



Rural Communities Initiative



Webinar: Strategies for Small Business Development in Rural Communities Transcription of Audio recording/Webinar May 12, 2009

Welcoming Remarks and Introduction of Speaker # 1 (James Butler, OFA)

Hello everyone. Welcome to this Rural Communities Initiative Webinar on strategies for economic development through small business development and entrepreneurship in rural areas to improve service delivery to rural TANF programs.

As I've mentioned on numerous Webinars before, during the Rural Communities Academy back in September, the challenge of improving economic development was identified by many of the rural communities as one of the most critical issues facing rural organizations serving TANF participants.

As part of their technical assistance plans, sites expressed interest in learning more about the effective strategies to create jobs and businesses, improve local economies, and increase opportunity for rural residents.

These rural TANF agencies specifically expressed the need to learn more about current efforts to build small businesses to increase opportunities for TANF participants in underserved rural areas; innovative strategies and tools for entrepreneurship, strategies on how to maximize return on investment for creating small businesses, and efforts and guidance on funding and implementing these types of projects.

Based on your interest that you expressed as the rural sites we designed a series of technical assistance events that focus on the issues of economic development, the second of which is today's Webinar on Strategies for Small Business Development in Rural Communities.

On today's Webinar we will have some very knowledgeable speakers from three different programs discussing their experiences with small business development, entrepreneurship, and microenterprise to improve options for TANF participants and other individuals looking to expand opportunities in rural areas. As Jackie mentioned earlier, after the presentation we will open up the lines for questions.

We're going to go ahead and move on with our first speaker for today who will be Mr. Jeff Reynolds, who is from the Rural Enterprise Assistance Project. Jeff is the program director of the Nebraska-based Rural Enterprise Assistance Project (REAP), a program of the Center for Rural Affairs. The REAP program provides essential services for start-up and existing small businesses in the rural areas of Nebraska.

These services include business training, one-on-one technical assistance, counseling, networking opportunities, micro-lending, and loan packaging services. Round tables of micro-entrepreneurs are formed in rural areas of Nebraska and are the supporting vehicle for the delivery of these services.

Jeff brings an extensive small business management background to the REAP program having most recently owned and operated his own convenience store. REAP's services also include a Women's Business Center, the first such program in Nebraska which continues to excel in reaching rural women entrepreneurs.



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Furthermore, REAP provides key business development services to rural Hispanic entrepreneurs through the expansion of the REAP Hispanic Business Center. REAP uses its existing infrastructure with business specialists located throughout the state to deliver the Women's and Hispanic business Center services in conjunction with the current services to rural small business.

Established in 1973, the Center for Rural Affairs is a private, non-profit organization working to strengthen small businesses, family farms and ranches, and rural communities through action oriented programs addressing social, economic, and environmental issues. Ladies and gentlemen, please welcome Jeff Reynolds.

Presentation by Jeff Reynolds from the Center for Rural Affairs, Rural Enterprise Assistance Project

Thank you very much. It's great to be here today. As stated, I will give just a brief overview about the REAP program and again at the end I'd be happy to answer any questions.

As stated in the introduction, REAP is a microenterprise development program -- so what is microenterprise? Basically it's a business with five or fewer employees. Microenterprise development programs provide business development services to both start-up and existing small businesses.

Typically programs like REAP focus on underserved populations. Some programs across the country focus on a specific target population, for instance, Hispanic entrepreneurs.

The origins of U.S. microenterprise programming has a very close connection to the 2006 Nobel Peace Prize winner Dr. Muhammad Yunus with the Grameen Bank. In the 70's Dr. Yunus used a peer group borrowing approach. His first loan was for \$42 to a woman in Bangladesh and that loan was repaid. And from that experience in Bangladesh that's where U.S. programming got its start.

REAP was a peer lending model program from when the program started in 1990 through 1998, using pretty much the same philosophy as Dr. Yunus, informing peer lending groups, and doing loans within that group called peer group borrowing.

Just a little background on REAP: Again REAP is a business development strategy designed to help small businesses in rural communities. REAP is known as a full service dual delivery service system and operates on a statewide rural basis. REAP is a program of the Center for Rural Affairs. The center has been in Nebraska since 1973.

There have been a lot of studies done on self-employment. Here are just a few statistics. Seventy percent of the job growth in the 90's resulted from microenterprise businesses. Eighty-five percent of the businesses in Nebraska are microenterprise size businesses.

Over 90 percent of the businesses in rural counties are microenterprise businesses, so they are the driving engine here in this state. REAP started in 1990, again was started by the Center for Rural Affairs, and fills four key gaps: credit, education, networking, and technical assistance.



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Rural entrepreneurship is very, very important. Why it is so important to Nebraska: Nebraska is a very unique state and has a very large population spread over 500 rural communities. In this setting self-employment plays a very significant economic and social role as compared to some of the urban areas in this area.

Again, in Nebraska considering the 70 most rural counties, the primary source of employment is self-employment. There are not a lot of jobs through factories and other employers so many times people create their own jobs through microenterprise.

The importance of rural entrepreneurship: All the evidence points towards local self-employment being the most advantageous for rural communities. Many times looking at low-income folks, that is many times their best option to find employment.

Finding ways to help and promote local entrepreneurs is key to the overall economic future in our rural areas. Programs like REAP help in this process but it is very, very important that the local community is a major participant and buys into the process.

The survival of our rural areas depends upon a very strong small business sector and typically everything else will flow from this. So the microenterprise sector plays a very important role with this.

I think as we all know our country was founded on entrepreneurship. Currently the country is going through some struggles economically. It's clear to me that entrepreneurship will be the key vehicle that brings our country back to prominence where we want to be.

