

Policy Innovations for Sustainable Entrepreneurship

*A Summary of Insights and Next Steps from the Central Appalachian Roundtable
held February 8 and 9, 2005 at the Stonewall Resort, Walkersville, West Virginia*

Prepared by the Central Appalachian Network www.cannetwork.org
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Executive summary

Entrepreneurship is an important viable economic development strategy for Central Appalachia. Research shows that a place-based, asset-building approach offers the means to protect and restore the region's natural assets—including its forests, farmland, rivers, lakes, and mountains—even while increasing their economic value. Most of the region's new jobs are created by small businesses. Moreover, innovative enterprises in Appalachia create more and higher quality jobs, as well as more spin-off businesses.

For entrepreneurs to succeed, however, states and communities need to remove barriers to their success as well as strengthen the support systems essential to entrepreneurial growth. To consider the state and regional policies that are necessary to create these entrepreneurial support systems in the Central Appalachian region, more than 80 economic development professionals from Kentucky, Ohio, Tennessee, Virginia, and West Virginia gathered in Walkersville, West Virginia on February 8 and 9, 2005.

This meeting exposed participants to critical lessons learned from the experiences of Central Appalachian Network (CAN) member organizations in working to encourage and support local and regional entrepreneurs. Delegates to the Roundtable—organized by CAN with support from the Appalachian Regional Commission (ARC) and The W. K. Kellogg Foundation—also deliberated in state caucuses to identify opportunities, challenges, and essential next steps that can help both individual states and the region move forward in creating an improved climate for entrepreneurial development.

Introduction

On the drive from Charleston today, I was reflecting on *Laboratories of Democracy* by David Osborne. It struck me that here today we have a laboratory of innovation, right here in our region.

—Ray Daffner, manager of the Entrepreneurship Initiative for the Appalachian Regional Commission

Anyone listening to Ray Daffner's welcoming remarks before a large ballroom of delegates attending the Central Appalachian Roundtable on February 8, 2005 could hear the palpable enthusiasm in his voice. What's more, they undoubtedly felt it themselves. After all, one had only to look around the room to recognize that a lot of the people present were key stakeholders and policymakers invested in building networks to support rural entrepreneurs in their own home states.

Just minutes earlier, Pam Curry, executive director of the Center for Economic Options (CEO) in Charleston, West Virginia, had opened the meeting with a stirring call-to-action. The Central Appalachian Network (CAN), she said, had just arrived at the close of a three-year policy project to communicate to key stakeholder audiences about the multi-state policy frameworks that are needed to create a positive climate for rural entrepreneurs. In fact, the Roundtable itself, as the culmination of that effort, would feature the unveiling of a new publication documenting CAN's research about regional

entrepreneurism. “We also want to use this meeting as a springboard for next steps for our individual member states and the region as a whole,” Curry declared. “We thank you for coming, because we appreciate your commitment to economic development—and because you can influence the development of sustainable entrepreneurship.”

In the sessions that followed, one presenter after another affirmed Curry’s insight that community leaders across Central Appalachia are beginning think differently about how to approach local and regional economic development. The limited return-on-investment for traditional, large-scale industrial recruitment strategies, they said, no longer appears to justify the substantial upfront costs of public subsidies and incentives. On the other hand, the region does appear to be reaping some promising results from its early, modest investments in developing homegrown enterprises.

The capacity to seed and nurture clusters of high-growth, innovative, small enterprises within a particular geographic area points to the emergence of a far more robust regional economy.

Throughout the two-day meeting, presenters and delegates alike also discussed the emerging willingness among diverse stakeholders to collaborate in bold, innovative ways. In fact, these sorts of entrepreneurial partnerships are attracting increased attention and support. Delegates representing government agencies and philanthropic organizations, for example, made it clear that their programmatic priorities today call for expanding investments in innovative, sustainable, regionally based entrepreneurial development.

How all of these Roundtable delegates listened, deliberated, and developed specific action plans by which they and their respective states might work together to further encourage and strengthen Central Appalachia’s “laboratory for entrepreneurial innovation,” as Ray Daffner called it, is the focus of this brief white paper. It will describe many of the key insights and lessons offered during the Roundtable meeting. It also will examine the challenges and opportunities that the delegates discovered during their individual state-level deliberations, as well as set forth a synopsis of each state’s action agenda—the “next steps” to which the delegates pledged their best efforts.

Why encourage entrepreneurship and innovation?

