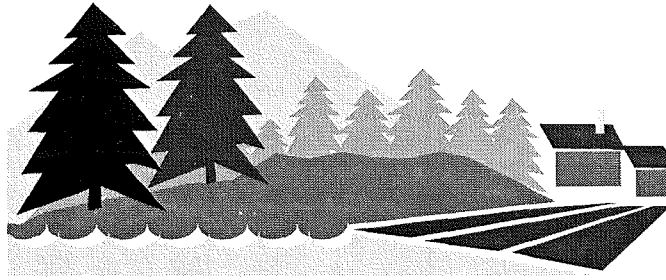


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“Entrepreneurship” as a Rural Development Strategy: Defining a Policy Framework for Maine

A Report of the Maine Rural Development Council

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January 2001

*Maine Rural Development Council (MRDC),
an affiliate of the University of Maine Cooperative Extension,
is supported by the National Rural Development Partnership
under a cooperative agreement with the United States Department of Agriculture.*

Foreword

About this report. This report summarizes the results of two policy “academies” convened in Maine under the Rural Development Initiative Project in July and September, 2000. Attending the events were service providers, lenders, representatives of the utility and telecommunication sectors, policy makers, researchers and business representatives. For rosters of the academy participants, please go to the Appendix section of the report.

In the preparation of this report, MRDC is deeply indebted to Donald Macke for sharing the findings of the national academy project, and Deb Burwell for her comprehensive flipchart notes of the Maine academy discussion of vision and strategic directions. Profiles of Maine entrepreneurs were developed from materials generously provided by Ellen Golden of Coastal Enterprises, Inc. and Eloise Vitelli of Maine Center for Women, Work and Communities. The editorial assistance of Nicolas Houtman, UMAINE Office of Public Affairs, is also gratefully acknowledged.

About the Rural Entrepreneurship Initiative Project. The Rural Entrepreneurship Initiative Project explored rural entrepreneurship in Maine, Minnesota, Missouri and West Virginia in 2000. This Initiative was supported by the Kauffman Center for Leadership Development in partnership with Partners for Rural America, Inc., the National Rural Development Partnership, the Nebraska Community Foundation, and the state rural development councils of Maine, Minnesota, Missouri and West Virginia. It was directed by Donald Macke, former Executive Director of the Nebraska Rural Development Commission. Information on the Initiative can be obtained through the following Web site at www.nebcommfound.org. For more information, readers can scroll to the bottom of the opening page and click “Rural Entrepreneurship Initiative.”

About the Maine Rural Development Council. The Maine Rural Development Council (MRDC) is an affiliate of University of Maine Cooperative Extension and organized under a cooperative agreement with the U. S. Department of Agriculture as a statewide coalition of federal, state, regional and community-based organizations active in rural development work. Its mission is to shape policies to meet the complex and changing needs of rural Maine; promote collaboration and partnerships among local, state and federal agencies; maximize the effectiveness of the state’s rural programs and resources; and undertake the development and demonstration of innovative rural projects. For Information about MRDC’s work, please visit the council web site at <http://mrdc.umext.maine.edu>

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Executive Summary

Entrepreneurs organize and grow new businesses and play an important role in rural development, a fact often overlooked in the public policy arena. The challenge facing Maine is the development of policies that promote entrepreneurship, defined as the rapid growth of new and innovative businesses, and thus foster opportunity and rural economic health.

Maine has a tradition of rural entrepreneurship that stems from a productive natural resource base and the high value that Maine people place on initiative and independence. However, the same values that make rural communities so attractive can also be impediments to economic development and growth. Since small businesses are so important to job creation and innovation, public policies designed to promote rural economic health need to address these impediments and support rural entrepreneurs.

Among the challenges to such policies are cultural constraints, community business climate, networking opportunities, technical assistance and capital availability. The Rural Entrepreneurship Initiative (REI) Policy Academy project proposed a strategy based on a commitment to a systemic approach that empowers people and organizations and directly supports individual entrepreneurial efforts. The vision is grounded in values ranging from building vibrant communities and protecting the environment to creating quality jobs. It recognizes that tools and resources must be effectively fashioned and mobilized in both the public and private sectors to support the efforts of the individual entrepreneur.

Specific action steps include understanding the many faces of the Maine entrepreneur, the strengthening of small business counseling and training programs, a statewide assessment of small business services, creation of improved networking opportunities and refocusing technical assistance to meet special needs of the entrepreneur.

I. Introduction

In March 2000, a public and private sector task force was convened in Maine to study the state's small business sector and make recommendations to the Governor on ways to strengthen its productivity. The study was led jointly by the Maine Department of Economic and Community Development (DECD) and District Office of the Small Business Administration (SBA). The task force's recommendations were expected to help inform the Governor's FY 2002 budget package.