Communities with a strong small business presence are more likely to draw larger businesses, other employers, and along with that we are seeing many laid off people starting businesses; so it is very important.

As we take a closer look at the REAP delivery model, it's a very unique system. I've been very lucky to be involved with it since 1994. Again REAP is a full service dual delivery system. We offer both group and individual services. It is a very unique program that operates without walls.

We use what we call a circuit rider approach. We have staff located all across the state of Nebraska in each region of the state and we provide services at the entrepreneur's location. Again we are a statewide rural program and we also operate a REAP Women's Business Center and a REAP Hispanic Business Center.

Taking just a quick look at the REAP map you can see how the regions across the state are broken out and again we have every region of the state covered. There is a staff person in each region that implements the services of REAP.

Taking a look at the four key gaps that REAP fills, we'll start with credit. What you see on the screen now are the loan products that REAP offers. First, there is a direct loan. These are loans up to \$35,000. The national definition of a micro loan is a loan up to \$35,000 and that is our maximum.



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We also have a very popular product called the Rapid Loan. Those are loan up to \$5000 and we give an interest break on those loans for the first two loans. Typically we find with lower income clients and others, that's a very popular product so we try to give as many breaks with that product as we can.

Our peer group loans are somewhat a thing of the past. There was a time where REAP did nothing but peer group loans from 1990 through '99 with a very, very effective process, but it is also very costly and time intensive as far as delivery goes.

From my view, when I came into the program, that's exclusively what I did was form peer groups and do peer loans and peer training. From my eyes it worked perfectly but in today's environment of funding and other things it is tough to support and pay for that type of activity.

The Quick Grow Loan is another option. There is a program in Nebraska called Grow Nebraska. We do all the loans for their program so that is an exclusive product for their clients.

We also have an innovative system called the REAP Online Lending System where entrepreneurs can go online and fill out their applications. It is set up so that if a person does not own a computer they can go to the library and enter a username and password and they can fill out their application over 90 to 120 days, whatever that takes. And also we offer loan packaging assistance for clients that need loans larger than what we offer.

Uses and types of loans runs the gamut of service and retail businesses. We also loan to transportation businesses, crafters and artisans, and some smaller manufacturers. Uses are typically equipment, inventory, and working capital. Our loans cannot be used for down payment purposes or for the purchase of real estate.

Education is another element that REAP fulfills. We provide small business management training, e-commerce training, and training topics at group meetings. We have a number of roundtables located across the state. We also supply regional workshops on a periodic basis, specialized training. Here recently we have implemented training around QuickBooks that we've been doing across the state. We also offer an annual marketplace conference that is done yearly.

Networking is very important. We form partnerships with local communities across the state and we also form associations or roundtables when folks want to form one of those. Through these groups we provide access to REAP services. Also we offer a REAP business update on a quarterly basis. We have an online member directory that allows members to see other businesses and also sell items online and many other resources.

A very important part of what we do is called technical assistance or counseling. Again, we provide one-on-one assistance at the owner's location around business planning assistance, troubleshooting, cash flow and budget assistance, loan packaging assistance, and we also provide access and knowledge of all available service providers and loan funds in the state. Many times we play that part of connecting people to organizations and others where they need to be connected.



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Just a quick look at the REAP program in general, on the current slide you can see the REAP services that are offered through the REAP program. Again we offer a Women's Business Center which is the training arm of the REAP program and we have a very extensive Hispanic Business Center. In Nebraska there is a growing Hispanic population in the rural areas so we provide all services to Hispanics as well.

A quick look at the impact of REAP, in calendar year 2008 we counseled 355 clients, 20 percent were Hispanic. We trained a little over 1800 clients, 28 percent were Hispanic. You can see that we did 51 loans through the REAP program for just about \$500,000. We leveraged 20 other loans for close to \$600,000. You can see the other numbers of business plans completed, referrals received, jobs created, and the number of low to moderate income individuals that we worked with.

These next three slides are just examples of what I would call success stories or a spotlight on a business. All of these folks are low-income people that worked through the process and are all doing extremely well. First you see Sandra Gutiérrez from South Sioux City. She runs a bilingual consulting business. She received all of the services through REAP and her business is growing.

Next is Larry Harbour from Broken Bow, Nebraska. Larry started LB Custom Chrome and Detail. He received business plan assistance and loan packaging assistance. He was also our 2008 Center for Rural Affairs Entrepreneur Award winner and his business is growing extensively.

And the last example is Brad and Gina Babb. They own Sandhills Glass and Garage Doors. They received a plethora of services from REAP. Their business is currently growing and I understand they're actually coming back for another loan application here in the very near future.

Just a few suggestions that I would have, consider building strong collaborative relationships with microenterprise development programs. There are micro programs all across the state. Not to steal any thunder from the AEO speakers that are on the call but I always go to microenterpriseworks.org. That is where you can find where programs are located throughout the United States, so you can find the programs that are located in your state.

Consider forming a small business roundtable. It takes a lot of work but it's a very effective way to get people together and discuss ideas. Consider offering financial literacy training and an ABCs of Starting a Business workshop. We have found that these types of courses work really well particularly for people that are not quite sure what they want to do or just want to learn the basics about running a business and how to manage money.

Offering a business plan basics training is also a good idea. In many cases micro programs will need to expand their focus to include working with larger numbers of TANF participants. From my experience it requires extensive hand-holding through the process. Programs need to expand and specialize in certain programming, for instance bookkeeping and those types of things.