Encouraging entrepreneurship as a strategy for mobilizing community assets and building sustainable local economies currently is receiving a lot of attention and scrutiny, especially in economically challenged rural areas. Some states in Central Appalachia have launched entrepreneurship initiatives like the *West Virginia: A Vision Shared* initiative and the *Technology 2020* project in East Tennessee. Public agencies and philanthropic organizations alike are making significant investments in both rural start-up enterprises and the complex networks that support and sustain them.

The early results of these investments appear to validate the expectation that such strategies can make a difference. Research conducted by the National Commission on Entrepreneurship, for example, documents that the capacity to seed and nurture clusters of high-growth, innovative, small enterprises within a particular geographic area points to the emergence of a far more robust regional economy.

The Central Appalachian Network (CAN), a five-state coalition of community-based economic development organizations, convened the two-day working conference, *Central Appalachian Roundtable: Policy Innovations for Sustainable Entrepreneurship*, as an important step in developing a regional policy agenda. Over the years, CAN has come to recognize that its core challenge is to promote a comprehensive shift toward an “entrepreneurial culture” in central Appalachia. The overarching goal is to encourage and support a diverse mix of stakeholders—entrepreneurs, investors, community-based nonprofits, public agencies, legislators, educators, distribution networks, retailers, and consumers—as they all work together on a regional scale to devise and enact a new vision for creating entrepreneurially driven, sustainable asset-based community wealth.

Five interrelated factors that drive a dynamic regional economy

The Roundtable delegates found both inspiration and a structural framework in a set of five factors (highlighted in the new CAN report *Strategies for Sustainable Entrepreneurship*¹) that interact to create and drive a dynamic regional entrepreneurial economy. In many instances, delegates reported that their own experiences underscored the relevance and importance of these five interrelated factors, described by CAN as “strategies informed from practice.”

Because each of these five strategies is described robustly in that report, this summary will not revisit the details of that discussion. The report’s key *Lessons Learned*, however, are offered here in an abbreviated, outline form:

- We have learned that we can build on Appalachia’s assets.
- We have learned that small business is a local issue with local solutions.
- We have learned that it pays to invest in innovation.
- We have learned that rural entrepreneurs need regional markets.
- We have learned that entrepreneurs need to partner with regional catalysts to get things done.

Throughout the discussion that follows, it will be useful to keep in mind CAN’s overarching insight that the essential infrastructure needs of rural entrepreneurs will best be met when diverse stakeholders work together in their respective states and across a

¹ Single copies of *Strategies for Sustainable Entrepreneurship* can be ordered for \$10.00 each, including shipping and handling, from the Voinovich Center for Leadership & Public Affairs, Ohio University Athens OH 45701. Please make your check or money order payable to Ohio University. Allow four to six weeks for delivery. This report may also be downloaded for free in a .pdf format from CAN’s website at www.cannetwork.org

multi-state region. Entrepreneurial networks are being built within each CAN state. The next critical element is to establish a multi-state network.

Adjusting to an emerging new economic development paradigm

In the keynote speech, presenter Brian Dabson, associate director of the Rural Policy Research Institute (RUPRI) and research professor of the Truman School of Public Affairs, University of Missouri-Columbia, explained that economic development has three legs: Attraction, retention, and homegrown development.

Attraction, Dabson said, is about *competition*, convincing businesses in other areas to move to one's local area, often with expensive, risky incentive wars that ultimately undermine local economies. Retention is about *stewardship*, which matters because most job growth comes from businesses already in one's own community.

Unfortunately, many states have found that their business retention strategies cannot compete with changing global business trends. Homegrown development, Dabson emphasized, is about *creativity and innovation* in one's local community. "It's not a panacea, any more than the other strategies," he acknowledged, "but it can help local communities think differently about themselves."

Kris Kimel, executive director of the Kentucky Science and Technology Corporation, compared the region's shifting awareness about economic development to the revolution in modern physics brought about by the emergence of new theories about quantum mechanics.

These three strategies are not mutually exclusive, but the majority of resources typically are directed toward industrial attraction efforts with very little left for homegrown development. Even so, Dabson observed that Central Appalachia is embracing some forward-looking strategies. "We need to lift collaboration from the local to the regional," he urged. "Collaborate to compete should be the mantra. Working together for a common future—and to outweigh [other factors, such as] access to resources, distance, and low-density."

Dabson further urged his audience to pay heed to four key structural elements that he deemed critical to the future of rural America—policy, innovation, sustainability, and entrepreneurship.