As this process unfolded, Maine Rural Development Council (MRDC) was invited to participate in the national Rural Entrepreneurship Initiative (REI) Policy Academy project supported by the Kauffman Center for Leadership Development. Conceived as a public policy education effort to support rural entrepreneurship, the project sponsored two policy academies in Maine in July and September 2000. Attending the events were service providers, lenders, representatives of the utility and telecommunication sectors, policy makers, researchers and business representatives. A majority of the academy attendees were also members of the DECD-SBA task force. Hence, participants in two distinct policy processes met, moved forward on companion tracks and informed each other's work.

This report describes the findings from the two academy events that developed recommendations for a state policy framework for future action. Layered into these findings are priority recommendations identified by the DECD-SBA task force.

We begin with a discussion of why entrepreneurship should be considered as a rural development strategy and the Maine context in which this approach should be entertained. This is followed by a statement of related challenges gleaned from the findings of the REI academy project in Maine, Minnesota, Missouri and West Virginia.

The report concludes with a vision of Maine as an "entrepreneurial state" and the program directions and action steps that will help us realize it. Both the vision statements and the strategic directions came out of the work of the September policy academy. Together, they provide guidance for the development of a clear entrepreneurship policy framework for the State of Maine.

II. Why Consider Entrepreneurship as Central to a Rural Development Strategy?

Entrepreneurs organize and grow new businesses in varied circumstances and, as a result, accept risk. More broadly, they have been defined as “essential agents of change who accelerate the generation, application and spread of innovative ideas and in doing so . . . not only ensure efficient use of resources, but also expand the boundaries of economic activities.”¹ Inherent in this view are innovation and growth, highly desirable economic qualities that can be put to work for the benefit of rural economies.

Entrepreneurs can play an important role in rural development, a fact often overlooked in the public policy arena. The challenge facing Maine is the adoption of policies that promote entrepreneurship, “the rapid growth of new and innovative businesses,” and thus foster opportunity and sustainable economic health.

Maine’s diverse natural resource base and a culture that values initiative and independence have contributed to a tradition of entrepreneurship. This is reflected in the state’s strong home-based business sector. In supporting entrepreneurship, rural Maine communities recognize that many individuals make their living from creative uses of natural resources. Farming, fishing, and logging have long been individual and family occupations that have supported entrepreneurs in Maine.

A single entrepreneur must use multiple talents to survive in a climate that is hindered by distance, sparse population and limited access to public services. It is important for states with substantial rural economies to invest in strategies that create and maintain a competitive advantage.

A National Governors Association study of entrepreneurial growth in the United States notes that although Fortune 500 companies have lost more than 5 million jobs since 1980, 34 million jobs have been created by entrepreneurs and small business. This report notes that although entrepreneurs usually get their start by forming small business, not all small businesses are entrepreneurial. This distinction often causes state policymakers to direct program benefits into broader economic development policies and initiatives in the expectation that small business support will also support entrepreneurs. This development approach may address a broad range of business while virtually ignoring the unique needs of start-up companies with high-growth potential.²

Since the mid-1980’s, several public programs in Maine promoted micro-business development, an economic and human resource development strategy. Microenterprises are those businesses that employ five or fewer employees and whose gross revenue falls below the Small Business Administration’s criteria for “small business.” These microenterprise business development programs include the University of Maine Cooperative Extension’s focus on home-based businesses, Eastern Maine Development Corporation’s microenterprise program “Incubator Without Walls,” and the advocacy group “MicroNet,” a coalition of service providers who addressed the micro business needs of U.S. Small Business Administration clients.

Three Types of Entrepreneurs in Rural America

Survivors. Possibly the majority of entrepreneurs in rural America might be called survivors. For varied reasons, these entrepreneurs choose to live in rural America and achieve their career and income goals through assorted economic activities. In many cases they piece together multiple activities (e.g., farming, cutting wood and working part-time in a rural factory). While these rural entrepreneurs are very creative in patching a livelihood together, they often lack the motivation, capacity and support to grow their enterprises into larger businesses.

Renewers. In rural America there remains a significant number of multi-generational enterprises rooted in natural resource industries (e.g., farming, ranching, timber and mining), trade, services, construction and manufacturing. While the number of these old line enterprises are generally declining, many are remaking themselves through entrepreneurial efforts finding new competitive niches.

Innovators. Despite all of rural America's challenges, its greatest export continues to be highly motivated, relatively well educated and creative young people. Many of these young people have the right stuff to be highly effective entrepreneurs. The problem is that many innovative young people seek their futures in urban America. Yet the pool remains and represents potential entrepreneurs capable of growing a more vital Rural America.

