

# North Carolina Rural Outreach Collaborative

The North Carolina Rural Outreach Collaborative was developed in response to the Kellogg RFP, emerging from a statewide association of business resource providers with the intention of creating an entrepreneurship development system to serve all 85 rural counties in the state. Led by the North Carolina Rural Economic Development Center, the initiative was designed to build on and strengthen pre-existing relationships in order to make a richer, more transparent and more coordinated set of resources available to rural entrepreneurs, as well as gain more supportive policies supporting entrepreneurship development. With the conclusion of the three-year program, the Rural Outreach Collaborative has ended its work, and the EDS agenda is continuing under the leadership of several structures and institutions in the state.

## Context

The North Carolina Rural Outreach Collaborative targeted the 85 rural counties that are home to half the state's eight million people, who are challenged by economic restructuring due to losses in both the traditional manufacturing and agriculture sectors. From 2000 to 2003, more than 60,000 rural North Carolinians were laid off from textile, furniture and other manufacturing jobs. Farm employment also declined, with tobacco receipts reported down by more than half since 1997. In this context, it is not surprising that per capita rural income is \$17,579, only 80 percent of the U.S. average. But this figure masks the sharp differences in income experienced by the rural Hispanic, African American and Native American residents who make up 27 percent of the population, and whose income ranges from \$9,500 to \$11,000. Rural minority poverty rates are 22 to 28 percent versus 10 percent for rural whites. In the 17 eastern counties with high minority populations, the child poverty rate is more than 25 percent.

If entrepreneurship is to serve as an instrument for transformation in this context, the leadership of the Rural Outreach Collaborative noted in the original proposal to Kellogg: "The regions where our most needy families live are not well-served by the state's current EDS. Though North Carolina has a community college within a 30-mile drive for all citizens, the resources and expertise at many of their Small Business Centers need to be expanded to serve local needs. Many rural local governments put very low percentages of their economic development budgets into their community colleges while still developing sites for the chance at a rare manufacturing project. Our nationally regarded Small Business and Technology Development Center has offices on 16 University of North Carolina campuses, but its primary focus is on existing small businesses, not the aspiring or survival entrepreneur. Many minority and low-income citizens are over an hour from the closest university office and are too intimidated to visit there anyway." While North Carolina also has a set of nonprofit service providers that focus on minority and distressed communities, they also are underfinanced. To adequately serve what has been seen as a "the pent-up and growing demand for small business assistance," it has been estimated that an annual \$20 million budget would be required.<sup>50</sup>

More specifically, North Carolina's rural regions have been found to suffer from: insufficient entrepreneurship educational initiatives for youth and adults; inadequate technical assistance for aspiring and survival entrepreneurs; insufficient financial literacy to create bankable businesses and sources of equity capital for growth entrepreneurs; few local support networks for entrepreneurs; and limited understanding of entrepreneurship on the part of rural elected boards and local workers. These findings emerged from research commissioned by the North Carolina Rural Economic Development Center in 2003 and led to the creation of the Business Resource Alliance, a statewide network of business development service providers that organized to consider how they could more

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<sup>50</sup> North Carolina Rural Outreach Collaborative, 2004 proposal to the Kellogg Foundation and CFED, 4-5.

effectively respond to these challenges. It is from this group that the North Carolina Rural Outreach Collaborative emerged to develop a more fully effective EDS for rural North Carolina.

## Structure and Strategy

Given the breadth of the group and the scope of its analysis, the EDS' goals have been to:

- integrate the state's entrepreneurship resources into a more transparent set of options for rural entrepreneurs at various stages,
- create a more supportive state and local policy environment, and
- give rural community leaders who want to nurture homegrown job creation access to training, models and tools that would help them be effective.

In doing this, the EDS emphasized creating new materials and opportunities for youth, new tools to publicize and make adult services more transparent, and greater coordination among service providers for better service delivery and advocacy. The intent also was to promote six regional efforts to create more supportive environments for entrepreneurship, develop local networks of entrepreneurs and/or service providers, and implement regionally appropriate programs.

