

# Grassroots Rural Entrepreneurship

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**Best Practices for  
Small Communities**

EWING MARION  
KAUFFMAN FOUNDATION



NATIONAL CENTER FOR  
SMALL COMMUNITIES

# Grassroots Rural Entrepreneurship

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## Best Practices for Small Communities

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*Grassroots Rural Entrepreneurship: best practices for small communities*

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# Contents

<b>Introduction</b>	<b>page 1</b>
<b>New Strategy: look within</b>	<b>page 1</b>
<b>The Grassroots Rural Entrepreneurship Award</b>	<b>page 1</b>
<b>Community Profiles</b>	<b>page 2</b>
Fairfield, Iowa	2
Broadway, Virginia	3
Turner County, South Dakota	4
<b>Lessons Learned</b>	<b>page 4</b>
The Need for a Champion	5
Collaboration: Don't Do it Alone	5
Holistic Approach: No Silver Bullet	5
No Sectoral Focus	6
Engage for the Long Haul	6
<b>What Can Local Officials Do to Spur Entrepreneurship?</b>	<b>page 6</b>
Recognition	7
Entrepreneurship Education	7
Networks	7
Seed Capital	7
Workforce Issues	8
Infrastructure	8
Reinventing Government	8
<b>To Sum It Up</b>	<b>page 8</b>
<b>Contacts</b>	<b>page 9</b>
Community Contacts	9
Entrepreneurial Development Resources	9

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# Grassroots Rural Entrepreneurship

## Best Practices for Small Communities

If we could take a time machine back to America's small towns in the 1960s and the 1970s, we would find a relatively prosperous environment. While small towns faced some challenges, many communities enjoyed robust and healthy local economies. Many farmers were prospering, local factories were winning new orders, and small town main streets were full of shops and restaurants.

This prosperity had many causes. For one thing, as the American economy prospered, small towns shared in the wealth. But, success also had other antecedents. Agriculture support payments backed farmers, and communities were able to successfully attract (via tax incentives and the like) manufacturing facilities that sought low cost labor and a small town work ethic. Locally owned and operated institutions, such as small town banks and Main Street businesses, provided another economic anchor.

Fast-forward to 2003: we find that many of these old economic anchors no longer exist or have been greatly weakened. Modernization of agriculture has led to consolidation on the farm. Globalization and new technologies have made it difficult for many manufacturers to maintain operations in the US. Bank consolidations have led to the closure of many local banks, and the rise of Wal-Mart and other big box retailers have made life more challenging for Main Street businesses.

### **New Strategy: look within**

The economic picture for small towns is troubling. But, how can their community leaders respond? Simply doing nothing is a recipe for failure. At the same time, many other economic development options are limited—recruiting new factories to rural America is becoming extremely difficult. Small towns need new economic engines, and they need to think differently about their role in bolstering the local economy.

While there is no single template that will succeed in all communities, there is a single perspective that makes sense: Look within. Small towns cannot count on business recruitment or outside investment to lift them up. They will have to do it themselves by building on the skills and talent already existing in their community. This homegrown strategy will be based on supporting local entrepreneurs—nurturing people with dreams and a plan to start new businesses or to expand existing businesses.

Promoting entrepreneurial development is a new and increasingly popular approach to economic development. By supporting the development of local ventures, this approach seeks to create new jobs, new leaders and bring new innovations to communities.

When it comes to understanding the need for homegrown jobs, most small town leaders “get it.” But, getting it is not enough. Local officials need to act on this strategy, and there's the rub. Many city mayors and township supervisors want to support local entrepreneurship initiatives, but they simply don't know where to start. What should they do? How much investment is needed? Who should take lead?

## **The Grassroots Rural Entrepreneurship Award**

In an effort to answer these questions, the National Center for Small Communities (NCSC) created the Grassroots Rural Entrepreneurship Award (GREA) Program. This program honors elected officials of small communities (under 10,000 in population) who have been exemplary leaders in crafting effective entrepreneurial development strategies. By honoring these communities, NCSC hopes not only to publicize some excellent work, but to also spread the word about how other towns can get started on their own efforts to nurture homegrown ventures.



*Bay Pottery, Broadway, Virginia. A member of the Broadway Hometown Partnership, through which Broadway is gaining a reputation as a great community for those with a dream of owning a business.*

## Community Profiles

### Fairfield, Iowa

Fairfield, Iowa, a town of 9,602, located in the Southeast part of the state, is the Jefferson County seat. Over the past decade, Fairfield has become recognized as one of the nation's most entrepreneurial small towns. Residents refer to the town as the "entrepreneurial capital of Iowa" or "Silicorn Valley." Led by Mayor Edward Malloy, the town government has backed a host of new initiatives that support residents with the dream of starting and owning their own business.