Representatives of these programs have begun to reconsider how their programs could improve their focus on the entrepreneur and what entrepreneurs need to grow a business into an enterprise.

Recent research suggests that entrepreneurship is much more important than being simply a tradition or cultural trait. There is in fact a strong positive correlation between the level of entrepreneurial activity and overall economic performance as measured in growth. The *Global Entrepreneurship Monitor*¹ (GEM), for example, assessed the role of entrepreneurship in the economies of ten industrial countries: Canada, Denmark, Finland, France, Germany, Israel, Italy, Japan, United Kingdom and the United States. It found that between one-third and two-thirds of an economy's growth is attributable to entrepreneurial activity.

Moreover, research in rural sociology³ presents a compelling image of rural people as self-reliant, resourceful and innovative. These entrepreneurial qualities are key, as we ponder the nature of the rural America. Compared with urban areas, rural communities have populations that are poorer, older, more geographically isolated, farther from markets and more dependent on traditional economic enterprises. In many cases, rural communities are experiencing depopulation and increasing poverty. The economic future of the nation's rural places, therefore, may rest in their ability to support higher levels of entrepreneurship, thereby growing vibrant and dynamic local economies under very difficult circumstances.

Finally, Kauffman Foundation research⁴ suggests that entrepreneurs play a number of critical roles within our economy and society. For example, they create new

industries and firms to replace those that have run their course, develop innovative products and services that improve our quality of life and economic competitiveness, provide employment opportunities, and re-invest their wealth in new enterprises and, through philanthropy, in communities as well.

The study describes successful entrepreneurs as those individuals who can realize an opportunity, create a commercial venture around it and have both the motivation and the capacity to create and grow enterprises. They are creative, innovative, risk tolerant, flexible, resourceful, independent, dynamic and growth oriented.

Similarly, a growing body of community development research literature⁵ is shedding lights on the intriguing question that has long beset the profession, “why do some rural communities thrive, while others seem to decline?” At the core of this research is the finding that the presence of both business and social entrepreneurs is a central factor shaping vibrant communities. Those with a strong and effective nucleus of both private and public entrepreneurs are generally more vital and successful than those without. Coupled with the GEM study, community development research indicates clearly that entrepreneurship may well be the key to building dynamic rural economies and communities.

III. Maine Context

Notwithstanding what the United States Census Bureau has proposed to do to change rural designations, what cannot be disputed is “that Maine is the third most rural state in the United States, with 55.4% of its population living outside of urban areas. It is the only state in the nation that has become increasingly more rural since 1970. There are 36 persons per square mile in Maine. Only Alaska and the Great Plains have a more sparse population.”⁶ Distance, isolation, and small scale are all factors affecting how rural communities in the state fare economically. These factors cause income disparity, chronic unemployment and out-migration.

Qualities considered to be positive aspects of rural life such as the pristine natural environment and a slow paced, quiet country lifestyle, therefore, are often impediments to economic development. If qualities of “ruralness” are causes of income disparity, what can policymakers do to effect substantive economic change and improvement?

The task of building a vibrant rural Maine is a challenging one, indeed. There are no quick or easy answers. In a 1995 *Maine Policy Review* article,⁷ for example, David Vail and Michael Hillard suggest that the economic fate of a rural community in Maine often depends on its geographic proximity to an urban area, its capacity as a recreational hub in-land or on the coast, or its exclusive dependence on natural resource extraction. This basic thesis remains as true today as it was when first posited more than five years ago.

Structural unemployment remains a persistent problem, as Maine’s manufacturing economy continues to move south. Textile, leather, and paper firms have all significantly downsized their labor force in the last two decades. Where once rural Maine had the advantage of an abundant labor force and low cost sites for branch plants, today’s global economy offers international corporations more for less outside the United States. As raw materials, capital, and technology are all mobile, companies will always look for competitive advantages wherever possible in the global economy.⁸ While some Maine communities have benefited recently from this trend (such as MBNA and EnvisionNet), many pockets of underemployment and poverty remain, particularly in the rim counties * of the state.

In recent years, numerous policy approaches have been formulated to help all regions of Maine to thrive in today’s economy. Some are producing results, while others remain on the launching pad or are still in the throes of discussion and debate. These include, for example, the following initiatives.

* Maine State Planning Office designates the following as “rim” counties: Washington, Aroostook, Piscataquis, Somerset, Franklin and Oxford.

In his 1998 State of the State address to the Maine Legislature, Governor Angus King called for the development of the OneMaine strategy to help obliterate regional economic disparities between urban and rural areas. With the subsequent establishment of the Governor's OneMaine Advisory Committee, this approach became the keystone scheme for statewide economic prosperity. The strategy calls for investment in research and development, telecommunications and education initiatives, tax incentives, infrastructure improvements and support for regional economic development efforts.