Expanded and unique lending opportunities are important. Traditional loan products typically do not work particularly when people have poor credit scores or they're trying to work out of bankruptcies that have been taken in the past. You need to have unique products that can work for those people.



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Building coalitions and partnerships with industries. Just as an example is the hairstyling industry, or the nail tech industry. There are many what I would call low-cost service businesses that make sense for people that don't have a lot of money to put into a business, for a person to get started in a business. Those are two examples of businesses that have a very, very low cost that a person can do.

I think it is important to remember that entrepreneurship is about passion and it must be something that the entrepreneur loves. It is I guess what I would call not a cookie cutter approach where we are going to have everyone be a nail tech. It is clearly up to the entrepreneur on what their passion is and then it's up to them to go for it. But to me it is all about what are their hobbies, skills, and interests. Once we determine that is there a niche that they can fill and again is it something that they love to do.

And I think with that my time is about up. My contact information is on the screen. Feel free to contact me if I can ever answer a question or send information. And I think with that, Mr. Butler, I will turn it back to you.

Introduction of Speaker #2 (James Butler, OFA)

Thank you very much Jeff. We are going to go ahead and move on to our next speaker who will be Dr. Mary Emery from the North Central Regional Center for Rural Development, National Coalition for Rural Entrepreneurship in Iowa.

Dr. Emery is the Associate Director of the North Central Regional Center for Rural Development where she works on a variety of initiatives related to rural development including co-managing a Coaching for Community Change initiative, conducting listening sessions on entrepreneurship, and using the community capital framework in evaluation and program planning.

The Regional Rural Development Center and the eXtension Entrepreneurs and their Communities of Practice have developed a learning community and dialog around policies and practices that support entrepreneurship in rural America. The centers have held numerous sessions aimed at practitioners, lenders, entrepreneurs, and partners. The sessions were targeted to identify what is working and supporting entrepreneurship as well as what needs to occur to create and sustain future entrepreneurial ventures in Rural America.

The sessions encouraged conversations among participants who were asked to think about the four Ds in appreciative inquiry: **discover** what is working now, **dream** what things you would like to look to improve, **design** strategies to reach these goals, and **deliver** by creating action plans and follow-up. The exXension Community of Practice has developed a resource site focused on rural entrepreneurs funding needs, partnerships, and follow-up activities for participants. Ladies and gentlemen, Dr. Mary Emery.



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Presentation by Dr. Mary Emery from the North Central Regional Center for Rural Development, National Coalition for Rural Entrepreneurship

Thank you and good afternoon to everyone. My presentation is going to overlap a bit with Jeff's as we both want to take a little bit of time to talk about why we should focus on entrepreneurship.

What I want to talk about today in this 20 minutes is a little bit about why entrepreneurship matters, the new role for entrepreneurship in economic development -- which may overlap a little bit with your future speaker Deb Markley from the Center for Rural Entrepreneurship (who will be speaking at the Economic Development Roundtable) -- what we've learned about what's working well in supporting entrepreneurship in rural America, and how it might work better. The focus is on communities as incubators for entrepreneurial activities.

And so one of the questions you might be asking is okay what does this have to do with TANF and the kind of participants we're working for? And I think the key takeaway here is that entrepreneurs, successful entrepreneurs, are not usually isolated individuals working by themselves. Oftentimes we look at the entrepreneur and we just focus on that person and what they are interested in.

And what we're learning is that successful entrepreneurs are linked to groups, they are part of communities that foster entrepreneurship. We sometimes say, you know, it takes a village to raise a child. We can also say from our experience about what's working is that it takes a village to grow a small business. It takes a village to create successful entrepreneurship.

So this is just a quote about the importance of entrepreneurship to economic development. What is entrepreneurship? (Jeff) went over some definitions. Here are two more definitions about entrepreneurship. Why is it important? Entrepreneurship is the primary driver of regional economic competitiveness.

And some other figures that support the idea of entrepreneurship being important. To those that Jeff gave you, entrepreneurship is strongly associated with economic growth of all different kinds. These are some additional statistics.

But when we look at our rural communities and we look at the past history of economic development in these rural communities, what our economic development strategies have focused on is first of all exploiting natural resources whether it is agriculture, oil, timber, mining, those kinds of things, and creating jobs around those kinds of resources. And then actually taking those materials out of rural areas and processing them elsewhere.

The second strategy has been a notion of universal service so the idea of getting electricity out to all the rural communities so every farmhouse can have a washer and a dryer, those kinds of things. And we see a little bit of that in the current administration with their emphasis on the rural telecom access. External subsidies, rural communities are often in line to get money from EDA and other organizations for business incubators, for transportation, and other kinds of infrastructure.



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Primarily people have focused a lot on industrial attraction. If we can only get this company to come here and bring 500 jobs or 100 jobs or whatever, then we'll have jobs for people and we'll be successful as a community. And this is a figure that the Center for Rural Entrepreneurship uses and there are different figures depending on the year and the sources.

But basically, if we are looking at trying to figure out some way to create jobs in rural America we need to look at helping existing businesses expand and find ways to help new businesses start up.

And as a result of the traditional rural economic development strategies what we have is a lot of out migration. Jeff was talking about Nebraska. And in some places in Nebraska the out migration has been really significant. Because young people are moving out to go find other kinds of jobs we have an aging population.

One of the really dramatic impacts of this kind of approach to economic development is the declining income levels in rural communities so a lot of our rural communities are much poorer than they were in the past. And thus there's a rise in the poverty rate. High rates of unemployment and underemployment, a lot of people in rural America may have a job but it doesn't pay well, it doesn't have benefits, and it doesn't use their full talent.