The EDS was led by the North Carolina Rural Economic Development Center and included 25 members, each of which was represented on the management team, which met quarterly to be updated on progress and consider key issues. These members included organizations from the government sector, university system and nonprofit sector. The two largest business service providers in the state – the state Small Business and Technology Development Centers, based in the university system, and the Small Business Centers, based in the community colleges – were represented in the EDS by their directors and participated at regional levels as well. This engagement was unique among the six EDSs funded under this initiative. Among government members were representatives of the departments of agriculture and commerce; among higher education were representatives of the UNC system; and among nonprofits were leaders such as the Self-Help Credit Union, Good Work, NC REAL and Junior Achievement.

The bulk of members' participation was through work groups, which were organized to study and develop initiatives in entrepreneurship education, capital, policy, minority outreach and technical assistance. Some were stronger than others. Most developed work plans that resulted in the creation of written products directed to entrepreneurs, but also included other initiatives such as implementing an entrepreneurship policy summit, and supporting an expansion of youth entrepreneurship activities. Executives of member organizations also participated on two occasions in an executive policy team that was expected to help advance policy goals, and an entrepreneur advisory team also met periodically to give input to the EDS.

In addition, the state was divided into six regions where it was hoped that community advisory teams would develop and implement entrepreneurship activities in their areas. In fact, while the EDS provided some support to each of these regions, especially in the form of training and some consulting services – directly and through its partner Good Work -- development of entrepreneurship activities was very uneven. Only two regions -- Upper Coastal Plains in the east (led by the Council of Governments), and High Country, a seven-county area in the northwest (led by the Appalachian Rural Development Institute at Appalachian State University) received specific funding from the EDS to implement networking activities, and participated in the EDS quarterly meetings held in Raleigh. Both regions had well-established leadership and less need for state-level technical assistance.

## Accomplishments

More than anything else, the EDS has further developed a "big tent" for entrepreneurship in North Carolina. The program has increased working relationships among the major public and private service providers in the state,

relationships that emerged under the Business Resource Alliance, but which were given a strong boost through engagement in the many projects implemented over the last three years. In addition, the EDS succeeded in developing or encouraging a set of important follow-up activities that will continue to promote some EDS values. These include: the work of the North Carolina Consortium on Entrepreneurship Education, the regional-focused systems development that the North Carolina Rural Economic Development Center will lead; the Rural Venture Fund -- a financing vehicle that is a collaboration between the Rural Center and the SBTCs; and the biannual policy Summit. More will be said about these below.

### ***Building the Pipeline***

With respect to youth entrepreneurship, the EDS and its members implemented activities that engaged substantial numbers of students and teachers, and developed products with long-lasting usefulness. In particular, the EDS:

- Created Hop on the Bus, a business plan competition for high school students. In the first year, 205 students participated and in the second, 253 students in 130 teams were involved, an increase of 23 percent. Launched by the EDS, this competition likely will be taken over by the Department of Public Instruction.
- Created "Beyond the Lemonade Stand", a guide for communities interested in supporting youth entrepreneurship.
- Provided resources to help Junior Achievement, NC REAL and 4-H expand their work into more rural communities. With respect to this, the local site evaluation reports that: "Over the course of the project, these service providers have expanded the geographic scope and the number of events to raise awareness about entrepreneurship education. In total, the service providers had almost 200 teacher training events, about 1,100 courses for K-12 students reaching over 15,000 participants."<sup>51</sup> While not all of this can be attributed to the EDS, youth entrepreneurship partners reported that the EDS resources enabled them to expand their reach beyond what they would have accomplished before.

Also emerging from the encouragement of the EDS is the North Carolina Consortium on Entrepreneurship Education, a coalition of public and private higher education representatives along with the state's Department of Public Instruction, all interested in learning about, developing or strengthening educational resources for entrepreneurship education. Fairly incipient in its activities, the consortium is now focused on peer exchange and resource sharing. While this can become an important focal point for all the entrepreneurship educational activities underway in the state, and a wedge for greater financial support and attention, it is not yet clear how the consortium will fare. As the EDS has ended and the Rural Center has turned its focus to a specific set of rural initiatives, where the leadership for this effort will come from, or whether it will ever be staffed, is uncertain. The North Carolina EDS leadership believes that it should be drawn from agencies with a statewide service area.

