

rupri Center
for **RURAL**
ENTREPRENEURSHIP

Helping Rural America Realize
Its Entrepreneurial Potential

Written Statement for the Record

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The RUPRI Center for Rural Entrepreneurship provides communities and regions across rural America with the resources for implementing entrepreneurship as a core economic development strategy. We apply practice-driven research, development tools, and strategic engagement in partnership with rural communities, development practitioners, researchers, and policymakers.

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Chairman McIntyre, Ranking Member Conaway, and members of the subcommittee, it is an honor to appear before you today. I applaud your leadership in shining light on innovative approaches to rural development that are providing communities and regions across rural America with new economic opportunities and hope for a better future.

Background

I am Deborah Markley, Managing Director and Director of Research for the RUPRI Center for Rural Entrepreneurship in Chapel Hill, NC. In 2001, the RUPRI Center for Rural Entrepreneurship was established with founding support from the Kauffman Foundation and the Rural Policy Research Institute (RUPRI). The Center strives to be **the** source of information and learning about the practice of entrepreneurship in rural America. Our work includes practice-driven evaluation of innovations in entrepreneurship development, the development and sharing of tools and training to help leaders build more effective development strategies, and on-the-ground engagement in communities and regions that are ready and committed to moving forward with entrepreneurship development.

The Center's work over the past seven years has taken us to communities and regions in all parts of rural America. We have had the opportunity to witness first hand the economic challenges that rural leaders face every day – failure of past strategies and the loss of economic mainstays, like the textile mills and tobacco farms in my home state of North Carolina; resource and infrastructure constraints; an erosion of leadership; and isolation from markets and necessary services.

At the same time, we are witnessing a wave of innovation in rural development that is by its very nature entrepreneurial. Rural America is recognizing new opportunities associated with the development of alternative energy, new generation agriculture, and asset-based entrepreneurship. Rural community and regional leaders are embracing a new approach to economic development. Creating a supportive environment for entrepreneurs is viewed as the foundation that must be in place for more traditional economic development activities like industrial recruitment and retention and expansion of existing industry to occur. Communities and regions across the country are figuring out ways to provide more support for existing entrepreneurs and to encourage the business creation dreams of community residents, young and old. These strategies are generating positive results, rebuilding economies and hope in communities that have lost factories, people and even community institutions like schools.

Our experience has informed three core beliefs that guide our vision for the future of rural America:

- Entrepreneurship development is a necessary component of rural economic development – it may be the **most promising** strategy for rural places.
- Creating an entrepreneurial environment requires culture change – replacing “waiting to be saved” with “growing our own” mentality in rural communities across the country.
- Entrepreneurship development requires a systems approach – a collaborative, regional approach of “connecting the dots” among resource providers, within the public, private and non-profit sectors, between communities and schools, and from practitioners to policy makers.

These core beliefs have been upheld by a growing body of both research and innovative entrepreneurship development practice. In 1997, the Appalachian Regional Commission (ARC) began an innovative multi-year initiative to invest in projects designed to build entrepreneurial economies across the region – the Entrepreneurship Initiative. Through 2005, ARC had invested almost \$43 million in various entrepreneurship development projects that created jobs and businesses, supported partnerships and collaborations, and helped leaders at the community and state levels recognize the value of entrepreneurship as an economic development strategy. The Center, along with several partners, completed an evaluation of this significant federal investment in entrepreneurship development in 2007 – *Creating an Entrepreneurial Region: Findings and Lessons from an Evaluation of the Appalachian Regional Commission’s Entrepreneurship Initiative 1997-2005*.

In 2003, CFED (Corporation for Enterprise Development), with funding from the W.K. Kellogg Foundation, completed *Mapping Rural Entrepreneurship*, a study of the current practice and context for entrepreneurship in rural America. This groundbreaking study served as the foundation for a significant effort on the part of the Kellogg Foundation to support innovation in entrepreneurship development – the Rural Entrepreneurship Development Systems initiative launched in 2004. With investments in six demonstration collaboratives across rural America, the Foundation supported efforts to build systems of support for entrepreneurs – through a focus on entrepreneurship education, technical assistance, and financial capital – and to create a culture of entrepreneurship and supportive policy that would sustain these efforts into the future. The key learning from this effort has been recently published by The Aspen Institute’s FIELD program – *Revitalizing Rural Economies through Entrepreneurship Development Systems*.

At the same time, the Center completed a series of case studies of innovative entrepreneurship practice in the northwest region, with funding from the Northwest Area Foundation – *Innovative Approaches to Entrepreneurial Development in the Northwest Region*.

