

Center  
for **RURAL**  
**ENTREPRENEURSHIP**

# **Understanding the Environment for Entrepreneurship In Rural North Carolina**

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*January 2004*

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## **Acknowledgements**

This project would not have been possible without the leadership and commitment of Billy Ray Hall, President of the North Carolina Rural Economic Development Center. Through this project and the establishment of the Institute for Rural Entrepreneurship, he has elevated the Rural Center's commitment to entrepreneurship and raised awareness of the importance of entrepreneurship to economic development in all parts of the state. The authors wish to thank Jean Crews-Klein, Jim Evans, Charles Hall, Catherine Moga and Carolyn Perry of the Rural Center, Brian Dabson, Eliza Mahony, Carl Rist, Bill Schweke, and Beadsie Woo of the Corporation for Enterprise Development, Leslie Stewart of the Office of Economic Development at the University of North Carolina at Chapel Hill and Alexis Vaughn of Golden LEAF for their assistance with the focus groups. We would also like to acknowledge the contribution made by Scott Cislo, Rural Center intern, to our understanding of the business support infrastructure in the state. Most importantly, we want to thank the many entrepreneurs, economic development practitioners, community and state leaders who contributed their time and insights to this project. Through your efforts, we have gained a much deeper understanding of entrepreneurship in rural North Carolina.

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## INTRODUCTION

North Carolina has a long and distinguished history as a national model for innovative economic development strategies. Long before technology was “hot,” the state helped create Research Triangle Park. Long before talent was “hot,” the state funded a host of innovative education and training initiatives. The result was a thriving economy that was the envy of other states and that served as a model for economic development programs around the world.

While North Carolina continues to reap the benefits of these early investments, the last few years have not been filled with positive economic news. Several of the state’s key economic anchors have faced major downturns. Tobacco production has plummeted due to decreased consumption and increased international competition. More recently, the state’s numerous textile, furniture, and other manufacturing facilities have been decimated by foreign competition. Throw in Hurricanes Fran, Floyd, and Isabel and one sees that many communities across the state face a tough economic climate.

These economic shocks have hurt many North Carolinians, but rural communities have borne the brunt of the pain. Larger urban areas enjoy more diverse economies and thus more economic opportunities. Meanwhile, rural communities have seen many of their basic economic foundations crumble in the past decade. A growing economic divide between rural North Carolina and the rest of the state is emerging.

The basic contours of this problem are well understood. A host of studies and commissions, such as the 2000 Rural Prosperity Task Force, have highlighted the challenges facing rural North Carolina and offered many useful recommendations. Yet, despite this excellent preparatory work, a significant shift in policy priorities has not ensued, with the exception of the attention given to the biotech industry. New economic development challenges are emerging, yet conventional strategies and solutions are still being utilized.

In an effort to stimulate debate on potential new economic development strategies for rural North Carolina, the North Carolina Rural Economic

Development Center has undertaken a major new initiative to analyze the effectiveness and potential impact of promoting entrepreneurship as a core development strategy for the state's rural regions. To ground this initiative, the Rural Center partnered with the Center for Rural Entrepreneurship to conduct an assessment of the environment for entrepreneurship in rural North Carolina. The research project included:

- An inventory of service providers in the state and identification of gaps in the provision of services to rural entrepreneurs.
- Focus groups to understand the challenges and opportunities facing rural entrepreneurs.
- Compilation of county-level data on entrepreneurship and small businesses to help local leaders understand the structure of the county economy and the importance of small enterprises.
- Assessment of the state policy environment for supporting entrepreneurship as an economic development strategy.

This report presents the findings of this assessment. Section I provides some background on entrepreneurship and why it is important for the state to include entrepreneurship development as a part of its overall economic development strategies.

Section II summarizes the results of our focus group discussions. It serves as a “report from the field” about both the positive and negative aspects of starting and growing a business in rural North Carolina. These findings do not represent a scientific sample of North Carolina's small businesses. Our results are purposely subjective, pointed, and opinionated - just like entrepreneurs themselves.

Section III describes the policy context for encouraging entrepreneurship in rural North Carolina. This context is based on an understanding of the business support infrastructure in the state and the importance of entrepreneurship as part of the state's overall economic development strategy. It also reflects an assessment of how other states and communities are creating their own entrepreneurial development strategies.

Section IV provides recommendations for moving ahead with entrepreneurship policy in the state. In suggesting policy recommendations, we consider the support infrastructure from two perspectives: the view from above and the view from below – the level of the entrepreneur.

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## SECTION I

### WHY ENTREPRENEURSHIP DEVELOPMENT

Difficult economic conditions have caused many rural leaders to search for new ways to encourage economic growth in their communities. Increasingly, entrepreneurship development is proposed as an alternative strategy for rural America. Research has identified a positive relationship between levels of entrepreneurial activity and economic growth across countries (Zacharakis, Bygrave, and Shepard, 2000.) More recently, a similar study found that no countries with high levels of entrepreneurship experienced low levels of economic growth (Reynolds, et al.) Within the U.S., there is considerable evidence that smaller enterprises produce most of the jobs and innovation in the economy. For rural regions with limited options, a “grow from within” strategy may hold the greatest promise for the future.

In the rush to lure major manufacturing and biotech plants, many state policy makers may overlook the economic importance of the small business sector. In North Carolina, small and medium-sized businesses comprise the backbone of the state and rural economies. In 2002, there were 235,339 establishments with employees across the state. Seventy-six percent of these establishments employed less than 10 people (and 95% employed less than 50 people.) Another 474,905 establishments (in 2001) represented the “self-employed,” those with no employees. While smaller establishments (those with less than 50 employees) accounted for only about 40% of total employment in the state, the rate of employment growth in these businesses was positive, ranging from 5.4-6.8%. In contrast, the very largest establishments in the state, those with more than 100 employees, experienced employment decline over the 1998-2002 period. The picture in rural counties is very similar to that for the state as a whole; however, small rural businesses experienced slower rates of employment growth (and greater rates of employment decline for larger rural businesses.)<sup>1</sup>

While entrepreneurship is discussed in state and federal policy circles, few states have made a strategic attempt to energize entrepreneurs as the centerpiece of an economic development strategy for rural places. North Carolina has a history of innovation around rural economic development through such institutions as the Rural Economic Development Center, Dogwood Equity, and the Center for Community Self-Help. The results of the research effort described in this report lay the groundwork for the state to become a leader in rural entrepreneurship development innovation.

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<sup>1</sup> Small business data are from the Institute for Rural Entrepreneurship’s County Business Data, <http://www.ncruralcenter.org/entrepreneurship/counties.asp>.

## ENTREPRENEURS AND ENTREPRENEURSHIP DEFINED

In a recent publication, *Entrepreneurial Arkansas: Connecting the Dots*, the Corporation for Enterprise Development defined **entrepreneurs** as “people who create and grow enterprises” and **entrepreneurship** as “the process through which entrepreneurs are created and developed.” In most rural communities, a range of entrepreneurs exists. These entrepreneurs include:

- Aspiring entrepreneurs, who may lack the motivation or capacity to move forward;
- Business owners who are seeking to transform their enterprises and become more entrepreneurial;
- Growth-oriented entrepreneurs who are actively seeking to grow their enterprises and need assistance to do so;
- Entrepreneurial growth companies that are achieving high and consistent rates of growth and innovation.

While this latter group is few in number overall, and particularly in most rural regions, the National Commission on Entrepreneurship has found high growth companies in all regions of the U.S. (NCOE, July 2001.)

**Entrepreneurship development** is the process of providing the support infrastructure needed to meet the skill and resource gaps faced by this range of entrepreneurs. An entrepreneurship development strategy for rural North Carolina would need to recognize the diversity of entrepreneurs in rural regions and address questions such as:

- How can rural youth be exposed to entrepreneurship and its potential?
- What support systems can help aspiring rural entrepreneurs realize their dreams?
- How can we encourage existing business owners who have the desire and ability to become more entrepreneurial?
- How can we extend more sophisticated business services to growth-oriented entrepreneurs in rural places?

One important goal of an entrepreneurship development strategy for rural NC should be **to create a support environment such that any resident with the motivation and capacity to become an entrepreneur can do so, regardless of location in rural NC. These policy goals dictate that services be made available to all types of entrepreneurs; solutions do not exclude any resident with an interest in starting or growing their own venture.** In assessing the environment for entrepreneurship in rural parts of the state, we focused on understanding the needs of the full spectrum of entrepreneurs – we chose not to exclude entrepreneurs based on the size of their company or their years of

*“One important goal of an entrepreneurship development strategy for rural NC should be to create a support environment such that any resident with the motivation and capacity to become an entrepreneur can do so, regardless of location in rural North Carolina.”*

experience. As a result, the policy recommendations address issues common to most entrepreneurs as well as those issues specific to certain sub-categories, such as recent immigrants and microentrepreneurs.

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## **SECTION II**

### **LEARNING FROM NORTH CAROLINA'S RURAL ENTREPRENEURS**

As a key part of the assessment effort, we undertook a comprehensive series of focus groups with entrepreneurs located primarily in rural counties across the state. This effort served two purposes: 1) to characterize the nature of entrepreneurship in rural North Carolina, and 2) to hear from entrepreneurs about their business challenges and what they need to succeed in starting and growing new businesses. We sought to interview a wide and diverse slice of the state's rural small businesses. Twenty interview sessions were held and more than 200 informants provided feedback for this effort. This opinion sample does not constitute the last word on the state of entrepreneurship in rural North Carolina.<sup>2</sup> Nonetheless, our respondents did consistently highlight several problem areas and limitations in the existing support network available for rural business owners.<sup>3</sup>

#### **FOCUS GROUP METHODOLOGY**

A total of 20 focus groups were held in different locations across the state (see Figure 1), ensuring that no part of the state was more than 30 miles from a potential interview site. Included in this total was a teleconference organized to identify issues faced by entrepreneurs in the agri-tourism sector. We also held a focus group with rural Small Business Center directors to get their input on the challenges and opportunities facing rural entrepreneurs and their own organizations.

The interviewed entrepreneurs worked in a host of industrial sectors and came from a variety of backgrounds. Our groups included successful serial entrepreneurs and microentrepreneurs just starting their first venture. We also held special interview sessions with entrepreneurs from certain industrial sectors (value-added agriculture) and entrepreneurs from differing ethnic backgrounds (e.g., African-Americans, Latinos, Native Americans). The entrepreneurs who

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<sup>2</sup> The interviews provided important insights into issues facing rural entrepreneurs. Because of the relatively small size of this opinion sample and the value of the information obtained, one recommendation is to conduct additional survey work or interviews in the future as a follow-on strategy.

<sup>3</sup> The findings presented here represent the common themes heard throughout the interviews. To understand the regional variation in themes and issues, see the highlights of the interview sessions included as Appendix A.

participated in the focus groups completed questionnaires that provided background information on themselves and their businesses. Tables 1 and 2 provide summary information about the cross-section of entrepreneurs who comprised the focus groups.

## GENERAL FINDINGS

The facilitator in each focus group asked entrepreneurs a series of critical questions:

- What are the primary opportunities and challenges facing your business today?
- What were the primary challenges you faced when you started your business?
- What is the state of economic development in your community?
- Where does your business, and small businesses in general, fit in this larger picture?
- What public policy or institutional changes would assist you and your fellow entrepreneurs to help start and grow new businesses in your region?

*“In general, most entrepreneurs faced significant challenges in operating a business in rural North Carolina.”*

In general, most entrepreneurs faced significant challenges in operating a business in rural North Carolina. For the most part, their challenges were not unique to North Carolina. Distance from markets, limited local expertise, and the absence of peer networks all appear to be challenges for the state’s rural entrepreneurs - just as they are for entrepreneurs throughout rural America.

The picture is not uniformly gloomy. We saw many reasons for optimism in our interviews. Certain sectors, such as agri-tourism, appear to be poised for growth. In addition, we were encouraged by the nearly universal strong commitment to rebuilding regions hit hard by plant closings and other economic distress. Some coastal and mountain regions driven by the consumer/retail/tourism economy appear to be prospering. In fact, surviving the local economic development boom poses a major challenge for local entrepreneurs in these regions. Many entrepreneurs cited Wal-Mart and other big box retailers as the primary challenge facing their business.

