Fostering a Culture of Entrepreneurship and Innovation in Rural Communities

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A s long-time rural community and economic development practitioners, we have frequently pondered what makes some communities thrive while others with similar demographic and geographic profiles struggle to meet their challenges. Our observations and conversations with leaders in successful communities in the U.S. and abroad suggest that several factors stand out as critical. Because of limited space, we will focus on just one of these factors that has gotten increased attention over the last few years, namely that there is tremendous value in cultivating a culture of entrepreneurship and innovation in rural communities, and building an entrepreneurial ecosystem[1] that supports that goal. The Ewing Marion Kauffman Foundation's *Entrepreneurial Ecosystem Building Playbook 3.0*[2] characterizes a thriving ecosystem as one that contains the elements shown below.

SOURCE: Graphic created by Great Lakes Community Action Partnership based on the Ewing Marion Kauffman Foundation Entrepreneurial Ecosystem Building Playbook 3.0.

The one element that is at the heart of virtually every development strategy that works well in rural communities is entrepreneurship. Every entrepreneur matters in rural communities—from the creative, home-based business, to the owner of a small Main Street business, to the larger potential growth company. Community leaders that find meaningful ways to support their efforts reap benefits for the community.

The Great Lakes Community Action Partnership (GLCAP) has been working in rural community and economic development for more than 40 years, and we have seen that it is difficult for rural communities to draw attention or funding for community and economic development efforts, and challenging for them to sustain their own efforts long enough to see them bear fruit. Rural communities often lack paid staff members to do this work, and even those who have them generally have no significant training budget to allow their personnel to keep up with emerging trends or network with other communities that have initiated successful efforts that might be replicated.

It was with these factors in mind that GLCAP created the Entrepreneurial Communities Initiative in late 2016. Our Community Development department had been working for approximately four years prior to that time on various entrepreneurship efforts. In 2014, we made a visit to NetWork Kansas, based in Wichita, to learn more about its work with entrepreneurs, and how the organization worked with communities to create entrepreneurial ecosystems. Given our decades of experience working directly with the elected and appointed leaders in small communities, we felt strongly that GLCAP's expertise lent itself to helping communities build those critical support systems for entrepreneurs rather than our working directly with entrepreneurs. In 2016, after some discussions with the Center for Rural Entrepreneurship[3] about a similar initiative it was hoping to launch with partners in southern Ohio, West Virginia and Kentucky, we decided to seek funding to serve communities located in the northern half of Ohio to create and expand a network of "entrepreneurial communities" throughout the state.

Our venture was funded by a grant from the Rural Community Development Initiative (RCDI) program of the U.S. Department of Agriculture (USDA). This program is a unique source of funding in many ways. The goal of the program is to build capacity in nonprofit organizations

or small communities through an intermediary organization—in this case, GLCAP. The beauty of this program is that it is one of very few federal programs that has broadly identified parameters, e.g., that the intermediary must conduct a program that increases the capacity of its recipients to undertake housing, community facilities, and/or community and economic development programming. It is therefore flexible enough to allow the intermediary to define the interventions that will work best and respond to local needs. In addition, the program allows the intermediary to use the funds to make small investments that support the capacity-building goal locally. The program does require a one-to-one cash match, but unlike most federal programs, it can be matched with other federal funds. It is worth noting that for most rural communities and nonprofit organizations, securing nonfederal or other matching funds is always a difficult challenge, and it is increasingly required by federal programs. This puts rural communities at a distinct disadvantage in seeking funding for community and economic development projects when such projects are already critically underfunded.

To meet the matching funds requirement, GLCAP has invested some of its Community Services Block Grant (CSBG) funds toward this effort. CSBG funds are another flexible source of federal funds targeted to community action agencies across the country from the U.S. Department of Health and Human Services' Office of Community Services.

Though the USDA RCDI funds are competitive nationally, GLCAP successfully secured the maximum $250,000 grant for a three-year period, and subsequently secured another $250,000 grant for an additional three years, which is currently operating. For each of these grants, GLCAP invested $250,000 of its CSBG funds as matching funds to support the personnel that work under this grant. This allows us to utilize much of the RCDI funds for training expenses and making investments directly in the communities we serve.

GLCAP chose to target small communities with populations under 20,000, and the majority of communities served are under 7,000 in population. In addition, communities must have a median household income that is below 80% of either the state or national median household income. We chose to target communities with whom we had already built trust through existing, long-standing relationships since this was a new and untested program.

Our Entrepreneurial Communities Initiative is designed with some core elements that we believe to be crucial to the success of the program, while being flexible enough to meet the needs of communities with differing capacities, assets and goals. It is important to note here that regardless of size or assets, every community has the potential to develop entrepreneurial strategies that can be successful. Our communities range in size from 800 people to nearly 18,000, and while smaller communities require smaller-scale efforts, they still have the potential to be entrepreneurial, particularly if they also work collaboratively with others in their region.