Lessons from Innovative Entrepreneurship Development Strategies

I provide this background information to suggest to members of the subcommittee that there is a wealth of innovative entrepreneurship development practice across rural America and a concerted effort on the part of the Center and many partner organizations to capture what is working well and what has been achieved in rural communities and regions as a result of this innovative work. At the same time, these formal investigations do not begin to capture the entrepreneurial energy being applied to rural development strategies in all corners of rural America.

The body of work referenced above shows that entrepreneurship development is working. Our work in the Appalachian region found that ARC's Entrepreneurship Initiative had an impact by creating more entrepreneurs in the pipeline, better informed and better skilled entrepreneurs, and stronger, more job-creating businesses (ARC study, p. 1). The collaboratives involved in the Kellogg-funded initiative have created systems that use entrepreneurial coaching and networking, for example, to build the skills of entrepreneurs who are, in turn, creating new businesses and jobs (FIELD study, p. 19). Both of these efforts also resulted in a wide range of qualitative impacts, such as elevating the importance of entrepreneurship and engaging more youth in the process. While we can point to these impacts, organizations committed to understanding entrepreneurship development, and the organizations and funders supporting the implementation of these innovative approaches, must do a better job of measuring the outcomes of these efforts and communicating the value of entrepreneurship development to a broader audience of economic development practitioners, local and state elected officials, and policy makers at all levels of government.

What we have taken from this collective work and experience is a set of themes or lessons that can inform future efforts of rural development practitioners to design and implement entrepreneurship strategies on the ground and of policymakers at the local, state and federal levels who are designing policies in support of entrepreneurship as a core rural economic development strategy.

Lesson #1 – Necessity of Entrepreneurial Leadership

Successful entrepreneurship development practice is rooted in entrepreneurial leadership – leaders who recognize opportunities to take a different economic development approach and identify the resources needed to create an environment that is supportive of entrepreneurial development. These leaders come from different organizations – private companies, educational institutions, nonprofit service providers – but they all have entrepreneurial and leadership skills that are used in the service of economic development. They are as diverse as an entrepreneur in Fairfield Iowa, the president of a non-profit enterprise development organization in northeastern Minnesota, the mayor of Hertford North Carolina, and the leader of a collaborative in New Mexico. These civic entrepreneurs also have a strong commitment to place and to building an entrepreneurial environment that, in turn, creates a sustainable, economically viable region with a high quality of life.

Lesson #2 – Importance of Regional and Organizational Collaboration

Individual leadership is not sufficient to create successful practice. Examples of innovative practices demonstrate the importance of collaboration across diverse organizations and communities. The collaborative partners engaged in entrepreneurship development include service providers, higher education institutions, local units of government, traditional economic development organizations, social service organizations, individual entrepreneurs, foundations, K-12 educational institutions, state agencies and others. Successful entrepreneurship development activities are focused on more than an individual community. They are intentionally regional efforts and also reach out to diverse communities such as Native Americans, limited resource entrepreneurs, immigrant populations and more remote rural communities. The power of their collaboration rests in bringing together a broader and more diverse set of resources than any one organization or community could provide, and in creating a dynamic assistance network for service providers and entrepreneurs.

Lesson #3 – Value of a Systems Approach

Many organizations across rural America are engaged in some way in supporting entrepreneurs. The truly pioneering feature of the most innovative efforts is the recognition that entrepreneurship development requires more than focusing services on entrepreneurs. Engaging communities in building an entrepreneurial environment – one with a supportive cultural and policy milieu – and creating a systems approach that organizes services in a more effective and seamless way are both essential.

Lesson #4 – Recognizing and Building on Assets

A community's or region's assets come in many different forms. Innovative approaches to entrepreneurship development are built on identification and recognition of local assets, and the development of the system components that best complement those assets. In North Carolina, the strong capacity and convening power of the North Carolina Rural Center is serving as a catalyst for entrepreneurship development in regions across the state. In Northeast Minnesota, the well-networked and collaborative economic development organizations provide the foundation on which a system is being built. In northern Iowa, the existing infrastructure created by philanthropist Pappajohn is the springboard for additional efforts to transform the regional economy. In the Arkansas Delta, the preservation of iconic assets and the identification of entrepreneurial opportunities is being encouraged and supported by a regional collaborative with support from the National Trust for Historic Preservation. In all cases, entrepreneurship development is proceeding from an assessment of assets, both unique and more commonplace, and from calculated efforts to build on those assets to create an entrepreneurship development system.

Two Sets of Recommendations

The work of the Center and a wide range of partner organizations suggests several areas where Federal policy can be broadly supportive of entrepreneurship development. These recommendations get at the heart of policy change that can impact the ability of entrepreneurs to create and grow businesses and, in turn, create the economic opportunities and wealth that can drive the development of rural communities.