But most regions seem to need more, not less, development activity. Eastern North Carolina faces significant challenges after the triple whammy of tobacco cutbacks, the collapse of local manufacturing, and the after-effects of Hurricane Floyd. Entrepreneurs in the Piedmont region see new opportunities in tourism, wineries, and outdoor recreation but expressed concern at the lack of support from the economic development community. For western entrepreneurs in particular, isolation from service providers and markets makes it more difficult to succeed.

Entrepreneurs in all of these regions were strongly supportive of new Rural Center initiatives to support local entrepreneurship.

## **KEY ENTREPRENEURSHIP FACTORS: THE VIEW FROM RURAL NC**

Existing research clearly indicates that certain regional characteristics are conducive to entrepreneurial development. While gazelle businesses can arise in any community, more of these firms are created in regions that nurture and support entrepreneurs (OECD; NCOE, July 2000; NCOE, December 2001). This support takes many forms, but four key factors appear to be especially important:

- Diverse Capital Sources
- An Enabling Culture
- Entrepreneurial Networks
- Supportive Infrastructure/Effective Public Support

How does rural North Carolina fare when measured against these four key factors? Entrepreneurs shared important insights through the interview process.

### **Diverse Capital Sources**

Improving access to capital was a commonly cited problem area throughout our interviews. When asked what they needed to make their firms succeed, many entrepreneurs simply responded, “Money, money, money.” An interesting pattern emerged from many of our interviews. Newer entrepreneurs were more concerned and consumed with generating outside capital for their firms. Meanwhile, more seasoned entrepreneurs were more optimistic about their ability to access outside funding.

This finding should not come as a surprise, as more seasoned entrepreneurs likely enjoy closer relationships with bankers and possess the collateral needed for bank loans. Nonetheless, it does help highlight areas for potential Rural Center activity. Microentrepreneurs expected that they would need to bootstrap their businesses, but did express interest in accessing public funding, if available. With the exception of participants in our Washington, Hendersonville, and Asheville focus groups, few interviewees seem to have accessed any of the state’s excellent microenterprise programs. Expanding these offerings, and enhancing marketing around this work may be one means of further supporting rural entrepreneurs. Several microentrepreneurs also expressed interest in mini-grants (under \$5,000) that could assist potential entrepreneurs in testing or refining new business ideas.

While many entrepreneurs criticized local bankers as being too risk-averse and inflexible, the situation may not be quite so dire. North Carolina boasts a

number of financial institutions focused on rural regions. Many business owners cited commercial banks as backers of their companies. Nearly all seasoned business owners in our interviews obtained financing from local institutions. However, many new entrepreneurs cited obstacles such as collateral requirements, need for personal guarantees, and reduced local control over bank decision making as access barriers. A number of women entrepreneurs experienced difficulty obtaining bank financing without their husbands' participation. Latino entrepreneurs expressed frustration with the cultural and language barriers that restricted their working relationships with bankers and other local service providers.

For entrepreneurs in the seed financing stage (i.e. post start-up but early in the firm's history), accessing outside funds is very difficult. This pattern is not unique to North Carolina; it is a national (and even global) phenomenon (Markley et al). Knowledge of, and ability to access outside equity resources, was very limited among interviewees. Some participants had unsuccessfully tapped local angel networks, and some were members of angel networks. But, most interviewees were not aware of existing local angel networks, and did not know how to access them. Organized venture capital was rarely mentioned in interviews and did not appear to be either a challenge or major asset in any of the regions.

### **Enabling Culture**

Communities that respect and honor entrepreneurs also tend to have a better track record in terms of fostering start-up businesses. Rural North Carolina does not score well on this count, according to our focus group interviewees. Typical statements included, "I feel very isolated" or "our leaders are focused on big businesses." As we will see below, this sense of isolation ranks near the top of concerns expressed by rural entrepreneurs. They believe that their community and state leaders support small business at the rhetorical level, but undertake few actions or initiatives to nurture and support these companies.

Youth education initiatives do represent one sign of hope. Many interviewees cited programs like NC REAL and Junior Achievement that provide entrepreneurship and business training to young people. These programs, which are strongly anchored in many North Carolina communities, have a proven track record of increasing kids' interest in entrepreneurship and of building a local culture that nurtures and supports new ventures.

## **Entrepreneurial Networks**

Recent research indicates that entrepreneurial networks are a critical resource for entrepreneurs (Pages and Garmise, 2003; Rosenfeld, May 2001). Networks provide peer learning and mentoring opportunities where new business owners can learn the do's and don'ts of running a business. North Carolina boasts some of the nation's most effective networks, such as the Council for Entrepreneurial Development and similar entities. Unfortunately, these excellent resources tend to be clustered in more populous areas such as Research Triangle, the Triad region, and Charlotte. The absence of such networks in many parts of rural North Carolina is a major shortcoming.

Networks are essential to addressing the problems of isolation so frequently cited in our interviews. Entrepreneurs clearly recognized this shortfall, often noting that they needed "a place where they could talk with other business owners." Entrepreneurs located in business incubators cited "networking with each other" and the "support network" among the advantages to the incubator. Some of the regions we visited did have such networks in place. For example, Advantage West's Blue Ridge Entrepreneurial Council was frequently cited as an effective resource. Other existing networks include Wilmington's Coastal Entrepreneurial Council and the NorthEastern Entrepreneurial Roundtable in Rocky Mount. Interviewees were quite supportive of efforts to build such networks throughout the state.

## **Supportive Infrastructure/Effective Public Support**

A supportive entrepreneurial infrastructure takes two forms: physical infrastructure such as roads and other facilities, and people-based infrastructure in the form of public and private service providers. Rural North Carolina performs fairly well on the former, but less well in terms of people-based support.

Complaints about physical infrastructure were fairly rare in our interviews. Business owners in several regions (e.g. Beaufort County, Boone, western NC) cited the need for transportation improvements and improved high-speed Internet access, but most interviewees were satisfied with the state's work in this area. In fact, many were quite enthusiastic and supportive of the Rural Center's water and sewer programs. Several group interviews were held in incubators and technology centers across the state. Participants offered very positive assessments of these facilities and advocated for the expansion of such initiatives.

People-based support, in the form of private service providers and public sector technical support, received more mixed reviews. Many entrepreneurs concurred with the view expressed by one entrepreneur that there was "nowhere to go for help." Few interviewees utilized private consultants, instead opting to

do for themselves. This decision was normally driven by a fear of high costs and by the general absence of relevant expertise in many rural towns. Many entrepreneurs cited difficulty in finding the “big three” – an accountant, a lawyer, and a banker – that they could trust and who could meet their needs.

As a result, many business owners turned to public entities, such as the Small Business Center (SBC) or Small Business Technology Development Center (SBTDC) network, for assistance. There are 58 Small Business Centers located on community college campuses throughout the state. The SBCs provide free, confidential counseling services to new and existing businesses. The SBTDC network consists of 17 offices across the state affiliated with a college or university. The centers provide management counseling and educational services to small and mid-sized businesses. While these state programs have broad geographic coverage, business owners offered mixed assessments of such programs (see more below). Their criticisms touched on many areas, but two primary themes dominate. First, because the SBTDC network has moved “upstream” to support more technology-intensive growth businesses, their ability to support emerging rural ventures has diminished. Many rural entrepreneurs fail to meet this high tech profile, and thus fall outside of SBTDC’s typical customer base. One rural entrepreneur noted that the regional SBTDC staff would help with a business plan but “they were at step J and we were at B or C.” Others said simply that the SBTDC was “not helpful.”

Second, SBCs and their host community colleges are underfunded and understaffed, limiting their ability to offer effective services. Several SBCs got positive marks, but many entrepreneurs considered SBCs to be well intentioned but not able to provide both the breadth and depth of needed services. One entrepreneur noted that she “went to the community college for help doing a business plan and they gave me a stack of papers that I had to take home and work through to create my business plan.” She was intimidated by the paperwork and business planning requirements and the hands-on assistance she needed was lacking. For Latino entrepreneurs, the key issue is the lack of SBC assistance in Spanish – “community colleges only offer classes in English.” An initiative at Brunswick Community College through the Hispanic/Latino Programs Coordinator may provide a model for addressing this issue across North Carolina.

Rural entrepreneurs suggest that North Carolina still lacks many of the key resources and attributes that are critical to entrepreneurial development. The good news, however, is that the state has many of the required ingredients that can be shaped into a more effective system of support for entrepreneurs. Taking the insights of entrepreneurs to heart is the first step in this process.

## CRITICAL CHALLENGE AREAS

Many of our interviewees cited challenges that were unique to their specific business, region, or industrial sector. However, a handful of common problem areas did emerge. In particular, three pressing challenges emerged as themes in nearly every focus group discussion:

- The sense of isolation plaguing rural business owners.
- Lack of access to capital.
- Difficulties in accessing outside resources/support services.

### Sense of Isolation

If one were to rank typical emotions for rural entrepreneurs, a sense of isolation would rank near the top of the list. Such feelings are common for entrepreneurs, even those who operate in large cities. While many entrepreneurs prefer to operate as “lone eagles,” these same entrepreneurs want ease of access to services as needed. Feelings of isolation are compounded for rural entrepreneurs who must often travel long distances to markets or to simply handle basic business activities, such as banking. The absence of rural support networks further reinforces this feeling of isolation.

*“Rural business owners feel both misunderstood and poorly represented in statewide policy debates.”*

Nonetheless, this sense of isolation is not just about a personal feeling of loneliness. It also refers to a generalized sense that public officials and the populace at large do not respect or support the work of rural entrepreneurs. As one interviewee pleaded, “Where’s the love?” Another offered “no one in Raleigh cares.”

These feelings appear to stem from two factors. First, nearly all local and state economic development discussions continue to focus on large businesses and business recruitment. The state’s regional partnerships, according to their legislated mandate, continue to emphasize marketing and recruitment. The state Department of Commerce and local economic development programs have existing industry programs but focus primary on the largest employers. As one entrepreneur noted, “economic development folks don’t see any benefit to the state in growing a single business.” Another suggested that he would like to “move out of the county and then back in so I can get incentives.”

Second, interviewees believed that no one “speaks” for rural business owners in the state. While North Carolina Citizens for Business and Industry (NCCBI) operates statewide, the most vocal participants are in urban regions, and big business recruitment still dominates most discussions of rural development. Thus, rural business owners feel both misunderstood and poorly represented in statewide policy debates.

## Access to Capital

As noted above, the typical rural entrepreneur expects that his or her business will be built by bootstrapping, i.e. funding growth through sales and internally generated funds. This pattern is both typical, and, in many cases, desirable. However, the demand for new financing mechanisms or for an expansion of existing programs in rural North Carolina is quite strong.

Interviewed entrepreneurs expressed interest in several different forms of financial assistance:

- **Mini-Grants:** These funds, offered as grants of less than \$5,000, could be utilized to test concepts or to further refine business ideas in the early start-up phase.
- **Microenterprise Loans:** Expansion of the Rural Center’s existing microenterprise program that provides loans up to \$25,000.
- **Seed Equity Capital:** Growth capital for firms beyond the initial start-up phase, seeking capital in the range of \$100,000 to \$1 million. These types of funds could be generated from a variety of sources, such as Dogwood Equity or other established funds. Another potential option could be the development of organized angel networks focused on rural North Carolina.

In addition to these ideas, entrepreneurs expressed interest in improving links with banking institutions across the state. This initiative might take two forms: expanded educational offerings to get entrepreneurs “ready” for bank financing, and efforts to encourage banks to work more cooperatively with local entrepreneurs. The Rural Center, through its Capital Access Program, can help encourage banks to make higher risk loans. In addition, the Rural Center might consider using its position as a “bully pulpit” to encourage more flexible lending policies and to expand use of existing resources such as the SBA’s 7(a) loan program.