The Maine Rural Development Council (MRDC) promoted in a 1998 strategy paper, "Building OneMaine," a multifaceted approach to rural economic vitality that calls for building community capacity, development of "place based strategies," targeting of resources to distressed regions and building both social and economic pathways from poverty grounded in the community.⁹

In early 2000 the second session of the 119th Legislature passed a strategic package of bills under the title, Creation and Growth of Small Business and Microenterprise in Maine. The six-pronged framework consisted of technical assistance, access to capital, business attraction and marketing, workforce development, infrastructure and building technological capacity.¹⁰

None of these policy frameworks, however, focus explicitly on promoting a comprehensive approach to entrepreneurship as a strategy for rural development. Such an approach is important and needed, because the concept of entrepreneurship is consistent with Maine's rural character, its valued tradition and culture, as well as its diverse geography and abundant natural resources.

Farming, fishing, and logging have long been the basis for entrepreneurial enterprises undertaken by individuals and families for generations to build and sustain our state. Today, economies and technologies have changed and advanced, but the entrepreneurial spirit persists. It is time to revisit and reconsider this as a tool for building a vibrant Maine.

IV. Rural Entrepreneurship Challenges

Developing a state policy framework requires that we recognize the most significant challenges that face rural economies. Strategies that fail to address them are unlikely to succeed. Numerous relevant findings, or “learnings,” surfaced from the work in the four REI academy project states. However, five central “discoveries” are key. These relate to the importance of culture, issues of scale and isolation, a climate supportive of entrepreneurship as a legitimate development strategy, a technical assistance system skilled in responsive intervention strategies and a mismatch of capital resources to needs.

Culture

Cultural issues need to be identified, better understood and directly addressed in order for us to create a more supportive climate for entrepreneurs. There is a powerful connection between the culture of a community and its propensity to be entrepreneurial. Most rural cultures, rooted in the reality of small and intimate places, provide powerful motivation to “get along” and “fit in.” While rural culture may tolerate unusual behavior by established members, the pressures of belonging to the group are powerful. Cultural norms can inhibit entrepreneurial behavior and undermine support for innovators. Moreover, in places where people have strong social and economic networks, the price of economic success or failure is high. It is important that one does well but not significantly better than neighbors. Too much success can upset the social balance and inter-relationships. Conversely, failure can impact neighbors, family and friends personally. A failed business may mean not paying a neighbor or a child not being invited to a birthday party. The culture of rural places constrains entrepreneurial behavior as much or more than the economic growth and the opportunities associated with it.

Scale and Isolation

The issues of scale and isolation remain important. Many of these elements of an entrepreneurial economy are absent, or more limited, in rural areas. This may explain why many rural people leave their communities to pursue their dreams. Rural entrepreneurs are few in number, isolated, often forced to go outside of their community for essential financial and technical services, and required to find markets that are far away. These are core issues. Imaginative strategies are needed to mitigate or bridge them.

Climate

In rural Maine, Minnesota, Missouri and West Virginia, the primary economic development focus is unambiguously traditional, tied to traditional industries such as manufacturing, agriculture, timber and mining. In some cases, “new economy” growth industries (e.g., “Dot Coms”) have become established. These states have begun to address the importance of small business as a development focus. However, it is clear that there is very limited

- Sue Silliboy Blanchard is a descendent in a long line of Micmac basket makers. Today, her brother is the only family member who practices this local Native American handcraft of making brown ash splint baskets.

Sue's business combines ancient craft with ultra-modern technology. *Micmac Traditions* is a web-based business selling traditional Micmac crafts via the Internet. Sue enrolled in the spring 1998 New Ventures training in Presque Isle to help her put together a business plan. Sue said of the training, "The New Ventures program was beneficial in completing the business plan and helped put into perspective the pricing of my products. With the support of other class participants I have the confidence to continue with my endeavor. My completed plan helped me acquire a \$2,000.00 grant through the Aroostook Band of Micmacs to purchase brown ash baskets to sell on the Internet site."

Providing information to her potential customers is a key aspect of Sue's marketing plan. The Micmac Traditions website explains through photographs and stories how Sue's brother Michael makes the brown ash splint baskets using traditional tools and methods. This kind of information helps customers appreciate the value of her product.

- Connie Roberts' new bookkeeping service is keeping her busier than she ever expected. She started the business following the spring 2000 New Ventures Entrepreneurship training class in Brunswick. Most of her clients are small businesses that can't afford to hire a full time bookkeeping person but need to have an accountant on a regular basis. Connie says, "It makes me feel good to go in and be of assistance to people and to have them appreciate what I do."