Then we have actually seen shrinking economic diversity as shops on Main Street close up, and small manufacturing close up. Or, in some cases where we do not have the out migration and aging population, we have fast growing high value real estate and the focus is on service jobs.

I was doing a training in Jackson, Wyoming and I had to get to Salt Lake for a late morning plane so I left Jackson around 6:00 in the morning. And that was really their rush hour because no one who works in any of the jobs in Jackson can afford to live anywhere around Jackson, Wyoming.

So you have all these people coming in at 6:00 in the morning to start the grills of the restaurants and to begin work at the hotels and those kinds of things. And that's not a real good living for those folks who live in rural America. It may be a great place for people to go and have a good time.

So one of the things that's happened is what we have is we have a lot of unemployment in rural America. If you look at the red spots here, this is where there's a lot of small business activity.

And when we think about rural America and we think about rural communities, most of those communities were started by entrepreneurs: the hardware store, the grocery store. They weren't chains coming in, they weren't big corporations coming in; they were local people creating their own businesses to serve their community.

So there's still that history and that need in rural America but what's happened is – if I can look at the next slide please – is that these rural businesses are not as profitable as the businesses in the larger cities. So if you look at the red here it's kind of focused on some of the big metro areas.

And we see that rural America is not a place where entrepreneurs and small business owners are making a really great living. So we've got the capacity, we haven't been able to really mobilize that capacity into more effective, better living styles for people.



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So now what? So what we did is we wanted to find out what is going on in those little red spots in rural America so we could find out what's going on in those communities that really contributes to successful entrepreneurship. And as was mentioned, we used appreciative inquiry, which for a lot of folks who live in rural America, we are used to hearing all the things that are wrong with our communities, and this is really focusing on what is working and how we can build on it.

So we did over 30 listening sessions all across rural America to ask people about what was working, why it was working, and how we could make it work better. So I'm just going to give you a little summary of those things so you can think about how some of these possibilities might work in your community.

We worked with people from all different kinds of walks of life. This is actually in Illinois. This was one of the sessions we did in a tribal community, this is United Tribes Tribal College in North Dakota. And for those people that are working in reservation-based TANF programs where there is an interest in entrepreneurship, there is actually an organization called Onaben that has a curriculum called Indianpreneurship. That has been very successful in a lot of different tribal communities.

So what is working? Well in rural America where there is a focus on developing entrepreneurs, finding ways for people who have an interest, and the possibility to get into a system to find out how to make it work. One real successful project in Wisconsin is a boot camp so instead of saying you have to take 13 weeks of next level or fast track, these folks oftentimes couple Friday night and they work with their group until Sunday afternoon to create the backbone of a business plan.

Other kinds of entrepreneurship education are, as Jeff mentioned, financial literacy and ABCs. One of the things we've learned is that oftentimes service providers, small business development centers, and those kinds of things have one educational product. And when I was talking to some of the college people who are working on entrepreneurship in Nebraska they said what we've learned is there have to be multiple educational projects because entrepreneurs come to us with different kinds of needs.

A second thing that has become really important in a lot of rural America and I think Nebraska has been one of the places to have some real successes is transitioning businesses to younger entrepreneurs. So actually talking to that hardware owner about how someone else could be part of that business, take that business over instead of waiting until the person no longer can do the business or finally wants to leave and then there's no way to keep that business in town.

The other thing that is working well in rural America is access to capital. And we learned a lot about different kinds of access to capital. In some places there's local investment clubs that support small businesses. Some places the community foundation has an endowment that's focused on helping small business and entrepreneurs.

Partnerships with banks, revolving loans for non-traditional borrowers, just like Jeff mentioned, are all different kinds of capital products that can help small businesses and entrepreneurs get going.



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Bringing entrepreneurs together is important. Jeff mentioned the importance of their roundtables. What we learned is that entrepreneurs like to be part of flexible networks, clubs, marketplace, expos, those kinds of things.

Sometimes they want to be around people who have similar business interests; sometimes they want to be around people in their community that have similar needs. So business practices, entrepreneur clubs, business clusters are all things that work.

Business expansion programs where the community has said that it is really important for us to help the existing businesses here, so instead of talking about tax breaks for bringing a company in, we are going to talk about tax breaks for local businesses. Connected to that, mentoring, linking up successful entrepreneurs with those that want to expand, coaching opportunities, those kinds of things.

Engaging agencies. What the folks at the listening sessions told us is we're tired of this idea that you go one place and you get one answer and then you get someplace else and then you get a different answer.

So we want to see more collaboration across the silos. We want to see the agencies be willing to customize services for the scale in the community. We want to see agencies that are able to do outreach and marketing of their services so more people know what is out there and what's possible.

We want to see ways that agencies can support grass roots and informal systems. We want to see a continuum of care. We want to see that there are services for the person who's kicking the tires and thinking about it, as well as services for the entrepreneur that wants to grow, as well as services for someone who wants to retire and sell or transition their business.

And they also said it's really important for services to attend to cultural differences and to be tolerant of new ideas. We were talking to some populations in a boot camp in Wisconsin, such as low-income kids, and their idea of a great business would be a tattoo parlor. We could immediately see some of the older, more traditional folks rolling their eyes. But we have to be tolerant of these ideas and these possibilities that may be different from what we grew up with.

Helping communities learn to support entrepreneurship. That's a really important piece, if communities are interested in this or people in the community start talking about this, what are the things that make it work at the community level? One thing is having a local champion. And that could come out of a TANF program or it could be an agency that you partner with regularly.

