

Entrepreneurship Development Systems in Rural America, U.S.¹

(by Brian Dabson, U.S.)

Description of the approach (aims, delivery, budget etc)

In most parts of rural America, there is no shortage of programs and agencies that exist to support small business development. These provide advice, training, technical assistance, and capital access but often they tend to be disconnected, categorical, competing, under-resourced, and altogether too confusing for entrepreneurs to bother to navigate. The most comprehensive critique of these programs has been provided by Gregg Lichtenstein and Thomas Lyons who note that they are generally funder- rather than client-driven, and focused on the business activity or on offering specific products rather than on the needs and circumstances of the entrepreneur.

Lichtenstein and Lyons were pioneers in advocating a systems approach to entrepreneurship development based on tailoring services that are both responsive to the various levels of skill, education, and motivation to be found among entrepreneurs and aligned with the capacities and resources of the service providers. A competitive project of the W.K. Kellogg Foundation in 2004 designed by CFED (Corporation for Enterprise Development) built upon this thinking with the intention of investing in a variety of approaches that would create or enhance systems approaches to entrepreneurship development. These were defined as a coordinated infrastructure of public and private supports that facilitate entrepreneurship, and an effective system was seen as one that integrates a wide range of programs and tailors products and services to the diverse needs of entrepreneurs. These systems, it was determined, would be comprehensive, flexible, culturally sensitive, and integrated, and should require providers to collaborate rather than operate independently or in isolation.

The Entrepreneurship Development Systems in Rural Development project looked for collaborative efforts that would embrace entrepreneurship education, training and technical assistance, capital access, networks, and entrepreneurial culture in self-defined multi-county rural regions. There were 182 submissions from rural regions in 47 states, and over 2,000 organizations were directly involved in the process as part of collaboratives. There was a vast array of lead organizations, including regional development organizations, universities, community colleges, community action agencies, community foundations, microenterprise development organizations, small farms groups, and school districts. Six systems in North Carolina, Nebraska, New Mexico, Oregon, South Dakota, and West Virginia were selected for Kellogg Foundation investment over two to three years.

Why the approach is relevant to East Germany?

The European Union's LEADER+ programs and the German Integrated Rural Development Strategies represent significant steps on the road to creating coherent visions and actions for rural regions and communities – ones which have yet to be taken within the United States. Nevertheless, the concept of entrepreneurship development systems could strengthen these strategies in the East German Länder and beyond. The Kellogg investment introduces some powerful financial incentives and technical assistance for providers (public, private, and non-profit) of services to entrepreneurs and small businesses to work and plan together to create entrepreneur-focused systems.

Reasons for the success of the approach

The project has been underway for just one year and it is too soon to be able to identify success

¹ Source: Discussion Paper "Entrepreneurship in the Districts Uckermark (Brandenburg) and Parchim (Mecklenburg-Western Pomerania)", in: *OECD LEED Local Entrepreneurship Series*, October 2006.

factors. There are many different models being tried and tested within the project and it will be several years before clear impacts can be discerned. One indicator of the attractiveness of the concept is that other systems approaches are being introduced using local resources in rural regions from Minnesota to Louisiana, which will add further richness to the data and in-sights that are currently being gathered. Moreover, there is growing federal and state government interest in developing programs that adopt the underlying principles of entrepreneurial development systems.

The obstacles that were faced

From the limited evidence available, there would appear to be no shortage of obstacles and challenges facing the emergent regional systems. Four challenges stand out. First, the Kellogg investment of USD 2 million for each system is both a blessing and a curse. The resources are very much needed in the poor rural regions where they are operating, but in some places, disagreements about how these substantial funds should be allocated are getting in the way of progress. Second, the approach seeks to address issues of turf and competition between agencies by forcing them to collaborate and cooperate. It raises many personal, institutional, and operational issues that will take many years to resolve. Third, there is a tendency to focus attention on the supply of services (dealing with the first two challenges) rather than on stimulating the supply of entrepreneurs. Making these systems entrepreneur-focused is one of the primary goals of the project. Fourth, in these stages of the project, certain components are proving to be more difficult to advance than others, particularly those relating to influencing state policy towards entrepreneurship, and to engaging young people.

Considerations for adoption of this type of approach in East Germany

The entrepreneurship development systems approach as adopted in rural America is an ambitious effort, the outcomes of which will not be known for some time. Perhaps more important than considering a large-scale replication for rural regions in East Germany would be for all the agencies and institutions engaged in entrepreneurial development to think hard about what it would take to create a coordinated infrastructure of public and private supports that facilitate entrepreneurship that integrates a wide range of programs and tailors products and services to the diverse needs of entrepreneurs.

Contact details and website for further information

Ms Caroline Carpenter
Program Director
W.K. Kellogg Foundation, 1 Michigan Avenue East, Battle Creek, MI 49017
U.S.A.
Phone +1(269) 969-2208
E-Mail: Caroline.carpenter@wkkf.org
Website: <http://www.wkkf.org>

Ms Kimberly Pate
Director of Field Development
Corporation for Enterprise Development CFED
777 North Capitol Street, NE, Suite 800, Washington DC 20002
U.S.A.
Phone: +1(202) 408-9788
E-Mail: kim@cfed.org
Website: <http://www.cfed.org>

Mr Leslie Scott
Director Institute for Rural Entrepreneurship

North Carolina Rural Center, 4021 Carya Drive, Raleigh, NC 27610
U.S.A.
Phone: +1(919) 250-4314
E-Mail: lscott@ncruralcenter.org
Website: <http://www.ncruralcenter.org>