Connie's path to this business has been a long one. She struggled as a single parent raising a family and didn't feel prepared when she decided to go back to work. She signed up for a pilot program to train women in non-traditional occupations. The group decided on its own name, "The Mother Truckers." Her first job after the training was giving driving lessons to others. She also signed up for additional education.

Once Connie got back on her feet, she went back to a field she had been in before, banking. For 13 years she worked in credit unions in a variety of roles. She kept encountering a "glass ceiling," however, and found it hard to advance. When she was laid off this last winter, she decided to open her own business. The unemployment office referred her to the Maine Center for Women, Work and Community.

When her unemployment ran out in June, she already had some clients lined up. She is now fully booked. "Doing this business provides the challenge I need. My customers appreciate me." Connie has found a way to bring all her skills, experiences, and talents together in a business that is providing a needed service in her community.

recognition of entrepreneurship. A majority of state and community policy and program activities are neither intended nor designed to support rural entrepreneurs. Consequently, the overall community and state climate for entrepreneurship — be it represented by tax, regulatory or financing policies — is poorly matched to the needs and opportunities confronting the rural entrepreneur. There are exceptions, however. Clearly, higher education institutions in all four REI states are focusing on entrepreneurs, as are many non-profit development organizations which have fashioned effective, albeit under-funded, programs for entrepreneurs.

Technical Assistance (TA) System

The current TA system for entrepreneurs is both very limited and under-funded. Private sector services (e.g., legal and financial) are available, but they are generally urban based and focus on larger enterprises not typically found in rural communities. Some public sector resource and service providers have only begun to connect with rural entrepreneurs. The most effective TA services seem to be provided by non-profit community action program (CAP) organizations rooted in the anti-poverty tradition of the 1960s, micro-enterprise development programs and natural resource transition efforts. The latter include, for example, those in such sectors as small-scale sustainable agriculture, secondary wood products, local artisans and home-scale hospitality/recreation. Efforts to meet the needs of rural entrepreneurs exist, but more and better services are needed.

Capital

We have learned a great deal about the need for capital as it relates to rural entrepreneurs. Clearly, there is a mismatch of current capital markets to the needs of many, if not most, rural entrepreneurs. Among individual rural entrepreneurs, there is a need for basic capital literacy and deal development knowledge. At the capital market end, there is a need for strategies to package both debt and equity capital into smaller sized deals.

V. Vision of Maine as an “Entrepreneurial State”

What do the issues and problems discerned through the Maine REI academy process suggest for a vision of the state’s entrepreneurial future? Is it a vision of Maine in the 1950s and 1960s — that of “industrial recruitment” reliant on the usual tool boxes of inducements and incentives? Or is it one of our state in the 1970s and 1980s — that of business retention and expansion with little thought for accountability, or closing the gaps between social and economic concerns, or creating linkages within the fragmented service delivery system?

A vision should take a long view, recognize all the relevant factors and be grounded in a solid understanding of the root causes of significant problems. It must be compelling and clear in order to help guide policy development. In an era of globalization and rapid change, a vision cannot afford to be myopic.

Emerging from the Maine REI academy process is a refreshing, and perhaps to some provocative, vision of Maine as an “entrepreneurial state” that is:

- Committed to addressing the state’s development and growth issues systemically;
- Economically empowering on all levels and in all sectors;
- Directly supportive of the individual entrepreneur’s efforts, no matter how small and modest.

This is the essence of what has been called the “Third Wave” approach to economic development which can be stated in three words: “quality, accountability and impact.”¹¹

The vision formulated by the Maine REI academy participants is forthrightly value laden, for which they should be applauded. It is grounded in values ranging from those of building vibrant communities, protecting the environment and creating quality jobs, to the need for an inclusive and collaborative policy process in support of rural entrepreneurship.

Also valued in the Maine vision are networking on all fronts to promote entrepreneurship and long term R&D support. Finally, it calls for concerted efforts to leverage education and economic development policies to help shape the necessary strategies in support of rural entrepreneurship.

The vision identifies the following characteristics of the entrepreneurial state:

- Guided by a social purpose;
- Performance driven and results oriented;
- At the core of a statewide economic development strategy;
- Supported by the educational system;
- Valuing both tradition and change;

- Well networked both internally and externally;
- Supported by a commitment of research and development resources;

Entrepreneurship is guided by a social purpose

One pronounced aspect of the Maine vision is that it sees the state as “a place where the entrepreneurial spirit is rooted in the values of sustainable development,” where “environment, community, and economy are in balance for now and generations to come.”¹²

The development of rural entrepreneurship, therefore, serves a distinct social purpose. The “entrepreneurial spirit,” for example, can result in innovative ways of protecting the environment, such as salvaging and reusing waste products. Other kinds of social values include:

- Town centers in all regions of the state that are alive with small entrepreneurial ventures;
- “Buying local” as the accepted norm among and between businesses;
- K-12 economics education that is rooted in socially responsible values.