## Difficulties in Accessing Outside Services and Support

Many interviewed entrepreneurs had tried to access public programs and services to help grow their businesses. Intense frustration was the common depiction of these efforts. Business owners frequently told of endless referrals to other offices, services that were not relevant to their needs, and an unwillingness to “go the extra mile” in helping new business owners. These experiences lead to a common perception that existing public services are well intentioned, but that SBC, SBTDC, and other economic development professionals do not really “care about rural businesses.”

*“The state’s SBC and SBTDC professionals are committed to their missions, but must operate in an environment where funding and support for innovation are limited.”*

While this view is widely held, the criticism is unfair. The state's SBC and SBTDC professionals are committed to their missions, but must operate in an environment where funding and support for innovation are limited. They are trying their best to support rural entrepreneurs, but the demand for services simply outstrips available time and resources.

Increased funding and public attention on rural entrepreneurs is the simplest solution to this problem. Yet, the state's tight budget environment may preclude this approach as a short-term option. Based on observations from our focus groups, three interim steps might help improve the existing service provider base: improving coordination, tightening linkages to private sector providers, and diversifying program offerings.

**Improving Coordination.** Difficulties in accessing the state's small business support infrastructure were by far the most prevalent criticisms cited in our focus groups. Typical comments included "I don't know where to go," "I don't know what services are available," or "When I went for help, I was sent elsewhere." These criticisms point to a need for improved marketing and packaging of existing small business services. However, they also point to a more pervasive problem: the system is opaque and too complicated for entrepreneurs. While public officials and service providers understand the differences between, say, an SBC and an SBTDC and the services they offer, entrepreneurs do not. Nor should we expect entrepreneurs to understand these differences. Thus, when an entrepreneur seeks assistance and is referred to "some other office," her typical response is intense frustration.

The current NC support system is based on market niches. For example, SBTDCs focus on growth businesses, the cooperative extension service focuses on agriculture, and SBCs provide more general support to entrepreneurs. While there are efficiencies that arise from this specialized approach, the system's specialization often gets lost in translation to the entrepreneur. What is needed is an entry-level package of services that entrepreneurs receive no matter where they enter the system. The system would be defined by the concept of "no wrong door." Every part of the state's small business support network should provide an initial assessment of the entrepreneur's skills and needs and identification of the best place for the entrepreneur to receive services to address those needs. This new system would move the burden of understanding how best to access support services from the entrepreneur to the system itself.<sup>4</sup>

**Improved Linkages to Private Sector Networks/Services.** Public support providers, especially SBCs, have become "the support network of last resort" for many rural entrepreneurs. The least ready and most needy

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<sup>4</sup> See additional discussion in Section III.

entrepreneurs are thus accessing the statewide support network with the smallest resource base. This creates intense pressures for SBC staff that must juggle multiple roles and responsibilities. Some of these pressures can be lessened via referrals to SBTDCs or microenterprise providers, but private networks and support services should also be tapped.

The aspiring entrepreneur or the “not ready for prime time” entrepreneur poses a special challenge in this regard. These individuals have a strong desire to start businesses, but often lack the training and skills needed to succeed. As a result, extensive investments of time and resources may be needed to assist such individuals. Providing this support through SBCs and SBTDCs may not make sense due to high costs. Instead, the state and the Rural Center might consider efforts to expand entrepreneurship training through FastTrac, NxLevel, or NCREAL curricula. By regularly offering these classes in rural regions, the state could provide a very effective means to train aspiring entrepreneurs without creating intense burdens on existing support networks.

**Diversifying Program Offerings.** The state’s support services offer many excellent programs and training modules to support rural entrepreneurs. However, many such programs are offered at times or in formats that are not accessible to entrepreneurs. For instance, many interviewees pointed to semester-long training courses or classes held during working hours as examples of programs not relevant to their needs. Because of long travel distances and business pressures, few rural entrepreneurs can devote long time periods to often-essential training.

New delivery tools must be developed. Distance learning is one option as most of North Carolina’s rural regions do enjoy excellent Internet access and there are now five rural Telecenters across the state. Other approaches include shorter classes, and more appropriate times for classes (evenings, weekends). Finally, service providers might consider “going to the entrepreneur,” providing training at networking sessions and other places where business owners might congregate.

## **CONCLUSION**

Our sample of North Carolina rural entrepreneurs offered a diverse mix of ideas, challenges, and potential solutions for revitalizing their communities. While it is impossible to capture all of their insights through this report, two concluding themes warrant further mention. First, North Carolina’s rural entrepreneurs face a unique set of challenging circumstances. Distance from markets and isolation have always plagued rural businesses. In addition, the collapse of old economic anchors, particularly branch manufacturing, makes for an especially tough economic environment in many rural regions today,

characterized by high unemployment and tight fiscal conditions. While rural entrepreneurs can help rebuild these regions, they cannot do it alone. They will need the support and encouragement, and the investments of leaders from across the state. One approach might be to include small businesses as a key part of cluster-focused development in the state. Small businesses are likely to be key suppliers and vendors to the larger technology companies that are being targeted through these cluster strategies.

Secondly, North Carolina's entrepreneurs are hungry for such support. They are not seeking handouts, but they do recognize that additional training and other forms of technical assistance are critical components of business success. Thus, any effort to expand rural training and support opportunities is certain to meet a ready market. As one entrepreneur said, "we're not looking for a handout. Just give us the resources and we'll create the businesses."

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### **SECTION III**

## **ENCOURAGING ENTREPRENEURSHIP: THE POLICY CONTEXT**

North Carolina has a rich and diverse set of business support services operating throughout the state. These range from business assistance providers such as the state-supported Small Business Technology Development Centers (SBTDCs) operating through universities and the Small Business Centers (SBCs) operating through the community college system, to entrepreneurial education programs such as NC REAL (Rural Entrepreneurship through Action Learning), to microenterprise funds, to entrepreneurial networks such as the Council for Entrepreneurial Development (CED.) Pieces of this well-developed infrastructure have been a model for and envy of economic development leaders in other states.

*"North Carolina has a rich and diverse set of business support services operating throughout the state."*

To establish the policy context for encouraging entrepreneurship in rural North Carolina, we wanted to better understand both the support infrastructure and the perceived support for entrepreneurship and small business development as an economic development strategy. The methodology for providing this policy context had two parts. Through a series of personal and phone interviews and web searches, Scott Cislo, a Rural Center intern, developed a database of resource providers across the state. This information is the basis for the Rural Center's *North Carolina Business Resources Directory* that includes basic descriptive information on these service providers with particular emphasis on the geographic area they serve and the type of service provided.<sup>5</sup> We also conducted phone and personal interviews with economic development practitioners, state government

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<sup>5</sup>This inventory is a work in progress. Over the course of the next year, the database will be augmented and expanded, drawing on the network created by the Rural Business Resource Alliance.

and elected officials to gain their insights into the policy context for entrepreneurship in the state.

We examine the state's support infrastructure through two lenses. From the top down, we examine the formal structure of small business support services and programs such as the Small Business Center (SBC) network and the Small Business Technology Development Center (SBTDC) program. From the bottom up, we assume a grass roots perspective and assess how this system looks to the aspiring entrepreneur or small business owner living and working in towns like Roanoke Rapids, Mount Airy, or Murphy.

These dual lenses yield two different stories. While North Carolina boasts an impressive array of support services for small businesses, these services are not always effectively designed or targeted to entrepreneurs in rural regions. Fortunately, the situation does not warrant a full-scale overhaul. Several minor programmatic changes and new initiatives should be able to address current shortcomings without generating major cost burdens for existing programs or North Carolina's taxpayers.

## **THE VIEW FROM ABOVE: SMALL BUSINESS SUPPORT INFRASTRUCTURE**

North Carolina does not lack programs designed to help small businesses. There is a wide array of initiatives to help North Carolina residents get started in business or grow or sustain an existing small business. In addition, a whole array of capital providers exists throughout the state. These business support resources and their perceived roles in supporting entrepreneurship are described below. These brief summaries serve as snapshots; they do not portray the depth and extent of services and service providers in North Carolina.<sup>6</sup> The bottom line is that the state does have a strong foundation of extensive and often effective small business support services.

### **North Carolina Department of Commerce**

The North Carolina Department of Commerce is the state's lead agency for economic development. The department's primary focus is on enhancing the state's competitiveness and creating new economic opportunities for the state's citizens. For a variety of reasons, the Department largely emphasizes marketing and business recruitment as its primary missions. The existing industry staff

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<sup>6</sup> For a more comprehensive list of resources for supporting entrepreneurship development, see Michael I. Luger and Leslie S. Stewart, *Improving North Carolina's Economic Development Delivery System: A Report to the North Carolina General Assembly*, University of North Carolina, Frank Hawkins Kenan Institute of Private Enterprise, March 2003, p. 13 and the Rural Center's *North Carolina Business Resources Directory*, October 2003.

provides assistance to businesses statewide, many of which are small businesses, and they are piloting a one-stop web-based service center in the Advantage West region. While the Department does “pass through” funds to groups like the Rural Center, Department officials acknowledge that other agencies play a more important role in directly supporting entrepreneurship development across the state.

### **Regional Economic Development Partnerships**

The seven regional partnerships are mandated and funded by the NC legislature to conduct marketing and business recruitment initiatives. Within their available resources, some have chosen also to support tourism and/or entrepreneurship. Asheville’s Advantage West has opted to provide support for the Blue Ridge Entrepreneurial Council, a new entrepreneurial networking initiative in the region. The Piedmont Triad and Research Triangle partnerships do not provide direct services to entrepreneurs but work closely with Piedmont Entrepreneurs Network and CED respectively.

### **Small Business Centers**

The state’s Small Business Center (SBC) network is managed by the North Carolina Community College System (NCCCS). SBCs are the core part of the state’s entrepreneurial support system; centers exist in 58 community college sites across the state. This wide network means that nearly all North Carolina residents reside within 30 miles of an SBC office. Moreover, NCCCS now serves one in six North Carolina adults, so the potential for expanding use of SBCs is great. The existing network provides confidential business counseling, access to resource libraries, as well as a variety of courses and workshops.

One of the strengths of the SBC system is its proximity to rural communities. The SBCs are accessible to most entrepreneurs and their location on community college campuses may make them less “intimidating” than centers associated with major universities. In addition, the directors have the flexibility to customize their services to the needs of local entrepreneurs and to provide those services at no charge. The SBC directors are resources for one another, sharing expertise across the state.

While the SBC statewide network is viewed as a resource for directors, funding limits the capacity of the network to adequately serve the directors’ needs. The collaboration that occurs is more often one-on-one, based on personal connections, rather than being actively facilitated through a well-resourced central administration. In spite of resource limitations, the directors view the network as a resource that serves rural entrepreneurs well.

## **Small Business Technology Development Centers (SBTDCs)**

The state's SBTDC network is affiliated with the University of North Carolina (UNC) system, and operates 17 offices across the state. SBTDCs offer a wide array of services, including management counseling, management education, and market development. Like the SBC network, SBTDCs serve a wide population. More than 80,000 North Carolinians have used SBTDC services since the program's inception in 1984. This support has been extremely effective. SBTDC staff has helped North Carolina businesses raise more than \$500 million in new investment, and create or retain more than 20,000 new jobs.<sup>7</sup> SBTDC services are available to all North Carolina residents, but the program is targeted particularly to more established businesses seeking to enter a fast growth phase.

A primary strength of the SBTDC system is the statewide network of service providers – each director bringing a unique set of skills and expertise to their position. SBTDC directors tap into this broader network to provide services for entrepreneurs and the network appears to be managed to encourage this collaboration. Directors meet twice annually to network and receive additional training to ensure that all directors have minimum core competencies. However, directors acknowledge that they lack adequate resources to do all that they would like to do in supporting entrepreneurs. This lack of resources constrains their marketing and outreach efforts.