Collaboration is the watchword that best describes Fairfield's model. The town boasts a host of support services including: the Fairfield Entrepreneur's Association (FEA), the Fairfield Economic Development Association, the Chamber of Commerce, Iowa State's Center for Community Vitality, Maharishi University of Management, the local Small Business Development Center (SBDC), and many others. The FEA, started in 1989, has played an especially important role.

Fairfield's riches of support services are not unusual. Many towns have a host of organizations that support business and economic development. Yet, Fairfield is unique because these organizations truly collaborate. Under the umbrella of the FEA, the community was able to tap a host of outside experts and support services. For example, the town's strategic plan was facilitated by the University of Northern Iowa's Institute for Decision Making. Training programs are provided through Maharishi University, and the SBDC network.

While the FEA serves as the primary network and cheerleader for Fairfield's entrepreneurs, other organizations provide needed services such as training, access to capital, and the like. The results of this collaboration have been impressive. Fairfield businesses have created 2,000 jobs in the past fifteen years, and the town averages \$10 million in new construction each year. At least 200,000 square feet of office space has been created in the last ten years. More importantly, new entrepreneurial ventures seem to be springing up every day. Eric Schwartz, winner of the 2003 Fairfield Entrepreneur of the Year Award, is a good example. Schwartz and his firm, Cambridge Investment Re-

This booklet provides a brief introduction to the winner and finalists of the 2003 GREA program:

- o Fairfield, Iowa
- o Turner County, South Dakota
- o Broadway, Virginia

In addition to summarizing each of these efforts, the booklet also reviews best practices for entrepreneurial development in America's small towns. These tips are drawn not only from the experience of this year's winners, but also from many other innovative rural communities across the country. By highlighting these effective practices, NCSC hopes to enlighten and support other communities seeking to develop new entrepreneurship strategies of their own.



*Parker Ford, Parker, South Dakota. In Turner, SD, the entrepreneur is not alone in building his company; the community is behind him via the local Board of Directors and other local supporters. This support network makes it easier for the business to weather tough times and jointly celebrate when the firm succeeds.*

search, first moved to Fairfield in 1992. Today, the company boasts 80 employees, \$70 million in annual revenue, and \$7 billion of client funds under management.

### **Broadway, Virginia**

Broadway, Virginia (population, 2,600) is located in the Shenandoah Valley of western Virginia. Like many rural towns, Broadway's local business base had slowly eroded as local firms closed up shop or moved elsewhere. In 2000, the town faced a critical juncture when one of its anchor stores opted to leave downtown for a location near the interstate highway. While the town had long talked about downtown revitalization, this event finally triggered action. Looking to jumpstart growth, the Town Council helped lead an initiative to rebuild downtown Broadway. The initiative, led by the new non-profit Broadway Hometown Partnership (BHP), included a major effort to retain local businesses and encourage residents to start new small businesses.

BHP set out to accomplish three primary goals: 1) Attract outside funding, 2) Improve the town's services for existing businesses, and 3) Market the community as a good place to live and to start a new venture. BHP enjoyed success on all three fronts.

First, the Town redesigned its Web site, adding various user-friendly forms and tools to accommodate firms doing business in Broadway. Today, all of the

town's regulations and licenses are available on line. Second, BHP created its own Web site offering strategies for business success. Third, the Town acquired and established a revolving loan fund with funding from U.S. Department of Agriculture, Rural Development. Finally, about a year later, BHP received its own Rural Development grant to promote and market the town. It created local venues, such as a farmer's market, to attract outside interest and investment.

BHP is a true public-private partnership. The town government provides \$30,000 in funds each year, but the remaining BHP budget (\$85,000 in 2003) is raised through grants, membership dues, and fundraising events like a local bluegrass festival. The town manager and a town council member sit on BHP's board, but the effort is led and managed by local businesses. A full-time staffer runs BHP on a day-to-day basis.

These investments are paying off for Broadway. Gross revenue from town businesses has grown by an average of 19.9 percent over the past two years, and 37 new jobs were created in 2002 alone. More importantly, Broadway is gaining a reputation as a great community for those with a dream of owning a business. The town is not resting on its laurels—the community's leaders see new challenges ahead. Many of the town's residents are senior citizens. In fact, 30 percent of Broadway residents will be eligible to retire within 10 years. Thus, the town is striving to make its programs more attractive to younger people—the next generation of entrepreneurs.