Wealth thus created at the intersection of three value sets — environment, vibrant communities and quality jobs — is equitable and produces no harmful externalities.

The “entrepreneurial state” is performance-driven and results-oriented

The Maine vision calls for business vitality to be measured by increasing the number of small business start-ups, especially in agriculture and the natural resource sector, reducing the bankruptcy rate by at least 50 percent and becoming world-class exporters in at least three industrial sectors. It also calls for creating the necessary social and health service infrastructure, including provision for universal health care. For Maine to achieve sustainable business vitality, the gap between economic and social concerns must be closed. It simply makes good business sense to do so.

Entrepreneurship is the “core” economic development strategy

As an “entrepreneurial state,” Maine should base its public budget and resource allocation decisions on the ultimate question, “How would they support entrepreneurs?” The health and support of entrepreneurs is of primary concern in the policy process. Funding priorities need to target the support of developing entrepreneurs. For example, tax breaks and rebates should go to locally owned businesses — particularly in small rural places.

As the core strategy for economic development, entrepreneurship must be well served by the state’s higher education institutions and service provider organizations, especially in such areas as marketing research and product development. These entities include technical colleges, the University of Maine (state’s Land-Grant institution), other University of Maine System

campuses, as well as that rich cohort of service provider agencies, such as development districts, community-based organizations, and CAP agencies. They all have a role in the formulation and implementation of technical assistance and service strategies in support of entrepreneurs.

The challenge, however, is for these entities to learn to differentiate and complement their roles regionally based on their mission areas and a realistic assessment of their capacity. There are many rural Maines, from the barrens and shores of coastal counties to the mountains and woods of western mountains and the potato fields of Aroostook. There is no one standard, one-size-fits-all approach to providing technical assistance. More importantly, the resource and service entities must learn to share roles, leverage each other's resources and capacity and work in concert as partners.

The ultimate goal, of course, is to put in place an efficient access system for all rural Maine communities where the entrepreneur in need of assistance, be it technical advice or financing, can have a responsive answer that is just one call away.

Finally, having entrepreneurship as Maine's core economic development strategy requires both a viable policy mechanism and a strong constituency in support of that purpose. The state legislature should seriously consider the establishment of a broad-based entrepreneurship policy council or commission, charged to advocate for the needs of all entrepreneurs, particularly those in rural areas. It would have the dual

- A young Ethiopian approached Coastal Enterprises, Inc. (CEI) in 1992 with two business ideas in mind. He participated in business training and learned to assess the feasibility, viability, risks and rewards of each of his business ideas. Based on this assessment, he decided to open a commercial cleaning business. He started his business on a part-time basis while continuing his employment. Working with borrowed equipment, he reached a level of \$18,000 in sales per year. It became apparent that he would need to acquire his own equipment if his business was to expand. In 1993, he applied to CEI for a loan of \$6,500. He had a good plan for making the transition from a part-time to a full-time business. However, he had no credit history and inadequate collateral. CEI granted the loan.

His business continued to grow and in July, 1996 he received a second loan of \$15,000 to finance his business expansion. In the intervening period, he successfully made the transition to a full-time business that became his sole source of support. He created one part-time and two full-time jobs for members of his community. In addition, he obtained a mortgage from a local financial institution to finance the purchase of a house, brought his fiancé from his native Ethiopia, and started a family.

function of public policy education and development. But more importantly, the council or commission would serve as a clearly established mechanism through which small businesses in all regions of state can effectively participate in the policy process.

*The educational system is committed
to instilling and promoting entrepreneurial values and skills*

Maine needs a world class economics education system — “kindergarten through adult education” — that champions the cause of risk-taking and innovation, supports life long action or applied learning to help individuals pursue their passions through entrepreneurial activities. Moreover, education is viewed as a strategic tool to create and sustain a culture and climate for entrepreneurship throughout the state. In this context, economics education and civic education are viewed as one. Similarly, people are valued as the state’s greatest assets, both as potential entrepreneurs and as prospective members of Maine’s work force.

An “entrepreneurial state” values both tradition and change

Maine aspires to be a “can do” state that boldly reaches out into the future but does not abandon its past with all the values and qualities that go with it. Risk taking and innovation are defining attributes of an entrepreneurial culture, but Maine entrepreneurs are what and where they are, because they are attracted to the state’s traditions and quality of life. They are committed to operating their businesses in Maine because a sense of place is important in their value system.

