from a visit to Littleton, Colorado, where they met with Christian Gibbons, director of that city’s Department of Business/Industry Affairs, and saw what an entrepreneurial community looked like in action.

Subsequently, local leaders established their organizing structure. The Tri-County Regional Support Team is composed of two committees. An Executive Committee meets monthly and is composed of 10 to 11 people who guide the actions and overall direction of the organization. An Advisory Committee meets quarterly, and is made up of 50 to 60 people who help promote the Support Team’s mission within their communities. Both committees are essential to enlisting community, business, and political backing for the Support Team.

A startup kit was created in August 2002 and was placed on the Toombs-Montgomery Chamber of Commerce Web site. The Web site provides a list of services for new business owners, the benefits of using the startup kit, a guide to creating a business plan, a description of a mentoring program, and a list of resources for entrepreneurs. The Support Team also began to develop additional marketing methods for its programs. This was done both as an effort to recruit potential entrepreneurs and as a way of educating the greater community as to why this strategy of economic development was important.

Although the Support Team was compiling lists of service providers for new clients, David Yarbrough remembers this as a time when a lot of talk and little action was taking place. Much of this was due to the embedded culture that viewed economic development as a top-down initiative. Over the first two-and-a-half years, it was a tremendous struggle to convince community residents, business leaders, lending institutions, and political leaders that this effort was a viable form of economic development, and that adequate time and resources should be devoted to it.

A breakthrough occurred in mid-2004 when Tattnall County joined with Toombs and Montgomery and created a truly regional collaborative effort.

---

This was as much a culture change for Tattnall County as it was for the entire region. Until this time Tattnall County’s own community divisions were creating an economic crisis and stood as the county’s biggest challenge to overcome\(^{117}\). One of the specific problems was that the county lacked a clear economic development leader, with municipalities competing with one another. A 2002 report by Georgia Tech’s Economic Development Institute recommended creating a point person who could coordinate economic development activity across the county. This was eventually done, with the Tattnall County Development Authority as the central organizing body\(^ {118} \).

### Entrepreneurial Community Scorecard:

<table>
<thead>
<tr>
<th>Component</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Diverse sources of capital</td>
<td>1.50</td>
</tr>
<tr>
<td>2. An enabling community culture</td>
<td>2.80</td>
</tr>
<tr>
<td>3. Networking</td>
<td>2.00</td>
</tr>
<tr>
<td>4. Supportive infrastructure</td>
<td>2.50</td>
</tr>
<tr>
<td>5. Entrepreneur-friendly government</td>
<td>2.25</td>
</tr>
<tr>
<td>6. Fostering entrepreneurship education</td>
<td>1.50</td>
</tr>
</tbody>
</table>

SCALE: 0- Not applicable, 1- Poor, 2- Fair, 3- Excellent
NOTE: Scores provided by community members through personal interviews.

The single most important development in the growth of the Tri-County Regional Support Team was the addition of David Yarbrough as the enterprise facilitator. His position involves cultivating, building and supporting entrepreneurs from their first ideas to the expansion of their businesses. It is about providing resources, networking opportunities, and showing people that they can rely on the Support Team process for long-term success. The enterprise facilitator builds confidence, trust, and relationships and carries the powerful responsibility of acting as an intermediary between all the different parties. Most significant, the creation of the enterprise facilitator position was the first time that the three counties devoted a full-time resource to their economic development strategy.

Yarbrough is now coordinating the logistics of the Support Team’s various programs, building long-term relationships with local small-business owners, and ensuring that each new potential entrepreneur is aware of the entire array of services at his or her disposal.

\(^{117}\) Recommendations for a Strategic Plan for Economic Development for Tattnall County, Georgia.  
\(^{118}\) Joy Wilkins
Outcomes and Results

As a result of the Support Team’s efforts more people are learning about what the tri-county area’s programs can do to help them, more materials are being distributed, and more business are being started. Table 3 shows the difference in the rate of accomplishments during the first two years and throughout this past year.

Table 3. Results of Tri-County Regional Entrepreneurial Support Team

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Start-Up Kits Distributed</th>
<th>Interviews Conducted with Potential New Business Owners</th>
<th>Business Start-Ups/Expansions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 02 – July 04</td>
<td>83</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Jan 05 – Nov 05</td>
<td>142</td>
<td>67</td>
<td>17</td>
</tr>
</tbody>
</table>

In addition to these direct results, several indirect or inadvertent impacts have emerged as well. The most important indirect impact has been the cultural change accompanying this process in the Tri-County Region. According to David Yarbrough, entrepreneurship as a form of economic development is slowly being seen as a practical solution to the lack of available manufacturing jobs. This acceptance has paved the way for committing more resources toward this endeavor and has offset the lack of action seen during the first two-and-a-half years.

Two of the most important inadvertent outcomes have been (1) the inclusion of entrepreneurship in the Southeastern Technical College’s curriculum, and (2) gaining the Entrepreneur Friendly Community designation from the state of Georgia. The main focus of including entrepreneurship in education has been at the middle school level, but there is an interest in expanding it to high schools. It is at the high school level where community leaders believe they can harness some of the students’ ideas and teach those students how to transform their ideas into an actual businesses.