"Policy is critical," he asserted, "because ultimately we who are concerned about place, sustainability, and social justice *have* to be concerned with it. In this [newly proposed federal] budget...unless we stand up for what is important in rural community life, there will be little to stand up for."

Innovation is essential, Dabson said, because it implies a persistent search for answers to real-world challenges. Sustainability matters, too, so that programs with the real

possibility of making change can attain both the level of development and longevity to make a difference.

Roundtable delegate Kris Kimel, executive director of the Kentucky Science and Technology Corporation, affirmed Dabson's overall assessment of the challenges facing Central Appalachia. Kimel compared the region's shifting awareness about economic development to the revolution in modern physics brought about by the emergence of new theories about quantum mechanics. "Our whole notion of cause and effect is in fact obsolete," he said. "We need a complete revolution about how we think about things. A lot of the ways that we have approached economic problems historically are not the way we need to think about them in the future."

Central Appalachia's key entrepreneurial advantages

Asked to take stock of existing strengths in their home states that could be mobilized to enhance regional entrepreneurial capacity, many Roundtable delegates identified specific natural and cultural assets.

One key resource that the region would like to deploy more effectively is young people who have left Central Appalachia in search of better opportunities elsewhere. Brian Dabson urged Roundtable delegates to make a targeted effort to lure these young expatriates back home. "You have to demonstrate that Appalachia can offer what they cannot find elsewhere," he explained. "After all, there is a definite link between regional amenities and entrepreneurial behavior. Appalachia is one of the most beautiful places in the United States. That's one of its largest assets for the long-term."

Just going out and looking for entrepreneurs who might be willing to move to the region is probably doomed to failure, like all attraction efforts, Dabson added. "But bringing one's own back home could prove more successful. Make a targeted effort."

"One of the things we're doing," reported Todd Christensen, associate director of the Virginia Department of Housing and Community Development, "is to have all our local communities develop a telecommunications strategy. A community that has the power of telecommunications has the quality of life that can help bring young entrepreneurs back."

Why locally owned small businesses are vital economic engines

Michael Shuman, author of *Going Local: Creating Self-Reliant Communities in the Global Age*, was likely the Roundtable's most persistently provocative presenter. By suggesting leading-edge ideas and recommendations, Shuman challenged and pushed forward the group's deliberations about a range of entrepreneurial strategies.

When Brian Dabson asserted that attraction, retention, and homegrown development were not mutually exclusive, Shuman raised his hand, rose to his feet, and said that while he appreciated the nuance of Dabson's remarks, he wanted to push him on that. "I work

with rural communities where resources are scarce,” he contended, “but it seems to me there may be an emerging argument that says attraction is a waste of time and money.”

A poor community, Shuman said, can be defined as one that has few assets and a weak economic multiplier. “Any place where money leaks out and never returns slowly bleeds to death,” he asserted. “The best way that a community can keep its economic multiplier strong is to convince residents to hire local, buy local, save local, and invest local.”

Shuman then proceeded to set forth a set of compelling reasons why he unwaveringly favors locally owned small enterprises, including the following:

- Locally owned businesses create long-term wealth in the community;
- They do not set up destructive exits from the community that can destroy the local economy;
- Locally owned businesses offer higher multipliers, because they spend more of their money within the local community; and
- Shrinking economies of scale refute the notion that small businesses cannot thrive in a globalized economy. The rising price of oil will soon have considerable implications for local businesses, he said, adding that “Wal-Mart’s investment in China doesn’t look too smart, given their transportation costs.”

Even so, Shuman acknowledged, advocates of localization still face substantial problems in convincing people that local business is the wave of the future. Many local businesses do not allow people to invest in them. Even larger problems arise when they seek financing from capital markets. Finally, local businesses typically must overcome some fairly substantial marketing issues.

Of course, the resourceful author was quick to propose a possible remedy for one of these barriers. Summoning the attention of West Virginia entrepreneur Robin Hildebrand, who launched her successful salsa manufacturing company, Blue Smoke, Inc., out of her own home kitchen, Shuman playfully announced: “You are going to be the first stock to be traded on the new West Virginia stock exchange!”

Why would it help Blue Smoke—or any other West Virginia small enterprise—to list its (as yet imaginary) stock with Shuman’s proposed statewide stock exchange?