Recommendations for Building a Foundation for Entrepreneurship

- Entrepreneurs across rural America continue to be constrained by inadequate infrastructure, particularly access to Broadband. While in theory many entrepreneurs can locate or build their businesses anywhere, that location decision is often predicated on high speed Internet access that remains elusive in many parts of rural America. Federal investment in rural Broadband remains a priority for rural entrepreneurship development.
- Rural entrepreneurs – often small, perhaps self-employed – are constrained in starting or growing their businesses because of the lack of access to affordable health care. Making progress on health care reform could serve as a stimulus to entrepreneurial development across rural America.
- Finding leaders and building capacity to engage in entrepreneurship development remains a constraint for many small rural communities and even regions. Providing the means to build this capacity and to encourage multi-community collaboration across rural regions is one way that Federal support could help more rural communities learn from and embrace the lessons learned from the innovative entrepreneurship development practices underway across the country.

In addition to these broad recommendations, there are a number of specific recommendations that directly relate to the programs of interest to this subcommittee. These recommendations are designed to bring the lessons of innovative entrepreneurship development reflected in this testimony to bear on rural development policy going forward.

Recommendations Specific to Rural Development Programs

- Following the successful lead of the Appalachian Regional Commission, entrepreneurship development should be a priority for the newly established regional authorities and commissions. The ten year history of investment demonstrated by ARC provides important evidence of the impact on the region, in terms of job and business creation, attracting private sector investment, and beginning to create a more supportive culture of entrepreneurship in the region. As new Federal resources flow to these regional organizations, the lessons from ARC and other innovative entrepreneurship development initiatives should be used to guide the development of strategic plans around entrepreneurship development.

- The set of common lessons from entrepreneurship development should be incorporated into the guidelines for USDA Rural Development programs, and those of other agencies. These lessons from effective practice, such as the importance of cross-organizational and cross-regional collaborations, should be emphasized in the design of entrepreneurship initiatives that seek Federal Rural Development funding, and effective partnerships should be rewarded as part of the funding process. In addition, providing funding to support the development of these collaborative processes, through the vehicle of the Rural Collaborative Investment Program, would help to ensure that these lessons are built into the design of future entrepreneurship initiatives.
- Performance measurement should be viewed as an integral part of program development from the perspective of Federal funding agencies like USDA's Rural Development. One of the first steps in any entrepreneurship development initiative needs to be an articulation of program goals – what are you trying to achieve – followed by identification of how success or performance will be measured. Rural Development programs should put greater emphasis on the design and implementation of strong measurement systems from the start so that grantees gather appropriate measures to report on the performance of their initiatives. These efforts could then be linked, for example, with the pioneering work being done at the University of Missouri to assess the socio-economic benefits of Federal investments in rural development.
- Continued support for programs that are used to help build the support infrastructure for rural entrepreneurs, such as the Rural Microenterprise Assistance Program and the Rural Business Enterprise Grant program among others, is also critical. These programs provide the seed capital both for rural entrepreneurs who are starting or growing their businesses and for rural communities that have developed and are implementing innovative approaches to entrepreneurial development.

Closing

The Center remains passionately committed to learning from the key innovators in the field of entrepreneurship development and sharing this learning with rural leaders across the country who are searching for new, more effective approaches to economic development. We are also committed to building strong partnerships with other regional and national organizations with a focus on entrepreneurship and rural development so that we can bring stronger and broader capacity to our work. We are happy to serve as a resource to members of this subcommittee and to connect you with this growing body of innovative practice and research. I welcome your questions and comments. I thank you, again, Mr. Chairman and members of the subcommittee, for the opportunity to testify before you today. Your continuing leadership in bringing the lessons from those who are at the forefront of rural development innovation to the rural policy making process is critical, and we look forward to working with you in the future.

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Education:

BS, Agricultural Economics, Cornell University, 1978.
MS, Agricultural Economics, Cornell University, 1980.
PhD, Agricultural Economics, Virginia Tech, 1984.

Professional Employment:

Managing Director and Director of Research, RUPRI Center for Rural Entrepreneurship, November 2001 – present.
Visiting Scholar, University of Missouri, Columbia, Missouri, November 2001 – present.
Rural Development Economist. Principal, Policy Research Group. August 1991- December 2002.
Rural Development Economist. Department of Agricultural Economics, Purdue University, West Lafayette, IN. September 1993-August 1995.
Assistant Professor. Department of Resource Economics, University of Massachusetts, Amherst, MA. September 1988-1991.
Adjunct Assistant Professor. Department of Resource Economics, University of Massachusetts, Amherst, MA. August 1987-August 1988.
Assistant Professor. Department of Agricultural Economics and Rural Sociology, University of Tennessee, Knoxville, TN. May 1984-July 1987.