Young people in Maine must be encouraged to stay in the state, find that entrepreneurial niche, nurture a unique sense of place that is shaped by tradition and culture and learn to grow businesses of their own.

A “can do” spirit of risk-taking and innovation needs a supportive climate or environment in both the public and private sectors to thrive. First and foremost, entrepreneurship is recognized, not only as a legitimate career choice, but for its valued contribution to the state’s overall economy. The “PLUS ONE” campaign of Maine Governor Angus King is an explicit recognition of the latter.

Therefore, the message is clear: entrepreneurship is a way of life for all, the individual and the community, as well as the institutions and programs that support them. Acceding to this way of life presupposes a high degree of risk-tolerance on the part of the person, the community and the institution. Tools and resources must be effectively fashioned and mobilized in both the public and private sectors to support the efforts of the individual entrepreneur.

*An entrepreneurial state is
well networked, both internally and externally*

In all regions of the state, Maine entrepreneurs can readily participate in rich networking opportunities for support, knowledge and access to resources. Academy participants repeatedly identified networking among peers and assistance professionals as a strategy to help individual rural entrepreneurs succeed. Good networks also enhance the effectiveness of the service provider in remote places. Participants in the academies identified methods to help entrepreneurs or groups become more effective individual networkers as possibly the most cost-effective strategy for Maine to support entrepreneurs and enhance effective use of development resources in rural places.

Maine also needs to be effectively networked with other states and federal agencies to help enhance our overall capacity to support entrepreneurship. Similarly, the state's institutions (higher education, state agencies, non-governmental organizations and community based organizations) should be linked strategically to similar institutions in other states to help enhance their capacities to support entrepreneurship.

*State's R&D resources are mobilized
effectively in support of entrepreneurial efforts*

Maine's universities, community colleges and vocational/technical schools are a rich source of rural development assistance. The research they conduct, the facilities they control, and the knowledge base they possess can aid entrepreneurial development in many ways. The Greater Maine Initiative, for example, supports rural economic development throughout the state by developing partnerships between the University of Maine and regional development organizations. Such organizations include economic development districts, regional planning commissions, resource conservation and development councils and community-based organizations such as Community Action Program agencies. The goal of such R&D partnerships is to bring the university's research and development efforts to bear on strengthening many aspects of the state's rural economy, among them food processing, wood products and the use of telecommunications technology.

VI. Emerging Maine Policy Framework: Strategic Directions

The Maine REI academy findings, coupled with the recommendations of the DECD-SBA task force, indicate clear directions for the state's policy makers to consider. These are:

1. Identify the characteristics and needs of the state's many kinds of entrepreneurs and develop approaches for working with them effectively on their turf;
2. Strengthen the state's technical assistance infrastructure;
3. Explicitly recognize entrepreneurship as a rural development tool;
4. Create and sustain a pervasive entrepreneurial culture in the state through education and training;
5. Promote networking as a strategy to support local entrepreneurs and assist service providers in their work;
6. Make available high-risk venture capital for rural enterprises.

(1) Identify the characteristics and needs of the state's many kinds of entrepreneurs and develop approaches for working with them effectively on their turf.

While there is an emerging picture of who the entrepreneurs are in the different regions of the state, there remain more questions than answers. First, we need to improve our understanding of the composition of Maine's entrepreneurial community (for example, by enterprise size, sector, stages of development, and ownership). Second, we must learn how our technical assistance services and programs can effectively serve all types of entrepreneurs. Such a mapping of entrepreneurs and their needs is particularly needed of businesses in the state's extremely rural rim counties. Having access to such a knowledge base could help ensure that technical assistance and financing resources match the different needs and opportunities of Maine's rural entrepreneurs. The Governor's FY 2002 budget should provide funds to support such an identification effort.

(2) Strengthen the state's technical assistance infrastructure.

While Maine has more than 80 business development services according to the DECD-SBDC task force, not all are specifically organized to serve the unique needs of the state's entrepreneurs. On the other hand, rural areas are limited in their capacity to access the state's TA infrastructure as it is presently configured. Immediate policy interventions in the form of mandates and/or incentives are necessary and they include the following:

- Strengthen current small business counseling and training programs by improving coordination of services, increasing outreach to small businesses, especially home-based ventures in rural places, and ensuring that they can gain access to and use technology.

- Conduct a comprehensive, statewide assessment of small business services and resources, identify gaps and areas where better linkages are needed and take steps to improve services accordingly.
- Target assistance efforts at the critical needs of Maine entrepreneurs: markets and marketing for existing products as well as value-added product research, development, marketing and commercialization.
- Put in place an aggressive statewide outreach program to inform and educate Maine's entrepreneurs about where to find services and resources and how to effectively use them.

