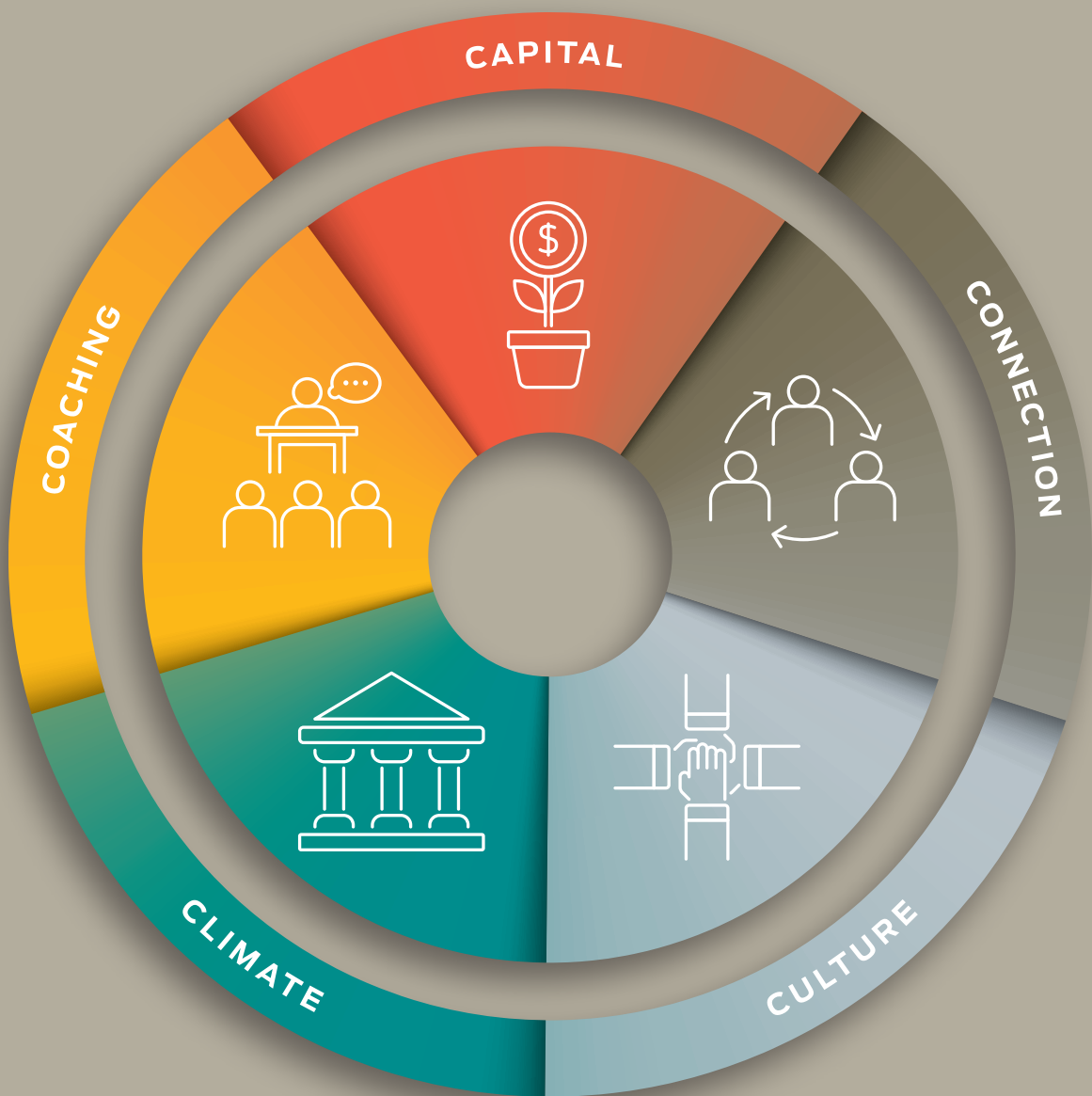


Local Entrepreneurial Ecosystem Toolkit

BY HEIDI PICKMAN AND SUSAN BROWN
NOVEMBER 2019



Why a LEEP Toolkit?

CAMEO has witnessed several trends over the last decade that call for a new tool in the economic development toolbox.

- The social contract between employer and employee is changing radically.
- Automation continues to eliminate entire job categories.
- Traditional industries have limited growth of employment opportunities.
- This is especially true in rural areas, where jobs were heavily concentrated in industries like logging, mining, or manufacturing.
- The concept of “jobs” is shifting.
- Small business owners and entrepreneurs are creating their own jobs.
- In rural areas, microbusinesses can account for up to 95% of all businesses in their communities.

Rural economic development strategies need to adjust to these new trends to include a place-based approach to rural economic development that will foster a healthy ecosystem for the creation and growth of small businesses.

This toolkit describes the elements of a healthy ecosystem. The introduction flushes out why a new economic development tool is needed and briefly describes the elements. The five subsequent chapters explore more in-depth the five elements that make up a strong ecosystem. Within each chapter, you’ll find:

- an explanation of what the element is and the function it plays within the ecosystem,
- examples of activities that local jurisdictions can undertake; implement the ones that best fit your community,
- additional resources, and
- stories of success and profiles of those who exemplify each element.

We then provide a simple roadmap on what to do after you read this toolkit and a few useful tools to build upon your community’s entrepreneurship ecosystem.

While this toolkit is written with rural regions in mind, the philosophy, strategies and tools are applicable to any region.

Enjoy and spread the message!

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Introduction

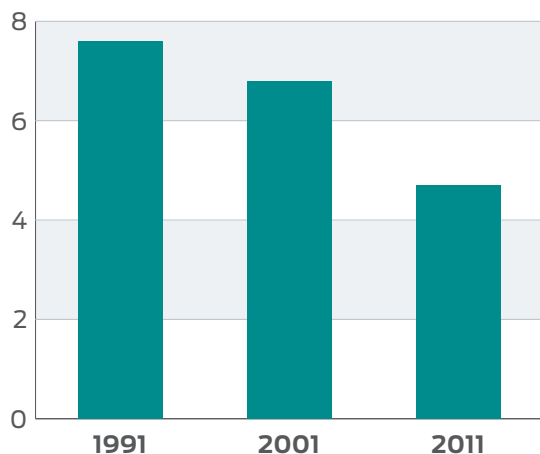
WHY DEVELOP A LOCAL ENTREPRENEURIAL ECOSYSTEM

“Boosting the [business] creation rate is required to make sure [rural] economies remain above water when it comes to entrepreneurship and the economic opportunity and local dynamism it fosters.”¹

After a presentation about why microbusinesses are important at a conference, Yolanda from Texas, approached us and said, “You are so right. My husband and I started an auto paint shop 25 years ago with a little money and a little help.” This happens to our colleagues in the microbusiness field, almost every time we talk about small business.

Most, if not all, businesses start as microbusinesses. Firms are starting smaller and staying smaller. According to the Bureau of Labor Statistics, the average size of new start-ups went from 7.6 employees in the 1990’s to 4.7 employees in 2011.

AVERAGE NUMBER OF EMPLOYEES IN NEW BUSINESSES



¹ Lettieri, John, “The [Challenges and Opportunities of Running a Small Business in Rural America](#),” Economic Innovation Group, US Senate Committee on Small Business and Entrepreneurship Hearing, April 17, 2017.

Only 1% of small businesses are gazelles, i.e. have high growth potential and will actually scale. Consider those companies as the skyscrapers. These businesses give shape to an economy much as a skyscraper provides a unique character to a cityscape. As most buildings in a city do not have dozens

of floors, 99% of businesses will not grow to employ thousands, 88% of those won't grow past five employees. In rural areas microbusinesses can account for up to 95% of all businesses in their communities. These [very small businesses create all the jobs.](#) In rural areas, microbusinesses are often all there is.

DEFINITION OF MICROBUSINESS:

< 5 employees
or < \$50,000 in start-up capital

Every year from 2003-2012², very small businesses created jobs and for most years created more jobs than any other firm size. During 2009 and 2010, microbusinesses were the only firm size that created jobs. California had the most net jobs created by microbusinesses, followed by Florida, Texas, New York and Illinois. Keep in mind that

- Microbusinesses generate about \$5 trillion of our country's GDP; and
- These businesses pay more than triple the federal minimum wage.³

2003-2012	Microbusinesses (1-4)	Large Businesses (500+)
US jobs created	7 million	(.75 million)
CA jobs created	920,000	(200,000)

The social contract between employer and employee is changing radically. Large corporations aren't in business to create jobs, but to maximize profits for shareholders. Government job programs are no longer an option; and federal, state and local governments have cut back dramatically on public sector employment, further limiting the number and types of employment available.

²As of 10/1/2019, this is the latest data that we were able to find on the Census website.

³ In 2018, the federal minimum wage was \$7.25 at 40 hours a week, or a weekly wage of \$290. Firms with less than 5 employees had an average weekly wage of \$970 or 3.34 times that of the federal minimum. In 2018 California's minimum wage was \$11 for companies with less than 26 employees for a weekly wage of \$440. Firms with less than 5 employees had an average weekly wage of \$810 or 1.84 times the state minimum wage. [Data by size.](#)

So, what does a new concept of “jobs” mean for policy and economic developers today and in the future? Who will create the jobs of the future, especially in rural regions? It’s the very small business owners who are creating their own jobs and starting their own businesses.

Despite their sheer number and important contributions to the economy, microbusinesses do not receive the attention they deserve. Yet, the gazelles receive a disproportionate amount of attention and resources, both from policy makers and investors. The attention needs to be shared with the huge majority of firms that will remain small.

Rural economies need to especially focus on starting new businesses. Business start-ups in non-metropolitan areas are not keeping up with business closings. According to John Lettieri of the Economic Innovation Group who testified in front of the U.S. Senate Committee on Small Business and Entrepreneurship Hearing on “The Challenges and Opportunities of Running a Small Business in Rural America,”

Rural areas have “a startup rate now a full percentage point below the closure rate...With that comes reduced flexibility, less resiliency, and fewer new enterprises experimenting with new business models and taking new risks. Rural entrepreneurship is an absolute prerequisite for rural economic adaptation and for ensuring that rural areas find new lives in an ever-changing global economy.”⁴

We need strategies that will harness the entrepreneurial spirit of all small business. We need to support our local entrepreneurial resources with what these small businesses really need – a strong local entrepreneurial ecosystem with business training and management skills, small amounts of capital, access to markets, an environment in which to thrive, and policies that encourage entrepreneurship.⁵

⁴ Lettieri.

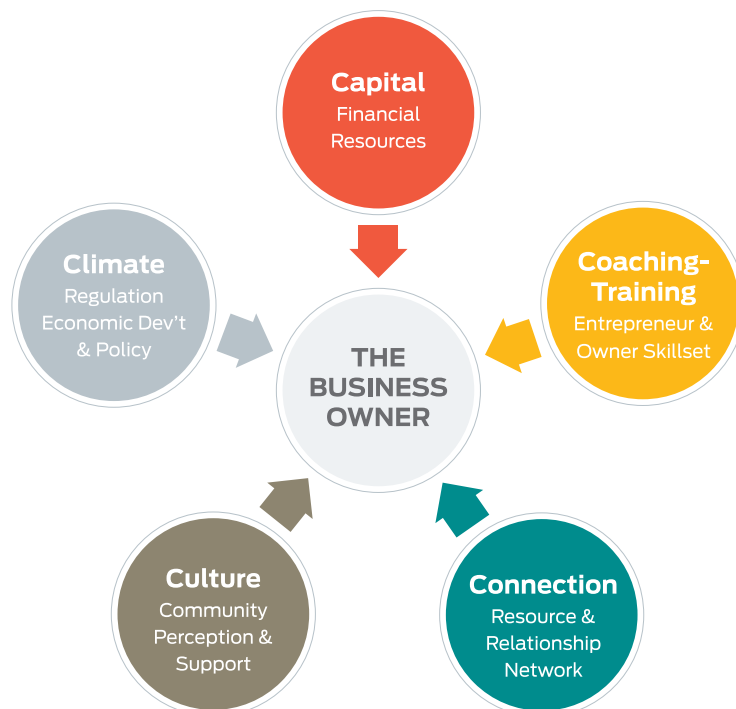
⁵ Dell Gines, [Grow Your Own Guide](#), Federal Reserve Bank of Kansas City.

A shift is needed to move from old strategies that may have worked for a different economy to a new innovative, creative and flexible method that will work for today's economy – strategies that are based on creating jobs locally and based on building a **Local Entrepreneurial Ecosystem**. This will create a strong and diversified infrastructure of many small, locally-owned businesses that will be a major source of job creation, economic stability, and community success in the new economic reality.

WHAT IS A LOCAL ENTREPRENEURIAL ECOSYSTEM? AN OVERVIEW

When we think about approaches to entrepreneurial support, we often think of them in silos – training entrepreneurs or access to capital. The focus is often narrow. A growing number of efforts are shifting to a more holistic view, a view that we advocate should be commonplace.

A Local Entrepreneurial Ecosystem is made up of the five Cs: Coaching (all training), Capital, Connections, Climate, and Culture (continued on page 9).



Adapted from Dell Gines, Kansas City Federal Reserve, [Economic Development Update](#), May 2018.

A NOTE ABOUT THE SELF-EMPLOYED

It's imperative to talk about the self-employed, the largest category of business establishments in the country. We have listed a few ways the researchers have looked at this part of the labor force. The main takeaway is that this is a large group of the labor force and it is growing.

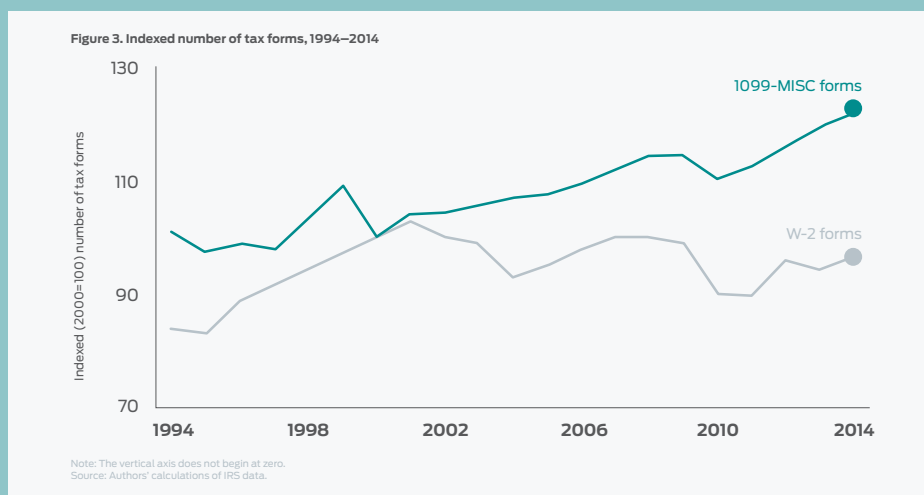
*The latest U.S. Census numbers show that more than three-fourths of the nation's businesses do not have any employees. In 2016, the U.S. had 32.6 million business establishments; 24.8 million of them were what the Census classifies as non-employer businesses.

*Lawrence Katz & Alan Krueger, two ivy-league economists write, "The percentage of U.S. workers engaged in alternative work arrangements—defined as temporary help agency workers, on-call workers, contract workers and independent contractors or freelancers—rose from 10.1% in February 2005 to 15.8% in late 2015 —from 14.2 million in 2005 to 23.6 million in 2015."