## **North Carolina Industrial Extension Service**

The Industrial Extension Service (IES) of NCSU was established in 1955, the first in the country. IES provides technical assistance and education services to small and medium-sized businesses across the state in an effort to help those businesses stay competitive in a changing global marketplace. IES focuses on assisting manufacturers and works closely with private sector service providers. Extension specialists offer one-on-one counseling as well as a wide range of classes and certification programs. IES has regional offices and extension specialists in selected sites throughout the state.

IES also includes North Carolina's Manufacturing Extension Partnership (MEP), part of a national network of not-for-profit centers that help small and medium-sized manufacturers. While the MEP network receives federal funding through the U.S. Department of Commerce, this funding has been threatened and reduced significantly over the past several years. Currently, the state and federal governments are partners in supporting the outreach and extension activities of IES.

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<sup>7</sup> SBTDC annual report (2002-2003).

## **North Carolina Cooperative Extension Service**

The North Carolina Cooperative Extension Service (NCCES) is operated by North Carolina State University and NC A&T State University. NCCES offices are located in nearly every county and offer a range of services to farmers and agriculture-related businesses. At present, most of these services tend to emphasize technical issues around production (e.g., use of new seeds, fertilizers) or marketing of existing agricultural products. The NCCES network appears to have great, untapped potential for supporting rural entrepreneurs in sectors such as agri-tourism and value-added agricultural products.

One key to redirecting Extension activities toward ag-entrepreneurship is a change in perspective. As farmers shift from being agricultural producers to being ag-entrepreneurs, their assistance needs change as well. Business assistance issues (e.g., identifying markets, pricing, accessing capital) become as important as technical production issues. The Extension system can best serve these ag-entrepreneurs by recognizing this shift and developing new programs and connections to business service providers to meet the needs of this emerging group of entrepreneurs.

## **Microenterprise Programs**

Since 1989, North Carolina has operated an innovative microenterprise program under the auspices of the Rural Economic Development Center. This program provides loans of up to \$25,000 for entrepreneurs throughout rural North Carolina. The program does not have an explicit emphasis on providing technical assistance; this support is provided by other existing service providers, such as CDCs, SBCs, local credit unions, and the like. Two programs provide models for this microenterprise partnership: Mountain Microenterprise Fund (MMF) and Metropolitan Business Development Center (MBDC.)

Headquartered in Asheville, MMF serves the 12 western-most counties in North Carolina. In addition to providing access to capital for microentrepreneurs, MMF offers an eight-week business plan course, Foundations, on a sliding fee scale. Graduates of the Foundations course can enroll in the Membership program, providing them with access to additional counseling and other resources. Participants in MMF programs become part of a network of microentrepreneurs who can offer support during the business start-up process. Graduates could become an important resource for MMF if the organization can strategically tap the expertise of graduates to help new entrepreneurs who are just getting started in the program.

MBDC, based in Washington, provides financial assistance and training to help rural people become self-sufficient through self-employment and small

business creation. Participants must attend classes in order to receive assistance from MBDC in business start-up and to become certified for the lending process. MBDC focuses on low-income individuals, with particular attention to women and minority entrepreneurs. Classes are held in Spanish to serve the growing Latino population in the region. While these classes help overcome the language barrier, programs such as the one at MMF run by and for Latinos in Hendersonville also provide networking opportunities and encourage a culture of entrepreneurship among these new residents.

### **Non-Profit Service Providers**

North Carolina is fortunate to host some of the nation's most innovative and effective non-profit service providers. While some of these organizations operate statewide, others focus on specific regions within the state. Many of these organizations focus on particular types of entrepreneurs (e.g., low-income, minority, women.) The four organizations described below reflect the range of programs offered by non-profit organizations across the state:

- **Self-Help Credit Union** is widely recognized as a global leader in community development lending. Established to “create ownership and economic opportunities for minorities, women, rural residents, and low-wealth families,” Self-Help operates seven offices statewide. Self-Help can operate with greater flexibility than most banks and is, therefore, an important source of debt capital for entrepreneurial businesses.
- **NC REAL (Rural Entrepreneurship through Action Learning)** is one of the first and most effective programs for promoting entrepreneurship education. NC REAL offers programs in 86 of the 100 counties in North Carolina, from elementary school through the community college and university levels. They also offer courses in Spanish and online.
- **NC Institute of Minority Economic Development** is a statewide organization focused on “developing profitable and sustainable minority and women-owned businesses.” The Institute provides one-on-one counseling and training programs and collaborates with other service providers across the state.
- **Handmade in America** promotes education and awareness about the arts and crafts industry in a 23-county region of western North Carolina. They support artisan entrepreneurs through a four-day “Arts Business Boot Camp” that provides marketing and other business assistance.

### **Private Networks**

Many interesting local entrepreneurship networks are located in North Carolina. The Research Triangle's Council for Entrepreneurial Development (CED) is a widely recognized national model. While CED does not explicitly

serve a rural constituency, it has helped spawn the creation of similar networks throughout the state. Existing networks include the Blue Ridge Entrepreneurial Council, the Coastal Entrepreneurial Council (Wilmington), the Piedmont Entrepreneurial Network and the NorthEastern Entrepreneurial Roundtable (NEER) in Rocky Mount. These existing networks have had varied degrees of success, but they do offer a potential base for future networking activity.

The Blue Ridge Entrepreneurial Council (BREC) represents a unique activity on the part of one of the state's regional partnerships, Advantage West. BREC focuses on four areas of entrepreneurial development: education for entrepreneurs, mentoring and networking opportunities, improved communication within the entrepreneurial community, and access to capital. As part of BREC, entrepreneurs meet monthly for networking and education programs. Qualified entrepreneurs also have an opportunity to present their business plans to investors in the Blue Ridge Angel Investor Network (BRAIN) organized through BREC. While BRAIN presently operates as an informal angel network, it hopes to build a more formal investment fund in the future.

## **Capital Resources**

North Carolina has diverse capital resource providers operating throughout the state.<sup>8</sup> In addition to more traditional banking resources, North Carolina is home to the nation's first statewide community development financial institution – Self Help. In addition, the North Carolina Economic Opportunity Fund, managed by Raleigh's Dogwood Equity, has operated since 2001 with a mission of providing access to equity capital resources for companies located outside the state's major metro centers.<sup>9</sup> The Rural Center's Capital Access Program helps community bankers make loans to businesses that might be considered too risky absent the loan-loss reserve provided through the program. The Microenterprise program provides small loans to entrepreneurs who are starting or trying to grow their businesses.

In spite of these rich resources, some entrepreneurs continue to experience difficulty accessing appropriate capital. Some microentrepreneurs grow their businesses and require new infusions of capital; however they continue to be too small and too new to qualify for bank loans. Other entrepreneurs require seed or early-stage risk capital to help them get established but usually not in the amount or with the expected return required by traditional equity investors. These access

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<sup>8</sup> For an excellent description of the capital programs in North Carolina, see Small Business Technology Development Center publication, *Capital Opportunities for Small Businesses*, (13<sup>th</sup> edition), [http://www.sbtcdc.org/pdf/cap-opps\\_body.pdf](http://www.sbtcdc.org/pdf/cap-opps_body.pdf).

<sup>9</sup> This fund was created in response to recommendations from the 2000 report of the North Carolina Rural Prosperity Task Force.

problems continue to present obstacles to entrepreneurs across the state, but the challenges are particularly pronounced in rural areas.

### **How The Pieces Fit Together**

Given the large number of small business support providers, leaders of these organizations have recognized the potential dangers of overlap and duplication. As a result, each institution does seek to operate within a specific market niche defined by the types of businesses or entrepreneurs who serve as their primary customers. For example, the SBTDC network tends to serve more established and experienced businesses. Nearly 1/3 of its resources are devoted to supporting firms with sales exceeding \$1 million. Similarly, NC Cooperative Extension focuses on agriculture-related businesses and the Industrial Extension Service targets manufacturing firms.

Because these agencies do serve segmented markets, one cannot really claim that the system contains a great deal of duplication and inefficiency. Yet, this focus on market segmentation has had the effect of making the system opaque and confusing to entrepreneurs. Rural business owners do not really understand the range of support services now available and do not know how to access them effectively. The link between each program's market offerings and the needs of local entrepreneurs must be made more clear and explicit.

### **THE VIEW FROM THE ENTREPRENEURS**

In each focus group, entrepreneurs identified policy or program changes that would be most helpful to them and their colleagues as they start and grow their business enterprises. While the responses ranged from the very personal, "clone myself," to the universal, "develop a statewide strategy for small business," five concepts were raised in almost every group.

- Improve ease of access to information.
- Increase investment in both the region and individual businesses.
- Provide greater assistance with marketing.
- Create a level playing field for small businesses relative to recruited industry.
- Organize small business groups to serve both advocacy and mentoring roles.

**Improve ease of access to information.** Entrepreneurs are hungry for information and assistance about starting and growing their businesses. As described above, most entrepreneurs expressed frustration dealing with the service provider system in the state. To assist them, entrepreneurs are looking for help navigating through the service providers in the state. They are looking for one

*"Entrepreneurs are hungry for information and assistance about starting and growing their business."*

person who they can contact for information, referral, and general support. And, they want this person to really care about them as entrepreneurs and small business owners. Entrepreneurs articulated this concept in a variety of ways – “ombudsman,” “resource center,” or “ag extension system for small businesses.” In some cases, the entrepreneurs are seeking sector specific information, “someone to help me gain access to government contracts,” or “someone to help me understand how to set up a restaurant.” In others, the need is for more general assistance, a place to go to find out “what I need to do to start my business.” But in all cases, they are looking for an easy, clear way to access information from business service providers across the state.

### **Increase investment in both the region and individual businesses.**

While financing was often at the top of the entrepreneurs’ wish list, they also pointed to the need for investment in their rural regions – investment in education and training, investment in technology infrastructure, investment in programs to support small businesses. Some suggestions were very pointed, “invest 10% of the money used for recruiting to reducing barriers for entrepreneurs.” Others related to keeping a larger share of state investments in the local region by, for example, tapping local contractors on state road and infrastructure construction projects.

**Provide greater assistance with marketing.** Entrepreneurs across the focus groups are looking for greater assistance with marketing. This need may stem from the isolation that these rural entrepreneurs face, but it is also an issue common to most new businesses. If an entrepreneur wants to grow her business, she must figure out how to market outside local and even regional boundaries. The benefits of this growth extend not only to the entrepreneurs but also to their communities, as business growth may translate into job growth. The challenge is how to provide marketing assistance to the wide range of rural entrepreneurs across the state, from a home-based potter to an Internet service provider.

**Create a level playing field for small businesses relative to recruited industry.** When you bring a group of entrepreneurs together, you can bet that the issues of taxes, insurance, and regulatory burdens will come up some time during the conversation. The rural entrepreneurs in our focus groups were no different. However, one of the key issues raised in these groups was the need for a level playing field. We heard such concerns as, “I get no tax breaks when I add 20 jobs to my payroll” or “they give new firms a break on their payroll taxes and then the tax burden on small businesses goes up.” What these small businesses are looking for is equal treatment – tax breaks for small businesses while they get started, tax credits for employee training, an opportunity to compete for unbundled state contracts.

**Organize small business groups to serve both advocacy and mentoring roles.** Entrepreneurs identified a need to come together as a small business community in two ways. They see a need for a statewide small business association to help advocate for the interests of the entrepreneurial/small business sector to state policy makers. While this role might be filled by a new organization, it is possible that the Rural Center and its partners might take on this advocacy role. At the community or regional level, entrepreneurs expressed a strong need for mentoring or networking opportunities – “a coffeehouse within an incubator where entrepreneurs can meet and talk” or “more experienced business owners who I can talk to about my problems.” The importance of networking was demonstrated very clearly in the focus groups, where entrepreneurs often spent additional time talking with other participants about their businesses.

## **CLARIFYING THE POLICY CONTEXT**

Viewed from above, the state’s entrepreneurial support infrastructure appears to offer a wide array of support services to diverse types of entrepreneurs across the state. From the entrepreneurs’ perspective, however, there are gaps in this infrastructure and the system is neither seamless nor easily accessed. While none of the policy and problem areas identified by entrepreneurs can be addressed through public sector action alone, reforms in the state’s rural business support infrastructure could have an important positive impact on improving the climate for rural entrepreneurs. The following problem areas deserve special attention.