(3) *Explicitly recognize entrepreneurship as a rural development tool.*

The State of Maine economic development strategy mentions "entrepreneurship" just once. There is a prevailing sense, therefore, that Maine as a whole, including state government and other statewide institutions, has not focused its attention explicitly on entrepreneurship. The establishment of a "Maine Entrepreneurship Commission" by the legislature would provide not only the recognition but also the policy levers needed to promote and support entrepreneurship, especially in rural areas. In the meantime the "DECD-SBA Task Force" should be formalized as a permanent forum for entrepreneurship policy education, advocacy and development, as well as program coordination among service providers.

- Gabrielle Melchionda started making all-natural personal care products as a hobby in 1991. Her hobby became a small business, Mad Gab's. In 1996, when Gab moved to Maine, she realized that the business had potential and that she needed advice. She approached Coastal Enterprises, Inc. (CEI) to learn about financing.

In 1997, Gab got a big order from QVC, the cable shopping channel. The initial order of \$22,000 nearly equaled the entire previous year's sales of \$24,000. To meet so large an order, Gab needed financing and CEI was there with a \$20,000 loan. Gab was able to purchase inventory, hire an employee and supply QVC with three large orders.

Since then, Gab has worked closely with CEI, receiving assistance in financial analysis and planning. With CEI support, she has also established an advisory board that meets quarterly to help her with the challenges and decisions that accompany growth.

Today, Mad Gab's is a profitable company with seven employees. It also provides income for sheltered workshops where developmentally challenged adults label products and construct displays. Sales for 1999 were \$175,000, a 700 percent increase over 1997, and they are projected to double this year!

(4) Create and sustain a pervasive entrepreneurial culture in the state through education and training.

There are personal and community barriers to entrepreneurial development. Education and training programs, including those under the new federal Workforce Investment Act, should dedicate increasing attention to helping aspiring entrepreneurs with enterprise startups and growth.

Maine must commit to a long-term strategy of expanding its pool of rural entrepreneurs by targeting concurrently three groups. First, young people need assistance to pursue their future in rural Maine through entrepreneurship. Both the public schools, through Maine Learning Results program and the state's higher education institutions, can give this goal a prominent place in their respective mission areas. Second, persons either returning or wishing to return to rural Maine should be identified and assisted. DECD and the state chambers of commerce must immediately consider strategies to move in that direction. Finally, startup and aspiring entrepreneurs should be identified and provided with a special program of outreach and TA services.

(5) Promote networking as a strategy to support local entrepreneurs and assist service providers in their work.

Helping individual entrepreneurs or groups of them (through associations and cooperatives) to become effective networkers is a cost-effective strategy. It is likely to yield immediate short-term results because it is an expeditious way to get entrepreneurs to use available development resources. Similarly, developing solid long-term program linkages between and among service provider organizations regionally will produce quick results as well. As an immediate policy goal, therefore, Maine should consider a program of incentives to support regional demonstrations of entrepreneurial and service provider networks or "collaboratives."

(6) Make available high-risk venture capital for rural enterprises.

Adequate capital must be made available across the entire risk continuum of enterprise development. In Maine, accessing capital is notably more challenging for beginning businesses, particularly those in the traditional sectors (e.g., natural resource based) and owned by entrepreneurial types that are currently under-served (i.e., women, low-income and minorities). Maine needs to put in place a highly visible, aggressive "capital awareness program" to broadly disseminate financing, lending information and services to the under-served. Also, leveraging both public and private sector funds, Maine should establish a "venture" or "near equity" fund to help finance traditional entrepreneurial enterprises in rural areas. Such funds can also help finance home grown commercialization ventures in natural resource-based sectors such as forest products and agriculture.

VII. Conclusion

Maine has the “right stuff” to create a healthy rural economy based on support for entrepreneurs. The result could help all communities and citizens thrive. Such an economy would be closely connected to the emerging new technologies as well as the traditional assets of the state’s rich natural resource base. Achieving these two essential connections calls for a comprehensive policy framework. That framework consists of good information about entrepreneurs, improved technical assistance, reliable networking, entrepreneurial education, encouragement for risk takers and access to capital.

This report has described such a framework based on ideas garnered from policy makers, service providers, educators and researchers as well as small business owners. To fully develop and implement such a framework requires that we identify specific steps, allocate state budget resources, and charge organizations with tasks to be carried out according to a realistic timetable. Developing such a plan is the business of legislators, non-profit organizations, educators and business people. We must continue this policy dialogue, build consensus and strengthen our commitment to the entrepreneurial concepts of collaboration and innovation.

- End -

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Appendix

- (1) Roster of July Rural Entrepreneurship Policy Academy Participants
- (2) Roster of September Rural Entrepreneurship Policy Academy II
Participants

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