*The Federal Reserve studied independent workers and found that 36% of the American workforce are engaged in independent work. That's 70 million people... let this number sink in. Some other key highlights of the study are:

- 65% are engaged in informal paid work to earn extra money
- 50% spend 1-20 hours a month in their 'gig' / independent work
- 25% say that informal work is somewhat or very much part of their income

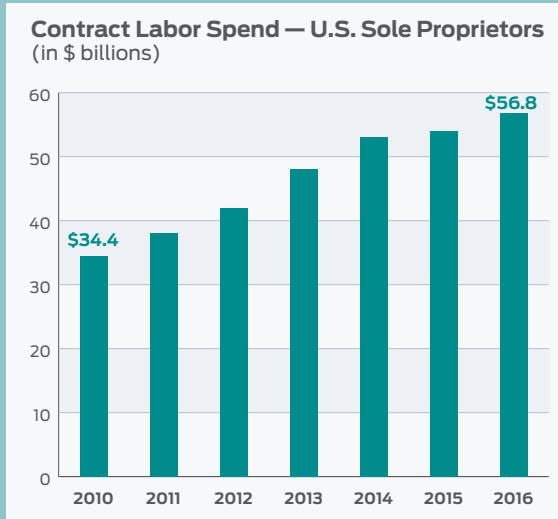
*And if we look at 1099 filings versus W2 forms, we find that W-2 growth is leveling out but the number of 1099 filings are growing at an increasing rate.



* According to the IRS, U.S. sole proprietors spent about \$57 billion on contract labor in 2016, up from \$34 billion in 2010, an increase of 65%. Contract labor includes freelancers, temporary workers, etc.

*Corporations spend 44% of their workforce costs on non-employees, or self-employed, independent entrepreneurs.

*Particular to rural communities is an Upwork study that found that 96% of their transactions were conducted by buyers and sellers of services that were more than 50 miles away. Thus, communities have a need for strong broadband implications for people who want to live in rural areas, but 'export' their services to outside their communities. (See chapter on Connections).



Source: U.S. Internal Revenue Service

Other resources to learn more:

- [Freelancers Union](#)
- [State of Independence Reports](#)
- [Economic Security for the Gig Economy](#)

When these pieces are in place, local economies can foster independents and micro-business owners and create a sustainable, self-reliant, and thriving local economy.

The first three Cs are internal to the entrepreneur or business owner.

Any successful business will have within its structure the following: skilled talent, financial capital, and connections to markets and networks. The way to develop the talent is to ensure some kind of coaching whether in the form of one-on-one mentoring and advising, business classes, workshops on specific topics, online learning, peer learning, or any type of business assistance. It is the first step in the capital access process. Business owners that receive help are more likely to succeed and create two additional jobs within two years. ⁶

⁶ Edgcomb, E. and Thetford, T., "[Microenterprise Development as Job Creation](#)," Field at Aspen Institute, March 2013.

Every business needs some kind of capital whether it is used to develop a website and software, buy inventory, or do R&D. Small loans matter a lot. LiftFund did a five year study and found that start-ups receiving funding are “dramatically more likely to survive, enjoy higher revenues and create more jobs” and that receiving a microloan can increase a business’s chance of surviving by over 50%.⁷

A business can’t be successful if it doesn’t have clients, so connections are another important piece of the ecosystem. Connections include peer networks, online platforms, trade fairs, and other spaces where people network and gather, whether online or in a physical space. Peer networks include chambers and MeetUp groups. Examples of online platforms include: Etsy, eBay, Lyft, and other gig working platforms. Trade fairs such as the Fancy Food Show by the National Specialty Food Association brings all types of food makers together with buyers. Other spaces that connect business owners with each other include maker spaces, business incubators and co-working spaces. All are part of an entrepreneurial ecosystem.

The other two Cs – culture and climate - are external to the business owner and form the environment in which they work. Culture is the community perception and acceptance of entrepreneurship as a valid career path. When people support local businesses and the community understands the value of local businesses, they will have a stronger local entrepreneurial ecosystem. Climate includes regulation on all levels and policy – such as taxes, ease of the permit process, regulations that don’t conflict, and investments in business development.

Part of being in an ecosystem is that the pieces interact, support each other and depend upon each other. Much like a puzzle, our ecosystem needs each piece, each C in this case, to show the full picture and increase its impact.

“Connected economies have higher median incomes, lower income volatility, more high-wage service jobs, lower median ages, higher population growth, and greater educational attainment than their isolated peers.”⁸

We’ll dive deeper into each element of the five Cs in the subsequent sections and how they interact to create prosperous rural economies.

⁷Fracassi, C., et al, “[How Much does Credit Matter for Entrepreneurial Success in the United States](#),” University of Texas, Austin, 2013.

⁸Lettieri.

RECENT RESEARCH: ENTREPRENEURSHIP, NOT ATTRACTION, IS CRITICAL FACTOR FOR RURAL ECONOMIC HEALTH.

“Rural entrepreneurship is an absolute prerequisite for rural economic adaptation... in an ever-changing global economy.”⁹

“Granting corporate incentives has become standard operating procedure for state and local governments across the country” – costing taxpayers a minimum of \$80 billion each year.

In early December 2012, *The New York Times* published a big investigative piece called “[United States of Subsidies](#).” The full accounting of business attraction strategies “is certainly far higher...government agencies and officials...many do not know the value of all their awards. Nor do they know if the money was worth it because they rarely track how many jobs are created.”

The piece provides evidence that traditional business attraction strategies don't work. Businesses aren't in business to create jobs, but to increase their bottom lines (and sometimes keeping their bottom lines from sinking further.) And when it comes to economic growth, job creation is crucial and entrepreneurial communities do better.

“Some entrepreneurship communities are much more productive than others. These differences translate to thousands of more jobs, millions more dollars in economic growth, and a dramatically greater distribution of new innovations....Entrepreneurial productivity [is] measured primarily by...job creation at each company.”¹⁰

The NYT investigation lists example after example of millions in incentives to lure companies only to lose any benefit the corporations may have brought the locale when they pack up and leave. Meanwhile states and cities lose needed tax revenue and basic services like public education and safety suffer. The only winners are the corporations. And it's a zero sum game with no new net jobs created, just jobs that are shuffled from one place to the next.

⁹Lettieri.

¹⁰ Morris, R. and Torok, L., “[Fostering Productive Entrepreneurship Communities](#),” Endeavor Insight, June 2015, p. 6.

Coaching

COACHING COMES IN MANY FORMS:

One-on-one mentoring and advising, business classes, workshops on specific topics, online learning, and peer learning



While many new business owners are skilled at their product or service, many could use help with business management and marketing. In addition, business assistance is often the first step in the capital access process and necessary to grow a small businesses. Think solid business plan, robust cash flow statements, marketing plan. A business has to have its proverbial ducks in a row in order to be creditworthy, and then they can apply for a loan and grow.

The Aspen Institute FIELD studies show that businesses that receive assistance are more likely to be successful.¹ The Small Business Administration (SBA) reports a 50 percent to 80 percent mortality rate for small businesses overall. On average, small businesses that receive business assistance create two jobs in addition to their own over a three-to-five-year period.²

¹Doub, M. and Edgcomb, E., "[Bridges to Success: Promising Strategies for Microenterprise Business Growth in the United States](#)," The Aspen Institute, April 2005, p. 37.

²Edgcomb, E. and Thetford, T.

For example, Jose and Rosie Rodriguez own [Tire King and Auto Express](#) in the southern Salinas Valley in California. During the Great Recession their region had an official unemployment rate of over 16 percent and a real rate closer to 30 percent. King City Tires found a niche servicing tractors in the fields, 24 hours a day, 7 days a week. After two years of business counseling from El Pajaro Community Development Corporation, the Rodriguez' qualified for a \$1.5 million Small Business Administration loan to expand.

They acquired the adjacent property and built a new facility that offered complementary services such as car washes, detailing, and car audio and alarm installation. They expanded to new markets that included companies that operate fleets, such as the area's new wineries and the government. Sales grew from \$1 million in 2015 to \$1.6 million in 2017. They employ 16 full-time workers including the owners. The wages range from \$14-28 per hour, significantly above the minimum wage and are family sustaining wages in their region.



El Pajaro CDC coached the Rodriguez's over a \$350,000 collection note they received from the IRS - guiding them on how to prepare the requested documents and how to handle the meeting with IRS auditor. The final decision was that the couple adjusted their income taxes and ended up with a balance due of \$15,000.

El Pajaro CDC (see profile on page 21) is one of 230 CAMEO member organizations in California that provide business training, technical assistance and financing to entrepreneurs. These organizations annually serve about 34,000 very small

businesses with training, business and credit assistance and loans. These firms — largely start-ups with less than five employees — support or create about 51,000 new jobs in California.

The business assistance programs include Small Business Development Centers (SBDC), Women's Business Centers (WBC), non-profit entrepreneurial training organizations, and non-profit lenders. They provide low-cost and quality assistance to business owners of all stripes. They provide services that include: business planning workshops and classes, and workshops on specific topics.

About 20% of CAMEO members serve primarily a rural constituency with another 45% serving both rural and urban clients. Their clients are restaurant owners, tailors, technology firms, online newspaper publishers, food producers, professionals, i.e. they run the gamut of small business possibilities.

A strong microbusiness infrastructure will ensure that business owners receive coaching so that they can be part of the those that succeed (and not the 50-80% that fail.)

Creating the coaching capacities needed to support an entrepreneurial economy is challenging. Entrepreneurs need to learn many skills. Even an abbreviated list is daunting:

- Market Research
- Product Design
- Marketing
- Financing
- Forecasting
- Financial Management
- Sales and Promotion
- Technology
- Graphics and Copy Writing
- Employee Management
- Manufacturing

Business owners that seek assistance vary in knowledge and experience, some have little experience and possibly less capacity to tackle all basics of running a business, while others have significant experience and aptitude. Coaching services

should focus on the entrepreneur and meet them where they are. The new owner can be served with standard business development services; the more experienced one may need sophisticated and specialized information.

A robust rural economy depends on having coaching services that provide:

- Basic business services for self-employed and microbusinesses;
- Specialized services for growth business, delivered by an entrepreneur with a proven track record;
- Virtual, curated content that helps rural entrepreneurs have the look, abilities and sophistication of their urban counterparts; and
- Opportunities for exchange of ideas, connectivity, serendipity, and experimentation.

A recent report on the effectiveness of different types of business coaching concludes that when a coach or entrepreneur that has grown a company mentors/teaches/invests in another business owner, the owner's company on the receiving end "was associated with approximately two times greater prevalence of top performance."³ That is, those firms were at or above the 90th percentile of firms.

The question then becomes how to deliver high quality services?

The learning environment has changed in recent years. The new standard is to find quick, virtual information targeted at the latest issue, i.e. curate quality online content. Rural training programs need to develop capacity to deliver training online, using best practices in online learning and technology. This training can be developed in-house or curated from existing resources. Rural coaching organizations can tap top talent for online learning and bring high quality resources to remote areas. Virtual learning also allows a rural coaching organization to offer specialized resources to their advanced clients, which is particularly important when serving businesses with the potential to scale. Also, virtual teaching supports isolated rural business owners to master internet skills that they can use in their businesses for promotion, customer service, and sales.

Entrepreneurship support organizations in rural areas tend to have modest resources to serve their large geographical area efficiently. Virtual environments provide tools that enable face-to-face interaction without having to drive an hour or more each way; thereby reducing travel costs for the organization and the businesses they

³ "Morris, R. and Torok, L., "[Fostering Productive Entrepreneurship Communities](#)" Endeavor Insight, October 2018, p. 12.

serve. Online tools allow service providers to prioritize scarce resources to achieve the economic outcomes envisioned by the community.

We emphasize internet access and capacity because they statistically correlate to higher attainment of education, new firm formation and increased per capita productivity in rural areas.⁴ Thus, reliable, fast broadband access and state-of-the-art internet skills/strategies training are a must for rural areas and need to be a priority for a 21st century rural economy.

ELEMENTS OF A SUCCESSFUL PROGRAM

- Focus on the entrepreneur
- Provide the basics and/or specialized training
- Connect to resources
- Ensure resources are sustainable
- Be adaptable to changing environments and external forces/trends

Also, the need for the economic development community to work toward reliable broadband to support virtual coaching is a great example of how the five Cs are interdependent.

(Each chapter lists activities that economic developers can choose to undertake.)

SUGGESTED COACHING ACTIVITIES

- Invest in building the capacity of local business development organizations.
- Assess existing business services such as legal, marketing, production, accounting, etc.
- Assess the existing business assistance infrastructure to identify strengths and services offered, as well as what might be missing.
- Assess needs of local business owners. Ask where they need help - accessing outside markets, going online, transferring their legacy, sourcing, financials, etc.
- Connect business owners with local resources.
- Partner with other providers to fill in the gaps, whether it's online or in person (don't reinvent the wheel).
- Curate online content and develop online resources as necessary to fill gaps.
- Create a local business tool library that includes local and online resources. Many tools exist. Keep it simple and of quality.
- Use municipality outreach infrastructure to market resources to the business community.

⁴ McFarland, C., "[Bridging the Urban-Rural Economic Divide](#)," National League of Cities, March 2018.

- ❑ Develop a mastermind group of business owners to support each other.
- ❑ Recruit successful business owners to mentor start-up businesses.

RESOURCES

- [CAMEO Members](#)
- [Women's Business Centers](#)
- [Small Business Development Centers](#)
- [Northern Initiative](#)
- [SCORE](#)
- [Businessadvising.org](#)
- [Centro Community Partners' Business Planning App](#)
- [Sourcelink](#)
- [Loconomics](#)
- [Business Blocks](#)
- [JEDI's online videos](#)
- [SBA online Learning Center](#)
- [Kauffman Foundation](#)
- [EEOC Small Business Resource Center](#)
- [Square's Business Resource Center](#)

If you have an excellent resource center for entrepreneurs, please contact cameo@CAMEOnetwork.org. We will do our best to include it on our online version of this toolkit.

SUCCESS STORY:

VICENTE QUINTANA, EL NOPALITO PRODUCE

Vicente Quintana started El Nopalito Produce in Watsonville, California with a 30-pound box of cactus paddles. In just eight years, he turned his kitchen-table business into a thriving concern with ten employees, processing 10,000 pounds a week and distributing in more than 30 markets across central California.

Tender, young cactus leaves, or nopales, are a staple of Mexican cuisine. However, before they can be cooked and eaten they need to be trimmed, peeled and cut. It's a time-consuming and sometimes prickly process which is why most people buy them pre-packed in convenience bags. These days processing is done by machines.

That's not how Vicente operates at El Nopalito. He and his employees hand-process every cactus paddle. The extra effort pays off. Markets carrying Vicente's nopales say that their quality keeps picky customers coming back and they have a longer shelf life than the machine-processed competitors. Vicente's quality is so good that a few markets have dumped other brands and exclusively carry El Nopalito Produce.

Success didn't come overnight, and it didn't come alone. By 2013 he was struggling to meet the demands of local markets. He realized he couldn't grow the business from his kitchen and rented processing space in a local grocery store. But he could



Source: NALCAB/YouTube

only do so much alone. Also, Vicente was beginning to worry about inspections, licenses and business plans – things he needed to meet existing demand.

Vicente saw an ad for a business education program called “Empresario” on a local TV channel. El Pajaro Community Development Corporation (El Pajaro) offered a 10-week training that teaches people how to build a business plan. When he took the class, Vicente learned about El Pajaro's Commercial Kitchen Incubator, where people rent time in a commercial-quality kitchen that meets stringent health and safety regulations at a reasonable rate, drastically reducing start-up costs for small food-based businesses. Vicente knew it would be a perfect fit.

When the commercial kitchen opened in the fall of 2013, Vicente was able to increase production. Meanwhile, El Pajaro assisted him in other ways. Cesario Ruiz, the kitchen incubator's facility manager said, "The biggest benefit that he [Vicente] has obtained from the organization is being able to obtain all the proper documentation and all that he needs to have his business operate in a legit way."



Source: NALCAB/YouTube

Knowing that language was also a big barrier for Vicente, Cesario wrote down all the documentation for him to make sure El Nopalito was providing the right information to the state. Cesario estimates that Vicente received more than 40 hours of individualized support from El Pajaro.