## Turner County, South Dakota

The region around Turner County, South Dakota has faced significant economic distress for years. Local communities had tried numerous programs to halt the slide, but nothing had seemed to succeed. In 1997, the region decided to try something new and embraced enterprise facilitation, an innovative economic development model pioneered by the Sacramento-based Sirolli Institute.

Enterprise Facilitation has been successfully employed in rural communities in Australia, Canada and the US. It seeks to empower individuals who have long dreamed of starting a business, but who have yet to take the leap. Under this model, communities collaborate in funding the opportunity of a local enterprise facilitator who serves as something of a business coach for existing businesses and aspiring entrepreneurs. The facilitator is supported by a community board of 14 local leaders (e.g. bankers, elected officials, business executives) with expertise relevant to starting new businesses.

The facilitator's task is to offer confidential advice/support in developing and packaging a plan for doing business with a management team in place. Once the entrepreneur's start-up costs, sales and expense numbers are identified, a meeting is set with SBDC to complete the financial projections. In addition, the facilitator functions as a resource and referral for marketing and other business development assistance.

Enterprise Facilitation is an indirect approach that has been quite successful in generating new jobs and supporting new and existing businesses. Turner County has made great strides in employing this methodology to serve its 8,849 residents. Since the program began in 1997, approximately 619 potential entrepreneurs have received counseling. From this group 23 new businesses have started, 10 firms expanded and 12 businesses are retained in the community. These companies have created or saved 166.5 jobs in the region.

Turner County leaders attribute their success to the buzz and excitement created by the enterprise facilitation effort. This initiative gets people interested in new businesses and makes it easier for them to get the information and expertise they need to succeed.

The process also helps build community. The entrepreneur is not alone in building his company; the community is behind him via the local Board of Direc-

tors and other local supporters. This support network makes it easier for the business to weather tough times and jointly celebrate when the firm succeeds. The County honors successful entrepreneurs with a "First Dollar of Profit" award when they first open. Also, the local newspaper runs a picture and feature story in conjunction with a ribbon cutting by the Chamber of Commerce,

## Lessons Learned

In some ways, Fairfield, Broadway and Turner County could not be much more different from one another. A small Midwestern town, a rural Great Plains farming community, and a village in Virginia's Shenandoah Mountains may not seem to share much in common at first glance.

Yet, each of these communities faced a similar general challenge---finding a new economic engine(s) to replace what had originally helped build the region.

*Broadway, Virginia*



Each region took a different approach, but all of them succeeded by looking inward and seeking to capitalize on the entrepreneurial strengths and passions of local residents.

At the broadest possible level, these communities offer a critical lesson: it can be done. Small towns are not permanently doomed to second-class economic status. They can succeed and prosper by embracing local entrepreneurs. Beyond this general point, several other critical lessons stand out:

### **The Need for a Champion**

Each of these efforts succeeded because a single champion made entrepreneurial development into a top priority. Success occurred because one individual or a group of individuals woke up each day with the primary mission of supporting the growth of their town's economy. In Fairfield, Mayor Ed Malloy and the Fairfield Entrepreneurs Association served this role. In Broadway, the BHP was created for this purpose. Finally, the Turner County Enterprise Facilitation Project served as that region's champion.

### **Collaboration: Don't Do it Alone**

The presence of a primary champion does not imply a "go it alone" approach. Indeed, if one group or leader simply dictates to others, community transformation will not result. Each of the award winners had a primary champion, but their programs were based on a widespread community alliance that involved investments of time and resources by both public officials and private sector leaders.

Each community can point to a long list of partners, supporters, and investors who backed their entrepreneurial development initiatives. The City of Fairfield's case is instructive. In addition to Mayor Malloy and the city government, other partners in the programs include: the Fairfield Entrepreneurs Association, the Fairfield Economic Development Association, the Fairfield Chamber of Commerce, the local Small Business Development Center, and the Maharishi University of Management, among others.

### **Holistic Approach: No Silver Bullet**

Each of the award winners did not try to transform their local economy through one (or even a few) strategy; they took a holistic approach. Economic

distress and dislocation have many causes, and thus many different types of solutions are required. In Broadway, BHP helps market the town, but it also works on street beautification projects and efforts to streamline local rules and regulations. In Fairfield, city leaders expanded technical assistance to entrepreneurs and helped develop new local sources of seed capital. They also negotiated with local telecommunications providers to improved local services and even altered local zoning rules to make it easier to operate a business in one's home. None of these individual items triggered an entrepreneurial transformation. But, to-



*Pet Creations, North Main Street, Broadway, Virginia. As well as helping many fine businesses, the Broadway Hometown Partnership has worked to establish events such as the Valley Bluegrass Festival, the Broadway Farmers Market and the Valley Fine Arts Festival to attract business to their community.*

gether, they have the effect of building a local infrastructure that makes it easier for residents to start and grow new businesses.