Finding ways to connect entrepreneurs to resources and expertise. We heard over and over again, there needs to be no wrong door. Wherever I go I need to get the information that will help me take the next step. Engaging education institutions, finding ways to do local and regional networking.

And then changing the community attitude. There's a lot of discussion about, you know, in our community if somebody starts something people will give them all the reasons why it's not going to work. We need to help people in the community say here is how I can help your business be a success.



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There are some other trends about economic development that really feed into this. There is a resurgence of buying locally so people who have their favorite recipes or like to do gardening now have more opportunities to be successful entrepreneurs in those areas. Building a niche market, local crafts, local food products are now things that people can use to build a business.

Spirit of volunteerism, we're seeing an increase in that and people's willingness to work at the community level to make more of these opportunities available. We're also seeing private resources being interested in supporting entrepreneurship at the local level.

And finally we're really seeing a lot of interest in encouraging young people. And one of the things that they've learned in Nebraska is that adults and young people oftentimes are not having the same conversation, that young people often want to come back to a rural area but people have been telling them forever that there are no opportunities there. And instead these young people are seeing that there are opportunities for small business and entrepreneurship at the community level.

So how could it work better? We need to get everybody on board. We need to look at developing a whole system so that people don't wander around trying to find the place that can give them the assistance that they need. We need to encourage more people to talk about entrepreneurship as an option. And we need to be smarter about using technology to support these kinds of things in rural communities.

So we need to make sure that there is access to entrepreneurship education in every school. We need to calibrate services to rural and small communities and businesses. So for example the 13 week next level or fast track is not going to be appropriate for many people who are interested in entrepreneurship that need something more basic. So finding those services that match the people is really important.

Focus on youth, building those bridges between the silos which is a role that a lot of you can help play in rural communities. And what people at the listening sessions said is they want people who give grants and do programs to require collaboration across agencies.

So when you think about your agency and the agencies that you work with in a small community, what are some policy strategies that you can look at? Tax incentives to support entrepreneurship, finding ways to encourage the development of better data to support our planning and our work, recognizing that community solutions are unique. We don't need a policy that says every community has to do this this way.

Infuse entrepreneurship in all curriculums. In Scotland they were looking at trying to do economic development after the first stages and they noticed that their percentage of entrepreneurship was much lower than the rest of Europe so they started a program, Entrepreneurship Cradle to Grave.

People at the listening sessions said we want to see the elimination of funding for industrial attraction. We want funding that is available for economic development to go to helping existing businesses expand and new businesses start up. We also need support for local and regional networks so that entrepreneurs can learn from each other because they oftentimes say that is some of the most important information that they get. And again, we need to require collaboration.



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So part of the work that we're doing around entrepreneurship is let's get the SBC and the other agencies that deal with small business together and let's figure out how to do this work more effectively. And that's kind of the surprise side approach to entrepreneurship.

What a lot of the communities are telling us is we need to also focus on the demand side. We need to help communities understand that they can play a role in building successful businesses and they can be a part of the success picture for local entrepreneurs.

They can encourage new entrepreneurs, they can support existing entrepreneurs, they can invest in a range of different kind of entrepreneurial ventures, and they are critical to linking entrepreneurs to each other and to other resources.

So what's the impact of the focus on entrepreneurship? This is an example from Valley County which when they started to focus on entrepreneurship they were a community that had decades of population decline and per capita income decline.

And over the course of working on this 80 new jobs, \$80 million in new business, increase in personal income, new investment, new people moving into the community. They also included leadership development, youth engagement, and philanthropy with their entrepreneurship efforts and have, and they are now able to show that does make a difference.

So we can make a difference in rural communities if we think about what are the resources, what are the assets, how do we use them to build an entrepreneurial community. So I've included some resources that might be useful to you as you think about how you can support entrepreneurship in the communities that you work with.

On this slide these are the reports from the listening sessions so if you want to learn more about what people said and what they were interested in you can go to those slides. And if you have any questions, if you want to email me I'd be happy to answer your email. Thank you.

Introduction of Speaker #3 (James Butler, OFA)

Thank you Dr. Emery. We are going to go ahead and move on to our next two speakers who will be Ms. Elizabeth Wilson and Ms. Natalie Woodroffe from the Association for Enterprise Opportunity. Ms. Wilson is the Senior Director for the Association for Enterprise Opportunity and Ms. Woodroffe is a consultant with expertise in rural initiatives.

The Association for Enterprise Opportunity (AEO) is a national leadership organization focused on microenterprise development by providing cutting edge training, knowledge sharing, federal and state public policy and advocacy, and communication. AEO empowers a community of nearly 500 member organizations to be uniquely effective in serving the needs of micro entrepreneurs who do not have access to traditional sources of business education or capital.

At AEO Ms. Wilson has provided professional leadership and training in the development of non-profit services and management including program design, project planning, development, budgeting, staff recruitment, marketing, and fundraising in her various positions. She has a strong



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knowledge of urban, economic, and small business development and has done tremendous work in community development in Georgia.

Ms. Woodroffe has worked and advocated on behalf of rural people and communities for over three decades. For three years, 2006 through 2008, she managed the AEO Opportunities Rural Initiative and in 2009 started her own company called Rural Strategies Consulting. She also serves as a fellow with the RUPRI Center for Rural Entrepreneurship and is a rural consultant for AEO. Ladies and gentlemen, Elizabeth Wilson and Natalie Woodroffe.

Presentation by Elizabeth Wilson from the Association for Enterprise Opportunity and Natalie Woodroffe from Rural Strategies Consulting

Hi, this is going to be somewhat repetitive but it probably isn't hard to keep strumming the same chord. Microenterprise development, we wanted to talk about what it is, who it helps, how it works, why there is a need, and how you can tie it into your work.