In no time, El Nopalito's production went from 500 pounds a week to 1,000 and then 1,200 – thanks to a distribution deal with the Mi Pueblo grocery chain which owned 19 stores in the Central Coast and the Bay Area. Vicente hired help, and within two years he hired three more people.

But he's had his ups and downs. A little over a year ago, Mi Pueblo was bought out by Cárdenas Market, who dropped El Nopalito. "He ended up losing his biggest account and that set him back, but he already had a pretty established number of accounts," said Cesario.

Vicente began thinking of other ways to expand and diversify his business. To

increase his distribution area, Vicente needed a refrigerated truck to deliver fresh product to other parts of California. “Unfortunately, we weren’t able to help him because it exceeded the amount that we could help him with,” said Cesario. Even though El Pajaro couldn’t help with funding, Vicente found a different source within the ecosystem to buy the truck.

And he didn’t stop there.

“His vision has always been to get some land,” said Cesario. Vicente met a farmer in Los Baños and bought his entire nopales production. But the following year, the farmer couldn’t properly care for the farm and didn’t have a good yield, which meant no nopales for Vicente. That got him thinking about purchasing or leasing the land. “The organization helped him put some projections together, making sure that he was making the right move.”

Vicente recently acquired 30 acres of land and wants to increase the yields to have enough production. And he has bigger plans. “One of the things he really wants to do is certify this piece of land as organic,” Cesario said.



Source: NALCAB/YouTube

However, organic plans are on hold after an unexpected event. Two months ago, Cárdenas Market reached out to him – they wanted him to be their official nopal distributor again. Vicente was thrilled as this meant more business, but that came with its own problems. He doesn’t have enough supply to fulfill his orders. After

doing some research, he's found a possible solution.

“Vicente found that he could buy hand-peeled nopales from a distribution center in Los Angeles,” said Cesario. By outsourcing, Vicente could focus on distribution and reach his fulfillment goals. However, that meant cutting his labor force by 50 percent in the short run, but could make up for that once his business grew.

Cesario is confident that Vicente will make it work because he's always looking for ways to grow his business – like producing frozen nopales. “He's in the middle of developing a product that will hold in the freezer and still continue to provide the right consistency and the right quality to the end consumer,” Cesario said. “It's exciting to see how his mentality doesn't stop, it continues moving forward.”

EL PAJARO CDC PROFILE

When much of Watsonville's strong canning and fruit processing industry closed because of a labor strike, the community wanted alternatives for the workers that had lost their jobs from the farms and canneries. Entrepreneurship was one. El Pajaro Community Development Corporation was founded in 1979 to help people start and improve their businesses in Watsonville and the Pajaro Valley.

The 1989 earthquake destroyed a lot of buildings, including one in Plaza Vigil. The community saw an opportunity in the vacant building and worked with the city to build the first retail incubator of its kind in the country in that space. The building was completed in 1996 with 16 spaces for retail incubation plus office space above. Since then, it has been the home of El Pajaro's headquarters and retail incubator.

El Pajaro has provided entrepreneurs in the community with services to grow and sustain their businesses. Aside from the two incubators, their programs include technical assistance and training, business education, microloans, and professional consulting and coaching. For every dollar El Pajaro spends on services, they create \$22 of economic impact in the community.

For the last 12 years, El Pajaro has expanded its services outside of Santa Cruz County to serve the Tri-County region as well as Hollister and San Benito. Their client base is mainly low-to-moderate-income Latinos (annually from 90-94%) and women (annually from 65-70%).

Coaching in a rural setting means serving clients who face unique challenges. El Pajaro's clients are farm workers from rural areas of Mexico and El Salvador. Many come from indigenous communities that don't speak Spanish. They learn here. Many have less formal education, as farm work doesn't leave much time for school. They work, raise their kids, and do what they can. It's hard work, but transitioning into a different line of work isn't easy.

Many of El Pajaro's clients don't realize they can be entrepreneurs. Many people who walk into their office have flea market booths, and they don't know that they have a business even though they were told to get a business license. Sometimes, they earn more at the flea market on the weekend than what they make in the fields. They supplement their income, but have the potential to earn more.

One of El Pajaro's philosophies is: "It doesn't matter how much formal education you have, that doesn't limit what you can do. There are other ways to become educated." El Pajaro developed a coaching curriculum that is more interactive than lecture-style, with a lot of hand-holding. It includes more in-course activities and is open to clients with non-formal levels of education. El Pajaro bridges their clients' gaps in knowledge, whether a language barrier or a lack of familiarity with laws and regulations for businesses. They also bridge the gap between funders and clients, to facilitate the access to capital process.

All of El Pajaro's staff is bicultural and bilingual (Spanish). Although they don't speak Mandarin, Italian, or other languages, they have developed more rapport with other immigrant groups than many other organizations. They also work with women, many of whom found themselves without opportunities after the canneries closed years ago. El Pajaro helped them open childcare businesses so they could work from home while raising their children.

One client became homeless with no income after a divorce and lost the family business. She started selling shoes at the flea market on weekends. El Pajaro gave her a space at the retail incubator so she could sell them all week. Now her space is double the original size. She supports her children and bought a house with her son. Other organizations might not help a woman selling shoes in the flea market, but El Pajaro believes in people's ability to learn so that they can start and grow a successful business. The organization's hands-on coaching style gives people a safety net and a support system. They develop a close relationship with most of their clients, who come back year after year with their business questions. Coaching

builds that connection to clients that really allows you to help them.

In addition to having strong leadership, El Pajaro has succeeded thanks to their ability and willingness to adapt and change with what is happening in the community. During the housing crisis, they helped people with home loans. On the surface this didn't have anything to do with entrepreneurship, but without the mortgage help, their clients' businesses would have gone under.

Keeping ahead of trends has also paid off. El Pajaro's commercial kitchen program was one of the first in the country. In 2013, El Pajaro opened its Commercial Kitchen Incubator to meet the needs of their clients as 40% are food-based entrepreneurs with ideas for specific recipes or products. The kitchen incubator allows them to develop their products in a commercial-grade kitchen and access technical support, business assistance, and microloans.

Currently, El Pajaro is building a pre-incubation program for their kitchen clients who have a great product but no business skills in order to bring more opportunities to people who have fewer options. These clients need that extra push to become professional and learn the kind of skills you acquire when you've worked for yourself.

Capital



Despite their crucial role in the economy, less than 1% of potential microbusiness borrowers are being served in California by traditional banks and community lenders. Over the past two decades, small business loans have fallen from about half to under 30 percent of total bank loans. [Many polls](#) find that small business owners believe the availability of credit is a problem. About 75 percent of small business owners who apply for a bank loan are rejected. And for minority-owned firms, the challenges of accessing financing are worse, even with good credit.¹

The Federal Reserve has surveyed small businesses about their credit needs since 2015. Less than half of the firms applying for credit have received the amount for which they applied and almost a quarter did not obtain any financing. Reasons include: insufficient credit history, insufficient collateral, existing debt, low credit score and weak business performance.²

¹ Robb, A., deZeeuw, M., and Barkley, B., "[Mind the Gap: How Do Credit Market Experiences and Borrowing Patterns Differ for Minority-Owned?](#)" Federal Reserve Bank of Atlanta, September 2018, p. 15.

² "[Small Business Credit Survey: Report on Employer Firms.](#)" Federal Reserve Banks, 2017.

Since the Great Recession, large banks have made fewer loans under \$250,000, because of the high transaction costs of small business loans and because regulators push banks to hold more capital against business loans than consumer loans, further driving up the costs of small business lending.

The common sources of small business capital are:

- **Community Development Financial Institutions (CDFIs).** CDFIs are mission-driven lending organizations and credit unions that support business development and provide business loans in local communities that are usually underserved by the large traditional banks.
- **Local community banks.** Community banks traditionally have served as the primary source for small businesses' funding needs. "Traditionally, community banks had a comparative advantage in collecting soft information and in relationship lending, which in turn led to a comparative advantage in small business lending ... to local small businesses. Community banks' outsized role in small business lending is a major contributor to the economic importance of the overall community banking sector."³
- **Credit Cards.** Credit cards, issued either to the business or personally to the owners, are a common source of credit. Credit cards are used by small business owners primarily for convenience and because they are more likely to be approved than business loans.⁴ While convenient and accessible, credit cards are not always the best source for many business needs as the terms are short and interest rates high.
- **Home Equity.** Business owners sometimes tap into home equity loans to finance their companies, as home equity loans are typically easier to obtain than uncollateralized personal loans or business loans.
- **Loans from family.** Young and minority-owned businesses are the most likely to seek financing from family.
- **Boot-strapping, savings, funding from a "day job."** Bootstrapping, using savings or a little set aside from a 'day job' are often the only sources of capital for a new business, especially if the owner is disadvantaged in some way. The limitations of these types of financing can lead to constraints on business growth.

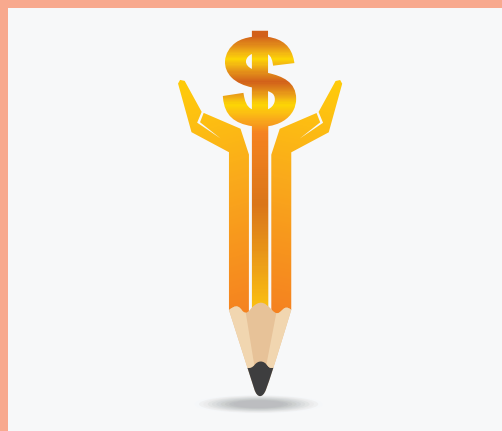
³ Jagtiani, J. and Maingi, R.Q., "[How Important are Local Community Banks to Small Business Lending.](#)" Federal Reserve Bank of Philadelphia, August 2019.

⁴ "[Report to Congress on the Availability of Credit to Small Businesses.](#)" Federal Reserve, September 2017.

CASE STUDY: CAMEO'S MICROLENDING ACADEMY

CAMEO, as the effective small business CDFI coalition for California, supports the growth and sustainability of microlending in California. It's our role to bring forth new trends and technology and to support our members to expand their capacity, skills, capital resources and technology adoption. To that end, CAMEO introduced a program in January of 2014 — The MicroLending Academy with the following goals:

- Significantly increase micro-lending among its members.
- Assist members to increase capacity and implement best practices.
- Showcase and support the adoption of technology for operations efficiency and loan production.
- Promote access to capital for disadvantaged entrepreneurs.



The strategies CAMEO uses to reach the goals include:

- **Peer Learning:** Share insights and innovations with peers to strengthen microloan programs. Example: In 2019, CAMEO introduced [CDFI Essentials](#), a new program to assist CDFIs with developing their loan program according to best practices using our [Community Loan Policy Manual Workbook](#).
- **Best Practices Training:** Training opportunities for staff development and lending systems improvement. Example: [MicroLending Essentials](#) is a two-day training that teaches the standard microlending underwriting analyses and how to write a credit memo to support an underwriting recommendation, and provides practice with actual microloan applications. Also, CAMEO hosts an annual statewide gathering of microlenders, bankers, and industry leaders to discuss emerging trends and opportunities at our annual MicroLenders Forum.
- **Technology:** CAMEO partners with technology developers to provide support and discounts by aggregating small volume lenders onto technology platforms.
- **Carrot Fund:** Through a partnership with Capital One, we offer low-interest loans to new and developing microlenders.
- **E-Newsletter:** Articles, resources, technology, success stories, interviews, big picture ideas on all MicroLending Academy features. Visit the [MicroLending Academy](#) page for archived editions of the newsletter.

- Individual Consulting: Receive help to implement new lending processes.
- Training Support: Identify training opportunities and provide support for travel expenses.

Outcomes as of October 2019:

- Seven lenders participate in CDFI Essentials to develop their loan policies.
- We held four Microlending Essentials workshops in California and one in Minnesota, which sold out. We are developing an online version.
- We aggregated one cohort on Liftfund's MMS system and increased their lending by 300%. We begun another cohort on LendingFront's platform in fall of 2019.
- We made two loans to new microlenders: Mission Economic Development Agency's Adelante Fund and Inclusive Action for the City; with one pending to TMC Community Capital.

Most CDFIs offer loans ranging from microloans (under \$50,000) up to \$250,000. Many CDFIs provide small-business coaching and other professional resources, such as legal, accounting, and marketing assistance, to grow their borrowers' small businesses. CDFIs have different lending criteria than traditional banks. For example:

- collateral and credit requirements are more flexible (they accept good, but not perfect credit);
- borrowers can explain lower credit scores, e.g. loss of home equity, late pays, or illness;
- projected (rather than historical) revenues often are acceptable for cash flow analysis;
- a borrower's character is considered; and
- alternative underwriting criteria is used sometimes.

Businesses need to show they can pay back the loan through positive cash flows and have a business plan. The loan criteria is often listed on the lender's website and vary by business location, loan size, interest rates, risk, borrower income, etc.

However, microlending is labor-intensive which makes it expensive and hard to scale and many CDFIs loan volumes remain quite small. With funding tighter than ever before and increasing small business credit needs, microlenders need to figure out how to deliver services as economically as possible.

Advances in technology have great potential and play that role, but also great dangers. Technology has introduced efficiencies to the underwriting process with automated document collection and analysis. CAMEO aggregated small volume lenders onto the Microloan Management Services platform. In four years they increased lending by 300% and cut the time to do loans by 50% as part of our MicroLending Academy. Using some type of technology platform/software is a best practice for CDFIs and is needed for scale. The new technology is bringing new players into the field, increasing competition for loan-ready borrowers, as well as posing problems for some borrowers (see below.)

DANGERS OF TECHNOLOGY ADVANCES IN LENDING AND THE CALL FOR RESPONSIBLE BUSINESS LENDING

With the decline of traditional bank lending and lack of scale from most microlenders and CDFIs, online lending is filling the access to capital gap with little to no oversight. It's never been faster or easier for small businesses to fill out an application and receive the money they need in their account. With a couple of clicks, borrowers can submit an application for financing and get an answer within days, if not minutes. The problem is online lenders often throw out low numbers that sound like they are related to costs of capital, but the true cost of the funding is usually much higher. Navigating the space is challenging, even for an experienced borrower. Rates, loan structures, fees, terms, etc. can be hard to discern from the websites.

[what follows is an excerpt from CAMEO's op-ed in *The Hill*, "[California passes historic truth in small-business lending law](#)"]

If a deal sounds too good to be true, it often is. It is not uncommon to find small business financing with interest rates of higher than 50 percent — some even reaching 350 percent — without these rates being disclosed to the borrower.

- In 2015, California's Department of Business Oversight (DBO) surveyed 14 marketplace lenders and found that the majority of their loans carried APRs ranging from 41 percent to 101 percent or higher.
- Opportunity Fund, a mission-driven lender based in San Jose, analyzed their loans that were used to refinance online financing arrangements. Many borrowers were saddled with loans they couldn't afford with an average annual percentage rate of 94 percent with one loan having an APR of 358 percent. The average

monthly loan payment was almost double the net income of the small business owners.

Not all online small business financing is usurious. Online alternative financing can be an efficient source of capital when other sources are unavailable. Online players that have adopted responsible lending practices want transparency because they have trouble competing with the online financiers who disguise their costs.

Earlier this year the Federal Reserve published [Browsing to Borrow: “Mom & Pop” Small Business Perspectives on Online Lenders](#), which looked at small business owners' perceptions of online lending. The three key takeaways from the study were:

- Small business owners were familiar with online lenders and didn't have a good impression of them;
- They like more information on their financing options; and
- Existing products are confusing.

What small business owners liked was “a sample disclosure table clearly displaying interest rate, payment amount, fees, and other product terms.” In other words, nearly all of the study's participants said clear, understandable information should be available to potential borrowers before they apply for a loan and turn their businesses' financial data over to a lender.