### **No Sectoral Focus**

Clusters have become a hot topic in economic development circles today, and communities across the US are embracing cluster development strategies. Industry specialization makes sense in some cases, but it's not always an effective entrepreneurship model for small towns. Entrepreneurs succeed because they are passionate about building a business. By definition, such passions are diverse and eclectic -- from running a restaurant, to managing a child care center, to making widgets.

Successful entrepreneurial development efforts encourage local residents to follow their passions, regardless of industry focus or specialization. All of the award winners opted to avoid industry specialization, and instead sought to support new business owners of all stripes. For example, Turner County's enterprise facilitation project has created firms that manufacture candles, cater meals, market beef and lamb, paint homes and businesses, pasture poultry, make beef jerky, repair diesel engines, and restore antique vehicles, among others.

This ecumenical focus offers important benefits to small town leaders as it helps diversify the local economy. This diversification provides an economic cushion in bad times. A heavy sectoral focus, say, on commodity agriculture, can generate great wealth in

good times, but it can create major structural weaknesses in the event of the sector's decline or collapse. A diverse economy offers some insurance to small towns in today's volatile economic climate.

### **Engage for the Long Haul**

Building a business is not an overnight proposition. It takes a long time to be successful. In fact, studies of the INC 500 (America's fastest growing businesses) show that most entrepreneurial ventures do not really hit their high growth phase until they have been operating for many years. This timeline applies equally well to community entrepreneurship initiatives. To succeed in entrepreneurial development, small town leaders must engage for the long haul. These programs will not create major numbers of new jobs quickly, but they can do so over the long term.

Each of the winners has been engaged in this work for years. For example, Turner County began its enterprise facilitation project in 1997 and still continues the effort today. The Fairfield Entrepreneur's Association was first created in 1989.

## **What Can Local Officials Do to Spur Entrepreneurship?**

Fairfield, Turner County, and Broadway offer three different approaches to building an entrepreneurial small town. Local leaders should not consider any of these approaches a "one-size fits all" template that will

*Fountain Park, Broadway Virginia, part of the rebuilding of downtown Broadway by the Town Council. This rebuilding led to the creation of the Broadway Hometown Partnership.*



ensure success. Each community tried lots of experiments and pilot projects, and, in the end, a successful and interesting mix of policy solutions emerged. When building a home-grown entrepreneurial development program, innovative small town leaders consider a menu of options

Local elected officials can play a critical role in encouraging and accommodating entrepreneurial activity. At a minimum, they must do no harm. Below, is a list of entrepreneur-friendly policies and programs that can be undertaken at all levels of government. The ultimate mix of programs and policies will depend on the needs of the community and the competitive strengths of local businesses. All of these programs are based on proven, successful models. They can be replicated and tailored to the needs of nearly any community.

### **Recognition**

Supporting entrepreneurship often means working to change your local business climate or culture. Like all people, entrepreneurs want to be respected and supported. Simply acknowledging their critical role in your local economy can have a huge effect. This is especially true in communities where older and declining industries have dominated the economic landscape.

Low-cost projects like an Entrepreneur of the Year awards program or site visits to new firms will reward local innovators, and encourage others to make the leap to business ownership. Supplementing these awards with local business plan competitions can further reinforce the message that the community is "entrepreneur-friendly."

### **Entrepreneurship Education**

One of the best means to grow the local economy is to encourage more people to become entrepreneurs. And, the best way to achieve this goal is via education and training. Entrepreneurship curricula exist for all levels, starting in kindergarten and going all the way through graduate school.

Children and adults can also learn about entrepreneurship through after-school clubs and programs (like 4-H and Junior Achievement) or adult training programs (like the Kauffman Foundation's Fast-Trac program or training provided by Enterprise Facilitation

and many Small Business Development Centers). The research on these programs' impact is overwhelming: those who receive such training are more likely to start new businesses and more likely to succeed in growing them.

### **Networks**

Networks are the single most critical factor for a strong entrepreneurial region. But, these informal local networks of entrepreneurs and for entrepreneurs -- the key building block of an entrepreneurial economy -- reflect something of a "chicken and egg" problem. If a region does not yet have a "critical mass" of entrepreneurs to build such networks, how can they be started in order to create a "critical mass" of entrepreneurs?