### **State Budget Constraints**

Much of the state’s small business support infrastructure suffers from budget shortfalls. These shortfalls have both immediate and long-term causes. Over the short term, recent state budget cuts have created a difficult funding environment. But these short-term pressures are merely icing on the cake. Small business support has always lagged in the state’s economic development funding priorities. The cumulative impact of this budgetary neglect has been most profound within the statewide SBC network. This network is woefully underfunded. At present, each college receives approximately \$62,000 per year in public funds to support the SBC program; additional funds are raised from other sources. This low funding level means that most colleges staff their SBCs with one individual, who must often serve other functions, such as workforce development, as well.

This dynamic creates several other dilemmas. Because of conflicting demands, SBC directors can rarely devote themselves full-time to their core activity of supporting local entrepreneurs. There is simply not enough time to provide needed services or offer many classes. At the same time, funding limits affect staff quality and morale. The SBC staff has few opportunities to receive

professional development, develop new areas of expertise, or to network with other service providers. Many SBC directors soldier on by “doing more with less,” but others are simply struggling to perform their required functions. As a result, the level and quality of services provided by SBCs varies widely across the state. If SBCs are to provide consistently excellent services to North Carolina’s rural entrepreneurs, new funding and new organizational structures will be required.

### **Access to Services/Service Providers**

In our interviews, entrepreneurs regularly cited problems with accessing existing services. These complaints took two forms. First, entrepreneurs claimed that they did not know where or how to access needed services. This is a frequently heard complaint, both in North Carolina and throughout the US. Fortunately, increasing awareness of existing programs is a surmountable challenge. New marketing efforts as well as expanded community linkages (see below) should help address this problem. However, if expanded marketing is not associated with expanded resources, entrepreneurs will encounter another problem – an unresponsive business support system. For example, SBC directors do not market their programs aggressively – something that is desirable from the entrepreneur’s perspective – because they often have difficulty meeting the current demand for services.

This fragmentation occurs because service providers have opted to serve segmented markets with segmented services. As Lichtenstein and Lyons have noted, “What entrepreneurs see when they look at these offerings is a maze, with no entry point and no clear exit. The result is confusion about where to go for assistance and underutilized services whose impact is far less effective than it could be.”<sup>10</sup>

*“Existing service providers must begin to think of themselves as part of a wider entrepreneurial support system.”*

Unfortunately, North Carolina currently lacks a system that introduces entrepreneurs to the service infrastructure in an efficient and effective manner. Referrals are made between agencies and offices, yet the success of these referrals depends almost exclusively on personal connections and networks. Moreover, there appears to be no follow-up to ensure that customers receive effective services post-referral. For example, SBC directors acknowledge that their ability to do follow up with their clients is limited.

Current referral procedures may also exclude or discourage potential clients most in need of services and who may be more likely to serve as anchor businesses in a rural community. The absence of services for new and inexperienced entrepreneurs is especially serious. At present, the state has no

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<sup>10</sup> Lichtenstein, Lyons, and Kutzhanova, 13-14.

system for supporting this customer base or for helping these clients access training and education resources. At present, most entrepreneurs who are “not ready for prime time” are given homework assignments (e.g., How to Write a Business Plan) and told to return when they are better prepared. A more effective system would steer these customers toward local networks or training classes designed for first-time entrepreneurs. This step creates a “win-win” situation for all. Aspiring business owners still get needed training, while service providers can use freed-up time to focus resources on the more experienced entrepreneur market niche.

### **Coordination Between Service Providers**

These problems with accessing the system are further exacerbated by a lack of coordination between existing service providers. Each provider maintains separate offices, organizational culture, and budgetary resources. Cross-agency marketing appears to be non-existent, and agencies appear resistant to sharing resources or missions. While some providers work closely with their regional colleagues to assist entrepreneurs, this collaboration does not occur everywhere.

Addressing this problem does not require major consolidation or major changes in existing agency missions. However, it does require a change of emphasis and a change in marketing messages used by each agency. Existing service providers must begin to think of themselves as part of a wider entrepreneurial support system. To do this, they must improve coordination across agencies and clarify the missions/target customers of each player within the system. These market segments must be clearly understood and communicated both within the system and outside of it. If this objective is achieved, the referral process will be smoother and entrepreneurs will feel more comfortable about accessing existing services.

### **Transforming Communities through Entrepreneurship**

North Carolina’s existing business support services are marketed with the individual entrepreneur or potential entrepreneur as the primary customer. This retail sales approach makes sense if entrepreneurial development is simply about building new businesses. Yet, as rural communities face intense economic pressures, simply creating a handful of new local businesses will not be enough to spur new economic development. A more comprehensive approach is needed.

Business service providers cannot do this alone. In fact, elected officials and economic development professionals should assume leadership roles in this endeavor. They should work to integrate service providers into new and existing networks with the goal of not just creating new companies, but also of transforming the community. This transformation can occur through

*“Elected officials and economic development professionals should work to integrate service providers into new and existing networks with the goal of not just creating new companies, but also of transforming the community.”*

collaboration. Service providers must become part of a community-wide coalition focused on entrepreneurial development. Partners in this effort would include Chambers of Commerce, economic development commissioners, community colleges and other educational institutions, social service agencies, government officials and other key local leaders.

### **Training and Education for Future Entrepreneurs**

Existing service providers have focused on improving and enhancing the supply of services to entrepreneurs. There is a significant gap, however, in efforts to increase the supply of entrepreneurs needing such services. Many North Carolina communities lack a tradition of homegrown entrepreneurship, and it would be naïve to assume that large numbers of successful local entrepreneurs will simply “spring up” from this environment. Service providers can help “prime the pump” by expanding the range of education and training offerings available to local citizens.

Youth entrepreneurship education can be a particularly powerful tool in this regard. Thanks to NC REAL, the state is a national leader in entrepreneurship education. Existing service providers should ensure that REAL courses (or other curricula) are made available in all regions of the state.

### **Creating Entrepreneur-Friendly Services**

Because of budget constraints and other factors, existing business support services largely fall into two categories:<sup>11</sup> business planning assistance and various instructional courses. Many interviewees noted that they were regularly offered business planning assistance, but instead were seeking help with other issues such as effective hiring techniques or new market development. At the same time, many existing programs could be more effectively targeted to local clusters or market niches. For example, business development courses targeted to agriculture-related businesses are in short supply around the state.

In addition to concerns about service content, interviewees also noted that new delivery techniques might be needed. Existing services still tend to be offered in formats more attuned to traditional college students than busy business owners. Most rural business owners are unable to attend long courses offered during business hours. Shorter training modules, distance learning and other techniques should be considered to make training more relevant to the needs of rural business owners.

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<sup>11</sup> SBTDCs and IES agents often provide a wider range of services.

## **Address Capital Gaps**

While the supply of capital for businesses is generally good across the state, three specific gaps need to be addressed. Rural entrepreneurs could benefit from a seed grant program that would provide limited amounts of capital for idea or product development. A “step up” microenterprise program would meet the microentrepreneur’s need for larger loans as they grow their businesses. Creation of a seed or start-up capital pool would help some entrepreneurs grow their businesses to the point where bank financing or more traditional equity investment is appropriate.

## **Support Research**

Finally, North Carolina lacks a central repository for data and analysis on the rural economy and the role of entrepreneurship in these regions. Many individual agencies, such as the SBTDC network, do a superb job of tracking customers and providing detailed performance metrics. But, these data do not feed into a statewide clearinghouse of information on rural entrepreneurship. The ability to research and analyze these issues remains quite limited. The Rural Center’s databank and the data gathered as part of the Institute for Rural Entrepreneurship initiative provide an excellent start.

Expanded research and analysis of rural entrepreneurship is key to creating a new paradigm for rural economic development in the state. Better data and research will help policy makers understand what the outcomes of investment in entrepreneurship development strategies are. As the joint Rural Center – Department of Commerce rural entrepreneurship demonstration projects get underway in 2004, it is important to create increased capacity to conduct evaluations of these programs and to track their impact over time.

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## **SECTION IV MOVING AHEAD**

North Carolina’s public and private sector leaders should consider the following recommendations to help jump-start entrepreneurship in rural North Carolina. These recommendations are based on a review of the economic development policy context as described in Section III in combination with the views of entrepreneurs from across rural North Carolina.

### **Recommendation #1: Collaboration**

Collaboration is the most important, but perhaps the most difficult, step that existing service providers can take to improve the quality of service provided

to rural entrepreneurs. The North Carolina business support “system” must become a system, not a grouping of individual agencies with different market niches and different service offerings. Service providers must recognize that they are part of a statewide system of entrepreneurial support, and must act accordingly. How can existing agencies operate more like a system?

**Internal Networking/Communications.** As a first step, service providers must begin to meet on a regular basis and share information about current and future operations. The Rural Business Resource Alliance is an excellent first step toward improving communication and networking. As the Alliance gains traction, cooperative efforts should be expanded. For example, joint training programs for staff members might be considered.

**Collaborative Branding.** All of the service providers should “brand” themselves under an umbrella concept such as “North Carolina’s Entrepreneurial Support System.” Joint marketing could take several forms. At a minimal level, agencies could agree to a joint marketing brochure and a common logo to include on materials, websites and the like. A more advanced effort might include shared funding of various promotional activities and/or service offerings.

Creation of a statewide web portal (and 800 number) for this effort should also be considered. This web portal should not be treated as a classic “one-stop shop” where all relevant information can be accessed. Instead, it should serve as a “first stop” for those potential customers with no idea where to access support services.<sup>12</sup> Visitors would be asked to provide basic information that would then be used to refer customers to relevant agencies.

**Coordinated Intake Procedures.** A more coordinated process for dealing with first-time customers must also be developed. Here, the concept of “no wrong door” should drive program decisions. Most potential customers simply go to the closest service provider or the one a friend or relative has mentioned. Not surprisingly, they often try to access services that are not appropriate for their business or business idea. Under current rules, these clients are referred elsewhere. Under the “no-wrong door” concept, no client is sent elsewhere at first. Instead, all agencies would utilize an identical intake process that would feed into a central database used by all service providers. The relevant service provider would then make contact with the customer, and try to proffer the required assistance.

*“The two major statewide service providers, the SBCs and the SBTDCs, are resource constrained. Increasing the resources available to these two pieces of the service provider infrastructure is critically important to encouraging and supporting entrepreneurs throughout rural North Carolina.”*

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<sup>12</sup> Kayne, p. 23.

## **Recommendation #2: Increased Funding**

Providing quality services costs money. A major transformation of existing business services will be unlikely to succeed without new investments. Although state resources are and will continue to be constrained, additional resources for the business support system could come from a reallocation of funds currently allocated to more traditional economic development activities such as recruitment. The two major statewide service providers, the SBCs and the SBTDCs, are resource constrained. Additional resources would allow both organizations to enhance marketing/outreach to entrepreneurs and to expand service offerings. Increasing the resources available to these two pieces of the service provider infrastructure are critically important to encouraging and supporting entrepreneurs throughout rural North Carolina.

As state leaders consider new funding priorities, the SBC network should rank at the top of this list. With its 58 offices around the state, the SBC network is an ideal dissemination vehicle for this initiative. However, the network's ability to expand without new funding is severely limited. The state's rural leaders must make a concerted effort to advocate for increased funding of the SBC network.

If increased SBC funds are not forthcoming, other action items might be considered to improve the effectiveness of the SBC system. Under NCCCS' current structure, each SBC is controlled by the local community college President. While this structure ensures local control, it also contributes to the varying quality of services found at individual SBC offices. In an effort to more effectively use limited funds, NCCCS should consider a more centralized management structure for the SBC network. While this step would reduce local control, it could allow for more effective use of funds and more consistent service quality across the system.

Expanded funding of the SBTDC and SBC systems might be linked to the creation of an "innovation grant program." A pool of resources should be created to provide small grants (up to \$3,000) to entrepreneurs for further development of an idea or product. The SBTDC and SBC directors could be engaged in identifying qualified entrepreneurs and recommending them for this grant program.