Two other studies back up the Federal Reserve's findings. Small Business Majority found that 80 percent of small business owners they polled are in favor of [ensuring interest rates and fees are clearly disclosed](#) to borrowers. The [Bipartisan Policy Center \(BPC\)](#) recommended [small business disclosure rules](#). They said that requiring disclosure would ensure that small business borrowers receive basic information about loan terms and conditions when obtaining funds from nonbank lenders.

The federal Truth in Lending Act protects consumers but does not protect small businesses. That's why California enacted SB 1235 in 2018. The law proposes a common-sense solution—to clearly communicate to small businesses what their financing would cost. It is the first small business truth-in-lending law in the country. Other states will be following suit. What's clear from industry is that they are not interested in a patchwork of different regulations and disclosures. We need leadership in Washington to act accordingly and pass a Truth in Business Lending Act.

DEVELOPING A STRONG CAPITAL INFRASTRUCTURE FOR YOUR COMMUNITY



Source: Canva royalty free stock images.

Community economic developers can use several strategies to foster a strong, local capital infrastructure.

Develop relationships with local, community banks. It is not uncommon for both business owners and local economic development professionals to have an incomplete understanding of what it takes to get a business loan approval, leading to wasted opportunities to access capital. Local economic developers can create strong professional ties with bank loan officers to understand in detail the lending policies of their community bank. The more on-the-ground detail – equity injection, credit history, collateral, cashflow – economic developers can gather on the bank criteria, the better they can serve business owners to access capital. These strong bank ties also give local economic development professionals access to those denied bank credit, positioning them to refer these clients to a local CDFI. Many successful CDFIs rely on bank referrals for much of their loan volume.

Build a strong local CDFI with the commitment and capacity to scale. Building a CDFI with the capacity to make a significant contribution to the capital needs for the region is a challenge. Lending is a highly technical skill requiring significant institutional capacity to succeed and a commitment to scale to have impact. Regional economic players can serve their communities by committing to the long process of capacity building in their local CDFIs. Even the most isolated rural community needs a CDFI that can assess and close hundreds of deals per year. This scale also requires

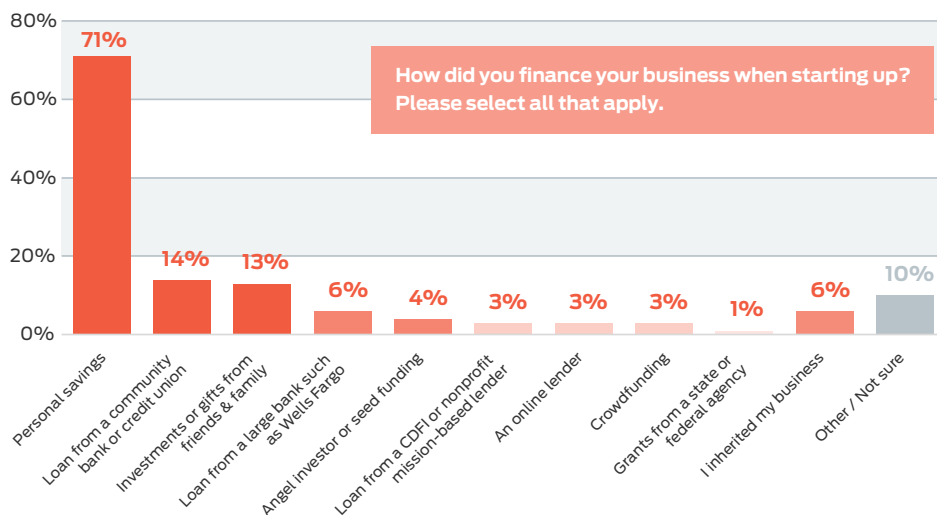
a strong commitment to and understanding of loan capital development, structure and risk management.

Help business owners with more than just ‘packaging.’ Coaching organizations need staff that know enough about the nuts-and-bolts of loan approval to **train and prepare business owners for successful loan applications**. Pulling together the required documents without a sufficient assessment can lead to a lot of time spent on applications that never had a chance.

Offer specialized business training on proper use of different types of financing. Business owners have trouble with debt when they don’t understand the cost of capital, how to structure financing for different uses, how to research options, how to position themselves for favorable capital, and how to avoid common financing mistakes. This is a long-term, strategic development process that every business owner needs help with and that coaching organizations need to develop capacity to offer.

Curate online access to finance experts. For local business development organizations, it can be more efficient to provide access via online training technology to seasoned finance expertise than to build all the knowledge in-house.

From a study that Small Business Majority conducted of rural entrepreneurs, it’s clear that the capital resources available to them are not being utilized. They found that 71% of rural small business owners used personal savings to fund their businesses.



Source: [Examining the Unique Opportunities and Challenges Facing Rural Small Businesses](#), Small Business Majority, February 2019, p 13.

They also found that 35% of rural small business owners that were surveyed applied for a commercial loan since starting their business and only 58% received one. The reasons for denial included: “high amounts of existing debt (47%), lack of sufficient business revenue (41%), lack of collateral (32%), poor credit score (30%), not enough credit history (27%) and lack of business plan or projections (19%).”

These obstacles can be overcome with business credit assistance or coaching – what we often call the “first step in the capital access process” – and by fostering a culture of cooperation and connecting business owners to resources; they are great examples of the interdependence of the different elements of the local entrepreneurial ecosystem.

Businesses that receive funding are dramatically more likely to survive, enjoy higher revenues and create more jobs – and that holds true for small loans as well as larger loans. Applicants who receive a loan:

- are 54% more likely to qualify for future business loans;
- are 54% more likely to survive; and
- increase their sales by an average of 41%.⁵

So yes, money makes the world go round and helps start-ups survive, thrive, and grow.

SUGGESTED CAPITAL ACTIVITIES

- Partner with an existing lender to develop special loan products to increase lending to rural areas.
- Work to increase bank relationships and participation with the small business community.
- Work to capture those rejected by banks and refer them to local CDFIs.
- Provide crowdfunding education.
- Provide organizational underwriting and loan program training to lenders and business coaching organizations including CAMEO microlending tools: aggregated underwriting platform, loan manual, CDFI Essentials, and Microlending Essentials.
- Work with CAMEO to aggregate small lenders in your community.
- Influence community lenders to scale.
- Help grow the county’s business loan program (if appropriate).

⁵ Fracassi, C., et al.

RESOURCES

Examples of Rural California Community Lenders

- [3CORE](#) (Tri-County Region)
- [Access Plus Capital](#) (Rural Central Valley)
- [Accion San Diego](#) (Imperial County)
- [Arcata Economic Development Corporation](#) (Northern California)
- [California FarmLink](#) (Central Coast, Central Valley, North Coast)
- [CDC Small Business Finance](#) – (statewide)
- [Economic Development & Financing Corporation](#) (Lake & Mendocino Counties)
- [Feed the Hunger](#) – (statewide)
- [Opportunity Fund](#) – (statewide)
- [Superior California Economic Development District](#) (Rural Northern California)
- [Women's Economic Ventures](#) (Santa Barbara & Ventura Counties)
- [Working Solutions](#) (Napa and Sonoma Counties)

Other

- [Kiva](#) - (statewide)
- [Crowdfund Better](#)
- [CDFI Locator](#)
- Local Municipalities with loan funds

LENDER PROFILE: CALIFORNIA FARMLINK



Source: California FarmLink

According to its website: [California FarmLink](#) has been operating since 1999, and over the years they have identified these values and principles to guide their work:

- **Equitable Access to Opportunity:** We value opportunities for beginning, immigrant, and women farmers and ranchers, and farmers of color, to establish themselves in California agriculture.
- **Creativity and Innovation:** We value innovative tools and strategies that support and connect farmers and ranchers with land, financing, and assistance.
- **Partnership and Commitment:** We value long-term relationships with farmers, landowners, and other partners that create and sustain opportunities for beginning farmers and ranchers.
- **Environmental Stewardship:** We value good land stewardship and resilient working landscapes that provide the basis for sustainable and organic agriculture.
- **Honesty and Fairness:** In the high-stakes business of agriculture, we value fairness, accountability, and transparency in our work to connect people with land and financing.
- **Learning and Growth:** We value continuing education and learning from diverse farmers and ranchers who inform, teach, and inspire us to improve our work.

California FarmLink’s mission is to link independent farmers and ranchers with the land and financing they need for a sustainable future. FarmLink helps farmers to build **strong business skills, access fair financing,** and establish **secure land tenure.** FarmLink supports beginning, limited-resource, immigrant and other underserved farmers. They work across the state, with particular focus on the Central Coast, Central Valley, and North Coast regions. FarmLink was certified as a Community Development Financial Institution (CDFI) in 2013. It is one of the first agricultural CDFIs in the nation focused on sustainable and organic agriculture, and economic and environmental resilience.

Their staff and business advisers provide one-on-one technical assistance, workshops, connections, resources, and other solutions that include:

FARMLINK LOANS

Provide flexibly structured financing to underserved and beginning farmers for operations, equipment, and land. We serve borrowers who would otherwise have difficulty securing financing due to limited business history and other factors.

LAND ACCESS

Facilitated through a community of land seekers who demonstrate credentials,

landholders with farmland for lease or sale, and our work to connect people, develop and negotiate strong agreements, and support pathways to ownership.

AG ELDERS AND THE NEXT GENERATION

Creates farmland and business succession strategies for the founders of California's organic agriculture movement. We help farmers to set clear goals for business transition, linking, financing, and mentorship. Through this work, FarmLink seeks to help established farms pass on valuable knowledge and infrastructure to the next generation.



Source: Kitchen Table Advisors/Vimeo

SUCCESS STORY: JAVIER ZAMORA, JSM ORGANICS

Javier Zamora, 51, moved to the Los Angeles area from Michoacán, Mexico when he was 20. He worked hard and did well, eventually building his very own American dream – he had a good job as a regional director for a golf management company, a wonderful wife, two daughters and a home. Life was good.

Then came the 2005 financial crisis. “We lost our home and investments. We had nothing,” said Zamora. They moved north to Tracy, California to live with his wife’s family.

Living in the agricultural community after working in Los Angeles’ food, beverage and hospitality industry, something clicked and Zamora began thinking about

farming. He had family roots, as his father and brothers were farmers in Mexico.

He decided to study for his GED and then, encouraged by a teacher, enrolled in college, earning two A.S. degrees in horticultural design and organic production.



Source: Kitchen Table Advisors/Vimeo

As a working student and a father with a family to support, things were so tight financially that Zamora sometimes scraped together change to put gas in his car. Eventually, hard work began to pay off and in 2011 he was able to lease an acre and a half of land.

Through [California FarmLink](#) (see profile), an organization dedicated to supporting the kind of small, independent farmers most banks ignore, Zamora was able to obtain a \$5,000 loan, enough to get his farm started. [JSM Organics](#) did well that year, bringing in \$46,000 from organic strawberries and fresh flowers.

“FarmLink staff have been really good supporters and key to my success,” said Zamora. The next year FarmLink gave him another loan and helped him find acreage to grow through their land-linking program which matches small farmers with under-utilized farm land.

Zamora enrolled in a 10-month course through [Agriculture and Land-Based Training Association \(ALBA\)](#), and learned marketing, the legal side of business, and other topics such as etiquette.

“ALBA gave me so many tools,” said Zamora. “Different government agencies would come out and tell us about their programs. All those have become part of my network.”

In 2016, Javier joined [Kitchen Table Advisors'](#) program. (Kitchen Table Advisors is the third CAMEO member with whom Javier worked.) He was farming on nearly 20 acres of land and managing multiple markets and wholesale accounts across the Bay Area, but needed support to make the business sustainable and ready for growth. Kitchen Table Advisors' business advisor, David Mancera, worked closely with Javier to organize his financials and hire a bookkeeper. With the farm's finances in order, Kitchen Table Advisors worked closely with Javier and partners at California FarmLink, RSF Social Finance and ALBA to purchase a 200 acre ranch. Kitchen Table Advisors continues to support Javier to meet the requirements of his loans and to deal with issues that arise regarding labor and cash flow.



Source: Kitchen Table Advisors/Vimeo

From an acre and a half to 200 acres, JSM Organics, has 26 employees, who earn between \$12-\$18 an hour. Last year it broke \$1 million and this year he hopes to top \$1.5 million.

He and the farmers who work for him grow a wide variety of organic fruit and produce supplying local markets, independent grocers and restaurants seeking high quality organic produce.

“People that take the time to come to our farm care about where their food comes from and who grows it,” said Zamora. “I grow food for thousands.”

As if that wasn't enough, Zamora felt the need to give back. He serves on the board for both FarmLink and ALBA, encouraging and mentoring other small farmers. He helped and encouraged two former employees to strike out on their own and today each of them employs 10 people. “I want more Javiers to make their dream come true,” he says.

Zamora also serves on the board of the Pajaro Valley Water Management Agency and an U.S. Department of Agriculture advisory committee where he represents the interests of small, independent farmers.

While he obviously loves his work and is passionate about organic farming, Zamora admits the hours are long and he'd like to slow down eventually. Still, he says, it would be nice to keep the business in the family.

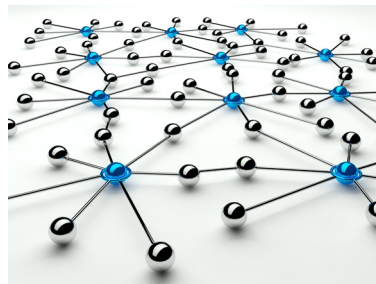
“Maybe in 10 years one of my daughters can handle the whole operation.”

Connections

Connections are sometimes referred to in academic literature as social capital. According to Harvard Professor Robert Putnam,

The central premise of social capital is that social networks have value. Social capital refers to the collective value of all “social networks” [who people know] and the inclinations that arise from these networks to do things for each other [“norms of reciprocity”].

People in communities with lots of social networks have more ability to work together and address economic problems. Connections or social capital help with information flows, mutual aid, collective action, developing a community mentality, and connections to critical support. For the entrepreneur, that network may be a connection to the CDFI for start-up capital or a business owner may use their relationship with a supplier to expand.



When discussing a rural entrepreneurial ecosystem, we need to address two different types of connections:

- connections between the business owner and her customers and
- connections between the region and its adjacent urban centers.

Rural regions have a lightly-populated, dispersed geography that are often coupled with lower-than-average annual incomes. This creates barriers to: scale, market exposure, transportation, infrastructure, higher-income customers, and more.

As stated in “Four Tenets of Rural Economic Development,” by Anita Brown-Graham and William Lambe:

Development is a ‘contact sport,’ best pursued through dense networks of personal [and virtual] contacts. Networks create tangible economic benefits such as access to ideas, capital, markets, business practices, suppliers and workers. Networks link people businesses and institutions to regional and national opportunities.

Thus, for both the entrepreneur and the economic region, the key will be to link to wider regional economic networks and opportunities. “Policymakers should be focused on policies that help to strengthen and expand connectivity in all its different forms for rural communities.”¹ As John Lettieri of the Economic Innovation Group testified in front of Congress, that connectivity includes infrastructure, connecting to capital, closing the digital divide, access to global markets, and access to global knowledge markets.

CONNECTIONS FOR THE BUSINESS OWNER

A business can have a great idea, a great plan, and money to implement the plan, but without clients or customers, there is no business. In order to thrive and grow, small businesses need connections to market opportunities. For rural entrepreneurs, access to larger, wealthier urban markets is foundational to success. Fortunately, with the advent of the internet, rural businesses can access these markets more easily.

Since a business can’t be successful if it doesn’t have clients, connections are an important piece of the ecosystem. Connections include peer networks, online platforms, trade fairs, and other spaces where people network and gather, whether online or in a physical space. Peer networks include chambers and MeetUp groups. Examples of online platforms include: Etsy, eBay, Lyft, UpWork, and the other gig working platforms. Trade fairs such as the Fancy Food Show by the National Specialty Food Association brings all types of food makers together with buyers.