The Entrepreneur Friendly Community designation was awarded in June 2005. The most tangible result of this was a survey of current entrepreneurs in the Tri-County Region conducted by the state of Georgia for the Support Team. Among other things, the survey found that:

---

Tri-County Regional Entrepreneur Support Team PowerPoint Presentation
• 75 percent had post-secondary education (college, grad school, tech college):  
  This indicated the importance of linking education to developing an entrepreneurial community.

• Entrepreneurs felt knowledge of business management and marketing were the most important skills needed when starting a business:  
  This gave the Support Team a clear strategy in its efforts to recruit support service providers and mentors.

• Most businesses were financed from personal savings and local banks:  
  This indicated a need for alternative sources of capital.

• Many businesses were considering expansion and new products, but few were considering new markets and additional distribution:  
  This indicated the Support Team could assist existing businesses by providing them with technical support and information about expanding into new markets.

• More than 90 percent of entrepreneurs surveyed were willing to help others:  
  The Support Team realized what a tremendous asset it had in the current business community.

**Lessons Learned and Conclusions**

David Yarbrough identified two aspects of the Tri-County Regional program that have been essential to continued success: a collaborative approach and a grassroots process.

Currently, not one organization takes the lead in the Support Team’s work. True, Southeastern Technical College makes a considerable effort because it houses and supports the enterprise facilitator. Yet a collaborative effort works better for the Tri-County Region. It cultivates more leadership opportunities and builds greater community buy-in. Furthermore, the Executive Committee is responsible for monitoring the activities of the Support Team on a monthly basis. At each meeting, it receives a report on the number of startup kits distributed, how many new contacts were made, how many entrepreneurs the enterprise facilitator has met with, and any additional developments. The monthly meetings result in a delegation of accountability across various agencies and individuals.

To maintain a grassroots process, the Support Team has also prioritized the inclusion of many existing and new entrepreneurs. This entire effort is geared toward them, and will only succeed if entrepreneurs trust the source of the services they receive. The best way to ensure this is to create a place for them within the overall decision-making of the program.
There have also been some pitfalls, which can be avoided. Not having a dedicated funding stream or full-time employees has hampered the Support Team’s work over the last four years. The initial funding for this endeavor came from donations from a few banks, the development authorities, and Southeastern Technical College. Eventually, local government entities will have to decide whether to commit financial resources toward an entrepreneurial economic development strategy.

Regardless, the model that Toombs, Montgomery, and Tattnall have established should encourage smaller rural areas. Their accomplishments have come about quickly with a very limited investment. The Support Team’s current resources include one full-time employee and a budget of $50,000 to $55,000 over the last two years. Tangible results have been achieved on an almost entirely volunteer basis with very few financial resources required.
Conclusion

One of the best ways for communities to learn about and employ new strategies for their citizens is to see firsthand what different towns, cities and counties are doing. We hope that the case studies presented above offer glimpse of the potential entrepreneurship has as an economic development strategy for rural areas. While every place is unique based upon its own environment and population, the case studies demonstrate that an entrepreneurial community can succeed in the West, Mid-West, Appalachia and the South. Themes that run throughout our case studies and literature review emphasized the importance of the following methods to foster entrepreneurship: (a) introducing entrepreneurship in education, (b) offering diverse sources of capital, (c) engaging successful entrepreneurs to help build an enabling community culture, (d) enabling network growth, (e) providing supportive infrastructure, and (f) cutting red-tape at local governments. Comparing the costs and outcomes of entrepreneurial economic development strategies to those of business recruitment, we found that the former offer a more cost-effective, equitable and sustainable approach than traditional models. As Mary Ellen McClanahan, Director of Georgia’s Entrepreneur & Small Business Office recommends to communities: “focus on what you have to create what you want.” 120 Entrepreneurship offers an ideal method to create stronger economies using resources intrinsic to a community: its citizens and their ideas.

We would be happy to provide you with any additional contact information!

Contact Ellen Anderson at gtg808v@mail.gatech.edu for information on The Appalachian Center Economic Networks (ACEnet).

Contact Jason Chernock at Jchernock@gmail.com for information on the Tri-County Regional Entrepreneurial Support Team.

Contact Alexa Stephens at gth739y@mail.gatech.edu for information on Ord and Valley County, Nebraska.

Contact Melissa Mailloux at gtg046z@mail.gatech.edu for information on Littleton, Colorado.

120 Mary Ellen McClanahan. Interview. September 30th, 2005.
Bibliography


Heartland Center for Leadership Development. www.heartlandcenter.info


Nebraska Community Foundation. www.nebcommfound.org

Ord and Valley County. www.ordneusa.com


Salerno, Chica (2005). Food Ventures Administrator for ACEnet. Personal Interview December 1, 2005


State of Georgia Department of Community Affairs: *Georgia Snapshots, Community Profiles: Montgomery County.* http://www.dca.state.ga.us/snapshots/PDF/Montgomery.pdf

State of Georgia Department of Community Affairs: *Georgia Snapshots, Community Profiles: Tattnall County.* http://www.dca.state.ga.us/snapshots/PDF/Tattnall.pdf
State of Georgia Department of Community Affairs: *Georgia Snapshots, Community Profiles: Toombs County.*
http://www.dca.state.ga.us/snapshots/PDF/Toombs.pdf


Yarbrough, David. Tri-County Regional Entrepreneur Support Team PowerPoint Presentation.