## **Recommendation #3: Recognizing Diversity**

The Hispanic population grew by nearly 400% from 1990 to 2000 in North Carolina, the largest growth in the country.<sup>13</sup> Research shows that new

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<sup>13</sup> NC Rural Center, Rural Data Bank,  
[http://www.ncruralcenter.org/databank/trendpage\\_Population.asp](http://www.ncruralcenter.org/databank/trendpage_Population.asp).

immigrants start businesses at high rates (Saxenian.) Thus, Latino immigrants are major assets for rural North Carolina. Unfortunately, with a few exceptions, existing service providers have largely failed in their efforts to serve this growing customer base. Issues of language and cultural differences are the primary causes for this problem, and these challenges are unlikely to be solved through more aggressive marketing alone. Existing rural service providers need to consider new ways to reach immigrant entrepreneurs. Direct approaches may not work, and they might instead consider working through intermediaries who are trusted in the immigrant community. For example, Duplin County is making good progress by building a partnership with the local Mexican-American community organization. The organization is planning to locate its offices at the Duplin County Technology Center and space within the center will be reserved for new immigrant-owned businesses. Similar approaches should be considered across the state.

Expanded outreach should not be confined to recent Latino immigrants. Service providers must seek to expand outreach to other minority groups and to women entrepreneurs. Lead agencies and the Rural Business Resource Alliance should build formal ties with groups, such as the Institute of Minority Economic Development and the North Carolina Indian Economic Development Initiative, now serving these customers. These organizations should be a formal part of the collaboration and intake procedures highlighted above.

#### **Recommendation #4: Build a Pipeline of New Entrepreneurs**

Many rural communities lack a base of existing entrepreneurs, and this dearth of local business owners can create unique issues. Research shows that people are more likely to start businesses when they know friends, family, or acquaintances that have already taken the leap (Hisrick and Peters.) If these role models (and the needed support networks) are not in place, how can rural communities get started on the process of building an entrepreneurial community? New education and training resources must be developed for this purpose.

Rural leaders must aggressively expand existing offerings in the realm of entrepreneurship education for both youth and adults. On the youth front, rural school districts should consider adding entrepreneurship education training to their existing curricula. If such training cannot become a formal part of the curriculum, community leaders should consider second-best solutions such as after-school clubs or formal training provided through groups like Junior Achievement, 4-H or Future Farmers of America.

Adult training opportunities should also be expanded. Many organizations offer training using REAL, FastTrac, NxLevel or other existing curricula. But, these training resources are not uniformly available across the state. The Rural

Business Resource Alliance should work to ensure that all North Carolinians have access to this training within 30 miles of their residence or business location. As the state expands its support for entrepreneurship education, it should work closely with NC REAL. NC REAL training is already offered at roughly 130 sites across the state. This existing customer base offers an excellent opportunity to further widen and deepen entrepreneurial training offerings across North Carolina.

### **Recommendation #5: Educate Economic Development Professionals**

State and local economic development professionals rely on a set of traditional tools as they help communities create economic development strategies. Entrepreneurs noted that local economic developers were focused on recruiting outside industry, but recruitment is what these professionals have been trained to do. To encourage entrepreneurship development, economic developers must be provided with new tools and with a rationale for why entrepreneurship should be an important component of their economic development activities.

Entrepreneurship education for economic developers could take several forms. An initial step might be to follow the model of the Georgia Economic Developers Association that sponsors a statewide forum on entrepreneurship designed to increase awareness and share strategies for encouraging entrepreneurship. A second step might be to develop certified entrepreneurship development programs that could be included as part of existing training programs for economic developers. At the same time, local elected officials could benefit from similar programs that provide the context and models for entrepreneurship development. UNC and other state higher education institutions might be good partners in reaching out to this constituency group.

### **Recommendation #6: Seed Local Networks**

The presence of local entrepreneurial networks serves as a critical indicator of an entrepreneurial community (Pages and Garmise.) Unfortunately, such networks are practically non-existent in rural North Carolina. Some networks, such as NEER and CEC, are in place, and simply need retooling or expanding to better serve rural entrepreneurs. Others, such as networks around microloan programs, could also serve as a base for future networks.

As the Research Triangle's experience with CED shows, networks can have a critical impact at a relatively low cost. The state should consider finding new funding streams that could be utilized to support the start-up or expansion costs of such networks. Potential funding sources could include:

- Microenterprise loans to support network-building activities.

- Regional partnership funds to support regionally based entrepreneurial networks such as the Blue Ridge Entrepreneurial Council.
- NC Commerce’s community assistance or Main Street program funds.

Successful networks must have sufficient scale to attract a strong base of local entrepreneurs. As such, these new networks should not be based in a single rural town; regional networks make the most sense. This regional focus not only increases the number of entrepreneurs within a network, but it also encourages entrepreneurs to think beyond exclusively local markets.

### **Recommendation #7: Create a “Step Up” Microenterprise Program**

To meet the capital needs of microentrepreneurs who have proven themselves through successful completion of both micro training and lending programs, a “step up” program should be created. This program would work through existing microlending programs, but would provide loans of \$25,000 – \$50,000 for qualified entrepreneurs. The “step up” program should partner with banks involved in the Capital Access Program to help move qualified entrepreneurs from the microlending programs to more traditional bank financing.

### **Recommendation #8: Build Formal Research Capacity**

As described above, the state presently lacks a strong independent capacity to understand and analyze rural entrepreneurship development. This research capacity is important to the creation of a statewide entrepreneurship strategy. Without good data, evaluation and analysis, it will be impossible to track changes in rural economies and the impacts of entrepreneurship programs and policies. One of the program elements of the Rural Center’s Institute for Rural Entrepreneurship begins to address the issue of rural business data. However, there is a need to expand the research capacity related to entrepreneurship.

The state might consider the creation of an independent research center housed at the Rural Center or a university that could bring together existing resources within the state to focus on understanding the entrepreneurial economy in rural North Carolina. The Center could collaborate with the Rural Center on the expansion of the business data resources. The Center might also serve as a “skunk works” for existing service providers. By convening working sessions and bringing in outside experts, the Center would help these service providers develop new products, services, and delivery techniques for working with rural entrepreneurs.

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**TABLES 1 AND 2****Table 1. Characteristics of Entrepreneurs in Focus Groups\***

Gender: Male	60%
Female	40%
Total years of business ownership experience	Average 12 Minimum 0 Maximum 52
Parents who were entrepreneurs: Yes	49%
No	51%
Years as owner of current business	Average 9 Minimum 1 Maximum 42
Ownership history: Started business	85%
Purchased business	7%
Inherited business	8%
Percent ownership	Average 79 Minimum 0 Maximum 100
Hours devoted to business in an average week	Average 53 Minimum 5 Maximum 168

\* Entrepreneurs who participated in the focus groups were asked to complete a questionnaire (Appendix B) about themselves and their businesses. Questionnaires were completed by 141 participants.

**Table 2. Characteristics of Business Enterprises Represented in Focus Groups\***

Years in operation	Average 12 Minimum 0 Maximum 100
Years located in the county	Average 11 Minimum 0 Maximum 100
Business structure: Sole proprietorship Partnership Subchapter S corporation Corporation	41% 5% 27% 28%
Number of employees: Total	Average 17 Minimum 0 Maximum 400**
Number of employees: Full-time	Average 11 Minimum 0 Maximum 250
Number of employees: Part-time	Average 5 Minimum 0 Maximum 150
Business sector: Service Retail Finance, Insurance, Real Estate Transportation Business/professional Services Wholesale/distribution Manufacturing Construction Other	44% 21% 3% 3% 5% 5% 8% 4% 5%
Product markets: Sell products/services locally Sell products/services throughout region Sell products/services throughout nation Sell products/services internationally	55% 31% 11% 16%

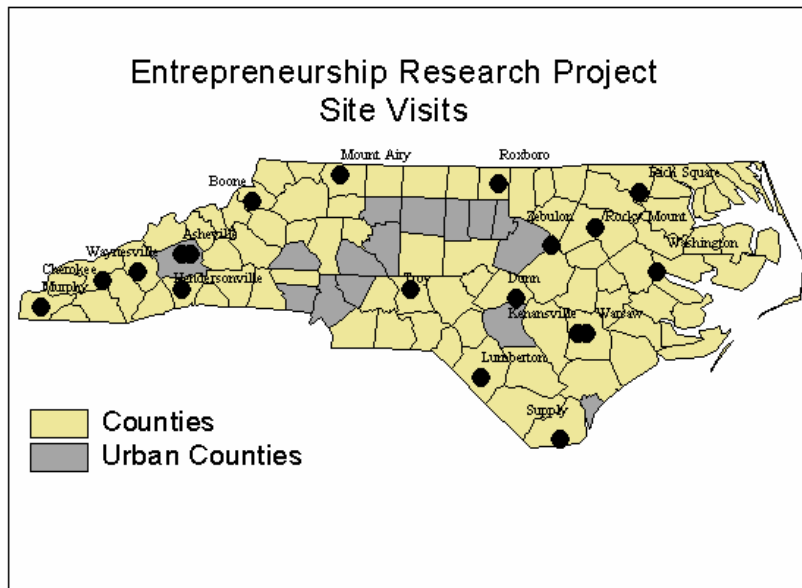
\* Entrepreneurs who participated in the focus groups were asked to complete a questionnaire (Appendix B) about themselves and their businesses.

Questionnaires were completed by 141 participants.

\*\* One respondent had 13,000 employees across the southeast region. This business was excluded from the average calculation to avoid skewing the results.

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**FIGURE 1**



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## **APPENDIX A**

### **HIGHLIGHTS OF FIELD INTERVIEWS**

Interviews with entrepreneurs, economic development practitioners, and service providers across the state identified some common concerns and opportunities for encouraging entrepreneurship in rural North Carolina. However, differences in the issues faced by entrepreneurs appeared from region to region and as we met with specific groups such as microentrepreneurs, Latinos and African-Americans. The following highlights from these interviews show some of the differences that exist for entrepreneurs across the state.

## THE VIEW FROM AGRI-TOURISM ENTREPRENEURS

### What obstacles do entrepreneurs face?

- **Zoning and challenges dealing with growth pressures:** Farmers engaged in agritourism face zoning challenges – are they farms or businesses? In addition, those farmers adjacent to metro areas face challenges associated with growth and sprawl.
- **Seasonality and Weather:** Farmers involved in agritourism cannot escape the risk associated with the weather. This variability is compounded by their dependence on an activity that is seasonal (e.g., pumpkins, Christmas trees.)
- **Selling an experience as much as produce:** Farmers need assistance transitioning from selling produce to marketing the farming experience. Traditional resources such as Cooperative Extension need to change in order to meet their assistance needs.

### What would help entrepreneurs succeed?

- **Statewide network for agritourism:** Such an organization would help farmers share ideas and provide an opportunity for shared marketing/advertising.
- **Increased agritourism support resources:** Participants need better access to information about agritourism opportunities. The state through the Department of Agriculture and Cooperative Extension could provide up-to-date information on how to get started in agritourism activities.

## THE VIEW FROM AG ENTREPRENEURS IN ASHEVILLE

### What obstacles do entrepreneurs face?

- **Difficulty accessing services:** It is often hard to get questions answered by Cooperative Extension Agents. They are doing niche agriculture and there is often an information gap.
- **NC Department of Agriculture:** The regulations imposed on small producers create an unfair playing field. Many farmers have to invest significant resources to comply with regulations. There is no regulatory infrastructure for small family farms since they are a relatively new constituency.
- **Marketing:** Farmers have to figure out how to market their specialty crops without much help from Cooperative Extension or NCDA.
- **Business mentality:** Farmers have to realize that they are business people. They need help with the business side of farming, e.g., help with cash flow and marketing, as much as with the production side.