¹ Lettieri.

Technology developments have increased the opportunities for enhanced connections with the rise of online platforms and new software.

Online platforms run the gamut of industries – from hotel rooms (AirBnB) and taxis (Lyft, Uber) to retail (Etsy, Amazon, Ebay), creative endeavors (Patreon, YouTube) and services (Thumbtack). These platforms enable households to augment their wage income, as well as create client-bases for businesses. One struggling IT repair shop owner signed up for the Thumbtack platform at the suggestion of his lender and found five new clients in one week, more than he had in the last three months. Content creators all over the country can earn money through subscriptions on Patreon. Barbara Mason, an economic developer for Santa Cruz County, has supported hundreds of Etsy businesses with training and peer group meetups to better connect their home-based artisan business to a global marketplace.

Software development has enabled small businesses or entrepreneurs to be innovators in radio (podcasting), newspapers (online blogging), and television (YouTube) due to a declining cost to enter. New communications software has also made it possible to interact with clients thousands of miles away, essentially expanding the market for services. (See the interview with Linda Fitzgerald on page 53.) Online banking and sales capacities allow remote, rural businesses to conduct significant transactions virtually.

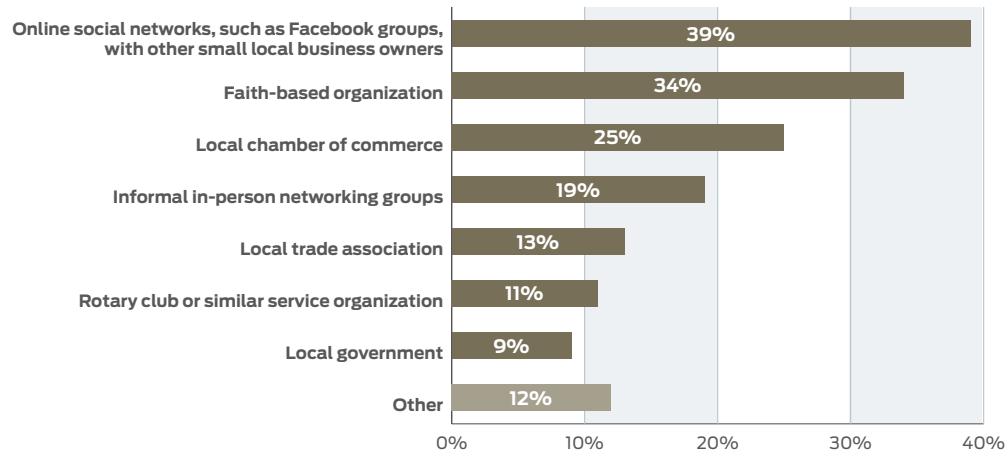
A business is also more successful when it knows other businesses. According to Investopedia,

A value network is a set of connections between organizations and/or individuals interacting with each other to benefit the entire group. A value network allows members to buy and sell products as well as share information.

Small Business Majority found that in rural communities, “networking within the local community is key to the success of rural small businesses.”²

²Small Business Majority, February 2019, p 9.

RURAL SMALL BUSINESS OWNERS PARTICIPATE IN THEIR



COMMUNITIES IN A VARIETY OF WAYS

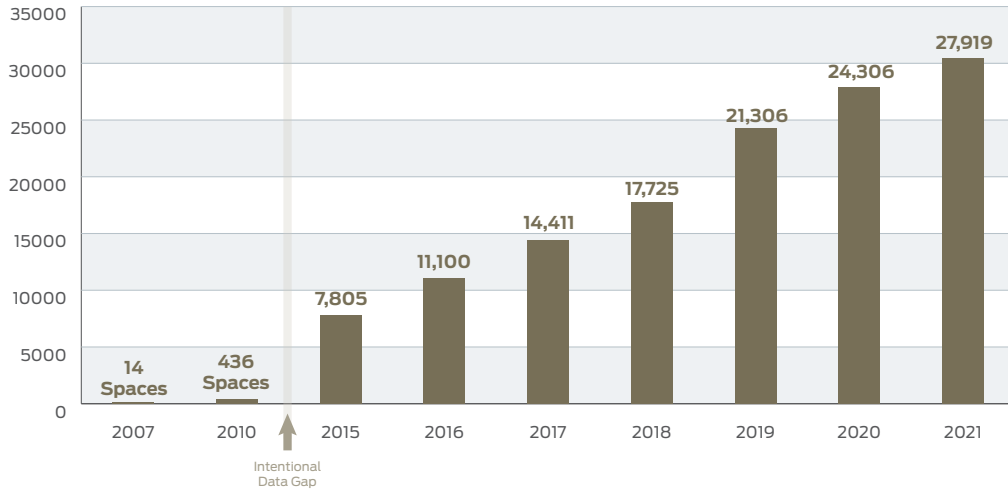
Businesses in the same industry with different niches can partner together to create new services. For example, regional industry clusters are synergistic concentrations of firms and related networks. A great rural example is the value chain developed by the USDA California Rural Development Office. The USDA convened the players and stakeholders in four regions, determined existing resources and helped to fill the gaps. This process discovered that California ranchers ship cattle out of state for slaughter and in-state cold storage was scarce. And two mini-industries were born: mobile slaughterhouses for getting local grass fed beef processed to meet local demand, and cold storage facilities to save on increasing energy prices.

Physical spaces that connect business owners with each other also help create connections, synergies, and opportunities among business owners and have gained traction in the last decade - everywhere. Spaces include: makerspaces, business incubators, food incubators, and co-working spaces. Some growth statistics include:

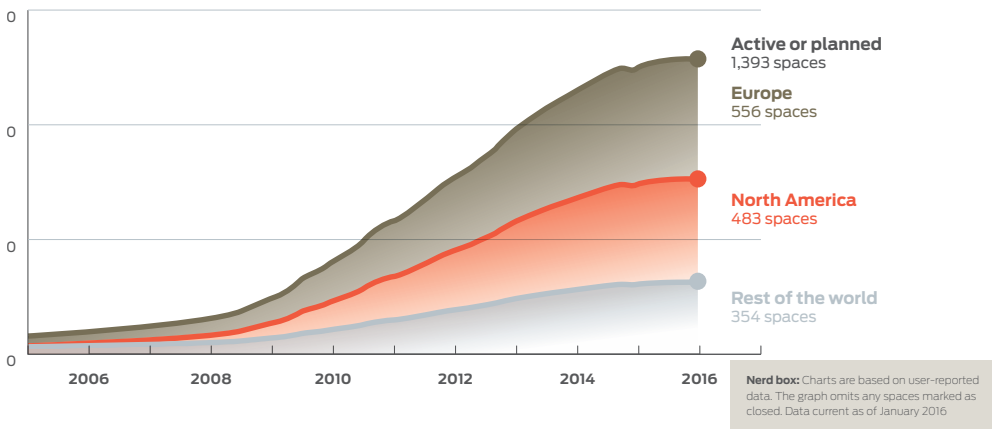
- The average annual growth rate of global co-working spaces is forecasted to be 16.1% through 2022 (see graph on next page).
- The number of kitchen incubators in the US was 137 in 2013 and grew to 274 in 2017 (see slide 4).
- In 2008, the number of makerspaces in the US was in the dozens; by 2016 the number had grown to 483 (see bottom graph on next page).
- California has the most total makerspaces (56); North Dakota (5.4 spaces per 1 million), Wyoming (5.4 per 1 million), New Mexico (4.3 per 1 million), and Montana (3.9 per 1 million) have the most makerspaces per person.

GLOBAL NUMBER OF COWORKING SPACES

2017 Forecast



NUMBER OF MAKERSPACES WORLDWIDE



These spaces can provide tools and resources that would otherwise be too expensive for an individual to own. While many spaces are stand alone, they can also be located in the community – in schools, libraries, and community centers – and contain expensive tools, 3D printers, commercial kitchen facilities, video equipment and office space. They also provide opportunities and a place to share ideas, collaborate and partner for business owners who might otherwise be isolated.

A great rural example of a space that connects business owners is El Pajaro CDC’s Commercial Kitchen Incubator (CKI), a food business incubator with a fully equipped, shared-use commercial kitchen facility. The CKI was created in response to the growing need among aspiring local entrepreneurs in the Watsonville area that want to build upon the region’s strong food and farming traditions.



The CKI's grand opening celebration in August 2013. Photo by CAMEO

The Kitchen Incubator provides all the amenities and necessary licensing to help the participants overcome the challenges of complying with strict food safety regulations, while ensuring consumer food safety. In addition, El Pajaro CDC provides technical support, business assistance and access to microloans for participants, encouraging the new businesses to expand and succeed. By accessing the CKI services, local food entrepreneurs save the costs of commercial grade equipment and kitchens that now restrict their ability to start or expand their food businesses.

— El Pajaro CDC's website

If you remember Vicente Quintana of El Nopalitos from the coaching chapter, the CKI has been instrumental in helping his business grow. He's pictured on the next page with his son at CKI's grand opening.



Vicente Quintana, El Nopalito, August 2013. Photo by CAMEO

CONNECTIONS FOR THE RURAL ECONOMY

Part of being in an ecosystem is that the pieces interact, support each other and depend upon each other. Much of the recent research on rural economic health points to connectivity to urban centers. As one study puts it, “It’s time for the narrative to shift from urban vs. rural to a shared economic future.... Integrated urban and rural areas can boost each other’s economies, with ripple effects of that success felt throughout the region and state.”³

“Connected [rural] economies have higher median incomes, lower income volatility, more high-wage service jobs, lower median ages, higher population growth, and greater educational attainment than their isolated peers.”⁴

No rural economy will be sustainable if they only connect inward. In addition to having a strong local entrepreneurial ecosystem, they need to have businesses that can scale by exporting products and services to external regional urban centers, thus importing new wealth into the rural economy. These are your anchor businesses. That connection can be physical as in the ability to travel (through transportation networks) or virtually through reliable broadband connections.

³ McFarland, p. 5.

⁴ Ibid., p. 21.

The National League of Cities (NLC) proposes an ecosystem approach that bridges the urban-rural divide and strengthens dependencies between these two types of regions. The study identifies several factors that support rural prosperity: broadband access, education attainment, creation of anchor (exporting) businesses and growth of high-productivity businesses.

When we can improve on the four factors in the rural regions, we can more easily connect rural regions to urban economies, make rural economies more successful and decrease the divide.

A Kauffman Foundation study, *Enabling Entrepreneurial Ecosystems*, explains the importance of connections: “The impediments to entrepreneurship that matter most are the everyday battles involved in communicating ideas, building trust, and making deals. Efforts to enable entrepreneurial ecosystems must be directed toward easing these struggles.” Regional leaders can play an important role in fostering connections by aligning coalitions of committed stakeholders and learning effective interventions that support growth for the region.

DIGITAL CONNECTIONS

Reliable broadband is a must for any business owner, and especially important for rural business owners who need to connect outside their communities to bring in more wealth. Deloitte’s report, “Connecting Small Businesses in the US” found “relative to businesses that have low levels of digital engagement, digitally advanced small businesses realized significant benefits. They:

- Earned two times as much revenue per employee.
- Experienced revenue growth over the previous year that was nearly four times as high.
- Were almost three times as likely to be creating jobs over the previous year.
- Had an average employment growth rate that was more than six times as high.
- Were also three times as likely to have exported over the previous year.”⁵

And rural business lag behind their non-rural counterparts when it comes to digital engagement.

Compared with other areas of the country, rural areas are less likely to be wired for broadband and internet speeds tend to be slower, says the FCC. The FCC defines

⁵ Deloitte, Connecting Small Businesses in the US, commissioned by Google, January 2018, p. 1.

poor access (read - slow) as less than 25 Megabits per second (Mbps)/3 Mbps. More than half of rural Americans don't have access to good internet service - that's 53 percent or 22 million people. About 15 million Americans have access to really slow service - less than 10 Mbps. Remember dial-up?

	Rural Businesses	Non-Rural Businesses
Use only a basic level of digital tools	27%	18%
Are digitally advanced	17%	21%
Have high level of digital engagement	26%	31%
Have inadequate internet connections	8%	4%

In 2018, the United States Department of Agriculture (USDA) announced that it is offering up to [\\$600 million in loans and grants to help build broadband infrastructure in rural America](#). Telecommunications companies, rural electric cooperatives and utilities, internet service providers and municipalities may apply for funding through USDA's new ReConnect Program to connect rural areas that currently have insufficient broadband service.

California Emerging Technology Fund is a nonprofit corporation formed with funds provided by AT&T and Verizon when they both had mergers in 2005. The CETF's goal is to have broadband deployment and availability to at least 98 percent of California households by 2023 and overall statewide adoption of broadband service by 90 percent of households in that same time frame. By 2016, 84 percent of California households were able to access high-speed Internet at home. And Governor Newsom's is prioritizing broadband access state-wide.

In the meanwhile, a more local solution is for a community to create their own [municipal network](#). The telecommunications networks range from massive networks that offer a gig to hundreds of thousands of people in a state to small towns that connect a few local businesses. Community Networks has a [toolkit that can help in creating your own broadband network](#).

SUGGESTED CONNECTION ACTIVITIES

- ❑ Inventory local businesses and determine which businesses have potential for exporting goods or services to urban areas and use other tools to help them grow.
- ❑ Use economic gardening to connect local businesses with market research and business opportunities. Economic gardening initiatives provide local entrepreneurs with access to competitive intelligence on markets, customers and competitors that is comparable to the resources customarily only available to large firms. Local economic development teams can aggregate small businesses onto a market research platform. One such tool is SizeUp LBI. It's an online tool that helps small businesses benchmark themselves against the competition, identify potential customers, suppliers and competitors; locate the best areas to advertise; and research demographics, consumer spending and labor force for their unique business location.
- ❑ Partner with platforms to promote usage in rural area.
- ❑ Give technical support for online platforms that provide direct links to customers, break down barriers to entry, and provide marketplaces for goods and services.
- ❑ Develop a mastermind group of business owners to support each other (some overlap with coaching) managed by the business assistance organization.
- ❑ Develop a co-working space, a maker space or shared kitchen.
- ❑ SourceLink - SourceLink has developed technologies and methodologies that allow them to identify entrepreneurial resources in a community and provide community exposure and connect a community through a central hub – a website, a one-stop hotline and/or a community calendar of events.
- ❑ Offer capacity building for small businesses to build their digital engagement at all levels.

RESOURCES

- [Loconomics](#)
- [Etsy](#)
- [Thumbtack](#)
- [Samaschool](#)
- [Upwork](#)
- [Patreon](#)
- [Zoom](#)
- [Freelancers Union](#)
- [Incubating Success-The Growth of Food Incubators for Emerging Entrepreneurs](#)

CASE STUDY: JEFFERSON ECONOMIC DEVELOPMENT INSTITUTE EXPANDS THROUGH TECHNOLOGY

Before 2010, Jefferson Economic Development Institute (JEDI) taught an in-person flagship entrepreneurship course, *It's Your Business*. People wanting to start businesses had to drive up to an hour and a half each way, once a week for the course. The instructor Joy Taylor consulted with entrepreneurs by phone and used email, but the bulk of the training was in-person.

JEDI began its online coursework like most people, with webinars. Classes included: (and still include) how to start, fund, and grow your business; how to lead; creating your one-hour business plan; and the art and discipline of blogging. They were very successful, but not very interactive or a replacement for in-person learning.

They made an attempt to put *It's Your Business* online in 2011, but the software was clunky, expensive, and lacked some of the elements needed for success. The process was a learning experience. Business coaching organizations cannot just film their legacy classes; rather the entire program must be re-designed for an online environment. Regular interaction via email and other tools is also essential.