Research Experience Narrative:

Dr. Markley's research experience includes evaluation of rural entrepreneurship development activities, analysis of rural financial markets, the impacts of deregulation on credit availability for small business, the economic and fiscal impacts of business incubators on firms and communities, the economic impacts of state industrial extension programs, policy analysis of development finance programs and institutions, and innovations in providing venture capital to rural areas. Her research experience includes field surveys with local elected officials, economic developers, bankers, entrepreneurs and small business owners, manufacturers, industrial extension and business incubator directors, and venture capital fund managers. Her evaluation work emphasizes participatory research, engaging practitioners in establishing goals and indicators to measure their outcomes.

Selected Evaluation Research Projects:

- Evaluation of Maine's economic development programs, ongoing
- Evaluation of the Northeast Entrepreneur Fund's Greenstone Group initiative, ongoing
- Evaluation of the North Carolina Rural Center's regional entrepreneurship development systems projects, ongoing
- Evaluation of the Appalachian Regional Commission's Entrepreneurship Initiative 1997-2005, completed 2008
- Evaluation of the Kentucky Entrepreneurial Coaches Institute, completed 2007
- Evaluation of Minnesota's Virtual Entrepreneur Network, completed 2005

Professional Experience:

- Member, Advisory Group to CFED-Kellogg Foundation Entrepreneurship Development Systems in Rural America Grant Competition, 2004-2005.
- Chair, RUPRI Rural Equity Capital Initiative, 1997-2001.
- Reviewer, *Economic Development Quarterly*.

Refereed Journal Publications:

- Barkley, David L., Deborah M. Markley, and Julia Sass Rubin. 2001. "Certified Capital Companies (CAPCOs): Strengths and Shortcomings of the Latest Wave in State-Assisted Venture Capital Programs." *Economic Development Quarterly*. Vol. 15 No. 4, 350-366.
- McNamara, Kevin T. and Deborah M. Markley. 1998. "Networking Among Small and Medium Manufacturing Firms: Involvement of Indiana's Regional Manufacturing Extension Centers." *Technology Management: Strategies and Applications*, Vol. 4, 177-185.

Relevant Publications:

- Markley, Deborah and Nancy Stark. "Entrepreneurship as Sustainable Economic Development: Insights into Triple Bottom Line and Wealth Creation Impacts of Entrepreneurship Strategies." White Paper prepared with support from The Ford Foundation, February 2009.
- Markley, Deborah M. and David L. Barkley. *Assessment of the Capital Market in Central Louisiana*. Prepared for Regional Technology Strategies and the Rapides Foundation, October 2008.
- Barkley, David L., R. David Lamie, and Deborah M. Markley. *Case Studies of E-Commerce in Small and Medium-Sized Enterprises: A Review of the Literature*. Southern Rural Development Center, Mississippi State University, May 2008.
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- Lamie, R. David, Deborah M. Markley, and David L. Barkley. *E-Commerce Case Studies Guidebook and Program Delivery Manual*. Southern Rural Development Center, Mississippi State University, May 2008.
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- Markley, Deborah, Don Macke and Rae Montgomery. *BizPathways – Minnesota's Virtual Entrepreneurs Network: Ongoing Evaluation of Effective Practice*. RUPRI Center for Rural Entrepreneurship, 2005.
- Macke, Don, Erik Pages and Deborah Markley. *Enterprise Facilitation[®] in Kansas: Lessons and Recommendations*. RUPRI Center for Rural Entrepreneurship, 2005.
- Markley, Deborah M. and David L. Barkley. *Development of an Entrepreneurial Support Organization: The Case of the Kentucky Highlands Investment Corporation*. Research Case Studies Series Number 1. March 2003.
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- The Decision-Making Process*. The Rural Policy Research Institute, P2001-11C, July 2001.
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- Freshwater, David, Deborah M. Markley, David L. Barkley, Ron Shaffer, and Julia Sass Rubin. *Nontraditional Venture Capital Institutions: Filling a Financial Market Gap*. The Rural Policy Research Institute, P2001-11B, July 2001.
- Barkley, David L. and Deborah M. Markley. "Nontraditional Sources of Venture Capital for Rural America." *Rural America*. USDA/ERS, Volume 16, Issue 1, May 2001.
- Barkley, David L., Deborah M. Markley, and Julia Sass Rubin. *A Critical Review of the IC² Report "The Certified Capital Companies Economic Development Innovation: Missouri's Experience To Date."* Policy Brief PB2000-2R*, RUPRI, University of Missouri-Columbia, 2000.