### What would help entrepreneurs succeed?

- **Create a new image of NC farming:** We used to be a state of small farmers, but we've gotten away from that. Ag entrepreneurs would benefit from a more informed public that supported local farmers, bought local produce and put political pressure on politicians to support regulatory change that encouraged small agriculture in the state.
- **Revamped Cooperative Extension:** Agents need to be able to address the needs of the new ag entrepreneurs, whether it is marketing of niche products or business skills.
- **Affordable health insurance:** Farmers need access to affordable health insurance so that they don't need to work off-farm jobs just to provide insurance.

## THE VIEW FROM MICROENTREPRENEURS IN ASHEVILLE

### What obstacles do entrepreneurs face?

- **Lack of access to capital:** In spite of the MMF loans that are available, participants face problems accessing the capital they need.
- **Lack of more advanced education and training:** Participants identified the need for more advanced business training. They indicated that MMF classes are very good at providing the basics they need to get started. However, people in business for 2-3 years have a different set of needs, some of which they are not able to identify very well. “Where do we go after MMF?”
- **Lack of mentors:** Participants identified the need for experienced business people who could mentor them as they launch and grow their businesses.
- **Marketing:** Participants expressed difficulty identifying markets and deciding what marketing vehicles provide the best results.
- **Support for women entrepreneurs:** Participants suggested that being a woman presents a significant obstacle to getting started in business. They were interested in ways to provide peer support for women entrepreneurs.

### What would help entrepreneurs succeed?

- **Greater access to capital:** Participants suggested a need for more and larger loans to meet their needs.
- **Advanced business training:** Participants would like to have access to advanced classes that take them beyond “intro” and move them toward “graduate” level classes. Two particular areas of need include financing and marketing.
- **Alumni “Give Back”:** MMF alumni could mentor newer businesses and help provide more advanced training courses. Participants expressed an interest in learning more from those alumni who had been in business for some time and might share experiences with them. Others offered to use their skills in training people “beyond the basics.”

## THE VIEW FROM BOONE

### What obstacles do entrepreneurs face?

- **No mentors for entrepreneurs:** Participants expressed the need for a group of successful entrepreneurs who are willing to act as a sounding board for new entrepreneurs. These mentors can provide insight into the tax system, insurance, health care, dealing with employees, etc.
- **Lack of information on how to start a business:** Participants expressed a need for very concrete information on running a business.
- **State's procurement process presents an obstacle to small businesses:** For businesses that might compete for state contracts, there is no system for giving preference to in-state businesses; yet surrounding states (VA, TN, SC, FL) all have preferences.

### What would help entrepreneurs succeed?

- **Create an environment that supports entrepreneurs:** Participants suggested encouraging people in the region to do business locally by pointing out the advantages of doing business in your own region.
- **Create a resource center for entrepreneurs:** The Center would provide a better way to identify what resources are out there, particularly in terms of financial resources (grants, loans, etc.) The Center could answer the question, "Here's what I need. Where do I go to get it?"
- **Encourage use of entrepreneurial education programs like NCREal:** There is a need to expand and market these programs better so that aspiring entrepreneurs can get involved with these programs early on.

## THE VIEW FROM BRUNSWICK COUNTY

### What obstacles do entrepreneurs face?

- **Challenges of rapid growth and development:** Participants expressed many concerns about the challenges they face as coastal development accelerates – rising land values, traffic, inadequate road infrastructure, competition from “big box” stores, etc.
- **Poor quality of the education system:** Participants expressed concerns about the adequacy of their own workforce and the overall skill level of graduates.
- **Lack of access to capital:** Most entrepreneurs were bootstrapping their businesses and have had difficulty accessing bank capital.
- **Leadership not focused on small business:** Participants did not feel that local leaders were interested in the small business sector. Large businesses receive incentives, not small businesses.

### What would help entrepreneurs succeed?

- **Access to capital:** Entrepreneurs need help gaining access to capital.
- **Implement a growth plan:** Local leaders need to implement a plan for growth, particularly in terms of infrastructure investment. Small businesses depend on tourism and people coming into the region; the infrastructure needs to support that and not constrain it.

## THE VIEW FROM THE CHEROKEE TRIBE

### What obstacles do entrepreneurs face?

- **Competition with tribal businesses:** Small businesses have to compete with tribal businesses for labor and they cannot provide the type of benefits and wages to compete.
- **No resources to help small businesses:** Focus is on the tribe and no one is concerned about helping smaller businesses succeed.
- **Seasonality of tourism:** Many businesses depend on tourists and the season is just too short.
- **Access to capital:** It is difficult to get a loan when you live on the reservation since you do not own the land. Some have built homes off the reservation just to have an asset for collateral.

### What would help entrepreneurs succeed?

- **Diversity:** They need to have something other than the casino to attract visitors to the area – spruce up downtown with galleries, native businesses, etc. This would give entrepreneurs a potential market to tap.
- **Start up capital:** They need capital to get businesses started or to test out ideas.
- **Capitalize on outdoor recreation potential:** The potential for outdoor recreation is great in the area and could be an opportunity for entrepreneurs and the tribe.

## THE VIEW FROM THE INCUBATOR IN DUNN

### What obstacles do entrepreneurs face?

- **Economic development emphasis is not on small business:** There are no tax incentives given to small businesses that expand or to entrepreneurs who start new, small businesses.
- **Access to resources outside the incubator:** No good repository of information for them to go to when they have a question or issue such as regulatory compliance. Inside the incubator, they know they can turn to the director.
- **Access to capital:** Once the start up capital is gone, how do you tap into other sources of funds, particularly if the business is not bankable yet?

### What would help entrepreneurs succeed?

- **Incubator:** Participants identified the major benefits of starting in the incubator as networking opportunities, support from others in a similar position, assistance provided by the director, and lower cost space.
- **Business resource or ombudsman:** Participants wanted an expert who could help them identify the resources available to help them with issues or problems in their businesses.
- **Mentors:** These experienced business people would help them with their problems, help them think strategically, and share experiences.

## THE VIEW FROM AG ENTREPRENEURS IN DUPLIN COUNTY

### What obstacles do entrepreneurs face?

- **Marketing:** Most ag entrepreneurs are offering high quality products and need to find ways to market to the right consumer. Some have used the Farmers Market; others market to local restaurants.
- **Seasonality:** The seasonal nature of most products makes it harder to find and keep good labor. It is also harder to get through the slower time of year in terms of cash flow.
- **Financing:** Some entrepreneurs had difficulty financing certain aspects of their businesses (e.g., financing for a restaurant, financing for the farm operation.)

### What would help entrepreneurs succeed?

- **Assistance with worker's compensation and other insurance/tax issues:** Entrepreneurs need assistance navigating through these requirements and getting help when specific problems arise.
- **Need a farmers market for local grower:** There is a need for a market like the one in Asheville to serve local ag entrepreneurs.
- **Cooperative extension support:** Cooperative extension and NCSU have been very helpful on the production side. There is a need to link these agents with other business service providers in the state to meet the business needs, e.g., marketing, of ag entrepreneurs.

## **THE VIEW FROM LATINO MICROENTREPRENEURS IN HENDERSONVILLE**

### **What obstacles do entrepreneurs face?**

- **Lack of resources in Spanish:** Latino entrepreneurs face a significant obstacle as they try to tap into support services and resources—the lack of materials and courses in Spanish. Outside of MMF and Self Help, most support providers (including banks) do not have outreach and service providers who speak Spanish.
- **Lack of access to capital:** In spite of the MMF loans that are available, participants face problems accessing the capital they need.
- **Lack of more advanced education and training:** Participants identified the need for more advanced business training. They indicated that MMF classes are very good at providing the basics they need to get started. However, people in business for 2-3 years have a different set of needs, some of which they are not able to identify very well. “Where do we go after MMF?”
- **Lack of mentors:** Participants identified the need for experienced business people who could mentor them as they launch and grow their businesses.

### **What would help entrepreneurs succeed?**

- **Greater access to capital:** Participants suggested a need for more and larger loans to meet their needs. There was a great deal of support expressed for establishing a Latino Credit Union to meet the capital access and financial services needs of Latino entrepreneurs.
- **Alumni “Give Back”:** MMF alumni could mentor newer businesses and help provide more advanced training courses. Participants expressed an interest in learning more from those alumni who had been in business for some time and might share experiences with them. Others offered to use their skills in training people “beyond the basics.” The Latino entrepreneurs also expressed interest in mentoring opportunities with more experienced Latino entrepreneur alumni of MMF.

## THE VIEW FROM THE LUMBEE TRIBE

### What obstacles do entrepreneurs face?

- **Access to capital:** Banks were not viewed as being very helpful to small businesses.
- **Access to business assistance resources:** Participants wanted more customized help in dealing with their business problems. For example, artists have particular marketing needs; another had needs related to the seasonal nature of business.
- **Input cost and quality:** The quality of labor is low and the cost of land, utilities, and rent is high.
- **Lack of collaboration within the Indian business community:** Participants felt that Indian businesses could work together better to refer business and network.
- **Economic development emphasis:** Economic development leaders are looking outward to what they can bring into the county and not looking at what is there now and can grow.

### What would help entrepreneurs succeed?

- **More state support:** The state could provide more support for small businesses, such as tax incentives for hiring within a small business or more resources to provide assistance to entrepreneurs. One specific suggestion was a small business tax exemption for 5 years.
- **Customized, hands-on assistance:** There is a need for business assistance resources that do more than hand out a brochure. Entrepreneurs want someone they can go to with very specific problems and get answers.
- **Community (Indian) support:** The Indian community needs to come together and provide support for local businesses.
- **Improved access to state contracts:** UNC-Pembroke has bond money to spend and the state spends money in the county, yet local businesses do not get a piece of these contracts. Small businesses need to work together to tap into this market.
- **Entrepreneur-friendly courses:** Classes need to be offered at times and in a way that busy entrepreneurs can take them.

## THE VIEW FROM MOUNT AIRY

### What obstacles do entrepreneurs face?

- **Lack of entrepreneurial culture:** The dominance of the textile and tobacco industries historically has limited the entrepreneurial spirit in the community.
- **Lack of capital:** People who have good ideas do not have access to the capital to make something happen.
- **Lack of support for those with entrepreneurial spirit:** People who have the “entrepreneurial spark” don’t know where to go for help or what to do to create their own business.
- **Lack of leadership:** Local leaders have been slow to recognize the need for change and to embrace new ways of encouraging economic development.

### What would help entrepreneurs succeed?

- **Incubator at community college:** The community college is one of the best resources the area has. An incubator would give entrepreneurs a place to start businesses and get the support that’s lacking now.
- **Market study:** Conduct a market study for the region and identify market opportunities that entrepreneurs might exploit.
- **Recruit entrepreneurs:** Regional leaders could focus on bringing new entrepreneurs into the region as a way of creating a culture of entrepreneurship.
- **Investment in the state:** State pension funds could be invested in entrepreneurs in the state rather than in bond funds outside the state.

## THE VIEW FROM MURPHY

### What obstacles do entrepreneurs face?

- **No one source of information:** It is hard to get information about what you need to do to start your business, particularly in terms of regulations, legal issues, and compliance with federal laws. There is no one place you can go to get this information.
- **Culture:** None of the entrepreneurs were originally from the region. Being an outsider is difficult when you are trying to start a new business.
- **Lack of access to capital:** Entrepreneurs had difficulty gaining access to capital when they needed it.
- **Remoteness:** Entrepreneurs have a smaller customer base, smaller pool of qualified workers, and more infrastructure issues (Internet access and transportation) that present obstacles to the success of their businesses.

### What would help entrepreneurs succeed?

- **Source of long-term capital:** SW Community revolving loan fund is useful, but could be expanded to help more people. There is a real need for capital in the \$250,000 range.
- **Marketing/advertising assistance:** Entrepreneurs would like access to someone who could help with marketing/advertising issues. This marketing assistance could be linked with efforts to make Murphy a mini-hub for tourism in the region.
- **Networking:** The focus should be on small businesses and they need to figure out how to support and help one another.
- **Assistance with FICA and health insurance:** It is difficult to attract good employees when you cannot pay health insurance. The entrepreneurs were doing creative things to address this issue (e.g., give employees an allowance to purchase themselves) but could use help addressing this issue.
- **Incentives for small business:** Region could provide a sales tax holiday for the first year in business and provide free advertising in local media for the first year.