The other foray into online instruction was with virtual consulting. Between 2010-2016, Joy would talk to her clients and advise them one-on-one first by phone then with Skype and Team Viewer. And then there was Zoom, an easy to use video

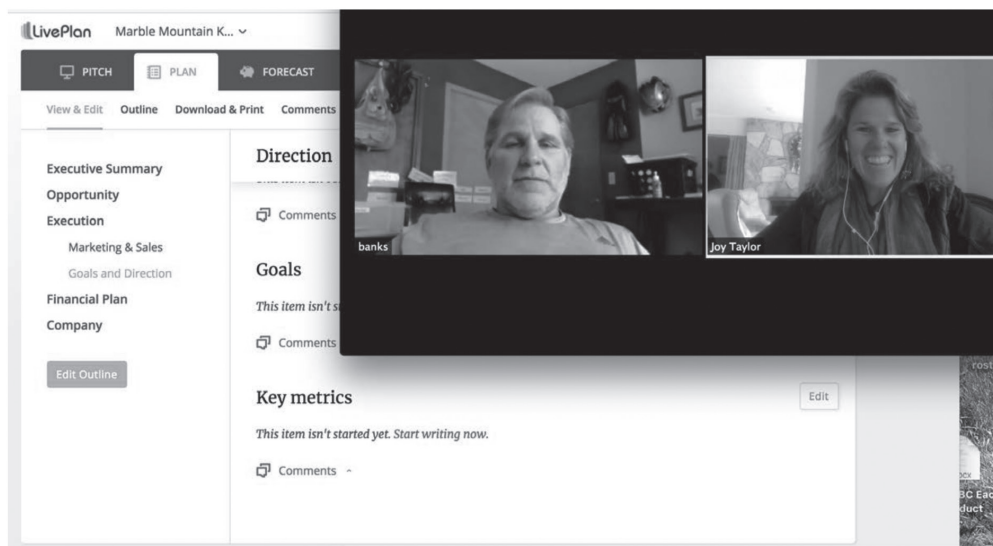


Photo by Joy Taylor.

conferencing tool. When she was introduced to Zoom in 2013, she knew it was a game changer.

In the meanwhile, JEDI expanded its service region from one county to four. In order to serve the community in a cost-effective and customer facing way, they knew they needed to go online. In 2016, Joy taught JEDI's first successful online class.

The first two classes were on video conference and she offered students the option to attend the first and last class in-person. Eighty percent showed up. Some in-person element is ideal, but not always doable. When some students are in-person and some on livestream, it's very challenging to bring those on video into the classroom and connect with other classmates. Interpersonal connections are key to successful online class.

The last two classes have been 100% video conference and the connections between classmates have been phenomenal. Students were well-matched and met in person. Alliances and connections were established mostly through common interests and personality, and not because of geographical proximity. For example, two students, one in Mount Shasta and one in Redding were in the same industry and forged a connection and would meet to support each other.

Technology has specific advantages for rural areas where traveling long distances becomes an issue for serving people. For people who are disabled, have childcare issues, or don't want to take two hours out of their work day to drive, online courses become very attractive. People from all over the region can pop on their computers and instantly be in class. No one has to deal with weather conditions that may affect travel. Clients want an online option; they like working from home and if they need to travel, they can still attend the class. Also, after the initial investment, teaching online can save overhead for the organization.

Regardless of the delivery method (in person, phone, or video), Joy uses the same teaching methods – lecture, an activity, small group exercises – making sure that lessons are experiential, i.e. they emphasize connecting and learning by doing. And she incorporates plenty of time for sharing and Q&A. In 2019, her delivery method has changed from 100% in-person to almost a 100% video-conference model.

Software advancements have made the online experience mirror the in-person. Participants can see each other, share screens, do show and tell, and chat. With

features like polls, chat, breakout rooms, easy to upload videos, and recordings, the only thing missing is social time during breaks. When Joy covers a concept, for example creating a purpose statement, she'll explain it, then set a timer, and give everyone three minutes to draft their statements. Then she sends them into a virtual breakout room to share them as they would in an in-person workshop. Joy likes to keep the class size smaller than 12 to allow for more group interaction. She does a minimum of one breakout for every hour with everyone sharing something.

Another bonus of using online technology in the classroom is that it exposes the business owners to a tool that can help them expand their business and export their services. It helps people who aren't tech-savvy become comfortable with technology and become more efficient; and it lets them expand with whom they are working.

Of course, reliable broadband is a necessity as mentioned above. Instructors need to be trained on the technology and best online teaching practices. Joy uses a three-step method to teach would-be online instructors: 1) participate in a class, 2) co-teach/mentorship and 3) fly solo.



Photo by Joy Taylor.

An organization can start on a small scale by teaching on video conference and using free to low-cost tools. For example:

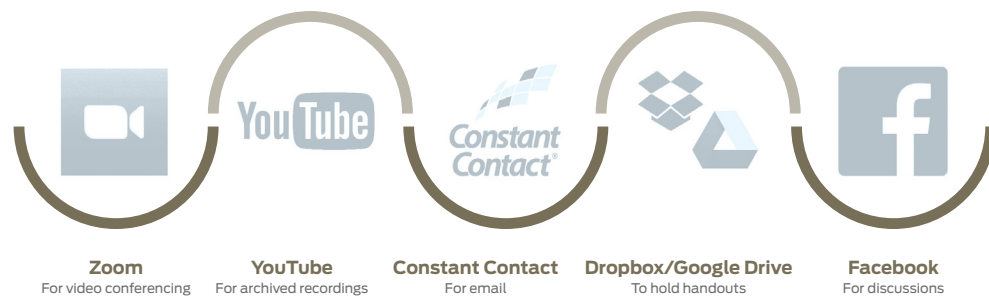


Illustration by Daniela Fernandez-Ulen

For those organizations that want to take the next step, a learning management system (LMS) is a software application that gathers all aspects of the learning process – administration, documentation, tracking, reporting and delivery of training programs – in one place.

A comprehensive LMS can manage, store, and deliver content to business owners, as well as track a client’s progress through a series of exercises and assignments. A LMS supports self-directed learning, where content is available 24/7 as well as blended learning (a hybrid classroom) where clients read some material and then meet online in a group to process and apply what they learned.

A virtual classroom is the homebase in between live sessions with dedicated classrooms that hold the recordings, the bonus videos, and an email communication tool. JEDI has developed an online learning center using the software Kajabi and held its first Kajabi course in Spring 2019. The advantage to this platform is offering an “all in one” portal for students to access recordings, class schedules, bonus videos, handouts, discussion posts, and instructor support in between the live online class time. The live portion of the course is still conducted on Zoom.

ONLINE TEACHING RESOURCES:

[Live Plan](#)

[Centro’s Business Planning App](#)

[Quickbooks Self-Employed](#)

[Kajabi](#)

[Teachable](#)

[Thinkific](#)

INTERVIEW WITH LINDA FITZGERALD, OWNER OF BETTERON

As interviewed by Daniela Fernandez-Ulen and edited for clarity and brevity.

Linda Fitzgerald is a personal development expert based in Redding, California. Her passion is helping other people achieve their dreams; she started BetterOn in 2013 to pursue that goal. As a Certified High Performance Coach, Linda offers in-person training for students and businesses and one-to-one remote coaching sessions.

WHAT DID YOU DO BEFORE STARTING YOUR BUSINESS?

My first job out of college was with Microsoft Corporation in Seattle, Washington. I worked there for seven years. The next seven I was a computer trainer at a timber company. Then I worked at a high-tech startup in Redding, California for nine years.

WHAT MADE YOU DECIDE TO START A BUSINESS?

In my twenties I knew that I wanted to have a personal development business, so I majored in Management at Santa Clara University. Coming out of college, you're not ready to manage anyone, you have to get some work experience. Throughout the years of working, I always fed my love for personal development. And then when my youngest went off to college I realized after 20 years, "Now it's time for Linda to follow Linda's dream."



Photo courtesy of Linda Fitzgerald.

I got my business license in 2013. It was a hobby for about two years, then the business started rolling in 2015. I provide training to local businesses in personal development and leadership through the local community college and local businesses can hire me. I also do coaching over the computer, so it doesn't matter where my clients are: San Diego, and locally. I take advantage of the technology. I don't coach people in person.

DID YOU ALWAYS WANT TO DO REMOTE COACHING OR IS IT SOMETHING YOU DISCOVERED ALONG THE WAY?

When I attended an event that talked about making a living doing what you love, I learned about the technology that could allow me to expand what I was doing.

HOW DID YOU LEARN ABOUT JEDI?

The library held an entrepreneur event in 2014 that I learned about from a friend. Listening to the presentation, I thought, "Oh my gosh, there's support for people like me at the Small Business Development Center and JEDI." They had a flyer for a course called *It's Your Business*. When I attended the class, I realized, "Oh, these people can help me figure out what it is that I don't know." It was a huge first step for me. It was a 12 week, in-person class in Redding with 10-12 people that were also starting up their own businesses. JEDI gave me my foundation.

DID YOU LEARN ANYTHING FROM JEDI ABOUT HOW TO MARKET YOURSELF AND OPERATE ONLINE?

I went into that training saying, "Gosh, I should have a website." I came out of it with a website because I knew what I needed to do. JEDI taught me the importance of an internet presence and needed content for my website. I created a business plan because I didn't have one.

HOW DID JEDI HELP YOU REACH YOUR CUSTOMERS?

My focus on customers is more one-to-one, relationships. And JEDI talks about that. I am not a person who's done a lot of social media to get customers. The customers that I have, met me in person. I believed in the power of good old-fashioned talking to someone in person and creating that personal connection.

WHAT OTHER TRAINING DID YOU RECEIVE FROM JEDI?

JEDI has a lot of different trainings and webinars. I've gone to some about social media, even though I don't use it. A lot of people use it and I want the knowledge in case I wanted to participate. I attended many webinars because if the topic

related to me, I knew I could pull something out of it. I also attended online marketing classes they provide at their Mount Shasta site.

DO YOU STILL HAVE A RELATIONSHIP WITH JEDI?

I attended *It's Your Business* and because of my business background, they hired me as a facilitator. And now I'm a consultant for them, through which I have entrepreneurial coaching clients who I help get their businesses going.

WHAT TECHNOLOGIES DO YOU USE FOR YOUR BUSINESS?

I have a number of different software that I consider my assistants, my tools, because I'm a single person. I use Zoom for my coaching sessions, whether I do group coaching or one-to-one sessions. I use ScheduleOnce for when people need to make an appointment with me. I give them a link to my calendar, they choose the time and it automatically sets up a Zoom appointment and reminders for them, eliminating back-and-forth emails. I use another product called SignNow where they sign contracts with me electronically. So they don't have to print anything out and send it back.

ARE THERE ANY NEEDS IN YOUR BUSINESS THAT THE CURRENT TECHNOLOGY YOU'RE USING DOESN'T FULFILL?

I would get a better quality recording if I did my trainings live on YouTube. That's on my to-do list, but it requires a pretty expensive camera that I'm not ready to purchase yet. But I'll probably do that by the end of the year.

WHAT DOES CONNECTING MEAN TO YOU AS AN ENTREPRENEUR?

Connecting with people is having a conversation. If all a sales person thinks is: "How can I sell to them? How can I make this person my client?", the other person feels it.

If you really want to connect, don't try to sell. Build a friendship. For me connecting is when you pay attention to someone, beyond what you're saying. You connect at a deeper level. Connecting is sharing and listening more than you're talking and establishing communication with someone. When you think, "Gosh, I think I want to stay in touch with them," you've connected.

Culture

California is known for its culture of entrepreneurship. The state has lots of entrepreneurial energy at all levels, not only in the high technology sector. For example, we re-invented the taco truck into an entire food truck culture/phenomenon that is now more than a \$1 billion a year industry.

Culture is critical to the development of any ecosystem. The culture aspect of an entrepreneurial ecosystem supports entrepreneurship as an integral part of community norms. That means entrepreneurship is an accepted career possibility and a recognized positive activity. That means the community publicly celebrates and supports entrepreneurs and actively seeks to build local capacity.

WHAT IS AN ENTREPRENEURIAL CULTURE?

Stephen McGuire¹ defined entrepreneurial culture for organizations.

An Entrepreneurial Organizational Culture (EOC) is a system of shared values, beliefs and norms of members of an organization, including valuing creativity and tolerance of creative people, believing that innovating and seizing market opportunities are appropriate behaviors to deal with problems of survival and prosperity, environmental uncertainty and competitors' threats and expecting organizational members to behave accordingly.

He also defined the elements of entrepreneurial culture; the ones that apply to a local government/community are listed on the next page. Commitment and personal responsibility, attention to the basics, hands-on management are other elements. These might suggest that a government should be involved directly with its entrepreneurial talent, which is *not* the intent, so they are not included.

¹ Professor at George Washington University in 2003 and now Director of Graduate Studies, College of Business and Economics at California State University, Los Angeles.

Entrepreneurial organization	→	Entrepreneurial community
People and empowerment focused	→	Embrace creative people
Freedom to grow and to fail	→	Value creativity
Do the right thing	→	Seize opportunities to solve problems
Emphasis on the future	→	Emphasis on the future

“A community’s attitude toward entrepreneurs is important. Supportive communities welcome the new ideas and businesses that entrepreneurs bring, getting to know them and their needs. They provide support in good times and when failure strikes. And, these communities make investments so that they can offer the quality of life that footloose entrepreneurs seek.”²

In a world where change is the only constant, successful communities that are sustainable and resilient will:

- Value new solutions over same-old-same-old;
- Be tolerant;
- Look toward the future; and
- Include an emphasis on youth entrepreneurship.

Risk-taking will be valued and not shunned. A positive entrepreneurial culture means that local attitudes are supportive and create an environment in which people can see themselves engaging in entrepreneurial activities as well as a community that can draw investment. This last concept is held up by Small Business Majority’s polling. They found that 84% of rural small business owners believe that it was somewhat important or very important that they “could build a profitable business in this community,” and 73% believed that their business “is well-suited to serve the local economy.”³ They want to build wealth for themselves, and have a sense of civic duty and become invested in their communities.

“Rural entrepreneurs crave a larger involvement from their government to foster a healthy environment for their business with opportunity, resources and

²Macke, D., Markley, D., Fulwider, J., [Energizing Entrepreneurial Communities: A Pathway to Prosperity](#), Center for Rural Affairs, 2014, p. 17.

³[Small Business Majority, February 2019, p 7.](#)

collaboration, but 64% of respondents agreed that regional coordination is lacking between their local government and other stakeholders, and 75% said they believe such coordination is very important for their business growth.”⁴

DEVELOPING A STRONG ENTREPRENEURIAL CULTURE

Per the introduction, the five C’s are interactive. When communities actively build the five C’s of the Local Entrepreneurial Ecosystem, they build a strong culture.

Coaching and developing human capital, entrepreneurial talent, and leadership is a necessity –

...community capacity building is increasingly important as a development strategy to help less-advantaged communities become more effective at their own development. Without this capacity building support, communities faced with restructuring their economy after mill or plant closings, poor and isolated rural places, and even devastated urban neighborhoods will continue to perform poorly economically as compared to larger, better resourced communities in the United States.⁵

– as are access to capital, access to broadband, entrepreneurial energy, and other infrastructure needs, and a business regulatory climate that is friendly to entrepreneurs (see next chapter).

In addition to supporting the entrepreneurial ecosystems, communities that think ‘Local First’ thrive. Local governments can set an example and buy from local

⁴ Ibid, p. 10.

⁵ Macke, Markley, Fulwider, p. 9.

sources; that keeps money in the community. They can also analyze their supply chains and connect local institutions with local producers and providers. And of course, ‘buy local’ campaigns are present in many cities and neighborhoods.