First of all, Shuman said, it would localize the economy, allowing local investment funds and pension funds to invest with companies like Robin’s. Second, it would boost local marketing. After all, as local people become shareholders, they also will become enthusiastic marketers for the product. And third, a stock listing eventually affords the owner a viable exit strategy. “I want Robin to come out of this with a LOT of money!” Shuman proclaimed. Ultimately, he concluded, a state-specific stock exchange would increase value for the entrepreneur, while at the same time increasing business accountability.

Challenges and opportunities facing rural entrepreneurs

However likely it might be in the near-term future, Michael Shuman’s inventive proposal to develop state-specific stock exchanges likely appeals to many small entrepreneurs. As Robin Hildebrand acknowledged in telling her own story, access to capital can be a formidable obstacle to starting or expanding a business.

“When you start a business, a lot of people just go out and get a loan,” she recalled. “But I wasn’t bankable. We were just blue-collar folks raising kids. My husband considered this a hobby. I was just trying to do something where I could stay home with my kids. I kind of built my market first. Later, when I wanted to expand, I just laid it on the line with the government folks: ‘Here’s what I want to do—grow this business.’ Fortunately for me, I was able to get some low-interest loans.”

“But once you’ve grown and settled some, it still can be scary, because you don’t know where to turn,” Hildebrand continued. “Even if you are successful, you still struggle for capital. When I was named to be the Entrepreneur of the Year, they asked what it means to be successful. I said, ‘When I’ve paid my employees and my bills, that’s successful.’”

Responding to Hildebrand’s concerns, Lynn Gellerman, President and CEO of Adena Ventures, described his firm’s newly capitalized \$34 million venture fund, which provides equity and operational assistance to qualifying businesses in Ohio and West Virginia. The fund’s goals include creating new companies, spurring employment opportunities, commercializing new technologies, and generating new sources of income and wealth. Thus far, he said, Adena Ventures has provided operational assistance to 38 companies and saved 500 jobs.

Entrepreneur Steve Meng, whose rural Kentucky-based small enterprise provides custom wood floors for retail stores, described additional challenges facing rural entrepreneurs. “The number one difficulty is convincing potential customers that a small, new company can successfully meet their needs,” he said. “Finding a good location in a rural area to put up a manufacturing business can also be difficult.”

Fifty percent of the formula for success, Meng said, is selecting a market that offers a genuine opportunity. “Too often, it’s just something that the entrepreneur already knows how to do,” he surmised. “No matter what those resources are, it won’t trump the other [challenge]. You have to solve a problem, meet a need.”

There are indeed robust market opportunities awaiting rural entrepreneurs, according to Anthony Flaccavento, executive director of Appalachian Sustainable Development

“In Appalachia, we have what consumers want, whether that means cultural heritage products, specialty foods, hardwood floors, or non-timber forest products. The green market, including organic foods and green building, as well as sustainably sourced materials, has arrived.”

*—Anthony Flaccavento,
executive director,
Appalachian Sustainable
Development*

(ASD), a not-for-profit organization dedicated to the renewal and support of rural communities in a 10-county area of southwest Virginia and northeast Tennessee. ASD primarily accomplishes this goal by helping local residents to develop sustainable agriculture and sustainable forestry and wood products . “In Appalachia, we have what consumers want,” he declared, “whether that means cultural heritage products, specialty foods, hardwood floors, or non-timber forest products. The green market, including organic foods and green building, as well as sustainably sourced materials, has arrived.”

Asset-based development is working, Flaccavento asserted, but “it requires sustained investment.” Such investment is needed to develop market-access infrastructure (including production kitchens, wood kilns, and retail sales venues); to support regional capacity-building (particularly for ancillary organizations or support businesses that actually allow entrepreneurs to bring their products to market); and to research and develop public procurement policies and practices.

Marketing challenges, he added, also are significant, including all of the following:

- Entrepreneurs require a steady supply of product to create and serve demand;
- Depending entirely upon local sources, especially for materials needed in value-added manufacturing, can be problematic, partly because of seasonal fluctuations in supply, although regional sourcing can help overcome this challenge;
- Product development and market testing is essential but expensive and risky (since not all products will succeed) for small and medium-sized businesses; and
- Major investment is needed to enable entrepreneurial support organizations, whether businesses and nonprofits, to move from start-up to full-impact status.

Working through these and other infrastructure and marketing challenges will take time, Flaccavento acknowledged, adding that “the goal now is just to have the conversation.”