## THE VIEW FROM RICH SQUARE

### What obstacles do entrepreneurs face?

- **Access to capital:** Entrepreneurs face difficulty accessing bank capital. Collateral requirements are high and discrimination is still a problem. Banking has changed and there is less local ownership so loans are harder to get now than they were in the past. Banks don't care about small business.
- **Isolation:** Northeast NC is left out when it comes to state support. It is hard to do business when you have to travel so far to reach the services you need.
- **No support for new businesses:** There are few services available to help new businesses. The community colleges have classes but small business owners don't have time to take classes. There is limited information available to help small businesses gain access to state contracts, particularly for those in the construction/contracting business.
- **Culture:** Business is done in the region based on connections. It is hard to get work (customers) as a new minority business.
- **Workforce:** It is hard to find willing labor in the region. The education system is relatively poor and needs to be improved to provide workforce with adequate skills.

### What would help entrepreneurs succeed?

- **Business incubator resource center:** There is a need for a place where small business people can go and have access to computers and services so they can do research, meet with one another, and get assistance. These services need to be provided in a way that is easy and convenient for business owners.
- **Small business extension service:** Create a system that provides the same type of services that farmers have received to small businesses in the region.
- **Need a resource for government contracts:** Small businesses have trouble gaining access to government contracts. There should be a person or place where they can go and learn about contracts and how to gain access to them. The state should also consider unbundling contracts so small businesses can bid on them more readily. Small businesses also need help with bonding to avoid a Catch-22: you can't get bonded without experience on bigger jobs and you can't get bigger jobs with bonding.
- **Focus economic development and investment on small businesses:** The economic development focus in the region needs

- to be on encouraging small businesses. State investment in the region should be targeted to small businesses. For example, if there is an infrastructure project in the region, it should be targeted to small, local contractors.

## THE VIEW FROM ROCKY MOUNT

### What obstacles do entrepreneurs face?

- **Poor education and training of workforce:** It is hard to find skilled workers in the area. The high schools and community colleges are not doing a good job of training young people for the workforce. This limits small businesses.
- **Infrastructure:** Inadequate transportation, the lack of an airport, and the need to develop the port in Morehead City all are limiting to small business development.
- **Lack of incentives for small business:** Local leaders are using incentives to try to attract industry and are providing no incentives to existing or new small businesses. In some cases, incentives for attraction have a negative impact on small businesses, such as when recruits are given exemptions from unemployment tax and then the tax rates for small businesses are increased significantly.
- **Culture:** More motivated entrepreneurs will move to Greenville rather than Rocky Mount because the environment is better for a new business.

### What would help entrepreneurs succeed?

- **Shift in economic development emphasis:** The region should invest 10% of what they devote to recruitment to support small businesses. This money could go to support small businesses through incentives, subsidies for small businesses that provide on-the-job training, and other assistance.
- **Create a culture of entrepreneurship:** Most of these entrepreneurs had left the region and then returned to start a business. They had been exposed to other people and places. There is a need to reach young people with the entrepreneurial spirit and help them learn what it takes to become a successful entrepreneur. There is a need to link them with experienced entrepreneurs who can mentor them (such as through NorthEastern Entrepreneurial Roundtable.)

## THE VIEW FROM ROXBORO

### What obstacles do entrepreneurs face?

- **Competition:** As a small business, it is hard to compete with larger companies, whether a big-box retailer or a large ISP. It is hard to compete for customers and employees with larger businesses.
- **Local economy:** High unemployment and the loss of industry make it harder to succeed as a small businessperson. Local markets are very tight.
- **Workforce:** It is hard to find good, qualified employees who will work for the wages that these small businesses can afford to pay.
- **Economic development focus:** Focus of local economic development efforts is not on small businesses. Often the small business sector is ignored.

### What would help entrepreneurs succeed?

- **Help with health insurance:** The state needs to find a way to help small businesses come together to purchase health insurance. Premium increases are forcing these small businesses to cease providing health insurance for employees.
- **Incubator at Small Business Center:** The incubator at the SBC provides important services to small businesses. There is a need for more outreach about the services to entrepreneurs.
- **Start up help:** The first few years of a new business are very lean. Small businesses need some help during that time in order to succeed. This help could be in the form of grants or incentives and access to capital in the early stages.

## THE VIEW FROM ASPIRING MEXICAN ENTREPRENEURS IN WARSAW

### What obstacles do entrepreneurs face?

- **Competition from large businesses:** It is difficult to compete with large retail and service businesses.
- **Barriers:** Discrimination and language present barriers to Mexicans who want to start a business.
- **Lack of information:** Participants who are interested in starting their own business do not know where to go for help.

### What would help entrepreneurs succeed?

- **Education:** Participants want basic education resources in how to start a business. But, since many aspiring entrepreneurs are women, there is also a need for childcare and transportation services to get these women to classes.
- **Community support:** The Mexican community needs to come together to support the creation of small businesses. They need to encourage a “buy Mexican” campaign.
- **Access to credit:** The creation of a Mexican/Latino credit union is one alternative.

## THE VIEW FROM WASHINGTON

### What obstacles do entrepreneurs face?

- **Lack of access to capital:** Most businesses in the area started with no outside capital, just bootstrapping. Banks in the region are conservative toward new businesses. They know how to lend money to those in farming and the poultry industry, but are reluctant to lend to new businesses.
- **Workforce:** It is very hard to find labor, even unskilled labor, in the region.
- **Economic development focus is not on small business:** The future of this region is in the small business sector. The larger plants are closing or moving offshore. But, the economic development emphasis has not been on growing from within but on recruiting outside industry.
- **Isolation:** Right now, transportation is an obstacle in the region. It is hard to get to and from the region.

### What would help entrepreneurs succeed?

- **Alternative financial institutions:** These institutions, such as Metropolitan Credit Union and the Microenterprise Loan Program need to be expanded to meet the financing and assistance needs of these entrepreneurs. These organizations have a proven track record. There is some discrimination experienced when dealing with banking institutions and most entrepreneurs do not feel the banking institutions in the region are meeting their needs.
- **Help with insurance and regulations:** Small businesses need help meeting their insurance needs and complying with regulations.
- **Incentives:** The state should be providing incentives for small businesses and to encourage people to support small businesses. Since they are providing jobs in the region, there should be resources to help them. The focus of economic development in the region should be on encouraging small businesses that start and stay in the region.

## THE VIEW FROM THE INCUBATOR IN WAYNESVILLE

### What obstacles do entrepreneurs face?

- **Finding the right service providers:** Even in the incubator, these entrepreneurs had trouble finding the right accountant, lawyer, and banker. They had trouble getting the right level of help in terms of starting a business.
- **Start up capital:** Entrepreneurs had trouble finding the capital to start their businesses. They expressed the need for loans associated with the incubator.
- **Marketing:** It is hard to know where you should put your marketing dollars, what will pay off the best for your business.

### What would help entrepreneurs succeed?

- **Incubators:** These entrepreneurs benefited from being in the incubator. The networking opportunities were great. It would be helpful to have more common services provided, such as accounting or financial management, and secretarial.
- **Private sector services:** The state cannot be expected to provide services to all businesses. But, there could be a partnership between the state and private sector service providers to meet the needs of small businesses.
- **Access to affordable health insurance:** Small businesses need a mechanism to provide affordable health insurance for themselves and their employees.

## THE VIEW FROM ZEBULON

### What obstacles do entrepreneurs face?

- **Access to capital:** Fewer banks are local and the support for small businesses is much less. Banks won't take chances on small businesses any more. It is hard to get bank credit without some connections. Even SBA loans are hard to get.
- **Breaking into local markets:** In a small town, it is harder to break into the market. You need to build trust in the community by focusing on customer service and community involvement. Entrepreneurs need to be patient since this takes time and is expensive in terms of time.
- **Lack of business support group:** Businesses need to come together and support one another. The Chamber is getting better about doing this.

### What would help entrepreneurs succeed?

- **Access to affordable health insurance:** Small businesses need to be able to provide health insurance for employees at an affordable rate.
- **Business and Industry Group:** Small businesses need a place to come together and network, to advocate for the small business sector in the region.

## THE VIEW FROM RURAL SMALL BUSINESS CENTER DIRECTORS

### What obstacles do entrepreneurs face?

- **Access to capital:** Many entrepreneurs believe the myth that there's "free" money out there to start a business. This is just not true and is a barrier for many small business people. Start ups have trouble gaining access to bank credit since the banks don't do start up lending. Entrepreneurs also need to recognize that they must bring some resources to the table to qualify for bank loans.
- **High rates of unemployment:** There is a greater sense of urgency for some would-be entrepreneurs as they are laid off. They need to create a business quickly to replace their income. However, there are barriers to the use of retraining funds to learn how to start your own business. There seem to be regional variations in the interpretation of these rules as well.
- **Isolation:** In more remote rural places, lack of Internet access, transportation, and other barriers present obstacles to creating businesses.
- **Language:** Hispanic clients have difficulty finding services in Spanish.

### What would help entrepreneurs succeed?

- **Marketing assistance:** Entrepreneurs need help doing market research to understand if/where the demand is for their business.
- **Convenient access to resources and classes:** Entrepreneurs need to be able to take classes that are convenient to their schedules. They also need access to information that is specific to their region, e.g., how to start a business in your county.
- **Regulatory assistance:** Business owners need information that is place specific, e.g., what regulations are in place in your county that apply to your type of business.

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## APPENDIX B

### ENTREPRENEUR QUESTIONNAIRE

#### About You:

Name: \_\_\_\_\_

Sex: Male [ ] Female [ ]

How many total years of experience do you have owning and operating a business? \_\_\_\_\_

Was either of your parents ever involved in owning and operating their own business?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, identify which parent and briefly describe the business activity.

\_\_\_\_\_

\_\_\_\_\_

#### About the Business:

Name of business: \_\_\_\_\_

What products or services does your company provide? -

\_\_\_\_\_

How long has your company been in business? \_\_\_\_\_

In what county is your business located? \_\_\_\_\_

How long has your business been located in this area? \_\_\_\_\_

What year did you become the owner of this business? \_\_\_\_\_

Did you:

- \_\_\_ Start this business
- \_\_\_ Purchase this business
- \_\_\_ Inherit this business
- \_\_\_ Other (please specify)

What percent of the business do you own? \_\_\_\_\_%

How is your business organized?

- Sole proprietorship
- Partnership
- Subchapter S corporation
- Corporation

How many years of experience in this specific business activity do you have?

\_\_\_\_\_

In an average week, how many hours do you devote to your business?

\_\_\_\_\_ hours

How many employees do you have? \_\_\_\_\_ Full-time \_\_\_\_\_ Part-time \_\_\_\_\_

How many family members are employed in your business? \_\_\_\_\_

Full-time \_\_\_\_\_ Part-time \_\_\_\_\_

Which best describes your primary business activity?

- Service \_\_\_\_\_
- Retail (including restaurants) \_\_\_\_\_
- Finance/insurance/real estate \_\_\_\_\_
- Transportation \_\_\_\_\_
- Business and professional services \_\_\_\_\_
- Wholesale/distribution \_\_\_\_\_
- Manufacturing \_\_\_\_\_
- Construction \_\_\_\_\_
- Other \_\_\_\_\_
- Please describe briefly \_\_\_\_\_

Where do you sell your products or services? (Check all that apply.)

- Local market
- Regional markets
- National market
- International market

What would you identify as the most important factor in the success or survival of your business in this region? -

\_\_\_\_\_

The Rural Center is interested in having an ongoing focus group of rural entrepreneurs that we can contact to get entrepreneurs' ideas and input on economic development policies and programs of interest in the state. Are you willing to serve as part of this focus group?

Yes

No

If yes, please indicate how you would prefer that we contact you in the future.

By phone (please provide contact number) \_\_\_\_\_

By email (please provide email address) \_\_\_\_\_

Thanks for your interest in rural entrepreneurship and the Rural Center's work.