EDS work in expanding the adult pipeline of entrepreneurs had two focuses:

- Given its perception that North Carolina was weakest in resources for emerging entrepreneurs, it promoted the use of networks as the best entrée for newcomers to resources, technical assistance and contacts. It created a guide for entrepreneurs about the value of networks, "*Hello, my business name is ...*" and held six workshops, reaching 140 people around the state on entrepreneurial networks and networking, based on the guide's content. In addition, the EDS implemented Energizing Entrepreneurship workshops in the six target regions, with the aim of providing a framework and tools for community leaders interested in increasing entrepreneurial development in their communities.
- It encouraged the inclusion of entrepreneurs from a broad array of ethnic communities through: training (the EDS developed an appreciative inquiry exercise within the Energizing Entrepreneurship (E2) curriculum to help participants view their diversity as an asset for entrepreneurial development); development of a video, "*In Their Own Words*," (designed to celebrate the minority entrepreneur, educate service providers regarding the

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<sup>51</sup> RTI International, Evaluation of the Entrepreneurship Development System for Rural North Carolina – Final Report (Raleigh, N.C.: RTI International, June 6, 2008), 11.

unique issues that minorities face, and provoke thinking about how they deliver services); and assistance to the North Carolina Indian Economic Development Institute (scholarships for Summit attendance, E2 training, and board participation), which has increased its engagement in asset development and entrepreneurial activities over the course of the program. This work is continuing with Rural Center staff support for an Hispanic entrepreneurs' network that is just re-emerging in eastern North Carolina with hopes to put on a first-ever Latino entrepreneur conference in the future.

The effects of these efforts in spawning more entrepreneurs, and/or more ethnically diverse entrepreneurs, or in linking more emergent entrepreneurs to appropriate resources, cannot be said. While EDS' local site evaluators have some data suggesting that large numbers of emerging entrepreneurs are connecting to services (40 percent in their final entrepreneur survey were seeking assistance in starting a business), and that the service provider structure in North Carolina serves more minority entrepreneurs than found across the general population,<sup>52</sup> the small numbers and lack of solid longitudinal data make this data suggestive rather than definitive.

### ***Building a System of Support***

The EDS goal in this area was to increase the transparency of services to entrepreneurs, and to achieve it, the EDS developed and widely distributed a set of products designed to help entrepreneurs assess their own needs and seek out appropriate services and capital. These products included *Fueling Your Business*, a simple guide to capital access. In addition, the EDS sought to enhance cooperation between the major service providers in the state by helping increase communication among them through the EDS and Business Resource Alliance meetings, and at regional sessions. Over the course of the initiative, the SBTDCs and the SBCs engaged in their first joint professional development training, and the SBCs adopted the management information system used by the SBTDCs to track client services and outcomes. In addition, representatives of both institutions, and other service providers, participated in the regional service provider networks developed in Upper Coastal Plain and the High Country, and in planning emerging initiatives in the northeast and southeast regions. The work toward transparency is continuing with the development of Resource Navigator, an on-line directory of services being tested in two regions, and spearheaded by the Rural Center with the Business Resource Alliance. The Department of Commerce also has expanded the Business Servi-Center (toll-free phone line primarily for start-ups) and the work of the Small Business Ombudsman's office.

Perhaps most importantly, building on EDS collaborations, the state Department of Commerce is preparing to launch in December 2008 a statewide marketing campaign and branding initiative for all of the statewide business service providers. Senior management from the Rural Center, SBTDC, SBC Network, and others has been involved in this initiative throughout 2008.

Through surveys of service providers, entrepreneurs and informed (but external to the EDS) economic development professionals, the local evaluators attempted to track the results of these efforts. Acknowledging that the EDS process was focused on long-term culture change, nevertheless the evaluators sought to document quantitative results that would emerge as signposts of these changes. The scope of the proposed data collection was daunting because it aimed to measure all the service activity of the major institutions across the 85 rural counties quarterly, as well as measure changes in service provider and entrepreneur attitudes annually. Incomplete and inconsistent data collection hampered the effort, but the evaluators reported that the findings did demonstrate that "service providers' awareness of and interaction with EDS member organizations increased," and

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<sup>52</sup> In their final report, the evaluators state: "All three surveys indicated that the client base had a significant minority component as compared to the state's minority population (approximately 7 percent of total state population): almost 17 percent at the baseline, 30 percent at the midpoint, and 12 percent at the time of the final survey." The widely varying numbers have less to do with changes in service provision and more to do with who completed the surveys at each wave. See RTI International's final report, pg. 15