SUGGESTED CULTURE ACTIVITIES

- ❑ Convene major financial institutions, corporations and foundations to support this new direction by increasing investments in the small and microbusiness sector.
- ❑ Analyze supply chain and incentivize local businesses to fill gaps.
- ❑ Host a pitch contest.
- ❑ Host Small Business Saturday (events, programs, campaigns).
- ❑ Start a “Buy Local” program.
- ❑ Host a small business expo (perhaps on a regional basis, depending on your population).

RESOURCES

- [Civic Economics](#)
- [Institute for Local Self-Reliance](#)
- [American Independent Business Alliance](#)
- [Common Future \(formerly BALLE\)](#)
- [WealthWorks](#)
- [Local Investing Resource Center](#)
- [Center for Regional Economic Competitiveness](#)
- [Center for Rural Affairs](#)

MOUNTING EVIDENCE FOR SUPPORTING LOCAL BUSINESSES

Civic Economics has studied the costs and benefits to cities, both large and small, of locally-owned businesses versus larger chain stores. They find that overall, locally-owned businesses generate more money for a community than chain stores, as the profits generated by the businesses stays within the local community instead of draining away to the chain.

An annual survey by the Institute for Local Self Reliance (ILSR) finds that “Buy Local First” campaigns cause independent businesses revenue to grow.

Other studies show that in cities where small, locally-owned businesses account for a relatively large share of the economy, communities thrive because citizens are more connected to each other, more engaged and work together more to solve problems.





Source: <https://www.custommade.com/buy-local/>

CASE STUDY: STARTUP MENDOCINO

Mendocino County has a similar story to that of many other rural communities with once-booming timber and fishing industries. Changes in policy, climate, and other market factors during the late 1990s resulted in job losses, low wages, and a general lack of opportunities. In Mendocino West Business Development Center (West), formerly West Company, was born. West is an economic development organization that promotes entrepreneurship as a way for residents to build wealth, keep it in the community, and create a robust local economy.

Initially conceived to help low-income women achieve self-sufficiency, the organization's mission changed in response to economic changes and to the community's needs. For decades, West has provided business counseling, training, loan packaging, mentorship, and many other services to small business owners and entrepreneurs in Mendocino and Lake Counties. Their most recent program,

Startup Mendocino, is a great example of a strong entrepreneurial culture in action.

Startup Mendocino is a pitch competition and business boot camp for emerging entrepreneurs and small business owners in Mendocino County. As part of the program, 12 of the 82 applicants participate in a series of intensive business training sessions, which culminates in a live event where the 5 finalists present their business ideas to the public. The top three winners receive cash prizes to fund the development of their product or service.

Startup Mendocino is possible because of an entrepreneurially-minded network and the stewardship of people who believe in the community's capacity for innovation. The program is the brainchild of West CEO Mary Anne Petrillo and Jeff Baker, General Manager of Mendocino community radio station KZYX. They came up with the idea after talking about a similar program on Mendocino Works, their biweekly radio show about entrepreneurship, another sign of a strong entrepreneurial culture.

Fiscal support comes from the community. The John and Sandra Mayfield Economic Development Fund of the Community Foundation of Mendocino County gave West a grant. The California Governor's Office of Economic Development (Go-Biz) and several Mendocino-based businesses and organizations, including Adventist Hospital, Savings Bank of Mendocino County, Mendocino College, North Coast Brewing, and Harvest Market, also support the program. The community is involved during the final event, where a live audience listens to each business pitch and decides the winners.

The participants' business ideas also must benefit the local community. "The original intent of the program [is] to tease out of this county the creative, innovative talents that we have and having a social purpose for your product/idea/service is something that we definitely want to foster," explains Mary Anne.

Mary Anne knows that entrepreneurship is at the heart of Mendocino County's economic future. Cultivating an entrepreneurial mindset among the community is vital, and Startup Mendocino aims to do that. "We're a big, rural county, with shifting economics. It is crucial we support and foster our businesses because small businesses are what make our county a place people want to live, visit, and return to time and again. The economic development small businesses can lift people up and make us stronger, together."

Climate

Regulation and policy are the fifth C of a local entrepreneurial ecosystem – Climate. The players are in government – local, county, and sometimes state. In this toolkit, when we mention climate or government, we will be referring strictly to local and county unless otherwise noted.

As mentioned in the last chapter, “Rural entrepreneurs crave a larger involvement from their government to foster a healthy environment for their business with opportunity, resources and collaboration, but 64% of respondents agreed that there is a lack of regional coordination between their local government and other stakeholders, and 75% said they believe such coordination is very important for their business growth.”¹

It’s a misconception that small businesses are anti-government. Usually, government regulations and policies favor larger businesses over smaller ones, because the larger ones often exert more influence over policy than smaller ones. Small businesses are interested in a strong infrastructure, (e.g. good roads, reliable broadband), the ability to compete with the large businesses, and increasing the demand for their products. A positive regulatory approach is one that promotes a healthy local economy that benefits businesses of all sizes, and in rural areas, they are mostly small businesses. Government strategies should consider the general business climate, as well as what their effects will be on different types of businesses and entrepreneurs.

In practice, when the five C’s operate in their own silos, individuals may benefit, but not as much or as efficiently as if the five C’s were operating as an ecosystem. For example, focusing on the development of an entrepreneur’s skills without providing access to financing will stifle growth. While a holistic approach has been more popular in recent times, the academic world and research on entrepreneurial ecosystems at the local levels have not caught up. And the ‘let’s do a report and research’ tact is legendary in government policy circles.

Philip Auerswald of the Kauffman Foundation encourages policymakers to adopt a true ecosystem, based on ecosystem theory in evolutionary biology, as opposed to the traditional neoclassical economic theory. Traditionally, we think

¹Small Business Majority, February 2019, p 10.

that entrepreneurship depends on a favorable business climate. If we subscribe to Auerswald's explanation of the ecosystem model, the causality is reversed – a favorable business climate depends on entrepreneurship.²

The implication for rural economies that have gotten dealt a bad business climate for some reason or other, is that the local economy can develop a strong entrepreneurial environment that will yield a good business climate instead of waiting for an external force to create one. Auerswald does a good job of explaining why welcoming creativity and creating a space for entrepreneurship and innovation is the path forward if a community wants to build towards resiliency. The alternative is that those people who create a good business climate will leave.

A business regulatory climate that is friendly to entrepreneurs doesn't mean no-regulation. It means permit processes are easy, not barriers to entry, and regulations that are made to protect residents are made with common sense. "[Good regulations](#) tend to stimulate innovation and entrepreneurship in addition to limiting or preventing destructive forms of economic activity."

WHAT CAN THE GOVERNMENT DO?

A failing entrepreneurial ecosystem is one in which there is no viable bridge linking small and large firms.³ For rural areas, where most businesses are defined as small and many are microbusinesses, the ecosystems need to be connected to a larger entity, whether it be government (as a customer) or the large corporations and high-growth firms of more urban areas. Auerswald also points out that "efforts to create a 'business-friendly' environment are likely to result in interventions that enhance, or at least reinforce, the advantages of market leading incumbents." Instead policy makers should

² Auerswald, Phillip, [Enabling Entrepreneurial Ecosystems](#): Insights from Ecology to Inform Effective Entrepreneurship Policy, Ewing Marion Kauffman Foundation, October 2015, p 4.

³ Ibid, p 12.

“...seek opportunities to reduce subsidies for incumbents and broaden pathways for entrepreneurs to enter domestic markets.... Entrepreneurs repeatedly report that conventional tools of business-friendly policy, such as tax incentives, grants, and local regulations, have little relevance to their success or to the vitality of local entrepreneurial ecosystems. Entrepreneurs instead emphasize the importance of access to networks, quality of life, and other intangibles.”⁴

Large corporations have the resources to address the regulatory climate; small and microbusinesses do not. Local governments can foster a supportive, pro-small-business culture by encouraging city and county clerks, planning departments and other regulatory agencies to help actively new and growing local business through the planning and expansion requirements.

Rural areas may want to attract new players, but they also want to maintain a sense of place. We can adapt Auerswald’s recommendations and do both. The box on the next page is a simple list of do’s and don’ts to consider when making policies that will affect small and very small businesses.

In addition, governments can provide valuable investment and support for self-employment and the entrepreneurial ecosystem that the rest of this toolkit addresses, i.e. coaching, capital, connections, and culture.

SUPPORT COACHING AND TRAINING

Local governments concerned about local economic development should invest in business assistance programs. They could provide counterparts to federal investments, such as the \$20 million investment in small business development that is in the California FY 2019-20 budget . Local jurisdictions can use federal Community Development Block Grants to fund business assistance and entrepreneurial training. They can inform local businesses about business resources in their community using traditional and digital marketing strategies.

⁴ Auerswald, p 4.

Another strategy is to partner with other organizations to efficiently use resources. In 2012, Tuolome County assessed all of its business assistance offerings and found that they were duplicating services. In a rural area with a small economic development budget, that needed to change. The economic development director gathered the partners – Columbia College, SCORE, the SBDC and other stakeholders – and created the Business Alliance of Tuolome County. They streamlined their offerings and each entity concentrated on what they did best. They organize approximately 25 basic classes a year in workshop format in everything from business plan basics to marketing to social media; and they started an enhanced counseling program with CDBG funds for businesses in the city of Sonora.

DO'S AND DON'TS

Keep the overall costs of doing business low.

Keep regulation simple.

Listen to entrepreneurs.

Map the ecosystem.

Decide your community goals and assess progress.

Don't treat existing businesses more favorably than new ones.

Don't make it riskier in the regulatory sense for new entrants.

SUPPORT CAPITAL

For the past five years, the California state budgets have included between \$2-3 million for a Capital Infusion Program overseen by the Office of the Small Business Advocate. The money is competitive grant funding to the California Small Business Development Centers (SBDC) to expand their loan packaging services, help clients attain loans, investor capital, understand and resolve their credit readiness issues and develop funding strategies for business expansion or startup.

According to their annual report, in fiscal year [2014-15, 34 SBDCs across California](#) received grant funds. In 2018, 51 centers received funds, many serve rural areas. In the first year of the program, the Capital Infusion Program resulted in more than \$200 million in documented capital infusion, exceeding the program's goal by more than 50%. [In 2018 that number skyrocketed to \\$776 million.](#) That is not a typo, \$3 million was leveraged to \$776 million. The program is an absolute success.

SUPPORT CONNECTIONS

Governments can be great clients for small businesses. Procurement policies that encourage governments to source locally have great potential to grow their local

economies. [Locally owned firms' revenues recycle in the economy three times the rate as national firms](#) through the [multiplier effect](#). Between 2006 and 2007, the State of California generated [50% more economic activity](#) (an estimated \$4.2 billion in Gross State Product and 26,000 new jobs) when it contracted with disabled veteran-owned businesses and local small businesses instead of larger companies. A meaningful shift of government spending toward local businesses can greatly impact the local economy.

As we discussed in the Connections chapter, being connected to external markets is important, so local governments can make sure that those connections – roads, broadband, and other infrastructure that enables physical and virtual connection to those markets – are strong, stable, and reliable.

To facilitate connections to other entrepreneurs and business networks, local governments can provide venues and opportunities for collaboration and convening. They can also play a crucial role in regional coordination.

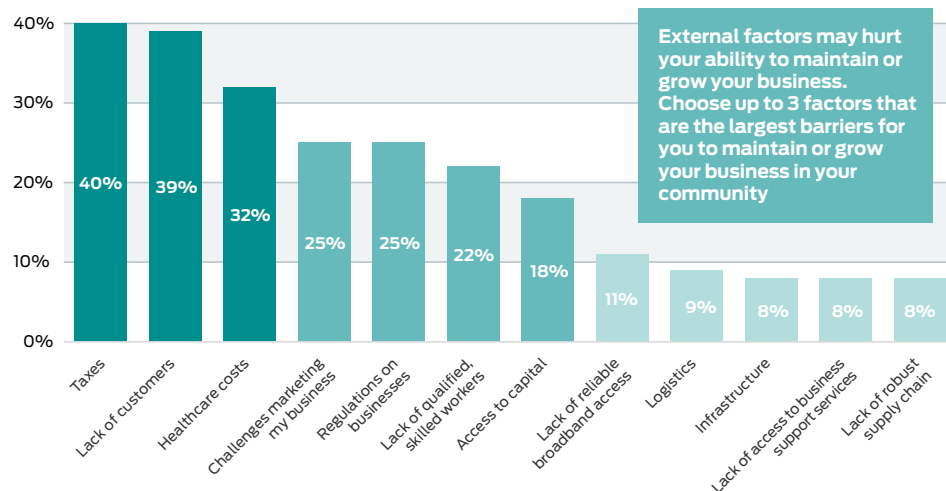
SUPPORT CULTURE

If culture is how the community feels about entrepreneurship, how can local governments help? They can show pride in their local businesses by revitalizing traditional town centers and their main streets and preserving historic resources. They can protect local ecosystems and environment and value existing communities and neighborhoods.

Besides supporting the other Cs, they can also implement general policies that support small business. The Small Business Majority poll found that taxes and healthcare were among the top three challenges for rural small businesses. Regulations on business and finding a qualified workforce were right behind. (see graph on the next page) Local governments can convene stakeholders to find a way to meet these challenges.

While small rural towns and counties cannot do away with local and state regulations, they can adopt practices, attitudes and programs that ameliorate the burden regulations place on small, locally-owned businesses.

Top challenges facing rural small business owners as identified by poll respondents⁵



SUGGESTED CLIMATE ACTIVITIES

- Make the permit process easy and understandable.
- Review regulations and check for conflict between municipal departments and larger jurisdictions, e.g. make sure city and county regulations don't conflict.
- Work with other jurisdictions to smooth regional differences or collaborate on regional efforts.
- Convene a small business roundtable to find out who does what and encourage collaboration.
- Conduct a county-wide assessment of small businesses (take an in-depth small business census) and create a local directory.
- Implement small business procurement policies.
- Support portable benefits, such as healthcare and retirement accounts.
- Offer free or very low rent in vacant government properties.
- Connect businesses with potential local investors.

RESOURCES

- [CalSavers](#) - California's retirement savings program
- [Understanding Entrepreneurship](#) - CAMEO's training module that orients economic and workforce development professionals (who are responsible for assessments and referrals of persons likely to succeed in self-employment) to entrepreneurship training and business assistance services

CASE STUDY: HUMBOLDT MADE

Before 2010, Humboldt County's economy had been decimated because of the logging industry decline. The County came to a crucial realization that Humboldt needed collaborative leadership if jobs and dollars were to return to the region.

The County of Humboldt shifted their economic development strategy to grow-it-from-home and away from relying on some outside force. They started [Humboldt Made](#) in 2010 to grow a culture of makers and producers. They brought entrepreneurs together to identify their common strengths and weaknesses; they facilitated networking and collaboration to overcome obstacles and lead to business success; and they created brand awareness and increased sales beyond Humboldt's borders (connections to outside markets). The end goal was a sustainable, local economy. They also looked for grant funding, but provided a back-up plan if needed.



Source: HumboldtMade.com

STEPS TO DEVELOP COLLABORATION IN HUMBOLDT

- Embedded leadership in staff
- Encouraged agencies to work outside their silos
- Took advantage of relationships, a natural for small populations with people in multiple roles
- Shifted economic development strategy to grow it from home (and away from relying on an outside savior)
- Participated on the Workforce Investment Board
- Involved all stakeholders to prevent and respond to layoffs
- Perfected measures of costs and outcomes

Today, Humboldt Made is a public benefit corporation focused on business development and cooperative marketing. Their mission is “to grow the Redwood Coast economy through supporting homegrown businesses and providing development activities that assist businesses in creating jobs.” The Humboldt Made community leverages the area’s unique environmental assets, the entrepreneurial spirit of the community, and their reputation for producing artisan products. They do projects that can’t easily be done by member businesses alone, creating sales opportunities, administering campaigns and promotions, providing access to expertise, advocating for shared issues, and creating branding that links their businesses. Examples of how Humboldt Made uniquely serves the county’s entrepreneurial community include organizing buyer’s tours and facilitating co-operative attendance at trade shows and one-on-one distributor meetings, initiatives that would be far too expensive for one business to do on their own.