Entrepreneurial catalysts and networks

Flooring products entrepreneur Steve Meng also emphasized the important role that entrepreneurial support organizations (ESOs) can play in providing business assistance to fledgling enterprises. Meng suggested a set of three straightforward guidelines for ESOs that want to demonstrate genuine results: 1) Provide expertise; 2) Require a business plan; and 3) Establish networks. He further advised ESOs to “provide introductions, especially to local business people. We’ve had a hard time with that in rural areas.”

It’s not enough, however, simply to offer geographically scattered pockets of entrepreneurial support. Working in isolation, even a highly skilled, experienced ESO cannot expect to fulfill the diverse needs of the rural entrepreneurs in its service area. For that, Roundtable participants said, Central Appalachia requires densely woven networks of public and private entrepreneurial support organizations. But how can their advocates effectively nurture the development of such networks across an entire region?

Pondering that question led inevitably to some discussion about the role that both public agencies and philanthropic organizations can play in encouraging new enterprises, both directly and through catalyzing the formation or strengthening of entrepreneurial support networks. Obviously, the generous support provided by the Appalachian Regional Commission and the W. K. Kellogg Foundation to underwrite CAN's policy work in this arena is testament to the essential role that these two sectors can play.

"We've been talking a lot about public dollars," observed Leslie Lilly, president and CEO of the Foundation for Appalachian Ohio, "but there's also an important piece about private giving. Philanthropy has been slow to come to rural areas, but that moment has come. It's time to promote a message about charitable giving and putting investment back into communities to bring about a better future. This is an important message for people who once had to leave and now want to give back."

"Money is not only for social purposes," added Mary Hunt-Lieving, program officer with the Claude Worthington Benedum Foundation in Pittsburgh. "It can also go to revolving loan funds [and other program-related investments targeting entrepreneurial enterprises]."

Michael Shuman agreed: "We've got to use foundation money for revenue generation within non-profits, so that it sustains them." Shuman addressed his next remark directly to the funders in the room: "I spent 20 years of my life as a grantaholic. Stop me from raising money from you again!" He then asked his audience to consider the total amount of money available right now that foundations could redirect into program-related investments (PRIs²), adding. "It would fundamentally change the complexion of philanthropy."

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—Leslie Lilley, president and CEO, Foundation for Appalachian Ohio

However, not everyone at the Roundtable appeared as ready and willing as Shuman to forego conventional philanthropic subsidy. "It's a significant transition to earn your own revenue," noted Justin Maxson, president of MACED, a nonprofit organization (and CAN member) based in Berea, Kentucky. "So, before you go to the foundations with your proposal, let me say that we need targeted support! We exist because of a market failure. I'm not sure there are market-based solutions to some of the issues that we address. It's a complex situation."

² According to The Foundation Center website, PRIs are investments that foundations make "to support charitable activities that involve the potential return of capital within an established time frame." They include financing methods commonly associated with banks or other private investors, such as loans, loan guarantees, linked deposits, and even equity investments in charitable organizations or in commercial ventures for charitable purposes.

New ways of making policy in support of rural entrepreneurs

The rural entrepreneurship policy framework and recommendations set forth in CAN's newest publication, *Strategies for Sustainable Entrepreneurship*, are described in that document far more thoroughly than in these pages. Accordingly, it will be useful for the reader to obtain a copy and carefully examine its findings and proposals. Nonetheless, it will be useful here to restate several of the report's key recommendations.

- *Involve entrepreneurs and entrepreneurial communities in a network for policy formation.*

“Entrepreneurial and policy communities have much to offer one another,” the CAN report states. “The involvement of entrepreneurs in designing and supporting entrepreneurship policy makes the efforts of policymakers more politically viable and economically effective.” Participants at the Roundtable agreed, adding in their post-workshop evaluation statements that they'd also like to see additional stakeholders at the table, including:

- * Business owners;
- * Nonprofit organizations that are part of the entrepreneurship support network;
- * Extension and entrepreneurship faculty from universities and community colleges;
- * Representatives from the banking industry;
- * Venture capitalists;
- * Representatives from the governors' offices of the five-state Central Appalachian region;
- * Leaders and staff from various state agencies, notably economic development, agriculture, and tourism;
- * Local government leaders; and
- * Legislative caucuses at the state and federal level.

- *Make policy more flexible and experimental.*

June Holley, president and founder of ACENet (and the CAN report's primary author), reported to Roundtable delegates that “research stresses [the importance of] innovation. You can get more bang for your buck by investing in businesses that are innovative. They are going to create better, more interesting jobs.”