“entrepreneurs’ satisfaction with the EDS increased.”<sup>53</sup> Activity reports also showed that “partners are increasing business-to-business networking, community outreach dissemination, and referrals.”<sup>54</sup> In addition, economic development professional surveys documented that these informed observers also saw progress. Most “felt that the EDS had improved the awareness of available services” and that the quality of services had improved, rating it as “good or adequate.” However, they still rated the “availability of the right service at the right time” the lowest of all, indicating the challenges that still exist in delivering appropriate services.<sup>55</sup>

These reports document an array of efforts – some very deep, some less so – but all of which would contribute to the sense that there is a “system” and that it is more visible to entrepreneurs in at least some communities. While the motto has been “no wrong door,” the work really has been more about illuminating where the doors are, and what decisions and choices an entrepreneur has to think through as s/he seeks the door most appropriate to his/her needs.

### ***Community and Policy Change***

The EDS increased visibility and support for entrepreneurship through:

- An annual summit that convened hundreds of practitioners, policy makers, educational professionals, and entrepreneurs to explore ways to increase entrepreneurial development in the state. These summits also became vehicles to announce new commitments and initiatives on behalf of entrepreneurship statewide.
- The Hop on the Bus business plan competition for high school students. As described above, participation has grown each year, and announcing the award winners at the annual summit has raised public awareness of the event
- Training for community level policy makers: the UNC School of Government and the RUPRI Center for Rural Entrepreneurship delivered workshops in the eastern and western parts of the state for local government officials.

The effects of that increased visibility are found in such initiatives as:

- the embedding of the name entrepreneurship in two committees of the state legislature (the Commerce, Small Business and Entrepreneurship Committee in both houses),
- the formation of a North Carolina Consortium on Entrepreneurship Education bringing the major educational institutions of the state together. Related to this are a set of educational initiatives aimed at increasing the availability of entrepreneurship education to university students, and business extension resources to broader populations (NC State and UNC)
- the creation of the Rural Venture Fund, which has \$6.8 million from the state legislature, the North Carolina Rural Economic Development Center and the Golden Leaf Foundation, designed to target existing businesses with growth potential in economically distressed counties. Investments between \$50,000 and \$350,000 are available, and the first six investments, totaling \$2.1 million, are expected to generate 400 new jobs by 2013.
- A \$600,000 state allocation to support regional EDSs (described below.)

What’s important to note is that the EDS’ efforts in this regard both spurred, and were spurred by, broader trends in an institution-rich state. As the local site evaluators reported, while many unaffiliated economic development professionals gave the EDS credit for making the case for entrepreneurship (45 percent), respondents felt that the

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<sup>53</sup> The evaluators reported that “nearly 88 percent of the service provider agents felt that their organization belonged to a local system of service providers to support entrepreneurs, up from 75 percent at the baseline.” Of entrepreneurs surveyed in the last round, 67 percent felt there was an “effective business resource system in place,” up from 50 percent at baseline. In addition, 60 percent thought referrals to other service providers were effective, compared to 50 percent in the first survey. These findings are not longitudinal, however. They are snapshots of differing groups of respondents at each time period. See RTI International’s final report, pgs. 17-18, 23.

<sup>54</sup> RTI International, 7-8.

<sup>55</sup> RTI International, Executive Summary, 3

greatest factor contributing to increased support was the North Carolina economy itself.<sup>56</sup>

With respect to community change, the EDS attempted to launch regional systems in six parts of the state, with varying degrees of success. These will be further supported in follow-up activities that are the legacy of this program in the state.

## Sustainability

The North Carolina Rural Outreach Collaborative has formally ended with the conclusion of the Kellogg grant, but what remains are a number of legacies and follow-on initiatives that will continue under a variety of leadership:

- The NC Entrepreneurship Summit will continue on a bi-annual basis, rotating around the state. A process has been established to continue running this event. A toolkit lays out how to organize the summit; a kitty of money, raised through the last summit, is available to pass onto the next organizer, and a review committee has selected the next host to be UNC-Wilmington and partners in the southeast region of the state.
- The North Carolina Consortium for Entrepreneurship Education, also discussed above, will act as a venue for peer learning and exchange.
- The Business Resource Alliance, which existed before the Kellogg grant, will continue as a statewide venue for networking and advocacy among public and private institutions engaged in entrepreneurial development.
- All the products will remain after the project and will be used by the members of the EDS. They already have been distributed to every Small Business Center and Chamber of Commerce in the state, and feedback is reported to be strongly positive.
- The North Carolina Rural Economic Development Center will continue to focus directly on the rural, as opposed to statewide, agenda through the administration of the Rural Venture Fund, and through implementing the Rural Entrepreneurship Development Systems II project, funded by the Rural Center with \$600,000 from the General Assembly. This is designed as a three-year project to help two regions build on the initial awareness building and organizing work done as a consequence of participation in E2 trainings. As the Rural Center recognized that deep progress at the regional levels requires staffing, technical assistance, and opportunities for peer learning, this program will provide: grants to pay for a regional coordinator on a declining basis for three years; coaching and a “common approach” through the Rural Center and contractors; and support to build regional alliances among the grantees and other interested regions.
- The Rural Center is now engaging rural chambers of commerce in strategic discussions about rural economic and business development. The chambers do not have an active statewide association but are frequent partners with the Rural Center in local initiatives.
- The Rural Center’s Institute for Rural Entrepreneurship is partnering with the North Carolina Department of Commerce Division of Workforce Development, the North Carolina Community College System, and NC REAL to implement a \$1.6 million project funded by the Department of Labor’s Employment and Training Administration. Project GATE, Growing America Through Entrepreneurship, will help dislocated workers pursue self-employment and entrepreneurship by offering services at eight rural sites and from a statewide virtual site. GATE is a 3-year project started in September 2008.

## Summary

The North Carolina Rural Outreach Collaborative created an EDS model that had at its core a collaborative of largely statewide institutions engaged in business development, using the program to focus their work more intentionally on rural counties. Bringing together leaders in public and private service provision and education, the program unleashed considerable energy to make entrepreneurial development a key strategy for economic

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<sup>56</sup>RTI International, Executive Summary, 5

development. The EDS accelerated recognition among many institutions that previous strategies would provide limited promise given current economic conditions, and offered concepts and tools that could support transformation at community levels, and could increase the effectiveness of the current system of services to meet entrepreneurs' needs. It was strongly successful in developing resources to make services more transparent to entrepreneurs, and in getting the largest providers to collaborate in new ways. Its work at regional levels sparked new thinking and new coalitions of leaders, and in a couple of instances supported networks that serve as doors to contacts and services.

But its regional work served more as a launching pad for concepts and initial organizing than sustained and deep work that could translate into documented outcomes in the form of business starts, growth, job creation and other metrics. As an illustration, its own evaluation made no attempt to track such changes, instead focusing on perceptions with respect to service quality and integration. In this respect, the new regional EDS program started by the Rural Center is expected to take the steps required to move from concepts to transformation at the local level, building on what has gone before.<sup>57</sup>

The EDS does offer some real lessons for other practitioners. They include:

- The importance of a well-recognized statewide leader seen as effective and credible to all parties.
- The value of using collaborative task forces not only to produce products, but to develop habits of collaboration that build the trust required for increased coordination at the field level.
- The value of the Energizing Entrepreneurship training program for consciousness-raising and launching new processes at community levels; the North Carolina experience also demonstrates how important it is to have a longer-term technical assistance strategy and resources to convert ideas into both plans and a sustained change agenda.
- Experience developing a strategy dedicated to publicizing available resources, and making them easier to use by a wide range of entrepreneurs. While EDS language has consistently used the term "no wrong door," this EDS' work really has been more about illuminating where the doors are, and what decisions and choices an entrepreneur has to think through as s/he seeks the door most appropriate to his/her needs. The effort is to put the entrepreneurs in the driver's seat, rather than depend on the capacity of service providers to refer and integrate their activities.
- The importance of working both at the leadership levels and the regional levels. Getting the messages down to the front-line workers from the top is insufficient. Effort must be expended to support increased communication among service providers in the regions themselves.
- Recognition that high-visibility activities can grow and sustain momentum for an entrepreneurship agenda.

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<sup>57</sup> The decision not to collect business outcomes data was also due to the EDS' recognition that it did not have the resources to develop a rigorous comparison study to detect what outcomes were directly attributable to the EDS initiative and not the normal operations of its partners. The Rural Center's new Rural EDS II project is still exploring approaches to gathering business outcome data in the two regions assisted by the effort that will be comprehensive, eliminate double-counting, and in some way, reflect the value-add that the new regional efforts stimulate.