Instead of logging, the Redwood Coast is focusing on being the center for rural sophistication in California, a regional destination for outdoor enthusiasts, the good food capital of California, and as a center for artistic, creative, decorative, functional arts and crafts products.

Humboldt Made is only one example of a local government promoting an entrepreneurial ecosystem. [Made in Mariposa](#) is another example. If you have others, we would be happy to feature them on our website, please email cameo@cameonetwork.org.

Next Steps

When the five Cs – Coaching (all training), Capital, Connections, Climate, and Culture – are solid, a community will have a strong **Local Entrepreneurial Ecosystem (LEEP)**. Much like a puzzle, an ecosystem needs each piece, each C in this case, to fully realize its impact. In an ecosystem, pieces interact, support each other and depend upon each other. They don't work in silos. With a strong ecosystem, local economies are able to nurture self-employment and small businesses to create a sustainable, self-reliant, and thriving local economy. Rural economies that rely on small businesses must have a strong local entrepreneurship ecosystem if they are to sustain themselves.

Now that the ecosystem is defined and understood, what next?

- Spread the gospel!
- Assess what's there and what's missing in your region.
- Develop a plan.
- Implement.
- Enjoy living in a dynamic, creative, expansive community.

Many people give a nod to the idea of a strong ecosystem, but don't lead on implementation. Convincing the local economic development community to do something new such as invest resources and energy into creating a strong LEEP takes time. The first step is to convene and facilitate workshops with community groups to learn about the five Cs approach. Spread the gospel.

Once you have the attention of stakeholders, assess your community's entrepreneurial assets, perhaps with the assessment survey on the following pages. With an idea of what resources exist and what needs to be developed, the community can create a plan and strategy to strengthen the local entrepreneurship ecosystem and execute on that plan over time. We've included the activities checklists for your convenience.

The result will be a community with a unique local economy based on the characteristics that make your community the place that you know and love.

Useful Tools

LEEP STAKEHOLDER SURVEY, AN ASSESSMENT TOOL

SUGGESTED ACTIVITIES CHECKLISTS

HYPERLINKS

LEEP Stakeholder Survey

SECTION 1 OF 7

LOCAL ENTREPRENEURIAL ECOSYSTEM

Economic Development and Financing Corporation and CAMEO (California Association for Micro Enterprise Opportunity) are working to develop a strong Local Entrepreneurship Ecosystem (LEE).

This survey will help identify strengths and gaps in Mendocino County's businesses ecosystem provide information to be incorporated into Mendocino County's strategic 5-year plan. The survey was developed by a group of stakeholders and is a follow up to a January 31, 2019 meeting from economic development stakeholders and business owners.

Thank you for taking the time to participate in this survey!

As an incentive, all participants that complete the survey and give us their contact info (last section) will be entered into a drawing for a \$100 gift certificate to a locally-owned business of their choice.

Rural economies are particularly dependent on small business development and they need a supportive environment. Mendocino County wants to understand how strong our environment is for small business and how well our community is supporting them so that we can improve areas where we are weak.

The purpose of this survey is to assess the state of our entrepreneurial ecosystem. Learn more about the [Local Entrepreneurial Ecosystem](#).

Please answer these questions to the best of your ability.

How are you connected to small business?

Where is your main area of jurisdiction? (e.g. County of Mendocino, City of Fort Bragg, City of Point Arena, City of Ukiah, City of Willits, etc.)

SECTION 2 OF 7

BUSINESS COACHING AND COUNSELING SERVICES

Please rate the quality of the business assistance services you believe that your community has

	Poor	Fair	Good	Very Good	Excellent
Business Planning/ Start-Up Assistance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Marketing (website, social media, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Financial Management (bookkeeping, pricing, cash flow)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Operations/ Production	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accessing Business Financing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Technology	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contracting	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please tell us about your community resources in the areas noted above.

Do you know of gaps in business assistance that your community needs, but don't exist?

- Yes
 No

Comments? (e.g. if you answered 'Other' above, what gaps might exist, or have anything else you'd like to tell us)

SECTION 3 OF 7

BUSINESS CAPITAL AND FINANCING

Do your community's businesses have access to the following sources of capital?

	Not Really	A Little	Somewhat	A Lot
Personal savings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Borrowed from family or friends	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Credit cards	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Community bank loan	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
National bank loan	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Loan from a nonprofit, e.g. EDFC, AEDC, other community lender	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Online lender	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
GoFundMe/Kickstarter or other crowdfunding campaign	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Professional investors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accounts Receivable financing/ factoring	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

If you checked "Other," please describe.

What are the most common uses of capital? (check all that apply)

- | | | |
|--|--|--|
| <input type="checkbox"/> Insurance | <input type="checkbox"/> Vehicles | <input type="checkbox"/> Equipment |
| <input type="checkbox"/> Lease space & utilities | <input type="checkbox"/> Building purchase | <input type="checkbox"/> Inventory |
| <input type="checkbox"/> Marketing | <input type="checkbox"/> Payroll | <input type="checkbox"/> Financing accounts receivable |
| <input type="checkbox"/> Hiring | <input type="checkbox"/> Other | |

Do you agree with the following statements?

	Not at all	Slightly	Moderately	Very much	A lot
Our community's businesses have enough financing.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mendocino business owners understand how to qualify for loans.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Mendocino business community understands best practices for using financing.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
In Mendocino we have community banks willing to invest in local business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mendocino's business coaching organizations, community lenders, and banks work together to help business owners access capital with referrals, small business expos, etc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments?

SECTION 4 OF 7

CONNECTIONS AND NETWORKING

Do you engage with the following organizations, and what has their value been to small business?

	Never because I don't need it	Never because I don't know about it	Never because I haven't had time	I have, and it's not helpful	I have, and it's helpful
Chamber of Commerce	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
West Business Development Center	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Women In Business Network	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mendopreneurs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employers' Council of Mendocino County	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accessing Business Financing, e.g EDFC	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Workforce Alliance of the North Bay	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Online business communities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Industry Specific Group, e.g. Winegrowers, farmers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

How do your community's businesses find markets or customers outside of Mendocino County?

Do you agree with the following statements?

	Not at all	Slightly	Moderately	Very much	A lot
Our business owners have access to larger, urban markets.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We have branding tools to identify our products in the state/national marketplace.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Our community has reliable, high-speed broadband access.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Are there other connections you need that would benefit your community's businesses?

Comments? (e.g. if you answered 'Other' above, want to specify a chamber you've connected with, or have anything else you'd like to tell us)

SECTION 5 OF 7

BUSINESS CULTURE

Please tell us whether the following statements are true about doing business in Mendocino County.

	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
We engage youth in our business community in meaningful ways.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We have a history of entrepreneurship.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We have open and creative community leadership that nurtures innovation.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We have experienced, successful business owners ready to lend their expertise and mentor other business owners.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We have a community that actively supports buying from local businesses and/or purchasing locally made/grown products.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments

SECTION 6 OF 7

REGULATORY CLIMATE

How friendly is the regulatory climate to small business?

- Anti-business
- Fair
- Fine
- Friendly
- Very Friendly

How friendly is the regulatory climate to small business?

- Anti-business
- Fair
- Fine
- Friendly
- Very Friendly

How friendly is the regulatory climate to small business?

- Anti-business
- Fair
- Fine
- Friendly
- Very Friendly

Comments

SECTION 7 OF 7

WRAP UP

If you'd like to enter the drawing or would be willing to talk further, please enter your contact information.

Name

Email

Phone

May we contact you for follow-up questions?

- Yes
- No

Is there anything else you would like us to know?

BONUS 'Dream Big' Question: Assume our community had \$1,000,000/year for the next five years to invest in our entrepreneurial ecosystem. How would you invest these funds? (choose up to 3)

- Coaching: Expand business coaching services
- Coaching: Provide access to industry-specific expertise
- Coaching: Provide digital competency for branding, selling, networking
- Capital: Improve financing opportunities and literacy of business owners
- Capital: Bring in a Kiva Hub to provide zero-interest loans (cost = \$25K)
- Capital: Develop a microloan fund
- Connections: Create hacker, maker, incubator spaces for entrepreneurs
- Connections: Locally-owned broadband access
- Connections: Hire a community manager to connect business owners
- Culture: Create a robust internally-facing "Produce/Buy Local" campaign
- Culture: Create a robust externally-facing "Our Community Made" campaign
- Culture: Develop a Mentor
- Climate: Staff an economic development person dedicated to small business development
- Climate: Develop a website for small businesses to navigate government
- Climate: Develop a task force to ensure codes are small business friendly

Suggested Activities Checklists

CHECKLIST 1 OF 5

SUGGESTED COACHING ACTIVITIES

- Invest in building the capacity of local business development organizations.
- Assess existing business services such as legal, marketing, production, accounting, etc.
- Assess the existing business assistance infrastructure to identify strengths and services offered, as well as what might be missing.
- Assess needs of local business owners. Ask where they need help - accessing outside markets, going online, transferring their legacy, sourcing, financials, etc.
- Connect business owners with local resources.
- Partner with other providers to fill in the gaps, whether it's online or in person (don't reinvent the wheel).
- Curate online content and develop online resources as necessary to fill gaps.
- Create a local business tool library that includes local and online resources. Many tools exist. Keep it simple and of quality.
- Use municipality outreach infrastructure to market resources to the business community.
- Develop a mastermind group of business owners to support each other.
- Recruit successful business owners to mentor start-up businesses.

CHECKLIST 2 OF 5

SUGGESTED CAPITAL ACTIVITIES

- Partner with an existing lender to develop special loan products to increase lending to rural areas.
- Work to increase bank relationships and participation with the small business community.
- Work to capture those rejected by banks and refer them to local CDFIs.
- Provide crowdfunding education.
- Provide organizational underwriting and loan program training to lenders and business coaching organizations including CAMEO microlending tools: aggregated underwriting platform, loan manual, CDFI Essentials, and Microlending Essentials.
- Work with CAMEO to aggregate small lenders in your community.
- Influence community lenders to scale.
- Help grow the county's business loan program (if appropriate).

CHECKLIST 3 OF 5

SUGGESTED CONNECTION ACTIVITIES

- Inventory local businesses and determine which businesses have potential for exporting goods or services to urban areas and use other tools to help them grow.
- Use economic gardening to connect local businesses with market research and business opportunities. Economic gardening initiatives provide local entrepreneurs with access to competitive intelligence on markets, customers and competitors that is comparable to the resources customarily only available to large firms. Local economic development teams can aggregate small businesses onto a market research platform. One such tool is SizeUp LBI. It's an online tool that helps small businesses benchmark themselves against the competition, identify potential customers, suppliers and competitors; locate the best areas to advertise; and research demographics, consumer spending and labor force for their unique business location.
- Partner with platforms to promote usage in rural area.
- Give technical support for online platforms that provide direct links to customers, break down barriers to entry, and provide marketplaces for goods and services.
- Develop a mastermind group of business owners to support each other (some overlap with coaching) managed by the business assistance organization.
- Develop a co-working space, a maker space or shared kitchen.
- SourceLink - SourceLink has developed technologies and methodologies that allow them to identify entrepreneurial resources in a community and provide community exposure and connect a community through a central hub – a website, a one-stop hotline and/or a community calendar of events.
- Offer capacity building for small businesses to build their digital engagement at all levels.

CHECKLIST 4 OF 5

SUGGESTED CULTURE ACTIVITIES

- Convene major financial institutions, corporations and foundations to support this new direction by increasing investments in the small and microbusiness sector.
- Analyze supply chain and incentivize local businesses to fill gaps.
- Host a pitch contest.
- Host Small Business Saturday (events, programs, campaigns).
- Start a “Buy Local” program.
- Host a small business expo (perhaps on a regional basis, depending on your population).

CHECKLIST 5 OF 5

SUGGESTED CLIMATE ACTIVITIES

- Make the permit process easy and understandable.
- Review regulations and check for conflict between municipal departments and larger jurisdictions, e.g. make sure city and county regulations don't conflict.
- Work with other jurisdictions to smooth regional differences or collaborate on regional efforts.
- Convene a small business roundtable to find out who does what and encourage collaboration.
- Conduct a county-wide assessment of small businesses (take an in-depth small business census) and create a local directory.
- Implement small business procurement policies.
- Support portable benefits, such as healthcare and retirement accounts.
- Offer free or very low rent in vacant government properties.
- Connect businesses with potential local investors.

Hyperlinks

(in order of appearance)

- <https://medium.com/the-investing-in-opportunity-act/u-s-senate-committee-on-small-business-and-entrepreneurship-hearing-on-the-challenges-and-a91c8aa8c6f1>
- <https://www.bls.gov/cew/datatoc.htm>
- <https://www.kansascityfed.org/publicat/community/gyo/gyo-guide.pdf>
- <https://www.kansascityfed.org/~media/files/publicat/speeches/2018/2018-gines-economic-dev-05-08.pdf>
- <https://www.federalreserve.gov/econresdata/feds/2016/files/2016089pap.pdf>
- <https://www.mercatus.org/publication/evaluating-growth-1099-workforce>
- <https://www.smallbizlabs.com/2018/05/study-non-employee-labor-large-and-strategic-at-large-corporations.html>
- <https://www.freelancersunion.org/>
- <https://www.mbopartners.com/state-of-independence>
- <https://microbiz.org/resource/economic-security-for-the-gig-economy/>
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- <http://www.nytimes.com/2012/12/02/us/how-local-taxpayers-bankroll-corporations.html>
- <https://endeavor.org/content/uploads/2015/06/Fostering-Productive-Entrepreneurship-Communities.pdf>
- <https://assets.aspeninstitute.org/content/uploads/2017/07/Bridges-to-Success.pdf>
- <https://www.tirekingandauto.com/index.htm>
- <https://www.nlc.org/sites/default/files/2018-03/nlc-bridging-the-urban-rural-divide.pdf>
- <https://www.joinsourcelink.com/>

- <https://squareup.com/townsquare>
- <https://www.eeoc.gov/employers/smallbusiness/>
- <https://microbiz.org/cameo-membership/members/>
- <https://www.sba.gov/tools/local-assistance/map/filter/789c2b2e492c49b57276b4b2323736330400242f0425>
- <https://www.californiasbdc.org/>
- <https://www.pacificcommunityventures.org/>
- <https://www.score.org/>
- <https://www.pacificcommunityventures.org/small-business-advising/>
- <https://www.kauffman.org/what-we-do/entrepreneurship>
- <https://www.sba.gov/learning-center>
- <https://www.youtube.com/user/eJEDlorg>
- <https://businessblocks.com/>
- <https://loconomics.com/>
- <http://www.centrocommunity.org/business-planning-app/>
- <https://www.fedsmallbusiness.org/medialibrary/fedsmallbusiness/files/2018/sbcs-employer-firms-report.pdf>
- http://www.smallbusinessmajority.org/small-business-research/access-to-credit/access-to-credit_opinion-poll.php
- <https://www.frbatlanta.org/-/media/documents/community-development/publications/discussion-papers/2018/03-mind-the-gap-how-do-credit-market-experiences-and-borrowing-patterns-differ-for-minority-owned-firms-2018-09-14.pdf>
- <https://www.federalreserve.gov/publications/2017-september-availability-of-credit-to-small-businesses.htm>
- <https://www.philadelphiafed.org/-/media/research-and-data/publications/working-papers/2018/wp18-18.pdf>
- <https://microbiz.org/programs/microlending-academy/>
- <https://microbiz.org/wp-content/uploads/2017/09/LoanPolicyManual.pdf>
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