Holley also cautioned that “you can't do entrepreneurship policy the same way as other policy areas. We need to set up policies that are flexible and very experiment-oriented.” Small diverse experiments, the report adds, will be more productive than large initiatives.

It's also important, Brian Dabson said, that the metrics used to assess the results of such experiments, especially those required to hold public expenditures accountable, be adapted to fit rural circumstances. “Most metrics are clumsy, simple, and do not capture the nuances of rural areas,” he explained. “I'd like to see the money come down so that communities set their own metrics for performance. Poor rural communities have a

tough time meeting the same performance standards as a suburban competitor. So, if we're really talking about flexibility, let's develop that."

- *Make policy build regional assets.*

"Policy should invest in assets that will continue to generate returns over time," the report asserts, including "endowed Innovation Funds; strong and sustainable Entrepreneur Support Organizations (ESOs); and clusters that help businesses expand and create jobs."

"Entrepreneurial development systems are the very core of what we are trying to create with the new Kellogg Foundation initiative," said Dabson, who reviewed many of the more than 180 responses to the RFP. "The proposals demonstrated incredible creativity and resourcefulness. They really thought afresh about how people can build a better future for themselves."

- *Make policy regional.*

"Most researchers recommend a regional approach that encourages the communities and jurisdictions to partner," the CAN report says, "so that a more robust, sustainable, and meaningful entrepreneurship strategy can evolve." Even so, how best to accomplish that sort of productive regional collaboration was a question that surfaced repeatedly throughout all of the Roundtable discussions.

Asked how regions and institutions in Central Appalachia might work together more effectively, Dabson, whose work with RUPRI often focuses on issues of rural governance and collaboration, replied, "I'm not going to come up with a magic answer. But people are finding that if they act on their own, it doesn't work."

Can rural communities find effective ways to influence policymakers, even when they do not have the population—and thus, the votes—that their urban counterparts bring to the table?

"If we put a box around rural and say, 'These are our interests, we're going to fight for these,' then it's true, the votes aren't there," admitted Dabson. "The time is long overdue for rural areas to reach out to cities. They need to look for new partners out beyond the rural framework. Some large cities are already reaching out to rural areas. For example, the city of Chicago looks out to rural Illinois for the production of organic food."

"Rural cannot stand on its own," he concluded. "Rural is part of America. It has a clear contribution to make; it's not just looking for a handout or services. We all share a

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ACEnet

common future in America. If all this stuff that's coming down with the federal budget leads rural people to think about this, then that's good. Rural regions on the edge of metro areas need to think about their connections with the suburbs in order to protect what is rural and keep it. They have a real role to play within the region."

Within this emerging collaborative framework, however, Michael Shuman urged a few notes of caution. It's important to start small, he said, and solve problems in your own backyard before turning to a higher level. Beware of regional economic planning, he advised, explaining that there are three sorts of risky projects that he would not engage in: regional recruitment, regional ownership, and regional government. "The latter is a good idea, Shuman said, "but it really doesn't exist."

Even given these reservations, however, Shuman identified a set of genuinely promising, collaborative, regionally focused projects:

- * Regional business inventories;
- * Regional entrepreneur support networks;
- * Regional incubator networks;
- * Coordinated efforts to create a regional identity and regional marketing networks;
- * Regionally based flexible manufacturing networks;
- * Regional investment funds, where local funds are set up first and then a regional, overarching fund buys small pieces of those local funds; and
- * Regional purchasing networks, adapted from the producer cooperative model exemplified by TrueValue Hardware.

State-by-state assessments

Meeting in their state caucuses on the morning of February 9, Roundtable delegates assessed a slate of common indicators that could describe whether or not their home state offers a positive climate for rural entrepreneurs and rural sustainable development. Participants created a report card for each state, with rankings from A to F in individual categories, such as *Access to Capital, Financing Programs, Opportunities for Networking and Building Entrepreneurial Energy, Innovation Assets, Natural Capital and a Positive Policy Climate*. A full category accounting of each state's report card is available at the CAN website: <http://www.cannetwork.org/roundtable/index.php>.

Reflecting on the state assessments, Ray Daffner, manager of the Entrepreneurship Initiative for the Appalachian Regional Commission, praised the level of analysis as well as the diversity of strengths and challenges that individual state caucuses reported. He further asserted that questions inevitably would arise about how to sustain particular state and community-level entrepreneurial support organizations and programs. "Some talked about how to build programs at the grassroots level," Daffner said, "and some wondered what to do [about state-supported programs] when governors change. Sometimes new governors want to distance themselves from earlier programs."