You have two of us today. Natalie and myself will be doing this presentation together because Natalie has such a strong background in rural initiatives and is basically the national expert in all things rural microenterprise, so I wanted to make sure that both she and I had the opportunity to speak with you guys on today's call.

As you know, Jeff and Mary both have talked about what microenterprise is as a whole and given some of the background of microenterprise, particularly explaining kind of the concepts of microenterprise as it relates to the Grameen Bank, and you all have probably heard about Dr. Yunus and his work.

Microenterprise development is more of a holistic approach to micro-finance where micro-finance in the international arena kind of concentrated on providing monies to communities, microenterprise talks about embracing the entire individual as well as their business desires. We look at human development as well as economic development strategies, working together to give people access to tools, capital, markets, skills, and just the general hand-holding support that they need to operate their businesses.

As Jeff mentioned to you, when we talk about micro we try to delineate that the difference between micro and small. And if you'll notice on the first slide I made sure that the word small is very, very tiny because microenterprise is any type of business that can be one person to five individuals, and they're small enough to get started with capital requirements with less than \$35,000.

And that \$35,000 is kind of a standard for the field. For businesses that need larger capital requirements we usually push them into the small business category and those that are less than \$35,000 we consider micro.

Businesses also create employment, definitely create employment for at least the owner of the business and we consider that a job, self employment as a job and also it creates opportunity for other family members to be employed in that same business.



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So who does this help? We estimate that there are two million micro-entrepreneurs in the United States today. And really as I believe Jeff mentioned, you know, it is really about a passion. So if there is a passion there then really anyone who wants to start or grow a business can be helped through microenterprise development services.

Some of the populations that are targeted by microenterprise are people who need additional support services. Traditionally in the United States people don't have an easy track to entrepreneurship. There are usually several hurdles that they have to jump over. Most people are introduced to entrepreneurship late in life, sometimes even in the latter part of their careers, after they've had jobs.

So microenterprise services usually try to target those who are underserved, those who don't have the MBA, they haven't received an entrepreneurship education at the feet of parents who have given them a business. Usually people who are struggling are trying to find some extra support to grow their businesses.

Some specific target groups that microenterprise programs around the country work with are people who are receiving some sort of public assistance, minorities, women, what we call the working poor, people who have jobs but still qualify as very low income in the United States, also TANF recipients. And some programs specifically target young people, refugees, homeless individuals, incarcerated and ex-offenders, and rural people and in rural areas.

I wanted to just highlight a few of the findings that we've found as far as the field survey and working with TANF recipients and one of the studies that I'm looking at specifically here was done by the Aspen Institute a few years ago. The briefing was Aspen Institute Research Briefing #2. And some of the findings that were very key I thought we might possibly talk about in the Q&A session later on.

A lot of TANF recipients in rural communities and across the country are already running businesses. Some of them might be running them under the table, some of them might be not licensed, and some of them don't even consider them businesses. They might consider it a hustle or a way to just make some money. But we're finding that a lot of people that you might be serving are already doing some type of business, they might just be doing it very informally.

We also found that people are patching employment with self-employment meaning they're bringing money in from some sort of business and also working a traditional job even if it's a low-income job. And again when I mentioned the working poor that's been one of the ways that working poor have found to meet some of the economic needs to take the money from their business and add it to the money from their low paying job to pay for their basic - the basic services that they have in their life.

Another finding sadly that we found is that there's a lot of tension between the microenterprise community and the Work First or Welfare to Work communities. I think someone mentioned, maybe Mary mentioned earlier about the silos of communication and how programs don't necessarily work together and potentially collaborate on the end results.



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So we know as a field that we have a job to do to educate ourselves on the issues facing the TANF communities and also to work to educate those who are providing direct services to TANF recipients so we can better serve the need.

There are also a lot of barriers to microenterprise training as a vocational training consideration. Even though a lot of the laws do allow microenterprise training to be considered, a lot of caseworkers are not familiar with this and they would tend to steer someone who says they wanted to take a self-employment class as a vocational track away from that.

So we know there are a lot of barriers, we know that there are a lot of miscommunications and a lot of dialog that needs to happen between the two communities about these issues.

Also time is a factor, sometimes people time out of their TANF support before they're able to get their business up and running and off the ground.

We know because in the United States it is not easy to start a business, for any of those who have watched a David Letterman show a few years back there was a small child who had tried to open up a lemonade stand and the police shut her down because she didn't have a license. Well if that's a problem to just have a lemonade stand legally in the United States, what would it take for someone to actually run a legitimate business?

So we know it takes time. That's one of the issues that we know that TANF recipients have to consider when they are trying to continue with the support and continue with the services that they receive under TANF and also trying to start a business. Sometimes the time factor, those clocks are not ticking together.

Some of the types of businesses that we're talking about when we talk about microenterprise, just a variety, but they are what kind of fit into that category of start-up capital of less than \$35,000: repair services, cleaning services, specialty foods, arts and crafts businesses, clothing, textiles, computer technology, and child care.

One of the things that we don't have on here are green businesses. That is again a lot of these types of industries specifically are suitable for microenterprise development.

Why is there a need? Why isn't there a need? There are so many reasons to consider microenterprise and small business development. These are just a few of them. Things have changed. The entire economy has gone through a time warp and we're all facing issues now. Think about those who are least supported already and what they're now facing.

Not only have changes come to our entire community, just the job situation for everyone is something that has to be considered. We are losing jobs not only middle class jobs but also lower wage jobs and higher wage jobs. So everybody's looking for solutions.