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The process begins by working with the community's elected leaders to identify a core group of committed stakeholders to be involved in the process. We encourage each community to seek representation from various segments of the community, including local elected officials, entrepreneurs, school personnel, representatives from chambers of commerce or other business support organizations and local nonprofits, and any other interested citizens. We also encourage the inclusion of people that reflect the diversity of the community (e.g., race and ethnicity, socioeconomic background, gender and age).

Working with this steering committee, we complete the following initial steps:

- conduct a broad assessment of the existing entrepreneurial ecosystem and local assets;
- conduct ecosystem mapping, identifying existing resources for entrepreneurs at various stages of business;

- interview aspiring and existing entrepreneurs to determine their needs and which available services they have used and found helpful;

- identify gaps in the current ecosystem, and select and prioritize strategies to fill them;

- develop action plans to implement selected strategies; and

- develop outcome and success measures.

After completion of these initial planning steps, we meet with the steering committee monthly to assess progress and discuss new ideas. Each community joins our network of e-communities to share information and challenges through quarterly meetings. In addition to networking time at the meetings, we provide training on a topic of common interest, either from our staff or outside experts. Additionally, we conduct a monthly webinar series on topics selected by the group. In these webinars, communities that have successfully implemented different strategies share their approaches and lessons learned. Sample topics include local foods and food hubs, rural tourism, developing and operating business incubators and coworking spaces in small towns, working with younger residents on community revitalization, remote work opportunities, and more. We know from experience that community leaders learn best from their peers, so the goal is to amplify the voices of small towns that have crafted innovative strategies, and to replicate their successes in as many communities as possible.

We have utilized a number of programs throughout the life of the initiative to build capacity in communities, paid for by the grant dollars made available through USDA's RCDI program. For example, we have paid for attendance at training conferences, such as the Main Street Now Conference, the RuralRISE Summit and the Radically Rural Summit, for many community members. We know that training dollars are scarce in most rural communities, and we have seen this strategy pay off as community members get energized and implement the things they have learned. In addition, we have paid to train community members to be successful business coaches through online training with e2 Entrepreneurial Ecosystems, and have conducted a train-the-trainer session for several schools to certify them to implement the Startup Experience—a high-energy entrepreneurship training program for high school students. We have also provided seed money to help

support other programs or services, such as funding for CO.STARTERS cohort-based entrepreneurship training, membership in the American Independent Business Alliance's Buy Local program, training on developing and operating makerspaces, and software for customer relationship management in individual communities. All of these efforts are designed to ensure that communities have the capacity to continue programs when we leave the community.

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We measure the success of the program in a variety of ways. Initial successes include increasing civic and social capital by bringing business owners together to network and discuss common issues. Other successes are focused on improving livability factors in the community, such as increased arts and culture-related projects, and community beautification efforts. While these elements may not be tied directly to entrepreneurship, they are necessary considerations for attracting and keeping entrepreneurs. Another measure is how successful the community is in the implementation of its action plan. Ultimately, the success of the program in the longer term will be measured by

Resilient

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the number of new business startups, increases in the revenues of local businesses, and the increase in or stabilization of the community's population.

A Success Story

In Seneca County, Ohio, a few miles from the GLCAP headquarters, one community taking part in the Entrepreneurial Communities Initiative provides a great illustration of the project and what is possible in small communities.

The city of Tiffin, population 17,546, is our newest and largest community, joining the program in 2020. GLCAP has a long history of working with Tiffin and Seneca County, despite their being new to this initiative, and recognized that they have many of the ingredients necessary for success. We had previously worked with them to create a comprehensive economic development plan that has guided their development efforts. That plan called for, among other things, creating an environment in which entrepreneurs could flourish and enhancing the quality of life for businesses and residents. We also worked with the county to prepare a coordinated Public Transit-Human Services Transportation Plan in 2016, which was updated in 2020.

Working with a consultant, the city developed a plan for the downtown area and began working on becoming an Accredited Main Street America Community,[4] which it accomplished in 2016. More than $13 million was invested in downtown between 2016 and 2020, with over 100 facade projects completed and more than 80 buildings registered on the U.S. National Register of Historic Places.

A public-private partnership was developed between the city and National Machinery—a main manufacturer in the city since 1882—its foundation and the founding family to plan an urban park, resulting in the construction of an outdoor amphitheater, a creative splash pad and the addition of significant green space in the downtown area. The East Green Foundation was formed to own the park, with the city taking responsibility for maintaining it. A summer concert series in the amphitheater was funded by the local Reineke Family Dealerships in 2019. As a result of these efforts, the city has won awards from the Heritage Ohio program every year for the past three years on its revitalization efforts, and new businesses are being added regularly to downtown.

Splash pad at National Corner Urban Park in Tiffin, Ohio. Photo courtesy of the Tiffin-Seneca Economic Partnership.

In addition to the economic development planning that GLCAP provided, we also utilized our community and business loan fund to commit more than $40,000 in gap financing to the Tiffin Community Reinvestment Group for purchase and renovation of the historic Laird Arcade downtown. More than 15 businesses now occupy the first-floor storefronts, and office space is located on the second floor of the building.