The state caucuses generally had not emphasized innovation assets—such as university and private sector research, SBIR grants, patents issued, university spin-offs, and households with computers—in their assessments, Daffner observed, although he noted that West Virginia had talked about mining innovation from universities. Those types of resources are critical, he said, and should be included in any state plan.

One strength that every state did emphasize, Daffner concluded, were natural and cultural assets. “Our federal co-chair, Anne Pope, is interested in building programs that focus on those assets,” he noted.

Next Steps

One of the chief goals of the two-day Roundtable was to intensify and expand existing policy networks in Central Appalachia—at both the state and regional level—that address entrepreneurship and healthy communities. In some areas, it may be necessary to build new policy networks from scratch.

During the late morning of February 9, delegates met with their respective state caucuses, where they conferred about three key questions: 1) What are the next steps to strengthen support for entrepreneurs in their respective states? 2) How can nonprofits that offer support for entrepreneurs become more sustainable? and 3) What are some ideas or next steps for a regional effort to support entrepreneurs?

The following state-by-state summaries—formatted below as a series of tables—offer an accounting of those ideas and intended next steps, as reported to the plenary session that followed the state caucus discussions.

OHIO—Next Steps

<p>Next steps to strengthen OHIO’s entrepreneurs</p>	<p>Ohio’s state caucus agreed to reconvene following the Roundtable on two separate dates to discuss how better to support entrepreneurs, both within the state and across the region. They plan to invite key state and community leaders and policymakers to at least one of these sessions, which would feature formal presentations, including data and stories.</p> <p>The group also discussed organizing a larger conference at a later date, which would bring together an even more diverse representation of stakeholders, including chambers of commerce and local arts councils.</p>
<p>How nonprofits can offer support to help OHIO’s entrepreneurs become more sustainable</p>	<p>To help nonprofits become more sustainable, Ohio’s delegates plan to ask businesses to help nonprofits do marketing or obtain loans. All agreed that nonprofits need technical assistance to better utilize the funding that is currently available to them.</p> <p>The delegates also plan to find ways to identify, reward,</p>

	and disseminate information about innovations within particular organizations.
Ideas and next steps for a regional effort to support entrepreneurs	<p>Ohio’s caucus encouraged the CAN states to learn more about how state tax structures can encourage entrepreneurial activity, adding that it would be a good start to learn more about West Virginia’s efforts in this area.</p> <p>They also would like to take a look at organizing regional networks of “angel” investors.</p>

TENNESSEE—Next Steps

Next steps to strengthen TENNESSEE’s entrepreneurs	<p>Tennessee’s delegates plan to make individual appointments with individual state leaders, whom they consider to be “policy influentials,” and then build toward a larger gathering that brings a more diverse group of stakeholders to the table, including federal officials, banks, and nonprofit organizations.</p> <p>The Development District (DDA) directors planned to meet in March, so they also hoped to schedule a briefing with that group.</p>
How nonprofits can offer support to help TENNESSEE’s entrepreneurs become more sustainable	<p>The Tennessee caucus also looked at a range of options for providing support to nonprofit groups who facilitate entrepreneurship, including asking both the ARC and Farm Bureau to play a more significant role. They also hope to place this issue before Tennessee’s State Entrepreneurship Committee.</p>
Ideas and next steps for a regional effort to support entrepreneurs	<p>Tennessee recommended that CAN states develop multi-state collaborations around specific projects, including: 1) Cultural assets, particularly in eastern Tennessee, western North Carolina, and north Georgia; and 2) A regional food system approach, with infrastructure and programs to facilitate primary and value-added production, as well as distribution.</p>

Kentucky—Next Steps

<p>Next steps to strengthen KENTUCKY's entrepreneurs</p>	<p>Emerging from the two-day Roundtable, Kentucky's delegates agreed that they had a "wonderful story to tell" about the potential rewards that can grow out of better support for entrepreneurs. Now is the time, they said, to get that story out before the legislature and the people of Kentucky.</p> <p>The group planned to reconvene back home in Kentucky, as well as add other key leaders to their group. In order better to tell their story, they hope to develop a well-organized, professional presentation—likely using PowerPoint and flip charts.</p> <p>"From this group here at the Roundtable," they said, "there will be a unified voice of people talking about the need for entrepreneurship in Kentucky." They felt so strongly about this commitment that they focused solely upon that challenge during their breakout session.</p>
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Virginia—Next Steps