There are also a lot of issues that need to be taken into account the way that people work. And as we noted earlier a lot of women are coming into microenterprise development because they want to work around their family issues, life issues, health issues -- all these things have to be taken into



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account and there needs to be a better balance of work and life. And sometimes self-employment is a solution to making that balance a little bit more suitable.

The population is aging, people are retiring earlier and are more viable and vital in their latter years and they want to do something with their life so they don't want to sit down. And a lot of them, because the 401K's that have decreased or disappeared and little nests that were set aside are now empty, have to consider other ways of developing their financial income.

With the growth of immigration here in the United States, those who are coming from other countries really consider self-employment as a first choice versus employment services, because that's what they are used to, that's what they were doing before they came to the United States. And they want to continue to do that work and also emerging niche markets that need to be developed across the country.

I mentioned green earlier. That's going to be a growth area for microenterprise and we're excited about the opportunities that may come from that.

Okay. Some facts about microenterprise as far as the Association for Enterprise Opportunity, being a trade association for this industry in the United States, our association has over 500 member programs across the United States. Sadly that is about 1/4 of the number of programs that should be in existence currently and probably about 1 percent of the programs that should be in existence in the next few years.

Because the need for microenterprise service is so critical now with the issues that we've already gone over, there are going to be more people who need support in creating a business now probably than ever before. So there need to be programs strategically placed around the country and available so that these budding entrepreneurs have a place to go when they need support and they have access to the services provided by microenterprise programs across the country.

Some of those services again that we've gone over earlier are providing some sort of business and technology and technical assistance training. Access to people who can answer a question or people who can put you on the right track is going to be a solution versus going to taking a class at a university for two or three years to start a business.

Access to capital. That \$35,000 sounds like a little bit of money until you actually try and start to grow a business. We see that a lot of micro entrepreneurs only need a couple of hundred dollars sometimes \$500, sometimes \$5,000. They really don't need a lot of money to start the business that they're interested in but they do need access to that capital and they do need it when they need it.

Also because of the unique ways that banks are starting to play with people's credit and credit scores, more people are less able to access capital now than ever before. One of the things we found in the field is that people have traditionally financed their businesses by using their credit cards, particularly women and other people who don't traditionally go to banks. Now with credit cards cutting balances whether you've done anything or not other than miss a payment or been late by a day, that is cutting the opportunities for people to even use their traditional methods such as credit cards to finance and grow a business.



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So microenterprise programs have a unique set of underwriting criteria, they have unique loan funds, they have money set aside specifically for businesses that have credit problems or don't have credit at all, and those funds are ready and available to be utilized to grow businesses.

The last thing is access to markets. We know that even in the international community being able to access a larger market beyond the local community is essential for growing business. And a lot of rural businesses have been able to grow and develop because they've been able to expand their business to a market beyond their community through use of technology, through sending their products to other places to be sold, and also to bringing services directly to them through some sort of portal to help to grow that business.

Does it work? Is there a reason to do this? Yes. We know it works. Microenterprise is not new. It has been around the United States as an American institution for over 20 years. It's an import and some of the best practices from the international communities have been brought over to the United States and have been utilized to create the support services needed for entrepreneurs in the United States.

We've also found that the best way is to really, I think Jeff mentioned it earlier or Mary mentioned it, to create programs that are suitable to the target population that's being served. So it's not a direct import. What we've done is tried to take the best of what is available as far as training and access to capital, access to markets, and to incorporate those in individual programs around the country so that people can really utilize the services that they need the most.

We know microenterprise works to reduce poverty. It increases income, again think of that patching comment that I made earlier. It helps to build sustainable businesses. It helps support communities so that the businesses can stay in that community and it is cost effective.

Comparatively to help someone start a business it has been equal or a little bit less than helping them to retrain for a job. So we have a lot of studies and I'll give you some information on the back end of the presentation on where you can pull down some of the research that has been done on microenterprise over the last 20 years or so.

Microenterprise programs have had a direct impact on the economy as a whole. We are creating jobs, we are building assets, and we are helping people to increase their economic literacy which is so important. Again these are not things that we are teaching in the schools. We should be. But until we can ramp up the educational opportunities in entrepreneurship and economic literacy in the schools microenterprise programs are suited and ready to help.

Whether the business is small, whether it is self-employment, sole proprietorship, we found that there are a variety of services being offered through programs that do help people get on that road to self sufficiency.

For those on the call and those who are participating in today's program one of the words that if you don't take anything away, please do know collaboration is key. Working together, connecting, dialoging, sharing information, partnering up is important and that is going to be a solution so that we can all work together to grow these businesses and to grow our economy.



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Also, bring in people to help. Bring in experts in the field of business, those with technology expertise, those who are comfortable serving certain populations, enlisting volunteers who have the same passion for business. Bringing those together, having dialog together is going to be extremely important.

We tried to make it as easy as possible to help people find microenterprise programs that already exists by going to our Website, www.microenterpriseworks.org. And you can click on any of the states in America and identify the programs in that area.

Again I'm sad that we probably don't have enough programs and people still have to go a little bit further than they need to and struggle a little bit more than they should to find a conveniently located program. But hopefully over the next few years we'll grow the industry just to make it more entrepreneurship training, education services a little bit more accessible to people around the country.

Beyond our Website I think someone else had mentioned before www.fieldus.org has publications on Welfare to Work strategies, on some of the research that's been done previously around TANF recipients who have access businesses and longitudinal studies to talk about the process and the support services that they needed.