Beyond its efforts downtown, the city also pays attention to its industrial development. In 2018, 2019 and 2020, Tiffin placed in the top 20 of 575 micropolitan areas in the U.S. in Site Selection magazine's rankings for economic development projects, and is working on a multicounty effort geared toward workforce development and the creation of internships for young people. The city is fortunate to have two private universities that are tremendous local assets.

The Tiffin-Seneca Economic Partnership (TSEP) contacted GLCAP in 2020 to ask about joining the Entrepreneurial Communities Initiative. TSEP had already hired a new staff person to work on community development and entrepreneurship in the city and throughout the county's rural areas. At the time of this writing, the person hired into that role had returned to her hometown after completing her education—exactly the kind of young talent

SOURCE: Graphic courtesy of the Tiffin-Seneca Economic Partnership.

that we encourage rural communities to actively cultivate. TSEP members had also worked with the city to put together an entrepreneurship committee made up of various interests, and they felt that their next step should be to develop a strategic plan specifically aimed at entrepreneurship. Having seen much success in allowing past planning strategies to guide them, they recognized that if they wanted to see the same success in entrepreneurship, they would need a concrete plan to steer them in the right direction. GLCAP began work in late 2020 with the Entrepreneurship Committee on this strategic planning process.

This plan will dovetail nicely with a new initiative called Dream Big that is geared toward creating a culture of inclusivity and engagement by asking the public to identify and prioritize new community development projects.

There are a number of promising, new initiatives that we intend to shore up through this process, and others that we hope to assist them in starting. One is that the county has recently begun working with the Midland Institute for Entrepreneurship on its Creating Entrepreneurial Opportunities (CEO) program. This program is designed to give high school students real-life experience in learning about business and developing an entrepreneurial mindset. It is a one-year program that will be offered in schools for 90

minutes per day for two high school credits. While the program is active in a number of U.S. states, Seneca County's program will be the first in Ohio. The program is paid for by contributions from local businesses. A new nonprofit organization has been created to take charge of the Seneca County program and ensure its continuation.

A relatively recent development is the creation of another nonprofit, Seneca County Common Ground, to operate the local farmers market and a local food council. The board believes that cooking and eating together are excellent ways to build social capital and is committed to developing a community kitchen. Old Trinity Episcopal Church has donated the space, and a capital campaign is underway to raise funds for this $2.4 million project. It is anticipated that funding will come from a variety of private and public sources. The goal of the kitchen will be to connect local growers and businesses to the community, provide opportunities to give back to the community through preparing food, and teach community members ways of using local foods at home through culinary classes. Phase 2 of the plan calls for development of a certified commercial kitchen that can be utilized by local food entrepreneurs. Eight businesses have already been identified that would use this space.

Yet another exciting, new nonprofit is Seneca County Young Professionals, which is working to try to make the community a place where young people want to live and work. It is the largest of its kind in northwest Ohio and represents an opportunity to create a culture that celebrates and supports its youth as future leaders.

What Tiffin's efforts show us is that while entrepreneurship is critical to the development of rural areas, other factors are equally important to the success of a community's endeavors. These include:

- Collaboration—all sectors of the community working together;
- Leadership—proactive, focused on the future and willing to take calculated risks;
- Vision—community leaders sharing and working to implement a guiding plan;
- Pride—community investments in public spaces that promote happiness and well-being; and

- Empowerment—the community's youth and young adults are supported to take on leadership roles, have an entrepreneurial mindset and have opportunities to be heard, connect and contribute.

The next task for our partners at TSEP, with GLCAP's assistance, will be to take the lessons they have learned through their own development process, and build those out to serve other smaller communities and rural areas throughout the county.

References

e2 Entrepreneurial Ecosystems (website). See energizingentrepreneurs.org.

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Mason, Colin; and Brown, Ross. *Entrepreneurial Ecosystems and Growth Oriented Entrepreneurship.* Organization for Economic Cooperation and Development, January 2014. See oecd.org/cfe/leed/Entrepreneurial-ecosystems.pdf.

Endnotes

[1] Colin Mason and Ross Brown defined an entrepreneurial ecosystem as a set of interconnected entrepreneurial actors, organizations, institutions and processes that formally and informally coalesce to connect, mediate and govern performance within the local entrepreneurial environment. See Mason and Brown.

[2] See Ewing Marion Kauffman Foundation.

[3] The Center for Rural Entrepreneurship has since relocated to become part of the NetWork Kansas team, and is now known as e2 Entrepreneurial Ecosystems. Still led by Don Macke, e2 is dedicated to building sustainable entrepreneurial ecosystems across North America. See e2 Entrepreneurial Ecosystems (website).

[4] The Main Street America program is committed to revitalizing communities by strengthening downtown commercial districts, and offers both Affiliate (introductory-tier) and Accredited (top-tier) designations to communities that meet certain performance standards. See Main Street America.