<p>Next steps to strengthen VIRGINIA's entrepreneurs</p>	<p>For their next steps to support entrepreneurs, the Virginia caucus developed a parallel track of outreach activities.</p> <p>First, they planned to schedule a meeting with the state's senior economic development staff, including economic development, business assistance, and state tourism officials. Their goal, they said, would be to share what they've learned in order to help shift the state's economic development emphasis more strongly toward supporting entrepreneurs, local businesses, and sustainable economic development.</p> <p>Second, they would like to develop some educational workshops about entrepreneurship that could "stimulate this sort of thinking" in various sub-regions of the state. They agreed, however, that southwest Virginia, served by Appalachian Sustainable Development, already has a strong platform for sharing information about this approach.</p>
<p>How nonprofits can offer support to help VIRGINIA's entrepreneurs become more sustainable</p>	<p>The Virginia caucus mulled over various ideas for supporting nonprofit ESOs (entrepreneurial support organizations) but did not confirm any specific policies or plans.</p>
<p>Ideas and next steps for a regional effort to support entrepreneurs</p>	<p>The Virginia caucus agreed it is imperative to involve more actual entrepreneurs in the face-to-face policy discussions and networking.</p>

West Virginia—Next Steps

<p>Next steps to strengthen WEST VIRGINIA's entrepreneurs</p>	<p>The West Virginia delegates felt strongly that the conversations begun at the Roundtable ought to continue, that they would work to bring others into the discussions, and that the conversations about supporting entrepreneurs should stay focused on policy.</p> <p>They also said they could merge the Roundtable group into existing structures within the state, such as the <i>West Virginia: A Vision Shared</i> Entrepreneurial Subcommittee, in order to expand the conversations already ongoing within those organizations. They hope to meet with the state's Congressional delegation and to work closely with various media in the state.</p> <p>The group also brainstormed a list of activities that could enhance entrepreneurial activity in the state, including encouraging investment in businesses that support and enhance other businesses. The delegates also said it would be a high priority to target opportunities to support entrepreneurs in small, rural communities.</p>
<p>How nonprofits can offer support to help WEST VIRGINIA's entrepreneurs become more sustainable</p>	<p>The delegates acknowledged that recent events in West Virginia—involving questionable practices at <i>one</i> specific nonprofit—had resulted in much closer scrutiny of all nonprofits in the state. Accordingly, although many West Virginia nonprofits already have been looking to become more self-reliant, state government may in fact restrict some of the alternatives available for them to engage in for-profit activity. It is therefore essential, the delegates said, to educate state legislators about social enterprises, what their purposes are, and what they do.</p>
<p>Ideas and next steps for a regional effort to support entrepreneurs</p>	<p>The West Virginia caucus recommended the CAN network take a closer look at opportunities that may be afforded by expected changes in the federal Community Reinvestment Act.</p> <p>They further recommended that CAN examine Federal Home Bank Loan issues (including the lack of subsidized money for economic development) as well as the possibility of using Community Development Block Grant (CDBG) funds to assist entrepreneurs. CAN also might help develop procurement opportunities by mapping regional business opportunities.</p> <p>Other important concerns that deserve study, the group said, include how to enhance opportunities for West Virginia expatriates to return home and become entrepreneurs, as well as the need to strengthen health care (as yet another support for the self-employed).</p>

Next Steps for the Central Appalachian Network

In addition to practical next steps gleaned from the state caucus deliberations, delegates also contributed suggestions in their individual conference evaluations about how CAN itself might follow-up after the Roundtable. Some of those ideas include the following:

- Take action. Require action. Push participants to move forward in their area, state, and region.
- We need to develop concrete, real-life solutions. Ideas and concepts are great, but must be expanded and grown into a solid working plan with structure and an immediate timeline.
- Smaller subgroups are needed to focus on specific problems, such as broadband access, K-12 entrepreneurial education, innovation, and access to capital. These groups could formulate policy suggestions. Listservs or blogs [could be developed] to encourage more immediate and constant communication.
- Keep educating legislators/policymakers/Appalachian caucus at state and regional level.
- Make this Roundtable an annual exercise. Become a regional clearinghouse for information.

Over the long-term, the Central Appalachian Network expects to work with the fledgling state networks to encourage wide-ranging policy discussions that will help develop and carry forward progressive policies that remove barriers and strengthen entrepreneurship across the entire region. As Pam Curry, CEO's executive director, emphasized at the outset of the two-day meeting, the 2005 Roundtable represents an important step toward making that vision a reality.