There is no magic bullet that can jump-start this networking effort. Sometimes local networks organize around a public institution affiliated with a local government or university. For example, in Atlanta, Georgia Tech's Atlanta Technology Development Center is a key local networking resource. But "seed" institutions can also be privately run, as we see with the Fairfield Entrepreneur's Association.

These institutions share a number of characteristics, but one stands out. Each of these groups sees itself primarily as a networking resource. While most of these organizations offer some set of programs (such as technical assistance), they also provide a venue where entrepreneurs can informally meet and share ideas and interests. Something as simple as a monthly happy hour, where entrepreneurs share information about access to capital, people, technology, and infrastructure, can make a dramatic contribution to fostering a strong local entrepreneurial spirit.

### **Seed Capital**

Hundreds of small business loan programs exist throughout the U.S. Supporting and sustaining these efforts will aid many entrepreneurs. Some targeted programs provide seed financing, in the range of \$50,000 to \$1 million, for new and emerging businesses.

But business financing is not just about the supply of capital. It is also essential that a region have sufficient capital demand in the guise of entrepreneurs who are credit worthy and whose businesses are attractive

to investors. Thus, existing resources for business training, capital literacy, and similar services (both public and private) can play a big role in ensuring that local businesses can access the money they need to start and grow.

### **Workforce Issues**

Without a doubt, finding good people is the number one challenge facing America's entrepreneurs. It is also clear that these problems are not limited to this fast growing portion of the economy. Thus, business leaders and policymakers must devote substantial effort to finding new tools that better prepare workers for the new economy and that enable businesses to recruit and retain them. Efforts to improve K-12 education and training in math and science can have huge positive impact in this area.

Given today's labor shortages, these long-term remedies must also be supplemented with more short-term measures. Expanding the programs for immigration of technically skilled personnel could serve as a short-term fix to labor problems in some sectors. At the same time, businesses need to be more creative in their employment practices. For example, many firms have enjoyed great success by hiring employees from the growing population of senior citizens or by taking advantage of telecommuting to enlist workers from outside traditional commuting areas.

### **Infrastructure**

Entrepreneurs recognize that federal, state and local governments can help create a support infrastructure for new firms. They also strongly embrace programs where public sector value is achieved through, or in partnership with, the private sector. Examples include the Small Business Investment Company (SBIC) program, the transfer of rights to universities of federally funded technology, and the seeding of local institutions (such as business incubators) that help jumpstart networks in some regions.

These programs can have the biggest impact in regions that lack a history of start-up companies or that suffer from severe economic distress. For example, the Rensselaer Incubator in Troy, New York has helped create numerous technology companies in upstate New York. In rural regions, community colleges can play a critical role in providing training and other support to entrepreneurs.

### **Reinventing Government**

Much of a community's work with entrepreneurs will not be about designing new programs. Smart government agencies also work to ease the creation and growth of new firms. Simplified licensing procedures and streamlined rules and regulations, like those developed in Broadway, fit this category.

Entrepreneurs from all regions feel strongly that governments should act more like businesses. In other words, governments must act faster, be more transparent, and be more flexible. How can government make it simpler to comply with legitimate regulations? Can government reduce the number of forms and offices small businesses must contend with? And can the nightmare of multiple regulations by multiple jurisdictions be made less severe? Compliance with uniform regulations with one or relatively few government offices is what entrepreneurs want.

## **To Sum It Up**

As this discussion of best practices indicates, there is no single policy and no single action that directly creates local entrepreneurs. Much like building a new business, building an entrepreneurial community takes a long time. Small town leaders can start small, with pilot projects and other demonstration efforts. As these initial efforts gain traction, new ideas and initiatives can be thrown into the mix. As these programs begin to thrive, the community will be well on its way to becoming a place where new ventures and new entrepreneurs can grow and prosper.

*Members of the Southeast Enterprise  
Facilitation Project, Marion, South Dakota*



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### Entrepreneurial Development Resources

Appalachian Regional Commission  
[www.arc.gov](http://www.arc.gov)

Center for Rural Entrepreneurship  
[www.ruraleship.org](http://www.ruraleship.org)

Corporation for Enterprise Development  
[www.cfed.org](http://www.cfed.org)

Heartland Center for Leadership Development  
[www.heartlandcenter.info](http://www.heartlandcenter.info)

National Association of Development Organizations  
[www.nado.org](http://www.nado.org)

National Association of Seed and Venture Funds  
[www.nasvf.org](http://www.nasvf.org)

National Center for Small Communities  
[www.smallcommunities.org/ncsc](http://www.smallcommunities.org/ncsc)

Rural Policy Research Institute  
[www.rupri.org](http://www.rupri.org)

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