Our Website has many of the success stories and successful programs that can be replicated, contact information for programs around the country who might be interested in working with you if you're interested, and you can always contact AEO just for general questions about microenterprise.

We're having a conference in less than a week. And we hope to bring together a lot of the partners to again discuss the field of microenterprise, what we can do as an association to help to grow the field, and what we can do as a team in collaboration with other organizations to meet some of the economic needs of our country. Thank you very much.

Q&A Session (James Butler, OFA)

Thank you Elizabeth and Natalie. Do we have any additional comments from any of the speakers? If not, operator I believe we can now open the lines up for questions.

Operator: Thank you. Ladies and gentlemen, if you would like to register for a question please press the 1 followed by the 4 on your telephone. You will hear a three tone prompt to acknowledge your request.

If your question has been answered and you would like to withdraw your registration please press the 1 followed by the 3. If you are using a speakerphone please lift your handset before entering your request. Once again as a reminder to register for a question press the 1 followed by the 4.

And it seems there are no questions at this time.



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- Jackie Schmidt: We do have one quick question for Dr. Emery first from Live Meeting and someone just wanted to know if you can repeat the name of the organization for tribal programs that you mentioned.
- Mary Emery: Oh okay, it is Obaben and if you Google Onaben you'll get their Website, it's just onaben.org. They are located in Oregon.
- Jackie Schmidt: Can you spell that?
- Mary Emery: O-n-a-b-e-n.
- Jackie Schmidt: Okay great.
- Louisa Fuller: This is Louisa with ICF and I actually do have a question for Jeff as well as Elizabeth and Natalie. When you suggest that people kind of give different trainings that is not typical business school program, etc., who are these different types of workshop presenters or mentors or trainers that you actually have go out and work with these rural entrepreneurs? How do you find them in states where there may not be a network or an organization?
- Natalie Woodrooffe: When I was running a microenterprise program in rural New Hampshire many years ago, what we did is we began with -- we were primarily serving rural women -- finding successful business women in our region. And asking them to come in and share their stories and what they thought were the most critical, you know, kinds of support that they could use as they were starting up and then asking those experts to continue to be available to our emerging business owners.
- But I think in any community you can find people who are invested in sharing their success with others. But I think also universities, I mean, there are places where, you know, people who know accounting or lawyers who understand the legal structures of businesses. You know, there are people who have pieces of the overall information that's needed for someone to successfully operate a business.
- Jeff Reynolds: And I would agree with what Natalie said. We've - in Nebraska we have no problem finding people willing to step up to the plate and share their expertise. I mentioned QuickBooks earlier. When we wanted to roll that training out we found three to four what I would consider experts in that field and just seemed to be not a problem finding people willing to do that.
- Elizabeth Wilson: And this is Elizabeth. There are training of trainer opportunities also for people who are interested in providing entrepreneurship training or economic literacy training or micro-lending training.



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There are training programs around the country that allow you to send potential individuals who are interested in becoming the trainers for programs or communities together and they - there are curriculums that exist that you can bring into your community to create trainers if there aren't any that are easily accessible.

Louisa Fuller: That's good to know. And I actually have a follow-up question that came from another program that runs out of the Administration for Children and Families is at HHS, it's called the Assets for Independence. And they run individual development accounts, savings accounts for low income individuals where they actually get a matched savings account made up from federal, state, and other local community organizations.

And I was wondering in your experience and that home ownership, education, or starting to own small business, have you had any interaction with any of those grantees or seen anyone participate in that program as well as getting the small business loans?

Natalie Woodroffe: Yes. My former organization ran a number of people who were building IDAs to support their businesses and it was especially true for - at one point we were working with high school students who are developing those accounts so that when they graduated they could start their own businesses with that - with those dollars.

Jeff Reynolds: In Nebraska it's been more in urban areas that have used the IDA approach but it's definitely something that the rural areas definitely need to take a look at. It's definitely viable.

Elizabeth Wilson: And Georgia and Atlanta also ran a program that worked directly with TANF recipients. We had a special waiver under TANF where they could participate in the IDA program to purchase equipment or inventory for their businesses. So it is again a viable possibility to consider to start an IDA program to help individuals who are interested in financing their business that way.

Louisa Fuller: Thank you. Operator do we have any questions on the phone?

Operator: We do have one question queued up from the line of Nicole Pollack. Please proceed.

Nicole Pollack: Good morning, actually it's morning here in California. I was wondering, could you please provide the contact information for the train of trainers program? I'm not sure that we have any resources here for microenterprise development or those that can actually provide those types of training.



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Elizabeth Wilson: It would probably be easiest if you were to go to AEO Website. We would have resources there as well as the fieldus.org Website that lists the different types of training offered by the first step fast track with the Kaufman Foundation. There are probably ten different types of training a trainer services provided by member programs of AEO so feel free to go to our Website or to send me or Natalie an email and we'll try to pull that list together for you.

Nicole Pollack: Great, thank you.

Elizabeth Wilson: You're welcome.

Operator: And there are no further questions at this time

Natalie Woodrooffe: I would just add one more resource to that list. If any of you are working with people with disabilities I would encourage you to Google the Abilities Fund. They have, you know, developed both training and resources to support people with a variety of disabilities.

James Butler: I guess if there are no more questions I just want to take a moment to thank everyone for attending this Webinar. Special thanks to all of our speakers today for sharing your expertise regarding your experiences with rural economic development initiatives that serve TANF participants.

As in the past there will be PowerPoint presentations will be available and an audio recording from today's Webinar later this week. Also if you have any other questions feel free to email anyone on the Rural Communities Initiative team. So on behalf of the Office of family Assistance I thank you again and have a pleasant day.